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THE NORTHERN QUESTION

Italy's Participation
in the European Economic Community
and the Mezzogiorno's Underdevelopment

A Dissertation Presented

By

ADRIAN NICOLA CARELLO

Submitted to the Graduate School of the
University of Massachusetts in partial fulfillment
of the requirements for the degree of

DOCTOR OF PHILOSOPHY

May 1986

Political Science



Adrian Nicola Carello

1986

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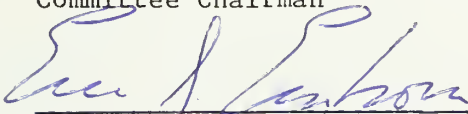
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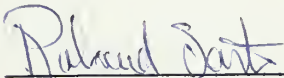
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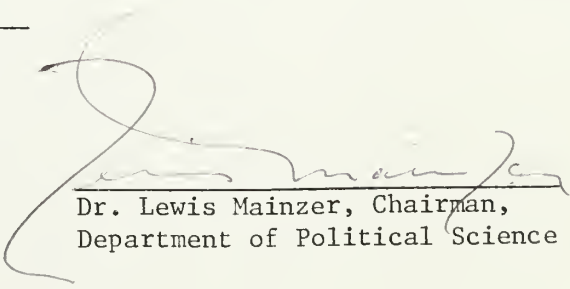
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DEDICA

Dedico questo libro
ai miei genitori
che mi hanno dato i mezzi
e mostrato la via
per completarlo
ed anche
agli Italiani del Sud
affinche' sappiano
che il sottosviluppo
del Mezzogiorno
non riflette
la loro immagine
bensì quella
della gente del Nord
sia d'origine italiana
che straniera.

ABSTRACT

The Northern Question

Italy's Participation
in the European Economic Community
and the Mezzogiorno's Underdevelopment

May 1986

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This dissertation attempts to explain underdevelopment by analyzing the underdevelopment of the economic system of Southern Italy, the Mezzogiorno, in the context of Italy's participation in the European Economic Community (EEC).

Underdevelopment is not opposed to development; it is a type of development. Underdevelopment is opposed to, and organically united with, its "other": positive, balanced development.

The distribution of power among political actors determines the consequences of the integration of their economic systems. The strong benefit at the expense of the weak and determine preponderantly their destiny. With regard to the development of integrating economic systems, the systems of the strong experience generally positive, balanced development at the expense of the weak; the former cause the latter to underdevelop.

The unification of Italy under the Kingdom of Sardinia transformed the organic development of capitalism in southern Italy, under way long before the country's unification, into the Mezzogiorno's underdevelopment. The Kingdom of Sardinia's ruling class became Italy's ruling class, identified its interests territorially with the economic system of northwestern Italy (most of which belonged to the Kingdom of Sardinia) and placed the Mezzogiorno in a subaltern position in the Italian economy.

The United States, hegemonic over Western Europe, attempts to maintain the international balance of power in part by giving political and economic predominance in the EEC to West Germany and France, Western Europe's two most important states in the strategic equilibrium between the United States and the Soviet Union. The predominance of West Germany and France in the EEC induces Italy's current ruling class, heir to the Kingdom of Sardinia's, to protect its traditional position of dominance and its interests by intensifying the Mezzogiorno's underdevelopment to the advantage and benefit of the economic system of northwestern Italy.

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PREFACE

This dissertation is the product of two personal experiences: years of study in the United States and a year and a half of research (from mid-1982 to the end of 1983) in Italy. Of these experiences, the latter was by far the more important because it made me aware of the inadequacy of the former. In the United States, Italy is poorly studied, misunderstood and misrepresented. Before attending Graduate School, what I was able to learn about Italy, I had to learn on my own outside formal academic confines and in a general environment of ignorance and, therefore, bias. While attending Graduate School, my study of Italy was based entirely on my personal initiative. Were it not for the cultured domestic environment created by my parents, I would have been unable to understand what the formal and informal systems of socialization and education in the United States intended me to learn about Italy, and why. Nor would have I had the means to profit from my sojourn in Italy.

I have debts of gratitude to the many people, perhaps too numerous to recall, let alone mention, who in various ways helped me to realize this work. Some of these people stand out in my mind for their contributions. My Dissertation Committee (Professors Gerard Braunthal and Eric S. Einhorn of the Department of Political Science and Roland Sarti of the Department of History, the University of Massachusetts at Amherst) provided me useful observations relative to the text and the opportunity to develop myself. Professors Eileen L. McDonagh, Suzanne Ogden and

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I take the opportunity to make the customary prefatory statement. The responsibility for this dissertation's defects rests quite rightly with me alone.

A.N.C.

INTRODUCTION

This dissertation attempts to explain underdevelopment by analyzing the underdevelopment of the economic system of Southern Italy, the Mezzogiorno, in the context of Italy's participation in the European Economic Community (EEC). The historical subjects of this dissertation are Italy's most powerful social groups and political organizations [e.g., Italy's industrial leadership, the Christian Democratic Party (DC), the Italian Communist Party (PCI)], the EEC's politically dominant member States (West Germany and France) and the United States (the superpower which has thus far exercised hegemony over the EEC). The theoretical subjects are the concepts of power, integration, political development and economic development.

The intellectual debate on underdevelopment has two traditional sides. The "orthodox" Marxist position (advanced, for example, by Geoffrey Kay) conceptualizes underdevelopment as a non-problem. Theories of underdevelopment (those, for example, of Paul Baran, Andre Gunder Frank, Immanuel Wallerstein, Arghiri Emmanuel and Samir Amin) distinguish between development and underdevelopment and ascribe the latter's causes either to monopoly exchange, production or pricing.

Thus far the debate has established "what underdevelopment is not" by eliminating the false answers to the questions posed about it: each side has pointed up the shortcomings of the other's arguments.

Although this may be a necessary and important contribution, the debate has not yet established "what underdevelopment is." The desire to understand underdevelopment inspired this work.

One of this study's central conceptual themes is that the development/underdevelopment dichotomy is false. Underdevelopment is not opposed to development; it is a type of development. Underdevelopment is opposed to, and organically united with, its "other": positive, balanced development.

This study makes an unorthodox and, it is hoped, an original and useful contribution to the study of underdevelopment in general and of the Mezzogiorno's underdevelopment in particular. Nonetheless, it owes much to the many works cited in the Notes to the Chapters and in the Selected Bibliography. The reader is left to deduce and to ponder the many differences and similarities between the ideas expressed in this work and the ideas expressed in others.

The analysis of the relationships between the historical and the theoretical subjects under study depends on a political theory, that is, an interpretative model of analysis which attempts to explain "why things are the way they are." Only a political theory based on the most rigorous elaboration of theoretical concepts placed in the fullest possible historical context has validity because only such a theory is capable of explaining realistically "why things are the way they are." In essence, history and political theory complement each other: history has no meaning without the interpretation provided by political theory and political theory has no validity outside the context provided by history.

The present analysis, and the political theory on which it is based, do not attempt to say everything about everything. They attempt instead to offer a realistic interpretation of history by integrating only the historical information and the theoretical concepts fundamental to the task of explaining "why things are the way they are." For this reason, the analysis and the theory can seem precipitate or overly schematic. In fact, they deal only with the sine qua non.

This is the dissertation's outline. Chapter One provides the dissertation's conceptual base. It contends that the distribution of power among political actors determines the consequences of the integration of their economic systems. The strong benefit at the expense of the weak and determine preponderantly their destiny. With regard to the development of integrating economic systems, the systems of the strong experience generally positive, balanced development at the expense of the weak; the former cause the latter to underdevelop.

Chapter Two is a digest of the two sets of juridical relationships which affect the Mezzogiorno in the context of Italy's participation in the EEC: the relationships between the Mezzogiorno and the rest of Italy and those between Italy and the EEC. These relationships neglect the question of the distribution of power among the political actors (e.g., Italy's subnational administrative regions, the Italian State and its agencies, the other EEC States, the EEC's institutions and agencies) which participate in them. Nonetheless, these political actors base many of their actions on the authority of these relationships. The remaining chapters of this study examine

the ways in which these relationships affect the Mezzogiorno by placing them in the context of the distribution of power among the political actors which participate in them.

Chapters Three and Four examine integrative processes from a historical perspective. Chapter Three examines the Mezzogiorno's integration in the Italian economy. It contends that the unification of Italy under the Kingdom of Sardinia transformed the organic development of capitalism in southern Italy, under way long before the country's unification, into the Mezzogiorno's underdevelopment. The Kingdom of Sardinia's ruling class became Italy's ruling class, identified its interests territorially with the economic system of northwestern Italy (most of which belonged to the Kingdom of Sardinia) and placed the Mezzogiorno in a subaltern position in the Italian economy.

Chapter Four examines the Italian economy's integration in the international economy through its participation in the EEC. It contends that the United States, hegemonic over Western Europe, attempts to maintain the international balance of power in part by giving political and economic predominance in the EEC to West Germany and France, Western Europe's two most important states in the strategic equilibrium between the United States and the Soviet Union. The predominance of West Germany and France in the EEC induces Italy's current ruling class, heir to the Kingdom of Sardinia's, to protect its traditional position of dominance and its interests by intensifying the Mezzogiorno's underdevelopment to the advantage and benefit of the economic system of northwestern Italy.

Chapters Five and Six examine integrative processes in the contemporary period from a functional perspective. Chapter Five examines the consequences of Italy's participation in the EEC for its economy. It contends that its participation in an EEC dominated politically by West Germany and France under American hegemony gives to its economy a subsidiary role in the upper ranks of the international division of labor. This role manifests itself most clearly in Italy's commercial exchange, in the exchange relationships between the Lira and other currencies, and in the movements of capital and labor.

Chapter Six examines the consequences of Italy's participation in the EEC for the Mezzogiorno. It contends that the participation of an Italy under its current ruling class in an EEC dominated by other states exacerbates the area's underdevelopment, more functional than ever, in economic terms, to the positive, balanced development of north-central Italy. The Mezzogiorno's underdevelopment manifests itself most clearly in its "economic development without employment," anomalous urbanization, anomalous consumerism, hypertertiarization, emigration and in the existence of the entrepreneurial mafia and the mafia model of capitalist accumulation.

Four concepts inform the present analysis and the political theory on which it is based. First, political actors are self-interested. Second, power and self-interest are at the base of politics. Third, political and economic development cannot be understood outside the context of the distribution of power among political actors. Last, in politics, it never pays to be weak. The present analysis, and the

theory on which it is based, contend that History shows these concepts to be fundamental truths.

C H A P T E R I

THE ANALYTICAL FRAMEWORK

The Mezzogiorno, Italy and the EEC

This dissertation analyzes the consequences of Italy's participation in the European Economic Community (EEC) for the Mezzogiorno. The subject concerns the collective and authoritative decisions which affect the production and distribution of goods and services across sovereign boundaries and is, therefore, a study in international political economy. In analytical terms, the subject concerns the consequences of the political and economic relationships established between sovereign and non-sovereign political actors for the functioning of the economic system of a subnational socioeconomic area and is, therefore, a case-study in international integration.

The consequences of Italy's participation in the EEC for the Mezzogiorno derive from the political and economic relationships established between five types of political actors: sovereign nation-states, principally Italy, France, West Germany and the United States; Italy's social groups and political organizations (e.g., social classes and political parties); an intergovernmental organization (IGO), the EEC; multinational corporations (MNCs); and the governments of subnational administrative regions, principally those of the regions

which are part of the Mezzogiorno, but also those of regions in other parts of Italy and the EEC. These relationships are established within, and are mediated by, concentric power structures, and bring into contact economic systems which have different levels of overall economic development, together with political actors which have different amounts of power. This chapter elaborates the framework of politico-economic analysis which is the conceptual base of this case-study.

Interdependence, Power and Political Development

Political and economic relationships, like all relationships, create interdependence among political actors. These relationships are like bridges, in that they serve as channels of contact. Through their relationships, political actors are interdependent, in that a decision made by one actor creates repercussions in the others. Interdependence can therefore be defined as mutual or reciprocal dependence, vulnerability and sensitivity.¹

Among political actors, interdependence, although reciprocal, is not symmetrical because power is not distributed equally. The overall repercussions of a decision made by one political actor can be lesser or greater than the overall repercussions of a decision made by another. For this reason, political actors are not equally interdependent.

A political actor is any entity which attempts to determine the consequences of its relationships with other entities by exercising power. Power is a political actor's ability to determine the

consequences of relationships with other political actors.² The more powerful political actor is the one more able than another to determine the consequences of their relationships.

A political actor's power is a function of the quantity and quality of the means available to that actor. These means can be called "the elements of power."³ It is perhaps impossible to make a definitive list of these elements, and almost certainly impossible to create a "formula of power" that may give scientific expression to the conceptualization of all their possible combinations. Nonetheless, some elements of power can at least be identified: manpower, geographical location, natural resources, military capability, social cohesion, national psychology, an economic system's level of development and technical proficiency, political institutions, and a political actor's level of political (i.e., organizational) development.

No single element of power is most important at all times and under all circumstances. In general terms, however, political or organizational development is the most important element of power because organization creates power: through organization the potential value of a means, or group of means, becomes realizable in practice. A political actor's level of political development determines the efficacy with which the political actor utilizes the means at its disposal. In short, the better organized a political actor is, the better able it is to act on the world.

Some political actors are more powerful than others for three reasons. First, a political actor can possess more elements of power

than another. A MNC, for example, has a labor force and a certain level of technical proficiency, but does not have an army. An IGO has a labor force and political institutions, but no social cohesion. Second, some political actors possess elements of power qualitatively superior to similar elements possessed by others. Some MNCs are more technically proficient than others. Some nation-states are militarily stronger than others or more resolved to achieve the goals of a certain policy. Last, some political actors are better organized politically, that is, more developed politically, than others. The actors more developed politically can utilize better the means at their disposal and, for this reason, can more effectively determine the consequences of their relationships with other, potentially stronger political actors.

The Sovereign Nation-State

The nation-state is the most powerful type of political actor. First, it can possess, at least potentially, more "elements of power" than any other type of political actor. Second, and much more important, it is the only type of political actor endowed with sovereignty, the political myth, fundamental to Statehood, defined as "the highest decision-making authority."⁴ Nation-states are certainly not all-powerful, but there is no political authority recognized superior to that of the nation-state. For this reason, it is the first-order political actor.

The authority bestowed by sovereignty is the nation-state's most important element of power. Through the political use of sovereignty, the nation-state can organize social consensus by creating the socio-political identity of its citizens and by mobilizing their allegiance. The organized consent of society permits the nation-state to make the most effective use of the means at its disposal by realizing a greater degree of political development than any other type of political actor.

Political Power and Self-Interest

The relationships between political actors can be formal or informal, direct or indirect, intentional or unintentional, hostile or friendly, and can take many forms: diplomatic, cultural, political, economic and military. The consequences of these relationships can be positive or negative for the political actors involved.

Politics can be defined as the use of power in the pursuit of self-interest. Political actors are self-interested, in that they want to maximize the positive consequences of their relationships with other political actors, and to minimize the negative consequences. For this reason, political actors want to acquire and maintain as much power as possible. The distribution of power among political actors reflects the distribution of the ability to determine consequences. In general, barring mistakes and bad fortune,

the distribution of the ability to determine consequences reflects the distribution of positive and negative consequences.

Economic Systems, Economic Development and Economic Growth

An economic system is the complex of relationships established between the various units which produce and distribute goods and services in a geographical area characterized by a level of overall economic development, and by a type of spatial development.⁵ An economic system disposes of human and non-human productive resources called the means of production (or the forces of production, or the factors of production) generally classified into four groups: land, labor, capital and entrepreneurship.⁶ The means of production are interdependent, in that the way in which they are politically organized establishes the relationships between them, and determines how they are utilized.

The political organization of the means of production serves five purposes regarding the functioning of an economic system: first, it determines the way in which an economic system functions, by keeping stable and recurring over time the relationships between the means of production; second, it controls the accumulation of capital, that is, it determines how capital is accumulated, and from what sources; third, it controls economic production, that is, it determines what type of production takes place, and where the productive facilities are located; fourth, it controls economic distribution,

that is, it determines where the economic product is sent, so that it may be consumed or used; and, last, it controls economic consumption, that is, it determines who has greater access to the available economic product.

The political organization of the means of production is determined by the political and economic relationships established between the political actors capable of affecting the production and distribution of goods and services in one or more economic systems. A given economic system functions according to the given political organization of the means of production, unless and until a political or economic action modifies or changes that political organization. Such an action takes the form of any event which results in the greater or lesser ability of a political actor, in its relationships with other actors, to determine the consequences of economic relationships which concern the accumulation of capital, capital flows, the utilization of technology, trade, economic growth rates, and monetary and fiscal policies.⁷ A political actor's ability results, economically, from the level of overall development of the economic system, or systems, under its political jurisdiction and, politically, from the actor's level of political development.

Economic systems can be compared according to the following criteria: the technique of production and distribution, the degree of rationalization of economic enterprises, and the amount of income per earner.⁸ The comparison results in the determination of the relative level of overall development of the economic systems. (All

economic systems are internally heterogeneous, in that all units of production and distribution are not qualitatively similar. This results from the fact that the political organization of the means of production, and the mobility of capital and labor, are not perfect. For this reason, economic systems are not perfectly uniform with regard to their levels of development, and are characterized by levels of overall development.)

The concept of economic development refers to the level of labor productivity of an economic system. Economic development can be defined as the evolutionary process of change of the political organization of the means of production which results in the greater productivity of an economic system.⁹ The more developed economic system is the one whose political organization of the means of production allows the production of goods, which are more remunerative, through a more rational and more productive use of the means of production. The more developed economic system, then, is the one which can accumulate, utilize and create capital more productively, more efficiently, and in greater quantity than the other. For this reason, the more developed economic system is the more powerful.

The development of an economic system can result either from the direct introduction of technological innovation to the means of production or from growth. On the one hand, technological innovation, which can be introduced by sources internal or external to an economic system, can cause development by increasing the productivity of the means of production. On the other hand, growth can lead to economic

development by creating a surplus of investment capital, that is, a greater margin of profit not absorbed by current consumption. If entrepreneurs use this surplus investment capital to change the political organization of the means of production in a way which results in greater productivity (for example, through the development of technological innovation), then growth will have led to economic development.

Economic growth can be defined as an increase in production or as a rise in real income within the context of a given political organization of the means of production. Growth per se is not development, because growth does not constitute per se a change in the political organization of the means of production, nor does growth constitute per se an increase in the labor productivity of an economic system. The concept of economic development can be said not only to include the concept of growth, but to transcend it. The greater productivity which characterizes development results not only in an increase in the real income produced by an economic system (as does growth), but in an increase in the real income produced per productive unit as well. This is what distinguishes economic development from economic growth.¹⁰

The Inducement of Economic Growth

Economic growth, which makes available a greater amount of investment capital, is itself caused by greater investment in an economic system. The greater investment can result from six possible inducements.

Four of these inducements are internal to the economic system, while the other two are external to it.¹¹

Barring extra-economic intervention in the economic process (or an externally induced increase in internal demand, or, as has been said, greater productivity due to the introduction of technological innovation), internally induced growth can result from only one source: an increase in the saving of real income (that is, the quantity of goods and services produced by an economic system, and made available to be purchased or utilized with money income). An increase in the portion of real income saved (and, therefore, not consumed) makes more capital available for investment.

The only other way in which economic growth can be internally induced is through an increase in internal demand. The increase in internal demand stimulates an expansion of production, which, in turn, stimulates further investment. However, internal demand cannot increase without there first being an increase in productivity, excepting, again, extra-economic intervention in the economic process, or external inducement. (With regard to external inducement, the introduction of external capital into an economic system can cause an increase in internal demand by causing an increase in pro capite real income.) With regard to extra-economic intervention in the economic process, economic growth can be internally induced in three ways: by means of monetary policy (an increase in the money supply), protectionism (the establishment of government-imposed tariffs, quotas, or restrictions designed to limit or eliminate imports), or fiscal

policy (government taxing and spending designed to put production and employment at desired levels).

An increase in the money supply puts more money in circulation. This stimulates consumption, which, in turn, causes an increase in internal demand. It should be noted, however, that an increase in the money supply aimed at causing economic growth is counterproductive if the growth rate of the money supply exceeds the growth rate of the economic system. This situation results not only in growth, but also in inflation.

Protectionism gives an artificial competitive advantage to internally produced goods. This results in an increase in internal demand. It should be noted, however, that protectionism has positive and negative aspects. On the positive side, protectionism can shield internal producers from the economic pressure of superior external competition that would drive them out of business (and thus create unemployment) in an environment of less restricted competition. On the negative side, protectionism can shield internal producers from the economic pressure to face external competition at all. Although protectionism may shield employment, protectionism can also replace the incentive for an increase in productivity (that is, development) with the incentive for waste, inefficiency, and unnecessarily high production costs (in purely economic terms).

Fiscal policy is the instrument by which a government attempts to put economic production and employment at desired levels by regulating the supply and demand of capital for investment and of goods

and services for consumption, through the use of the powers of taxation and spending. Fiscal policy can be an effective instrument by which a government increases internal demand. However, the conflicting and contradictory economic and socio-political goals of government policy often make this task difficult and complicated. Excessive or insufficient production or consumption creates problems which affect economic performance, and have socio-political repercussions.

Externally induced growth can result from an increase in external demand, or from the introduction of external capital. In the first case, an increase in external demand for the system's product stimulates an expansion of production, which, in turn, stimulates further investment. In the second case, the introduction of external capital, which takes the form of direct or portfolio investments, obviously causes growth, since this capital is invested in the economic system. (As has been said, the introduction of external capital can also cause an increase in internal demand by causing an increase in pro-capite real income.)

Integration, Economic Power and Practicable Power

Integration can be defined as the process which results in political and economic interdependence between two or more economic systems.¹² Economic systems are integrated with others according to the relationships established between these systems by the political actors which manage or influence them. Integration results in the

modification or change of the preexisting political and economic relationships between the integrating economic systems and with others. Integrating systems, according to the degree of integration, are more interdependent among themselves than with others.

Integration creates a greater economic system, that is, a system of economic systems. It politically reorganizes their means of production by redistributing power among the political actors which manage and influence them. Economic power, sanctioned by practicable political power, determines the functioning of the greater economic system, unless and until a political intervention modifies the political organization of its means of production.¹³

The way in which integration redistributes power among the political actors which manage and influence the various, integrating economic systems determines each actor's autonomy and each economic system's function in the greater economic system. The distribution of power determines each actor's ability to formulate and implement economic policy. This establishes to whose benefit the decisions are taken which determine the accumulation of capital, and the production, distribution and consumption of goods and services, in the greater economic system and, therefore, in each integrating economic system.

Market Policy Integration and The Integration of Political Authority

There are two categories of integration: market policy integration and the integration of political authority.¹⁴ Market policy

integration politically reorganizes the means of production of the various, integrating economic systems, in that it reorganizes their markets (that is, their geographic areas of demand for commodities). It also reorganizes the autonomy of the political actors which manage or influence these systems, by creating a greater mobility of commerce, capital or labor between the integrating systems.

There are two sub-categories of market policy integration. Non-institutionalized market policy integration refers to the establishment of trade agreements, or capital or labor mobility agreements, between the competent political authorities, with regard to their respective economic systems. Institutionalized market policy integration refers to the establishment of institutionalized limitations on the autonomy of political actors with regard to their ability to formulate and implement economic policy.

The integration of political authority reorganizes the means of production of the integrating economic systems, in that it centralizes the authority which contributes to the determination of the way in which these systems function, by transferring this authority to new or different institutions superior, in terms of political legitimacy, to those formerly supreme. The integration of political authority is qualitatively superior to market policy integration because the first transcends the second by unifying the market policy authority of the various, integrating economic systems. The integration of political authority results in the creation of a single political locus where the most authoritative decisions are taken which affect these economic systems.

Authority and Power

Integration does not guarantee per se that the decisions taken by the authoritative political institutions will be preponderant in the determination of the political organization of the means of production of the integrating economic systems. Such a preponderance results more from the distribution of power than from the distribution of authority among the political actors capable of affecting the performance of one or more economic systems.

The relationship between authority and power is the relationship between legitimacy and ability. The concept of authority refers to the right of a political actor to determine the consequences of its relationships with other actors, but does not refer to the ability of that actor to exercise its right. The concept of power refers to the ability of a political actor to determine the consequences of its relationships with other actors, but does not refer to the legitimacy of that actor's ability. Authority and power can accompany each other, but it is not necessary that they do. A political actor can have much authority but little power, or little authority but much power.

Balanced and Unbalanced Integration, Positive Development and Underdevelopment, Dependence and Center-Periphery Relations

There are balanced and unbalanced types of integration which affect political and economic interdependence within a greater economic

system. Therefore, they affect the type of development and function of the integrating economic systems and the political actors which manage and influence them.

Balanced integration refers to a balanced redistribution, among the political actors and economic systems involved, of the practicable power and the economic power which determines the political organization of the means of production of the greater economic system. Such a redistribution of power results in balanced political and economic interdependence within the greater system and, therefore, in its balanced or positive development. The political actors and economic systems involved participate equally in determining the political organization of the means of production of the greater system.

As to the various, integrating economic systems, in the case of balanced integration, all experience balanced or positive development. The political actors involved have the power to determine preponderantly the use of the real income produced by the economic systems under their jurisdiction, or to determine equally the use of the real income produced by the greater economic system, by formulating and implementing policies which affect the accumulation of investment capital, the productivity of investments, the spatial distribution of productive facilities, and the composition of demand. The development of an economic system can only be balanced if a part of its real income is saved for productive reinvestment and if another part is consumed in a way which increases the demand for a wide range of internally produced goods and services. In such a case, a growth in

real income results not in a mere increase in demand, but in a diversification of demand which stimulates the diversification of internal production.

The diversification of demand is a fundamental prerequisite of balanced or positive development because it stimulates the diversification of internal production by ensuring that none of the productive potential of an economic system may remain unutilized. The diversification of internal production ensures that further increases in productivity may not be limited, as in the case of underdevelopment (described below), to a few sectors of the economic system, but may extend to most or all of them. In fact, this diversification creates its own diversified, subsequent demand because it addresses itself to the wide range of needs and preferences of consumers.¹⁵

Unbalanced integration refers to an unbalanced redistribution, among the political actors and economic systems involved, of the practicable power and the economic power which determines the political organization of the means of production of the greater economic system. This unbalanced redistribution of power results in unbalanced political and economic interdependence within the greater system because the decisions of the dominant actors involved contribute more to the determination of the political organization of the means of production of the greater system than the decisions of the subaltern actors. For this reason, the dominant actors are at the political center of the greater system, while the subaltern political actors are at its peripheries. The unbalanced development of the greater

economic system results in the balanced development of the integrating economic systems under the jurisdiction of the dominant political actors, and in the greater productivity, without the greater diversification of internal production, that is, the unbalanced or negative development, of the integrating economic systems under the jurisdiction of the subaltern political actors. This last type of development can also be defined as underdevelopment.¹⁶ (Obviously, it makes no sense to consider the unbalanced development of the greater economic system to be equivalent to underdevelopment. The former refers to the coexistence of balanced development and underdevelopment within the greater system, while the latter refers to the type of development of the politically subaltern integrating economic systems.)

As to the various, integrating economic systems, in the case of unbalanced integration, the dominant political actors determine the use of the real income produced by all the integrating systems. The systems under the jurisdiction of the dominant political actors become economically dominant or central, and experience balanced development, while the integrating systems under the jurisdiction of the subaltern political actors become economically subaltern or peripheral, and experience underdevelopment. Underdevelopment can also be defined as dependent development, because the development of the peripheral economic systems depends preponderantly on the decisions taken by political actors outside the confines of these systems. The dominant political actors determine how the peripheral systems are joined to the central systems: they determine the political organization of the

means of production of the peripheral systems, and the functions of these systems in the greater system, by taking decisions which affect the accumulation of capital, the productivity of investments, the spatial distribution of productive facilities, and the composition of demand within the peripheral systems.¹⁷

The productive capacity of the peripheral systems is oriented more toward the needs of the dominant, external actors than toward the needs of the internal population. An insufficient part of the real income produced by these systems is saved for internal reinvestment, and that part which is saved is often not reinvested as productively as possible, while an excessive part is consumed in a way which does not increase the demand for a wide range of internally produced goods and services. Under these circumstances, a growth in real income produced by peripheral economic systems results in an excess of unproductive internal investments. It results equally in an increase in demand which does not stimulate the diversification of internal production, but which stimulates the excessive consumption of imports, and which limits increases in productivity to export-oriented sectors of the economic system.

Underdevelopment is the type of development experienced by economic systems which occupy positions of political, and, therefore, economic subordination within a greater economic system. Underdevelopment is not a non-problematic stage of development through which peripheral economic systems must pass in order to obtain the type of development realized by central systems, whose systematic, and presumably beneficent,

exploitation would ultimately create the periphery in the center's image. Nor is underdevelopment an inevitable and perpetual condition of inferiority to which peripheral systems are relegated as a consequence of their contact with central systems, whose systematic, and often nefarious, exploitation would seem to condemn the periphery to external subordination.¹⁸ Instead, underdevelopment is a consequence of a power imbalance among political actors, and reflects the inability of subaltern actors to determine the consequences of the political and economic relationships established by dominant actors.¹⁹ The economic systems under the jurisdiction of subaltern actors will experience underdevelopment unless and until these actors acquire sufficient political autonomy to be able to determine the political organization of the means of production of, and the use of the real income produced by, their systems.²⁰

Power Structures

Political and economic relationships, like all relationships, are effective only if they are stable and recurring over time. This stability and recurrence depends upon the stability of the power structures within which they are established.

A power structure is a systemic distribution of power which mediates the relationships established between actors by organizing them according to "the rules of the game."²¹ These "rules," which are particular to all types of power structures, have the common

function of determining how actors can acquire, maintain and exercise power, how conflicts between them are resolved, and how cooperation among them is established. Those actors who perceive the rules to be in their best interest, or who benefit from them, favor the rules, readily accept them, and attempt to apply or enforce them, while those actors who perceive the rules to be against their best interest, or who suffer because of them, reject the rules, grudgingly comply with them, or attempt to change or evade them, or attempt to apply them in a beneficial way. The resignation of actors harmed by the rules results in the stability of a power structure and the relationships established within it, while the lack of resignation of these actors results in the instability of a power structure.

The political actors under study establish political and economic relationships within three types of concentric power structures, whose focal point, in the context of this study, is the Mezzogiorno. First, the international system is the global power structure characterized by anarchy, that is, the absence of a socio-political community whose institutions have the authority to make decisions which determine the consequences of the relationships established between the actors within the system. The international system mediates the relationships established between international actors, which include nation-states, IGOs, MNCs, terrorist groups and ethnic lobbies. It provides an environment of pure power relationships, in which "he who can, does." Second, an IGO is both a power structure and a non-sovereign political actor no greater than the sum of its parts, in that its non-sovereign authority

derives from the volition of the sovereign nation-states which contract to participate in it. The institutions and policies of the EEC mediate many of the political and economic relationships established between the Italian State and other international actors. Last, the nation-state is both a power structure and the sovereign political actor. The Italian State mediates all the political and economic relationships established between the sub-national administrative regions which are part of the Mezzogiorno and all other political actors.

Summary

Integration creates political and economic interdependence between two or more economic systems. It reorganizes their means of production according to the distribution of the economic power of the integrating systems and the practicable political power of the political actors who manage and influence them.

A balanced distribution of power among the integrating economic systems and the political actors which manage and influence them results in the positive, balanced development of the integrating economic systems. In this situation, all the political actors have an equal ability to determine the political organization of the means of production of these systems.

An unbalanced distribution of power among the integrating economic systems and the political actors which manage and influence them results in the positive, balanced development of the economic systems of the

politically dominant actors. It results equally in the underdevelopment of the economic systems of the politically subaltern actors. Under these circumstances, the politically dominant actors have a greater ability to determine the political organization of the means of production of the integrating economic systems. These actors use their greater power to organize to their advantage and benefit the means of production of the integrating economic systems. The politically subaltern actors, for as long as they remain subaltern, must accept the consequences.

The international system, the EEC and the Italian State are the power structures which mediate the political and economic relationships established between the Mezzogiorno and the rest of the world. The consequences of Italy's participation in the EEC for the Mezzogiorno derive from the area's integration in the Italian economy which, in turn, is integrated in the international economy through the country's participation in the EEC. For this reason, it is necessary to examine the political and economic relationships established between the Mezzogiorno and the rest of Italy and between Italy and the EEC in order to understand the consequences of Italy's participation in the EEC for the Mezzogiorno.

NOTES TO CHAPTER ONE

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⁴Some observations about sovereignty are offered by Robert L. Cord, James A. Medeiros, and Walter S. Jones, Political Science: An Introduction, New York: Appleton-Century-Crofts, 1974, pp. 512-514; Kenneth N. Waltz, Theory of International Politics, Reading, MA: Addison-Wesley Publishing Company, 1979, pp. 95-96; Steven Rosen and Walter S. Jones, The Logic of International Relations, Cambridge, MA: Winthrop Publishers, Inc., 1974, pp. 375-376; and Benedetto Croce, Politics and Morals [Etica e politica. Published originally in Italian.], New York: Philosophical Library, 1945, pp. 16-17.

⁵Other definitions of an economic system are found, for example, in Milton H. Spencer, Contemporary Economics, New York: Worth Publishers, Inc., 1971, p. 3; and Anthony A. Brewer, Marxist Theories of Imperialism: A Critical Survey, London: Routledge and Kegan Paul, 1980, p. 168.

⁶See Milton H. Spencer, Contemporary Economics, cit., p. 18.

⁷See Marina von Neumann Whitman, "International and Interregional Payments Adjustment: A Synthetic View," in Princeton Studies in International Finance, Number 19, Princeton, NJ: Princeton University, Department of Economics, International Finance Section, 1967.

⁸See George H. Hildebrand, Growth and Structure in the Economy of Modern Italy, Cambridge, MA: Harvard University Press, 1965, pp. 255-256.

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¹⁰The concepts of economic growth and economic development are differentiated by Celso Furtado, Teorie dello sviluppo economico, cit., pp. 100-101.

¹¹Many observations about the inducement of economic growth are found in Ragnar Nurkse, La formazione del capitale nei paesi sottosviluppati [Capital Formation in Underdeveloped Countries. Published originally in English.], Torino: Giulio Einaudi, 1965; and Celso Furtado, Teorie dello sviluppo economico, cit.

¹²Other definitions of integration are found, for example, in Peter Robson, The Economics of International Integration, London: George Allen and Unwin, 1980; and John Pinder, "Positive and Negative Integration: Some Problems of Economic Union in the EEC" in The World Today, March 1968, pp. 88-110.

¹³For a profound discussion of the theoretical implications of this statement, see the excellent work by Chantal Mouffe, editor, Gramsci and Marxist Theory, London: Routledge and Kegan Paul, 1979.

¹⁴Different categories of integration are found in Stuart Holland, Le regioni e lo sviluppo economico europeo [The Regions and European Economic Development], Bari: Laterza, 1977; John Pinder, "Positive and Negative Integration: Some Problems of Economic Union in the EEC," cit.; Jacques Pelkmans, "Economic Theories of Integration Revisited" in Journal of Common Market Studies, Volume 18, Number 4, June 1980, pp. 333-354; and Ali Mohammed El-Agraa, editor, The Economics of the European Community, New York: St. Martin's Press, 1980. Especially interesting is Pelkman's argument that, strictly speaking, a common market cannot exist.

¹⁵Many observations about the diversification of demand and the diversification of internal production are found in Ragnar Nurkse, La formazione del capitale nei paesi sottosviluppati, cit.; and Celso Furtado, Teorie dello sviluppo economico, cit.

¹⁶ Other definitions of underdevelopment are found, for example, in Antonio Mutti and Irene Poli, Sottosviluppo e meridione [Underdevelopment and the Italian South], Milano: Mazzotta, 1975; Lucio Libertini, Integrazione capitalistica e sottosviluppo: i nuovi termini della questione meridionale [Capitalistic Integration and Underdevelopment: The New Terms of the Southern Question], Bari: Laterza, 1968; Luciano Ferrari Bravo and Alessandro Serafini, Stato e sottosviluppo: il caso del Mezzogiorno italiano, cit.; Fernando Enrique Cardoso and Enzo Faletto, Dependence and Development in Latin America, cit., and Celso Furtado, Teorie dello sviluppo economico, cit.

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¹⁸ The idea that underdevelopment results from insufficient capitalistic exploitation is advanced, for example, by Geoffrey Kay, Sviluppo e sottosviluppo: un'analisi marxista [Development and Underdevelopment: A Marxist Analysis. Published originally in English.], Milano: Feltrinelli, 1976.

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²⁰ See Paolo Sylos Labini, Il sottosviluppo e l'economia contemporanea [Underdevelopment and the Contemporary Economy], Bari: Laterza, 1983, p. 42.

²¹ An excellent synthesis of ideas about power structures is found in James E. Dougherty and Robert L. Pfaltzgraff, Jr., Contending Theories of International Relations: A Comprehensive Survey, New York: Harper and Row, 1981, especially in Chapter 4; important also is Kenneth N. Waltz, Theory of International Politics, cit.

C H A P T E R I I

THE MEZZOGIORNO, ITALY AND THE EEC: THE JURIDICAL RELATIONSHIPS

Premise

This chapter is a digest of the juridical relationships established between the political actors under study. Emphasis is placed on those relationships which affect the Mezzogiorno. Such a digest serves two purposes. First, it exposes the structure of authority within which the various, integrating economic systems function, and through which the political actors under study exercise their power to determine the organization of the means of production of the economic systems under their jurisdiction and of the other integrating economic systems. Second, it exposes their professed political and economic objectives as well as the means by which they attempt to realize them and upon which they have bestowed juridical legitimacy. The historical record provides the opportunity to determine whether or not the political actors' means and professed goals correspond effectively in reality.

Italy's Regional Institutions of Government

Article 114 of Italy's Republican Constitution of 1948 recognizes explicitly the existence of subnational administrative regions.¹ The

Constitution names 19 regions, but currently there are 20, because the Abruzzo and Molise territories, which used to form a single region, were separated administratively on 27 December 1963. Each region has a unicameral legislature, the Regional Council, which sits for a five-year term, and which elects, from among its members, both an executive committee, called the Regional Giunta, and a Regional President.

The Constitution distinguishes between ordinary and special regions which have greater legislative autonomy. There are 15 ordinary regions: Abruzzo, Basilicata (known also as Lucania), Calabria, Campania, Emilia-Romagna, Lazio, Liguria, Lombardia, Marche, Molise, Piemonte, Puglia, Toscana, Umbria and Veneto. The five remaining regions are special because their historical relationships with the Italian State reflect an awareness of regional identity which manifests itself in a strong desire for regional political autonomy. This awareness of regional identity results from the particular linguistic and cultural conditions which prevail in Friuli-Venezia Giulia (with its Slav minority), Trentino-Alto Adige (with its Austro-German minority) and Valle d'Aosta (with its French minority), and from the particular political and cultural conditions which prevail in Sardegna and Sicilia.

An ordinary region has legislative authority which is both complementary and integrative, with respect to the legislative authority of the Italian Parliament. Complementary legislative authority refers to a region's authority to legislate, in its areas of competence, only within the confines of the laws of the State, that is, the laws enacted by Parliament. Integrative legislative authority refers to

a region's authority to adapt the laws of the State to specific regional conditions and needs, according to the norms of procedure established by Parliament. According to Article 117 of the Constitution, the competencies of an ordinary region are: agriculture and forestry, artisans, building and maintenance of aqueducts and regional public works, educational assistance, professional schools and trade schools, election districts, fairs and markets, fishing in inland waters, harbors and navigation on lakes, hunting, local libraries and museums, mineral and thermal waters, problems of urbanization, public welfare, health and hospitals, quarries and peatbogs, street-cars and regional buslines, tourism and the hotel industry, and urban and rural police.

A special region has greater legislative autonomy than an ordinary region in that its legislative authority is not only complementary and integrative, with respect to the legislative authority of the Parliament, but supreme and exclusive in the following areas of competence specified in the Constitution: agriculture and forestry, artisanship, civic customs, communal boundaries, hunting and fishing, local and regional roads, public works, regional fairs and markets, regional libraries and museums, tourism, and town planning. Moreover, in contrast to the ordinary regions, the special regions have complementary legislative authority in the following areas of competence: commerce, expropriation, fire protection, industry, labor relations, land reclamation, local and regional banking, mines, public housing, and social insurance. Last, unlike the president of an ordinary

region, the president of a special region can plead his region's case before the State Cabinet, the Council of Ministers, when it discusses matters which affect the region's interests. However, the president of a special region cannot participate in the vote of the Council.

The Parliament established the governments of Sardegna, Sicilia, Trentino-Alto Adige and Valle d'Aosta on 26 February 1948, and that of Friuli-Venezia Giulia on 31 January 1963, and transferred to them their competencies on these dates. The Parliament established the governments of the ordinary regions on 5 June 1970, shared with these governments their competencies on 1 April 1972, and transferred to these regions their competencies by enacting Law n. 382, passed on 22 July 1975, and put into effect by the decree of 24 July 1976. All the regions seem to have successfully appropriated the competence for regional planning, because the Constitution is silent in this regard, and the Parliament seems to have given the regions its tacit approval. Moreover, all the regions have the authority to submit to the Parliament legislative proposals which concern regional interests outside regional legislative competence.

Although all the regions may now legally possess their competencies, the regions still lack the fiscal autonomy, and, therefore, the economic authority and control commensurate with their political responsibilities. According to Article 119 of the Constitution, the regions can have as much fiscal autonomy as the State desires. The Regional Finance Act (Law n. 281 of 16 May 1970) supplements the resources of a common regional fund, which is part of the State budget,

with regional taxes on public land and property, on rents on public property, on road traffic and on regional concessions, and with quotas for the regions of the revenue raised in the regions from State taxes on petroleum products, alcohol, sugar and tobacco. Since 1970, only an average 17 percent of regional revenues result from the regional taxes and from the regional quotas on State taxes, while an average 83 percent result from the allocation of monies from the State's common regional fund. Moreover, the regions have no authority to regulate interregional commerce.

The regions have substituted the prefecture as the principal mediator of the relationships established between the Italian State and local institutions of government, its 8,086 communes organized into 95 provinces. Prior to 1972, the local institutions were under the control of the prefect, whose duty, as the State's principal agent in each province, was to insure that the political behavior of the local institutions of government might be consonant with the political volition of the State. The legality of all communal decisions and acts, the legality and merit of all local government contracts, and the probity and regularity of communal operations were subject to the prefect's scrutiny and sanction. Since 1972, the supervision of the local institutions has largely become the competence of each region's Control Commission on the Acts of the Provinces and the Communes. However, the prefect can still recommend the dissolution of communal or provincial administrations to the President of the Republic, who has the prerogative to accept or reject the prefect's recommendations.

In any case, the autonomy of the local institutions remains insignificant. The legislative autonomy of the communes and provinces is extremely limited, confined to some areas of record keeping, road construction, environmental conservation, and public health, assistance and protection. The fiscal autonomy of the communes is equally limited, confined to the revenues provided by family and excise taxes, and minor surtaxes; the fiscal autonomy of the provinces is non-existent, since the provinces are wholly dependent upon the State Treasury.

The State supervises the regional institutions of government by assigning to each region a Control Commission, composed of seven members appointed by the President of the Republic upon the recommendation of the President of the Council of Ministers (i.e., the Prime Minister) and the Minister of the Interior. An ex officio Government Commissioner, who resides in the regional capital, presides over the Commission, which must include a Tax Court judge, and five professional administrators. The Regional Control Commissions were established in April 1972. The Government Commissioners alone supervised the regions between June 1970 and April 1972.

The Control Commission reviews all regional legislative and administrative acts, and can annul those which it judges outside regional competence, or against the interests of the State or the other regions. Regional acts not annulled within 20 days of their presentation to the Control Commission go into effect, while those annulled are returned to the Regional Council by the Government

Commissioner. If an annulled act is re-enacted by an absolute majority of the Regional Council, and annulled again by the Control Commission, the act is submitted to the Constitutional Court, which decides questions of legality, or to the Parliament, which decides questions of merit. Last, the President of the Republic can decree the dissolution of a Regional Council under the following circumstances, specified in Article 126 of the Constitution: if a Regional Council commits unconstitutional acts or grave violations of the law; if a Regional Council cannot perform its duties; or for reasons of national security.

The European Economic Community

The European Economic Community (EEC) is a non-sovereign intergovernmental organization (IGO) founded upon the Treaty of Rome of 25 March 1957. The Treaty entered into effect on 1 January 1958 with six adherents: Belgium, France, Italy, Luxembourg, the Netherlands and West Germany. On 1 January 1973, Denmark, the United Kingdom and Ireland joined the EEC, as did Greece on 1 January 1981, and as did Portugal and Spain on 1 January 1986. Greenland, a Danish region, seceded from the EEC on 1 February 1985.

The Treaty of Rome establishes political and economic relationships of institutionalized market policy integration between the adhering nation-states. According to Article 2, the EEC's objective is to promote the continuous, balanced, and harmonious economic development of the member States, as well as their stability, closer

relations and higher standards of living. According to Article 3, the EEC shall pursue its objective in eight ways: first, by eliminating barriers to trade, and to the mobility of capital and labor, between the member States; second, by establishing common customs tariffs and a common commercial policy toward non-EEC States; third, by establishing common agricultural and transport policies; fourth, by establishing an economic system which ensures equitable competition within the EEC; fifth, by coordinating the economic policies of the member States; sixth, by creating a European Social Fund to improve the employment possibilities and the living standards of workers; seventh, by creating a European Investment Bank to facilitate the economic expansion of the EEC; and, last, by establishing trade agreements with the non-EEC States to increase trade and promote social and economic development.

The Institutions of the European Economic Community

The EEC has five political institutions: the European Council of Ministers, the European Commission, the European Court of Auditors, the European Court of Justice, and the European Parliament.²

The European Council of Ministers. The European Council of Ministers is the EEC's most authoritative institution. The Council directs EEC policies, in that, after having consulted the European Parliament, the Council decides upon the legislative proposals received from the

Commission. The Council, by means of a qualified or a simple majority vote, or a unanimous vote, takes five types of decisions: first, a regulation, which is binding on all subjects of EEC law (i.e., the EEC member States, the EEC institutions and agencies, and all legal persons under EEC jurisdiction) as to ends and means; second, a directive, which is binding on all subjects of EEC law as to ends, but is silent as to the means by which the ends must be achieved; third, a decision, which is binding on those subjects of EEC law to whom it is addressed; fourth, non-binding recommendations; and, last, non-binding opinions. According to the Luxembourg Compromise of 28/29 January 1966, the Council must take a decision by means of a unanimous vote whenever a member State alleges that such a decision may affect its vital interests.³ The Council, which is not accountable juridically to any other EEC institution, cannot initiate legislation. Each member State is represented in the Council by the government minister, accountable to his or her nation-state's Parliament, competent in the area of negotiation. Moreover, each member State holds the Presidency of the Council in turn for six months.

The European Commission. The European Commission is the EEC institution authorized to initiate legislation by formulating legislative proposals which are submitted for decision to the Council. Besides initiating legislation, the Commission oversees the application of EEC law, and has the authority to enjoin transgressors to cease their illegal activities and to explain their actions within a certain

period of time, to assign penalties and corrective measures, and to summon recalcitrant transgressors before the European Court of Justice. The Commission consists of members chosen for renewable four-year terms by the common agreement of all member States: the United Kingdom, France, Italy, Spain and West Germany each provide two members, while the other member States each provide one. The Commission members are charged to act in the interest of the EEC, independent of the interests of the member States and the Council of Ministers. The Commission is accountable juridically to the European Parliament, which can dissolve the Commission by voting a motion of censure, based on at least two-thirds of an absolute majority.

The European Court of Auditors. The European Court of Auditors, created by the Budgetary Treaty of 1975 in response to growing demands for fiscal stringency, and operative since 25 October 1977, is the EEC institution authorized to oversee the collection of the revenues, and the expenditure of the monies of the EEC budget. The competence of the Court of Auditors is limited to the external fiscal control of the EEC budget, in that the competence for internal fiscal control remains with the comptroller of each EEC institution and agency. The Court of Auditors consists of nine judges, appointed for six-year terms with total security of tenure.

The European Court of Justice. The European Court of Justice is the EEC's adjudicative institution. It settles conclusively, and to the exclusion of the decisions taken by the tribunals of the member States, the juridical questions posed by the subjects of EEC law, with regard to the interpretation and application of the Treaty of Rome and the juridical acts pursuant to it, and enforces the penalties assigned to transgressors by the Commission. The Court consists of nine judges chosen for six-year terms by the common agreement of all member States, and four advocates-general who conduct preliminary judicial inquiries on its behalf.

The European Parliament. The European Parliament is the EEC's advisory institution, with respect to the formulation of legislation. It issues opinions on the legislative proposals formulated by the Commission and on the probable decisions to be taken by the Council. These opinions are not binding legally on any subject of EEC law; however, on the occasions specified in the Treaty of Rome, the opinions must be considered by the Council before it may take a decision.

There are currently 518 members of Parliament, chosen, since June 1979, for five-year terms by direct universal European suffrage, and grouped, not according to their citizenship, but according to their political party affiliation. The United Kingdom, France, Italy and West Germany each have 81 seats, while Spain has 60, Belgium, Greece and Portugal have 24, Denmark has 16, Ireland 15, Luxembourg 6, and the Netherlands 25; this distribution is not proportionate to the

population of the member States. Prior to the first popular parliamentary elections, held from 7 to 10 June 1979, the European Parliament counted 198 members, chosen as delegates by the Parliaments of the member States. (A member State's delegation to the European Parliament did not have to reflect, in terms of its distribution of seats among the various political parties, the apportionment of the member State's domestic parliamentary vote.) Moreover, the European Parliament has 18 standing committees, which deal with specific areas of the EEC's activities.⁴

The European Parliament and the EEC Budget

The Budgetary Treaties of 1970 and 1975, signed by the member States, give the Parliament substantive, though limited, control over the expenditures and over the approval of the EEC budget. Before the Treaties entered into effect, the Parliament could merely advise the Commission and the Council in the formulation of the EEC budget.

Prior to 1975 the member States provided the EEC's budget revenue according to agreed contributions fixed each year. However, the Budgetary Treaty of 1975 made the EEC self-sufficient financially by establishing the EEC's own resources: customs duties, Common Agricultural Policy levies and a portion (not to exceed one percent) of the EEC's Value Added Tax (VAT).

The EEC budget has two categories of expenditure: compulsory and non-compulsory. Compulsory expenditure refers to the expenditure

which results directly and automatically from the Treaty of Rome; it concerns international agreements, administrative expenses and the organization of markets, and represents currently between 70 and 80 percent of the total EEC budget. Non-compulsory expenditure refers to the expenditure which results from the additional decisions taken by the institutions of the EEC; it represents currently between 20 and 30 percent of the total EEC budget. According to the two Budgetary Treaties, the European Parliament, by means of a simple majority vote, can modify compulsory expenditure in the first instance, but only with the subsequent approval of the Council; however, by means of an absolute majority vote, the Parliament can modify non-compulsory expenditure without hindrance, save for a ceiling established by the Council on increases in non-compulsory expenditure.

According to the Budgetary Treaty of 1975, which entered into effect on 1 June 1977, the Parliament must ratify the EEC budget, which is drafted by the Commission, and which must be adopted by the Council by means of at least a qualified majority vote before being sent to the Parliament. The Parliament can reject any budget submitted to it by means of a two-thirds majority vote. The Parliament, the Commission and the Council established jointly in 1975 a conciliation procedure to facilitate the resolution of disputes.

The European Investment Bank

The European Investment Bank (EIB) is the EEC's credit institution, prefigured by Article 3, letter j, of the Treaty of Rome, and, according to Article 129, constituted by the EEC's member States, yet endowed with a juridical identity distinct from that of the other EEC institutions and agencies.⁵ Operative since 1 January 1958, the EIB has two objectives. One, according to Article 130, is to promote the harmonious and balanced development of the EEC in three ways: first, by contributing principally to the financing of regional development, especially the development of the regions economically weakest; second, by assisting the member States in the financing of the projects necessary to the realization of the objectives of the Treaty of Rome, and projects of interest to the EEC; and, last, by contributing to the financing of the creation, the modernization and the reconversion of economic enterprises. The EIB's other objective is to employ its capital resources in investments whose suitability is determined not by their profitability, but by their efficaciousness in realizing the objectives of the Treaty of Rome and the EEC, provided such investments may not jeopardize the EIB's credit worthiness by threatening its solvency.⁶

According to its Statute, a protocol which is an integral part of the Treaty of Rome, the EIB must pursue its objectives by operating according to normal banking criteria and by granting loans and securities. The EIB's capital resources derive from five sources. First,

they derive from the contribution of capital underwritten by the member States; of this sum, approximately ten percent is budgeted as being on deposit or to be deposited. Second, they derive from the EIB's own reserve funds, which much constitute, according to the EIB's Statute, up to ten percent of the total underwritten capital (unless the EIB's Administrative Council decides to create additional reserves). Third, they derive from public bonds issued by the EIB. Fourth, since 1979, they derive from the New Community Instrument (or Sportello Ortoli), which permits the EIB to raise funds on capital markets by granting long-term loans whose proceeds are reinvested in EEC projects. Finally, as a last resort, they derive from unbudgeted emergency contributions of capital underwritten by the member States and payable totally, or in part, to the EIB on demand, as a result of a simple majority vote of the EIB's Administrative Council, according to Article 5 of the EIB's Statute. According to Article 18, the total value of the EIB's loans and securities outstanding at any given time must never exceed 250 percent of the EIB's total underwritten capital.

