

ASSOCIAZIONE PREMIO INTERNAZIONALE GUIDO DORSO

Centro Studi per la valorizzazione delle risorse del Mezzogiorno

Prize acceptance address by the Governor of the Bank of Italy

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It is a great honour for me to receive an award named after the memory of Guido Dorso.

Following Dorso's death, in the early fifties the *Parliamentary Committee of Inquiry on Poverty in Italy* reported the dramatic living conditions of part of the population: 7.5 per cent of households did not consume meat, sugar or wine; 4.7 per cent lived in overcrowded dwellings; 2.8 per cent lived in cellars, garrets, shacks or caves. Combining various indicators, it was estimated that 2.7 million households lived in poverty. In the Centre and North the poverty rate was 8 per cent; in the South, 50 per cent.

Land reform, the fruitful work of the Southern Italy Development Fund in its early years, profound social and political change, and the commitment of the State and public-sector enterprises helped to bring vast areas of the South out of inertia and privation. This did not impede the migration of more than 4 million workers to the Italian North-West and other parts of Europe. Despite the strenuous efforts made and the human and social costs incurred, the gap in development in the southern regions was not closed, and conditions of hardship, at times of degradation, were not entirely eliminated.

During Italy's prolonged period of economic growth, the gap with the rest of the country narrowed substantially until the early seventies. In the mid-eighties, however, it began slowly widening again.

In the nineties the disparities were accentuated.

In 1998, 14 per cent of residents in the South still lived in overcrowded conditions, as against 4 per cent in the Centre and North. In 1999, 24 per cent of southern households fell below the poverty line, compared with 6 per cent in the rest of Italy.

Per capita GDP in the southern regions is 55 per cent of that in the Centre and North. In 1999, only 41 per cent of the working-age population was employed in the South, as against 58 per cent in the Centre-North and 62 per cent in the European Union. For years, unemployment in the South has been above 20 per cent.

In the nineties, following the termination of special development assistance and paralleling the slowdown in the European and especially in the Italian economy, there was a marked slowdown in economic growth in the South. Demand, fueled until then in large part by state transfers, stagnated. The construction industry was especially hard hit. The termination of social contribution relief pushed labour costs out of line with firms' productivity.

The crisis jeopardized the stability of the South's banking system, which in turn amplified difficulties in the productive sector. Interventions by the supervisory authorities and capital injections from the State and the banking system itself enabled the two leading southern banks to recover. Sweeping reorganization and the stepped-up presence of major banks from the Centre and North of Italy strengthened the area's credit system.

Since 1993, the temporary stimulus to Italian economic activity deriving from exports has been less pronounced in the South owing to the low regional incidence of foreign trade. However, the presence of a growing number of firms operating internationally has fostered widespread emulation.

According to estimates by the Treasury's Department for Social Cohesion, public financial adjustment reduced real per capita public capital outlays and expenditure on training in the South by about one fourth between 1992 and 1997 as a result of financial consolidation. Since then there has been a slight upturn. A new phase in regional development policy has begun. The instruments of public intervention have been redefined, set in the framework of subsidiarity among the different levels of government in Italy and Europe.

According to the Ministry of Industry, industrial subsidies to the South amounted to over half the nationwide total between 1995 and 1999, while the area's contribution to total value added in manufacturing was just 16 per cent. In the last four years, following a slow start, Law 488/1992 has made 12.5 trillion lire available to firms, and 8 trillion lire has actually been disbursed.

In transportation, energy, communications, and water supply, and in education and health, the infrastructural endowment of the South, on average, is no more than half that of the rest of the country.

Investment in infrastructure by itself is not sufficient to produce economic growth, but it is necessary. Development is not possible without adequate endowments of public capital.

In order to increase employment, the productivity of labour must be raised and, with it, the competitiveness of firms in the South. Public investment in human and social capital must accompany private investment. The markets for goods, services and productive factors must operate under competitive conditions.

Correspondence between wages and productivity must be pursued not only with measures to spur substantial productivity gains but also through sufficient flexibility in the cost of labour. The spread of underground economic activity may well often constitute a sort of self-defence but it is unacceptable nonetheless, because in the end it curbs firms' growth and discourages investment in human capital. Bringing underground activity to the surface is not enough; unit labour costs must be reduced, taxes must be lowered, and the quality of public expenditure must be enhanced. State, regional and local government administrations must be radically improved.

The unemployment rate for southern youths aged 15 to 24 is 57 per cent. More than two thirds of these jobless young people have been looking for work for more than a year. Many of them are from households at serious risk of poverty.

The resumption of emigration to the North (330,000 persons in the last five years) represents a correction to the growing regional segmentation of the Italian labour market. This process can save young southerners from years of forced idleness and give them work experience in one of the most economically advanced areas in the world.

However, emigration cannot solve the problem of low employment. It tends to impoverish the sending regions and it is costly both individually and collectively.

In *Rivoluzione meridionale*, Dorso called for a renewal that could replace the old ruling class and give birth to a new, self-reliant South.

Luigi Sturzo, commenting on the writings of Dorso in the twenties, agreed with his analysis, asserting that the southern question was a national political problem.

The centrality of this issue, its entanglement with the structure and functioning of the State, and the necessity for cultural mobilization are ideas of Dorso's that remain utterly relevant today. In his analysis one senses pessimism but also the vital drive for regeneration, in line with the teachings of Giustino Fortunato. Dorso's views incorporate Gobetti's vision of Italy, sustained by a strong moral fervor. To many, Dorso's ideas were heresy; not, however, to Don Luigi Sturzo, to Tommaso Fiore or to Antonio Gramsci.

In the last fifty years the South has made exceptional civil and economic progress, but even in this transformed context, southern underdevelopment still represents a national issue.

New forms of poverty have emerged. As the effects of globalization spread, it is more urgent than ever that the split between the "two Italies" be overcome with the active engagement of the State, institutions, firms and business and labour organizations. This is made