The EIB has twice changed the designation of its unit of account. From 1 January 1958 to 21 April 1975, that is, from the day on which the EIB became operative during the tenure of the Bretton Woods International Monetary Regime (22 July 1944 - 15 August 1971) until the end of the subsequent transition period of the international monetary nonregime, the EIB designated the value in gold of the USA's dollar as its unit of account. When the EEC introduced the European Unit of Account (EUA) on 21 April 1975, the EIB designated this unit as its unit

of account. Following the creation of the European Monetary System, which entered into effect on 13 March 1979, the European Currency Unit (ECU) replaced the EUA as the EEC's unit of account on 1 January 1981; on this date, the EIB designated the ECU as its unit of account as well.⁷

The EIB has four administrative organs. The Council of Governors, composed of the Finance Ministers of the member States (save in the case of Italy, represented by her Treasury Minister), sets the EIB's general credit policy, approves the annual budget and report, and nominates the members of the other administrative organs. The Presidency of the Council is held for one administrative year by each governor, according to the alphabetical order of the names of the member States.

The Administrative Council, composed of 19 administrators and 11 substitutes, decides upon the financing and investment proposals received from the Board of Directors, and insures that the EIB may be administered in conformity with its Statute and the Treaty of Rome. The United Kingdom, France, Italy and West Germany each designate three administrators, while the Commission and the other member States each designate one. Moreover, the United Kingdom, France, Italy and West Germany each designate two substitutes, while the Commission designates one; the two remaining substitutes are designated by the common agreement of the other member States: Belgium, Luxembourg and the Netherlands collectively designate one, while Denmark, Greece and Ireland collectively designate the other. The Administrators serve renewable five-year terms and are charged

to act not in the interest of their nation-states, but in the interest of the EIB, to whom they are accountable.

The Board of Directors, composed of a President and five Vice Presidents, formulates the financing and investment proposals which are submitted for decision to the Administrative Council. The Board members hold renewable six-year terms.

The Audit Committee, composed of three public auditors from the member States, oversees the regularity of the EIB's financial records.

The EEC's Social Policy

The EEC's Social Policy's goals are to proportion the supply of, and the demand for, labor; to create conditions of full and better employment; to improve the living and working conditions of the general population, but especially of the indigent; and to promote the ever greater participation of workers in the operation of economic enterprises.⁸ The Treaty of Rome provides the juridical bases for an EEC Social Policy: The Preamble declares the constant improvement of the living and working conditions of the peoples of the member States to be an essential goal of the EEC. Article 2 assigns to the EEC the task of establishing an ever more rapid improvement of the quality of life. Article 3, letter i, prefigures, and Articles 123 through 127 establish, the European Social Fund to improve the employment opportunities and the living standards of EEC workers. Article 39, Paragraph 1, letter b, guarantees living standards for the agricultural

population equal to those of the urban population. Articles 48, 49 and 51 establish that workers may circulate freely throughout the EEC without sacrificing their social security rights and benefits. Articles 117 and 118 encourage the improvement and the equalization of the workers' living and working conditions by means of the harmonization of the member States' social policies. Article 119 affirms the principle of equal remuneration for male and female workers. Last, Article 128 establishes the principles of a common policy for vocational training.

The principal instrument of the EEC's Social Policy is the European Social Fund (ESF), created to promote and facilitate the retraining and relocation of EEC workers ousted from employment as a consequence of the institutionalized market policy relationships established between the EEC States by the Treaty of Rome. In its original form (1 January 1958 - 1 February 1971), the ESF was a passive political instrument in that it was obliged, according to Article 125, to reimburse retroactively and, in response to procedures initiated by the member States or other competent public agencies, alone authorized to utilize the ESF's resources, 50 percent of the cost incurred in assisting the ousted workers. The ESF's passivity advantaged the EEC's stronger economic areas in the competition for the ESF's resources with the weaker economic areas, because the former had greater available social resources and organizationally superior social services. This situation provoked the reform of the ESF.

In 1971, the Council of Ministers created the New European Social Fund (NESF) (under Decision n. 60, adopted on 1 February 1971, and the subsequent Programming Regulations 2396, 2397 and 2398, adopted on 8 November 1971). The NESF is an active political instrument, in that the Commission and the Council retain control over the NESF's resources, available to competent public and private agencies, enterprises or individuals. The Commission and the Council promote the participation of regional administrative governments in the decisions which concern the projects to assist ousted workers. The Commission, which selects the projects to be financed, favors those presented by the regions over those presented by other competent agencies or legal individuals, while the Council must approve the projects chosen by the Commission. The Council reformed the NESF with a series of regulations adopted on 28 October 1977, and in effect since 1 January 1978, aimed at an effective dispersal of the NESF's resources. Fifty percent of the NESF's resources are reserved for projects to be financed at the EEC's weaker economic areas. Moreover, these resources can cover 55 rather than 50 percent of the cost incurred in assisting ousted workers. According to Italy's Law n. 736 of 1972, the regions must be consulted with regard to NESF financed projects within their territories.

The EEC's Regional Policy

The EEC's Regional Policy, which constitutes both a policy in se, and those aspects of the other EEC policies which affect the development

of the EEC's regions, has three objectives: first, to insure that the decisions taken by the EEC's institutions and agencies may take into account the interests of the regions affected, and may mitigate as much as possible, or may eliminate, the disequilibria among the regions; second, to supplement the national, regional and local financing of regional and local development projects by transferring resources from stronger to weaker economic areas; and, last, to participate in the formulation and implementation of the regional policies of the EEC member States, to coordinate these policies, and to orient them toward the realization of the EEC's established goals.⁹

The Treaty of Rome provides the following juridical bases for an EEC Regional Policy: The Preamble declares the harmonious development of the EEC States and the elimination of the disequilibria among the EEC's regions to be essential goals of the EEC. According to Article 2, the harmonious development, and the continuous and balanced expansion, of the EEC are two of its fundamental duties. According to Article 39 (Paragraph 2, letter a), the EEC's Agricultural Policy must taken into account the structural and natural disparities between the various agricultural regions. According to Article 92 (Paragraph 3, letter a), the EEC, when it promotes the development of regions with abnormally low living standards or severe underemployment by providing these regions with financial assistance, does not compromise the Treaty's prohibition of unfair competition, expressed in Article 92. Last, according to Article 117, the EEC member States agree to equalize their progress.

The EEC's Regional Policy showed no significant development before the 1970s, because, the EEC's practical political awareness of the disequilibria among the regions grew only slowly. Although the European Parliament's Motte Report of 1960 may have addressed the idea of regional problems and a global regional policy, no practical developments followed. Only two EEC initiatives affected specifically and purposefully some of the Mezzogiorno's regions. First, in 1960, the then six member States signed the Protocol for Italian Sulphur, which granted to this product, mined in Sicilia, special tariff protection. This Protocol also provided financial and social assistance, through the EIB, and according to the norms of the ESF, to workers ousted from employment in the sulphur mines because of the industry's reorganization provoked by the establishment of the EEC. Second, in 1961, the Conference on Regional Economies, organized by the Commission, initiated a study of investment strategies which resulted, after various consultations between the EEC and Italian authorities, in the decision to localize the greater part of the EEC's investment funds in industrial development poles within Puglia's Bari-Brindisi-Taranto triangle, and in a tourist development pole in Calabria. The Commission's First Report on Regional Policy (1966), like the Motte Report, engendered no practical developments.

The disequilibria among the regions began to assume indirect political importance in the early 1970s, not as problems in se to be solved, but as obstacles to the realization of other policy goals. The Resolution adopted by the Council on 22 March 1971, for example,

declared the elimination of regional economic imbalances to be among the highest priorities in the EEC's plan, which proved unrealizable, to establish a complete economic and monetary union in phases between 1 January 1971 and 1980. Subsequently, on 20 October 1971, the Council adopted a resolution which established financial aid for regional development, and limited the amount of aid available to the EEC's central areas.

The Paris Summit of 19-21 October 1972 proved the precursor of the EEC's current Regional Policy. In their final Communique, the Heads of State and Government entrusted to the Commission the task of elaborating a study of regional problems in the EEC, and to the EEC's institutions the task of creating a regional development fund, still as mere tools to facilitate the EEC's economic and monetary union. Although this Communique may not have embraced the disequilibria among the regions as problems in se to be solved, the resultant study and fund provoked unexpected developments.

The Commission's Report on Regional Problems of the Enlarged Community of 3 May 1973, known also as the Thomson Report, marked the emergence, within the EEC, of a conceptualization of the disequilibria among the regions as a concern distinct and separate from others. The Thomson Report produced the following results: first, despite the EEC's average growth rate of 4.5 percent during the 1960s, the gap between the economically stronger and weaker regions remained unchanged or widened; second, the enlargement of the EEC in 1973 reinforced and accentuated the then five to one ratio of pro-capite

incomes between the richer and poorer regions, because of Ireland's very low pro-capite income; third, the regions affected most adversely by the disequilibria are the geographically peripheral regions which are predominantly agricultural, characterized by structural under-employment, and the regions with industrial sectors in decline, characterized by chronic unemployment; and, last, emigration is a serious problem for the regions affected most adversely by the disequilibria. The Fifth Section of the Thomson Report presented the guidelines for an EEC Regional Policy by synthesizing many unimplemented proposals formulated earlier: the complementarity of the EEC's investments, the coordination of the member States' regional policies, the creation of a European Regional Development Fund (ERDF), the concentration of financial assistance in the weaker economic areas, the establishment of coherent investment criteria, and the appropriation of resources sufficient to the realization of objectives.

On 25 July 1973, the Commission submitted for approval to the Council three proposals based on the Thomson Report and its guidelines: a decision to create a Regional Policy Committee, the regulations to establish a European Regional Development Fund, and the regulations to finance regional development projects. No decision was taken, however, until the Paris Summit of the Heads of State and Government of 9 and 10 December 1974, when the Council created the ERDF, decided to make it operative from 1 January 1975, and agreed upon the allotment of its initial appropriation. On 4 March 1975, the Council created at Bruxelles the Regional Policy Committee, a consultative

body which receives the development projects elaborated and presented by the regions through their central governments, chooses the projects to be financed, and coordinates their implementation with the ERDF and the various member States. Finally, on 18 March 1975, the Council approved Regulation n. 724, which establishes formally the ERDF, and Regulation n. 725, which establishes its initial financing.

With the Ministerial Decree of 25 July 1976, which repeats Law n. 748 of 26 November 1975, the Italian government instituted formally the ERDF in Italy.

The ERDF is the EEC's principal instrument of regional policy, whose objectives are to induce the creation of new positions of employment, and to maintain existing positions, by financing regional development projects. In its original form (18 March 1975 - 6 February 1979), the ERDF was a passive political instrument in that it could only supplement the regional development initiatives already assisted financially by the member States concerned, by disbursing its resources, not to the various regions, but to the member States, according to the following quotas: Italy 40 percent, the United Kingdom 28 percent, France 15 percent, West Germany 6.4 percent, Ireland 6 percent, the Netherlands 1.7 percent, Belgium 1.5 percent, Denmark 1.3 percent and Luxembourg 0.1 percent.

Under Regulation 214 of 6 February 1979, the Council of Ministers made the ERDF a more active political instrument by creating a "non-quota" section, whose resources, limited in 1980 to five percent of the ERDF's total appropriation, are not supplements to the

regional development initiatives of the member States but remain at the disposal of the EEC, and are disbursed to realize the EEC's regional development initiatives in conjunction with, or independent from, the initiatives of the member States. (Simultaneously, the Council of Ministers modified slightly the ERDF's disbursement quotas: Italy 39.39 percent, the United Kingdom 27.03 percent, France 16.86 percent, West Germany 6.4 percent, Ireland 6 percent, the Netherlands 1.5 percent, Belgium 1.39 percent, Denmark 1.2 percent, and Luxembourg 0.09 percent.) The ERDF's "quota" section, which supplements the regional development initiatives of the member States, finances two types of investments: industrial and service investments, by covering 20 to 50 percent of the cost incurred by the member States; and infrastructural investments, by covering 30 to 40 percent of the cost incurred by the member States. Regulation n. 214 also assigns the financing of the ERDF to the EEC's budget.

Another example of the growing awareness of the EEC's institutions, with regard to the disequilibria among the regions, is the Delmotte Report (n. 35 of 1977), which indicates the four criteria adopted by the EEC to determine conditions of underdevelopment in Europe. According to the Report, an area is underdeveloped if any one condition prevails: when the percentage of its active population employed in agriculture is above the EEC average, and the percentage of its active population employed in industry is below the EEC average; when 20 or more percent of its active population is employed in an industrial sector in decline, and when two or more percent of its

active population is unemployed; when the area experiences a prolonged period of emigration; or when the area's unemployment rate is 20 or more percent above its nation's average, and is equal to at least 3.5 percent, together with a net loss of ten percent of the area's population due to a prolonged period of emigration.¹⁰

The Common Agricultural Policy

The Common Agricultural Policy (CAP), prefigured by Article 3 (letter d) and based on Articles 38 through 47 of the Treaty of Rome, establishes a uniform price for EEC agricultural products throughout the EEC, eliminates intra-EEC tariffs, and erects price barriers to protect EEC agricultural products from imports of lower cost.¹¹ It covers cereals, pork, beef and veal, eggs and poultry, milk and milk products, sugar, and fruit and vegetables. According to Article 39 (Paragraph 1) the CAP has five objectives: first, to increase productivity by means of technological innovation and an ever more rational use of the means of production, especially labor; second, to insure to the agricultural population living standards equal to those of the non-agricultural population, especially by means of increased individual incomes; third, to stabilize agricultural markets; fourth, to guarantee regular and ample food supplies; and, last, to insure to consumers reasonable prices for agricultural products.

On 30 June 1960, the Commission submitted to the Council the two original proposals for the creation of the CAP; one, to create

a fund to sustain the prices in agricultural markets; the other, to create a fund to improve agricultural productive structures. On 4 April 1962, the Council adopted Regulation n. 25, which creates the European Agricultural Guarantee and Guidance Fund, known by its French acronym FEOGA, and which establishes this fund as an integral part of the EEC budget. On 5 February 1964, the Council adopted Regulation n. 17, which formally divides FEOGA into the Guarantee Section, whose funds sustain prices in agricultural markets, and the Guidance Section, whose funds are utilized to improve productive structures.

For reasons examined later, the CAP's funds are employed more to sustain prices than to induce increases in the productivity of producers or to equalize productivity throughout the EEC. Between 1965 and 1974, the Guarantee Section received approximately 90 percent of FEOGA's total appropriation as a consequence of the limitations on the allotments to the Guidance Section placed by the Council of Ministers in 1967, 1970 (Regulation n. 729 of 21 April 1970) and 1973. Such a policy stimulates production with no regard for the market's ability to absorb the agricultural product, inhibits uniform increases in productivity to the disadvantage of the less competitive producers, inhibits the minimization of production costs by orienting the price support system toward the more expensive products of the least competitive producers, holds down the real income of the least competitive producers, and encourages excessive production by the most competitive producers. In short, the CAP results in unnecessarily high costs (in purely economic terms) for

agricultural products; for this reason, the CAP's price supports are an increasingly heavy financial burden for the EEC.

The Question of Agricultural Modernization

The European Commission began to concern itself formally with the question of agricultural modernization in the EEC when, on 18 December 1968, Dr. Sicco Mansholt, then Vice President of the Commission in charge of the CAP, issued a series of six memoranda, known collectively as the Mansholt Plan, which urged a thorough modernization and rationalization of the EEC's agricultural system. The Mansholt Plan recommended: an appreciable reduction in the number of persons employed in agriculture; incentives and social assistance to encourage older farmers to retire and the young to take up non-agricultural occupations; the consolidation, where feasible, of farms too small to be competitive; a considerable reduction of the area of cultivated land; and a cautious price support system.

On 17 March 1972, the Commission submitted to the Council proposals based on the Mansholt Plan. On 7 April 1972, the Council adopted three directives which concern the modernization of agriculture (but refused to adopt specific regulations): Directive n. 159 concerns those farms which can be modernized, by consolidating them with other small farms to make them competitive; Directive n. 160 concerns the incentives and social assistance needed to encourage older farmers to retire and the young to take up non-agricultural

occupations; and Directive n. 161 concerns socio-economic guidance and assistance to improve the occupational skills of those who remain employed in agriculture. As has been said, the manner of implementation of directives is left to the discretion of the member States. FEOGA's Guidance Section reimburses 25 percent of the cost incurred by the member States in the implementation of these directives, save in the case of aid given to farmers in disadvantaged agricultural zones (such as the internal areas of the Mezzogiorno), when FEOGA's Guidance Section covers 65 percent of the cost incurred by the member States. Under Law n. 153 of 9 May 1975, Italy established the norms for the implementation of the three directives of 7 April 1972.

The CAP's incentives and social assistance which induce the cessation of agricultural employment affect most profoundly the EEC's least productive areas, in which unproductive agriculture is the predominant form of employment and producer of wealth, in which agriculture is not easily modernized, and in which alternative forms of employment are not readily established, due to the political organization of the means of production induced by the Treaty of Rome. Such areas are the mountainous and disadvantaged agricultural areas (for example, the internal areas of the Mezzogiorno), which comprise 25 percent of the EEC's utilized agricultural land, contain 15 percent of the EEC's farms, and produce 12 percent of the EEC's agricultural product. In these areas, the cessation of agricultural employment does not result in the creation of other forms of economic activity, but in mass depopulation and in social disintegration. On 25 May 1975,

the Council of Ministers adopted Directive n. 268, which attempts to impede the mass depopulation and social disintegration provoked in the mountainous and disadvantaged agricultural areas by the three directives of 7 April 1972 by providing income supplements paid directly to the farmers living in these areas. Under Law n. 352 of 10 May 1976, Italy established the norms for the implementation of Directive n. 268.

The EEC's Mediterranean Agricultural Products

The EEC's agricultural products most disadvantaged commercially are the citrus and non-citrus fruits (apples excluded), the flowers, the hard grains, the olive oil, the ovine products, the rice, the tobacco, the vegetables and the wines produced in the EEC's Mediterranean areas, such as the Mezzogiorno.¹² These products are most disadvantaged commercially because the EEC's Mediterranean areas are among its most mountainous, disadvantaged, and, therefore least productive (save certain areas, generally coastal, of intensive capitalistic farming); because the markets for the exclusively Mediterranean agricultural products (the citrus fruits and the local wines) are weak and are organized with difficulty; and because the CAP, for reasons examined later, offers little protection to the producers of the exclusively Mediterranean agricultural products from the competition of non-EEC States.

The First Citrus Fruit Plan of the EEC, established by Regulation n. 2511 of 9 December 1969, proposed to modernize the system of citrus

fruit production by 31 December 1976 by eliminating those varieties of citrus fruits which attract little demand, or are too costly to process with respect to the varieties put on the market by non-EEC countries; by improving the most viable existing varieties; and by establishing, improving, and enlarging the handling, processing and storage facilities for citrus fruits. According to the Plan, the States concerned, Italy and France, would cover the total cost incurred by their farmers to convert their citrus fruit production; the FEOGA's Guidance Section would reimburse to these States 50 per cent of this cost. The Council had directed the States concerned to submit for approval to the Commission by 1 July 1970 national programming regulations, so that these member States might begin to implement the Plan. However, the Plan's restrictive criteria for the disbursement of supplementary aid for farmers discouraged the adoption of the necessary programming regulations by the set date. Italian and French programming regulations were approved by the Commission on 1 February and 16 February 1973 respectively. Moreover, in Italy's case, the appropriations provided by Italy's Law n. 317 of 6 June 1974, adopted to finance the EEC Citrus Fruit Plan and the corresponding national programming regulations, were disbursed only slowly and partially. The First Citrus Fruit Plan was never fully realized.

With a Resolution adopted on 9 February 1971, and published in the Official Journal of the European Communities on 1 March 1971 (n. C19, pp. 15-16), the European Parliament urged the then six member

States to develop a coherent plan to improve the organization of the production and the distribution of the EEC's Mediterranean agricultural products. However, no action was taken until 1978 when the Council adopted the Mediterranean Packet, a series of measures which sustain the prices, and which given incentives for the modernization of the productive structures of Mediterranean agricultural products. The purpose was to make these products competitive with similar products from non-EEC States.

Under Regulation n. 1204 of 18 May 1982, which amends Regulation n. 2511 of 9 December 1969, the Council established the Second Citrus Fruit Plan of the EEC. The Second Plan proposes to modernize the system of citrus fruit production in the EEC by 31 December 1988. It would implement not only the norms of the First Plan, but would eliminate existing plantations of unpopular varieties of citrus fruits and would replace them with new plantations of popular varieties, provided the new ones might not increase the total area used to cultivate citrus fruits. It would also improve soil preparation, irrigation and drainage. Moreover, it establishes more liberal criteria for the disbursement of supplementary aid for farmers. The Council had directed that the States concerned, Italy, France and Greece, submit for approval to the Commission by 31 April 1983 national programming regulations, so that these States might begin to implement the Second Plan. To date, no programming regulations have been submitted.

The Protocol Concerning Italy

The Protocol concerning Italy, signed together with the Treaty of Rome by the six original EEC States, affirms the economic development of the Mezzogiorno to be a concern not only of Italy, but of the EEC as well. The Protocol establishes three principles. It sanctions Italy's plan to develop the Mezzogiorno by means of economic expansion. It affirms, the right of the EIB and the ESF to promote the Mezzogiorno's development. It also contains a clause which allows Italy to apply elastically the norms of the Treaty of Rome, in order to preclude the development of dangerous tensions in the Italian economy and in order to further the Mezzogiorno's economic expansion. Paragraph Five bids the EEC's institutions to recognize the particular strain placed on the Italian economy by Italy's participation in the EEC, and by its plan to develop the Mezzogiorno by means of economic expansion. The Protocol also alludes to Article 226 of the Treaty which authorizes the States to request extraordinary dispensations to rectify serious regional economic problems provoked by the EEC's establishment.

The EEC and the Italian Parliament

The juridical relationships established by the Treaty of Rome between the EEC's political institutions and those of the member States result in the substantive reduction of the legislative authority

of the member States' Parliaments in foreign policy, agricultural policy, the regulation of economic competition, fiscal policy, social policy, labor policy, and when the Budgetary Treaty of 1975 made the EEC self-sufficient financially, the EEC budget.¹⁴ The member States' Parliaments can neither formulate nor modify EEC norms. Moreover, the European Court of Justice has held that EEC norms enter into effect immediately upon adoption by the Council of Ministers and require no subsequent ratification by the member States. As has been said, the EEC States express their binding political will, in EEC affairs, through the Council composed not of supranational EEC agents, but of government ministers accountable only to their national Parliaments. For this reason, the Parliaments can attempt to influence the elaboration of EEC norms only by directing the political behavior of their ministers.

The organs created by the Italian Parliament to direct the behavior of its ministers in EEC affairs lack substantive authority in that they are merely advisory. In 1965, the Parliament's lower house, the Chamber of Deputies, created an Advisory Committee for EEC Affairs, to which the Government must submit a yearly report on its EEC activities; the Parliament's upper house, the Senate, created an Advisory Giunta for EEC Affairs in 1968. Even the reformed parliamentary rules, published as Resolution n. 53 in the Gazzetta Ufficiale of 1 March 1971, establish that these organs can hold only anticipatory debates with regard to EEC questions, and cannot issue resolutions to direct ministers in EEC affairs.

The Italian Parliament has been the EEC member State Parliament most lax in directing its ministers in EEC affairs and Italy has been the EEC State most negligent in implementing EEC norms.¹⁵ Italy's Constitutional Court, by handing down Sentence n. 183 of 1973 and Sentence n. 232 of 1975, which reject the Italian Parliament's contention that it may have the authority to reject or modify EEC norms, sanctioned parliamentary control over government ministers as the only valid method by which the Parliament can participate in the elaboration of EEC norms. Nonetheless, the Parliament has yet to formulate and implement a policy of political control over government ministers in EEC affairs. For this reason, Italy's regions do not consider the Parliament to be a valid mediator of regional interests in EEC affairs. They prefer the establishment of a Regional Advisory Committee for EEC Affairs, not under the Parliament, but under the Office of the Prime Minister.

Under Law n. 863 of 3 October 1977, the Parliament agreed to modify budgetary expenditure at any time with appropriate legislation in order to ensure the adequate financing of EEC norms whose application might otherwise create a deficit in the budget of the State. For instance, the Decree of 17 April 1983 harmonizes the fiscal regulations which concern the importation into Italy of whiskey and non-Italian sparkling wines with those which concern the exportation from Italy of its own beverages with high alcoholic content and sparkling wines. Currently, the Italian Parliament is studying a legislative proposal which, if adopted, would enter automatically

all juridically binding decisions taken by the EEC's Council of Ministers into the body of Italian law, and would put these decisions into effect immediately.¹⁶

The Cassa per il Mezzogiorno

The Cassa per il Mezzogiorno (CASMEZ), or Southern Development Fund, created by the Italian government under Law n. 646 of 10 August 1950 initially for a period of ten years, but prolonged subsequently with legislation passed in 1959, 1965 and 1980, is a financially and administratively autonomous agency whose function is not to supplant the ordinary administration of the Mezzogiorno, but to address the problems of economic development by formulating and implementing large-scale, extraordinary public works projects.¹⁷ Since its inception, the CASMEZ has carried out its activities in two phases. In Phase I (10 August 1950-6 October 1971), the CASMEZ, supervised by the Committee of Ministers for the Mezzogiorno (which included the Ministers of Agriculture, Forestry, Industry and Commerce, Public Works, Labor and Social Welfare, Transport and the Treasury), utilized its funds autonomously to formulate and implement multi-sectoral public works projects. Phase I, characterized by an ever less dispersive and ever more selective use of resources, and by a progressive shift away from agricultural investments toward industrial investments, contained three sub-phases. In the first, from 1950 to 1957, the CASMEZ utilized its funds to develop the Mezzogiorno's infrastructure

and system of agricultural production. In the second, from 1957 to 1965, following the enactment of the Industrial Areas Law (n. 634 of 29 July 1957, which established industrial zones in the Mezzogiorno) and the Vanoni Plan (Italy's first ten-year national development plan, adopted in 1955), the CASMEZ began to utilize its funds to industrialize the Mezzogiorno. In the third, from 1965 to 1971, following the enactment of Law n. 717 of 26 June 1965 and the adoption of a new National Development Program in that year, the CASMEZ utilized its funds still more selectively with respect to the past and promoted the development of large-scale heavy industry, capital-intensive agriculture, and the modernization of infrastructure.

The CASMEZ's activities entered into Phase II when the Italian Parliament enacted Law n. 853 of 6 October 1971. This law, which provided the CASMEZ's funds for the 1971-1975 period, and which holds the development of the Mezzogiorno to be Italy's primary concern in economic planning, harmonizes the CASMEZ's function with the function of the ordinary regional governments, by making the CASMEZ a planning and advisory agency for the formulation and implementation of regional and interregional "special projects" in well-defined areas of industrial, agricultural, infrastructural and tourist development. In November 1971, the Italian government dissolved the Committee of Ministers for the Mezzogiorno and transferred its duties to the Interministerial Committee for Economic Planning (CIPE), which had been created in 1969 to replace the National Committee for Economic Planning (CNPE), formed in 1962. The CIPE, assisted by a committee of regional

presidents, must approve the "special projects" formulated by the CASMEZ and presented by the Minister for Extraordinary Intervention in the Mezzogiorno. Moreover, Law n. 183 of 2 May 1976, which provided the CASMEZ's funds for the 1976-1980 period, details its responsibilities in the formulation and implementation of the "special projects," and institutionalizes the coordination of planning between the CIPE, the CASMEZ and the regional governments. On 2 August 1984, the Italian Parliament put the CASMEZ into liquidation.¹⁸ The event ostensibly marks the beginning of a period of transformation in which the Italian government will presumably reconsider the ways in which the State intervenes in the Mezzogiorno (See Chapter 5, heading: THE CASMEZ "Transformed").

Summary

Two sets of juridical relationships affect the Mezzogiorno in the context of Italy's participation in the EEC: first, the juridical relationships between the Mezzogiorno and the rest of Italy; and, second, the juridical relationships between Italy and the EEC. As to the first set of relationships, Italy's Republican Constitution of 1948 affirms the concept of regional political autonomy by recognizing explicitly the existence of subnational administrative regions and by affirming the concept of regional legislative autonomy. The subnational administrative regions which are part of the Mezzogiorno are the juridical nexus between it and the rest of Italy (besides the fact that the

Mezzogiorno is sovereign Italian territory). Italy's Constitution limits juridically the political autonomy of its regions by denying them the authority to regulate interregional commerce and by granting them only as much fiscal autonomy and, therefore, only as much economic authority as the State desires. Moreover, the State affirms juridically its particular role in the Mezzogiorno's economic development by creating instruments of extraordinary intervention for the area such as the CASMEZ, designed to formulate and to implement special public works projects.

As to the second set of relationships, the Treaty of Rome of 25 March 1957 declares the continuous, balanced and harmonious economic development of the EEC States to be the EEC's goal and affirms that it will attempt to realize this goal by establishing political and economic relationships of institutionalized market policy integration among the member States. This institutionalized market policy integration has two fundamental elements: first, the greater mobility of capital, labor and commerce among the EEC States; and, second, common customs tariffs and a common commercial policy toward non-EEC States. Under the Treaty of Rome, the authority of the EEC's institutions in many cases supersedes the legislative authority of the member States' Parliaments with regard to foreign policy, agricultural policy, the regulation of economic competition, fiscal policy, social policy, labor policy and the EEC budget. Moreover, the Protocol concerning Italy affirms the Mezzogiorno's economic development to be the EEC's concern.

It remains to be seen whether the means (e.g., regional legislative autonomy, instruments of extraordinary economic intervention,

institutionalized market policy integration, a protocol to a treaty) and the professed goals (e.g., regional political autonomy, balanced and harmonious economic development) of the political actors under study correspond effectively in reality. To this end, it is necessary to place the juridical relationships established between these political actors against the historical record by examining the political and economic relationships established between them in the context of the distribution of power among them. Such an examination will show if the means, in the historical context in which they are adopted, lead to the political actors' professed goals and, indeed, if these goals are their true goals.

NOTES TO CHAPTER TWO

¹My synthesis of the juridical relationships between the Italian State and its regional and local institutions of government is based predominantly on Percy A. Allum, Italy-Republic Without Government?, New York, NY: W.W. Norton and Co., 1973, especially Chapter 9; Carl Marzani, The Promise of Eurocommunism, Westport, CT: Lawrence Hill and Co., 1980, especially Chapter 8; and Elisabeth Wiskemann, Italy Since 1945, London: Macmillan, 1971, especially Chapter 1. The Consolato Generale d'Italia in Boston graciously provided me useful information with Correspondence n. 3116 of 30 May 1984.

²Information concerning the institutions of the EEC is found in many sources; among them, Ali Mohammed El-Agraa, editor, The Economics of the European Community, New York, NY: St. Martin's Press, 1980, especially Chapters 1 and 2; The Commission of the European Communities, The Community Today, Luxembourg: Office of Official Publications of the European Communities, 1979; and Dario Antoniozzi, Il cammino verso l'Europa [The Road Toward Europe], Roma: Del Carretto, 1979.

³See Documentazione Europea, Destinazione Europa: Cronologia della Comunita' Europea [Destination Europe: Chronology of the European Community], Luxembourg: Office of Official Publications of the European Communities, 1982, p. 32; and Dario Antoniozzi, Il cammino verso l'Europa, cit., p. 82.

⁴The Committees of the European Parliament are: 1) Political Affairs; 2) Agriculture; 3) Budgets; 4) Economic and Monetary Affairs; 5) Energy and Research; 6) External Economic Relations; 7) Legal Affairs; 8) Social Affairs and Employment; 9) Regional Policy and Regional Planning; 10) Transport; 11) Environment, Public Health, and Consumer Protection; 12) Youth, Culture, Education, Information and Sport; 13) Development and Cooperation; 14) Budgetary Control; 15) Rules of Procedure and Petitions; 16) Verification of Credentials; 17) Institutional Affairs; and 18) Status of Women in Europe.

⁵For more detailed information concerning the European Investment Bank, see Banca Europea per gli Investimenti, Venticinque anni 1958-1983 [Twenty-five Years 1958-1983], Luxembourg: Banca Europea per gli Investimenti, Information Division, Public Relations Office, 1983.

⁶This seems the only way to state coherently the EIB's declaration that the EIB does not operate to earn a profit, yet cannot operate in deficit.

⁷ Information concerning the EUA, the ECU, and the EMS, can be found in Documentazione Europea, Unione economica e monetaria europea [European Economic and Monetary Union], Luxembourg: Office of Official Publications of the European Communities, 1981; Riccardo Parboni, The Dollar and Its Rivals, London: Verso, 1981, especially Chapter 5; and Banca Europea per gli Investimenti, Venticinque anni 1958-1983, cit.

⁸ For additional information concerning the EEC's Social Policy, see, for example, Ali Mohammed El-Agraa, editor, The Economics of the European Community, cit., Chapter 15; Documentazione Europea, La politica sociale della Comunita' Europea, [The Social Policy of the European Community], Luxembourg: Office of Official Publications of the European Communities, 1981; and Vincenzo Guizzi, Comunita' europea e sviluppo del Mezzogiorno [The European Community and the Development of the Mezzogiorno], Milano: Giuffre', 1978.

⁹ For additional information concerning the EEC's Regional Policy, see, for example, Ali Mohammed El-Agraa, editor, The Economics of the European Community, cit., Chapter 13; Documentazione Europea, La Comunita' e le sue regioni [The Community and Its Regions], Luxembourg: Office of Official Publications of the European Communities, 1980; Cosmo Giacomo Sallustio, Gli squilibri regionali nella Comunita' Economica Europea [Regional Disequilibria in the European Economic Community], Milano: Giuffre', 1977; and Maria Valeria Agostini, Regioni europee e scambio ineguale: Verso una politica regionale comunitaria? [Europe's Regions and Unequal Exchange: Toward A Community Regional Policy?], Bologna: Il Mulino, 1976.

¹⁰ See Vincenzo Guizzi, Comunita' europea e sviluppo del Mezzogiorno, cit., p. 243.

¹¹ For additional information concerning the Common Agricultural Policy, see, for example, Ali Mohammed El-Agraa, editor, The Economics of the European Community, cit., Chapter 7; Rosemary Galli and Saverio Torcasio, La partecipazione italiana alla politica agricola comunitaria [Italy's Participation in the Common Agricultural Policy], Bologna: Il Mulino, 1976; CGIL, CISL, UIL, CGIL, CISL, UIL sulla politica agricola comunitaria [CGIL, CISL, UIL on the Common Agricultural Policy], Roma: Edizioni SEUSI, 1979; and Collana Documenti SVIMEZ, Il Mezzogiorno nell' Europa a dodici [The Mezzogiorno in the Europe of Twelve], Roma: SVIMEZ, 1979; and Vincenzo Guizzi, Comunita' europea e sviluppo del Mezzogiorno, cit.

¹² See, for example, Anna Nappa, editor, Il Mezzogiorno e la politica mediterranea della CEE [The Mezzogiorno and the EEC's Mediterranean Policy], Napoli: FORMEZ, 1978; Vincenzo Guizzi, Comunita' europea e

sviluppo del Mezzogiorno, cit.; and Confederazione Nazionale dei Coltivatori Diretti, Politica Agricola Comune e Mediterraneo: Documenti [The Common Agricultural Policy and the Mediterranean: Documents], Roma, 1979.

¹³ See Umberto Leanza, Legislazione per il Mezzogiorno e Mercato Comune Europeo [Legislation for the Mezzogiorno and the European Common Market], Roma: Giuffrè Editore, 1963.

¹⁴ See Claudia Morviducci, Il Parlamento italiano e le comunità europee [The Italian Parliament and the European Communities], Milano: Giuffrè, 1979.

¹⁵ See La Repubblica (Roma) 27 April 1984, p. 31.

¹⁶ Ibidem.

¹⁷ For additional information concerning the CASMEZ, see, for example, Percy A. Allum, Italy-Republic Without Government?, cit.; Cassa per il Mezzogiorno, A Thirty-Year Review of the Cassa per il Mezzogiorno, Roma: CASMEZ General Paper, May 1983; Cassa per il Mezzogiorno, How the Cassa per il Mezzogiorno Is Organized, Roma: CASMEZ Enclosure to the General Report, May 1983; Giorgio Gugliormella, La stima degli effetti della spesa pubblica nelle prospettive di modifiche strutturali di lungo termine [An Evaluation of the Effects of Public Spending on the Prospects for Long-Term Structural Modifications], Paper presented at the FORMEZ Study Encounter "La pubblica amministrazione nel Mezzogiorno di fronte all'analisi costi-benefici" ["A Cost-Benefit Analysis of the Public Administration in the Mezzogiorno"], Napoli, 26 October 1983; Joseph La Palombara, Italy: The Politics of Planning, Syracuse, NY: Syracuse University Press, 1966; Alan B. Mountjoy, The Mezzogiorno, London: Oxford University Press, 1973; and Gisele Podbielski, Italy: Development and Crisis in the Post-War Economy, Oxford: Clarendon Press, 1974.

¹⁸ See La Repubblica (Roma) 4 August 1984, p. 3.

C H A P T E R I I I
THE MEZZOGIORNO FROM ITS ORIGIN
TO THE POST-1945 PERIOD

The Kingdom of Sardinia, The Kingdom of Italy

The emergence of the Kingdom of Italy, proclaimed formally by the first Italian Parliament on 18 February 1861, marked the emergence of the modern Italian State. At its inception, the Kingdom of Italy (18 February 1861 - 2 June 1946) expressed the integration of the political authority of the following sovereign political actors: the Kingdom of Sardinia (1720-1861), the Kingdom of the Two Sicilies (1102-1860), the Grand Duchy of Toscana (1567-1860), the Duchy of Modena (1452-1860), and the Duchy of Parma (1545-1860). Lombardia, then part of the Austro-Hungarian Empire (1699-1918), and the territory of the Papal States (756-1870), save Rome and Lazio, were also part of the Kingdom of Italy at its inception. In 1866, following France's victory over Austria, the Kingdom of Italy annexed the Veneto from the Austro-Hungarian Empire. On 20 September 1870, when Italian (that is, "Piedmontese") troops entered Rome by breaching Porta Pia, the Papacy, whose temporal power in Italy at that time depended upon the support of France, surrendered Rome and Lazio to the Kingdom of Italy; the Papal States ceased to exist. Finally, in 1918, following World War I, the Kingdom of Italy completed the country's political unification by acquiring from the defeated, and subsequently dismembered, Austro-Hungarian

Empire Trentino-Alto Adige, Friuli-Venezia Giulia, and Istria. The latter was acquired by Yugoslavia following World War II.¹

The Kingdom of Italy, by assuming sovereignty over these territories, politically reorganized their means of production. Prior to the unification of Italy, the above-cited political actors had the authority to affect the political organization of the means of production of the territories which became part of the Kingdom of Italy by erecting or eliminating tariff or other barriers to trade with other territories, by controlling the movement of capital in their territories, by determining the size of the money supply in their territories, and by exercising independent fiscal policies in their territories.² The political unification of Italy made the State the single political locus where such decisions might be taken most authoritatively to affect the political organization of the means of production on Italian territory.

In reality, the Kingdom of Italy was the product of a particular process of unbalanced integration dominated politically by the Kingdom of Sardinia, whose initiatives to unify Italy were favored by the international balance of power during the second half of the nineteenth century. The Kingdom of Sardinia's political predominance in the unification of the country gave to the Kingdom of Sardinia's ruling class, an emergent autochthonous bourgeoisie, control of the State apparatus, in fact an extension of the Kingdom of Sardinia's administrative and fiscal systems to the rest of Italian territory. The Kingdom of Sardinia's ruling class used its control of the State apparatus to consolidate its political predominance in two ways: first, by coopting

the rival ruling classes absorbed into the new State, the strongest of whom was the Kingdom of the Two Sicilies' autochthonous bourgeoisie, and all other social groups which might contend for an equal or dominant measure of the control of the State apparatus; and, second, by establishing alliances with social groups which accepted subordinate positions of political tutelage.³

One Economy, Three Economic Systems

The Kingdom of Sardinia's political predominance in the unification of Italy did not reflect a commensurate economic stature with respect to the economies of the actors absorbed into the new State. In 1861, the Kingdom's economy was not developed enough to occupy the rest of Italian territory by means of simple economic expansion. Moreover, the Kingdom of the Two Sicilies' economy was as developed structurally, if not as developed productively, as the Kingdom of Sardinia's.⁴

The Kingdom of Sardinia's ruling class used its control of the State apparatus to establish its predominance in the Italian economy by politically reorganizing the means of production on Italian territory, and by employing the real income produced by the economy to its own advantage and benefit. This political reorganization of the country's means of production created the three distinct economic systems which comprise the Italian economy⁵ and determined the function of each one. In short, the Kingdom of Sardinia determined Italy's political order and economic structure.

The economic system of the northwest occupies 61,746 square kilometers, or about 20.5 percent of Italian territory, within the jurisdiction of four subnational administrative regions: Liguria, Lombardia, Piemonte and Valle d'Aosta. Prior to the unification of Italy, the means of production of this territory were under the jurisdiction of the Kingdom of Sardinia, save Lombardia, then under the jurisdiction of the Austro-Hungarian Empire. The Kingdom of Sardinia's autochthonous bourgeoisie, once the Kingdom of Sardinia's ruling class, now became the Italian bourgeoisie's politically dominant component, that is, the bourgeoisie of the economic system of the northwest. The highest expression of this bourgeoisie, the industrial and financial leadership became Italy's northwestern elite, a ruling class which identifies its interests territorially with the economic system of the northwest. For this reason, the economic system of the northwest became the center of the Italian economy, that is, the system which conditions preponderantly the development of the other systems by determining preponderantly the political organization of their means of production. Moreover, this system sustains not only small and medium enterprises, but the greater part of Italy's large enterprises as well, because its centrality allows it to create within itself the conditions for greatest development. The economic system of the northwest experiences positive, balanced development.

The economic system of the center/northeast occupies 111,444 square kilometers, or about 37 percent of Italian territory, within the jurisdiction of eight subnational administrative regions: Emilia

Romagna, Friuli-Venezia Giulia, Lazio (the northern two-thirds), Marche, Toscana, Trentino-Alto Adige, Umbria and Veneto. Prior to the unification of Italy, the means of production of this territory were under the jurisdiction of the Austro-Hungarian Empire, the Papal States, the Grand Duchy of Toscana, the Duchy of Modena and the Duchy of Parma. The economic system of the center/northeast became the semi-center of the Italian economy, that is, the system which sustains principally the small and medium enterprises which serve as the external economies of the large enterprises of the economic system of the northwest, together with some large enterprises of its own. Like the economic system of the northwest, it experiences balanced development.

The Mezzogiorno is the economic system of southern Italy, and occupies 128,010 square kilometers, or about 42.5 percent of Italian territory within the jurisdiction of nine subnational administrative regions. Eight of the nine regions are wholly within the Mezzogiorno: Abruzzo, Basilicata, Calabria, Campania, Molise, Puglia, Sardegna and Sicilia. Only the southern third of the remaining region, Lazio, is part of the Mezzogiorno. Prior to the unification of Italy, approximately 77 percent of the Mezzogiorno's territory comprised the Kingdom of the Two Sicilies, whose economy was the largest and wealthiest incorporated into the new national economy. The island of Sardinia (Sardegna) belonged to the Kingdom of Sardinia and Lazio belonged to the Papal States. The Mezzogiorno became the periphery of the Italian economy. It is the system whose means of production are politically organized in nearly total dependence of external exigencies, which change over time.

The Mezzogiorno has provided the more central, dominant economic systems with a market for their manufactured goods, with an outlet for their surplus investment capital, and with capital, cheap labor and cheap agricultural products.⁶ Under such circumstances, the Mezzogiorno cannot and does not develop in a positive, balanced way but instead underdevelops.

The Question of the "Southern Question"

The unification of Italy under the Kingdom of Sardinia deprived the Mezzogiorno of a ruling class endowed with the political autonomy and the organizational capacity needed to define, defend and promote its best interests. The Kingdom of the Two Sicilies' autochthonous bourgeoisie, which had become that Kingdom's ruling class, could have become the standard-bearer of the Mezzogiorno's best interests, had the unification of Italy resulted from a process of balanced integration, or from a process of unbalanced integration in favor of the Kingdom of the Two Sicilies. However, the northwestern elite used its control of the State apparatus to install, as the Mezzogiorno's new ruling class, a politically subordinate ally who would serve the best interests of the economic system of the northwest in exchange for political dominance in the Mezzogiorno. The northwestern elite displaced the Kingdom of the Two Sicilies' bourgeoisie, and replaced it with the landlord class of the Mezzogiorno's great estates.⁷ The Mezzogiorno's new ruling class expressed the northwestern elite's political and

economic interests in the Mezzogiorno more than it expressed the Mezzogiorno's own interests, and organized the Mezzogiorno's means of production accordingly.

The Kingdom of Sardinia's political predominance in the unification of Italy resulted in the Mezzogiorno's subordination and the impoverishment. The Kingdom of Italy's fiscal policies imposed proportionately higher taxes and a proportionately greater share of the public debt on but allocated proportionately less public monies to the Mezzogiorno. The Kingdom of Italy's banking system, always firmly in the hands of the northwestern elite and represented principally by the Banca Nazionale (transformed into the Banca d'Italia in 1898), drained the reserves of precious metals from the Mezzogiorno's banking system, represented principally by the Banco di Napoli and the Banco di Sicilia. In this way, it choked off credit to industries in the area. Moreover, the Kingdom of Italy's agricultural policies oriented the Mezzogiorno's agriculture toward the cultivation of Mediterranean agricultural products (locally produced wines and olive oil, citrus fruits, fresh and dried fruits) for external markets, but oriented agriculture in the rest of Italy toward the cultivation of grain, and other crops with stable internal demand. Although Mediterranean agricultural products may have been highly remunerative on the international market at that time, their dependence on external demand made the Mezzogiorno's agriculture more vulnerable to damage by protectionism than agriculture in the rest of Italy--as was proved when the Kingdom of Italy imposed the tariffs of 1878 and 1887.⁸

The Mezzogiorno has never been the master of its own destiny, let alone the center of the Italian economy. The northwestern elite has traditionally taken advantage of the Mezzogiorno's political dependence by organizing social consensus in the area as political ballast in support of an Italian economy whose structure has resulted in balanced development for the economic systems of the northwest and the center/northeast, and in underdevelopment for the Mezzogiorno. It is ironic that traditional historiography refers to the Mezzogiorno's underdevelopment as the "Southern Question." In reality, it is a Northern Question, a phenomenon whose causes are found more outside the Mezzogiorno than within and whose roots are found in the political economic relationships established between the Mezzogiorno and the rest of the international economy.

TABLE 1.--The structure of the Italian economy

Economic System	Function	Area (km ²)	Percent of Italian Territory
Northwest	Center	61,746	20.5
Center/Northeast	Semi-center	111,444	37.0
Mezzogiorno	Periphery	128,010	42.5
-----		-----	-----
Italy		301,200	100.0

Italian Fascism

The political and ideological biases which inform historiography have greatly impeded the elaboration of an objective political analysis of Italy's Fascist regime (28 October 1922 - 25 July 1943), especially to determine whether or not Fascist Italy's political leadership might have genuinely undertaken to change the structural relationships between Italy's three economic systems with the end of abolishing the Mezzogiorno's underdevelopment.⁹ Unfortunately, traditional historiography presents Fascism indiscriminately as an ideological abstraction and as a historical experience, by attributing to the ideology the inherent evil attributed to the regime by those who did not benefit from it or could not make use of it, and by attributing to the Fascist experience the ineluctability of war, defeat and all its negative consequences, presumably born of an allegedly evil ideology. On the other hand, recent critical historiography has (timidly) begun a revaluation of Fascism, by distinguishing ideology from history, and by suggesting that the Fascist leadership may have attempted a positive and pragmatic reorganization of the means of production on Italian territory, but that World War II may have put a premature end to such a reorganization.¹⁰

The northwestern elite has always viewed with apprehension any prospect of a territorial reorganization of the Italian economy because a reorganization would put into question the traditional centrality of the economic system of the northwest. The northwestern elite did

not grieve at Fascism's downfall in World War II because Fascism's development bode ill overall for the northwestern elite's political and economic interests. Italy's industrial leadership, the highest expression of the northwestern elite, entered into a marriage of convenience with the Fascist leadership: each tried to manipulate the other for its own ends.¹¹

Fascism's development benefitted the northwestern elite's political and economic interests because Fascism quelled the Left in Italy after the "revolution that failed" of 17 April 1920 and, in this way, preserved the northwestern elite's political autonomy and power.¹² Moreover, the country's ill-fated participation in World War II favored the northwestern elite's interests in that the immediacy and the priority of the war effort necessitated an intensive utilization of the national economy's existing structure, and precluded the possibility of a territorial reorganization of the economy, for example, to the benefit of the Mezzogiorno.¹³

However, Fascism's development more than offset these advantages. First, the regime's endemic instability made constant the possibility that the leadership might at some point organize social consensus in a way which resulted in the political subordination of the northwestern elite. The industrial leadership had to struggle constantly and diplomatically to impede the Fascist leadership from politically reorganizing the means of production on Italian territory in any way which might have compromised its own political autonomy or privileged political and economic position. Second, although the northwestern elite may

have largely prevented Fascism from realizing its revolutionary potential, Fascism succeeded in breaking the power of the Mezzogiorno's landlord class by encouraging the development of a class of small peasant proprietors. In this way, Fascism greatly weakened the system of organized social consensus established by the northwestern elite in the Mezzogiorno soon after the unification of Italy. Last, Austria's annexation by Germany (the Anschluss) on 12 March 1938 marked Italy's subordination to Germany in the Rome-Berlin Axis (24 October 1936 - 25 July 1943). Had the Axis won World War II, Italy's victory would have been Pyrrhic, because Germany intended to suffocate Italian industry and to make Italy into an agrarian client state.¹⁴

Military Defeat, Occupation and Political Conflict

Italy lost twice in World War II. The Allies (the United Kingdom, France, the Soviet Union and the United States) defeated Italy militarily as Germany's subordinate ally in the Axis, and then subordinated Italy politically as an Allied co-belligerent (13 October 1943 - 2 May 1945). The Armistice of 8 September 1943, which had exacted as its price the country's unconditional surrender to the Allies, in effect put it into the hands of the United Kingdom and the United States, which had succeeded in excluding France and the Soviet Union from the military occupation of Italian territory.¹⁵

The Armistice and the Anglo-American military occupation did not put an immediate end to military combat but provoked political battles

between the United Kingdom and the United States as well as between the northwestern elite and the Left.

The United Kingdom and the United States, whose interests in Italy were more parallel than identical, both occupied Italy militarily in order to destroy the Fascist regime and to expel German forces. However, Anglo-American occupation policy embodied no coherent, global political strategy because it reflected the different intentions of the United Kingdom and the United States: on the one hand, the United Kingdom wanted to punish Italy economically and militarily because the Fascist regime had succeeded in asserting Italian interests which challenged its imperial dominance in the Mediterranean region; on the other hand, the United States wanted to establish in Italy a regime congenial to its tutelage.¹⁶

The Anglo-American military destruction of the Fascist regime jeopardized the northwestern elite's traditional political dominance in Italy. When these forces destroyed the Fascist regime, the northwestern elite found itself precariously atop a political order now lacking legitimacy and a stable institutional structure. In this unstable situation, the northwestern elite had to confront challenges in all parts of Italy: in the economic systems of the northwest and the center/northeast, where Italian capitalism and the Left which criticized it had developed most, many workers struck and joined the anti-Fascist resistance movement; in the Mezzogiorno, where Fascism had broken the political dominance of the landlord class, many landless peasants and day laborers occupied the great estates in order to expropriate the land and to divide it among themselves.¹⁷

The Left took advantage of this instability to regain the power lost under Fascism by championing political disaffections, and by transforming them into opposition to the Fascist regime, and into positive political support. The Left, now represented principally by the Italian Communist Party (PCI), better organized and more coherent politically than the Italian Socialist Party (PSI), which had dominated the Left before Fascism, succeeded in organizing more consensus among the northern workers than among the southern peasants. In northern Italy, the Left easily put itself at the vanguard of the workers' movement because that area was its traditional stronghold and because the Axis's stubborn resistance to the Allied advance northward provided it with an opportune cause around which to rally popular support. On the other hand, in the Mezzogiorno, the Left belatedly (in 1948) put itself at the vanguard of the peasants' movement, begun in 1944, because it was not as well established there as in other parts of Italy and because the rapid Allied advance through the area precluded the necessity of organized anti-Fascist partisan resistance. The Left wanted to subordinate the northwestern elite on behalf of the working class.¹⁸

American Hegemony and Its Limits

The distribution of power in the international system proved to be decisive in the determination of the outcome of these political battles. The United States and the Soviet Union emerged from World War II as superpowers, each hegemonic in its own sphere of influence.

Their military cooperation against the Axis evolved into a Cold War against each other, with the resultant ideological, political, economic and military divisions which collectively comprise the East-West conflict.

Within the western camp, the United States became the hegemonic power while the United Kingdom became a political actor of secondary importance. For this reason, the United States won its political battle with the United Kingdom concerning the objectives of Anglo-American occupation policy, which evolved from a technical program of military rule, determined preponderantly by the United Kingdom, to an instrument of American foreign policy. This evolution marked the progressive decline of the United Kingdom's influence in Anglo-American relations and the inverse ascent of the United States to the position of arbiter of events in Italy. American foreign policy interests prevailed in occupied and postwar Italy, against whom the United Kingdom could not realize its vendetta. On 31 December 1945 the Anglo-American occupation of Italy ended formally with the dissolution of the Allied Military Government and with the restoration of sovereignty in internal affairs to the Italian government. On 10 February 1947, Italy signed a Peace Treaty with the Allies in Paris.¹⁹

The United States used its hegemony over Italy to give victory to the northwestern elite in its battle with the Left at the end of World War II. The United States perceived that the destabilization of the country's traditional political order caused by Fascism and by World War II would make a regime dominated by the northwestern elite more dependent upon American support, and therefore more congenial to its

tutelage, than a regime dominated by the Left, which promised to give Italy greater autonomy in the international system than the United States desired. Moreover, the United States wanted to secure its strategic military posture against its rival, the Soviet Union, in the Mediterranean region by making use of Italy's suitable location.

The United States was hegemonic but not omnipotent, in that it could not control all the variables which would determine the future course of events in Italy. The preconditions for the attenuation of its hegemony accompanied its establishment. Two factors beyond its control conditioned it in the exercise of its hegemony over Italy at the end of World War II: the renewed strength of the Left in Italy and Italy's geographic location in the context of the East-West conflict.

The Left, whose communist component, the PCI, had succeeded in maintaining clandestine organizations during Fascism, emerged from World War II stronger than it had ever been previously. Its political resolve and its dogged paramilitary activities against the Axis in Italy as the principal component of the anti-Fascist partisan resistance movement had gained for it considerable popularity.²⁰ By 1947, it had organized enough political consensus to contend seriously, if not successfully, for control of the Parliament.²¹ In short, the Left at the end of World War II was a major political force in Italy and a valid electoral rival of the political Center-Right.

As to Italy's geographic location in the context of the East-West conflict, it is approximately 4,000 miles from the United States, with the Atlantic Ocean between, but is approximately 500 miles from

the Soviet Union, with south-central Europe between. Although the Anglo-American occupation of Italy may have secured for it a place under American hegemony, its place was on the geographic periphery of the American sphere of influence. In geographic terms, the United States faced difficult logistics necessary to the maintenance of hegemony over Italy and to a viable strategic posture in the Mediterranean region.

These factors constrained the United States to secure Italy's political allegiance by legitimizing to Italian society the re-establishment of the country's traditional political order and economic structure. To this end, the United States had to temper the exercise of its hegemony by allowing the northwestern elite to organize mass social consensus, principally through the Christian Democratic Party (DC), so that the northwestern elite might offset the strength of the Left. The United States also had to allow Italy the economic capacity to create conditions of increasing prosperity so that the regime might justify its existence and might seem more appealing to Italian society than a regime dominated by the Left. In other words, these factors prevented the United States from maintaining its hegemony over Italy by means of a repressive use of force or from using its hegemony to underdevelop the Italian economy. In fact, these factors induced it to neutralize the United Kingdom's plan to punish Italy. Had it not tempered the exercise of its hegemony, the United States would have discredited and undermined its own position there, as well as Italy's traditional political order and economic structure, and would have inadvertently assisted and legitimized the Left.²²

The United States found itself in a paradoxical and delicate situation: paradoxical because, in order to maintain its hegemonic position, the United States had to aid the country in developing the capacities which could potentially allow it to regain lost political autonomy; delicate because the excessive development of these capacities would make Italy under the northwestern elite too strong and independent, while the insufficient development of these capacities could help the Left to displace the northwestern elite at the top of Italy's political order. Under these circumstances, the United States needed to influence the development of Italy's capacities so that they might disadvantage American interests minimally. The United States used its hegemony to attempt to manage the balanced development of the economic systems of the northwest and the center/northeast, and the underdevelopment of the Mezzogiorno, by assigning to Italy a subsidiary role in the upper ranks of the international division of labor, so that the northwestern elite might retain power yet remain under American tutelage.

The United States pursued its foreign policy interests in Italy in four ways: first, by engaging in veiled manipulative activities: political pressure, ideological legitimization, covert intelligence gathering, the dissemination of disinformation, surreptitious acts of political violence against those perceived as threats to American interests in Italy, and support for those with interests parallel to American interests²³; second, by infusing approximately \$5 billion into Italy between 1945 and 1958, of which \$1,515 million went overtly to the economy between April 1948 and December 1952 through the European

Recovery Program (the Marshall Plan)²⁴; third, by firmly integrating the Italian economy into the international economy under American influence, and by promoting the institutionalized market policy integration of the Italian economy with the other major economies of Western Europe, under the ideological banners of "free enterprise" and "self-determination under American influence" (which had replaced unqualified self-determination with the advent of the Cold War); and, last, by establishing institutionalized military ties with Italy, and with most of Western Europe, through the creation, on 4 April 1949, of the North Atlantic Treaty Organization (NATO), of which the United States has always been the dominant member.

The Northwestern Elite and the United States:
A Problematic Relationship

In the post-1945 period, American hegemony has benefitted the northwestern elite more than any other social group in Italy by preserving the country's traditional political order and economic structure. The DC, as the principal exponent of the northwestern elite's interests, took full advantage of American hegemony to gain control of the State apparatus by excluding the Left from national governments between 31 May 1947 and 4 December 1963.²⁵

However, at the end of World War II, the United States exacted as its price the severe limitation of Italy's political autonomy. Italy had to swear allegiance to the United States in return for needed support. In short, the northwestern elite had to submit to tutelage from abroad in order to rule at home. Moreover, the United States, by

assigning to Italy a subsidiary role in the upper ranks of the international division of labor, limited the northwestern elite's ability to organize the means of production on Italian territory to its advantage and benefit.

However, the northwestern elite, which never renounced its interest in political autonomy, nor resigned itself to a political existence under American tutelage, fostered the development of its capacity to organize mass social consensus and to create conditions of increasing prosperity. The political power derived from the DC's organizational strength, together with an unprecedented increase in the strength of the economy, resulted in a gradual and modest increase in Italy's autonomy, which allowed it to modify its position in the international system. A commitment toward an autonomous United Europe, together with independent foreign policy initiatives toward the Soviet Union, the East Bloc, the countries of the Middle East, and many underdeveloped countries, replaced unswerving allegiance to the United States.²⁶

In all probability, the consequence of a tempered American hegemony which distresses the northwestern elite (and the United States) most is the opportunity afforded the Left to emulate the northwestern elite in the ability to organize mass social consensus. In this, the PCI, almost equal in strength to the DC, has far outdone the PSI, weak and politically compromised. Although the DC may have to take the strength of the Left into serious consideration, the political divisions between the PCI and the PSI, which culminated in the dissolution in 1957 of the Unity of Action Pact of 1934, have thus far prevented

the Left from consolidating its strength enough to gain control of the government. The DC has largely succeeded in coopting the PSI by including it in nearly all coalition governments since 4 December 1963 as a virtual guest in power, together with minor centrist lay parties.²⁷

The tempered American hegemony which helps the northwestern elite to retain its traditional political and economic dominance in Italy also creates conditions which can lead to its downfall. This situation could persuade the northwestern elite to pursue its best interests by reducing its dependence on the United States rather than trust that the advantages of a tempered American hegemony will always outweigh the disadvantages. For its part, the Left desires to displace the northwestern elite at the top of Italy's political order and to increase the country's autonomy by organizing social consensus based on counter-balanced American and Soviet influence. In any case, foreign interests will determine preponderantly the type and degree of development experienced by the Italian economy unless and until a ruling class acquires sufficient political autonomy to organize the means of production on Italian territory more in accordance with its own exigencies than in dependence of external exigencies.

The Mezzogiorno After World War II:
Underdevelopment Renewed

At the end of World War II, the Mezzogiorno's traditional political and economic relationships with the rest of the Italian economy were in

crisis. Fascism had effectively undermined the northwestern elite's system of political control over the Mezzogiorno by fostering the development of a class of small peasant proprietors. As a result, the northwestern elite's subordinate political ally, the landlord class of the Mezzogiorno's great estates, was greatly weakened. Moreover, the Mezzogiorno's military occupation by Anglo-American forces provoked nearly four years of mass political instability (1944-1948). It eliminated the Fascist regime's socio-political and institutional structures implemented to manage the area's agricultural transformation. Peasants and landless day laborers occupied and appropriated land.²⁸

The balance of power in the international system determined the outcome of the crisis in the relationships between the Mezzogiorno and the rest of the Italian economy long before the political instability in the Mezzogiorno ended. First, American hegemony over Italy guaranteed the Mezzogiorno's continued subordination in the Italian economy by reestablishing the northwestern elite's traditional dominance in Italy. Second, the factors which constrained the United States to temper the exercise of its hegemony over Italy required the northwestern elite to legitimize its dominance by organizing social consensus and by creating conditions of increasing prosperity. Last, the United States constrained the northwestern elite to face intense international competition by integrating the Italian economy into the international economy under the banner of the "free enterprise" ideology, which promoted an increase in industrial activity, commerce and the mobility of capital and labor. In this situation, the northwestern elite had to devise a

new system of control over the Mezzogiorno because the landlord class, discredited in the eyes of the peasants and the workers, was no longer a viable instrument for the area's political subordination. Had the northwestern elite attempted to reestablish the landlord class's political and economic dominance in the Mezzogiorno, the Left would have had an opportune cause around which to rally popular support.

The northwestern elite confronted the Mezzogiorno's political instability by availing itself of the modified "free enterprise" ideology adopted as an expedient by the United States and by the United Kingdom during the 1930s to reconcile their common abstract ideological principles with the reality of their economically depressed areas. The modified "free enterprise" ideology, whose manifestations include the creation of the Tennessee Valley Authority in the United States (1933) and the enactment of the Depressed Areas Laws of 1934 and 1937 in the United Kingdom, posits the need of industrialization to overcome underdevelopment and the idea that underdevelopment is a technical problem to be solved within a given economic structure by means of systematic State intervention. According to this ideology, private investment in an underdeveloped area is induced by developing the area's infrastructure and by offering capital incentives (i.e., advantageous credit terms and tax exemptions) to businesses. Moreover, this ideology disparages the direct industrialization of an underdeveloped area by the State.²⁹

The Left contested the modified "free enterprise" ideology's conceptualization of underdevelopment by maintaining that underdevelopment,

far from being a technical problem to be solved within an economic structure, is caused by that structure and is primarily a political problem because the organization of the means of production is sanctioned, if not determined, politically. In short, a reorganization of the means of production to the benefit of an underdeveloped area is necessary to overcome underdevelopment. As to the Mezzogiorno's underdevelopment, the Left maintained that the modified "free enterprise" ideology would merely allow the northwestern elite to legitimize its use of the State's resources to establish a system of control over the Mezzogiorno suited to the northwestern elite's new place and function in the international economy under a tempered American hegemony. Moreover, according to the Left, an essential precondition to the solution of the problem of the Mezzogiorno's underdevelopment was a reorganization of its means of production: it would be necessary to modernize the Mezzogiorno's system of agricultural production so that the area might begin to produce more efficiently the capital to be accumulated to finance self-sustained development.³⁰ In an Italy dominated by the northwestern elite under American tutelage, the Left had to operate from a position of political inferiority.

The Instruments of Political Control:
Land Reform and Public Works

The northwestern elite used the modified "free enterprise" ideology to legitimize the conceptualization of the Mezzogiorno's

underdevelopment as a technical problem to be solved within Italy's traditional economic structure by means of systematic State intervention designed to induce private capital to undertake industrial investments. This allowed it to reestablish its control over the area by legitimizing the use of the State's resources in a way which feigned to remedy the Mezzogiorno's underdevelopment. In reality, the northwestern elite, so that it might better sustain international competition and impede the development of effective competition from the Mezzogiorno's entrepreneurs, reestablished its control over the Mezzogiorno in such a way as to increase the area's involvement in the process of capital accumulation in the Italian economy. It expanded the Mezzogiorno's productive base without changing the area's place in the national economy through policies of land reform and public works.³¹

The northwestern elite used these policies to replace the Mezzogiorno's landlord class with a group of subordinate allies better able to meet its new exigencies. Political stability in the Mezzogiorno and in Italy best served the interests of these subordinate allies because the dominance they enjoyed in the Mezzogiorno depended upon the northwestern elite's dominance in Italy. The land reform, which effected a limited redistribution of property ownership by expropriating the poorest agricultural land in the areas of the greatest political instability, consolidated the development of a class of small peasant proprietors³²; the public works policy, which established in the Mezzogiorno a system of political patronage and clientelism, created a bureaucratic "middle class," known more commonly as the "State bourgeoisie."³³

Three laws governed land reform in the Mezzogiorno. The Parliament enacted Law n. 230 of 12 May 1950 (known as the Law for the Sila [Legge Sila], named after an extensive mountainous zone and high plateau of Calabria) and Law n. 841 of 21 October 1950 (known as the Summary Law [Legge Stralcio]). The Sicilian Regional Government enacted the other law, n. 104 of 27 December 1950 (known as the Sicilian Law [Legge Siciliana]). These laws created eight reform districts which embraced 8,558,000 hectares (i.e., 21,147,673 acres) of cultivated land in 36 provinces, equivalent to 30 percent of Italian territory and 41 percent of Italy's cultivated land.³⁴

It was up to the Land Reform Agencies (Enti di Riforma) to carry out the land reform by determining the land to be expropriated, the compensation to be awarded, and the distribution of the expropriated land, and by providing the grantees with the financial and technical aid necessary to make their land productive. These Agencies expropriated a total 767,000 hectares, of which 673,000 hectares, equal to 7.9 percent of the land, lay within the eight reform districts, and 94,000 hectares lay elsewhere. Nearly 89 percent (682,000 hectares) of the expropriated land was distributed to 109,103 families, of whom 8 percent were small proprietors, 40 percent sharecroppers, and 52 percent agricultural laborers. Approximately 75 percent of these families lived in the Mezzogiorno. The high cost of the redistribution and the betterment reflects the poor quality of the land expropriated. The Land Reform Agencies, which employed the greater part of their resources to clear land, to establish irrigation systems, to acquire farm machinery, and

to construct roads, schools and agricultural villages, spent \$940 million, or an average \$1,200 per hectare, and an average \$10,600 for the settlement of each family.³⁵

The northwestern elite's public works policy, in conformity with the modified "free enterprise" ideology, was not a development policy with precise goals, but rather a general pre-industrialization policy calculated to induce the expansion of private economic activity and to increase employment in the Mezzogiorno by developing agriculture, improving infrastructure, and providing capital incentives to business. The principal instrument was the Cassa per il Mezzogiorno (CASMEZ), charged with formulating and implementing public works projects, and with coordinating their realization with the ordinary institutions of government. It also sought to attract private investment capital to the Mezzogiorno from within and without Italy. American hegemony over Italy manifested itself in the CASMEZ's activities through the legitimation provided by the modified "free enterprise" ideology and financially through the World Bank, dominated by the United States. The Bank provided 30 percent of the CASMEZ's funds in its first decade. Moreover, Americans and Italians jointly drew up the CASMEZ's initial disbursement plan.³⁶

Law n. 949 of 25 July 1952 extended the CASMEZ's life, established originally by Law n. 646 of 10 August 1950 at ten years, to twelve years, and increased the CASMEZ's original appropriation of LIT 1,000 billion (to be disbursed at an average annual rate of LIT 100 billion) to LIT 1,280 billion, to be disbursed at an average annual rate of LIT

110 billion from the fourth to the twelfth year.³⁷ From Fiscal Year 1950-1951 to Fiscal Year 1957-1958, the CASMEZ allocated its funds as follows:

TABLE 2.--The capital allocation of the CASMEZ

Sector	Under Law n. 646 of 10/8/1950		Under Law n. 949 of 25/7/1952	
	LIT (billions)	Percent of Total	LIT (billions)	Percent of Total
Agriculture	770.0	77.0	887.5	69.3
Transportation/ Communication	90.0	9.0	190.0	14.8
Aqueducts/ Sewerage	115.0	11.5	177.5	13.9
Industry	---	---	---	---
Artisan Trades	---	---	---	---
Tourism	25.0	2.5	25.0	2.0
Fisheries	---	---	---	---
Vocational Training	---	---	---	---
Institutions of Social Character	---	---	---	---
Total	1,000.0	100.0	1,280.0	100.0

SOURCE: Joseph A. Martellaro, Economic Development in Southern Italy 1950-1960, Washington, DC: The Catholic University of America Press, 1965, p. 11.

In this period, the CASMEZ spent LIT 1,035.7 billion, or an average LIT 129.5 billion per year, as follows:

TABLE 3.--The CASMEZ's yearly expenditure 1950-1958

Fiscal Year	LIT (in billions)
1950-1951	4.0
1951-1952	50.3
1952-1953	116.9
1953-1954	157.1
1954-1955	181.7
1955-1956	197.4
1956-1957	173.8
1957-1958	154.5
Total	1,035.7

SOURCE: George H. Hildebrand, Growth and Structure in the Economy of Modern Italy, Cambridge, MA: Harvard University Press, 1965, p. 66.

The Mezzogiorno in the Italian Economy 1950-1961

The following statistics reflect the gap in economic development which existed between the Mezzogiorno and north-central Italy (i.e., the economic systems of the northwest and the center/northeast) in 1951. The distribution percent by sector of employment (1) and Gross Domestic Product (GDP) (2) was³⁸:

	Agriculture		Industry		Tertiary		Public Administration	
	(1)	(2)	(1)	(2)	(1)	(2)	(1)	(2)
Mezzogiorno	56.7	34.0	20.1	23.7	23.2	42.3	5.8	12.8
Italy	43.8	22.0	29.5	36.7	26.7	40.5	5.8	9.4

Thirty-seven percent of Italy's population resided in the Mezzogiorno. The distribution of pro capite income, with Italy at 100, showed the Mezzogiorno at 58.2 and north-central Italy at 126.1. The average income per hectare of farmland (in thousands of LIT) showed the Mezzogiorno at 230, Italy at 265, and north-central Italy at 290. Industrial workers in the Mezzogiorno numbered 709,788, against 3,456,466 in north-central Italy.³⁹ In Italy 19.7 million people were employed, of whom 13.2 million lived in north-central Italy, and 6.5 million in the Mezzogiorno. For every person employed, 1.3 people were unemployed in north-central Italy against 1.6 in the Mezzogiorno.⁴⁰ Fifteen percent of Italy's industrial investments and 19.7 percent of its industrial employment were located in the Mezzogiorno.⁴¹ Businesses employed an average 6.9 people in north-central Italy against 2.6 in the Mezzogiorno. In the latter, there were 3.7 million agricultural workers, that is, 43 percent of the national agricultural workforce.⁴²

The capital infused into the Mezzogiorno by the public works and land reform policies, together with private capital and monies spent by the ordinary institutions of government, increased the area's involvement in the process of capital accumulation in the national

economy by developing its productive apparatus. The public works policy developed its infrastructure and, together with the land reform, increased agricultural productivity by disseminating better farming techniques, mechanizing farms, and fertilizing and irrigating the land. Between 1951 and 1959, 43.5 percent of Italy's agricultural investments, 15.8 percent of its industrial investments, 24.5 percent of its tertiary sector investments, 23.3 percent of its housing investments, 37.2 percent of its public administration investments, and 24.5 percent of its net fixed investments were located in the Mezzogiorno. In this period, the sectoral distribution of the fixed investments in the area was 19.8 percent in agriculture, 21.9 percent in industry, 22.1 percent in the tertiary sector, 23.2 percent in the housing sector, and 13 percent in public administration. The sectoral distribution of fixed investments in Italy was 11.3 percent in agriculture, 33.9 percent in industry, 22.1 percent in the tertiary sector, 24.4 percent in housing, and 8.3 percent in public administration.⁴³

Between 1951 and 1958 the Mezzogiorno registered the following growth rates in constant 1963 prices: net product, 4.4 percent; agriculture, 2.12 percent; industry, 7.46 percent; the tertiary sector, 4.87 percent; and public administration 2.94 percent. In this period, the Italian economy registered the following growth rates, also in constant 1963 prices: Gross National Product (GNP), 5.32 percent; agriculture, 2.98 percent; industry, 7.57 percent; the tertiary sector, 4.75 percent; and public administration, 2.89 percent. The growth rate of its most productive sectors, agriculture and industry, was less in

the Mezzogiorno than in the rest of Italy, while the growth rate of the national economy's least productive sectors, the tertiary sector and the public administration, was greater in the Mezzogiorno than elsewhere.⁴⁴ In 1958, the percentage distribution by sector of employment (1) and Gross Domestic Product (GNP) (2) was⁴⁵:

	Agriculture		Industry		Tertiary		Public Administration	
	(1)	(2)	(1)	(2)	(1)	(2)	(1)	(2)
Mezzogiorno	45.6	27.6	26.1	24.7	28.3	48.1	6.6	14.3
Italy	34.2	18.5	34.6	35.9	31.2	45.6	6.4	10.3

The Mezzogiorno's development increased demand there for manufactured goods. North-central Italy's industries satisfied more of the Mezzogiorno's demand than the Mezzogiorno's own industries because the former, located in the more dominant economic systems of the northwest and the center/northeast, were already more diversified and more productive. The Mezzogiorno's most advanced industries succeeded in sustaining the competition of similar industries based in north-central Italy, but were too few in number to affect significantly its own development. The increase in productivity of the Mezzogiorno's agriculture complemented the increase in the productivity of north-central Italy's industries because the Mezzogiorno, in its relationship with the rest of the Italian economy, became a net importer of manufactured goods and a net exporter of agricultural products, predominantly Mediterranean (wines and citrus fruits).⁴⁶

The Mezzogiorno's industries most affected by the increased demand for manufactured goods were the labor-intensive and, therefore, less productive, small traditional industries which produced for the local market and had no competition from north-central Italy's industries. These industries absorbed proportionately more of the Mezzogiorno's labor force which left agriculture to seek industrial employment than north-central Italy's industries absorbed of the labor force there. However, the Mezzogiorno's relatively inefficient industries could not match the increase in productivity of the industries in the more dominant economic systems of the northwest and the center/northeast. Between 1951 and 1958, value added in the industrial sector increased by 6.15 percent in Italy, but only by 5.98 percent in the Mezzogiorno. In this period, pro capite income in the Mezzogiorno fell from 64.5 percent to 62.5 percent of Italy's average.⁴⁷ Between 1951 and 1959, value added in the Mezzogiorno's manufacturing sector was 12.5 percent of the value added in the Italian economy's manufacturing sector.⁴⁸

The increased employment in the Mezzogiorno's labor intensive industries was insufficient to absorb all the unemployed and underemployed in its work force. The northwestern elite compensated partially for the lack of industrial employment opportunities in the Mezzogiorno by absorbing workers into the tertiary sector and public administration at a higher rate in the Mezzogiorno than in the more productive systems of the northwest and the center/northeast. The majority of unemployed and underemployed in the Mezzogiorno remained a reserve work force for the industrial expansion of more dominant economic systems

within and without Italy.⁴⁹ The increase in the productivity of the Mezzogiorno's agriculture permitted agricultural laborers to seek industrial employment without reducing the Mezzogiorno's agricultural production, exchanged for manufactured goods produced in north-central Italy.

Between 1951 and 1961, the percentage distribution by sector of employment in the Mezzogiorno evolved in the following manner⁵⁰:

	1951	1954	1959	1961
Agriculture	56.3	51.0	42.4	39.4
Industry	19.1	23.8	29.1	29.0
Tertiary	15.9	()	()	23.0
	24.6 {	{ 25.2 }	{ 28.5 }	{ 31.6 }
Public Administration	8.7	()	()	8.6

In this period, agricultural productivity increased by 5.25 percent in the Mezzogiorno but by 5.40 percent in north-central Italy⁵¹, while value added in the manufacturing sector increased by an average 6.17 percent per year in the Mezzogiorno but by an average 8.36 percent per year in Italy.⁵²

Summary

The Kingdom of Sardinia determined Italy's political order and economic structure by dominating the process of unbalanced integration which produced both the modern Italian State and an Italian economy comprised of three economic systems: the economic system of the northwest, the economic system of the center/northeast and the Mezzogiorno. The Kingdom of Sardinia's ruling class became Italy's ruling class, the northwestern elite, which identified its interests territorially with the economic system of the northwest (most of which belonged to the Kingdom of Sardinia prior to the unification of Italy) and reorganized politically the means of production on Italian territory to its own advantage and benefit. For this reason, the economic system of the northwest became the Italian economy's center, the economic system of the center/northeast its semi-center and the Mezzogiorno its periphery. The economic systems of the northwest and the center/northeast experience generally positive, balanced development and the Mezzogiorno underdevelopment.

It is unclear whether Fascist Italy's political leadership may have genuinely undertaken to change the structural relationships between Italy's three economic systems with the goal of abolishing the Mezzogiorno's underdevelopment. However, it is clear that the United States, victorious in World War II, subordinated politically a defeated Italy and restored its traditional political order and economic structure destabilized by Fascism and by World War II. Two factors constrained

the United States to temper the exercise of its hegemony over Italy: Italy's peripheral geographic location in the American sphere of influence and the renewed strength of the Italian Left, popular for its participation in the anti-Fascist partisan resistance movement during the Anglo-American military occupation of Italy. These factors constrained the United States to secure Italy's political allegiance by helping the northwestern elite to legitimize its traditional dominance in Italy. To this end, the United States helped the northwestern elite to organize mass social consensus through the DC and to create conditions of increasing prosperity in the face of the intense international economic competition which resulted from the Italian economy's integration in the international economy under American influence.

The northwestern elite, so that it might better sustain this intense international competition, legitimized a renewal and an intensification of the Mezzogiorno's underdevelopment to the advantage and benefit of the economic system of the northwest by using the modified "free enterprise" ideology to legitimize the implementation of the public works and land reform policies. The modified "free enterprise" ideology conceptualized the area's underdevelopment as a technical problem to be solved within the national economy's traditional structure. The public works and land reform policies increased the Mezzogiorno's involvement in the process of capital accumulation in the Italian economy without changing its traditional place in the Italian economy.

NOTES TO CHAPTER THREE

¹For additional historical information, see, for example, Gastone Silvano Spinetti, General Editor, Italy Today, Rome: Documentation Center of the Presidency of the Council of Ministers of the Republic of Italy, 1955; Joseph Ward Swain, The Harper History of Civilization, Volume One, New York: Harper and Row, 1958; Columbia College, A Classical Dictionary, Fourth Edition, 1843; Stuart Woolf, A History of Italy 1700-1860: The Social Constraints of Political Change. London: Methuen and Co., Ltd., 1979; and Alfonso Manaresi, Storia Medioevale [Medieval History], Milano: Trevisini, 1936.

²See Marina von Neumann Whitman, "International and Interregional Payments Adjustment: A Synthetic View" in Princeton Studies in International Finance, N. 19, Princeton, NJ: Princeton University, Department of Economics, International Finance Section, 1967.

³See the perceptive study by Edmondo Maria Capecelatro and Antonio Carlo, Contro la "questione meridionale" [Against the "Southern Question"], Roma: Samona' e Savelli, 1972; and Edmondo Maria Capecelatro and Antonio Carlo, editors, Per la critica del sottosviluppo meridionale: Antologia di scritti [For a Critique of Southern Underdevelopment: An Anthology of Writings], Firenze: La Nuova Italia, 1973. See also the excellent study by Luigi de Rosa, La rivoluzione industriale in Italia e il Mezzogiorno [The Industrial Revolution in Italy and the Mezzogiorno], Bari: Laterza, 1973. Taken cum grano salis, George H. Hildebrand, Growth and Structure in the Economy of Modern Italy, Cambridge, MA: Harvard University Press, 1965 can offer additional information.

⁴See Edmondo Maria Capecelatro and Antonio Carlo, Contro la "questione meridionale," cit.; and Edmondo Maria Capecelatro and Antonio Carlo, editors, Per la critica del sottosviluppo meridionale, cit.

⁵Italy has seven economic regions according to Lloyd Saville, Regional Economic Development in Italy, Durham, NC: Duke University Press, 1967, three according to the more realistic study by Arnaldo Bagnasco, Tre Italie: La problematica territoriale dello sviluppo italiano [Three Italies: The Territorial Problematic of Italian Development], Bologna: Il Mulino, 1977.

⁶The literature on this point is vast. Comprehensive analysis is offered, for example, by Edmondo Maria Capecelatro and Antonio Carlo,

Contro la "questione meridionale," cit.; Arnaldo Bagnasco, Tre Italie, cit.; and Alfredo Del Monte and Adriano Giannola, Il Mezzogiorno nell'economia italiana [The Mezzogiorno in the Italian Economy], Bologna: Il Mulino, 1978.

⁷ Given the prevalent cultural interpretations of the economic information available at that time concerning the Mezzogiorno's economic history, even Antonio Gramsci (1891-1937) was one of the many who believed that capitalism had never developed sufficiently in the Italian South to overthrow feudalism. Indeed, this belief still seems prevalent today. Gramsci considered the intesa between the northwestern elite and the Mezzogiorno's landlord class to be the blocco storico (historic bloc) which impeded the spread of capitalism from northern Italy to the Mezzogiorno. Gramsci assesses quite correctly the blocco storico's negative effect on the Italian South after the unification of Italy. However, the point is this: the blocco storico did not impede the spread of capitalism to a pre-capitalist area, but transformed the organic development of capitalism in the Italian South, under way long before the unification of Italy, into the Mezzogiorno's underdevelopment.

⁸ A detailed analysis of the Mezzogiorno's impoverishment and subordination is found in Edmondo Maria Capececatro and Antonio Carlo, Contro la "questione meridionale," cit.

⁹ An excessive infusion of ideology mars the otherwise interesting and provocative ideas presented by Gabriele Fergola, Il Mezzogiorno: Problema nazionale [The Mezzogiorno: National Problem], Rome: I.R.S.E., 1976.

¹⁰ See, for example, Paul Corner, "Fascist Agrarian Policy and the Italian Economy in the Inter-war Years" in John A. Davis, editor, Gramsci and Italy's Passive Revolution, London: Croom Helm, Ltd., 1979.

¹¹ See the excellent study by Roland Sarti, Fascism and the Industrial Leadership in Italy 1919-1940: A Study in the Expansion of Private Power Under Fascism, Berkeley, CA: University of California Press, 1971.

¹² See Martin Clark, Antonio Gramsci and the Revolution that Failed, New Haven, CT: Yale University Press, 1977.

¹³ See Roland Sarti, Fascism and the Industrial Leadership in Italy 1919-1940, cit.; and Alfredo Del Monte and Adriano Giannola, Il Mezzogiorno nell'economia italiana, cit.

¹⁴ See Palmiro Togliatti, Lectures on Fascism, New York: International Publishers, 1976; C. J. Lowe and F. Marzari, Italian Foreign Policy

1870-1940, London: Routledge and Kegan Paul, 1975; Roland Sarti, Fascism and the Industrial Leadership in Italy 1919-1940, cit.; Elisabeth Wiskemann, Fascism in Italy: Its Development and Influence, London: Macmillan, 1969; Elisabeth Wiskemann, Europe of the Dictators 1919-1945, Ithaca, NY: Cornell University Press, 1966; Salvatore La Francesca, La politica economica del Fascismo, [Fascism's Economic Policy], Bari: Laterza, 1972; Gianni Toniolo, L'economia dell' Italia fascista [Fascist Italy's Economy], Bari: Laterza, 1980; and Paul Corner, "Fascist Agrarian Policy and the Italian Economy in the Inter-war Years" in John A. Davis, editor, Gramsci and Italy's Passive Revolution, cit. Useful for statistics and institutional descriptions, but void of substantive analysis, is William G. Welk, Fascist Economic Policy: An Analysis of Italy's Economic Experiment, Cambridge, MA: Harvard University Press, 1938.

¹⁵The definitive analysis is David W. Ellwood, L'alleato nemico: La politica dell' occupazione anglo-americana in Italia 1943-1946, [The Allied Enemy: Anglo-American Occupation Policy in Italy 1943-1946. Published originally in English as Allied Occupation Policy in Italy, 1943-1946.], Milano: Feltrinelli, 1977.

¹⁶See David W. Ellwood, L'alleato nemico, cit.

¹⁷See Percy A. Allum, "Thirty Years of Southern Policy in Italy" in Political Quarterly 52:314, July/September 1981.

¹⁸See, for example, Percy A. Allum, "Thirty Years of Southern Policy in Italy" in Political Quarterly, cit.; and Norman Kogan, "The Italian Communist Party: The Modern Prince at the Crossroads" in Rudolf L. Tokes, editor, Eurocommunism and Detente, New York: New York University Press, 1978.

¹⁹See David W. Ellwood, L'alleato nemico, cit.; and Gastone Silvano Spinetti, General Editor, Italy Today, cit.

²⁰See Norman Kogan, "The Italian Communist Party: The Modern Prince at the Crossroads" in Rudolf L. Tokes, editor, Eurocommunism and Detente, cit.

²¹See Paul Y. Hammond, The Cold War Years: American Foreign Policy Since 1945, New York: Harcourt, Brace and World, 1969.

²²See David W. Ellwood, L'alleato nemico, cit.

- ²³ See, for example, Morton H. Halperin, Jerry J. Berman, Robert L. Borosage, and Christine M. Marwick, The Lawless State: The Crimes of the U.S. Intelligence Agencies, A report by the Center for National Security Studies, New York: Penguin, 1976; and Edward S. Herman, The REAL Terror Network: Terrorism in Fact and Propaganda, Boston: South End Press, 1982.
- ²⁴ See Luigi Villari, Italian Foreign Policy Under Mussolini, New York: Devin Adair, 1956; and Giuseppe Mammarella, Italy After Fascism: A Political History 1943-1965, Notre Dame, Ind.: The University of Notre Dame Press, 1966.
- ²⁵ See Percy A. Allum, Italy--Republic Without Government?, New York: W. W. Norton, 1973; Simon Serfaty and Lawrence Gray, editors, The Italian Communist Party: Yesterday, Today and Tomorrow, Westport, CT: The Greenwood Press, 1980; and Piero Barucci, Ricostruzione, Pianificazione, Mezzogiorno: La politica economica in Italia dal 1943 al 1955 [Reconstruction, Planning, Mezzogiorno: Economic Policy in Italy from 1943-1955], Bologna: Il Mulino, 1978.
- ²⁶ See Giuseppe Mammarella, Italy After Fascism, cit.; and Simon Serfaty and Lawrence Gray, editors, The Italian Communist Party, cit.
- ²⁷ See Percy A. Allum, "Thirty Years of Southern Policy in Italy" in Political Quarterly, cit.; Simon Serfaty and Lawrence Gray, editors, The Italian Communist Party, cit.; Norman Kogan, "The Italian Communist Party: The Modern Prince at the Crossroads" in Rudolf L. Tokes, Euro-communism and Detente, cit.; and Giuseppe Mammarella, Italy After Fascism, cit.
- ²⁸ See Percy A. Allum, "Thirty Years of Southern Policy in Italy" in Political Quarterly, cit.; Paul Corner, "Fascist Agrarian Policy and the Italian Economy in the Inter-war Years" in John A. Davis, editor, Gramsci and Italy's Passive Revolution, cit.; and Alfredo Del Monte and Adriano Giannola, Il Mezzogiorno nell' economia italiana, cit.
- ²⁹ See Alfredo Del Monte and Adriano Giannola, Il Mezzogiorno nell' economia italiana, cit.; and Piero Barucci, Ricostruzione, Pianificazione, Mezzogiorno, cit.
- ³⁰ See Giacomo Schettini, "Il partito della Cassa" [The Cassa's Plight] in Rinascita, 25 August 1984, n. 33, Year 41, p. 5; and Alfredo Del Monte and Adriano Giannola, Il Mezzogiorno nell' economia italiana, cit.

³¹ See Alfredo Del Monte and Adriano Giannola, Il Mezzogiorno nell' economia italiana, cit.; and Gabriele Fergola, Il Mezzogiorno: Problema Nazionale, cit.

³² See Giuseppe Mammarella, Italy After Fascism, cit.; Alfredo Del Monte and Adriano Giannola, Il Mezzogiorno nell' economia italiana, cit.; and Istituto nazionale di sociologia rurale, La riforma fondiaria: Trent' anni dopo [Land Reform: Thirty Years Later], Milano: Franco Angeli/INSOR, 1979.

³³ See Umberto DiGiorgi and Roberto Moscati, "The Role of the State in the Uneven Spatial Development of Italy: The Case of the Mezzogiorno" in Review of Radical Political Economics 12 (3): 50, Fall 1980; Percy A. Allum, "Thirty Years of Southern Policy in Italy" in Political Quarterly cit.; and Alfredo Del Monte and Adriano Giannola, Il Mezzogiorno nell' economia italiana, cit.

³⁴ See Istituto nazionale di sociologia rurale, La riforma fondiaria: Trent' anni dopo, cit.; Giuseppe Mammarella, Italy After Fascism, cit.; Alfredo Del Monte and Adriano Giannola, Il Mezzogiorno nell' economia italiana, cit.; and Alan B. Mountjoy, The Mezzogiorno, London: Oxford University Press, 1973.

These are the eight reform districts. The Law for the Sila and Sicilian Law were homonymous with their reform districts. The Summary Law produced the enabling decrees of February and April 1951 for the six following reform districts: first, the Maremma zone of Lazio and Toscana and Abruzzo's Fucino zone; second, Romagna's Po River Delta; third, Basilicata, Molise and Puglia; fourth, Sardegna; fifth, Calabria's Caulonia zone; and, last, the Volturno zone on the border between Campania and Lazio, together with Campania's Sele zone.

³⁵ See Istituto nazionale di sociologia rurale, La riforma fondiaria: Trent' anni dopo, cit.; Giuseppe Mammarella, Italy After Fascism, cit.; and Alan B. Mountjoy, The Mezzogiorno, cit.

³⁶ See Alan B. Mountjoy, The Mezzogiorno, cit.; George H. Hildebrand, Growth and Structure in the Economy of Modern Italy, cit.; and Alfredo Del Monte and Adriano Giannola, Il Mezzogiorno nell' economia italiana, cit.

³⁷ See Joseph A. Martellaro, Economic Development in Southern Italy 1950-1960, Washington, DC: The Catholic University of America Press, 1965.

³⁸ See Alfredo Del Monte and Adriano Giannola, Il Mezzogiorno nell' economia italiana, cit., Chapter 9, especially p. 359.

³⁹ See Giuseppe Mammarella, Italy After Fascism: A Political History 1943-1965, cit., pp. 225-226.

⁴⁰ See Maurizio Benetti, Mauro Ferrara, Corrado Medori, Il capitale straniero nel Mezzogiorno [Foreign Capital in the Mezzogiorno], Roma: Coines, 1975, pp. 60-67.

⁴¹ See Augusto Graziani and Enrico Pugliese, editors, Investimenti e disoccupazione nel Mezzogiorno [Investments and Unemployment in the Mezzogiorno], Bologna: Il Mulino, 1979, p. 17.

⁴² See Maurizio Benetti et al., Il capitale straniero nel Mezzogiorno, cit., pp. 60-67.

⁴³ See Alfredo Del Monte and Adriano Giannola, Il Mezzogiorno nell'economia italiana, cit., Chapter 7, especially p. 179.

⁴⁴ Ibidem., Chapter 6, especially pp. 140-141.

⁴⁵ Ibidem., p. 359.

⁴⁶ Ibidem., Chapter 6.

⁴⁷ Ibidem.

⁴⁸ Ibidem., p. 204.

⁴⁹ See the brilliant study by Luca Meldolesi, Disoccupazione ed esercito industriale di riserva in Italia [Unemployment and the Industrial Reserve Army in Italy], Bari: Laterza, 1972.

⁵⁰ My elaboration of data extracted from Alfredo Del Monte and Adriano Giannola, Il Mezzogiorno nell'economia italiana, cit.; Arnaldo Bagnasco, Tre Italie: la problematica territoriale dello sviluppo italiano, cit.; and Joseph A. Martellaro, Economic Development in Southern Italy 1950-1960, cit.

⁵¹ See Maurizio Benetti et al., Il capitale straniero nel Mezzogiorno, cit.

⁵² See Alfredo Del Monte and Adriano Giannola, Il Mezzogiorno nell'economia italiana, cit., p. 207.

CHAPTER IV

A HISTORICAL PRELUDE TO ITALY'S PARTICIPATION IN THE EUROPEAN ECONOMIC COMMUNITY

The Balance of Power in Europe and in the International System From the Sixteenth to the Twentieth Century

In July 1588, the United Kingdom foiled a Spanish invasion and initiated the decline of Spain's political predominance in Europe by destroying the Spanish Armada in the English Channel.¹ The United Kingdom's victory over Spain meant that the United Kingdom acquired naval supremacy and, therefore, the means to become the greatest colonial imperialist. It also meant that the distribution of power within Europe shifted to the advantage of northern Europe's nation-states. From then on, the fundamental cause of political conflict in Europe was the conflict of interest between the United Kingdom and Europe's other major nation-states, those of northern continental Europe. On the one hand, the United Kingdom, striving to keep Europe politically divided, made use of its insular location in order to protect its naval supremacy and, therefore, its political autonomy and its colonial possessions. On the other hand, Europe's other major nation-states strove to become the United Kingdom's most serious rival by seeking hegemony over continental Europe.

Unable to place continental Europe under its hegemony, the United Kingdom would have been equally unable to defend itself against another

state which might hold hegemony over continental Europe. For this reason, the United Kingdom assumed the role of the "balancer of power" in Europe and tried to manipulate continental Europe's states against each other so that the strong states might not become too strong, nor the weak states too weak. In short, the United Kingdom wanted a continental Europe divided against itself so that it might not be united against the United Kingdom.

During the four centuries which followed the United Kingdom's victory over Spain, Europe's major states, those of northern Europe, acquired not only political and, therefore, economic predominance over Europe but ever greater predominance over the political organization of the international economy's means of production by surpassing other states in the development of political, economic and military organization.² For this reason, the military conflicts among Europe's major states resulted in ever greater disruptions of the international balance of power. In the twentieth century, European military conflicts became world wars.

Europe Under the Superpowers: The "Passive Axis" of the International Strategic Equilibrium

From 1939 to 1945 Germany attempted for a second time to place the rest of Europe under its hegemony by force of arms. This was World War II, a European military conflict of global dimensions. World War II was the most catastrophic military conflict on European soil to date not because Europe emerged militarily devastated and economically

crippled from the greatest disruption of the international balance of power to date but because the states wholly within Europe emerged politically subservient to the United States and the Soviet Union, who emerged as superpowers.³ In World War II, Europe ultimately defeated itself because it lost its most precious possession: its political autonomy.

The superpowers divided Europe into spheres of influence and made the common border between these spheres the "passive axis" upon which they balance their strategic political and military interests: in broad terms, the United States exercises hegemony over Western Europe while the Soviet Union exercises hegemony over Central Europe; Eastern Europe has always been the westernmost section of Soviet territory.⁴ Europe's political subordination by the superpowers affects Germany more than Europe's other states because the "passive axis" divides Germany into two distinct states and locates one in each sphere of influence: West Germany, under American hegemony in Western Europe; East Germany, under Soviet hegemony in Central Europe.⁵ The strategic equilibrium between the superpowers is more sensitive along the "passive axis" than elsewhere because, although Europe may be subordinate to the superpowers, Europe's states, in comparison with other states save the superpowers, exert greater influence over the political organization of the international economy's means of production.

The superpowers seek to maintain the existing strategic equilibrium, in part, by keeping Europe divided into stable, tractable spheres of influence. To this end, they exercise hegemony over Western and

Central Europe in such a way as to achieve two common goals. First, each superpower wants to prevent the other from exercising hegemony over both Western and Central Europe because the superpower in such a position would alter the existing strategic equilibrium in its favor by increasing its influence over the political organization of the international economy's means of production. Second, both superpowers want to prevent Europe from regaining lost political autonomy because the states in either sphere of influence, if autonomous and cooperative with each other, and especially if politically unified, would effectively rival the superpowers' influence over the political organization of the international economy's means of production. At the same time, a Europe in serious conflict with itself either within or between the superpowers' spheres of influence would in all probability precipitate another world war by disrupting violently the international balance of power and by destabilizing the existing strategic equilibrium between the superpowers.

The sensitivity of the strategic equilibrium along the "passive axis" prevents the superpowers from maintaining their hegemony in Europe by means of a repressive use of force and, instead, constrains them to legitimize their hegemony by securing the allegiance of Europe's states. The superpowers must satisfy sufficiently the interests of these states so that the latter may perceive that the certainties of political life under the superpowers' hegemony may outweigh the risks of defiance. Otherwise, disaffections which result in political instability among them would jeopardize the existing strategic equilibrium.

Under these circumstances, the superpowers must aid them in developing the political capacity to organize mass social consensus and the economic capacity to create conditions of increasing prosperity so that their regimes may be stable and may enjoy public favor. After all, the superpowers can afford to enforce their dominance in Europe by force of arms only when they perceive that restraint may compromise their vital interests more.

The legitimation of hegemony puts the superpowers in a paradoxical and delicate situation: paradoxical because they must secure the political allegiance of Europe's states by helping them to develop the political and economic capacities which could potentially allow them to regain lost political autonomy; delicate because the excessive development of these capacities could undermine the superpowers' hegemony by making Europe's states too strong and independent while the insufficient development of these capacities could undermine the superpowers' hegemony by creating political disaffections among Europe's states. The superpowers, who exercise their hegemony to satisfy principally their own interests, cannot maintain their control unless they concern themselves with the interests of Europe's states. In effect, the superpowers could undermine their hegemony either by indulging or by neglecting the interests of these states.

The superpowers' geographic location relative to the "passive axis" determines their sensitivity to the autonomy of the other states in their respective spheres of influence: the "passive axis" is approximately 4,000 miles from the United States, separated from Western Europe

by the Atlantic Ocean, and is approximately 500 miles from the Soviet Union, which borders Central Europe. The Soviet Union's proximity to the "passive axis" makes it more apprehensive about the increased autonomy of Central Europe's states than the United States about Western Europe's, while the United States' distance from the "passive axis" prevents it from being as exacting in the exercise of its hegemony over Western Europe's states as the Soviet Union must be over Central Europe's. Under these circumstances, should the superpowers undermine their power in Europe, the geo-political exigencies of the existing strategic equilibrium would, in all probability, induce Western Europe's states to repudiate American hegemony and would, with equal probability, induce Central Europe's states to accept a strained coexistence with the Soviet Union.

Northern Europe's States: The
First Among Subordinates

Although World War II may have left Europe subordinate to the superpowers, the distribution of power within Europe remains to the advantage of northern Europe's states. The strategic equilibrium between the superpowers is more sensitive along the northern half of the "passive axis" than along the southern half because northwestern and north-central Europe's states in comparison with southwestern and south-central Europe's exert greater influence over the political organization of the international economy's means of production. For this reason, the superpowers are concerned that the former states

especially those closest to the "passive axis," may be more stable and tractable than the latter states.⁶

In Western Europe, the United States is concerned that West Germany and France may be more stable and tractable than Western Europe's other states because West Germany and France are northwestern Europe's two major states closest to the "passive axis" and, therefore, Western Europe's most important states in the strategic equilibrium between the superpowers. The United States attempts to legitimize its hegemony over West Germany and France by giving to them political and, therefore, economic predominance in Western Europe so that they may derive the greatest share of benefits from their relationships with Western Europe's other states. In fact, American hegemony in Western Europe privileges West Germany more than France in the strategic equilibrium because West Germany borders the "passive axis" and, in comparison with France, exerts greater influence over the political organization of the international economy's means of production.

Western Europe's Integration Under American Hegemony: The Basic Premises

After World War II, the United States promoted the institutionalized market policy integration of Western Europe's major economies. As a result, the EEC contributed to the stabilization of the strategic equilibrium between the superpowers. First, the EEC stabilized Western Europe politically by creating greater interdependence between its major economies than with those of other areas. Second, the EEC consolidated

West Germany's and France's predominance over Western Europe's other states because the uniform limitation of market policy authority among the EEC member States effectively sanctioned the existing distribution of power which gives an advantage to West Germany and France.⁷

This institutionalized market policy integration interests West Germany and France because the tempered American hegemony over Western Europe promises to sanction their political predominance in the EEC. The two countries exercise their political predominance over Western Europe's other states by fostering the EEC's development only in the ways which satisfy principally the exigencies of their own economies. They perceive that their interests may best be served by a minimum redistribution of power to the EEC's institutions because a strong EEC jeopardizes their political predominance in Western Europe. However, should the costs of American hegemony seem to West Germany and France greater than the benefits, and should the prospect of an autonomous Western Europe under their political predominance seem unlikely, West Germany and France would have to accept a strengthening of the EEC's institutions as the means to repudiate American hegemony.

West Germany, France and Western Europe's
Integration Under American Hegemony:
The Rewards of Political Predominance

West Germany and France derive three fundamental advantages from their political predominance over Western Europe's other states. First, they have greater political autonomy and, therefore, a greater capacity

to organize the means of production of their economies according to internal exigencies, to create the composition of internal demand, and to orient the productive capacity of their economies to meet the needs of their own populations. Second, they have a greater capacity to concentrate within their borders the accumulation and the investment of capital and, therefore, to establish the levels of productivity to which the entrepreneurs of Western Europe's other states must adapt themselves. As a consequence, West German and French entrepreneurs are more competitive than other West European entrepreneurs and are more able to establish the remunerative value of the goods and services exchanged with those produced elsewhere in Western Europe.⁸ Third, West Germany and France have a greater capacity to determine the division of labor among Western Europe's states, that is, to determine which goods and services produced in Western Europe's other economies will be exchanged for their own goods and services.⁹

These advantages allow West Germany and France to determine the political organization of the means of production of Western Europe's other states by conditioning the ways in which they may accumulate, invest and consume the real income produced by their economies and, therefore, the ways in which they may use their labor forces. West Germany and France can do this by offering to the politically dominant entrepreneurs of the other states the prospect of the greatest remuneration for the production of goods and services which satisfy principally the exigencies of the West German and French economies. Such a prospect conditions the consumption of real income in Western Europe's other

economies because their politically dominant entrepreneurs seek to give themselves the greatest competitive advantage in the West German and French markets by using their political power to ensure the consumption of their products in their domestic markets. This allows the real income produced by their economies to accrue to them as earnings to be used as investment capital. The concentration of investment capital in the hands of the politically dominant entrepreneurs of Western Europe's other states, in turn, allows these entrepreneurs to control the demand for labor by investing capital in the most profitable ways.

West Germany and France also affect the consumption of the real income produced by the other West European economies, and the use of the labor forces in these economies, by producing goods and services for export and by investing capital. The two states affect this consumption by penetrating the others' domestic markets with goods and services generally more remunerative than those imported from them and by investing capital in Western Europe's other economies in order to produce goods and services which satisfy some of the demands of their populations. West Germany and France affect the use of the labor force by creating a demand for labor too great to be satisfied with their domestic labor forces alone and, therefore, which requires the importation of external labor.

West Germany and France will determine the political organization of the means of production on the territories of Western Europe's other states unless and until these states acquire greater political autonomy.

Without such autonomy, those West European states whose domestic political and economic exigencies are most compatible with those of West Germany and France will fare best and will desire change least. On the other hand, those West European states whose domestic political and economic exigencies are least compatible will fare worst and will desire change most. In any case, for as long as the distribution of power remains to their advantage, West Germany and France will have high levels of productivity and pro capite incomes in many economic sectors, a more diversified internal production and a more balanced spatial distribution of productive facilities.¹⁰

The EEC, The CAP

West Germany and France made the Common Agricultural Policy (CAP) the EEC's pivot because agriculture is the basis of economic activity and its costs are the basis of wages and the cost of living and, therefore, of industrial costs.¹¹ The CAP's fundamental purpose is to insure that the EEC's agriculture may be a viable source of surplus capital to be accumulated and invested according to the EEC's political dictates, that is, according to the demands created principally by West Germany and France. For this reason, the two states made the EEC the custodian of the CAP. This is a policy of international agricultural protectionism which makes the EEC a closed economic system within the international economy for the accumulation of capital through the agricultural sectors of the EEC States. It reserves their domestic

markets for the nearly exclusive consumption of EEC agricultural products.¹² Moreover, West Germany and France have retarded, by means of opposition or neglect, the equivalent development of the EEC's other policies, e.g., Competition and Industrial, Energy, Fiscal, Fisheries, Monetary, Regional, Social and Transport, because their development, save perhaps the development of the Energy, Fisheries and Transport Policies, could undermine severely the two states' political predominance over Western Europe's other states by transferring authority to the EEC's institutions, influenced by the other EEC States. These institutions could develop "European interests" different from West German or French interests.

In addition, West Germany and France made the CAP the EEC's pivot because it satisfied their reciprocal interests. The CAP's price supports and protectionism for the EEC's agricultural products, aside from securing the political support of West German and French farmers for their countries' regimes, guaranteed to French farmers, whose production in 1957 already exceeded domestic demand, a market for their surpluses, a high and stable price for their products, and, therefore, a high return on their investments. In return, France accepted the abolition of barriers to commerce within the EEC and, therefore, allowed the EEC to become a market open to West German industrialists, who in 1957 were already net exporters. The CAP also minimizes the EEC's dependence on external food supplies by guaranteeing the viability of the EEC's agriculture. Moreover, the export of the surpluses caused by the excessive stimulus of the CAP's

price supports aids the EEC States in offsetting the high cost of energy supplies, approximately 70 percent of which are imported.

West Germany and France could undermine their predominance over the other EEC States by mismanaging the CAP. Should the CAP's price supports and protectionism for the EEC's agricultural products oblige the EEC to expend more capital to maintain the CAP than the EEC's agriculture can provide to the EEC, the CAP would be perverted. In such a situation the EEC's agriculture would no longer provide the EEC with surplus capital but would instead drain capital from the other sectors of the EEC States' economies. Such a depletion of capital would affect adversely the performance of these economies by hindering the accumulation of capital for productive investment and could, consequently, create political disaffections among the EEC States.

Western Europe's Integration Under American Hegemony:
The EEC, or The De Jure Rules of the Game

When Italy, as an original signatory of the Treaty of Rome, became one of the EEC's six founding members, its integration into the international economy under American hegemony reached its highest expression to date. The political and economic relationships of institutionalized market policy integration established by the Treaty are the "rules of the game" which determine how the EEC States may respond legitimately to the demands of international economic competition. There are two fundamental rules: one concerns intra-EEC competition;

the other concerns competition between the EEC States and other States. As to the former, the EEC States agreed to eliminate barriers to trade and to the mobility of capital and labor. Toward non-EEC States, the EEC States agreed to establish common customs tariffs and a common commercial policy.¹³ Moreover, the Treaty establishes the EEC's two principles of integration: the prohibition of falsified economic competition, and the equalization of progress.¹⁴

Among the EEC States, the Treaty gives to the prohibition of falsified economic competition de facto prevalence over the equalization of progress. The Treaty's "rule" which concerns intra-EEC competition (legitimized implicitly by the "free enterprise" ideology) limits the EEC States' market policy authority and, therefore, their effective political control over the relationships established between their economies. This limitation of political control determines ante factum the way in which the EEC's institutions and States can legitimately attempt to equalize progress in the EEC. Under these circumstances, the equalization of progress is an ideological palliative in a treaty whose dominant "free enterprise" ideology reflects American hegemony over Western Europe. It also legitimizes an economic system which, in practice, rewards the EEC's strong states by giving to them the greater share of the benefits derived from their relationships with the EEC's weak states.

Western Europe's Integration Under American Hegemony:
The De Facto Rules of the Game Imposed on Italy
Under the Northwestern Elite

The tempered hegemony exercised by the United States over Italy at the end of World War II offered to Italy's northwestern elite political security and economic uncertainty by obliging it to accept two conditions which affected its management of the Italian economy. The first condition obliged it to expose entrepreneurs to intense international economic competition by increasing the mobility of commerce, capital and labor between the Italian economy and other economic systems, principally those of Western Europe. The second condition obliged it, through its political agent, the DC, to legitimize its dominance in Italy by organizing mass social consensus and by creating conditions of increasing prosperity.

These conditions affected the northwestern elite's management of the Italian economy by establishing ante factum the "rules of the game" which determined how it might respond to the exigencies of international economic competition and political legitimation. The first condition limited its market policy authority and, therefore, its effective political control over the relationships established between the Italian economy and other economic systems by determining which measures of extra-economic intervention it might or might not implement. The second condition obliged it to risk its political legitimacy by accepting responsibility for the national economy's performance, and by promising its positive performance. Its response to the exigencies

of international economic competition and political legitimation, within the context of the established rules, determined the political organization of the means of production on Italian territory.

The above-cited conditions put the northwestern elite in a paradoxical situation, in that the first condition limited its control over the Italian economy's performance, for which the second condition obliged it to accept responsibility. On the one hand, the second condition obliged the northwestern elite to develop its political capacity to organize mass social consensus and the economy's capacity to create conditions of increasing prosperity; the northwestern elite hoped to legitimize its dominance in Italy by gaining the greatest possible benefits from the relationships established between the national economy and other economic systems. On the other hand, the first condition undermined its efforts to allow the Italian economy to sustain the competition of economic systems initially more developed, or managed by initially more dominant states; the first condition rewarded the superior strength of these systems by giving to them the greater share of the benefits derived from their relationships with the Italian economy.

Under these circumstances, the northwestern elite had to concern itself more with the exigencies of international economic competition than with the domestic demands of political legitimation. In order to legitimize its dominance in Italy, the northwestern elite had to legitimize a political organization of the means of production on Italian territory which might give to the economic system of the northwest the

greatest possible competitive advantage in the international economy.¹⁵ Were the economic system of the northwest unable to sustain such competition because the first condition undermined excessively the system's competitiveness, or were the northwestern elite unable to legitimize a suitable political organization of the means of production on Italian territory, with its domestic repercussions, the northwestern elite's political legitimacy would suffer greatly. Such a situation could persuade it to pursue its best interests by changing or breaking the established rules. However, at the end of World War II, the northwestern elite could only hope that the measures to be taken to sustain international competition might not create disaffections which the political Left could champion.

The Mezzogiorno's "Programmed" Underdevelopment

During the 1950s, the northwestern elite became increasingly aware that the exigencies of international economic competition would influence preponderantly the political organization of the means of production on Italian territory because American hegemony over Western Europe promised to result in the institutionalized market policy integration of the major West European economies. For this reason, the northwestern elite addressed itself with urgency to the preparations needed to make the economic system of the northwest as competitive as possible in the international economy. To this end, between 1950 and 1957, the Italian State spent four times more for capital incentives

to businesses in north-central Italy than to those in the Mezzogiorno.¹⁶ Moreover, the northwestern elite now wanted to increase the Mezzogiorno's involvement in the process of capital accumulation in the Italian economy beyond what the public works and the land reform policies might allow. Although the northwestern elite may have succeeded in reestablishing its political control over the Mezzogiorno by means of these policies, it considered them inadequate to allow the economic system of the northwest to meet the exigencies of international economic competition.

The northwestern elite made ideological virtue of political necessity once again, this time by partially repudiating the modified "free enterprise" ideology's conceptualization of underdevelopment. It contended that such a conceptualization might impede the State from dealing effectively with the problem of the Mezzogiorno's underdevelopment because, under the resultant preindustrialization policy, the State could merely attempt to induce the area's industrialization by developing infrastructure and agriculture. It still maintained that the Mezzogiorno's underdevelopment was a technical problem to be solved within Italy's traditional economic structure, but now advocated that the State might take a more active role in the political organization of the area's means of production.

The northwestern elite legitimized the State's more active role by incorporating the problem of the Mezzogiorno's underdevelopment into the elaboration of national economic programs, more symbolic than substantive. Through the DC, it availed itself of the economic

programming concept (programmazione economica) to create the impression that the State intended to realize a series of declared socioeconomic objectives by carrying out a predetermined and systematic plan. In order to maintain ideological purity against the Left, the northwestern elite scrupulously refrained from using the phrase "economic planning" (pianificazione economica). The Italian government adopted its first national development program in 1954. Elaborated for the period 1955-1964, the Vanoni Plan (Schema Vanoni) sought to reduce unemployment in the Mezzogiorno, to remedy its underdevelopment without sacrificing economic growth in the rest of the Italian economy and to improve Italy's international balance of payments. These goals, by remaining abstract declarations, symbolized the northwestern elite's true attitude toward the problem of the Mezzogiorno's underdevelopment.¹⁷

The Mezzogiorno's Modernized Underdevelopment:
Incentives and Dependent Industrialization

The Italian government specified the State's more active role in the political organization of the Mezzogiorno's means of production by enacting Law n. 634 of 29 July 1957, which made the State an agent of industrialization with the task of directing and controlling capital investments in the Mezzogiorno. Law n. 634 established two contradictory policies: one charged the State to industrialize the Mezzogiorno directly by concentrating large industrial and infrastructural investments in "areas of industrial development"; the other charged

the State to industrialize the Mezzogiorno indirectly by implementing an incentives policy which might encourage the dispersion of small and medium businesses outside the "areas of industrial development."¹⁸

An "area of industrial development" is a conglomeration of "industrial nuclei" or areas in which large businesses are concentrated, together with the infrastructure necessary to support and to join them. Law n. 634 charged the Committee of Ministers for the Mezzogiorno to approve the projects for industrialization submitted for judgment by a consortium of communes in each industrial area. Under this law, each consortium must attempt to attract industry by developing the necessary infrastructure, up to 50 percent of whose cost the CASMEZ would cover. Moreover, Law n. 634 obliged north-central Italy's large parastate industries to locate 40 percent of their total investments and 60 percent of their new investments in the Mezzogiorno.

The incentives policy aimed to reduce the production costs of small and medium businesses in the area by providing for tax reductions and exemptions, advantageous credit terms and capital grants offered by the CASMEZ. Law n. 634 increased the capital available to such businesses by allowing medium term credit institutions based in north-central Italy to operate in the Mezzogiorno for the first time. The incentives policy encouraged the dispersion of small and medium businesses by hoping that reduced fiscal obligations to the State would result automatically in lower production costs and, therefore, greater competitiveness and would adequately substitute the infrastructure and the external economies lacking outside the "areas of industrial development."

The contradictory policies established by Law n. 634 benefitted north-central Italy's large parastate industries more than the small and medium businesses in the Mezzogiorno because the policy of direct industrialization prevailed over the policy of indirect industrialization for two reasons. First, the northwestern elite, through the DC, politically dominated parastate industries, the Committee of Ministers for the Mezzogiorno and the CASMEZ. Second, the parastate industries, already more productive than the small and medium businesses in the Mezzogiorno, disposed of greater capital resources and operated in areas equipped with adequate infrastructure. The incentives policy also did not result in the establishment of many small and medium businesses in the Mezzogiorno for another two reasons: first, because reduced fiscal obligations to the State did not result in lower production costs and did not substitute adequately the infrastructure and the external economies lacking outside the "areas of industrial development"; and, second, because the Italian government subsequently eliminated any incentive for small and medium businesses to locate in the Mezzogiorno by implementing a similar incentives policy for the rest of Italy.

In reality, north-central Italy's large parastate industries benefitted most from the incentives policy designed originally to promote the establishment of small and medium businesses in the Mezzogiorno. Law n. 634 defined such businesses as those whose personnel totaled less than 500 and whose total fixed investments did not exceed LIT 1.5 billion. Following the enactment of Law n. 555 of July 1959,

which modified Law n. 634, the Committee of Ministers for the Mezzogiorno, in December 1959, extended the incentives policy to those businesses whose personnel totaled less than 500 and whose total fixed investments did not exceed LIT 3 billion. In May 1961, the Committee extended the incentives policy to businesses of all sizes, provided the value of no single productive unit might exceed LIT 6 billion; in this way, a business of any size, whose assets might be opportunely distributed, could take advantage of the incentives policy. Finally, Law n. 1462 of September 1962 extended the incentives policy to all businesses, provided they might be established with an initial investment no greater than LIT 6 billion.

Moreover, Law n. 634 refinanced the CASMEZ and extended its life to 15 years, that is, until 1965. The government appropriated additional monies to the CASMEZ under Law n. 622 of 24 July 1959 but did not extend the CASMEZ's life further. Under Law n. 622, the funds for vocational training include LIT 8,500 million from American agricultural surpluses accepted by the Italian government under Law n. 1349 of 28 December 1957.¹⁹ Following its refinancing, the CASMEZ increased its yearly expenditure greatly. For example, in FY 1958-1958, the CASMEZ spent LIT 221.4 billion and in FY 1959-1960, the CASMEZ spent LIT 239.7 billion.²⁰

TABLE 4.--The capital allocation of the CASMEZ

Sector	Under Law n. 634 of 29/7/1957		Under Law n. 622 of 24/7/1959	
	LIT (billions)	Percent of Total	LIT (billions)	Percent of Total
Agriculture	1,138.0	55.6	1,150.0	55.4
Transportation/ Communication	259.0	12.6	259.0	12.5
Aqueducts/ Sewerage	312.0	15.2	312.0	15.0
Industry	245.0	12.0	245.0	11.8
Artisan Trades	5.0	0.2	5.0	0.2
Tourism	44.5	2.2	56.5	2.7
Fisheries	5.0	0.2	5.0	0.2
Vocational Training	38.0	1.9	43.5	2.1
Institutions of Social Character	2.0	0.1	2.0	0.1
Total	2,048.5	100.0	2,077.5	100.0

SOURCE: Joseph A. Martellaro, Economic Development in Southern Italy 1950-1960, Washington, DC: The Catholic University of American Press, 1965, p. 11.

Summary

When the United Kingdom foiled a Spanish invasion in July 1588, the distribution of power within Europe shifted to the advantage of northern Europe's nation-states. During the four centuries which followed the United Kingdom's victory over Spain, northern Europe's states acquired ever greater predominance over Europe and over the political organization of the international economy's means of production by surpassing other states in the development of political, economic and military organization. For this reason, the military conflicts among northern Europe's states resulted in ever greater disruptions of the international balance of power. In the twentieth century, European military conflicts became world wars.

In World War II, Europe defeated itself because it lost its political autonomy to the United States and the Soviet Union which emerged as superpowers and divided Europe into spheres of influence: Western Europe under American hegemony, Central Europe under Soviet hegemony. Although Europe may be subordinate to the superpowers, Europe's states, in comparison with other states save the superpowers, continue to exert greater influence over the political organization of the international economy's means of production. For this reason, the superpowers made the common border between their spheres of influence the "passive axis" upon which they balance their strategic political and military interests. Moreover, the superpowers are concerned that northern Europe's states, especially those closest to the "passive

axis," may be more stable and tractable than those of southern Europe. The former, in comparison with the latter, continue to exert greater influence over the political organization of the international economy's means of production.

The United States is concerned that West Germany and France, Western Europe's two major states closest to the "passive axis," may be more stable and tractable than other states under American hegemony. In fact, American hegemony over Western Europe privileges West Germany more than France in the strategic equilibrium between the superpowers. West Germany borders the "passive axis" and, in comparison with France, exerts greater influence over the political organization of the international economy's means of production.

The United States promoted the EEC because it effectively sanctioned the predominance of West Germany and France in Western Europe by limiting uniformly the EEC States' market policy authority. The predominance of West Germany and France gives to them, in comparison with Western Europe's other states, a greater capacity to organize the means of production of their own economies according to internal exigencies, to concentrate within their boundaries the accumulation and the investment of capital and to determine the division of labor in Western Europe. For this reason, the West German and French economies determine preponderantly the EEC's development.

The predominance of West Germany and France in the EEC constrained the northwestern elite to legitimize its dominance in Italy by legitimizing a political organization of the means of production on Italian territory

which might give to the economic system of the northwest the greatest possible competitive advantage in the international economy. To this end, the northwestern elite legitimized an intensification of the Mezzogiorno's underdevelopment to the advantage and benefit of the economic system of the northwest beyond what the public works and the land reform policies might allow. It accomplished this by using the "economic programming" concept to legitimize the implementation of the policies of incentives and dependent industrialization. It used this concept to create the impression that the State might more effectively address the problem of the Mezzogiorno's underdevelopment by incorporating this problem into national economic programs and by taking a more active role in the political organization of the Mezzogiorno's means of production. The policies of incentives and dependent industrialization increased the area's involvement in the process of capital accumulation in the Italian economy without changing its traditional place in the economy by locating large parastate industries in its "areas of industrial development."

NOTES TO CHAPTER FOUR

¹See, for example, Crane Brinton, John B. Christopher and Robert Lee Wolff, A History of Civilization (3 Volumes), Englewood Cliffs, New Jersey: Prentice Hall, Inc., 1971 (Fourth Edition), Volume 2, especially Chapters 13-18.

²The most important organizational developments are those tied to the historical emergence of capitalism.

³The Italian economy emerged from World War II damaged but not devastated: at the end of 1946, the economy's GNP was 61 percent of its prewar level, compared with England's near 100 percent, the Netherlands' 74 percent, France's 50 percent and Germany's 30 percent. On this point, see Piero Barucci, Ricostruzione, Pianificazione, Mezzogiorno: La politica economica in Italia dal 1943 al 1955 [Reconstruction, Planning, Mezzogiorno: Economic Policy in Italy from 1943 to 1955], Bologna: Il Mulino, 1978, p. 35.

⁴In more precise terms, Albania, Austria and Yugoslavia, although in Central Europe, are nonaligned, as is Switzerland, in Western Europe. Finland, although in Eastern Europe, is not part of Soviet territory, but is under Soviet hegemony. Denmark, Greece, Norway, and Sweden, although in Central Europe, are under American hegemony.

⁵An interesting comparative analysis of the socio-economic development of East and West Germany in the last twenty years is provided by Elvio Dal Bosco, "Le due rive dell' Elba" ["The Two Banks of the Elbe"] in Rinascita, n. 37, 22 September 1984, pp. 28-30.

⁶See, for example, Aurel Braun, Romanian Foreign Policy Since 1965: The Political and Military Limits of Autonomy, New York: Praeger, 1978.

⁷See Maria Valeria Agostini, Regioni europee e scambio ineguale: Verso una politica regionale comunitaria? [The European Regions and Unequal Exchange: Toward a Community Regional Policy?], Bologna: Il Mulino, 1976, p. 28.

See also Gianni Vonvicini and Joseph Sassoon, Prospettive dell'integrazione economica europea [Prospects for European Economic Integration], Torino: Fondazione Giovanni Agnelli, 1977; Gianni Bonvicini and Joseph Sassoon, editors, Governare l'economia europea: Divergenze e processi integrativi [Governing the European Economy: Divergences and Integrative Processes], Torino: Fondazione Giovanni

Agnelli, 1978; and J. Zijistra and B. Goudzwaard, Politica economica e problemi della concorrenza nella CEE e negli stati membri [Economic Policy and Problems of Competition in the EEC and in the Member States], Bruxelles: CEE, 1966.

⁸ A sophisticated analysis of the effect of the distribution of power among states on their monetary exchanges is found in Giancarlo Martinengo and Piercarlo Padoan, Lo SME e il dollaro: Interdipendenza e gerarchia nei rapporti tra aree valutarie [The European Monetary System and the Dollar: Interdependence and Hierarchy in the Relationships Between Currency Areas], Roma: Edizioni Scientifiche Italiane, 1983.

⁹ The international division of labor refers to the territorial distribution of productive facilities in the international economy according to the value of the goods and services produced. This distribution conforms generally to the distribution of power in the international system. The politically dominant states control the accumulation and investment of capital in the international economy by reserving for themselves the production of the most remunerative goods and services, to be exchanged for goods and services of lesser value produced elsewhere.

¹⁰ OECD Statistics for 1984 show the following distribution of pro capite income (in US Dollars) among OECD countries: Switzerland, \$15,096; USA, \$13,994; Norway, \$13,317; Canada, \$13,125; Sweden, \$13,095; Denmark, \$10,950; West Germany, \$10,708; Finland, \$9,829; and Australia, \$9,729. Italy ranks 18th with a pro capite income of \$6,249. Ahead of Italy rank, for example, England (\$7,970) and New Zealand (\$6,931). It should be noted, however, that these figures, by not reflecting the internal buying power of the corresponding value of the various national currencies, do not give an accurate indication of the real wealth of the average person in each country. See p. 1 of "Affari e Finanza" [Business and Finance weekly insert] n. 7, in La Repubblica (Roma) 23/24 December 1984.

Although the West German economy may have emerged devastated from World War II (see note 3 above), West Germany's GNP in 1984 was 2.2 times greater than Italy's. See La Repubblica (Roma) 2 January 1985, p. 35.

¹¹ See Ali Mohammed El-Agraa, editor, The Economics of the European Community, New York, NY: St. Martin's Press, 1980, Chapter 7.

¹² Information on the CAP's effect on the international economy can be gleaned from many sources; among them: Timothy M. Shaw, "EEC-ACP Interactions and Images as Redefinitions of Eur-africa:

Exemplary, Exclusive and/or Exploitative?" in Journal of Common Market Studies 18:135, December 1980; Stanley Andrews, Agriculture and the Common Market, Ames, Iowa: Iowa State University Press, 1973; W. J. Legg and E. F. Szczepanik, "EEC Food Policies for the 1990s" in Futures 10:342, August 1978; Gary P. Sampson and Alexander J. Yeats, "An Evaluation of the Common Agricultural Policy as a Barrier Facing Agricultural Exports to the European Economic Community" in The American Journal of Agricultural Economics 59:99, February 1977; John Marsh and Christopher Ritson, Agricultural Policy and the Common Market, London: Chatham House; PEP (European Series No. 16), 1971; Werner J. Feld, "Implementation of the European Community's Common Agricultural Policy: Expectations, Fears, Failures" in International Organization, 33:335, Summer 1979; M.D.M. Franklin, "The Common Agricultural Policy--1974" in Journal of Agricultural Economics, 26: 139, January 1975; A. L. Loughheed, "The Common Agricultural Policy and International Trade" in National Westminster Bank Quarterly Review, November 1971, p. 22; Michael B. Dolan and James A. Caporaso, "The External Relations of the European Community" in The Annals of the American Academy of Political and Social Science, 440:135, November 1978; and Emanuele Macaluso, "The Agricultural Policy of the EEC" in World Marxist Review, 20:110, March 1977.

¹³ See Helen Wallace, William Wallace, and Carole Webb, editors, Policy Making in the European Community, Chichester: John Wiley and Sons, 1983 (Second Edition), p. 177.

¹⁴ See Umberto Leanza, Legislazione per il Mezzogiorno e Mercato Comune Europeo [Legislation for the Mezzogiorno and the European Common Market], Roma: Giuffrè Editore, 1963, p. 7.

¹⁵ See Alferdo Del Monte and Adriano Giannola, Il Mezzogiorno nell' economia italiana, cit., especially Chapter 9.

¹⁶ Ibidem., Chapter 6.

¹⁷ See Joseph La Palombara, Italy: The Politics of Planning, Syracuse, NY: Syracuse University Press, 1966, Chapter 3; Percy A. Allum, Italy--Republic Without Government?, New York, NY: W. W. Norton and Co., 1973, Chapter 7; Giuseppe Mammarella, Italy After Fascism, cit.; Alfredo Del Monte and Adriano Giannola, Il Mezzogiorno nell' economia italiana, cit., Chapter 6; and Joseph A. Martellaro, Economic Development in Southern Italy 1950-1960, Washington, DC: The Catholic University of America Press, 1965, Introduction.

¹⁸ With regard to the policy of direct industrialization, see, for example, Alfredo Del Monte and Adriano Giannola, Il Mezzogiorno

nell' economia italiana, cit., Chapter 9; Arnaldo Bagnasco, Tre Italie: La problematica territoriale dello sviluppo italiano [Three Italies: The Territorial Problematic of Italian Development], Bologna: Il Mulino, 1977; and Gisele Podbielski, Venticinque anni di intervento straordinario nel Mezzogiorno [Twenty-five Years of Extraordinary Intervention in the Mezzogiorno. Also available in English.], Roma: Giuffrè /SVIMEZ, 1978, and Antonello Paba, "I poli di sviluppo: Un riesame" ["Development Poles: Another Look"] in Quaderni dell' economia sarda September/December 1976, nn. 3-4, pp. 111-126.

With regard to the incentives policy, see, for example, Andrea Saba, La politica di incentivazione degli investimenti industriali in Italia e in Europa [The Policy of Incentives for Industrial Investment in Italy and in Europe], Roma: Ateneo, 1967; Mario Canino, "I nuovi incentivi per il Mezzogiorno" ["The New Incentives for the Mezzogiorno"] in Rassegna economica May/June 1976, n. 3, pp. 703-729.

¹⁹ See Joseph A. Martellaro, Economic Development in Southern Italy 1950-1960, cit., Chapter 1.

²⁰ See George H. Hildebrand, Growth and Structure in the Economy of Modern Italy, Cambridge, MA: Harvard University Press, 1965, p. 66.

CHAPTER V

THE EUROPEAN ECONOMIC COMMUNITY'S UNBALANCED INTEGRATION AND ITALY IN THE INTERNATIONAL DIVISION OF LABOR

Premise

Italy's participation in the EEC increases its involvement in the process of capital accumulation among the EEC States principally to the advantage and benefit of the West German and French economies. The EEC's unbalanced integration, by determining preponderantly the Italian economy's place and function in the EEC and in the international economy, gives to Italy a subsidiary role in the upper ranks of the resultant international division of labor. This role manifests itself most clearly in three international exchange relationships: Italy's commercial exchange; the exchange relationships between the Italian Lira and other currencies; and the movements of capital and labor. (The movements of capital are examined in this chapter, the movements of labor in the next.)

The EEC's Unbalanced Integration And Italy's Commercial Exchange

The volume of Italy's commercial exchange reflects the development stimulated by the increased mobility of capital, labor and commerce between it and the other EEC States. Between 1953 and 1963, the value of its exports increased from LIT 942 billion yearly to LIT 3,706

billion yearly (that is, from \$1.5 billion yearly to \$5.9 billion yearly).¹ One third of this increase occurred between 1953 and 1957, two thirds between 1958 and 1962.² Italian exports, if set at 100 in 1953, reached 180 in 1957 and 453 in 1964, while the exports of all countries reached 130 in 1957 and 205 in 1964.³ Italian exports of manufactured goods doubled between 1953 and 1957 and then tripled between 1957 and 1964, while world exports increased by 30 percent between 1953 and 1957 and by 56 percent between 1957 and 1964.⁴ Moreover, between 1953 and 1963, Italian exports to European countries rose from little more than LIT 600 billion to more than LIT 2,000 billion yearly, while exports to Africa and Asia increased from LIT 200 billion to LIT 450 billion yearly.⁵ On the other hand, its exports to the United States and Canada, in terms of volume, remained practically unchanged at about 10 percent of total exports.⁶ In 1963, in terms of value, 67 percent of Italian exports satisfied European demand, while the remaining 33 percent satisfied North American demand.⁷

TABLE 5.--Italy's commercial exchange 1957-1964 change per cent
in constant 1963 prices

	1957- 1958	1959- 1960	1961- 1962	1963- 1964
Imports from the EEC	+ 3.3	+42.9	+21.5	+11.2
Imports from the rest of the world	+ 8.7	+20.1	+13.5	+ 7.8
Exports to the EEC	+11.4	+37.0	+23.9	+14.2
Exports to the rest of the world	+18.9	+15.3	+11.8	+ 7.8

SOURCE: Franca Falcone, "Effetti dell' integrazione economica europea sulla struttura delle esportazioni italiane" ["The Effects of European Economic Integration on the Structure of Italian Exports"] in Rassegna economica, September/October 1975, n. 5, p. 1144.

Italian economic performance was shaped by its commercial exchange in general but especially by its exchanges with the other EEC member States and less so with Western Europe's other countries, as Tables 6 through 9 indicate:

TABLE 6.--Commercial exchange (goods and services) as percentage of GDP

	1958		1965		1973		1977		1981	
	Imp.	Exp.	Imp.	Exp.	Imp.	Exp.	Imp.	Exp.	Imp.	Exp.
Italy	12.0	11.0	13.0	13.9	20.2	17.0	24.5	24.0	28.5	24.7
EEC	17.9	19.0	18.4	18.5	22.5	23.0	26.7	27.4	29.6	29.1

SOURCE: Helen Wallace, William Wallace, Carole Webb, editors, Policy Making in the European Community (Second Edition), Chichester: John Wiley and Sons, 1983, p. 122.

TABLE 7.--Italy's commercial exchange 1951-1971 change per cent in constant 1963 prices

	1951-1954	1954-1958	1958-1962	1962-1965	1965-1968	1968-1971
Imports from the EEC	+26.6	+ 4.4	+32.2	+ 6.3	+16.5	+17.8
Imports from the rest of the world	+ 6.0	+11.3	+16.8	+ 6.5	+ 9.5	+10.6
Total Imports	+ 9.5	+ 9.8	+20.0	+ 6.4	+11.5	+12.9
Exports to the EEC	+ 5.8	+17.2	+30.4	+18.8	+20.1	+13.3
Exports to the rest of the world	+11.1	+15.9	+13.6	+10.9	+ 8.8	+ 7.2
Total Exports	+10.2	+16.1	+16.5	+12.9	+11.7	+ 8.9

SOURCE: Franca Falcone, "Effetti dell' integrazione economica europea sulla struttura delle esportazioni italiane" ["The Effects of the European Economic Integration on the Structure of Italian Exports"] in Rassegna economica, September/October 1975, n. 5, pp. 1142-1143.

TABLE 8.--Intra-EEC commercial exchange 1952-1971 as percentage of Italy's commercial exchange

	1952	1955	1958	1962	1966	1971
Imports from the EEC as % of total imports	16.5	21.8	18.4	27.1	27.6	34.3
Exports to the EEC as % of total exports	15.1	16.1	15.4	23.6	27.6	36.8

SOURCE: Franca Falcone, "Effetti dell' integrazione economica europea sulla struttura delle esportazioni italiane" ["The Effects of European Economic Integration on the Structure of Italian Exports"] in Rassegna economica, September/October 1975, n. 5, pp. 1142-1143.

TABLE 9.--Intra-EEC commercial exchange 1958-1980 as percentage of total commercial exchange (goods only)

	1958		1965		1973		1977		1980	
	Imp.	Exp.	Imp.	Exp.	Imp.	Exp.	Imp.	Exp.	Imp.	Exp.
Italy	29.4	33.7	37.3	48.8	49.4	52.4	43.5	48.6	44.1	49.0
EEC	33.9	35.5	43.4	46.9	52.2	53.9	49.8	51.7	47.9	53.6

SOURCE: Helen Wallace, William Wallace, Carole Webb, editors, Policy Making in the European Community (Second Edition), Chichester: John Wiley and Sons, 1983, p. 123.

From 1954 to 1971, Italy's share of world exports of manufactured goods increased from 2.7 percent to 6.8 percent, as Table 10 indicates:

TABLE 10.--Quota per cent of world exports of manufactured goods

	1954	1958	1964	1971
Italy	2.7	3.7	6.0	6.8
EEC	31.9	37.0	42.8	43.6

SOURCE: Elvio Dal Bosco and Florina Pierelli, "Evoluzione della struttura del commercio estero dei paesi membri della CEE" ["The Evolution of the Foreign Trade Structure of the EEC Member Countries"] in Contributi alla ricerca economica/Servizio studi della Banca d'Italia, Roma: Centro Stampa-Banca d'Italia, December 1973, n. 3.

During the 1970s, Italian exports reached an average 6.4 percent of the export markets of all industrial countries, as Table 11 indicates on the following page. In this period, the average volume of exports exceeded imports but the average value of imports exceeded exports.

The structure of Italy's commercial exchange, both in terms of the types of goods and services exchanged and in terms of their geographic distribution, reflects the economy's subsidiary role in the upper ranks of the international division of labor. The expansion of exports resulted primarily from demand in the EEC for the manufactured goods produced by the country's traditional, i.e., labor-intensive sectors; in 1963, exports of manufactured goods produced by the capital-intensive sectors represented only 15 percent of total exports.⁸ During the 1960s and the 1970s, Italy imported primarily

TABLE 11.--Quota per cent of world exports of manufactured goods

	Quota per cent of Italian exports in the export markets of all industrial countries	Volume		Value (LIT)		Value (\$)		Price (LIT)	
		Imp.		Exp.		Imp.		Exp.	
		Imp.	Exp.	Imp.	Exp.	Imp.	Exp.	Imp.	Exp.
1970	6.3	+15.6	+ 7.1	+20.0	+12.6	+20.0	+12.6	+ 3.8	+ 5.2
1971	6.5	+ 0.4	+ 7.6	+ 5.8	+13.4	+ 5.8	+13.4	+ 5.5	+ 5.4
1972	6.7	+10.9	+12.7	+13.8	+15.9	+22.3	+24.6	+ 2.6	+ 2.8
1973	5.9	+11.2	+ 1.2	+45.1	+19.8	+44.0	+19.5	+30.4	+18.4
1974	6.0	- 5.5	+ 7.7	+61.9	+52.6	+47.0	+36.8	+71.3	+41.7
1975	6.5	-10.7	+ 3.7	- 5.7	+15.3	- 6.1	+14.8	+ 5.6	+11.2
1976	6.2	+15.6	+11.7	+45.8	+36.3	+14.4	+ 7.0	+26.2	+22.0
1977	6.7	- 0.3	+ 7.6	+15.1	+28.2	+ 9.0	+20.9	+15.8	+19.2
1978	6.9	+ 7.4	+10.8	+12.8	+18.8	+17.1	+23.4	+ 5.0	+ 7.2
Avg.	6.4	+ 5.0	+ 7.8	+23.9	+23.7	+19.3	+19.2	+18.5	+14.8

SOURCE: My elaboration of the data extracted from Donald C. Templeman, The Italian Economy, New York: Praeger Publishers, 1981, pp. 180, 181 and 185. In Templeman's book, "industrial countries" include Austria, Belgium, Canada, Denmark, the United Kingdom, France, Italy, Japan, the Netherlands, Norway, Sweden, Switzerland, the United States and West Germany.

raw materials and exported primarily medium value-added goods, as Table 12 indicates:

TABLE 12.--The structure of Italy's commercial exchange 1970-1978
distribution per cent by type of good

	Investment goods	Raw Materials/ intermediate goods	Consumer goods	Unclassified goods
Imports	11	72	16	1
Exports	21	43	35	1

SOURCE: My elaboration of data extracted from Donald C. Templeman, The Italian Economy, New York: Praeger Publishers, 1981, Chapter 7.

During the 1960s, Italian exports of agricultural products as a part of total exports increased in absolute terms but decreased in relative terms. During the 1970s, they decreased in absolute terms because demand in the EEC for Italian products concerned principally traditional manufactured goods and because the CAP favored both continental agricultural products and the agricultural producers, already more efficient and productive, of the EEC's more dominant economic systems. The increase in agricultural exports during the 1960s resulted from the external demand for processed agricultural products from north-central Italy. During the 1960s and the 1970s, exports of agricultural products from the Mezzogiorno (i.e., Mediterranean agricultural products) first increased little, then decreased (see Tables

13 and 14). During the 1970s, Italy imported progressively greater quantities of agricultural products.

TABLE 13.--The importation (volume, in thousands of tons) of oranges, tangerines and temple oranges by groupings of countries; Italy's export quota (in thousands of tons and in per cent) of this exchange

	EEC			EFTA			Soviet Union/ Central Europe		
	Total	From Italy		Total	From Italy		Total	From Italy	
	,000 T	,000 T	%	,000 T	,000 T	%	,000 T	,000 T	%
1961-1963	1,670	79	4.7	726	99	13.6	162	10	6.2
1964-1966	1,975	74	3.7	811	97	12.0	362	16	4.9
1967-1969	1,923	65	3.4	813	83	10.2	485	31	6.4

SOURCE: Marcello Gorgoni, "Agrumicoltura italiana e mercato estero" ["Italian Citrus Fruit Production and the Foreign Market"] in Rassegna economica May/June, 1973, n. 3, p. 772.

TABLE 14.--Per cent of the Mediterranean agricultural products imported by the EEC from the Mezzogiorno

	Citrus Fruits	Vegetables	Dried Fruits
1969-1970	7.7	19.6	25.5
1974-1975	4.9	17.2	17.0

SOURCE: My elaboration of data extracted from Vincenzo Guizzi, Comunita' europea e sviluppo del Mezzogiorno [The European Community and the Mezzogiorno's Development], Milano: Giuffre', 1978, p. 183.

Italy effects the principal share of its commercial exchange with the countries of Western Europe, especially the other EEC member States. The United States provided 10 percent of Italy's commercial exchange during the 1960s⁹; the American share declined to 7 percent during the 1970s.¹⁰ During the 1960s, Italy's commercial exchange with the oil-producing and exporting countries increased because it became increasingly dependent on foreign sources for its energy supplies, 82 percent of which are imported.¹¹

TABLE 15.--The structure of Italy's commercial exchange 1970-1978
Distribution per cent by geographic area

	Imports	Exports
EEC	43	45
Non-EEC Western Europe	19	22
Oil Producing and Exporting Countries	17	10
United States	7	7
Canada	1	1
Japan	1	1
Others	12	14

SOURCE: My elaboration of data extracted from Donald C. Templeman, The Italian Economy, New York: Praeger Publishers, 1981, Chapter 7.

An ever greater number of Italian entrepreneurs produces goods not for the Italian market but rather for foreign markets (those of

states both weaker and stronger than Italy). Italy's participation in an EEC dominated politically by West Germany and France under a tempered American hegemony increases the nation's involvement in the process of capital accumulation among the EEC States principally to the advantage and benefit of the West German and French economies. This reduces the prospects of maximum remuneration and of a stable demand in the Italian market relative to many foreign markets.

According to a study issued in July 1985 by the Istituto Commercio Estero (ICE), Italy's Foreign Trade Institute, the number of Italian businesses which sell goods abroad increased from 48,321 in 1972 to slightly more than 86,000 in 1985 (an increase of about 78 percent). The geographic distribution of these businesses reflects the Mezzogiorno's subaltern position in the Italian economy: 70 percent are located in northern Italy, 20 percent in central Italy and 10 percent in the Mezzogiorno.

In recent years, an ever greater number of the entrepreneurs of central Italy and the Mezzogiorno has sought higher remuneration not by selling greater quantities of products in the Italian market but rather by penetrating foreign markets. Of the more than 86,000 Italian businesses which sell goods abroad, the export earnings of the 30 percent located in central Italy and in the Mezzogiorno increased from 21.2 percent of Italy's total export earnings in 1978 to 24.1 percent in 1983; the export earnings of the 70 percent located in northern Italy decreased correspondingly from 78.8 percent of Italy's total export earnings in 1978 to 75.9 percent in 1983. Between 1978

and 1983, the number of businesses which sell goods abroad increased more in Campania and in Puglia (two of the Mezzogiorno's regions), and to a lesser extent in the Veneto (a region of the economic system of the center/northeast), than in the country's other regions.¹²

The EEC's Unbalanced Integration and the Italian Lira

The Italian Lira is an authentic currency because other states view it as a unit of account, an instrument of exchange and a fund of value.¹³ The Lira derives its value from the political organization of the means of production on Italian territory. For this reason, its value relative to the value of other currencies results from, and reflects, two fundamental relationships: first, Italy's ability, relative to the ability of other states, to influence the political organization of the international economy's means of production; and, second, Italy's ability, relative to the ability of other states, to influence the political organization of the means of production on its territory. In short, the Lira's value results from, and reflects, the Italian economy's place and function in the international economy and, therefore, the Italian economy's role in the international division of labor.

The Lira's value relative to the value of the United States Dollar and of the West German Mark indicates most clearly the Italian economy's subsidiary role in an EEC dominated politically by West Germany and France (in reality, more by West Germany than by France)

under a tempered American hegemony because the United States and West Germany have the greatest ability, relative to Italy, to influence both the political organization of the means of production on Italian territory and of the international economy's means of production. The Dollar, which forms the largest part of the official reserves held by central banks in the world, is currently the only authentic reserve currency in the international economy. It is the currency considered the most valid international means of payment by other states for two reasons: first, because the United States is the state most able to influence the international economy and, therefore, to determine the international division of labor; and, second, because the United States is the only state which can use its own currency to finance its deficits in the international economy.¹⁴ The West German Mark is a de facto reserve currency in the international economy, that is, a currency considered a valid international means of payment inferior only to the Dollar, because West Germany's political and economic predominance in Western Europe gives it a great ability to influence the political organization of the international economy's means of production and, therefore, to determine the international division of labor.¹⁵

The most common indicator of the Lira's value relative to the Dollar and the Mark is the exchange rate between these currencies, that is, their politically accepted ratio of value expressed as each currency's price in the others' monetary denominations. Such an indicator is misleading, however, because it expresses the ratio of the

extrinsic value between these currencies, that is, each currency's buying power in the others' economies, not the ratio of the intrinsic value between them, that is, an adjusted comparison of their buying power within their respective economies. The difference between the ratios of the extrinsic and intrinsic values between these currencies, called seigniorage, accrues to the United States and to West Germany at Italy's expense because Italy occupies a subaltern position relative to the United States and to West Germany in the international economy.¹⁶

American hegemony over Western Europe ensured to the United States and to West Germany the ability to appropriate seigniorage from Italy. The United States exercised its power in the international system in such a way as to foster the creation of a politically acceptable complex of the ratios of value between the various currencies in the world. Thus emerged an international monetary regime, whose institutional mechanics and formal political commitments might oblige the world's various states to maintain the fluctuations of the exchange rates between their currencies within politically accepted margins but might not oblige the dominant states to compensate the subaltern states for the value lost in the form of seigniorage. In short, the United States fostered the creation of an international monetary regime which might maintain both the stability of exchange rates between currencies and the advantages and benefits enjoyed by the dominant states. The resultant Bretton Woods International Monetary Regime (22 July 1944 - 15 August 1971), which became fully

operative in 1946, had three fundamental characteristics: first, the convertibility of the United States Dollar for gold; second, the convertibility of the currencies of Western Europe's major states for gold beginning in December 1958; and, last, fixed exchange rates between currencies, whose extrinsic value could fluctuate no more than ± 1 percent from parity except in cases of official devaluation.¹⁷

An International Monetary Non-Regime began on 15 August 1971 when the United States unilaterally terminated the Bretton Woods Regime by devaluing the Dollar and by suspending the Dollar's convertibility for gold. Under the Smithsonian Agreement of December 1971, the central banks of the Group of Ten, that is, the major industrialized countries in the world (Belgium, Canada, the United Kingdom, France, Italy, Japan, the Netherlands, Sweden, the United States and West Germany) committed themselves to maintain the fluctuations of the exchange rates between their currencies within a margin of ± 2.25 percent relative to the Dollar. On 19 March 1973, the Group of Ten together with Switzerland (then an associate member, now a full member) and the minor EEC member States, e.g., Denmark, Ireland and Luxembourg, renounced the Smithsonian Agreement because it established fluctuation margins without establishing the institutional mechanics and the formal political commitments which might govern how the central banks of the adhering countries might maintain collectively the prescribed parity between their currencies.¹⁸ In the meantime, under the Basle Accord of 21 March 1972, the EEC member States established "central exchange rates" between their currencies, put these

exchange rates into effect on 10 April 1972, and agreed to maintain their fluctuations within a margin of ± 2.25 percent. In 1973, Sweden and Norway committed themselves to the Basle Accord, but Italy renounced it in February 1973. for the same reason for which it had renounced the Smithsonian Agreement.¹⁹ In April 1973, the EEC States created the European Monetary Cooperation Fund (FECOM), charged to regulate the financial operations undertaken by the central banks of the EEC States to maintain the parity of their currencies relative to the "central exchange rates" established under the Basle Accord.²⁰

Under the Kingston Agreement of January 1976, the Group of Ten, together with Denmark, Ireland, Luxembourg and Switzerland, terminated the International Monetary Non-Regime by establishing a new International Monetary Regime based on the coordination by their central banks of flexible exchange rates between currencies.²¹ Under the Brussels Accord of 5 December 1978, the EEC States created the European Monetary System (EMS) which entered into effect on 13 March 1979 and recommitted them to maintain the fluctuations of the exchange rates between their currencies within a margin of ± 2.25 percent relative to the "central exchange rates" of these currencies, except in the cases of the Irish Pound and the Italian Lira, accorded fluctuation margins of ± 6 percent.²² The Bank of Italy is currently considering the reduction of the Lira's fluctuation margin from ± 6 percent to ± 2.25 percent.²³

The Italian Lira and the United States Dollar

Neither the exact amount of seigniorage gained by the United States and by West Germany at Italy's expense, nor the correct ratio of the intrinsic value between the Dollar, the Mark and the Lira can be readily ascertained because the economic sciences dispose neither of a scientific formula which may quantify the relationship between value and price nor of a concrete and universal model of analysis. In short, the economic sciences lack universal criteria and means with which currencies may be compared in order to determine their real ratio of value. The ability to determine correctly their ratio presupposes the ability to make a universal comparison between currencies which derive their value from the political organization of different, particular means of production. The ability to determine correctly the exact amount of seigniorage gained by the dominant states at the expense of the subaltern states presupposes the ability to differentiate, especially in quantitative terms, between the intrinsic and the extrinsic value of currencies.

Nonetheless, the political and economic relationships established between Italy and the United States allow some observations on the relationship, in terms of value, between the Lira and the Dollar and, therefore, some observations on the Italian economy's place and function in the international economy. Although Italy may effect the principal share of its commercial exchange with the countries of Western Europe, especially with the EEC States, it has become more

dependent than the other EEC States on the Dollar as an international means of payment and calculates the value of a greater share of its imports than of its exports in Dollars.²⁴ A study issued in July 1984 by the Banca Commerciale Italiana compares the payment structure of Italy's commercial exchange with that of the EEC:

TABLE 16.--The distribution per cent of the currencies used as an international means of payment in commercial exchange

	Own Currency	U.S. Dollar	Other Currencies
Imports: Italy	20	43	37
EEC Avg.	28.3	28.5	43.2
Exports: Italy	32	34	34
EEC Avg.	50.7	16.6	32.7

SOURCE: La Repubblica (Roma) 26 July 1984, p. 27.

The payment structure of Italy's commercial exchange ties its balance of payments to the Dollar, whose extrinsic value, more than that of any other currency, determines the cost of Italian imports. On the one hand, for every 10 Lire lost by the Dollar in its exchange rate with the Lira, the cost of Italian imports decreases by LIT 480 billion.²⁵ On the other hand, a strong Dollar relative to the Lira, by increasing the price of Italian imports, produces three consequences. First, an econometric study issued in December 1983 by the Bank of Italy revealed that, under the conditions then prevailing, the Dollar,

when valued at LIT 1,600, was responsible for three percentage points of Italy's inflation rate.²⁶ Second, the average Dollar/Lira exchange rate in 1984, that is, \$1 = LIT 1,750, against the average Dollar/Lira exchange rate in 1983, that is, \$1 = LIT 1,519, constrained Italy to disburse LIT 2,935 billion more in 1984 than in 1983 to cover the cost of imports, as Table 17 shows on the following page. Last, a strong Dollar hinders Italy's ability to take advantage of the reductions of the prices of raw materials (see Table 18): although fewer Dollars may be needed to purchase raw materials, more Lire are needed to purchase Dollars.

American hegemony over an Italy dominated politically and economically by its northwestern elite has made the Dollar Italy's principal international means of payment. The Dollar drains value in the form of seigniorage from the Italian economy through Italy's commercial exchange with the international economy, and especially through its importation of petroleum, because the Dollar's extrinsic value relative to the Lira determines preponderantly the cost of Italian imports. Should the Dollar prove too costly for the Italian economy, the northwestern elite, or another future ruling class, could decide to replace the Dollar with another international means of payment.

TABLE 17.--The average dollar/lira exchange rate: 1984 compared with 1983; The consequences for various sectors of the Italian economy (in billions of LIT)

1983 (\$1=LIT 1,519)						1984 (\$1=LIT 1,750)			
	Imp.	Exp.	Of which lira value calculated in dollars			Cost added to Imp.	Potential gain for Exp.	Loss or gain	
			Imp.	Exp.					
Agriculture/ Zootechny	10,000	3,000	4,240	389		644	69	- 575	
Foodstuffs and Related Processing	10,000	4,800	2,000	1,536		300	234	- 66	
Textiles	3,900	9,300	780	2,139		120	325	+ 205	
Clothing	931	4,900	232	1,470		36	223	+ 187	
Footwear	221	4,600	91	368		14	56	+ 42	
Furniture and Wood Products	1,727	3,000	345	768		53	117	+ 64	
Transportation Vehicles	9,000	12,000	1,035	5,484		157	834	+ 677	
Machines and Appliances	8,360	19,720	1,546	8,874		235	1,349	+1,114	
Precision Mechanics	4,600	3,300	1,480	963		225	147	- 78	
Ferrous Metallurgy	2,958	4,956	393	2,656		235	404	+ 169	
Non-Ferrous Met.	6,073	4,214	3,692	2,162		562	329	- 233	
Chemicals	11,800	7,900	2,478	3,318		377	504	+ 175	
Petroleum and Derivatives	36,203	5,812	35,630	5,521		5,5420	804	-4,616	
Total								-2,935	

SOURCE: La Repubblica (Roma) 9/10 September 1984, p. 3.

TABLE 18.--Adjusted index of the prices of goods on the international market (1977=100)

	Prices in Dollars	Prices in Lire
December 1982	195.17	313.41
January 1983	194.41	307.41
February	178.83	286.98
March	177.22	289.97
April	177.59	295.81
May	178.84	301.30
June	179.93	312.02
July	179.64	325.32
August	181.16	327.40
September	180.88	330.22
October	180.74	326.29
November	180.38	335.48

SOURCE: La Repubblica (Roma) 10 January 1984, p. 31.

Italy and the ECU

The European Currency Unit (ECU), created by the Brussels Accord of 5 December 1978 to replace the European Unit of Account (EUA), would, in all probability, replace the Dollar as Italy's principal international means of payment. The ECU is currently not an authentic currency but

rather another EEC unit of account, that is, a redenomination of a part of the gold and the Dollars already held as reserve assets by the central banks of the EEC States.²⁷ The ECU's value results from, and reflects, the composite value of the currencies of the EEC States: each currency contributes a portion of the ECU's value according to a coefficient prescribed collectively by the Finance Ministers of the EEC States (save Italy represented by its Treasury Minister).

All the EEC States except West Germany are currently disposed to transform the ECU from the EEC's unit of account into the EEC's authentic currency because such a transformation would allow them to terminate their dependence on the Dollar as an international means of payment by making the ECU equal, if not superior, to the Dollar. West Germany is opposed to such a transformation. It would deprive the West German economy of the advantages derived from the Mark's predominance over the other EEC currencies by terminating the Mark's role as a de facto reserve currency in the international economy. Should the political and economic costs of an EEC divided monetarily against the Dollar outweigh the advantages gained for the West German economy by the Mark's predominance over the other EEC currencies, West Germany would have to accept the ECU's transformation from the EEC's unit of account to the EEC's authentic currency.²⁸

Italy is currently one of the EEC's principal proponents of a transformation because it could aid the northwestern elite in minimizing the negative consequences of the EEC's unbalanced integration

for the Italian economy. It would allow Italy to terminate its dependence on the Dollar as an international means of payment and the Mark's predominance over the Lira. In order to reduce its dependence on the Dollar, Italy opened negotiations recently with three of its principal suppliers of crude oil and natural gas, Algeria, Saudi Arabia and the Soviet Union, all congenial to the Italian proposal to make the ECU the means of payment in their commercial exchange with Italy.²⁹ Moreover, the Italian Parliament is considering a bill which would oblige the Ente Nazionale Idrocarburi (ENI), the National Hydrocarbon Corporation, to invoice at least half of its net importation of natural gas in ECUs by the end of 1986.³⁰ In order to terminate the Mark's predominance over the other EEC currencies, Italy must attempt to overcome West German resistance to the ECU's transformation by organizing among the EEC States the broadest possible political consensus for such a transformation.

The Italian Lira, the EUA/ECU and the West German Mark

The relationship between the contribution per cent of the Lira and of the Mark to the value of the EUA/ECU is the most accurate indicator of the relationship, in terms of value, between these currencies because a fixed and stable coefficient mediates each currency's contribution. Between May 1975 and May 1984, the Mark's contribution to the value of the EUA/ECU increased by 9.93 percent, that is, from 27.10 percent to 37.03 percent, while the Lira's contribution decreased

by 5.51 percent, that is, from 13.40 percent to 7.89 percent. The Lira's contribution to the value of the EUA/ECU was 49.95 percent of the Mark's contribution in May 1975, 21.31 percent in May 1984. In short, between May 1975 and May 1984, the Lira's value decreased by 15.44 percent in absolute terms, and by 112.70 percent in relative terms, against the Mark's value; the value of the Lira's contribution per cent to the value of the EUA/ECU as a percentage of the Mark's contribution per cent decreased by 28.14 percent in absolute terms, 132.05 percent in relative terms.

West Germany's predominance over the other EEC States manifests itself in the value relationships between the Mark and the other EEC currencies in two ways: first, the Mark's contribution to the value of the EUA/ECU is clearly the greatest among the contributions of the EEC currencies; and, second, between May 1975 and May 1984, the Mark's contribution to the value of the EUA/ECU increased greatly, principally at the expense of the Italian Lira and the French Franc whose contributions together with those of the other EEC currencies, save the Dutch Florin, decreased, as Table 19 shows.

The value relationships between the Lira and the other EEC currencies reflect the Italian economy's subordinate position among the economies of the other major EEC States, in that, between May 1975 and May 1984 (and not only in this period), the other EEC currencies gained value on the Lira. Between 1973 and 1976, the Lira's depreciation cost the Italian economy, through its commercial exchange, \$7.3 billion, while the Mark's appreciation earned for the West German economy \$2 billion.³¹

TABLE 19.--The contribution per cent of the currencies of the EEC member states to the value of the EUA/ECU May 1975 - May 1984

	May 1975 (1)	May 1984 (2)	Absolute change (3) (2)-(1)=(3)	Relative Change (4) $\frac{(3) \times 100}{(1)} = (4)$
DM	27.10	37.03	+9.93	+36.64
FF	21.83	16.72	-5.11	-23.41
L	15.72	14.99	-0.73	- 4.64
HFL	9.13	11.35	+2.22	+24.32
LIT	13.40	7.89	-5.51	-41.12
FB	8.03	7.92	-0.11	- 1.37
DKR	3.05	2.65	-0.40	-13.11
IRL	1.30	1.04	-0.26	-20.00
FLUX	.31	.30	-0.01	- 3.23

SOURCE: My elaboration of the data presented in Appendix A.

DM=West German Mark; FF=French Franc; L=British Pound; HFL=Dutch Florin (or Guilder); LIT=Italian Lira; FB=Belgium Franc; DKR=Danish Crown; IRL=Irish Pound; FLUX=Luxembourg Franc.

TABLE 20.--The contribution per cent of the other EEC currencies to the value of the EUA/ECU relative to the lira's contribution per cent
May 1975 - May 1984

	May 1975 (1)	May 1984 (2)	Absolute change (3) (2)-(1)=(3)	Relative Change (4) $\frac{(3) \times 100}{(1)} = (4)$
DM	+13.70	+29.14	+15.44	+112.70
FF	+ 8.43	+ 8.83	+ 0.40	+ 4.74
L	+ 2.32	+ 7.10	+ 4.78	+206.03
HFL	- 4.27	+ 3.46	+ 7.73	+181.03
FB	- 5.37	+ 0.03	+ 5.40	+100.56
DKR	-10.35	- 5.24	+ 5.11	+ 49.37
IRL	-12.10	- 6.85	+ 5.25	+ 43.39
FLUX	-13.09	- 7.59	+ 5.50	+ 42.02

SOURCE: My elaboration of the data presented in Appendix A.

TABLE 21.--The lira's contribution per cent to the value of the EUA/ECU as a percentage of the contribution per cent of the DM, FF and L; May 1975-May 1984

	May 1975(1)	May 1984(2)	Absolute change of the lira's value (3) (2)-(1)=(3)	Relative Change (4)	
				of the lira's value(a) $1 - \frac{(1)}{(2)} = (4)(a)$	of the value of the DM FF L (b) $\frac{(3) \times 100}{(1)} = (4)(b)$
DM	49.45	21.31	-28.14	-132.05	+56.91
FF	61.38	47.19	-14.19	- 30.07	+23.12
L	85.24	52.64	-32.60	- 61.93	+38.24

SOURCE: My elaboration of the data presented in Appendix A.

TABLE 22.--The change in the lira's value relative to the HFL and FB May 1975-May 1984:
(a)The lira's contribution per cent to the value of the EUA/ECU as a percentage of
the contribution per cent of the HFL and FB; (b)The contribution per cent of the HFL
and FB to the value of the EUA/ECU as a percentage of the lira's contribution per cent

	May 1975(1)	May 1984(2)	Absolute change of the lira's value(3) (2)-(1)=(3)	Relative change of the lira's value (4) $[1 - \frac{(1)(a)}{(2)(a)}] - [1 - \frac{(1)(b)}{(2)(b)}] = (4)$
(a)	+146.77	- 69.52	-77.25	-163.77
HFL (b)	- 68.13	+143.85	-75.72	
(a)	+166.87	- 99.62	-67.25	-107.81
FB (b)	- 59.93	+100.38	-40.45	

SOURCE: My elaboration of the data presented in Appendix A.

TABLE 23.--The contribution per cent of the DKR, IRL and FLUX to the value of the EUA/ECU as a percentage of the lira's contribution per cent May 1975 - May 1984

	May 1975(1)	May 1984(2)	Absolute change of the value of the currencies(3) (2)-(1)=(3)	Relative Change (4)	
				of the lira's value(a) $\frac{(1)}{(2)} - 1 = (4)(a)$	of the value of the currencies (b) $\frac{(3) \times 100}{(1)} = (4)(b)$
DKR	22.76	33.59	+10.83	-32.24	+47.58
IRL	9.70	13.18	+ 3.48	-26.40	+35.88
FLUX	2.31	3.80	+ 1.49	-39.21	+64.50

SOURCE: My elaboration of the data presented in Appendix A.

The EEC's Unbalanced Integration and the Investment of
Foreign Capital in Italy and in the Mezzogiorno

There are two fundamental types of foreign capital invested in the Mezzogiorno: non-Italian and Italian. Each type comes from three principal sources. Non-Italian foreign capital comes from the United States, the EEC States, Australia, Canada, Japan, Lebanon, Liechtenstein, Sweden and Switzerland, and the EEC's agencies.³² Italian foreign capital, that is, capital invested in the Mezzogiorno by entrepreneurs and agencies based in north-central Italy comes from the parastate industries, the CASMEZ and north-central Italy's oligopolies. Law n. 43 of 7 February 1956, modified by Law n. 169 of 11 March 1965, regulates the investments of non-Italian capital on Italian territory and provides that investors may transfer out of the country all the capital invested productively, together with all the dividends and profits realized. Italy's legislation relative to the policies of incentives and dependent industrialization regulates the investments of Italian foreign capital in the Mezzogiorno.³³ (Italy's legislation relative to the policy of incentives applies equally to the investments of non-Italian and Italian foreign capital.³⁴)

The investors of non-Italian capital invest in Italy so that it may continue to play its role in the international division of labor and so that one or more of Italy's three economic systems may be either a market for the goods and services produced by this capital or a territorial base for the production of goods and services to be exchanged elsewhere. The principal determinant of the investment of

non-Italian capital in the Mezzogiorno, in comparison with the economic systems of the northwest and the center/northeast, is the policy of incentives. Before the Italian government abolished salary discrimination between the Mezzogiorno and the rest of Italy in 1969, the investors of non-Italian capital invested in the Mezzogiorno to take advantage of the lower cost of labor.³⁵

These investors consider the Mezzogiorno not a market but rather a territorial base for the production of goods and services to be exchanged elsewhere, two-thirds of which are exported principally to north-central Italy and to Western Europe's other states, especially the EEC States. One quarter of the businesses which produce goods and services in the Mezzogiorno with the participation of non-Italian capital produce primarily for export; two-thirds export a sizeable portion of their goods, while only ten percent produce for the Mezzogiorno. The quality of the investments of the non-Italian capital in the Mezzogiorno reflects the Mezzogiorno's subaltern position in the international economy. Investors employ their capital not to promote research and development (R and D), reserved for the more dominant economic systems, but to produce and assemble certain parts of some products.³⁶

Private Foreign Capital in Italy

Although the EEC States collectively, in comparison with the United States, may manage more plants and may own and may participate

in more companies in Italy, the United States, responsible for 75 percent of the non-Italian capital invested in the Mezzogiorno and LIT 10,000 billion of investments in the Italian economy, is by far the single largest source of the foreign capital invested in Italy.³⁷ Foreign investors, as independent entrepreneurs, or as minority or majority participants together with Italian investors, produce goods and services in Italy according to the following figures. As Table 24 shows, these refer to the eight largest sources of foreign capital invested in Italy.

TABLE 24.--The eight largest sources of the foreign capital invested in Italy

Source of the foreign capital	Companies		Branches
	Number	(%)	
Belgium	33	(2.16)	58
United Kingdom	206	(13.50)	372
France	171	(11.21)	311
Netherlands	48	(3.14)	100
West Germany	271	(17.76)	389
(EEC)	(729)	(47.77)	(1,230)
Sweden	47	(3.08)	80
Switzerland	174	(11.40)	288
United States	576	(37.75)	1,048
Total	1,526	(100.00)	

SOURCE: La Repubblica (Roma) 2 January 1985, p. 35.

There are currently in Italy 820 companies (see Table 25) with a labor force of 424,000, whose capital is predominantly or entirely foreign.

TABLE 25.--Companies which produce goods and services in Italy with capital predominantly or entirely foreign

Source of the foreign capital	Companies	
	Number	(%)
Canada	5	(0.61)
Belgium	24	(2.93)
United Kingdom	120	(14.64)
France	109	(13.29)
Luxembourg	5	(0.61)
Netherlands	38	(4.68)
West Germany	97	(11.83)
(EEC)	393	(47.93)
Japan	6	(0.73)
Liechtenstein	7	(0.85)
Sweden	31	(3.78)
Switzerland	95	(11.59)
United States	278	(33.90)
Others	5	(0.61)
Total	820	(100.00)

SOURCE: La Repubblica (Roma) 4/5 March 1984, p. 30.

Investors from the eight largest sources of foreign capital provide at least 50 percent of the capital in 797 companies, that is, in 52 percent of the 1,526 companies which produce goods and services on Italian territory with the participation of foreign capital, as Table 26 shows:

TABLE 26.--The level of participation of the foreign capital present in companies in Italy (with regard to the eight largest sources of the foreign capital invested in Italy)

Source of the foreign capital	Companies in Italy with capital predominantly or entirely foreign	Companies in Italy with foreign capital	(%)
Belgium	$\frac{24}{33}$		(72.73)
United Kingdom	$\frac{120}{206}$		(58.25)
France	$\frac{109}{171}$		(63.74)
Netherlands	$\frac{5}{48}$		(10.42)
West Germany	$\frac{97}{271}$		(35.79)
(EEC)	$\frac{393}{729}$		(53.91)
Sweden	$\frac{31}{47}$		(65.96)
Switzerland	$\frac{95}{174}$		(54.60)
United States	$\frac{278}{576}$		(48.26)
Total	$\frac{797}{1,526}$		(52.23)

SOURCE: My elaboration of data extracted from La Repubblica (Roma) 4/5 March 1984, p. 30 and 2 January 1985, p. 35.

The influx of foreign capital into Italy in 1983, 1984 and 1985 reflects the country's strategic importance to foreign investors, concerned to influence as much as possible the political organization of the means of production in Italy so that it may continue to play its traditional role in the international division of labor. These investors legitimized their interest in Italy by creating a perception of the country as a most desirable site for the investment of capital.³⁹ They demonstrated their interest in many significant ways. For example, on 25 July 1984, the EEC approved the expenditure of LIT 1,084 billion of investment capital in north-central Italy and LIT 800 billion of investment capital in the Mezzogiorno, principally through north-central Italy's private oligopolies, in order to facilitate the restructuring of Italy's automotive industry.⁴⁰ On 7 August 1984, Electrolux (Sweden) became Zanussi's controlling shareholder by purchasing 49 percent of Zanussi's stock for LIT 32 billion.⁴¹ On 4 September 1984, a consortium of foreign banks covered \$500 million of bonds issued by Italy's Ministry of the Treasury, which had placed these bonds on the Eurodollar market one month earlier in order to facilitate the reconstruction of some of the Mezzogiorno's areas affected by the earthquake of 23 November 1980.⁴² From 28 to 30 March 1985, more than 100 of the world's largest private investment agencies attended a "summit meeting" organized by Euromobiliare in Florence to elaborate programs for the future investment of capital in Italy.⁴³ On 2 April 1985, a consortium of London City's banks covered another \$500 million of bonds issued by Italy's Ministry of

the Treasury,⁴⁴ and, on 14 April 1985, the EIB placed LIT 150 billion of bonds on the Italian market to finance Italian businesses.⁴⁵

The largest share of the foreign capital invested in Italy, and in Western Europe, is American. In 1983, the United States, by investing \$3.8 billion abroad, surpassed its record, established in 1980, of \$2.1 billion of foreign investments.⁴⁶ In Western Europe it invested \$2.2 billion (compared to \$797 million in 1982), which represents 57.9 percent of total foreign investments. In London City it invested \$1.1 billion, that is, 50 percent of the \$2.2 billion invested in Western Europe.⁴⁷ On 22 December 1983, AT and T (United States) became Olivetti's largest shareholder by purchasing 25 percent of Olivetti's stock for LIT 440 billion (\$260 million) with an option to purchase up to 40 percent of its stock.⁴⁸ On 24 October 1984, the Merrill Lynch investment firm (United States), at the head of an international consortium of banks, placed \$1 billion of bonds on international money markets on behalf of Italy's Ministry of the Treasury.⁴⁹ In 1984, the United States, after a 20 year absence, started to invest again in the Italian Stock Exchange,⁵⁰ and, on 8 January 1985, Bechtel (USA) purchased Elc-Elettroconsult.⁵¹

Foreign investors purchased 30 Italian companies in 1984. The following are some data relative to the 17 largest.

TABLE 27.--Italian companies purchased by foreign investors in 1984

Company	Turnover (LIT in billions)	Shares Ceded (%)	Prices Paid (*) (LIT in billions)	Buyer (Country)
Cartiere Fabbri	280	100	210	Mandl Group (U.K.)
Elettronica	180	35	47	Plessey (U.K.)
Fotomec	16	100	8	Ciba (Switzerland)
Isf	90	100	-	Smithkline (USA)
Italchemi	in liquidation	100	20	Glaxo (U.K.)
Landy Freres	45	100	-	Winefoods (USA)
Lazzaroni	55	50	6	Campbell (USA)
Lepetit(**)	272	8	48	Dow Chemical (USA)
Magrini	100	100	76	Merlin Gerin (France)
Maserati	112	5	-	Chrysler (USA)
Neopharmed	17	75	8	Merck (USA)
Pierrel	132	52	80	Fermenta (Sweden)
Ras	2,855	100	700	Allianz (West Germany)
Selvi	10	100	-	3M (USA)
Siel	131.6	100	80	Isc (USA)
Zambeletti	1,566	49	32	Electrolux (Sweden)

SOURCE: La Repubblica (Roma) 2 January 1985, p. 35.

(*) The price paid refers only to the purchase price of the stock and does not include the subsequent expenditures necessary to restructure the company.

(**) Dow Chemical already owned 92 percent of the stock.

Private Non-Italian Capital in the Mezzogiorno

Two hundred and fifty-eight plants, which employ 78,667 people, currently produce goods and services in the Mezzogiorno with the participation of non-Italian capital, provided by 1975 companies as Table 28 shows.⁵² This compared to sixteen plants in 1950, 50 in 1959, 104 in 1964, 150 in 1969 and 223 in 1974.⁵³

TABLE 28.--Companies and plants which currently produce goods and services in the Mezzogiorno with the participation of non-Italian capital

Source of the non-Italian capital	Companies		Plants		Employees	
	Number	(%)	Number	(%)	Number	(%)
Australia	2	(1.03)	9	(3.49)	837	(1.07)
Canada	3	(1.54)	3	(1.16)	1,852	(2.36)
Belgium	5	(2.56)	8	(3.10)	1,071	(1.36)
United Kingdom	21	(10.77)	21	(8.14)	2,551	(3.24)
France	19	(9.74)	40	(15.50)	11,173	(14.20)
Luxembourg	2	(1.03)	2	(0.76)	668	(0.85)
Netherlands	8	(4.10)	13	(5.04)	4,766	(6.06)
West Germany	20	(10.26)	24	(9.30)	6,787	(8.63)
(EEC	75	(38.46)	108	(41.86)	27,016	(34.34))
Japan	3	(1.54)	3	(1.16)	510	(0.65)
Lebanon	1	(0.51)	1	(0.39)	80	(0.10)
Liechtenstein	9	(4.61)	10	(3.89)	2,331	(2.96)
Sweden	3	(1.54)	6	(2.33)	2,055	(2.61)
Switzerland	24	(12.31)	22	(8.53)	6,107	(7.76)
United States	75	(38.46)	96	(37.21)	37,879	(48.15)
Total	195	(100.00)	258	(100.00)	78,667	(100.00)

SOURCE: IASM, Iniziativa industriali a partecipazione estera nel Mezzogiorno [Industrial Initiatives With The Participation of Foreign Capital in the Mezzogiorno], Roma: IASM, December 1981, p. 11.

The quantity of the investments of non-Italian capital in the Mezzogiorno reflects the area's subordinate position in the international economy. The investors from the eight largest sources of foreign capital in Italy have located only 175 (11.5 percent) of their 1,526 companies in the Mezzogiorno, as Table 29 shows.

TABLE 29.--Companies in the Mezzogiorno with non-Italian capital as a percentage of the companies in Italy with non-Italian capital (with regard to the eight largest sources of the foreign capital invested in Italy)

Source of the non-Italian capital	Number of companies located in the Mezzogiorno	Number of companies located in Italy	Number of companies located in Italy (%)
Belgium	5/33		(15.15)
United Kingdom	21/206		(10.19)
France	19/171		(15.15)
Netherlands	8/48		(10.19)
West Germany	20/271		(11.11)
(EEC	73/729		(10.01))
Sweden	3/47		(6.38)
Switzerland	24/174		(13.79)
United States	75/576		(13.02)
Total	175/1,526		(11.47)

SOURCE: My elaboration of data extracted from La Repubblica (Roma) 2 January 1985, p. 35 and IASM, Iniziativa industriali a partecipazione estera nel Mezzogiorno [Industrial Initiatives With The Participation of Foreign Capital in the Mezzogiorno], Roma: IASM, December 1981, p. 11.

The non-Italian capital invested in the Mezzogiorno has thus far exacerbated the area's disequilibria in part because the investors have concentrated their investments territorially, with regard to the number of plants, in southern Lazio and in Campania so that these investments might benefit both from the infrastructure concentrated around and between Rome and Naples and from the geographic proximity of southern Lazio and Campania to the markets of Western Europe, especially the EEC States.⁵⁴ Of the two hundred fifty-eight plants which produce goods and services in the Mezzogiorno with the participation of non-Italian capital, 167 (64.7 percent) are located in southern Lazio and in Campania, 46 (17.8 percent) in Abruzzo and Puglia, 33 (12.8 percent) in Sicily and in Sardinia, 12 (4.7 percent) in Calabria, Marche (Ascoli-Piceno province), and Basilicata, but none in Molise, as Table 30 shows.

The percentage of the non-Italian capital invested in southern Lazio and in Campania as a percentage of the non-Italian capital invested in the 258 plants located in the Mezzogiorno is as follows (in descending order): North America (Canada and the United States), 81 percent; Western Europe Non-EEC (Liechtenstein, Sweden and Switzerland), 79 percent; Western Europe (EEC and Non-EEC), 58 percent; EEC, 50 percent; and Oceania/Middle East (Australia, Japan and Lebanon), 23 percent. The highest concentrations in southern Lazio and in Campania of this foreign capital have resulted from the investments which come from Lebanon (100 percent), Liechtenstein (90 percent), Switzerland (82 percent) and the United States (81 percent).

TABLE 30.--The distribution by region of the plants which produce goods and services in the Mezzogiorno with the participation of non-Italian capital

Region	Plants		Employees	
	Number	(%)	Number	(%)
Abruzzo	24	(9.30)	5,089	(6.47)
Basilicata	3	(1.16)	445	(0.57)
Calabria	5	(1.94)	1,234	(1.57)
Campania	78	(30.23)	26,315	(33.45)
Southern Lazio	89	(34.50)	31,611	(40.18)
Marche(*)	4	(1.55)	1,781	(2.26)
Molise	0	(0.00)	0	(0.00)
Puglia	22	(8.53)	6,535	(8.31)
Sardinia	15	(5.81)	2,762	(3.51)
Sicily	18	(6.96)	2,895	(3.68)

SOURCE: IASM, Iniziative industriali a partecipazione estera nel Mezzogiorno [Industrial Initiatives With The Participation of Foreign Capital in the Mezzogiorno], Roma: IASM, December 1981, p. 12.

(*) The province of Ascoli-Piceno is an area of competence of the CASMEZ.

The concentration of southern Lazio and in Campania of the capital invested in the Mezzogiorno from other countries is less than 70 percent (see Table 31).

TABLE 31.--The concentration (according to the number of plants) in southern Lazio and in Campania of the non-Italian capital invested in the Mezzogiorno

Source of the non-Italian capital	Number of Plants Located in Southern Lazio and in Campania	Number of Plants Located in the Mezzogiorno	(%)
Australia	2/9		(22.22)
Canada	2/3		(66.67)
Belgium	4/8		(50.00)
United Kingdom	12/21		(57.14)
France	20/40		(50.00)
Luxembourg	0/2		(00.00)
Netherlands	9/13		(69.23)
West Germany	9/24		(37.50)
(EEC	54/108		(50.00))
Japan	0/3		(00.00)
Lebanon	1/1		(100.00)
Liechtenstein	9/10		(90.00)
Sweden	3/6		(50.00)
Switzerland	18/22		(81.82)
United States	78/96		(81.25)
Total	167/258		(64.73)

SOURCE: My elaboration of data extracted from IASM, Iniziative industriali a partecipazione estera nel Mezzogiorno [Industrial Initiatives With The Participation of Foreign Capital in the Mezzogiorno], Roma: IASM, December 1981.)

The European Regional Development Fund
Italy and the Mezzogiorno

The EEC directs its part of the foreign capital invested in Italy, and of the non-Italian capital invested in the Mezzogiorno, principally through the European Regional Development Fund (ERDF), the Guidance and Guarantee Sections of the CAP (FEOGA), and the EIB.

The EEC States allocated to the ERDF EUA 1,300 million for the 1975-1977 period. This sum reflected West Germany's political predominance over the other EEC States. It is much closer to the allocation of EUA 1,000 million proposed by West Germany, the principal contributor to the ERDF, than to the allocation of EUA 2,250 million recommended by the Thomson Report, or to the allocation of EUA 3,000 million desired by England, Ireland and Italy, the ERDF's principal prospective beneficiaries.⁵⁵ In 1975, the EEC's various regions, through their central governments, presented to the EEC's Regional Policy Committee 1,521 projects, of which 1,183 were approved. Of these projects, 60 percent concerned the development of infrastructure and 40 percent industry and services. Moreover, in that year, the ERDF allocated to the EEC States EUA 299.8 million, of which Italy received EUA 124 million (equal then to LIT 187.5 billion and 41.4 percent of the total allocated by the ERDF). This promoted further investments in Italy of EUA 743 million (equal then to LIT 1,516 billion) among 174 projects. In 1976, the ERDF allocated to the EEC States EUA 500 million, of which EUA 375.49 million (75 percent) to develop the infrastructure and EUA 124.51 million (25 percent) to develop industry and services. Italy received the

equivalent of LIT 128 billion, of which LIT 116.4 billion (91 percent) went for the development of the infrastructure and LIT 11.6 billion (9 percent) for industry and services.⁵⁶

Between January 1975 and January 1977, Italy received from the ERDF the equivalent of LIT 230 billion, 50 million. It invested in the Mezzogiorno LIT 216 billion and 255 million (93.8 percent). This sum was subdivided: LIT 157 billion, 737 million (73 percent) to develop the Mezzogiorno's infrastructure (91 projects) and LIT 58 billion, 518 million (27 percent) to develop its industry and services (163 projects). Between 1975 and 1978, Italy's quota of the ERDF's funds equalled EUA 748 million (40 percent of the ERDF's capital, EUA 1,880 million). The Regional Policy Committee approved the expenditure of EUA 528.20 million, equal to 71 percent of Italy's quota and 35 percent of all approved expenditures in the EEC (EUA 1,525.50 million). Between January 1975 and June 1979, the Regional Policy Committee approved 1,606 projects in Italy, or 24 percent of the total 6,792 projects approved in the EEC. The ERDF contributed EUA 612 million to the 1,606 projects in Italy; this represented 36 percent of the EUA 1,725 million disbursed to finance projects in the EEC.⁵⁷

The EEC States allocated to the ERDF ECU 1,850 million in 1982, ECU 2,010 million in 1983. The Regional Policy Committee approved 3,277 projects in 1982 and approved the disbursement of ECU 2,116 million for 3,683 projects in 1983. Of the projects approved in 1983, 89 percent concerned the development of infrastructure and 11 percent industry and services. In 1983, the Regional Policy

Committee approved 1,035 projects in Italy. This represented 28 percent of the 3,683 projects approved in the EEC. The projects in Italy promoted investments of ECU 3,566.70 million, or 29 percent of the ECU 12,497.73 million of investments promoted by the ERDF's contributions in the EEC. In 1983, the Regional Policy Committee approved ERDF contributions to the 1,035 projects in Italy of ECU 818.96 million, equal to 39 percent of the ECU 2,121.61 million contributed by the ERDF to finance projects in the EEC.⁵⁸

Between 1975 and 1983, the Regional Policy Committee approved 21,729 projects in the EEC, of which 15,901 (74 percent) to develop infrastructure and 5,578 (26 percent) to develop industry and services. It approved 8,008 projects in Italy (37 percent of the total in the EEC), of which 6,675 (83 percent) to develop infrastructure and 1,333 (17 percent) to develop industry and services. The projects in Italy promoted investments of ECU 19,772.46 million, equal to 28 percent of the ECU 70,141.60 million of investments promoted by the ERDF's contributions in the EEC in this period. Moreover, between 1975 and 1983, the Regional Policy Committee approved ERDF contributions to the projects in Italy of ECU 3,493.55 million, that is, 38 percent of the ERDF's contributions to projects in the EEC (ECU 9,175.97 million).⁵⁹

The EEC's programs which coordinate the intervention of two or more EEC agencies in a given area (and when necessary with the interventions of the appropriate agencies of the EEC States concerned), the so-called "integrated operations" or "integrated programs" currently

under elaboration, represent other potential sources of foreign capital to be invested in the Mezzogiorno. These programs concern the EEC's peripheral economic systems, i.e., those located principally in Mediterranean and far northwestern Europe. They are designed to insure the survival of inland farming, to create jobs outside the agricultural sector, and to guarantee incomes which may maintain or improve the standard of living. These programs aim to achieve their objectives by improving the infrastructure; by rationalizing coastal farming, principally through specialization; and by modernizing fisheries. The EEC is currently implementing two experimental "integrated programs," one in Naples, the other in Belfast.⁶⁰

The ERDF's new regulations, which entered into effect on 1 January 1985, modify the system which governs the distribution of the ERDF's capital to the EEC States. The quotas, once fixed, are now variable and governed by margins of fluctuation. Under the new regulations, Italy receives a minimum of 31.94 percent and a maximum of 42.59 percent of the ERDF's capital.⁶¹ As before, the EEC's Regional Policy subsidizes the regional policies of the EEC States by means of the ERDF's contributions to the financing of the projects elaborated by the EEC's various regions. However, it does nothing to foster the accumulation and the investment, according to internal exigencies, of the real income produced by the EEC's underdeveloped economic systems. For this reason, the Regional Policy remains incapable of promoting the EEC's positive, balanced development.

The Common Agricultural Policy, Italy and the Mezzogiorno

The Common Agricultural Policy (CAP) reflects the political predominance of West Germany and France over the other EEC States. It offers greater price support and protection to their (continental) agricultural products than to Mediterranean agricultural products. It also expends more capital to sustain agricultural prices, based on the production costs of the least efficient producers, than to modernize or to rationalize inefficient producers. In this way, the most efficient producers, especially those of the more dominant economic systems, receive the greatest return on their investments, retain their advantage, in terms of productivity, over less efficient ones, and produce more surplus capital to be transferred to the other sectors of the economy. For example, between 1962 and 1968, FEOGA's Guidance Section, in order to modernize and to rationalize inefficient agricultural producers, expended the equivalent of LIT 230 billion. This represented only 3.5 percent of the LIT 6,500 billion expended by FEOGA's Guarantee Section to sustain agricultural prices between 1968 and 1972.⁶² Between 1965 and 1974, the expenditures of FEOGA's Guidance Section equalled only 10.4 percent of FEOGA's total expenditure.⁶³

Such a policy disadvantages Italy's agricultural system within the EEC because, in comparison with the agricultural systems of the politically dominant EEC States, Italy produces, for reasons of topography and climate, a proportionately greater quantity of Mediterranean

agricultural products and a proportionately lesser quantity of continental agricultural products. Therefore, under the CAP's price regime which favors continental agricultural products, it receives a smaller share of the FEOGA's monies and a smaller stimulus to produce surplus capital to be transferred to its other economic sectors. Three examples are indicative of some of the detrimental consequences of Italy's participation in the CAP for its agricultural system. First, with respect to capital contributed and received, the CAP cost Italy LIT 175,209 million between 1962 and 1970: Italy lost LIT 224,977 million to FEOGA's Guarantee Section and gained LIT 49,768 million from FEOGA's Guidance Section.⁶⁴ Second, Italy's agricultural producers, in comparison with the producers of the other EEC States, benefit least from the CAP, as Table 32 shows. Last, the CAP has aggravated Italy's deficit relative to the commercial exchange of agricultural products: currently, Italy's agricultural exports are less than LIT 7,000 billion, while its agricultural imports are more than LIT 16,000 billion, with a resultant deficit of more than LIT 9,000 billion⁶⁵ (LIT 10,126 billion in 1984⁶⁶). Moreover, the CAP disadvantages most the Mezzogiorno's agricultural system within Italy and within the EEC because Mediterranean products, disadvantaged under the CAP, form 56 percent of the Mezzogiorno's agricultural production, as Table 34 shows.

TABLE 32.--The consumer and taxpayer loss/the producer gain caused by the CAP in 1978

Country	Consumer and taxpayer loss <u>Pro capite</u>	Producer gain per person employed in agriculture	<u>Pro capite</u> change in resources	Change in resources as % of GDP
Belgium	93.2	5,100	-25.4	-0.50
Denmark	81.6	3,200	+64.8	+1.15
United Kingdom	45.0	1,700	-24.5	-0.86
France	74.5	1,800	- 5.4	-0.12
Ireland	66.8	1,700	+64.8	+3.24
Italy	68.1	700	-27.6	-1.26
Netherlands	87.4	4,900	+15.0	+0.31
West Germany	93.4	2,400	-28.2	-0.53
(EEC	71.2	1,700	-15.9	-0.41

SOURCE: Gisele Podbielski, "The Common Agricultural Policy and the Mezzogiorno" in Journal of Common Market Studies, June 1981, Volume 19, N. 4, p. 337.

TABLE 33.--The self-sufficiency rate per cent of Italy's agricultural system

	Wine	Cereals	Bovine Meat	Milk	Cheese	Butter	Sugar	Oils and fats
1956- 1960	105	87	75	100	98	81	103	54
1973- 1974	137	63	61	96	88	61	57	57

SOURCE: My elaboration of data extracted from Rosemary Galli and Saverio Torcasio, La partecipazione italiana alla politica agricola comunitaria [Italy's Participation in the Common Agricultural Policy], Bologna: Il Mulino, 1976, p. 48.

TABLE 34.--The composition per cent of agricultural production 1973-1977

	The EEC less Italy	Italy	Mezzogiorno
Continental Agricultural Products			
Cereals	11.2	12.1	10.7
Milk	20.3	10.3	5.3
Meat	39.1	25.0	13.3
Other live-stock products	4.5	3.9	2.7
Other crops	11.9	9.8	11.8
Total	87.0	61.1	43.8
Mediterranean Agricultural Products			
Citrus and non-citrus fruits	3.2	10.9	16.9
Olive oil	--	5.3	12.1
Vegetables	5.4	13.0	16.2
Wine	4.4	9.7	11.0
Total	13.0	38.9	56.2

SOURCE: Gisele Podbielski, "The Common Agricultural Policy and the Mezzogiorno" in Journal of Common Market Studies, June 1981, Volume 19, N. 4, p. 333.

The European Investment Bank, Italy and the Mezzogiorno

Between 1958 and 1982, the EIB invested in the EEC ECU 22,487.9 million, of which ECU 15,974.4 million (62 percent) to finance regional development projects and ECU 9,634.3 million (38 percent) to finance projects of interest to the EEC (i.e., the modernization and the reconversion of businesses, the development of energy resources and infrastructures).⁶⁷ In this period, the EIB invested in Italy ECU 9,902.8 million (see Table 35), equal to 44 percent of the ECU 22,487.9 million invested in the EEC. Of the sum invested in Italy, the EIB invested ECU 7,710.4 million (78 percent) to finance regional development projects and ECU 2,194.2 million (22 percent) to finance projects of interest to the EEC. The EIB's investments to finance regional development projects in Italy averaged ECU 40 million per year between 1958 and 1967, ECU 165 million per year between 1968 and 1972, ECU 270 million per year between 1973 and 1977, more than ECU 1,000 million per year between 1978 and 1982, and ECU 1,450 million in 1982 alone.⁶⁸

Between 1958 and 1982, the EIB invested in the Mezzogiorno ECU 7,293 million, equal to 74 percent of the ECU 9,902.8 million invested in Italy, and 95 percent of the ECU 7,710.4 million invested to finance regional development projects in Italy. The geographic distribution of the EIB's investments in the Mezzogiorno has both positive and negative aspects with regard to the area's disequilibria. On the positive side, the EIB invested ECU 1,860.1 million (25.5 percent) of the ECU 7,293 million to finance multiregional projects. This sum clearly exceeds

TABLE 35.--The structure of the EIB's investments in Italy 1958-1982

Sector	Investments ECU (in millions)	Percent of total
Industry, Agriculture and Services	3,048.0	30.78
Energy	2,365.1	23.88
Aqueducts	1,466.5	14.81
Telecommunications	1,388.1	14.02
Transportation	1,243.5	12.56
Other Infrastructures	391.6	3.95
Total	9,902.8	100.00

SOURCE: Banca Europea per gli Investimenti, Venticinque anni 1958-1983 [Twenty-five Years 1958-1983], Luxembourg: Banca Europea per gli Investimenti, Information Division, Public Relations Office, 1983, p. 28.

the sum invested in any single region of the Mezzogiorno. On the negative side, the EIB invested ECU 3,235.4 million (62 percent) of the remaining ECU 5,217.3 million not invested or loaned in the multi-regional projects in the area's single regions, in Puglia (19 percent of the EIB's investments), Sicily (13 percent) and Campania (12 percent). Together these three regions received 44 percent of the EIB's investments. Each of the Mezzogiorno's other regions received less than 10 percent (see Table 36).

TABLE 36.--The distribution by region of the EIB's investments in the Mezzogiorno 1958-1982

Region	Investments ECU (in millions)	Percent of total
Abruzzo	425.6	5.84
Basilicata	91.3	1.25
Calabria	361.5	4.96
Campania	908.6	12.46
Southern Lazio	340.7	4.67
Marche(*)	57.9	0.79
Molise	94.8	1.30
Puglia	1,375.5	18.86
Sardegna	608.4	8.34
Sicilia	951.3	13.04
Toscana(**)	1.7	0.02
Multiregional Projects	1,860.1	25.51
Loans	215.6	2.96
Total	7,293.0	100.00

SOURCE: Banca Europea per gli Investimenti, Venticinque anni 1958-1983 [Twenty-five Years 1958-1983], Luxembourg: Banca Europea per gli Investimenti, Information Division, Public Relations Office, 1983, p. 28.

(*) The province of Ascoli-Piceno and (**) the Island of Elba are areas of competence of the CASMEZ.

The EEC's Unbalanced Integration And the Northwestern
Elite's Investment In the Mezzogiorno's Underdevelopment

The policies of incentives and dependent industrialization modified the political and economic relationships between the Mezzogiorno and the Italian State by making the Mezzogiorno the territorial base of the complex of parastate industries and by making the complex of parastate industries the Mezzogiorno's primary accumulator of capital (see Table 37). The economic dominance of the parastate industries in the Mezzogiorno modified the political and economic relationships, mediated by the Italian State, both between the Mezzogiorno and the rest of the Italian economy and between the "State bourgeoisie" and the northwestern elite. It intensified the Mezzogiorno's underdevelopment by increasing the area's capacity to accumulate capital and by exacerbating its disequilibria. It also transformed the "State bourgeoisie" from a heterogeneous group composed of a public managerial class responsible for the functioning of the economically subaltern parastate industries of north-central Italy and a bureaucratic "middle class" in the Mezzogiorno into the Mezzogiorno's dominant class, a public managerial class which identifies its interests territorially with that area. In short, the policies of incentives and dependent industrialization increased the Mezzogiorno's power in the Italian economy, fused the area's economic needs with the "State bourgeoisie"'s political needs, increased the "State bourgeoisie"'s power within the State apparatus and exacerbated the Mezzogiorno's disequilibria.⁶⁹

These consequences offered to the northwestern elite economic security and political uncertainty by creating positive and negative repercussions which strengthened and undermined its privileged political and economic position in Italy. On the one hand, the Mezzogiorno's greater power in the Italian economy strengthened the northwestern elite's position by allowing it to gain greater advantage and benefit from the Mezzogiorno so that the economic system of the northwest might better sustain international economic competition under the adverse conditions created by the EEC's unbalanced integration. On the other hand, the remaining consequences undermined the northwestern elite's position. The fusion of the Mezzogiorno's economic exigencies with the "State bourgeoisie"'s political exigencies, together with the "State bourgeoisie"'s greater power within the State apparatus, undermined the northwestern elite's position by reducing its control over the State apparatus in favor of a group which identifies its interests territorially with the Mezzogiorno. The exacerbation of the Mezzogiorno's disequilibria undermined the northwestern elite's position by creating disaffections which the Left could champion.⁷⁰

These contradictory repercussions obliged the northwestern elite to increase its concern for the domestic exigencies of political legitimation because its ability to legitimize its dominance in Italy rested on its ability to respond to the exigencies of international economic competition by minimizing the costs and by maximizing the benefits created by the consequences of the policies of incentives and dependent industrialization. To this end, the northwestern elite combined the

policies of incentives and dependent industrialization, whose investments expanded the Mezzogiorno's productive base, with a policy of social control. The investments of this policy did not expand the Mezzogiorno's productive base; they expended capital unproductively by subsidizing incomes, by commissioning in the area public works projects not functional to the accumulation of capital in the national economy and by increasing employment in the area's tertiary sector and public administration at a rate disproportionately high relative to the rate of increase of productivity in the area's agricultural and industrial sectors. In short, the northwestern elite responded to the exigencies of international economic competition and to the domestic exigencies of political legitimation by combining astutely the productive and the unproductive expenditure of capital in the Mezzogiorno.⁷¹

The northwestern elite found itself in a delicate situation, in that the mismanagement either of the policies of incentives and dependent industrialization or of the policy of social control could undermine its privileged political and economic position in Italy by hindering the process of capital accumulation in the economy. An excess of productive investments by means of the policies of incentives and dependent industrialization could transform the "State bourgeoisie" into a valid political rival capable of challenging the northwestern elite's control of the State apparatus and, therefore, of investment capital. An insufficiency of productive investments by means of the policies of incentives and dependent industrialization would involve the Mezzogiorno insufficiently in the process of capital accumulation

in the Italian economy. Moreover, an excess of unproductive investments by means of the policy of social control would reduce excessively the quantity of capital available for productive investments in the Italian economy.

The northwestern elite invested in the Mezzogiorno's underdevelopment by implementing the policies of incentives and dependent industrialization. These policies committed the Italian State to the expenditure of huge amounts of capital so that the Mezzogiorno's intensified underdevelopment might allow the economic system of the northwest to sustain international economic competition better under the adverse conditions created by the EEC's unbalanced integration. The northwestern elite receives a good return on its investment only when the "State bourgeoisie" is subaltern and when the political and economic costs of the Mezzogiorno's underdevelopment are low relative to the benefits realized for the economic system of the northwest. The northwestern elite enjoys an inherent advantage in its relationships with the "State bourgeoisie"; the northwestern elite is an organic class firmly established in civil society and capable of organizing mass social consensus; on the other hand, the "State bourgeoisie" is an artificial class superimposed on civil society and incapable of organizing mass social consensus. The northwestern elite enjoys no such advantage in its relationships with the Left representative of the working class and capable of championing effectively (the PCI more than the PSI) the political disaffections created by the Mezzogiorno's exacerbated disequilibria. In a political confrontation, the northwestern elite would find in the "State bourgeoisie" an opponent much less formidable than the Left.

TABLE 37.--The distribution per cent in 1973 of the turnover, real property and employees of Italy's leading businesses grouped according to their financial holding companies

	Turnover	Real Property	Employees
Mezzogiorno			
Parastate Industries	36.67	43.87	32.09
Montedison Group	18.91	16.39	31.33
Fiat Group	9.01	14.18	7.98
Independent Businesses	34.41	25.56	28.60
Total	100.00	100.00	100.00
North-Central Italy			
Parastate Industries	10.22	13.53	13.46
Montedison Group	6.07	7.78	8.64
Fiat Group	2.61	3.52	4.32
Independent Businesses	81.10	75.27	73.58
Total	100.00	100.00	100.00

SOURCE: Alfredo Del Monte and Adriano Giannola, Il Mezzogiorno nell'economia italiana [The Mezzogiorno in the Italian Economy], Bologna: Il Mulino, 1978, p. 235.

The Mezzogiorno in the Italian Economy 1961-1965

In 1961, businesses employed an average 9.1 people in north-central Italy, against 3.4 in the Mezzogiorno.⁷² For every person employed, 1.3 were unemployed in north-central Italy, against 1.9 in the Mezzogiorno.⁷³ Industrial workers in the Mezzogiorno numbered 965,000 against 4.5 million in north-central Italy.⁷⁴

TABLE 38.--Employment distribution per cent according to business size in 1961

	Businesses (number of employees)			
	Small (10-99)	Medium (100-499)	Medium-Large (500-999)	Large (1,000+)
Mezzogiorno	77.44	12.49	4.81	5.26
North-central Italy	55.08	23.65	5.80	15.47

SOURCE: Alfredo Del Monte and Adriano Giannola, Il Mezzogiorno nell'economia italiana [The Mezzogiorno in the Italian Economy], Bologna: Il Mulino, 1978, p. 232.

Between 1960 and 1964, Italy's investments in the Mezzogiorno were 43.1 percent in agriculture, 23.5 percent in industry, 23.7 percent of investments in Italy's tertiary sector, 24.9 percent in housing, 30.0 percent in public administration, and 26.2 percent in net fixed investments. In this period, the sectoral distribution of fixed investments

in the Mezzogiorno was 15.6 percent in agriculture, 28.5 percent in industry, 20.4 percent in the tertiary sector, 26.4 percent in the housing sector, and 9.1 percent in public administration. At the same time, the sectoral distribution of fixed investments in Italy was 9.3 percent in agriculture, 32.7 percent in industry, 22.3 percent in the tertiary sector, 27.9 percent in the housing sector and 7.8 percent in public administration.⁷⁵ Value added in the Mezzogiorno's manufacturing sectors was 11.7 percent of that added in the national manufacturing sectors.⁷⁶ The investments of the parastate industries equalled 29.9 percent of all the industrial investments in the Mezzogiorno in the 1960-1964 period, against 15.8 percent in the 1957-1959 period. They equalled 12.6 percent of all the industrial investments in north-central Italy in the 1960-1964 period, against 10.7 percent in the 1957-1959 period.⁷⁷

The Mezzogiorno registered the following growth rates between 1958 and 1963, in constant 1963 prices: net product, 5.88 percent; agriculture, 3.96 percent; industry, 7.99 percent; the tertiary sector, 6.68 percent; and public administration, 3.61 percent. In the same period, the Italian economy registered the following growth rates, also in constant 1963 prices: Gross National Product (GNP), 6.58 percent; agriculture, 1.57 percent; industry, 9.26 percent; the tertiary sector, 5.26 percent; and public administration, 3.47 percent. Value added in the industrial sector increased by 12.45 percent in Italy, by 11.44 percent in the Mezzogiorno.⁷⁸ Pro capite income in Italy was 60 percent of the EEC average in 1960 and 63 percent in

1963; pro capite income in the Mezzogiorno was 39 percent of the EEC average in 1963.⁷⁹ In 1963, the distribution per cent by sector of employment (1) and Gross Domestic Product (GDP) (2) was:⁸⁰

	Agriculture		Industry		Tertiary		Public Administration	
	(1)	(2)	(1)	(2)	(1)	(2)	(1)	(2)
Mezzogiorno	39.2	23.7	29.9	25.9	30.9	50.4	8.3	15.8
Italy	26.7	13.9	40.1	38.9	33.2	47.3	7.7	11.3

In the 1958-1963 period, in comparison with the 1951-1958 period, the growth rate of Italy's net product outstripped the growth rate of the Mezzogiorno's, but with a margin inferior to the previous one by 0.22 percent. The growth rate of Italy's industrial sector again outstripped the growth rate of the Mezzogiorno's, and with a margin superior to the previous one by 1.16 percent. Similarly, the growth rate of the value added in Italy's industrial sector again outstripped the growth rate of the value added in the Mezzogiorno's, and with a margin superior to the previous one by 0.84 percent. The growth rate of the Mezzogiorno's agricultural sector this time outstripped the growth rate of Italy's by 1.53 percent. The growth rate of the Mezzogiorno's tertiary sector again outstripped the growth rate of Italy's, and with a margin superior to the previous one by 1.30. The growth rate of the public administration in the Mezzogiorno again outstripped the growth rate of the public administration in Italy, and with a margin superior

to the previous one by 0.09 percent. As before, the growth rate of the national economy's least productive sectors, the tertiary sector and the public administration, was greater in the Mezzogiorno than in the rest of Italy. The growth rate of the national economy's single most productive sector, industry, was greater in the rest of Italy than in the Mezzogiorno--but now by wider margins. An inverse tendency manifested itself only in the national economy's second most productive sector, agriculture, whose growth rate was greater in the Mezzogiorno than in the rest of Italy. There the investments effected by the CASMEZ nourished the area's agriculture and partially protected it from the adverse conditions created by the CAP, while north-central Italy's agriculture restructured itself under the CAP.

A Commitment to the Mezzogiorno's
"Programmed Underdevelopment"

During the 1960s, the northwestern elite became increasingly aware that the quality of the productive investments effected by means of the policies of incentives and dependent industrialization would determine the quality of the return obtained from the investment in the Mezzogiorno's underdevelopment. Only those productive investments which might benefit the economic system of the northwest and which might furnish a sufficient quantity of surplus capital to finance an efficacious policy of social control, which might not hinder excessively the accumulation of capital for productive investment in the Italian economy, would allow the northwestern elite to maintain its position

of dominance in Italy. This awareness induced it to intensify the Mezzogiorno's underdevelopment by locating the productive investments of capital in the area's most promising "areas of industrial development," that is, in those areas in which the productive investment of capital promised to satisfy most the exigencies of the economic system of the northwest. To this end, the northwestern elite reorganized the institutional mechanisms which governed the accumulation and the investment of capital in the Mezzogiorno.⁸¹

The northwestern elite, through the DC, legitimized this investment strategy by presenting the resultant reorganization of the State's intervention in the Mezzogiorno as the foundation of a renewed commitment to the "economic programming" concept. In January 1965, the Council of Ministers approved for the 1966-1970 period the so-called First National Economic Program (in reality, the first after the Vanoni Plan of 1954) inspired by the Rider to the Report on the 1962 Budget, known more commonly as the *Nota Aggiuntiva La Malfa*, and by Professor Pasquale Saraceno's report, issued in 1963, on the state of the Italian economy. Like the Vanoni Plan, the First National Economic Program was more symbolic than substantive. The Italian Parliament sanctioned the Program in principle in July 1967, that is, after nearly one-third of the programming period had elapsed. Moreover, the Program's fundamental goal, the coordination of the CASMEZ's activities with those of the ordinary administration, remained an abstract declaration.⁸²

The Italian government reorganized the institutional mechanisms which governed the accumulation and the investment of capital in the

Mezzogiorno by enacting Law n. 717 of 26 June 1965 and Law n. 1523 of 30 June 1965. Law n. 717 increased the State's involvement in the development of the Mezzogiorno's infrastructure by charging the ordinary administration to locate at least 40 percent of its public works projects in the Mezzogiorno. It also increased the State's involvement in the area's industrialization by charging the CASMEZ to concentrate the expenditure of the greatest part of its resources on the most promising "areas of industrial development" and to concentrate on expenditure of its remaining resources on the Mezzogiorno's most promising agricultural areas. Moreover, Law n. 717, aside from extending the CASMEZ's life to 1980, charged it to cover 85 percent of the cost incurred by the consortiums of communes to develop the infrastructure necessary to attract industries and to cover 40 percent of the cost incurred by individual businesses to equip themselves with an infrastructure. It also located the Committee of Ministers for the Mezzogiorno within the National Committee for Economic Programming (CNPE), replaced in 1969 by the Interministerial Committee for Economic Programming (CIPE).⁸³ Law n. 1523 of 30 June 1965, known more commonly as the Single Text (Testo Unico), more symbolic than substantive and, therefore, less important than Law n. 717, gathered under a single heading the legislation which concerned the institutional mechanisms which governed the accumulation and the investment of capital in the Mezzogiorno.⁸⁴

A greater amount of public and private capital invested in the Mezzogiorno, especially in its industrial sector, accompanied the

location of the productive investments of capital in its most promising areas. Between 1965 and 1970, the CASMEZ expended LIT 2,800 billion, 40 percent more than the LIT 2,000 billion expended between 1950 and 1965, as Table 39 shows:

TABLE 39.--The evolution of the capital allocation of the CASMEZ

	1950-1965		1965-1970	
	LIT (billions)	Percent of total	LIT (billions)	Percent of total
Industry	240	12	1,344	48
Infrastructure	660	33	980	35
(Subtotal	900	45	2,324	83)
Agriculture	1,100	55	476	17
Total	2,000	100	2,800	100

SOURCE: My elaboration of data extracted from Gisele Podbielski, Italy: Development and Crisis in the Post-War Economy, Oxford: Clarendon Press, 1974, p. 135.

The parastate industries increased their investments which equalled 33.2 percent of all the industrial investments in the Mezzogiorno in the 1965-1969 period, against 29.9 percent in the 1960-1964 period and 15.8 percent in the 1957-1959 period. They provided 12.4 percent of all the industrial investments in north-central Italy in the 1965-1969 period, against 12.6 percent in the 1960-1964 period and 10.7 percent

in the 1957-1959 period.⁸⁵ Moreover, in order to circumvent the efforts of the trade unions to participate in the formulation of a response to the exigencies of international economic competition, north-central Italy's private oligopolies decentralized their production by dispersing some of their productive facilities in the Mezzogiorno.⁸⁶

The Mezzogiorno registered the following growth rates between 1963 and 1966, in constant 1963 prices: net product, 4.47 percent; agriculture, 0.11 percent; industry, 5.87 percent; the tertiary sector, 5.13 percent; and public administration, 3.65 percent. At the same time, the Italian economy registered the following growth rates, also in constant 1963 prices: Gross National Product (GNP), 4.14 percent; agriculture, 3.43 percent; industry, 4.09 percent; the tertiary sector, 4.42 percent; and public administration, 3.61 percent. Value added in the industrial sector increased by 11.47 percent in the Mezzogiorno, by 7.26 percent in Italy.⁸⁷

In the 1963-1966 period, in comparison with the 1958-1963 period, the growth rate of the Mezzogiorno's net product outstripped the growth rate of Italy's by 0.33 percent. The growth rate of the Mezzogiorno's industrial sector outstripped the national growth rate by 1.78 percent. The growth rate of the value added in the Mezzogiorno's industrial sector outstripped the growth rate of the value added in Italy's by 4.21 percent. The growth rate of the national agricultural sector outstripped the growth rate of the Mezzogiorno's by 3.32 percent. The growth rate of the Mezzogiorno's tertiary and public administration sectors again outstripped the growth rate of Italy's, but this time with a margin inferior to the previous one by 0.71 and 0.10 percent respectively.

Thus, as before, the growth rate of the Italian economy's least productive sectors, the tertiary sector and the public administration, was greater in the Mezzogiorno than in the rest of Italy although by narrower margins. The growth rate of the national economy's most productive sector, industry, was greater in the Mezzogiorno than in the rest of Italy between 1963 and 1966 because the investments effected under the policies of incentives and dependent industrialization nourished the Mezzogiorno's industries while north-central Italy's industries restructured themselves after 12 years of strong, sustained growth (1951-1963, especially 1958-1963). The growth rate of agriculture was greater in the rest of Italy than in the Mezzogiorno between 1963 and 1966 because north-central Italy's agriculture, in comparison with the Mezzogiorno's, was better able to restructure itself under the CAP while the Mezzogiorno's agriculture nearly stagnated after the CASMEZ had completed the investments mandated by Law n. 622 of 24 July 1959.

Between 1965 and 1969, 40.4 percent of Italy's agricultural investments, 25.4 percent of its industrial investments, 25.5 percent of its tertiary sector investments, 26.7 percent of its housing investments, 36.4 percent of its public administration investments, and 28.1 percent of its net fixed investments were located in the Mezzogiorno. In this period, the sectoral distribution of fixed investments in the Mezzogiorno was: 12.0 percent in agriculture, 24.4 percent in industry, 21.1 percent in the tertiary sector, 30.6 percent in the housing sector, and 11.9 percent in public administration.

At the same time the sectoral distribution of fixed investments in Italy was 8.4 percent in agriculture, 27.1 percent in industry, 23.1 percent in the tertiary sector, 32.1 percent in the housing sector, and 9.3 percent in public administration.⁸⁸ Value added in the Mezzogiorno's manufacturing sectors was 13.2 percent of the value added in the national economy's manufacturing sectors.⁸⁹

The Mezzogiorno registered the following growth rates between 1966 and 1970, in constant 1963 prices: net product, 5.36 percent; agriculture, 3.53 percent; industry, 7.47 percent; the tertiary sector, 6.35 percent; and public administration, 2.52 percent. In this period, the Italian economy registered the following growth rates, also in constant 1963 prices: Gross National Product (GNP), 5.95 percent; agriculture, 1.71 percent; industry, 7.82 percent; the tertiary sector, 6.46 percent; and public administration, 2.44 percent. Value added in the industrial sector increased by 12.18 percent in Italy, by 11.88 percent in the Mezzogiorno.⁹⁰ In 1970, the distribution per cent by sector of employment (1) and Gross Domestic Product (GNP) (2) was:⁹¹

	Agriculture		Industry		Tertiary		Public Administration	
	(1)	(2)	(1)	(2)	(1)	(2)	(1)	(2)
Mezzogiorno	30.7	18.0	32.0	29.0	37.2	53.0	10.3	15.6
Italy	18.9	10.2	42.2	40.5	38.9	49.4	9.0	10.8

In the 1966-1970 period, in comparison with the 1963-1966 period, the growth rate of Italy's net product and industrial sector outstripped the growth rate of the Mezzogiorno's by 0.59 percent and 0.35 percent respectively. The growth rate of the value added in Italy's industrial sector outstripped the growth rate of the value added in the Mezzogiorno's by 0.30 percent. The growth rate of the Mezzogiorno's agricultural sector outstripped the growth rate of Italy's by 1.82 percent. The growth rate of Italy's tertiary sector outstripped the growth rate of the Mezzogiorno's by 0.11 percent; and the growth rate of the Mezzogiorno's public administration again outstripped the growth rate of Italy's and with a margin superior to the previous one by 0.04 percent. The growth rate of the industrial sector was greater in the rest of Italy than in the Mezzogiorno following the restructuring of north-central Italy's industries in the 1963-1966 period, while the growth rate of the agricultural sector was greater in the Mezzogiorno following the resumption of the CASMEZ's investments under Law n. 717 of 26 June 1965. For the first time, the growth rate of the tertiary sector was greater in the rest of Italy than in the Mezzogiorno because north-central Italy's tertiary sector began to acquire a greater functional complementarity with that area's industrial sector by providing employment to Italy's (especially the Mezzogiorno's) unemployed and underemployed and by developing increasingly important ancillary marketable services. The growth rate of the public administration remained greater in the Mezzogiorno than in the rest of the country.

In 1971, businesses employed an average of 10 people in north-central Italy, against 4.1 in the Mezzogiorno.⁹² For every person employed, 1.6 were unemployed in north-central Italy, against 2.2 in the Mezzogiorno.⁹³ Industrial workers numbered 1,059,000 in the Mezzogiorno, against 4,952,000 in north-central Italy.⁹⁴

TABLE 40.--Employment distribution per cent according to business size in 1971

	Businesses (number of employees)			
	Small (10-99)	Medium (100-499)	Medium-Large (500-999)	Large (1,000+)
Mezzogiorno	65.13	15.22	6.67	12.98
North-central Italy	52.83	23.34	7.65	16.16

SOURCE: Alfredo Del Monte and Adriano Giannola, Il Mezzogiorno nell'economia italiana [The Mezzogiorno in the Italian Economy], Bologna: Il Mulino, 1979, p. 232.

Between 1961 and 1970, value added in the manufacturing sector increased by an average 7.43 percent per year in Italy but by an average 9.42 percent per year in the Mezzogiorno.⁹⁵ Between 1961 and 1971, agricultural productivity increased by 7.0 percent in the Mezzogiorno but by 8.5 percent in north-central Italy.⁹⁶

The Rationalization of the Mezzogiorno's
"Programmed Underdevelopment"

During the 1970s, the northwestern elite sought to improve the quality of the return on its investment in the Mezzogiorno's underdevelopment by facilitating the location of the productive investments of capital in the Mezzogiorno's most promising areas. To this end, the northwestern elite rationalized the relationships between the institutional mechanisms which governed the accumulation and the investment of capital in the Mezzogiorno. Through the DC, it legitimized this rationalization by presenting the resultant institutional reorganization as another example of its commitment to the "economic programming" concept.⁹⁷

The Italian government rationalized the relationships between the institutional mechanisms which governed the accumulation and the investment of capital in the Mezzogiorno by enacting Law n. 853 of 6 October 1971 and Law n. 183 of 2 May 1976. Law n. 853 provided for the abolition, effected in November 1971, of the Committee of Ministers for the Mezzogiorno, whose duties were assumed by the CIPE, charged to insure that the State's interventions in the Mezzogiorno might be in strict conformity with the objectives of national economic policy (determined preponderantly by the northwestern elite). Law n. 853 also provided for the creation of regional and interregional "special projects," designated the pivots of the State's interventions in the Mezzogiorno. It obliged the parastate industries to locate 60 percent of their total investments and 80 percent of their new investments in

the Mezzogiorno. Moreover, it obliged businesses whose proposed investments might exceed LIT 7 billion, and companies with capital assets greater than LIT 5 billion, to submit their projects intended for the Mezzogiorno to the judgment of the CIPE, which under this law, approves tacitly those projects not explicitly rejected within three months. Law n. 183 reconfirmed the provisions of Law n. 853 and charged the CIPE to formulate the five-year programs which might establish the general and the specific objectives of the State's interventions in the Mezzogiorno within the context of the objectives of national economic policy.⁹⁸

Laws nn. 853 and 183 include the Mezzogiorno's regional institutions of government among the institutional mechanisms which govern the accumulation and the investment of capital in the Mezzogiorno. Under these laws, the Minister for Extraordinary Intervention in the Mezzogiorno must submit to the judgment of the CIPE, assisted in an advisory capacity by a committee of the Mezzogiorno's regional presidents (Law n. 853), together with two representatives elected by each of the Mezzogiorno's Regional Councils (Law n. 183), the "special projects" formulated by the above-mentioned Minister, the Mezzogiorno's regional governments, or the CASMEZ, this last charged to implement the "special projects." In reality, the participation of the Mezzogiorno's regional governments is inconsequential with regard both to the formulation and to the evaluation of the "special projects" because the Mezzogiorno's regional governments lack the authority to determine the fate of the "special projects" and the resources and the technical

expertise to formulate them. The CIPE subordinates the Mezzogiorno's interests to the interests of the economic system of the northwest by directing the State's interventions in the Mezzogiorno according to the dictates of a national economic policy which reflects preponderantly the best interests of the northwestern elite, politically dominant in Italy; the CASMEZ, dominated politically by the northwestern elite through the DC, holds a virtual monopoly of the resources and the technical expertise needed to formulate the "special projects."⁹⁹

Between 1970 and 1973, 45.7 percent of Italy's agricultural investments, 39.4 percent of its industrial investments, 26.9 percent of its tertiary sector investments, 23.6 percent of its housing investments, 40.1 percent of its public administration investments, and 32.4 percent of its net fixed investments were located in the Mezzogiorno. In this period, the sectoral distribution of fixed investments in the Mezzogiorno was 9.6 percent in agriculture, 39.4 percent in industry, 19.5 percent in the tertiary sector, 21.7 percent in the housing sector and 9.8 percent in public administration. At the same time, the sectoral distribution of fixed investments in Italy was 6.8 percent in agriculture, 32.8 percent in industry, 23.2 percent in the tertiary sector, 29.3 percent in the housing sector, and 7.9 percent in public administration.¹⁰⁰ Value added in the Mezzogiorno's manufacturing sectors was 13.2 percent of the value added in the national manufacturing sectors.¹⁰¹ The investments of the parastate industries equalled 39.9 percent of all the industrial investments in the Mezzogiorno in the 1970-1974 period against 33.2 percent in the 1965-1969 period. They equalled 17.2 percent of all the industrial investments

in north-central Italy in the 1970-1974 period against 12.4 percent in the 1965-1969 period.¹⁰²

The Mezzogiorno registered the following growth rates between 1970 and 1973, in constant 1963 prices: net product, 3.83 percent; agriculture, 1.46 percent; industry, 6.10 percent; the tertiary sector, 4.56 percent; and public administration, 2.90 percent. At the same time, the Italian economy registered the following growth rates, also in constant 1963 prices: Gross National Product (GNP), 3.52 percent; agriculture, 0.35 percent; industry, 3.88 percent; the tertiary sector, 4.73 percent; and public administration, 2.85 percent.¹⁰³ In 1973, the distribution per cent by sector of employment (1) and Gross Domestic Product (GNP) (2) was:¹⁰⁴

	Agriculture		Industry		Tertiary		Public Administration	
	(1)	(2)	(1)	(2)	(1)	(2)	(1)	(2)
Mezzogiorno	29.3	18.2	32.1	29.0	38.5	52.8	11.2	16.3
Italy	16.9	10.0	41.8	39.3	41.3	50.8	9.9	12.1

Between 1970 and 1974, value added in the manufacturing sector increased by an average 5.81 percent per year in Italy but by an average 7.08 percent per year in the Mezzogiorno.¹⁰⁵

In the 1970-1973 period, in comparison with the 1966-1970 period, the growth rate of the Mezzogiorno's net product and industrial sector outstripped the national growth rate of Italy's by 0.31 and 2.22 percent

respectively. The growth rate of the Mezzogiorno's agricultural sector again outstripped the growth rate of Italy's but with a margin inferior to the previous one by 0.71 percent. The growth rate of Italy's tertiary sector again outstripped the growth rate of the Mezzogiorno's and with a margin superior to the previous one by 0.05 percent; and the growth rate of the Mezzogiorno's public administration again outstripped the growth rate of Italy's but with a margin inferior to the previous one by 0.03 percent. The growth rate of the industrial sector was greater in the Mezzogiorno than in the rest of Italy between 1970 and 1973 because the investments effected under the policies of incentives and dependent industrialization nourished the Mezzogiorno's industries while north-central Italy's industries restructured themselves after five years of strong, sustained growth (1966-1970). The growth rate of the agricultural sector was greater in the Mezzogiorno than in the rest of Italy between 1970 and 1973 because the CASMEZ's investments provoked a modest growth of the Mezzogiorno's agriculture while that of north-central Italy nearly stagnated under the CAP. The growth rate of the tertiary sector remained greater in the rest of Italy because north-central Italy's tertiary sector continued to acquire a greater functional complementarity with its industrial sector. It provided employment to the country's (especially the Mezzogiorno's) unemployed and underemployed and developed increasingly important ancillary marketable services. The growth rate of the public administration remained greater in the Mezzogiorno than in the rest of Italy.

Between 1974 and 1976, 49.2 percent of Italy's agricultural investments, 31.3 percent of its industrial investments, 28.8 percent of its tertiary sector, housing and public administration investments, and 31.1 percent of its net fixed investments were located in the Mezzogiorno. In this period, the sectoral distribution of fixed investments in the Mezzogiorno was 11.4 percent in agriculture, 32.4 percent in industry, and 56.2 percent in the tertiary sector, housing sector and public administration. At the same time, the sectoral distribution of fixed investments in Italy was 7.2 percent in agriculture, 32.1 percent in industry, and 60.7 percent in the tertiary sector, housing sector and public administration.¹⁰⁶ Value added in the Mezzogiorno's manufacturing sectors was 15.4 percent of the value added in the national economy's manufacturing sectors between 1974 and 1976, 14.1 percent between 1970 and 1976.¹⁰⁷ The investments of the parastate industries equalled 26.5 percent of all the industrial investments in the Mezzogiorno in the 1975-1976 period against 39.9 percent in the 1970-1974 period. They equalled 17.9 percent of all the industrial investments in north-central Italy in the 1975-1976 period against 17.2 percent in the 1970-1974 period.¹⁰⁸ In 1976, the distribution per cent by sector of employment (1) and Gross Domestic Product (GNP) (2) was:¹⁰⁹

	Agriculture		Industry		Tertiary		Public Administration	
	(1)	(2)	(1)	(2)	(1)	(2)	(1)	(2)
Mezzogiorno	26.6	14.4	29.6	29.1	43.9	56.4	15.6	16.7
Italy	14.7	8.5	38.0	39.4	47.3	52.1	14.2	11.3

Between 1974 and 1976, value added in the manufacturing sector increased by an average 0.74 percent per year in Italy but by an average 3.29 percent per year in the Mezzogiorno.¹¹⁰

Since 1976 the northwestern elite implements the policies of incentives and dependent industrialization by organizing the institutional mechanisms which govern the accumulation and the investment of capital in the Mezzogiorno according to Law n. 853 of 6 October 1971 and Law n. 183 of 2 May 1976 so that the economic system of the northwest may derive the greatest possible advantage and benefit from the Mezzogiorno's underdevelopment. The following statistics reflect the Mezzogiorno's subordinate position in the Italian economy in 1979:

TABLE 41.--Some characteristics of the labor force in north-central Italy and in the Mezzogiorno

	North-central Italy	Mezzogiorno	Urban Mezzogiorno	Rural Mezzogiorno
Activity rate of the working-age population	>60	<54	52	55
Percent of the labor force with stable employment	95.5	88.3	86.5	89.3
Percent of the labor force in search of a first job	1	<4	5.5	3

SOURCE: My elaboration of data extracted from Collana Documenti SVIMEZ, Il Mezzogiorno nell' Europa a dodici [The Mezzogiorno in the Europe of Twelve], Roma: SVIMEZ, 1979, p. 245.

industrial employment in the Mezzogiorno equalled 19.7 percent of industrial employment in Italy in 1951, against 17.9 percent in 1979; although the number of industrial workers may have increased in the Mezzogiorno between 1951 and 1979, the rate of increase was lower than in the rest of Italy.¹¹¹

Between 1970 and 1980, the sectoral distribution of fixed investments in the Mezzogiorno was, on average: 11.5 percent in agriculture, 24.5 percent in industry, 52.0 percent in the tertiary sector and 12.0 percent in public administration. At the same time, the sectoral distribution of fixed investments in north-central Italy was, on average: 5.0 percent in agriculture, 30.0 percent in industry, 56.5 percent in the tertiary sector and 8.5 percent in public administration.¹¹² In this period, fixed investments in the Mezzogiorno decreased greatly in industry, increased in agriculture and in the tertiary sector, and remained stable (above the level in north-central Italy) in public administration, as Table 42 shows:

TABLE 42.--The distribution per cent of the fixed investments in the Mezzogiorno by sector in 1970 and in 1980

	Agriculture	Industry	Tertiary	Public Administration
1970	10.0	30.0	48.0	12.0
1980	13.0	19.0	56.0	12.0

SOURCE: My elaboration of data extracted from Claudio Signorile, Il nuovo Mezzogiorno e l' economia nazionale [The New Mezzogiorno and the National Economy], Bari: Laterza, 1982, p. 68.

Public works investments, although greater in the Mezzogiorno than in north-central Italy in relative terms, were lesser in absolute terms, as Table 43 shows:

TABLE 43.--Public works investments (billions of LIT in constant 1970 prices)

	1951-1980	1970-1980
Mezzogiorno	18,000	10,200
North-central Italy	22,000	11,100

SOURCE: My elaboration of data extracted from Claudio Signorile, Il nuovo Mezzogiorno e l' economia nazionale [The New Mezzogiorno and the National Economy], Bari: Laterza, 1982, p. 27.

In 1980, the distribution per cent by sector of employment (1) and Gross Domestic Product (GNP) (2) was:¹¹³

	Agriculture		Industry		Tertiary		Public Administration	
	(1)	(2)	(1)	(2)	(1)	(2)	(1)	(2)
Mezzogiorno	24.1	12.2	28.9	30.6	28.9	39.0	18.1	18.2
North-central Italy	8.8	5.2	40.3	42.6	34.8	40.5	16.1	11.7

In that year, businesses headquartered outside the Mezzogiorno employed 70 percent of the Mezzogiorno's industrial workers.¹¹⁴

TABLE 44.--Employment distribution per cent according to business size in 1981

	Businesses (number of employees)			
	Small (10-99)	Medium (100-499)	Medium-Large (500-999)	Large (1,000+)
Mezzogiorno	58.28	17.01	8.09	16.62
North-central Italy	57.99	22.47	6.74	12.80

SOURCE: My elaboration of data extracted from p. 554 of Salvatore Vinci, "Il quadro macroeconomico per lo sviluppo del Mezzogiorno" ["The Macroeconomic Framework for the Mezzogiorno's Development"] in Rivista Trimestrale Mezzogiorno d'Europa [Mezzogiorno d'Europa Quarterly Review]. Also available in English.] October/December (N. 4) 1984, p. 547, Napoli: ISVEIMER.)

The CASMEZ "Transformed"

In 1984, the CASMEZ underwent a "transformation" potentially significant but, in all probability, more symbolic than substantive. On 2 August 1984, the Italian Parliament put the CASMEZ into liquidation¹¹⁵ but at the same time charged it to honor its commitments assumed to 31 July 1984 and to manage the expenditure of the LIT 15,000 billion appropriated to finance the government's three year program for the Mezzogiorno (Law n. 651 of December 1983).¹¹⁶ The Parliament enabled the CASMEZ to honor its commitments, which extend

to 1995, by transforming the "CASMEZ-in-liquidation" into a "transition CASMEZ" financed with an initial appropriation of LIT 14,000 billion¹¹⁷ increased to LIT 28,000 billion.¹¹⁸

The CASMEZ's "transformation" ostensibly marks the beginning of a period of transformation in which the Italian government will presumably reconsider the ways in which the State intervenes in the Mezzogiorno. Initial indications do not augur well for a transformation which will mark the end of the area's underdevelopment: the government has undertaken to replace the CASMEZ with a National Fund for the Development of the South financed with an appropriation of LIT 120 thousand billion for the period 1985-1994¹¹⁹, and is contemplating the creation of an Agency for Territorial interventions, which would formulate and implement public works and infrastructure projects in the Mezzogiorno, and an Agency for the Development of the Mezzogiorno, which would induce the investment of capital in the area by providing investors with capital grants, financing and incentives.¹²⁰ The National Fund for the Development of the South seems nothing more than the old CASMEZ with the new name, while the two above-mentioned agencies seem nothing more than the old CASMEZ divided in two.

TABLE 45.--The CASMEZ's commitments and expenditures 1950-1983
(valued in constant 1982 lire and expressed in millions of dollars)

	Commitments	Disbursements
Infrastructures		
-Water mains and sewers	10,039.4	6,775.6
-Roadworks	6,775.6	5,074.0
-Railways and ferry routes	1,006.1	912.4
-Harbors and airports	1,099.5	810.4
-Hospitals	1,461.7	800.5
-Agriculture	12,647.7	10,845.1
-Industry	5,582.2	3,358.6
-Workers' housing	267.4	115.0
-Tourism	1,439.9	1,103.6
-Severly depressed areas	3,051.1	1,990.4
-Earthquake-stricken areas in Sicily	98.6	77.5
-Emergency operations in areas affected by the earthquake of 23 November 1980	98.5	62.6
-"Special projects"	18,222.6	6,309.6
-New law on Naples	200.9	127.1
Infrastructures subtotal	61,991.2	38,362.4
Incentives		
Industry:		
-capital grants	8,990.2	6,577.6
-grants for interest payments	14,445.3	5,404.2
Other sectors:		
-agriculture	3,170.0	2,447.7
-tourism	147.7	136.1

TABLE 45--Continued

	Commitments	Disbursements
Incentives (continued)		
-crafts and cottage industries	376.3	338.6
-fisheries	369.0	331.6
-technological advance and civil development	1,559.2	1,264.5
-agricultural credit	1,141.1	929.7
-loans for hotels and tourism	1,565.9	1,292.0
-CASMEZ loans for "special projects"	219.9	107.3
-shareholdings	553.1	527.9
-loans covered by foreign funds	4,724.2	4,510.3
-loans covered by foreign funds for "special projects"	6.8	4.7
Incentives Subtotal	37,268.9	23,852.2
Other Commitments	5,002.5	4,997.8
Total	104,262.6	67,212.4

SOURCE: Table 6 of the Appendix to Cassa per il Mezzogiorno, A Thirty-Year Review of the Cassa per il Mezzogiorno, Roma: CASMEZ General Paper, May 1983.

Summary

Italy's participation in an EEC dominated politically by West Germany and France under a tempered American hegemony increased the Italian economy's involvement in the process of capital accumulation among the EEC States principally to the advantage and benefit of the West German and French economies. In order to legitimize its political

and economic dominance in Italy, the northwestern elite legitimized a progressive intensification of the Mezzogiorno's underdevelopment to the advantage and benefit of the economic system of the northwest. It used the "economic programming" concept to legitimize an ever more rationalized implementation of the policies of incentives and dependent industrialization so that the economic system of the northwest might better sustain international economic competition under the adverse conditions created by the EEC's unbalanced integration.

Beginning in 1965, the northwestern elite, through the DC, progressively rationalized the State's intervention in the Mezzogiorno. It located the productive investments of capital in the most promising areas and it reorganized the institutional mechanisms which governed the accumulation and the investment of capital in the Mezzogiorno so that the economic system of the northwest might gain the greatest possible benefit from the Mezzogiorno's underdevelopment. Moreover, the northwestern elite seeks to minimize the political and economic costs of the negative repercussions created by the Mezzogiorno's intensified underdevelopment by combining the productive expenditure of capital under the policies of incentives and dependent industrialization with the unproductive expenditure of capital under a policy of social control.

NOTES TO CHAPTER FIVE

¹ See Vera Cao-Pinna, editor, Le esportazioni italiane: prospettive al 1970 [Italian Exports: Prospects to 1970], Torino: Boringhieri, 1965, p. 17; and Lucio Libertini, Integrazione capitalistica e sottosviluppo: i nuovi termini della questione meridionale [Capitalist Integration and Underdevelopment: The New Terms of the Southern Question], Bari: Laterza, 1968, p. 19 and p. 217.

² See Vera Cao-Pinna, editor, Le esportazioni italiane: prospettive al 1970, cit.

³ See Robert M. Stern, Il commercio estero italiano e la sua influenza sullo sviluppo economico nazionale [Italian Foreign Trade and Its Influence on National Economic Development. Published originally in English.], Milano: Etas Kompass, 1968, p. 32.

⁴ Ibidem.

⁵ See Lucio Libertini, Integrazione capitalistica e sottosviluppo: i nuovi termini della questione meridionale, cit., p. 217.

⁶ See Vera Cao-Pinna, editor, Le esportazioni italiane: prospettive al 1970, cit., p. 17.

⁷ Ibidem., p. 68.

⁸ Ibidem., p. 28.

⁹ Ibidem., p. 17.

¹⁰ See Donald C. Templeman, The Italian Economy, cit., Chapter 7.

¹¹ Ibidem.

¹² See La Repubblica (Roma) 2 July 1985, p. 34.

¹³ Excellent studies of currencies are provided by Giancarlo Martinengo and Piercarlo Padoan, Lo SME e il dollaro: interdipendenza

e gerarchia nei rapporti tra aree valutarie [The European Monetary System and the Dollar: Interdependence and Hierarchy in the Relationships Between Currency Areas], Roma: Edizioni Scientifiche Italiane, 1983; Riccardo Parboni, The Dollar and Its Rivals [Published originally in Italian as Finanza e crisi internazionale, Milano: Etas Libri, 1980], London: Verso, 1981; and John Kenneth Galbraith, Money: Whence It Came, Where It Went, Boston: Houghton Mifflin Company, 1975.

¹⁴ See Riccardo Parboni, The Dollar and Its Rivals, cit., especially Chapter 1.

¹⁵ Ibidem., especially Chapter 4.

The Japanese Yen is the other de facto reserve currency in the international economy because the Japanese economy's place and function in the international economy are similar to West Germany's. See p. 1 of "Affari e Finanza" [Business and Finance weekly insert], n. 4, in La Repubblica (Roma) 27/28 January 1985.

¹⁶ An excellent discussion of seigniorage is provided by Riccardo Parboni, The Dollar and Its Rivals, cit., Chapter 1.

¹⁷ Ibidem., Chapter 1-3; see also Robert O. Keohane and Joseph S. Nye, Power and Interdependence: World Politics in Transition, Boston: Little, Brown and Company, 1977, Chapters 4-6.

¹⁸ See Riccardo Parboni, The Dollar and Its Rivals, cit., Chapter 5.

¹⁹ Ibidem., France renounced the Basle Accord in January 1974 (and definitively in March 1976 after having recommitted itself in July 1975); Sweden renounced it in August 1977. After August 1977, Norway, West Germany and the minor EEC States alone honored the Basle Accord.

²⁰ Ibidem.

²¹ See Robert O. Keohane and Joseph S. Nye, Power and Interdependence: World Politics in Transition, cit., Chapters 4-6.

²² Discussions of the European Monetary System are provided, for example, by Riccardo Parboni, The Dollar and Its Rivals, cit., Chapter 5; Robert Triffin, "The European Monetary System" (Chapter 12) in Dudley Seers and Constantine Vaitsos, editors, Integration and Unequal Development: The Experience of the EEC, New York: St. Martin's Press, 1980; Ugo Borsari, "Da L'Aja a Brema: per una storia del sistema monetario europeo" ["From the Hague to Bremen: For a History of the European Monetary System"] in Civitas, n. 1, 1979; Gavyn Davies, "The EMS Wiggles Less Than The Snake But It May Be No Healthier" in Euromoney, July 1982, p. 170; Claudio Signorile, Il nuovo Mezzogiorno e l' economia

nazionale [The New Mezzogiorno and the National Economy], Bari: Laterza, 1982, Chapter 3; Cosmo Giacomo Sallustio Salvemini, Gli squilibri regionali nella Comunita' Economica Europea e insufficienza dello SME [Regional Inequalities in the European Economic Community and the Insufficiency of the European Monetary System], Milano: Giuffre', 1979; and Horst Ungerer, Owen Evans and Peter Nyberg, The European Monetary System: The Experience, 1979-1982 (Occasional Paper N. 19), Washington, DC: The International Monetary Fund, May 1983.

For discussions of European monetary integration, see, for example, Documentazione Europea, Unione economica e monetaria europea [European Economic and Monetary Union], Luxembourg: Office of Official Publications of the European Communities, 1981; and Ali Mohammed El-Agraa, editor, The Economics of the European Community, New York: St. Martin's Press, 1980, Chapters 9 and 10.

²³ See p. 1 of "Affari e Finanza" [Business and Finance weekly insert] n. 5 in La Repubblica (Roma) 9/10 December 1984.

²⁴ See La Repubblica (Roma) 17 May 1984, p. 31; and 26 July 1984, p. 27.

²⁵ See La Repubblica (Roma) 8 March 1984, p. 27.

²⁶ See La Repubblica (Roma) 13 December 1983, p. 33.

²⁷ See Riccardo Parboni, The Dollar and Its Rival, cit., Chapter 5.

²⁸ See La Repubblica (Roma) 6 March 1984, p. 35; 10 November 1984, p. 30; 11 December 1984, p. 31; 14 February 1985, p. 2; 26 March 1985, p. 33; 27 March 1985, p. 33.

On 13 April 1985, in Palermo, the Finance Ministers of the EEC States, save Italy represented by its Treasury Minister, strengthened the EMS and the ECU by reaching a limited agreement based on the three following points. First, the Central Banks of the EEC States are now authorized to utilize part of their ECUs (held as reserves) to maintain the parity within the EMS of their respective national currencies relative to the other EEC currencies. Second, official ECUs will now earn interest based on market rates, not on an adjusted average of the official rediscount rates of the Central Banks of the EEC States. Third, the Central Banks of non-EEC States are now authorized to hold official ECUs as reserves. See La Repubblica (Roma) 14/15 April 1985, p. 29.

²⁹ See La Repubblica (Roma) 9 February 1985, p. 31; and 10/11 February 1985, p. 29.

³⁰ See La Repubblica (Roma) 9 February 1985, p. 31.

³¹ See Gianni Bonvicini and Joseph Sassoon, editors, Governare l' economia europea: divergenze e processi integrativi [Governing the European Economy: Divergences and Integrative Processes], Torino: Fondazione Giovanni Agnelli, 1978, pp. 53-54.

³² See IASM, Iniziative industriali a partecipazione estera nel Mezzogiorno [Industrial Initiatives With The Participation of Foreign Capital In The Mezzogiorno], Roma: IASM, December 1981.

³³ See Maurizio Benetti, Mauro Ferrara and Corrado Medori, Il capitale straniero nel Mezzogiorno [Foreign Capital In The Mezzogiorno], Roma: Coines, 1975, p. 104; and Sergio Gemma, La normativa per gli investimenti esteri e le agevolazioni nel Mezzogiorno [The Legislation for Foreign Investments and for Facilitations in the Mezzogiorno], Roma: IASM (No date).

³⁴ See Alfredo Del Monte and Adriano Giannola, Il Mezzogiorno nell' economia italiana [The Mezzogiorno in the Italian Economy], Bologna: Il Mulino, 1978, Chapter 9.

³⁵ See Maurizio Benetti et al., Il capitale straniero nel Mezzogiorno, cit.; and Douglas F. Lamont and Robert Purtshert, Managing Foreign Investment in Southern Italy: U.S. Businesses in Developing Areas of the EEC, New York: Praeger Publishers, 1973, p. 94.

³⁶ See Maurizio Benetti et al., Il capitale straniero nel Mezzogiorno, cit.

³⁷ See La Repubblica (Roma) 28 March 1985, p. 30.

³⁸ See La Repubblica (Roma) 4/5 March 1984, p. 30.

³⁹ See La Repubblica (Roma) 5 June 1984, p. 34; 8 August 1984, p. 30; and 30 January 1985, p. 28.

⁴⁰ See La Repubblica (Roma) 25 July 1984, p. 32.

⁴¹ See La Repubblica (Roma) 7 August 1984, p. 34.

⁴² See La Repubblica (Roma) 5 September 1984, p. 35.

⁴³See La Repubblica (Roma) 29 March 1985, p. 32; 30 March 1985, p. 34.

⁴⁴See La Repubblica (Roma) 2 April 1985, p. 34.

⁴⁵See p. 1 of "Affari e Finanza" [Business and Finance weekly insert] n. 14 in La Repubblica (Roma) 14/15 April 1985.

⁴⁶See La Repubblica (Roma) 26 April 1984, p. 29.

⁴⁷Ibidem.

⁴⁸See La Repubblica (Roma) 22 December 1983, pp. 27-28.

⁴⁹See La Repubblica (Roma) 24 October 1984, p. 36.

⁵⁰See p. 2 of "Affari e Finanza" [Business and Finance weekly insert] n. 9 in La Repubblica (Roma) 3/4 March 1985.

⁵¹See La Repubblica (Roma) 8 January 1985, p. 33.

⁵²See IASM, Iniziative industriali a partecipazione estera nel Mezzogiorno, cit., p. 11.

⁵³Ibidem., p. 13.

⁵⁴See Maurizio Benetti et al., Il capitale straniero nel Mezzogiorno, cit.

⁵⁵See Vincenzo Guizzi, Comunita' europea e sviluppo del Mezzogiorno, cit., Chapter 3; and Ali Mohammed El-Agraa, editor, The Economics of the European Community, cit., Chapter 13.

⁵⁶See Vincenzo Guizzi, Comunita' Europea e sviluppo del Mezzogiorno, cit., Chapter 3.

⁵⁷Ibidem.

⁵⁸See Salverino De Vito, "Il Mezzogiorno e la Comunita' Europea" ["The Mezzogiorno And The European Community"] in Rivista Trimestrale Mezzogiorno d'Europa [Mezzogiorno d'Europa Quarterly Review. Also available in English.] October/December (N. 4) 1984, p. 481, Napoli: ISVEIMER.

⁵⁹ See European Commission, The Seventeenth General Report of the European Communities, Section 7.

⁶⁰ Ibidem.

⁶¹ See Salverino De Vito "Il Mezzogiorno e la Comunita' Europea" in Rivista Trimestrale Mezzogiorno d'Europa, cit.

⁶² See CGIL-CISL-UIL, CGIL-CISL-UIL sulla politica agricola comunitaria [CGIL-CISL-UIL on the Common Agricultural Policy], Roma: Edizioni SEUSI, 1972, p. 46.

For additional information relative to the Common Agricultural Policy see, for example, Michele De Benedictis, "Contraddizioni e conflitti di interesse nella politica agricola comune" ["Contradictions and Conflicts of Interest in the Common Agricultural Policy"] in La questione agraria, N. 1, 1981; and Michele De Benedictis and F. De Filippis, "La revisione della PAC: illusioni e realta'" ["The Revision of the CAP: Illusions and Realities"] in Cooperazione in agricoltura, N. 1, 1982.

⁶³ See Vincenzo Giuzzi, Comunita' europee e sviluppo del Mezzogiorno, cit., p. 108.

⁶⁴ See Rosemary Galli and Saverio Torcasio, La partecipazione italiana alla politica agricola comunitaria [Italy's Participation in the Common Agricultural Policy], Bologna: Il Mulino, 1976, p. 247.

⁶⁵ See La Repubblica (Roma) 3 April 1984, p. 35.

⁶⁶ See La Repubblica (Roma) 10 May 1985, p. 33.

⁶⁷ Data relative to the EIB's operations in Italy and in the Mezzogiorno are from Banca Europea per gli Investimenti, Venticinque anni 1958-1983 [Twenty-five Years 1958-1983], Luxembourg: Banca Europea per gli Investimenti, Information Division, Public Relations Office, 1983, pp. 10-32.

It should be noted that, although ECU 15,974.4 million plus ECU 9,634.3 million may equal ECU 25,608.7 million, the EIB's investments in the EEC total ECU 22,487.9 million because the investments duplicated by more than one project equal ECU 3,120.8 million, to be subtracted from the apparent total.

⁶⁸ Ibidem. The ECU 7,710.4 million invested to finance regional development projects in Italy (see p. 187 supra) equals 48.27 percent of the EIB's total investments to finance regional development projects in the EEC, while the ECU 2,194.2 million equals 22.76 percent of the EIB's total investments to finance projects of interest to the EEC.

⁶⁹ See Alfredo Del Monte and Adriano Giannola, Il Mezzogiorno nell'economia italiana, cit., Chapters 7-10.

⁷⁰ Ibidem.

⁷¹Ibidem., Chapter 11.

⁷²See Maurizio Benetti et al., Il capitale straniero nel Mezzogiorno, cit., p. 62.

⁷³Ibidem., p. 60.

⁷⁴Ibidem., p. 61.

⁷⁵Ibidem., p. 179.

⁷⁶Ibidem., p. 204.

⁷⁷Ibidem., p. 181.

⁷⁸Ibidem., p. 140.

⁷⁹My elaboration of data extracted from Umberto Leanza, Legislazione per il Mezzogiorno e mercato comune europeo [Legislation for the Mezzogiorno and the European Common Market], Roma: Giuffrè, 1963; and Gigi Padovani, L'Europa a due velocità [Europe at Two Speeds], Torino: Stampatori, 1979.

⁸⁰See Alfredo Del Monte and Adriano Giannola, Il Mezzogiorno nell'economia italiana, cit., p. 359.

⁸¹Ibidem., Chapter 9.

⁸²See Gisele Podbielski, Venticinque anni di intervento straordinario nel Mezzogiorno [Twenty-five Years of Extraordinary Intervention in the Mezzogiorno. Also available in English.], Roma: Giuffrè/SVIMEZ, 1978, pp. 52-53.

⁸³See Alfredo Del Monte and Adriano Giannola, Il Mezzogiorno nell'economia italiana, cit., Chapter 9.

⁸⁴See Arnaldo Bagnasco, Tre Italie: la problematica territoriale dello sviluppo italiano, cit., p. 59.

⁸⁵See Alfredo Del Monte and Adriano Giannola, Il Mezzogiorno nell'economia italiana, cit., p. 181.

⁸⁶Ibidem., Chapter 7.

⁸⁷Ibidem., p. 140.

⁸⁸Ibidem., p. 179.

⁸⁹Ibidem., p. 204.

⁹⁰Ibidem., p. 140.

⁹¹Ibidem., p. 359.

⁹²See Maurizio Benetti et al., Il capitale straniero nel Mezzogiorno, cit., p. 62.

⁹³Ibidem.

⁹⁴Ibidem.

⁹⁵Ibidem., p. 207.

⁹⁶See Maurizio Benetti et al., Il capitale straniero nel Mezzogiorno, cit., p. 62.

⁹⁷See Alfredo Del Monte and Adriano Giannola, Il Mezzogiorno nell'economia italiana, cit., Chapter 9.

⁹⁸Ibidem.

⁹⁹Ibidem.

¹⁰⁰Ibidem., p. 179.

¹⁰¹Ibidem., p. 204.

¹⁰²Ibidem., p. 181.

¹⁰³Ibidem., p. 140.

¹⁰⁴Ibidem., p. 359.

¹⁰⁵Ibidem., p. 207.

¹⁰⁶Ibidem., p. 179.

¹⁰⁷Ibidem., p. 204.

¹⁰⁸Ibidem., p. 181.

¹⁰⁹Ibidem., p. 359.

¹¹⁰Ibidem., p. 207.

¹¹¹See Augusto Graziani and Enrico Pugliese, editors, Investimenti e disoccupazione nel Mezzogiorno [Investments and Unemployment in the Mezzogiorno], Bologna: Il Mulino, 1979, p. 17.

¹¹²See Claudio Signorile, Il nuovo Mezzogiorno e l'economia nazionale, cit., p. 68.

¹¹³My elaboration of data extracted from Tables 4 and 5 of the Appendix to Cassa per il Mezzogiorno, A Thirty-Year Review of the Cassa per il Mezzogiorno, Roma: CASMEZ General Paper, May 1983.

¹¹⁴See Claudio Signorile, Il nuovo Mezzogiorno e l' economia nazionale, cit., p. 83.

¹¹⁵See La Repubblica (Roma) 4 August 1984, p. 3.

¹¹⁶See La Repubblica (Roma) 5/6 August 1984, p. 3.

¹¹⁷See La Repubblica (Roma) 11 September 1984, p. 35.

¹¹⁸See La Repubblica (Roma) 18 October 1984, p. 28.

¹¹⁹See La Repubblica (Roma) 4/5 November 1984, p. 33; 18/19 November 1984, p. 2; 13 April 1985, p. 8; and 17 April 1985, p. 2.

¹²⁰See La Repubblica (Roma) 5 July 1984, p. 30.

CHAPTER VI

THE EUROPEAN ECONOMIC COMMUNITY'S UNBALANCED INTEGRATION AND THE MEZZOGIORNO'S UNDERDEVELOPMENT

Capital Intensive Industries, Agricultural and Rural Exodus and the Creation of Economic Deserts

Italy's participation in an EEC dominated politically by West Germany and France under a tempered American hegemony stimulated the Italian economy's development by increasing the mobility of capital, labor and commerce between Italy and the other EEC States, and by inducing the northwestern elite to intensify the Mezzogiorno's underdevelopment to the advantage and benefit of the economic system of the northwest. The northwestern elite accomplished this by means of the policies of incentives and dependent industrialization so that it might retain its position of dominance in Italy under the adverse conditions created by the EEC's unbalanced integration. Although the country's participation in the EEC may have stimulated the development of all three of its economic systems, the development of the economic systems of the northwest and the center/northeast, on the one hand, and that of the Mezzogiorno, on the other, differ significantly. The economic systems of the northwest and the center/northeast occupy a dominant position in the national economy and, therefore, experience positive, balanced development while the Mezzogiorno occupies a subaltern position and, therefore, experiences negative, unbalanced development

in dependence of external exigencies, that is, underdevelopment. This major difference results from and reflects the different consequences of Italy's participation in the EEC for the development of the economic systems of the northwest and the center/northeast, on the one hand, and for the Mezzogiorno's development, on the other.

Italy's participation in the EEC stimulated especially the development of Italian industry because this sector was (and is) Italy's most productive and, therefore, most remunerative and most attractive to investors. Italy's industrial development reduced greatly the employment in the agricultural sector. This, in turn, reduced the population of Italy's rural areas by increasing the superiority of the incomes in the industrial sector over those in the agricultural sector.¹ Agricultural development was hindered by a land reform (Law n. 230 of 12 May 1950, Law n. 841 of 21 October 1950 and the Sicilian Regional Government's Law n. 104 of 27 December 1950) which promoted the mechanization of farms (with equipment manufactured principally in north-central Italy) more than the development of agricultural infrastructures (for example, irrigation systems).² The reduction of the population of the Mezzogiorno's rural areas, in comparison with the rural areas of the economic systems of the northwest and the center/northeast, was severe and disorderly because the Mezzogiorno's agriculture, in comparison with north-central Italy's, was already less productive and was responsible for the employment and for the underemployment of a relatively greater share of the population (consequences of the Mezzogiorno's subaltern position in the Italian economy). Moreover, the Mezzogiorno's agriculture was further disadvantaged by the

CAP's discrimination against Mediterranean agricultural products. Indeed, Italy has acquiesced in this discrimination because, under the adverse conditions created by the EEC's unbalanced integration, the exigencies of international economic competition have induced the northwestern elite to expand its international markets as much as possible at the Mezzogiorno's expense. In this case, the northwestern elite realizes its goal by exchanging Italy's industrial products, manufactured principally in north-central Italy, for Mediterranean agricultural products cultivated outside the Mezzogiorno. The northwestern elite can only hope that the revenue gained from the exports of Italian industrial products may compensate adequately Italy's agricultural deficits.

The population decline of the Mezzogiorno's rural areas hindered the redistribution of land according to the dictates of the land reform.³ It also created disequilibria both in the geographic distribution of the labor force in the Mezzogiorno, in that some of its areas disposed of an excess of manpower while other areas had an insufficiency⁴, and in the spatial development of the Mezzogiorno's agriculture. The latter suffered in the severely depopulated internal mountainous areas, now known as the Mezzogiorno's "osso" ("bone" areas), but flourished with capital intensive plantations located in the geographically suited coastal areas, now known as the Mezzogiorno's "polpa" ("lean meat" areas).⁵ The reduced employment in the nation's agricultural sector and the consequent reduction of the rural population resulted in greater pro capite incomes for those persons

who retained employment in the agricultural sector, rapid agricultural development (in comparison with earlier periods), and the urbanization of the population.⁶

The policies of incentives and dependent industrialization created inadequate employment opportunities in the Mezzogiorno for the people who left agriculture by locating large, capital intensive industries in the Mezzogiorno⁷ and by intensifying the competition for the control of the Mezzogiorno's internal market between the Mezzogiorno's and north-central Italy's small and medium businesses. The location of large, capital intensive industries in the Mezzogiorno increased pro capite incomes by absorbing some unemployment and underemployment and by increasing the cost of labor. The greater pro capite incomes in industry and in agriculture made the Mezzogiorno a market more attractive than ever to north-central Italy's businesses, located in more dominant economic systems and, therefore, already more efficient and productive than the Mezzogiorno's businesses, unable to sustain the competition. In effect, the policies of incentives and dependent industrialization created in the Mezzogiorno "economic deserts," that is, areas without or with few small and medium businesses (especially those which could serve as the external economies of large businesses). This occurred because the large, capital intensive industries located in the Mezzogiorno destroyed many of its small and medium businesses, and prevented the development of others, by increasing incomes in the area and, therefore, by intensifying the competition for the control of its internal market between the area's small and medium businesses and north-central Italy's more efficient and productive ones.⁸

The Threat of Social Disintegration
The Policy of Social Control

The northwestern elite expends capital unproductively in the Mezzogiorno under the policy of social control so that the reduction of the rural population may not result in the social disintegration of the rural areas. An important element of this policy is the transfer of monies to southern Italians by means of employment subsidies, emigrants' remittances, unemployment insurance and social security pensions, substitutive of the wages and the salaries of the productive jobs lacking in the Mezzogiorno, as Table 46 shows:

TABLE 46.--Income formation in the Mezzogiorno (percentage figures)

Incomes	Communes	Area	Population
Autonomous (1)	20.2	28.9	57.6
Dependent on External Production (2)	15.5	12.1	6.7
Subsidized (3)	64.3	59.0	35.7
Total	100.0	100.0	100.0

SOURCE: Nicola Maria Boccella, Il Mezzogiorno sussidiato: reddito prodotto e trasferimenti alle famiglie nei comuni meridionali [The Subsidized Mezzogiorno: Produced Income and Transfers to Families in the Southern Communes], Milano: Franco Angeli, 1982, Chapter 2, especially pp. 52-53 and p. 56.

- (1) Income produced in loco is \geq 90 percent of total income.
- (2) Income produced in loco is $<$ 90 percent of total income; emigrants' remittances are \geq 5.0 percent of total income.
- (3) Income produced in loco is $<$ 90 percent of total income; emigrants' remittances are $<$ 5.0 percent of total income.

Between 1951 and 1973, the transfer of monies to the agricultural sector from the other sectors equalled \$27 billion. More than half of this total was transferred between 1970 and 1973; in 1974 alone the transfers equalled \$3 billion. The pro capite transfers to those employed in the agricultural sector increased from \$27 in 1951, when the total of these transfers equalled the value of one percent of Italy's agricultural product, to \$1,612 in 1974. These transfers in 1972 equalled the value of 38 percent of Italy's agricultural product and the value of 2.5 percent of its GNP, and represented twice the value of the investments in its agricultural system. In 1973, they provided two-thirds of the incomes of those employed in agriculture. Of the \$27 billion transferred to the agricultural sector between 1951 and 1973, 80 percent, that is, \$21.6 billion, was transferred to the Mezzogiorno's agricultural sector. The EEC Directive n. 268 of 25 May 1975, which, by providing income supplements paid directly to farmers, attempts to impede the mass depopulation and the social disintegration provoked in the EEC's mountainous and disadvantaged agricultural areas by modernization and the rationalization of the agricultural systems of the EEC States under the EEC Directives nn. 159, 160 and 161 of 7 April 1972, complements perfectly the transfer of monies to southern Italians under the policy of social control.⁹

The Rise and Fall of the "State Bourgeoisie"

In the late 1960s and early 1970s, the "State bourgeoisie," whose power in the State apparatus had increased commensurately with

the steady increase of capital expended for the development of the parastate industries in the Mezzogiorno under the policies of incentives and dependent industrialization beginning in 1957, contested the northwestern elite's political dominance by arrogating to itself the prerogative to manage the Mezzogiorno's development. The "State bourgeoisie" actively promoted the productive diversification of the parastate industries with little apparent regard for the desires or the interests of north-central Italy's private oligopolies.¹⁰ For this reason, the northwestern elite disciplined the "State bourgeoisie" by reducing sharply between 1973 and 1978 the quantity of capital invested in the parastate industries located in the Mezzogiorno, as Table 47 shows.

TABLE 47.--Investments in the Mezzogiorno's industries and parastate industries as a percentage of Italy's Total 1951-1981 (*)

	Industrial investments	Industrial investments in the parastate industries	Value added in manufacturing
1951	15.7	--	12.4
1952	14.6	--	12.6
1953	17.2	--	12.5
1954	14.3	--	12.8
1955	19.0	--	12.5
1956	17.0	--	12.6
1957	14.7	23.2	12.6
1958	15.1	26.0	12.3
1959	15.8	30.3	12.1
1960	17.6	42.7	11.7
1961	18.3	40.0	11.4
1962	22.0	43.1	11.3
1963	26.2	51.7	11.7
1964	30.5	52.5	12.3
1965	28.1	53.3	13.0
1966	23.7	47.3	13.2
1967	24.4	42.1	13.4
1968	24.5	38.0	13.1
1969	27.5	45.6	13.2

TABLE 47.--Continued

	Industrial Investments	Industrial investments in the parastate industries	Value added in manufacturing
1970	26.3	53.6	13.6
1971	33.4	60.8	13.7
1972	36.7	65.0	13.3
1973	32.4	57.7	13.5
1974	31.2	46.4	11.6
1975	31.1	44.5	14.1
1976	29.2	35.8	14.0
1977	25.7	34.7	13.8
1978	22.1	34.2	14.1
1979	21.9	38.7	14.3
1980	20.0	48.3	14.2
1981	19.2	46.8	14.4

SOURCE: Alfredo Del Monte, "Gli effetti della politica regionale sullo sviluppo industriale del Mezzogiorno" ["The Effects of Regional Policy on the Mezzogiorno's Industrial Development"] in Rivista Trimestrale Mezzogiorno d'Europa [Mezzogiorno d'Europa Quarterly Review. Also available in English.] October/December (N. 4) 1984, p. 585, Napoli: ISVEIMER.

(*) Heterogeneous ISTAT and Ministry of State Participations data: old series for the 1951-1969 period; new series for the 1970-1981 period.

The Mezzogiorno's Underdevelopment: Economic
Development Without Employment

The Mezzogiorno's subaltern position in the Italian economy and in the international economy has produced five particular negative consequences: anomalous urbanization, anomalous consumerism, hyper-tertiarization, emigration, and the entrepreneurial mafia and the mafia model of capitalist accumulation. These consequences have a common denominator: the Mezzogiorno's underdevelopment manifests itself as economic development without sufficient employment opportunities for its population.¹¹ Its demographic development has aggravated the problem of its "economic development without employment," in that it has consistently registered a birth rate higher than north-central Italy's. Moreover, the great improvements realized in its standard of living after World War II, with particular regard to health care, hygiene and sanitation, have produced in comparison with north-central Italy, a longer life span, which has more than offset a higher infant mortality rate.¹² The Mezzogiorno counted 17.7 million inhabitants in 1951, 18.6 million in 1961, 18.9 million in 1971 and 19.9 million in 1981.¹³

The Mezzogiorno's Anomalous Urbanization

The Mezzogiorno's urbanization is anomalous, in that the population urbanized not because its urban areas attracted the population by offering a great quantity of remunerative, secure and stable employment

opportunities but rather because its rural areas expelled much of the population by no longer offering traditional (although unproductive) agricultural employment. The population urbanized because the risks of a precarious economic future in the city outweighed the certainties of a more precarious economic future in the countryside (except, of course, for the minority which retained employment in the modernizing agricultural sector). In comparison with the employment opportunities offered to urban dwellers by north-central Italy's urban areas, the Mezzogiorno's urban areas offer to urban dwellers fewer employment opportunities equally or more remunerative, secure and stable.¹⁴

The Mezzogiorno's Anomalous Consumerism

The Mezzogiorno's consumerism is anomalous, in that the value and the volume of the goods and services consumed in the area exceed the value and the volume of the goods and services produced there. This situation exists because the political actors which dominate the Mezzogiorno determine preponderantly the composition of internal demand. They use their political power to ensure the consumption of their products in the area so that the real income produced there may accrue to them as earnings to be used as investment capital. Such consumerism hinders the accumulation and the investment, according to internal exigencies, of the real income produced by the Mezzogiorno by draining its real income to the economic systems of the political actors which

dominate the Mezzogiorno. The Mezzogiorno's underdevelopment is more directly functional, in strictly economic terms, to the positive, balanced development of the economic systems of the northwest and the center/northeast than to the positive, balanced development of dominant foreign economic systems, as Table 48 indicates:

TABLE 48.--The composition of internal demand in 1976 in the Mezzogiorno and in North-central Italy

Origin of the goods and services consumed		Destination of the goods and services produced	
in the Mezzogiorno			
Internal production	77%	Internal Consumption	84%
Imports from North-central Italy	15%	Exports to North-central Italy	11%
Imports from Abroad	8%	Exports Abroad	5%
in North-central Italy			
Internal production	86.7%	Internal consumption	85.4%
Imports from the Mezzogiorno	3.7%	Exports to the Mezzogiorno	5.2%
Imports from Abroad	9.6%	Exports Abroad	9.4%

SOURCE: Bruno Ferrara, Nord-Sud, interdipendenza di due economie [North-South, The Interdependence of Two Economies], Milano: Cassa per il Mezzogiorno/Franco Angeli, 1976, p. 89.

The Mezzogiorno's Hypertertiarization

The Mezzogiorno experiences hypertertiarization, that is, an anomalous growth of the tertiary sector, because this sector, under the policy of social control, absorbs some of the Mezzogiorno's unemployment and underemployment by offering unproductive jobs substitutive of the productive jobs lacking in the area's "economic development without employment." This hypertertiarization, which has its origins in the unification of Italy under the Kingdom of Sardinia and is a historically constant consequence of the Mezzogiorno's underdevelopment, was more intensive prior to the implementation of the policies of incentives and dependent industrialization than after because these policies have reduced the economic importance of the area's tertiary sector relative to the other sectors by increasing the economic importance of the industrial sector. Nonetheless, the area's hypertertiarization remains a noteworthy phenomenon for three reasons. First, in comparison with north-central Italy, employment in the Mezzogiorno's tertiary sector increases at a rate disproportionately high relative to the rate of increase of productivity in its industrial and agricultural sectors. Second, unlike north-central Italy's tertiary sector, the Mezzogiorno's tertiary sector has not developed productive, marketable ancillary services; therefore, it has not acquired a greater functional complementarity with the industrial sector. Third, the unproductiveness of the Mezzogiorno's tertiary sector hinders the accumulation of capital for productive investment not only in the Mezzogiorno but in the national economy.¹⁵

Although the Mezzogiorno's tertiary sector may not have acquired a greater functional complementarity with the industrial sector, two recent initiatives undertaken by the organizations and the investors cited below indicate the development of a functional complementarity between the sectors. First, in September 1984, Tecnopolis, a high technology research city built by the Italian government and the University of Bari, became operative in Valenzano, near Bari (Puglia). Tecnopolis, which links the University of Bari with twenty universities of various Mediterranean basin countries, will carry out research projects financed by businesses and organizations such as FIAT, Olivetti, IBM, Control Data Corporation, the Bank of Italy and the Intergovernmental Bureau of Informatics, and will participate in projects with the research organizations of the Silicon Valley (United States). Tecnopolis exists ostensibly to foster the Mezzogiorno's development but currently can provide only middle-level technological services to the vast majority of the area's businesses because so few of them currently utilize high technology services (a consequence of the Mezzogiorno's underdevelopment).¹⁶ Second, on 6 October 1984, Pitagora (Pythagoras), an economic data bank, became operative in Cosenza (Calabria). Pitagora, linked to the Statistical Office of the European Communities (EUROSTAT), the Organization of Economic Cooperation and Development (OECD) and the International Monetary Fund (IMF), provides information about the Italian economy, other economies and the international economy to banks and businesses.¹⁷ It remains to be seen whether these initiatives will foster the accumulation and the investment, according to internal

exigencies, of the real income produced by the Mezzogiorno or whether these initiatives, undertaken to satisfy external exigencies, will serve the best interests of the economic systems which dominate the Mezzogiorno, as the initiatives to industrialize the area have done.

Emigration From The Mezzogiorno

Emigration is a salient characteristic of the Mezzogiorno's underdevelopment: for example, between 1951 and 1971, 4,148,517 southern Italians emigrated, most temporarily, some permanently, to north-central Italy and to other countries. Of this total, 2,051,872 emigrated between 1951 and 1961 and 2,096,645 between 1961 and 1971.¹⁸ Under the policies of incentives and dependent industrialization, the emigration of southern Italians is more functional than ever both to the best interests of the northwestern elite and to the positive, balanced development of the economic systems of the northwest and the center/northeast for three reasons. First, the Mezzogiorno's "economic development without employment" made the Mezzogiorno's unemployed and underemployed a work force useful primarily to the industrial expansion of the economic systems of the northwest and the center/northeast and secondarily to the industrial expansion of foreign states (mostly those of the EEC).¹⁹ Second, the remittances of the temporary and permanent emigrants (from all of Italy to other countries) are a substantive source of revenue for its balance of payments: for example, between 1970 and 1978, these remittances added \$12.8 billion to the national current

account.²⁰ Third, emigration is the "safety valve" of the policy of social control, unable in and of itself to neutralize the negative repercussions of the policies of incentives and dependent industrialization.²¹

Although emigration may be a "safety valve," the northwestern elite cannot consider emigration a panacea for the negative repercussions of the policies of incentives and dependent industrialization. Willing or not, it must contend politically with the emigrants, not only those from the Mezzogiorno but from all of Italy, and must realize that the prospect of emigration does not always exist. Excessive emigration from the Mezzogiorno to north-central Italy saturates that area's industrial sector with workers. It strengthens the trade unions, allied primarily with the Left. It also obliges the northwestern elite either to create unproductive jobs in the tertiary sector and in the public administration or to send the emigrants back to their regions of residence to accept unproductive jobs or some other form of welfare. Moreover, in order to reduce their labor costs as much as possible, the entrepreneurs of the EEC States which depend to a significant degree on immigrant labor discriminate against intra-EEC immigrant workers in favor of extra-EEC immigrant workers. This happens because the socio-economic obligations toward the latter are minimal in comparison with the socio-economic obligations toward the former, whom the host countries must treat as domestic workers according to the EEC's Social Policy. With the passing of time, this discrimination has increased, as Table 49 shows.

TABLE 49.--Extra-EEC and intra-EEC immigrant workers 1957-1970

	Extra-EEC immigrant workers as % of total immigrant workers in the EEC (1)	Intra-EEC(*) immigrant workers as % of total immigrant workers in the EEC (2)	Total % (3) (1)+(2) =(3)	Immigrant workers(*) from the Mezzogiorno as % of: (a) total im. wrkrs. in the EEC:(b) intra-EEC im. wrkrs.	
				(a)	(b)
1957	47.7	52.3	100		
1962	57.6	42.4	100		
1968	54.0	46.0	100	27	59
1970	74.0	26.0	100	13	50

SOURCE: Maria Valeria Agostini, Regioni europee e scambio ineguale: verso una politica regionale comunitaria? [The European Regions and Unequal Exchange: Toward A Community Regional Policy?], Bologna: Il Mulino, 1976, p. 33.

(*) International migrations only.

Between 1951 and 1971, 1,885,149 Italians emigrated (abroad), most temporarily, some permanently; of this total, 1,319,604 left between 1951 and 1961, while 565,545 left between 1961 and 1971.²² Between 1972 and 1975, 470,340 Italians emigrated, but in each year their number decreased: 141,852 in 1972; 123,802 in 1973; 112,020 in 1974; and 92,666 in 1975.²³

Emigration is a delicate problem because Italians do not like to leave their country in order to work abroad as Tables 50 and 51 show:

TABLE 50.--Views on emigration

Italy's preference to live in Italy	Italians' preference to emigrate
93%	7%

SOURCE: Monitorskoepa Repubblica Poll, La Repubblica (Roma) 7 February 1984, p. 9.

TABLE 51.--Countries preferred by would-be emigrants

Countries preferred	% of Italian population
United Kingdom	1.1
United States	1.1
West Germany	1.1
Scandinavian countries	1.0
France	0.7
Japan	0.3
Soviet Union/Central Europe	0.2
India	0.1
Other countries	1.4

SOURCE: Monitorskoepa Repubblica Poll, La Repubblica (Roma) 7 February 1984, p. 9.

TABLE 52.--Italian citizens who had emigrated from their regions of residence in January 1984

	Population (1)	Emigrants (2)	$\frac{(2)}{(1)}\%$
Italy	55,923,999	4,076,686	7.3
Liguria	1,867,363	112,914	6.0
Lombardia	8,837,656	136,346	1.5
Piemonte	4,451,271	141,087	3.2
Valle d'Aosta	113,720	17,290	15.2
Northwest Average	3,817,503	101,909	2.7
Emilia-Romagna	3,935,834	176,811	4.5
Friuli-Venezia Giulia	1,244,406	242,484	19.5
Lazio	4,921,859	169,445	3.4
Marche	1,390,388	119,029	8.6
Toscana	3,566,763	80,528	2.3
Trentino-Alto Adige	866,377	80,343	9.3
Umbria	795,218	74,090	9.3
Veneto	4,277,501	256,726	6.0
Center/Northeast Average	2,624,793	149,932	5.7

TABLE 52.--Continued

	Population (1)	Emigrants (2)	$\frac{(2)}{(1)}\%$
Abruzzo	1,211,323	177,201	14.6
Basilicata	614,596	146,720	23.9
Calabria	2,034,425	525,280	25.8
Campania	5,280,268	337,712	6.4
Molise	329,705	113,691	34.5
Puglia	3,771,329	314,224	8.3
Sardegna	1,552,767	183,200	11.8
Sicilia	4,861,230	671,565	13.8
Mezzogiorno Average	2,456,955	308,699	12.6

SOURCE: Gianni Giadresco, "Premiato ed espulso" ["Rewarded and Expelled"] in Rinascita, n. 4, 27 January 1984, pp. 16-17.

The Entrepreneurial Mafia and The Mafia Model of
Capitalist Accumulation

The mafia originated in southern Italy, more specifically in western Sicily, in southern Calabria and in the Naples area, when the Kingdom of the Two Sicilies suffered under the oppressive political domination of the Kingdom of Spain (between 1504 and 1714). (The Austro-Hungarian Empire formally controlled the Kingdom of the Two Sicilies between 1714 and 1748; in reality, the Kingdom enjoyed great

political autonomy.) The mafia flourished before the genesis of capitalism, which overthrew feudalism in southern Italy during the reign of the House of Bourbon. This House ruled the Kingdom of the Two Sicilies from 1748 to 1860, save for a few months in 1799 (the short-lived Parthenopean Republic) and from 1806 to 1815 (the Kingdom of Naples under Napoleonic tutelage).

The oppressive domination of the Spanish created intense socio-economic insecurity in the Kingdom of the Two Sicilies by producing economic conditions so precarious that individuals and families could rise or fall suddenly and rapidly in the social order. It also determined that external rather than internal exigencies would shape the political, economic and cultural evolution of the Kingdom of the Two Sicilies.²⁴ Under these circumstances, it became a "society in permanent transition," whose evolution was increasingly alienated from its traditional culture and its immanent political, economic and cultural evolution.²⁵

The intense socio-economic insecurity created by the misgovernment of the Spanish engendered the mafia, which, in its original and truest form, was not an organization but rather a type of behavior and power. It was the ethic adopted by a man, the "mafioso," so that he might acquire and maintain a secure social position in an insecure social environment. The traditional mafia ethic is "omerta", derived from the Sicilian word "omu" (Latin "homo," Italian "uomo," man), that is, "the capacity to be a man." According to this ethic, life is a "war of all against all," and a true man--the mafioso--is

one with personal honor acquired by means of individual violence, a "uomo di rispetto" ("man of respect"). He is a man who can "farsi rispettare," that is, a man able "to make himself (feared and) respected." He is a man able "to command respect" by being able to revenge affronts and to injure his enemies by himself and with his own means.²⁶

The meaning of the word "mafia," and of the various epithets which denote a similar ethic in different geographic areas, reflects the individual's need to attempt to secure his social position in an insecure social environment by resorting to individual violence and to personal means. "Mafia" (which applies properly to Sicily) is of an uncertain etymology but probably derives from the Arabic word for protection. "'Ndrangheta" (which applies properly to Calabria) derives from the ancient Greek "andragathia," a "valorous man," that is, a man haughty, clever, contemptuous of danger and without scruples. "Camorra" (which applies properly to the Naples area) is of an uncertain etymology but derives either from a word common to the Mediterranean region "morra," that is, "pack" or "gang," or from the Spanish word "gamorra," that is, "extortion pay-off."²⁷ "Omerta'" has a concomitant meaning, "a conspiracy of silence." In the environment of socio-economic insecurity and political oppression which engendered the mafia, the people refused to collaborate with the State's organs of justice because these organs, together with their juridical norms and the concept of justice which they purported to represent, had minimal legitimacy. The traditional mafia ethic affirms aggression by equating honor with superior power: justice is force, nor an ideal.²⁸

According to the traditional mafia ethic, a mafioso's prestige and honor (power) are commensurate with his ability to display his behavior with impunity in open violation of the juridical norms in force and to govern, that is, to manage the constant and open all-against-all competition for personal honor (power). The mafioso acquires his honor (power) by using violence and maintains it by creating an authority which legitimizes (and enhances) it. The mafioso creates his authority by combining astutely violence and tactical diplomacy. He uses violence, and the threat of violence, to deter and to quell challenges. He uses diplomacy to delude unsuspecting foes and to create the perception that he may be a protector, mediator, counselor, judge, father figure and friend of all. Moreover, according to the traditional mafia ethic, although wealth may at times accompany the mafioso's honor (power), wealth and honor (power) are not synonymous. Personal honor (power), not personal wealth, is supreme.²⁹

After the unification of Italy, in the social environment created by the Mezzogiorno's underdevelopment, the mafioso's honor (power) and authority gave to him substantive political autonomy. Although this may theoretically make him a competitor and, therefore, an adversary and an enemy of the State, the States which have governed southern Italy have tolerated the mafia (save the Kingdom of Italy during the Fascist regime, which suppressed it) and have maintained the social order by collaborating with it (on numerous occasions officially).³⁰ This happened because the mafia has been a convenient and

effective mediator of foreign political domination over southern Italy, on the one hand, and of social conflict and cooperation in southern Italy, on the other. A mafioso, assisted by four or five close associates, manages social conflict and cooperation in a given area of southern Italy by exercising his authority over the population through a "cosca." This is a hierarchical network of people linked by family ties and friendships. It is the fundamental mafia unit, the unit from which the mafioso derives his identity, the unit in whose context he carries on the competition for honor. He must contend constantly with real and potential challenges from within and without the cosca (for example, from other cosche). He remains the "capocosca" ("the head of the cosca") only for as long as he remains the person most feared and respected.³¹

In the twentieth century, the mafioso's authority, together with the traditional mafia ethic upon which his authority was based, suffered two severe blows. First, the Fascist regime debilitated his authority and ethic by asserting the State's authority and by suppressing his activities.³² (On the other hand, American and English occupation forces in World War II resuscitated his authority. They released incarcerated mafiosi and placed them in local political offices in the Mezzogiorno so that they might serve as anti-Fascist, anti-Left agents of social control.³³ Nonetheless, at the end of the war, the mafioso's authority was very weak.)

Second, Italy's integration in the international economy under a tempered American hegemony undermined the mafioso's already weak

authority. It modified Italy's mass social values in such a way as to delegitimize further the traditional mafia ethic. The American values of materialism and consumerism which accompanied Italy's post-World War II prosperity identified merit and virtue not with individual violence but rather with wealth and success. Between 1945 and 1965, the mafioso's prestige and authority were in crisis, and the mafioso was socially emarginated. The Italian State asserted its prerogative to monopolize physical violence on its territory; the PCI and the trade unions penetrated into the Mezzogiorno and limited the mafioso's activities. The southern Italians no longer accorded legitimacy to the traditional mafia ethic and, therefore, no longer admired and feared the mafioso.³⁴

During the 1960s, the northwestern elite became increasingly aware that the policies of incentives and dependent industrialization promised not only to strengthen its privileged position in Italy by intensifying the Mezzogiorno's underdevelopment to the advantage and benefit of the economic system of the northwest but threatened to undermine its position by exacerbating the Mezzogiorno's disequilibria and by provoking the area's social disintegration. This threat induced it, through the DC, to make the mafioso a politically subaltern mediator of the northern Italian, West German and American political domination over the Mezzogiorno and an agent of social control. To this end, beginning in the mid-1960s, the northwestern elite integrated the Mezzogiorno's mafiosi into the DC and charged them to manage directly, according to the DC's political dictates, the area's credit market,

its job market for the public administration, and the distribution of government contracts for construction in the area.³⁵

The mafiosi, in order to reacquire their lost authority and prestige, reacted to their social emargination and to their political subordination by creating a new mafia ethic and by adopting the capitalist mode of production. They created the new mafia ethic, which adapted the traditional ethic to the socio-economic conditions of the post-World War II Mezzogiorno, by redefining honor on the basis of the American values of consumerism and materialism and on the basis of the "spirit of capitalism," the "religion of accumulation." The new ethic equates honor with wealth: life remains a constant and open all-against-all competition for honor; however, a mafioso's honor is now commensurate with his wealth, and individual violence is now a means to the end of capital accumulation. The mafiosi adopted the capitalist mode of production because it is the most efficient accumulator of wealth and, therefore, the most efficient "accumulator of honor."³⁶ In this way, the mafiosi transformed themselves into "entrepreneurial mafiosi" characterized by ethical irrationality and by pragmatic rationality. Ethical irrationality characterizes the entrepreneurial mafioso because he bases his behavior on two aggressive, animalistic and predatory concepts: honor acquired by means of individual violence and honor defined on the basis of the American values of consumerism and materialism together with the "spirit of capitalism." The latter is a "religion of accumulation" whose dogma glorifies the accumulation of wealth for wealth's

sake. Pragmatic rationality characterizes the entrepreneurial mafioso because he attempts to satisfy rationally his irrational, insatiable desire to acquire honor (wealth) by combining the use of violence (as a means to the end) with the capitalist mode of production, that is, by creating the "mafia model of capitalist accumulation."³⁷

The mafia model of capitalist accumulation provides the entrepreneurial mafioso with three fundamental advantages relative to legitimate entrepreneurs. First, the mafioso discourages competition. He overwhelms legitimate entrepreneurs by using or by threatening to use violence against them. Second, the mafioso lowers salaries and wages. He reduces his labor costs by evading workers' insurance and social security payments and by refusing to give overtime pay to workers. He also takes advantage of the Mezzogiorno's unemployed and underemployed by offering to them illegal jobs which pay less than the legal minimum wage. Last, the mafioso disposes of financial resources. He acquires capital from illegal activities, principally from international drug traffic, arms sales, kidnappings, extortion and the theft of art and jewels. He then overwhelms legitimate entrepreneurs--and dominates markets--by investing this illicit capital, which need not be reimbursed (with or without interest) to anyone, in "legitimate mafia enterprises." These are enterprises which would be completely legitimate were their investment capital not "dirty."³⁸

The emergence, during the 1970s, of the mafia model of capitalist accumulation marks the mafioso's transformation from a political mediator into an entrepreneur whose private vices are not public virtues.

It induces him to resort to violence not only in his relationships with other mafiosi but with the rest of society and, moreover, to increase the use of violence, because capitalism intensifies the competition for honor among mafiosi by intensifying the competition for wealth. Such an incitement to ever greater violence puts the mafioso into constant conflict with the Italian judicial system. It induces him to repudiate the State's prerogative to monopolize physical violence on Italian territory. It also promotes the organizational development of his activities: this allows him to respond better to capitalist competition and, therefore, to compete better for honor (wealth) with other mafiosi and with the rest of society.³⁹

During the 1970s, this organizational development transformed the mafia from a type of behavior and power without a formal organization into one with a formal organization, the entrepreneurial mafia, characterized by a factionalized hierarchy of mafiosi always in conflict with each other because always in competition for honor (wealth). Its organizational and financial strength allowed the mafioso to regain his lost political autonomy⁴⁰ and allows its model of capitalist accumulation to project itself outward from the Mezzogiorno, to reproduce and to regenerate itself elsewhere in its own image and likeness.⁴¹

The entrepreneurial mafia's factionalism induces it to lacerate itself and society. The cosca, which traditionally counted between 15 and 20 people but now, based on extended families, counts between 70 and 80 adult males, remains the fundamental mafia unit. It is the unit from which the mafioso derives his identity and in whose context

he carries on the competition for honor (wealth). He must still contend constantly with real and potential challenges from within his cosca and from other cosche.⁴² The entrepreneurial mafia is more an agent of social disintegration (because violent and destructive) than an agent of economic development (because capitalist and productive).⁴³

The entrepreneurial mafia is currently divided into two major competing factions: the "Nuova Famiglia" ("New Family") governed by Michele Zaza and the "Nuova Famiglia Organizzata" ("Organized New Family") governed by Raffaele Cutolo. In recent years, these factions have been engaged in bloody conflict because Cutolo has attempted, thus far unsuccessfully, to wrest control of the entrepreneurial mafia's lucrative international drug traffic from Zaza, the ally of the American mafia, the "Cosa Nostra" ("Our Concern").⁴⁴ Although the mafioso, by equating honor with wealth when he made himself a capitalist, may have adopted the values and the lifestyle of cultures developed outside and imposed on the Mezzogiorno, his traditional values (e.g., manipulative friendships, family ties, personal honor acquired by means of individual violence) still form the basis of his identity. No socio-political agent has yet constrained him by means of institutional regulation to change his modus operandi, to renounce his traditional values in order to be able to adopt new ones. In essence, the entrepreneurial mafioso is a man of more than one culture.⁴⁵

Systematic relationships exist between Italy's national political class and the mafia's leaders.⁴⁶ On the level of these relationships, the so-called "third level,"⁴⁷ the politicians involved belong mostly

to the DC, some to the PSI, few to the other parties, and none to the PCI, which is not involved on the "third level."⁴⁸ They agree to protect from judicial prosecution as much as possible, and thus far with great efficacy, those mafiosi who agree to supply votes for elections by organizing social consensus through favoritism and intimidation.⁴⁹ In this way, the politician acquires, maintains or increases his power, while in the Mezzogiorno the mafia, by penetrating the State apparatus, assumes ever greater control over employment in the public administration and over the distribution of the State's subsidies and pensions and, in some areas, becomes the political elite class.⁵⁰ The politicians involved enter into alliances with the mafia not to enrich themselves but rather to acquire, maintain or increase their power. When they take money, they use it to defray the ever-increasing costs of electoral campaigns.⁵¹

Moreover, north-central Italy's private oligopolies often nourish the mafia by offering subcontracts to the mafiosi because they use their three competitive advantages relative to legitimate entrepreneurs in order to render services at lower cost. The oligopolies conspire with the mafia to raise artificially the costs of public works projects in order to defraud the State.⁵²

In comparison with the other political parties, the PCI undertakes the most effective political action against the mafia. Pio LaTorre, the Parliamentary deputy and the PCI's Sicilian Regional Secretary (assassinated by the mafia in Palermo on 25 April 1982), introduced Italy's most progressive anti-mafia bill. It became

Law n. 416/416 bis of 13 September 1982, known more commonly as the Rognoni-La Torre Law. For the first time, examining magistrates have the authority to investigate systematically the accounts of suspected mafiosi and "mafia-style organizations" ("organizzazioni di stampo mafioso"). These are organizations which subordinate their associates and which require their tacit complicity in the commission of crimes through intimidation.⁵³

On 2 November 1984, the EEC occupied itself for the first time with the mafia. Pancrazio De Pasquale, the President of the EEC's Regional Policy Commission and PCI member, proposed that the European Parliament adopt a resolution which invites the EEC Commission to investigate the mafia's involvement in the management of the EEC's funds for Sicily. On 14 February 1985, the Parliament adopted such a resolution.⁵⁴ However, the EEC still lacks the authority to undertake substantive political action against the mafia. In 1983, West Germany and Denmark, in a defense of national sovereignty, blocked the adoption of norms which would have given to the EEC the authority to oversee the management of disbursed EEC funds by conducting direct, surprise inspections.⁵⁵

The mafia threatens more to undermine than to strengthen the northwestern elite's privileged position in Italy because the mafia model of capitalist accumulation threatens to make the entrepreneurial mafia more an agent of social disintegration in Italy than an agent of social control in the Mezzogiorno.⁵⁶ The pernicious consequences of the mafia's activities for Italian society are ever more manifest. For example, the mafia recycles its illicit finance capital through

TABLE 53.--Mafia extortion in Italy in 1984

	Number of Businesses(1)	Number of(*) Businesses Extorted(2)	(2) / (1) %	The Mafia's(**) Assas- inations and attempts in 1983
Italy	1,436,742	146,153	10.2	256
Liguria	34,916	349	1.0	---
Lombardia	217,646	10,882	5.0	7
Piemonte	115,651	5,782	5.0	4
Valle d'Aosta	4,197	21	0.5	---
Northwest Average	93,103	4,259	4.6	3
Emilia-Romagna	124,617	1,246	1.0	---
Friuli-Venezia Giulia	34,916	349	1.0	---
Lazio	111,595	8,928	8.0	23
Marche	42,179	422	1.0	1
Toscana	102,749	514	0.5	4
Trentino-Alto Adige	33,568	1	0.003	2
Umbria	19,719	39	0.3	1
Veneto	126,628	3,160	2.5	---

TABLE 53.---Continued

	Number of Businesses (1)	Number of (*) Businesses Extorted (2)	(2) (1) %	The Mafia's (**) Assas- inations and attempts in 1983
Center/Northeast Average	74,496	1,832	2.5	4
Abruzzo	33,827	338	1.0	2
Basilicata	13,610	68	0.5	4
Calabria	47,188	17,931	38.0	57
Campania	110,540	45,760	41.4	61
Molise	7,920	---	---	---
Puglia	87,591	7,008	8.0	21
Sardegna	39,878	798	2.0	8
Sicilia	105,846	42,338	40.0	59
Mezzogiorno Average	55,800	14,280	25.6	27

SOURCE: La Repubblica (Roma) 23 March 1984, p. 12.

(*) Confcommercio estimate based on the 10 percent sample of its members who answered its questionnaire. Confcommercio, the General Confederation of Italian Commerce and Tourism, counts 800,000 members.

(**) Ministry of the Interior data.

6,000 businesses under its control,⁵⁷ extorts an average LIT 1,000 billion per year from about ten percent of Italy's legitimate entrepreneurs⁵⁸ and commits violent crimes (see Table 53). Such consequences undermine the northwestern elite's privileged position in Italy by creating political disaffections which the Left champions.

Should the political costs of the mafia as an agent of social disintegration in Italy outweigh its political benefits as an agent of social control in the Mezzogiorno, the domestic exigencies of political legitimation would oblige the northwestern elite to attempt to subordinate the mafia politically or even to eliminate it and substitute a more suitable agent of social control. In the 1960s, the northwestern elite, through the DC, saved the Mezzogiorno's mafiosi from social emargination because the "State bourgeoisie" together with social security pensions, subsidized incomes, public works projects and a system of political patronage and clientelism seemed insufficient to keep the Mezzogiorno under political and economic control. Although the entrepreneurial mafia may now be more costly politically than ever before, the northwestern elite does not yet consider itself able to manage the Mezzogiorno's underdevelopment, and therefore to govern Italy, without the entrepreneurial mafia.

Concluding Observations

The EEC does not promote the balanced, harmonious development prescribed by Article 2 of the Treaty of Rome for all member States,

but promotes instead the positive, balanced development of the economic systems of the politically dominant member States. The EEC does this at the expense of the politically subordinate EEC states because the politically dominant states, and not the juridical dictates of the Treaty of Rome, determine preponderantly the EEC's development. Italy's participation in an EEC dominated politically by West Germany and France under a tempered American hegemony increased the Italian economy's involvement in the process of capital accumulation among the EEC States principally to the advantage and benefit of the West German and French economies. As the data in Appendix B (The Statistical Appendix to Chapter Six) reveal, in comparison with the EEC average, Italy registers a lower pro capite income, a lower growth rate, a higher inflation rate and a higher unemployment rate. Although Italy's entrepreneurs may have responded to the exigencies of international economic competition under the adverse conditions created by the EEC's unbalanced integration and to the domestic pressures of Italy's trade unions for higher wages and for greater employment in part by increasing productivity greatly (see Table 54), the disparities between Italy and the EEC average, with regard to the above-cited socio-economic indicators, widen over time to Italy's disadvantage.

The EEC's unbalanced integration induced the northwestern elite to protect its privileged position in Italy by minimizing the negative consequences of the country's participation in the EEC for the economic system of the northwest. To this end, the northwestern elite intensified the Mezzogiorno's underdevelopment: it increased the Mezzogiorno's

TABLE 54.--Productivity and cost of labor(*) per unit

(1975=100)	Productivity in 1984	Change	Cost of labor per unit produced in 1984	Change
United Kingdom	131.7	+31.7	228.7	+128.7
France	151.6	+51.6	204.0	+104.0
Italy	158.8	+58.8	299.7	+199.7
Japan	157.3	+57.3	107.2	+ 7.2
United States	127.2	+27.2	151.0	+ 51.0
West Germany	133.0	+33.0	125.2	+ 25.2

SOURCE: La Repubblica (Roma) 6 July 1985, p. 2.

(*) The results of a study issued in July 1985 by the Centro di Statistica Aziendale (Center for Business Statistics) and the Cassa di Risparmio di Firenze.

involvement in the process of capital accumulation in the Italian economy to the advantage and benefit of the economic system of the northwest by implementing the policies of incentives and dependent industrialization. Under these policies, the Mezzogiorno's development results not from the accumulation and the investment, according to internal exigencies, of its real income but rather from the infusion of external resources, the capital intensive Italian and non-Italian investments which cause the Mezzogiorno's "economic development without employment." As the data in Appendix B (the Statistical Appendix to

Chapter Six) reveal, in comparison with the economic systems of the northwest and the center/northeast, the Mezzogiorno receives a smaller share of the resources of Italy's Common Regional Fund (created ostensibly to attenuate the disequilibria between the Mezzogiorno and the rest of Italy) and registers a higher unemployment rate, greater value added and greater employment in agriculture, lesser value added and lesser employment in industry, a lower pro capite income and a lower consumption of goods and services per family. Moreover, the disparities between the Mezzogiorno and the rest of Italy, with regard to the above-cited socio-economic indicators, widen over time to the Mezzogiorno's disadvantage.

The states which dominate Italy--the United States, West Germany and France--are not adverse to the Mezzogiorno's underdevelopment because, in comparison with an Italy whose economy is developed territorially in a balanced way, an Italy with an underdeveloped Mezzogiorno is a less threatening economic and political rival. Economically, it is less productive and, therefore, a weaker competitor. Politically, the dominant states can offer, with financial diplomatic and covert means, to help the Italian ruling class to legitimize its position and, therefore, to retain power, provided the Italian ruling class may not assert interests contrary to theirs; moreover, these states can threaten to punish the Italian ruling class with financial, diplomatic and covert means, should this class behave in a way unacceptable to them.⁵⁹ The adherence of Greece, Portugal and Spain, all producers of great quantities of Mediterranean agricultural products, to the Treaty of Rome could shift

the balance of power within the EEC from northern Europe toward the Mediterranean area. Should Italy and the other Mediterranean States of the EEC cooperate politically, they could succeed in asserting their interests in the EEC, in ending the political and economic predominance of West Germany and France, in restructuring the CAP, and in ending the CAP's discrimination against Mediterranean agricultural products. However, should Italy and the other Mediterranean States fail to cooperate politically, there could be an "economic war among the EEC's weak," which, besides preserving the predominance of West Germany and France, would, in all probability, damage most the Mezzogiorno's agriculture. It would be unable to sustain the collective competition of Greece, Portugal and Spain, especially if the northwestern elite, or another future Italian ruling class, should forsake even more the Mezzogiorno's agriculture in order to exchange Italian industrial products (manufactured principally in north-central Italy) for greater quantities of Greek, Portuguese and Spanish agricultural products.⁶⁰ In any case, for as long as the political interests of Italy's ruling class do not coincide with greater political autonomy for Italy and with a more balanced territorial development of the national economy, Italy will remain subordinate politically and economically to the United States, West Germany and France, and the Mezzogiorno will remain underdeveloped.

NOTES TO CHAPTER SIX

¹ See Alfredo Del Monte and Adriano Giannola, Il Mezzogiorno nell'economia italiana [The Mezzogiorno in the Italian Economy], Bologna: Il Mulino, 1978, Chapters 7 and 8.

² Ibidem., Chapter 7.

³ Ibidem.

⁴ Ibidem.

⁵ See Manlio Rossi-Doria, "Limiti e prospettive della trasformazione agraria del Mezzogiorno" ["The Limits of and the Prospects for the Mezzogiorno's Agrarian Transformation"] in Aa. Vv. [Autori Vari, Various Authors], La questione meridionale in I problemi di Ulisse, Volume 16, Monograph 95, Firenze: Sansoni Editore Nuova, September 1983, pp. 62-70; Anna Nappa, editor, Il Mezzogiorno e la politica mediterranea della CEE [The Mezzogiorno and the EEC's Mediterranean Policy], Napoli: FORMEZ, 1978; and Alessandro Corsi, "L'esodo agricolo dagli anni '50 agli anni '70 in Italia e nel Mezzogiorno" ["The Agricultural Exodus From the Fifties to the Seventies in Italy and in the Mezzogiorno"] in Rassegna economica May/June 1977, n. 3, p. 721.

⁶ See Alfredo Del Monte and Adriano Giannola, Il Mezzogiorno nell'economia italiana, cit., Chapter 7.

⁷ See Augusto Graziani, Alfredo Del Monte, Domenico Piccolo, Adriano Giannola, and Luciano Matrone, Incentivi e investimenti industriali nel Mezzogiorno [Incentives and Industrial Investments in the Mezzogiorno], Milano: Franco Angeli, 1973; Augusto Graziani and Enrico Pugliese, editors, Investimenti e disoccupazione nel Mezzogiorno [Investments and Unemployment in the Mezzogiorno], Bologna: Il Mulino, 1979; Augusto Graziani, editor, L'economia italiana dal 1945 a oggi [The Italian Economy from 1945 to Today], Bologna: Il Mulino, 1979; and Maria Valeria Agostini, Regioni europee e scambio ineguale: verso una politica regionale comunitaria? [The European Regions and Unequal Exchange: Toward a Community Regional Policy?], Bologna: Il Mulino, 1976.

⁸ See Alfredo Del Monte and Adriano Giannola, Il Mezzogiorno nell'economia italiana, cit., Chapters 7 and 8.

⁹For more information relative to the transfer of monies to the Italian economy's agricultural sector, see M. Gardner Clark, Agricultural Social Security and Rural Exodus in Italy, Western Societies Program Occasional Paper N. 7, Ithaca, NY: Cornell University Western Societies Program, Center for International Studies, January 1977.

¹⁰See Alfredo Del Monte and Adriano Giannola, Il Mezzogiorno nell'economia italiana, cit., Chapter 10.

¹¹Ibidem., Chapter 11; Interesting observations relative to the mafia are provided by Simonetta Bisi, "La criminalita' nell'Italia meridionale con particolare riferimento alle organizzazioni di stampo mafioso" ["Criminality in Southern Italy with particular reference to Mafia-style Organizations"] in Aa. Vv., La questione meridionale in I problemi di Ulisse, cit., pp. 127-135.

¹²See Luigi de Rosa, La rivoluzione industriale in Italia e il Mezzogiorno [The Industrial Revolution in Italy and the Mezzogiorno], Bari: Laterza, 1973, pp. 181-184.

¹³See Klaus Rother, "L'attuale sviluppo demografico nel Mezzogiorno" ["The Current Demographic Development in the Mezzogiorno"] in Rivista Trimestrale Mezzogiorno d'Europa [Mezzogiorno d'Europa Quarterly Review. Also available in English.] October/December (N. 4) 1984, p. 538, Napoli: ISVEIMER.

¹⁴For more information relative to the Mezzogiorno's urbanization, see, for example, Alfredo Del Monte and Adriano Giannola, Il Mezzogiorno nell'economia italiana, cit., Chapter 7; Pasquale Villani, "Le citta' meridionali" ["The Southern Cities"] in Aa. Vv., La questione meridionale in I problemi di Ulisse, cit., pp. 71-76; Claudio Signorile, Il nuovo Mezzogiorno e l'economia nazionale [The New Mezzogiorno and the National Economy], Bari: Laterza, 1982, Chapter 2; and Salvatore Cafiero, "Una politica delle citta' per il superamento dei divari" ["An Urban Policy For Overcoming the Differences"] in Collana Documenti SVIMEZ, Il Mezzogiorno nell'Europa a dodici, Roma: SVIMEZ, 1979, pp. 225-259.

¹⁵For more information relative to the Mezzogiorno's hypertertiarization, see, for example, Alfredo Del Monte and Adriano Giannola, Il Mezzogiorno nell'economia italiana, cit., Chapter 11; and Claudio Signorile, Il nuovo Mezzogiorno e l'economia nazionale, cit., Chapter 2.

¹⁶See La Repubblica (Roma) 21 February 1984, p. 38; 27 July 1984, p. 29; and 11 December 1984, p. 35.

¹⁷See La Repubblica (Roma) 6 October 1984, p. 35.

¹⁸See Alfredo Del Monte and Adriano Giannola, Il Mezzogiorno nell'economia italiana, cit., p. 199.

¹⁹See the brilliant study by Luca Meldolesi, Disoccupazione ed esercito industriale di riserva in Italia [Unemployment and the Industrial Reserve Army in Italy], Bari: Laterza, 1972.

²⁰See Donald C. Templeman, The Italian Economy, New York: Praeger Publishers, 1981, p. 193.

²¹See, for example, Gabriele Fergola, Il Mezzogiorno: problema nazionale [The Mezzogiorno: National Problem], Roma: IRSE, 1976, Chapter 2; and Gianni Giadresco, "Premiato ed espulso" ["Rewarded and Expelled"] in Rinascita, n. 4, 27 January 1984, pp. 16-17.

²²See Alfredo Del Monte and Adriano Giannola, Il Mezzogiorno nell'economia italiana, cit., p. 199.

²³See Luigi de Rosa, "L'emigrazione" ["Emigration"] in Aa. Vv., La questione meridionale in I problemi di Ulisse, cit., p. 77.

²⁴The mark of the Kingdom of Spain's oppressive political domination over the Kingdom of the Two Sicilies is inveterate in southern Italy's culture. The Italian name for Spain, Spagna, is the root of a verb common to the Calabrese and Sicilian dialects, spagnarsi, to be afraid. Evidently, in the hearts and minds of southern Italians, Spain connoted fear.

One of the most interesting cases of the Kingdom of Spain's oppressive political domination over the Kingdom of the Two Sicilies concerns the celebrated Calabrese philosopher Tommaso Campanella (1568-1639), a Dominican Friar imprisoned and tortured by the Catholic Church for doctrinal heresy and by the Kingdom of Spain, through the Kingdom of the Two Sicilies, for political sedition. Campanella wrote more than 100 books, of which the most famous is a utopia entitled Civitas solis, The City of the Sun, written in 1602, first published in 1623. For more information relative to Tommaso Campanella's life and works, see, for example, Adriano Seroni's "Introduzione" in Tommaso Campanella, La città del sole [The City of the Sun], Milano: Giangiacomo Feltrinelli Editore, 1979; Daniel J. Donno's "Introduction" in Tommaso Campanella, La città del sole: dialogo poetico/The City of the Sun: A Poetical Dialogue ("Biblioteca Italiana" bilingual edition), Berkeley, CA: The University of California Press, 1981; and, Luigi Firpo, Il supplizio di Tommaso Campanella: narrazioni, documenti, verbali delle torture [The Torture of Tommaso Campanella: Narrations, Documents, Transcripts of the Tortures] (Collana Omikron n. 20), Roma: Salerno Editrice, 1985.

²⁵ An enlightening study of the mafia is provided by Pino Arlacchi, La mafia imprenditrice: l'etica mafiosa e lo spirito del capitalismo [The Entrepreneurial Mafia: The Mafia Ethic and the Spirit of Capitalism], Bologna: Il Mulino, 1983.

²⁶ Ibidem.

²⁷ See the excellent study by Sergio Turone, Partiti e mafia dalla P2 alla droga [The Political Parties and the Mafia From the P2 Masonic Lodge Scandal to Drugs], Bari: Laterza, 1985, Chapter 1.

²⁸ See Pino Arlacchi, La mafia imprenditrice: l'etica mafiosa e lo spirito del capitalismo, cit.

²⁹ Ibidem.

³⁰ Detailed information relative to many of the instances of the Italian State's official collaboration with the mafia is provided by Adriano Baglivo, Camorra S.p.A. [Camorra, Inc.], Milano: Rizzoli, 1983; and Sergio Turone, Partiti e mafia dalla P2 alla droga, cit.

³¹ See Pino Arlacchi, La mafia imprenditrice: l'etica mafiosa e lo spirito del capitalismo, cit.

³² See, for example, Gabriele Fergola, Il Mezzogiorno: problema nazionale, cit., Chapter 7; and Pino Arlacchi, La mafia imprenditrice: l'etica mafiosa e lo spirito del capitalismo, cit., Chapters 1-3.

³³ See, for example, David W. Ellwood, L'alleato nemico: la politica dell'occupazione anglo-americana in Italia 1943-1946 [The Allied Enemy: Anglo-American Occupation Policy in Italy 1943-1946. Published in English as Allied Occupation Policy in Italy, 1943-1946.] Milano: Feltrinelli, 1977, especially Part 2, Chapter 2; and Gabriele Fergola, Il Mezzogiorno: problema nazionale, cit., Chapter 7.

³⁴ See Pino Arlacchi, La mafia imprenditrice: l'etica mafiosa e lo spirito del capitalismo, cit., Chapter 3.

³⁵ Ibidem.

³⁶ Ibidem., Chapters 3-8.

³⁷ Ibidem.

³⁸Ibidem., Chapter 4.

³⁹Ibidem.

⁴⁰Ibidem., Chapter 7.

⁴¹See Pino Arlacchi interviewed by Bruno Gravagnolo, "Come combattere il Welfare mafioso" ["How to fight Mafia-style Welfare"] in Rinascita, n. 19, 11 May 1984, pp. 23-25.

⁴²See Pino Arlacchi, La mafia imprenditrice: l'etica mafiosa e lo spirito del capitalismo, cit., Chapter 5.

⁴³Ibidem., Chapter 6.

⁴⁴See Adriano Baglivo, Camorra S.p.A., cit., Chapters 1, 5 and 6.

⁴⁵See Pino Arlacchi, La mafia imprenditrice: l'etica mafiosa e lo spirito del capitalismo, cit., Chapter 5.

⁴⁶See Sergio Turone, Partiti e mafia dalla P2 alla droga, cit.

⁴⁷The "first level" refers to the level of the relationships between the executants of "mafia policy" and civil society; the "second level" refers to the level of the relationships between the formulators of "mafia policy," that is, the mafia's leaders, and their executants; the "third level" refers to the level of the relationships between the corrupt members of Italy's national political class and the mafia's leaders.

⁴⁸See Sergio Turone, Partiti e mafia dalla P2 alla droga, cit.

⁴⁹Ibidem.

⁵⁰See Pino Arlacchi, La mafia imprenditrice: l'etica mafiosa e lo spirito del capitalismo, cit., Chapter 7.

⁵¹See Sergio Turone, Partiti e mafia dalla P2 alla droga, cit.

⁵²See Pino Arlacchi, La mafia imprenditrice: l'etica mafiosa e lo spirito del capitalismo, cit., Chapter 7.

⁵³The Rognoni-La Torre Law, by authorizing examining magistrates to investigate systematically the accounts of suspected mafiosi and "mafia-style organizations," has allowed these magistrates to reach the "second level" with noteworthy success and to arrive even to the threshold of the "third level." On this point, see Sergio Turone, Partiti e mafia dalla P2 alla droga, cit.

⁵⁴See La Repubblica (Roma) 3 November 1984, p. 15; 9 February 1985, p. 12.

⁵⁵See La Repubblica (Roma) 27/28 January 1985, p. 11.

⁵⁶See Pino Arlacchi, La mafia imprenditrice: l'etica mafiosa e lo spirito del capitalismo, cit., Chapters 6 and 7; and Pino Arlacchi interviewed by Bruno Gravagnolo, "Come combattere il Welfare mafioso" in Rinascita, cit.

⁵⁷See La Repubblica (Roma) 27 March 1984, p. 12.

⁵⁸See La Repubblica (Roma) 23 March 1984, p. 12.

⁵⁹See, for example, the brilliant study by Giuseppe De Lutiis, Storia dei servizi segreti in Italia [The History of the Secret Services in Italy], Roma: Editori Riuniti, 1984; Diana Johnstone, "Integrating Europe to Disintegrate the Left," in Carl Boggs and David Plotke, editors, The Politics of Eurocommunism: Socialism in Transition, Boston: South End Press, 1980; and Paul Joseph, "American Policy and the Italian Left," in Carl Boggs and David Plotke, editors, The Politics of Eurocommunism: Socialism in Transition, cit.

⁶⁰See Anna Nappa, editor, Il Mezzogiorno e la politica mediterranea della CEE, cit.; Claudio Signorile, Il nuovo Mezzogiorno e l'economia nazionale, cit.; and Collana Documenti SVIMEZ, Il Mezzogiorno nell'Europa a dodici, cit.

Appendix A

Statistical Appendix to Chapter Five

THE CURRENCIES OF THE EEC MEMBER STATES
AND THE EUROPEAN UNIT OF ACCOUNT/
EUROPEAN CURRENCY UNIT

TABLE 55.--The contribution per cent of the currencies of the EEC member states to the value of the European unit of account/European currency unit (EUA/ECU) May 1975 - May 1984

	30/5/75	30/10/75	30/1/76	26/5/76	29/10/76
DM	27.10	27.18	27.63	29.05	31.01
FF	21.83	22.13	22.22	22.32	20.74
L	15.72	15.36	15.54	14.32	12.81
HFL	9.13	9.14	9.28	9.47	10.23
LIT	13.40	13.55	12.56	11.76	11.37
FB	8.03	7.96	7.90	8.31	8.81
DKR	3.05	3.05	3.05	3.22	3.32
IRL	1.30	1.32	1.52	1.23	1.10
FLUX	.31	.31	.30	.32	.34
	28/1/77	27/5/77	28/10/77	26/1/78	30/5/78
DM	30.73	31.13	31.55	31.92	32.13
FF	20.76	20.57	20.47	19.82	20.37
L	13.63	13.45	13.58	14.02	13.17
HFL	10.13	10.29	10.17	10.29	10.36
LIT	11.10	10.90	10.69	10.21	10.29
FB	8.84	8.98	8.96	9.11	9.08
DKR	3.29	3.19	3.06	3.08	3.13
IRL	1.17	1.15	1.16	1.20	1.13
FLUX	.34	.34	.34	.35	.35

TABLE 55.--Continued

	30/10/78	29/1/79	30/5/79	30/10/79	31/1/80
DM	33.12	32.97	32.85	33.36	33.20
FF	19.96	19.93	19.72	19.80	19.70
L	12.82	13.09	13.87	13.36	14.01
HFL	10.56	10.55	10.37	10.38	10.39
LIT	9.56	9.61	9.68	9.52	9.41
FB	9.33	9.25	9.03	9.14	9.04
DKR	3.12	3.12	3.00	2.97	2.78
IRL	1.10	1.12	1.13	1.13	1.12
FLUX	.36	.35	.35	.35	.35
	30/5/80	30/10/80	30/1/81	27/5/81	28/10/81
DM	32.89	32.28	31.80	32.45	33.89
FF	19.62	19.45	19.17	19.08	18.75
L	14.62	15.89	17.15	16.82	15.13
HFL	10.34	10.31	10.12	10.10	10.60
LIT	9.22	8.98	8.84	8.62	8.42
FB	9.08	8.90	8.78	8.80	8.12
DKR	2.77	2.75	2.71	2.70	2.76
IRL	1.12	1.11	1.09	1.09	1.10
FLUX	.35	.34	.34	.34	.31

TABLE 55.--Continued

	28/1/82	27/5/82	29/10/82	28/1/83	30/5/83
DM	33.84	34.68	35.19	36.07	36.28
FF	18.49	18.51	17.30	17.67	16.79
L	15.76	15.55	16.16	14.44	15.70
HFL	10.66	10.81	11.19	11.34	11.15
LIT	8.31	8.25	8.08	8.24	8.04
FB	7.94	7.44	7.75	7.85	8.02
DKR	2.71	2.68	2.63	2.69	2.65
IRL	1.09	1.10	1.10	1.10	1.05
FLUX	.30	.28	.30	.30	.31
	28/10/83	30/1/84	29/5/84		
DM	36.71	36.71	37.03		
FF	16.73	16.66	16.72		
L	15.34	15.51	14.99		
HFL	11.30	11.26	11.35		
LIT	7.94	7.93	7.89		
FB	7.87	7.80	7.92		
DKR	2.66	2.65	2.65		
IRL	1.04	1.04	1.04		
FLUX	.30	.30	.30		

TABLE 55.--Continued

DM=West German Mark; FF=French Franc; L=British Pound; HFL=Dutch Florin (or Guilder); LIT=Italian Lira; FB=Belgian Franc; DKR=Danish Crown; IRL=Irish Pound; FLUX=Luxembourg Franc.

(N.B.: These percentages have been rounded off to the nearest hundredth and, therefore, their totals cannot always correspond exactly to 100.0%, i.e., the precise composite value of the EUA/ECU. My calculations are based on the exchange rate between the EUA/ECU and the currencies of the EEC member States on the dates indicated in relation to the coefficient which determines each currency's contribution to the value of the EUA/ECU. The currency's coefficient as the percentage of the exchange rate between that currency and the EUA/ECU is the contribution per cent of that currency to the value of the EUA/ECU. The currencies of the EEC States contribute to the value of the EUA/ECU according to the following coefficients:

DM	.828	FB	3.66
FF	1.15	DKR	.217
L	.0885	IRL	.00759
HFL	.286	FLUX	.14
LIT	109.0		

Source for coefficients: Banca Europea per gli Investimenti, Venti-cinque anni 1958-1983 [Twenty-five Years 1958-1983], Luxembourg: Banca

TABLE 55.--Continued

Europea per gli Investimenti, Information Division, Public Relations Office, 1983, p. 6.)

The exchange rate between the EUA/ECU and the currencies of the EEC States is published every weekday in the Official Journal of the European Communities. The dates in this analysis refer to the effective date of the exchange rates upon which my calculations are based. Their date of publication is as follows:

Exchange rate for:	Published:
30/5/75	31/5/75 Volume 18; C 121
30/10/75	31/10/75 Volume 18; C 250
30/1/76	31/1/76 Volume 19; C 22
26/5/76	28/5/76 Volume 19; C 118
29/10/76	30/10/76 Volume 19; C 257
28/1/77	29/1/77 Volume 20; C 22
27/5/77	28/5/77 Volume 20; C 126
28/10/77	29/10/77 Volume 20; C 261
26/1/78	27/1/78 Volume 21; C 23
30/5/78	31/5/78 Volume 21; C 126
30/10/78	31/10/78 Volume 21; C 258
29/1/79	30/1/79 Volume 22; C 26
30/5/79	31/5/79 Volume 22; C 136

TABLE 55.--Continued

Exchange rate for:	Published:
30/10/79	31/10/79 Volume 22; C 274
31/1/80	1/2/80 Volume 23; C 25
30/5/80	31/5/80 Volume 23; C 130
30/10/80	31/10/80 Volume 23; C 281
30/1/81	31/1/81 Volume 24; C 22
27/5/81	29/5/81 Volume 24; C 128
28/10/81	29/10/81 Volume 24; C 277
28/1/82	29/1/82 Volume 25; C 22
27/5/82	28/5/82 Volume 25; C 136
29/10/82	30/10/82 Volume 25; C 285
28/1/83	29/1/83 Volume 26; C 24
30/5/83	31/5/83 Volume 26; C 142
28/10/83	29/10/83 Volume 26; C 293
30/1/84	31/1/84 Volume 27; C 25
29/5/84	30/5/84 Volume 27; C 143

TABLE 56.--The contribution per cent of the currencies of the EEC member states to the value of the European currency unit (ECU) since September 1984

In September 1984, the Finance Ministers of the EEC member States (save Italy, represented by its Treasury Minister) modified the contribution per cent of the currencies of the EEC States to the value of the ECU. Beginning 18 September 1984, the currencies of these States contribute to the value of the ECU according to the following coefficients:

DM	.719	FB	3.71
FF	1.31	DKR	.219
L	.0878	IRL	.00871
HFL	.256	FLUX	.14
LIT	140.0	DR	1.15

Source for coefficients: La Repubblica (Roma), 18 September 1984, p. 35.

N.B.: The Greek Drachma (DR) now contributes to the value of the ECU but, like the British Pound (which has always contributed to the value of the EUA/ECU), is not included in the European Monetary System (EMS).

	18/9/84	30/10/84	30/1/85	30/5/85
DM	32.05	32.24	32.35	32.03
FF	19.04	19.16	19.28	19.15
L	14.87	14.56	14.05	15.33
HFL	10.13	10.18	10.19	10.11
LIT	10.15	10.12	10.22	9.76
FB	8.13	8.18	8.18	8.17

	18/9/84	30/10/84	30/1/85	30/5/85
DKR	2.70	2.72	2.76	2.71
IRL	1.20	1.21	1.22	1.21
FLUX	.31	.31	.31	.31
DR	1.32	1.26	1.27	1.16

Exchange rate for:

Published:

18/9/84

19/9/84 Volume 27; C 252

30/10/84

31/10/84 Volume 27; C 291

30/1/85

31/1/85 Volume 28; C 29

30/5/85

31/5/85 Volume 28; C 132

Appendix B

Statistical Appendix to Chapter Six

THE EUROPEAN ECONOMIC COMMUNITY

AND ITALY

Mr. Wolfgang Knuppel of the Statistical Office of the European Communities (EUROSTAT), Luxembourg, with Prot. n. 012426 of 30 October 1984, provided me the data contained in Tables 57, 79 and 80.

Ms. Jenny Hopkins of EUROSTAT's Regional and Financial Statistics Department (OSCE B2), with Prot. n. 014175 of 1 February 1985, provided me the data contained in Table 77 and, with Prot. n. 016030 of 30 April 1985, provided me the data contained in Tables 58 through 76, 81, 82(*), and 85.

Dott.ssa Roberta Faggian of the Servizio Documentazione, Osservatorio della Spesa Pubblica, Consiglio Regionale, Regione del Veneto, on 3 January 1985, provided me yearly Ministerial Decrees from which the data contained in Table 83 are taken.

The data contained in Table 78 are from La Repubblica (Roma) 25 July 1985, p. 28.

The data contained in Table 84 are my elaborations based on the data contained in Table 83.

The data contained in Table 86 are my elaborations based on the data contained in Table 85.

(*ISTAT data. ISTAT (Roma) is Italy's National Statistics Office.)

TABLE 57.--Statistical data, EEC States by years

	1960	1961	1964	1969	1971
1. Agriculture					
a) as % of employment	16.2	15.4	13.0	10.6	9.5
b) as % of GNP	7.3	6.9	6.3	5.4	4.6
c) Value added (ECU)	18,009	18,549	22,039	28,308	30,081
d) average farm size (in hectares)	10.6			11.9(1)	13.4
e) average man-land ratio				1.5(2)	1.73
2. Industry					
a) as % of employment	40.6	41.0	41.7	41.3	41.0
b) as % of GNP	45.9	45.9	45.6	44.1	43.5
c) Value added (ECU)	112,723	122,693	159,819	230,132	285,481
3. Tertiary Sector					
a) as % of employment	29.4	29.7	30.6	32.5	33.3
b) as % of GNP	36.6	36.8	37.2	38.6	39.3
c) Value added (ECU)	89,742	98,442	130,444	201,375	257,945

TABLE 57.--Continued

	1960	1961	1964	1969	1971
4. Public Administration					
a) as % of employment	13.7	13.8	14.7	15.7	16.2
b) as % of GNP	10.6	10.7	11.1	11.7	12.3
c) Value added (ECU)	26,078	28,666	38,999	61,050	80,893
5. Unemployment Rate			1.5(3)		2.0(4)
6. <u>Pro Capite</u> Income (ECU)	992	1,067	1,354	1,949	2,387
7. <u>Pro Capite</u> Public Spending (ECU)				888(5)	993

(1) 1966/67, 10.1; (2) for 1966/67; (3) for 1960-1965; (4) for 1966-1970; (5) for 1970.

TABLE 57.--Continued

	1974	1979	1981	1982
1. Agriculture				
a) as % of employment	8.2	7.2	6.9	6.8
b) as % of GNP	4.1	3.6	3.3	3.5
c) Value added (ECU)	38,485	61,249	69,191	79,069
d) average farm size (in hectares)	14.5(6)	15.3(7)	15.4(8)	
e) average man-land ratio	1.69(6)	1.62(7)		
2. Industry				
a) as % of employment	39.9	37.1	35.8	35.0
b) as % of GNP	42.5	40.7	39.2	38.6
c) Value added (ECU)	405,927	689,648	823,440	983,889
3. Tertiary Sector				
a) as % of employment	34.5	36.9	37.8	38.3
b) as % of GNP	39.9	41.7	42.7	43.0
c) Value added (ECU)	381,052	706,419	897,099	983,994

TABLE 57.--Continued

	1974	1979	1981	1982
4. Public Administration				
a) as % of employment	17.4	18.8	19.5	19.9
b) as % of GNP	13.3	13.8	14.6	14.6
c) Value added (ECU)	126,587	233,474	307,340	333,086
5. Unemployment Rate	2.9(9)	5.5	7.6	9.2(10)
6. <u>Pro Capite</u> Income (ECU)	3,358	5,904	7,152	7,758
7. <u>Pro Capite</u> Public Spending (ECU)	1,548	2,974	3,917	

(6) for 1975; (7) for 1977; (8) for 1980; (9) 1973, 2.5; (1) 1983, 10.3.

TABLE 57.--Continued

	1955-1959					1960-1964					1965-1969					1970-1974					1975-1979					1980-1983				
	0.98					1.36					1.48					4.84					9.28					15.025				
8. Inflation Rate																														
9. Growth rate of the GNP						1960-1964					1964-1969					1969-1974					1974-1979					1979-1982				
10. Growth rate of agriculture as part of the GNP						9.3					8.3					12.8					12.2					10.6				
11. Growth rate of industry as part of the GNP						5.2					5.1					6.9					9.2					8.9				
12. Growth rate of the tertiary sector as part of the GNP						9.1					7.6					12.0					11.2					8.6				
13. Growth rate of public administration as part of the GNP						9.8					9.1					13.6					13.1					12.1				
						10.6					9.4					15.7					13.0					12.6				

TABLE 58.--The sectoral distribution of gross value added at market prices in 1970
in MIA LIT

	Agriculture	Industry	Tertiary	Public Administration	Total
Italy	5,122.0	26,968.0	31,257.0	7,053.0	61,701.0
Liguria	128.2	1,037.6	1,752.9	285.7	2,832.2
Lombardia	497.5	7,310.5	5,681.9	860.0	13,073.3
Piemonte	334.0	3,568.8	2,742.3	462.9	6,473.6
Valle d'Aosta	5.3	68.6	97.1	21.1	167.5
Northwest Average	241.25	2,996.38	2,568.55	407.43	5,636.65
Emilia-Romagna	627.6	2,181.0	2,323.1	487.6	4,988.8
Friuli-Venezia Giulia	84.5	568.7	847.7	249.4	1,461.9
Lazio	308.1	1,816.0	3,914.4	1,097.0	5,818.9
Marche	158.3	556.0	715.6	170.6	1,410.3
Toscana	261.4	1,888.3	2,250.9	460.0	4,287.3
Trentino-Alto Adige	77.1	345.2	503.7	150.1	901.4

TABLE 58.--Continued

	Agriculture	Industry	Tertiary	Public Administration	Total
Umbria	75.4	347.3	391.6	99.1	798.2
Veneto	477.5	2,144.8	2,158.4	492.6	4,682.1
Center/Northeast Average	258.74	1,232.16	1,638.18	400.80	3,043.61
Abruzzo	142.7	354.1	480.7	142.6	960.2
Basilicata	67.6	171.5	187.0	64.3	420.8
Calabria	165.2	470.9	679.4	199.5	1,294.9
Campania	492.8	1,473.1	2,162.2	550.6	4,058.0
Molise	41.3	68.6	109.8	37.9	217.4
Puglia	480.8	987.0	1,407.1	392.7	2,822.4
Sardegna	168.3	470.5	713.2	225.3	1,322.2
Sicilia	528.4	1,129.5	2,137.9	604.0	3,709.6
Mezzogiorno Average	260.89	949.35	984.66	277.11	1,850.69

TABLE 59.--The sectoral distribution of gross value added at market prices in 1970 (percentage figures)

	Agriculture	Industry	Tertiary	Public Administration
Italy	08	44	51	11
Liguria	05	37	62	10
Lombardia	04	56	43	07
Piemonte	05	55	42	07
Valle d'Aosta	03	41	58	13
Northwest Average	04	47	51	09
Emilia-Romagna	13	44	47	10
Friuli-Venezia Giulia	06	39	58	17
Lazio	05	31	67	19
Marche	11	40	51	12
Toscana	06	44	53	11
Trentino-Alto Adige	09	38	56	17
Umbria	09	44	49	12
Veneto	10	46	46	11
Center/Northeast Average	09	41	53	14

TABLE 59.--Continued

	Agriculture	Industry	Tertiary	Public Administration
Abruzzo	15	37	50	15
Basilicata	16	41	44	15
Calabria	13	36	52	15
Campania	12	36	53	14
Molise	19	32	51	17
Puglia	17	35	50	14
Sardegna	13	36	54	17
Sicilia	14	30	58	16
Mezzogiorno Average	15	35	52	15

TABLE 60.--The sectoral distribution of gross value added at market prices in 1974
in MIA LIT

	Agriculture	Industry	Tertiary	Public Administration	Total
Italy	8,096.0	48,173.0	55,326.0	13,237.0	107,434.0
Liguria	180.0	1,831.0	2,868.8	515.0	4,665.3
Lombardia	691.8	13,086.9	10,028.0	1,622.1	22,762.1
Piemonte	490.6	6,190.8	4,701.3	866.7	10,980.9
Valle d'Aosta	8.0	133.6	201.7	38.2	335.5
Northwest Average	342.6	5,310.6	4,450.0	760.5	9,686.0
Emilia-Romagna	946.8	4,151.0	4,278.1	929.2	9,021.2
Friuli-Venezia Giulia	108.2	1,137.3	1,482.9	432.9	2,636.0
Lazio	486.7	3,086.5	6,703.3	1,813.7	9,660.1
Marche	225.1	1,021.5	1,288.3	345.0	2,460.8

TABLE 60.--Continued

	Agriculture	Industry	Tertiary	Public Administration	Total
Toscana	402.5	3,340.1	3,911.9	919.7	7,371.9
Trentino-Alto Adige	102.2	676.6	929.6	277.5	1,670.9
Umbria	121.9	626.9	713.8	205.0	1,420.2
Veneto	741.1	3,816.4	4,007.4	965.9	8,318.8
Center/Northeast Average	391.8	2,232.0	2,914.4	736.1	5,320.0
Abruzzo	243.8	649.7	909.1	276.2	1,757.6
Basilicata	127.2	310.5	351.4	136.3	775.2
Calabria	305.1	762.4	1,291.7	449.5	2,309.4
Campania	815.6	2,840.1	3,866.6	1,045.3	6,988.1
Molise	57.6	139.0	201.0	72.0	391.3
Puglia	815.7	1,892.4	2,593.0	805.6	5,153.3

TABLE 60.--Continued

	Agriculture	Industry	Tertiary	Public Administration	Total
Sardegna	255.2	813.6	1,269.6	410.9	2,263.9
Sicilia	952.9	2,026.7	3,728.5	1,110.3	6,491.5
Mezzogiorno Average	446.6	1,179.3	1,776.4	538.3	3,266.3

TABLE 61.--The sectoral distribution of gross value added at market prices in 1974 (percentage figures)

	Agriculture	Industry	Tertiary	Public Administration
Italy	08	45	51	12
Liguria	04	39	61	11
Lombardia	03	57	44	07
Piemonte	04	56	43	08
Valle d'Aosta	02	48	52	09
Northwest Average	03	48	52	09
Emilia-Romagna	10	46	47	10
Friuli-Venezia Giulia	14	43	56	16
Lazio	15	32	69	19
Marche	09	42	52	14
Toscana	05	45	53	12
Trentino-Alto Adige	07	40	56	17
Umbria	09	44	50	14
Veneto	09	46	48	12
Center/Northeast Average	07	42	54	14

TABLE 61.--Continued

	Agriculture	Industry	Tertiary	Public Administration
Abruzzo	14	37	52	16
Basilicata	16	40	45	18
Calabria	13	33	56	19
Campania	12	35	55	15
Molise	15	36	51	18
Puglia	16	37	50	16
Sardegna	11	36	56	18
Sicilia	15	31	57	17
Mezzogiorno Average	14	36	53	17

TABLE 62.--The sectoral distribution of gross value added at market prices in 1979
in MIA LIT

	Agriculture	Industry	Tertiary	Public Administration	Total
Italy	18,610.0	115,571.0	139,574.0	34,476.0	262,179.0
Liguria	321.8	3,699.8	7,056.2	1,345.0	10,568.8
Lombardia	1,730.3	30,260.2	25,173.0	4,187.5	54,153.7
Piemonte	1,258.5	14,335.9	11,737.1	2,264.7	26,259.1
Valle d'Aosta	21.5	280.4	467.8	90.1	752.4
Northwest Average	833.0	12,144.1	11,108.5	1,971.8	22,933.5
Emilia-Romagna	2,429.8	10,239.7	11,076.8	2,422.8	22,719.3
Friuli-Venezia Giulia	303.0	2,696.8	3,572.1	936.8	6,298.1
Lazio	1,043.9	7,215.8	16,989.8	5,048.7	23,449.7
Marche	565.4	2,782.0	3,299.2	896.5	6,417.0

TABLE 62.--Continued

	Agriculture	Industry	Tertiary	Public Administration	Total
Toscana	906.0	8,575.2	9,835.4	2,355.2	18,540.4
Trentino-Alto Adige	363.3	1,817.9	2,451.0	646.5	4,416.9
Umbria	292.4	1,594.6	1,862.4	524.9	3,605.5
Veneto	1,765.1	9,561.0	10,193.8	2,311.7	20,822.4
Center/Northeast Average	958.6	5,560.4	7,410.1	1,892.9	13,283.7
Abruzzo	560.6	1,752.2	2,349.3	737.7	4,540.4
Basilicata	305.3	878.6	908.2	344.7	2,049.3
Calabria	825.3	1,660.5	3,238.2	1,138.7	5,606.5
Campania	1,668.8	6,052.1	9,868.0	2,952.0	17,157.0
Molise	143.4	407.0	543.3	195.8	1,067.2
Puglia	1,588.7	4,738.3	6,577.9	2,163.9	12,524.7

TABLE 62.--Continued

	Agriculture	Industry	Tertiary	Public Administration	Total
Sardegna	522.7	2,132.3	3,163.5	1,097.6	5,638.0
Sicilia	1,994.2	4,890.7	9,211.0	2,815.2	15,592.6
Mezzogiorno Average	951.1	2,814.0	4,482.4	1,430.7	8,022.0

TABLE 63.--The sectoral distribution of gross value added at market prices in 1979 (percentage figures)

	Agriculture	Industry	Tertiary	Public Administration
Italy	07	44	53	13
Liguria	03	35	67	13
Lombardia	03	56	46	08
Piemonte	05	55	45	09
Valle d'Aosta	03	37	62	12
Northwest Average	04	46	55	11
Emilia-Romagna	11	45	49	11
Friuli-Venezia Giulia	05	43	57	15
Lazio	04	31	72	22
Marche	09	43	51	14
Toscana	05	46	53	13
Trentino-Alto Adige	08	41	55	15
Umbria	08	44	52	15
Veneto	08	46	49	11
Center/Northeast Average	07	42	55	15

TABLE 63.--Continued

	Agriculture	Industry	Tertiary	Public Administration
Abruzzo	12	39	52	16
Basilicata	15	43	44	17
Calabria	15	30	58	20
Campania	10	35	58	17
Molise	13	38	51	18
Puglia	13	37	53	17
Sardegna	09	38	56	19
Sicilia	13	31	59	18
Mezzogiorno Average	13	37	54	18

TABLE 64.--The sectoral distribution of gross value added at market prices in 1981 in MIA LIT

	Agriculture	Industry	Tertiary	Public Administration	Total
Italy	23,924.0	165,292.0	218,114.0	57,33.0	388,989.0
Liguria	432.5	4,976.6	10,617.0	2,191.8	15,354.8
Lombardia	2,064.9	43,166.6	39,402.5	7,132.8	79,731.4
Piemonte	1,571.0	19,383.3	18,210.2	3,759.8	37,540.4
Valle d'Aosta	28.4	397.4	703.5	152.2	1,105.0
Northwest Average	1,024.2	16,981.0	17,233.3	3,309.2	33,432.9
Emilia-Romagna	3,105.0	15,445.9	17,325.6	3,980.6	34,143.1
Friuli-Venezia Giulia	360.0	4,033.5	5,731.0	1,592.9	9,626.4
Lazio	1,502.5	10,518.7	25,821.4	8,044.1	35,284.7
Marche	738.9	4,126.4	5,335.4	1,603.8	9,813.3

TABLE 64.--Continued

	Agriculture	Industry	Tertiary	Public Administration	Total
Toscana	1,114.8	12,037.8	15,538.4	3,903.1	27,383.3
Trentino-Alto Adige	423.5	2,515.7	4,005.1	1,139.3	6,573.7
Umbria	395.0	2,299.1	3,017.7	957.7	5,480.6
Veneto	2,104.4	13,907.9	16,170.8	3,911.3	31,031.2
Center/Northeast Average	1,218.0	8,110.6	11,618.2	3,141.6	19,917.0
Abruzzo	722.4	2,571.6	3,794.7	1,307.7	6,885.1
Basilicata	352.3	1,209.9	1,445.6	614.7	2,932.6
Calabria	1,076.1	2,701.1	5,167.0	1,974.3	8,753.1
Campania	2,199.9	8,827.5	15,475.6	4,927.8	25,808.8
Molise	184.0	590.6	897.7	362.4	1,624.4
Puglia	2,391.9	6,661.8	10,239.8	3,479.8	18,674.1

TABLE 64.--Continued

	Agriculture	Industry	Tertiary	Public Administration	Total
Sardegna	614.7	2,625.8	4,845.1	1,752.0	7,843.2
Sicilia	2,541.8	7,294.8	14,369.9	4,544.9	23,399.8
Mezzogiorno Average	1,260.4	4,060.4	7,029.4	2,370.5	11,990.1

TABLE 65.--The sectoral distribution of gross value added at market prices in 1981 (percentage figures)

	Agriculture	Industry	Tertiary	Public Administration
Italy	06	42	56	15
Liguria	03	32	69	14
Lombardia	03	54	49	09
Piemonte	04	52	49	10
Valle d'Aosta	03	36	64	14
Northwest Average	03	44	58	12
Emilia-Romagna	09	45	51	12
Friuli-Venezia Giulia	04	42	60	17
Lazio	04	30	73	23
Marche	04	42	54	16
Toscana	04	44	57	14
Trentino-Alto Adige	06	38	61	17
Umbria	07	42	55	17
Veneto	07	45	52	13
Center/Northeast Average	06	41	58	16

TABLE 65.--Continued

	Agriculture	Industry	Tertiary	Public Administration
Abruzzo	10	37	55	19
Basilicata	12	41	49	21
Calabria	12	31	59	23
Campania	09	34	60	19
Molise	11	36	55	22
Puglia	13	36	55	19
Sardegna	08	33	62	22
Sicilia	11	31	61	19
Mezzogiorno Average	11	35	57	21

TABLE 66.--The growth rate of gross value added at market prices by sector 1970 - 1974

1970=1.00	Agriculture	Industry	Tertiary	Public Admin.	Total GDP
Italy	1.58	1.79	1.77	1.88	1.74
Liguria	1.40	1.76	1.64	1.80	1.65
Lombardia	1.39	1.79	1.76	1.89	1.74
Piemonte	1.47	1.73	1.71	1.87	1.70
Valle d'Aosta	1.51	1.95	2.08	1.81	2.00
Northwest Average	1.44	1.81	1.80	1.84	1.77
Emilia-Romagna	1.51	1.90	1.84	1.91	1.81
Friuli-Venezia Giulia	1.28	2.00	1.75	1.74	1.80
Lazio	1.58	1.70	1.71	1.65	1.66
Marche	1.42	1.80	1.80	2.02	1.74
Toscana	1.54	1.77	1.74	2.00	1.72
Trentino-Alto Adige	1.56	1.96	1.85	1.85	1.85
Umbria	1.62	1.81	1.82	2.07	1.78
Veneto	1.55	1.78	1.86	1.96	1.78
Center/Northeast Average	1.51	1.84	1.80	1.90	1.77

TABLE 66.--Continued

	Agriculture	Industry	Tertiary	Public Admin.	Total GDP
Abruzzo	1.71	1.83	1.89	1.94	1.83
Basilicata	1.88	1.81	1.88	2.12	1.84
Calabria	1.85	1.62	1.90	2.25	1.78
Campania	1.66	1.68	1.79	1.90	1.72
Molise	1.39	2.03	1.83	1.90	1.80
Puglia	1.70	1.92	1.84	2.05	1.83
Sardegna	1.52	1.73	1.78	1.82	1.71
Sicilia	1.80	1.79	1.74	1.84	1.75
Mezzogiorno Average	1.69	1.80	1.83	1.98	1.78

TABLE 67.--The growth rate of gross value added at market prices by sector 1974 - 1979

1970=1.00	Agriculture	Industry	Tertiary	Public Admin.	Total GDP
Italy	2.30	2.40	2.52	2.60	2.44
Liguria	1.79	2.02	2.46	2.61	2.27
Lombardia	2.50	2.31	2.51	2.58	2.38
Piemonte	2.57	2.32	2.50	2.61	2.39
Valle d'Aosta	2.69	2.10	2.32	2.36	2.24
Northwest Average	2.39	2.19	2.45	2.54	2.32
Emilia-Romagna	2.57	2.47	2.59	2.61	2.52
Friuli-Venezia Giulia	2.80	2.37	2.41	2.16	2.39
Lazio	2.14	2.34	2.53	2.78	2.43
Marche	2.51	2.72	2.56	2.60	2.61
Toscana	2.25	2.57	2.51	2.56	2.51
Trentino-Alto Adige	3.02	2.69	2.64	2.33	2.64
Umbria	2.40	2.54	2.61	2.56	2.54
Veneto	2.38	2.51	2.54	2.39	2.50
Center/Northeast Average	2.51	2.53	2.55	2.50	2.52

TABLE 67.--Continued

	Agriculture	Industry	Tertiary	Public Admin.	Total GDP
Abruzzo	2.30	2.70	2.58	2.67	2.58
Basilicata	2.40	2.83	2.58	2.53	2.64
Calabria	2.71	2.18	2.51	2.53	2.43
Campania	2.05	2.44	2.55	2.82	2.46
Molise	2.49	2.93	2.70	2.72	2.73
Puglia	1.95	2.50	2.54	2.69	2.43
Sardegna	2.05	2.62	2.49	2.67	2.49
Sicilia	2.09	2.41	2.47	2.54	2.40
Mezzogiorno Average	2.26	2.58	2.55	2.65	2.52

TABLE 68.--The growth rate of gross value added at market prices by sector 1979 - 1981

1970=1.00	Agriculture	Industry	Tertiary	Public Admin.	Total GDP
Italy	1.29	1.43	1.56	1.66	1.48
Liguria	1.34	1.35	1.50	1.63	1.45
Lombardia	1.19	1.43	1.57	1.70	1.47
Piemonte	1.25	1.35	1.55	1.66	1.43
Valle d'Aosta	1.32	1.42	1.50	1.69	1.47
Northwest Average	1.28	1.39	1.53	1.67	1.46
Emilia-Romagna	1.28	1.51	1.56	1.64	1.50
Friuli-Venezia Giulia	1.19	1.50	1.60	1.70	1.53
Lazio	1.44	1.46	1.52	1.59	1.50
Marche	1.31	1.48	1.62	1.79	1.53
Toscana	1.23	1.40	1.58	1.66	1.48
Trentino-Alto Adige	1.17	1.38	1.63	1.76	1.49
Umbria	1.35	1.44	1.62	1.82	1.52
Veneto	1.19	1.45	1.59	1.69	1.49
Center/Northeast Average	1.27	1.45	1.59	1.71	1.51

TABLE 68.--Continued

	Agriculture	Industry	Tertiary	Public Admin.	Total GDP
Abruzzo	1.29	1.47	1.62	1.77	1.52
Basilicata	1.15	1.38	1.59	1.78	1.43
Calabria	1.30	1.63	1.60	1.73	1.57
Campania	1.32	1.46	1.57	1.67	1.50
Molise	1.28	1.45	1.65	1.85	1.52
Puglia	1.51	1.41	1.56	1.61	1.49
Sardegna	1.18	1.23	1.53	1.60	1.39
Sicilia	1.27	1.49	1.56	1.61	1.50
Mezzogiorno Average	1.29	1.44	1.59	1.70	1.49

TABLE 69.--The sectoral distribution of employment in 1970 (in thousands)

	Agriculture	Industry	Tertiary	Public Administration	Total
Italy	3,605.0	7,693.0	8,443.3	2,805.5	19,741.3
Liguria	57.6	221.5	415.5	112.0	694.6
Lombardia	198.3	1,874.1	1,354.4	342.4	3,426.8
Piemonte	248.7	910.7	681.5	185.9	1,840.9
Valle d'Aosta	5.9	17.5	22.1	7.9	45.5
Northwest Average	127.6	756.0	618.4	162.1	1,502.0
Emilia-Romagna	340.8	617.0	671.9	192.2	1,629.7
Friuli-Venezia Giulia	58.7	184.4	260.8	114.5	503.9
Lazio	181.2	440.0	1,018.3	418.9	1,639.5
Marche	165.2	195.1	197.3	70.0	557.6
Toscana	185.9	566.2	586.0	184.1	1,338.1
Trentino-Alto Adige	53.2	100.1	173.5	65.7	326.8
Umbria	71.2	106.4	113.5	42.5	291.1
Veneto	248.9	673.2	625.2	203.3	1,547.3

TABLE 69.--Continued

	Agriculture	Industry	Tertiary	Public Administration	Total
Center/Northeast Average	163.1	360.3	455.8	161.4	979.3
Abruzzo	129.9	131.2	152.0	55.6	413.1
Basilicata	79.5	69.0	62.6	25.3	211.1
Calabria	204.3	188.6	212.4	79.7	605.3
Campania	411.7	519.0	637.2	230.6	1,567.9
Molise	56.0	27.7	35.7	14.6	119.4
Puglia	420.3	317.7	427.1	155.4	1,165.1
Sardegna	109.1	121.8	212.8	87.7	443.7
Sicilia	378.6	411.8	583.5	217.2	1,373.9
Mezzogiorno. Average	223.7	223.4	290.4	108.3	737.4

TABLE 70.--The sectoral distribution of employment in 1970 (percentage figures)

	Agriculture	Industry	Tertiary	Public Administration
Italy	18	39	43	14
Liguria	08	32	60	16
Lombardia	06	55	40	10
Piemonte	14	49	37	10
Valle d'Aosta	13	38	49	17
Northwest Average	10	44	47	13
Emilia-Romagna	21	38	41	12
Friuli-Venezia Giulia	12	37	52	23
Lazio	11	27	62	26
Marche	30	35	35	13
Toscana	14	42	44	14
Trentino-Alto Adige	16	31	53	20
Umbria	24	37	39	15
Veneto	16	44	40	13
Center/Northeast Average	18	31	46	17
Abruzzo	31	32	37	13
Basilicata	38	33	30	12
Calabria	34	31	35	13
Campania	26	33	41	15
Molise	47	23	30	12
Puglia	36	27	37	13

TABLE 70.--Continued

	Agriculture	Industry	Tertiary	Public Administration
Sardegna	25	27	48	20
Sicilia	28	30	42	16
Mezzogiorno Average	33	30	38	14

TABLE 71.--The sectoral distribution of employment in 1974 (in thousands)

	Agriculture	Industry	Tertiary	Public Administration	Total
Italy	3,174.0	7,585.8	9,187.2	3,218.3	19,947.0
Liguria	53.8	211.9	439.6	129.9	705.3
Lombardia	162.3	1,842.9	1,478.3	402.0	3,483.5
Piemonte	217.5	903.3	773.4	239.5	1,894.2
Valle d'Aosta	6.9	18.5	23.5	8.6	48.9
Northwest Average	110.1	744.2	678.7	195.0	1,533.0
Emilia-Romagna	299.7	601.0	739.0	231.5	1,639.7
Friuli-Venezia Giulia	38.8	179.7	272.8	118.1	491.3
Lazio	153.6	452.5	1,074.9	425.7	1,681.0
Marche	123.5	202.0	218.7	82.9	544.2
Toscana	135.8	553.0	642.8	221.5	1,331.6
Trentino-Alto Adige	54.8	105.1	186.9	71.0	346.8
Umbria	52.8	112.1	123.8	49.7	288.7
Veneto	215.7	649.2	685.4	234.4	1,550.3

TABLE 71.--Continued

	Agriculture	Industry	Tertiary	Public Administration	Total
Center/Northeast Average	134.3	356.8	493.0	179.4	984.2
Abruzzo	114.5	137.5	165.6	65.4	417.6
Basilicata	80.4	66.6	70.6	32.1	217.6
Calabria	170.8	163.5	241.0	103.9	575.3
Campania	352.4	508.3	691.6	260.8	1,552.3
Molise	50.4	30.7	38.2	16.5	119.3
Puglia	419.1	338.2	474.3	187.7	1,231.6
Sardegna	100.6	122.6	223.1	98.4	446.3
Sicilia	370.6	387.2	623.7	238.7	1,381.5
Mezzogiorno Average	207.4	219.3	316.0	125.4	742.7

TABLE 72.--The sectoral distribution of employment in 1974 (percentage figures)

	Agriculture	Industry	Tertiary	Public Administration
Italy	16	38	46	16
Liguria	08	30	62	18
Lombardia	05	53	42	12
Piemonte	11	48	41	13
Valle d'Aosta	14	38	48	18
Northwest Average	10	42	48	15
Emilia-Romagna	18	37	45	14
Friuli-Venezia Giulia	08	37	56	24
Lazio	09	27	64	25
Marche	23	37	40	15
Toscana	10	42	48	17
Trentino-Alto Adige	16	30	54	20
Umbria	18	39	43	17
Veneto	14	42	44	15
Center/Northeast Average	15	36	49	18

TABLE 72.--Continued

	Agriculture	Industry	Tertiary	Public Administration
Abruzzo	27	33	40	16
Basilicata	37	31	32	15
Calabria	30	28	42	18
Campania	23	33	45	17
Molise	42	26	32	14
Puglia	34	27	39	15
Sardegna	23	27	50	22
Sicilia	27	28	45	17
Mezzogiorno Average	30	29	41	17

TABLE 73.--The sectoral distribution of employment in 1979 in thousands

	Agriculture	Industry	Tertiary	Public Administration	Total
Italy	2,840.0	7,532.0	10,225.0	3,587.0	20,597.0
Liguria	43.6	208.4	471.0	140.6	723.0
Lombardia	145.5	1,782.2	1,653.4	460.2	3,581.1
Piemonte	170.4	883.2	845.0	267.2	1,898.6
Valle d'Aosta	5.1	19.5	27.1	8.9	51.7
Northwest Average	91.2	723.3	749.1	219.2	1,563.6
Emilia-Romagna	248.4	599.2	814.9	252.7	1,662.5
Friuli-Venezia Giulia	31.5	184.7	284.5	119.9	500.7
Lazio	132.6	454.4	1,205.7	482.0	1,792.7
Marche	97.1	205.2	239.4	91.7	541.7
Toscana	137.9	549.6	701.8	240.9	1,389.3
Trentino-Alto Adige	47.2	106.9	207.5	74.9	361.6
Umbria	38.8	116.1	139.4	56.2	294.3
Veneto	180.8	639.5	751.1	248.1	1,571.4

TABLE 73.--Continued

	Agriculture	Industry	Tertiary	Public Administration	Total
Center/Northeast Average	114.3	357.0	543.0	195.8	1,014.3
Abruzzo	104.6	135.3	188.1	72.3	428.0
Basilicata	76.8	67.5	80.2	34.6	224.5
Calabria	178.5	159.7	269.9	114.7	608.1
Campania	332.4	520.0	797.5	304.6	1,649.9
Molise	47.4	30.8	44.1	19.4	122.3
Puglia	394.3	353.8	542.3	213.9	1,290.4
Sardegna	92.1	128.4	255.3	112.7	475.8
Sicilia	335.0	387.6	706.8	271.5	1,429.4
Mezzogiorno Average	195.1	222.9	360.5	143.0	778.6

TABLE 74.--The sectoral distribution of employment in 1979 (percentage figures)

	Agriculture	Industry	Tertiary	Public Administration
Italy	14	37	50	17
Liguria	06	29	65	19
Lombardia	04	50	46	13
Piemonte	09	47	45	14
Valle d'Aosta	10	38	52	17
Northwest Average	07	41	52	16
Emilia-Romagna	15	36	49	15
Friuli-Venezia Giulia	06	37	57	24
Lazio	07	25	67	27
Marche	18	38	44	17
Toscana	10	40	51	17
Trentino-Alto Adige	13	30	57	21
Umbria	13	39	47	19
Veneto	12	41	48	16
Center/Northeast Average	12	36	53	20

TABLE 74.--Continued

	Agriculture	Industry	Tertiary	Public Administration
Abruzzo	24	32	44	17
Basilicata	34	30	36	15
Calabria	29	26	44	19
Campania	20	32	48	18
Molise	39	25	36	16
Puglia	31	27	42	17
Sardegna	19	27	54	24
Sicilia	23	27	49	19
Mezzogiorno Average	27	28	44	18

TABLE 75.--The sectoral distribution of employment in 1981 (in thousands)

	Agriculture	Industry	Tertiary	Public Administration	Total
Italy	2,655.0	7,532.0	10,573.2	3,512.0	20,760.2
Liguria	45.0	205.1	484.6	138.2	734.7
Lombardia	136.7	1,756.0	1,725.7	468.6	3,618.4
Piemonte	167.6	861.1	862.0	258.5	1,890.7
Valle d'Aosta	5.6	19.6	28.9	8.5	54.1
Northwest Average	88.7	710.5	775.3	218.5	1,574.5
Emilia-Romagna	227.3	606.4	825.8	244.4	1,659.5
Friuli-Venezia Giulia	31.3	183.4	266.3	94.1	481.0
Lazio	125.8	451.0	1,235.8	456.8	1,812.6
Marche	102.3	208.4	247.0	94.6	557.7
Toscana	133.4	549.7	726.1	237.0	1,409.2
Trentino-Alto Adige	47.5	105.5	218.3	65.5	371.3
Umbria	37.4	117.5	148.7	59.4	303.6
Veneto	170.0	639.3	777.0	233.7	1,586.3

TABLE 75.--Continued

	Agriculture	Industry	Tertiary	Public Administration	Total
Center/Northeast Average	109.4	357.7	555.6	185.7	1,022.7
Abruzzo	82.9	140.0	202.4	76.0	425.3
Basilicata	64.9	71.9	85.5	37.8	222.3
Calabria	146.7	162.3	284.9	119.8	593.9
Campania	297.2	532.2	840.3	306.2	1,669.7
Molise	43.3	31.4	47.6	21.4	122.3
Puglia	383.1	359.8	559.5	204.2	1,302.4
Sardegna	95.0	130.3	265.4	110.7	490.7
Sicilia	312.0	401.1	741.4	276.6	1,454.5
Mezzogiorno Average	178.1	228.6	378.4	144.1	785.1

TABLE 76.--The sectoral distribution of employment in 1981 (percentage figures)

	Agriculture	Industry	Tertiary	Public Administration
Italy	13	36	51	17
Liguria	06	28	66	19
Lombardia	04	49	48	13
Piemonte	09	46	46	14
Valle d'Aosta	10	36	53	16
Northwest Average	07	40	53	16
Emilia-Romagna	14	37	50	15
Friuli-Venezia Giulia	07	38	55	20
Lazio	07	25	68	25
Marche	18	37	44	17
Toscana	09	39	52	17
Trentino-Alto Adige	13	28	59	18
Umbria	12	39	49	20
Veneto	11	40	49	15
Center/Northeast Average	11	35	53	18

TABLE 76.--Continued

	Agriculture	Industry	Tertiary	Public Administration
Abruzzo	19	33	48	18
Basilicata	29	32	38	17
Calabria	25	27	48	20
Campania	18	32	50	18
Molise	35	26	39	17
Puglia	29	28	43	16
Sardegna	19	27	54	23
Sicilia	21	28	51	19
Mezzogiorno Average	24	29	46	19

TABLE 77.--The distribution of pro capite income among Italy's twenty regions

EEC Average = 100	1971	1974	1979	1981
Italy	74.2	68.5	63.2	68.8
Liguria	97.0	88.2	78.4	84.4
Lombardia	98.8	91.8	82.8	89.7
Piemonte	91.8	85.6	79.1	83.7
Valle d'Aosta	99.4	105.3	90.4	98.6
Northwest Average	96.8	92.7	82.7	89.2
Emilia-Romagna	84.6	81.3	78.1	86.3
Friuli-Venezia Giulia	77.7	75.2	69.1	78.0
Lazio	80.7	70.7	64.3	70.7
Marche	67.4	63.0	62.1	69.5
Toscana	80.5	73.5	70.4	76.5
Trentino-Alto Adige	70.6	68.7	69.0	75.3
Umbria	66.3	63.6	61.1	68.0
Veneto	74.9	69.4	65.4	71.5
Center/Northeast Average	75.3	70.7	67.4	75.5

TABLE 77.--Continued

EEC Average = 100	1971	1974	1979	1981
Abruzzo	55.4	52.1	51.0	56.6
Basilicata	47.5	44.9	45.5	48.1
Calabria	43.5	40.5	37.3	42.5
Campania	53.2	47.4	43.2	47.3
Molise	44.5	42.3	44.2	49.5
Puglia	52.8	49.4	44.5	48.3
Sardegna	59.8	52.5	48.5	49.3
Sicilia	53.3	48.1	43.5	47.8
Mezzogiorno Average	51.3	47.2	44.7	48.7

TABLE 78.--The distribution of the average monthly income per family and pro capite among Italy's twenty regions (in thousands of LIT)

	1982		1983		1984	
	Family Income	Pr Cap Income	Family Income	Pr Cap Income	Family Income	Pr Cap Income
Italy	1,264	419	1,458	483	1,641	544
Liguria	1,176	475	1,329	537	1,472	594
Lombardia	1,499	526	1,769	620	1,966	689
Piemonte	1,240	469	1,454	550	1,610	609
Valle d'Aosta	1,243	471	1,390	526	1,606	607
Northwest Average	1,377	503	1,614	589	1,792	654
Emilia-Romagna	1,380	494	1,641	587	1,805	646
Friuli-Venezia Giulia	1,294	479	1,491	551	1,677	620
Trentino-Alto Adige	1,350	442	1,542	504	1,773	580
Veneto	1,440	464	1,577	507	1,803	581
Northeast Average	1,390	475	1,589	542	1,786	610

TABLE 78.--Continued

	1982		1983		1984	
	Family Income	Pr Cap Income	Family Income	Pr Cap Income	Family Income	Pr Cap Income
Lazio	1,236	410	1,383	458	1,676	558
Marche	1,388	447	1,646	497	1,769	569
Toscana	1,253	435	1,423	494	1,696	589
Umbria	1,114	369	1,340	443	1,516	501
Center Average	1,252	420	1,414	474	1,653	564
Abruzzo	1,144	372	1,354	440	1,466	476
Basilicata	967	303	1,178	368	1,395	437
Calabria	1,192	364	1,297	397	1,342	410
Campania	1,083	314	1,373	398	1,492	433
Molise	919	310	1,113	374	1,177	397
Puglia	1,069	320	1,176	353	1,367	410
Sardegna	1,044	305	1,225	357	1,437	419
Sicilia	1,118	335	1,229	368	1,346	403
Mezzogiorno Average	1,095	328	1,268	380	1,401	420

TABLE 79.--Unemployment rate (*) in Italy

1974	1979	1981	1982
4.8 (1)	7.5	8.8	10.5 (2)

(*Official Italian data.)

(1) 1973, 4.9

(2) 1983, 11.9

TABLE 80.--Inflation rate in Italy

1955- 1959	1960- 1964	1965- 1969	1970- 1974	1975- 1979	1980- 1983
0.54	1.72	1.04	5.42	15.58	32.15

TABLE 81.--EEC harmonized unemployment rates (*) for Italy: April 1983 and April 1984

	April 1983			April 1984		
	(1)	(2)	(3)	(1)	(2)	(3)
Italy	8.6	1,929.6	22,540.2	9.6	2,161.3	22,540.2
Liguria	5.9	35.0	595.7	9.5	56.4	595.7
Lombardia	5.8	220.0	3,793.0	6.4	242.1	3,793.0
Piemonte	7.3	144.2	1,975.3	8.0	158.7	1,975.3
Valle d'Aosta	3.6	1.8	48.8	5.8	2.8	48.8
Northwest Average	5.7	100.3	1,603.2	7.4	115.0	1,603.2
Emilia-Romagna	6.7	117.8	1,751.5	8.7	152.2	1,751.5
Friuli-Venezia Giulia	7.7	37.6	488.6	8.0	39.3	488.6
Lazio	7.8	154.6	1,988.6	9.0	178.8	1,988.6
Marche	6.0	37.5	629.5	7.2	45.6	629.5
Toscana	8.4	123.7	1,476.4	8.4	124.2	1,476.4
Trentino-Alto Adige	4.7	17.2	366.1	5.8	21.2	366.1
Umbria	8.4	27.3	325.5	11.0	35.7	325.5
Veneto	7.4	133.9	1,819.5	8.1	146.5	1,819.5

TABLE 81.--Continued

	April 1983			April 1984		
	(1)	(2)	(3)	(1)	(2)	(3)
Center/Northeast Average	7.1	81.2	1,105.7	8.3	92.9	1,105.7
Abruzzo	7.7	38.5	498.6	7.9	39.5	498.6
Basilicata	11.8	27.2	230.8	10.7	24.8	230.8
Calabria	13.3	95.5	720.3	14.2	102.4	720.3
Campania	13.0	266.3	2,043.4	14.1	287.4	2,043.4
Molise	10.0	11.9	119.9	7.7	9.2	119.9
Puglia	10.6	151.5	1,428.2	11.2	160.4	1,428.2
Sardegna	16.0	90.3	563.7	18.0	101.7	563.7
Sicilia	11.8	197.7	1,676.6	13.9	232.3	1,676.6
Mezzogiorno Average	11.8	109.9	910.2	12.2	119.7	910.2

(*These data differ from official Italian data).

(1) Unemployment rate (%)

(2) Number of unemployed (in thousands)

(3) Active population/labor force (in thousands)

TABLE 82.--The family consumption of goods and services 1970 - 1980
(in billions of LIT)

	Italy	North-central Italy	Mezzogiorno	(1)	(2)
1970	39,057.0	28,708.8	10,348.2	26.5	36.0
1971	42,397.0	31,180.5	11,216.5	26.5	36.0
1972	46,639.0	34,324.7	12,314.3	26.4	35.9
1973	55,623.0	40,525.7	15,097.3	27.1	37.3
1974	69,008.0	50,419.1	18,588.9	26.9	36.9
1975	79,906.0	58,442.9	21,463.1	26.9	36.7
1976	97,511.0	71,540.2	25,970.8	26.6	36.3
1977	117,005.0	85,875.4	31,129.6	26.6	36.2
1978	135,691.0	99,610.3	36,080.7	26.6	36.2
1979	163,881.0	120,038.2	43,842.8	26.8	36.5
1980	206,561.0	151,650.0	54,911.0	26.6	36.2
Avg.	95,752.6	70,210.5	25,542.1	26.7	36.4

(1) The Mezzogiorno as a percentage of Italy

(2) The Mezzogiorno as a percentage of North-central Italy

TABLE 83.--The distribution of the resources of the common regional fund among Italy's fifteen ordinary regions
(in MIA LIT)

	Abruzzo	Basilicata	Calabria	Emilia-Romagna	Lazio	Liguria	Lombardia	Marche
1972	12,986	8,372	24,748	30,799	32,367	12,709	50,467	11,221
1973	19,368	12,516	38,693	47,257	44,552	19,309	78,974	17,190
1974	18,831	13,022	40,632	44,426	46,137	20,018	82,067	19,444
1975	19,478	13,466	39,782	45,278	47,046	20,355	83,303	18,125
1976	22,055	15,069	44,353	52,069	61,554	23,235	108,814	18,948
1977	35,896	26,089	71,852	81,770	88,578	34,836	157,235	34,911
1978	47,418	34,463	94,916	108,018	117,011	46,018	207,706	46,117
1979	52,172	37,918	104,432	118,847	128,741	50,632	228,528	51,053
1980	73,999	53,784	148,124	168,620	182,604	71,815	324,257	72,389
1981	94,708	68,834	189,576	215,817	233,705	91,912	415,021	92,721
1982	104,735	72,266	208,939	264,937	307,965	108,362	433,820	111,424
1983	95,721	76,632	230,937	293,028	339,731	121,431	485,203	115,884
1984	127,714	86,316	252,526	320,355	369,423	132,843	505,934	132,155

TABLE 83.--Continued

	Molise	Campania	Piemonte	Puglia	Toscana	Umbria	Veneto
1972	3,815	46,797	31,980	37,210	25,591	7,486	28,889
1973	6,055	75,911	49,398	60,047	39,344	11,393	44,540
1974	6,298	85,396	51,170	58,694	40,945	11,859	46,412
1975	6,978	89,272	52,105	56,443	37,192	12,181	47,459
1976	7,810	99,861	60,190	69,002	43,295	13,860	54,720
1977	13,254	150,471	92,461	105,371	70,795	23,081	83,096
1978	17,509	198,772	122,141	139,194	93,520	30,489	109,769
1979	19,264	218,698	136,897	153,152	102,896	33,546	120,773
1980	27,324	310,197	193,980	217,226	145,945	47,581	171,302
1981	34,970	397,005	248,865	278,019	186,787	60,896	219,240
1982	37,786	371,331	261,709	293,105	225,022	84,595	250,540
1983	41,866	440,788	293,976	325,989	249,228	93,616	278,750
1984	45,966	488,198	323,440	359,032	273,551	101,927	306,174

TABLE 84.--The distribution of the resources of the common regional fund among Italy's three economic systems expressed as the groupings of the appropriate ordinary regions

	Northwest (1)		Center/Northeast (2)		Mezzogiorno (3)	
	Avg. Allocation in LIT (mill's) per region	% of the fund's resources	Avg. Allocation in LIT (mill's) per region	% of the fund's resources	Avg. Allocation in LIT (mill's) per region	% of the fund's resources
1972	31,719	41.30	22,726	29.59	22,352	29.11
1973	49,227	41.47	34,046	28.68	35,431	29.85
1974	51,085	41.50	34,870	28.33	37,145	30.17
1975	51,921	41.85	34,546	27.85	37,569	30.30
1976	64,079	43.34	40,741	27.56	43,025	29.10
1977	94,844	42.02	63,705	28.23	67,155	29.75
1978	125,288	42.02	84,154	28.23	88,712	29.75
1979	138,685	42.16	92,642	28.17	97,606	29.67
1980	196,684	42.16	131,406	28.17	138,442	29.67
1981	251,932	42.18	168,194	28.16	177,185	29.66
1982	267,963	40.80	207,413	31.58	181,360	27.62
1983	300,203	41.08	228,372	31.26	201,988	27.65
1984	320,739	40.20	250,597	31.40	226,625	28.40
1972-1984	149,566	41.44	107,185	29.69	104,199	28.87

(1) Liguria, Lombardia, Piemonte;

(2) Emilia-Romagna, Lazio, Marche, Toscana, Umbria, Veneto;

(3) Abruzzo, Basilicata, Calabria, Campania, Molise, Puglia.

TABLE 85.--The accounts of Italy's regional institutions of government:
1977 and 1979 (in billions of LIT)

	1977		1979	
	Total Revenue	Total Expenditure	Total Revenue	Total Expenditure
Italy	15,619.0	20,398.0	30,713.0	33,896.0
Liguria	490.6	749.0	1,146.9	1,333.4
Lombardia	2,252.3	3,107.7	4,040.7	4,950.2
Piemonte	1,128.7	1,439.0	2,201.1	2,421.4
Valle d'Aosta	78.8	102.3	125.1	154.3
Northwest Average	987.6	1,349.5	1,878.5	2,214.8
Emilia-Romagna	1,099.5	1,592.1	2,219.7	2,733.0
Friuli-Venezia Giulia	635.0	631.9	1,202.8	1,104.7
Lazio	1,237.0	2,277.0	2,888.4	3,790.4
Marche	341.4	570.7	725.6	875.9
Toscana	946.8	1,300.8	1,804.1	2,282.1
Trentino-Alto Adige	669.4	505.5	865.6	884.3
Umbria	193.6	265.2	430.6	488.8
Veneto	1,160.6	1,356.1	2,069.9	2,286.5
Center/Northeast Average	785.4	1,062.4	1,525.8	1,805.7
Abruzzo	324.8	396.8	615.6	633.0
Basilicata	182.3	211.3	368.1	369.3
Calabria	506.5	646.4	1,170.5	951.9

TABLE 85.--Continued

	1977		1979	
	Total Revenue	Total Expenditure	Total Revenue	Total Expenditure
Campania	1,042.7	1,600.7	2,619.2	2,638.4
Molise	92.1	98.4	202.9	156.0
Puglia	898.7	1,160.6	1,782.3	1,752.8
Sardegna	669.4	636.3	1,054.6	973.9
Sicilia	1,668.8	1,750.2	3,179.3	3,115.7
Mezzogiorno Average	673.2	812.6	1,374.1	1,323.9

TABLE 86.--The accounts of Italy's regional institutions of government: total expenditure as a percentage of total revenue in 1977 and in 1979

	1977	1979
Italy	130.6	110.4
Liguria	152.7	116.3
Lombardia	138.0	122.5
Piemonte	127.5	110.0
Valle d'Aosta	129.8	123.3
Northwest Average	137.0	118.0
Emilia-Romagna	144.8	123.1
Friuli-Venezia Giulia	99.5	91.8
Lazio	184.1	131.2
Marche	167.2	120.7
Toscana	137.4	126.5
Trentino-Alto Adige	75.6	102.2
Umbria	137.0	113.5
Veneto	116.8	110.5
Center/Northeast Average	132.8	114.9
Abruzzo	122.2	102.8
Basilicata	115.9	100.3
Calabria	127.6	81.3
Campania	153.5	100.7
Molise	106.8	76.9
Puglia	129.1	98.3
Sardegna	95.1	92.3
Sicilia	104.9	98.0
Mezzogiorno Average	119.4	93.8

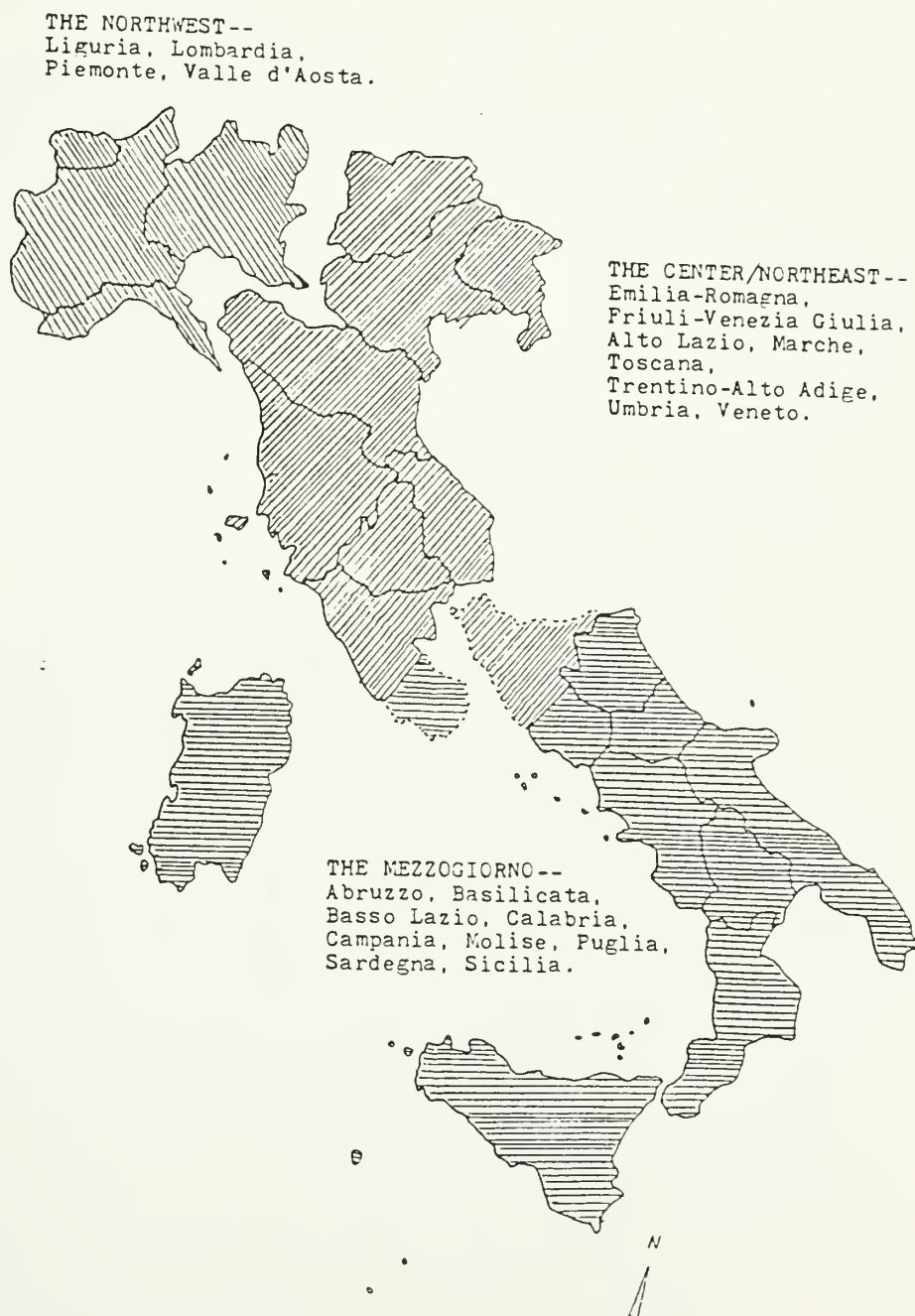
Appendix C

ITALY: ITS REGIONS AND
ITS ECONOMIC SYSTEMS

FIGURE 1.--Italy: its regions and their capitals



FIGURE 2.--The Italian economy's three economic systems



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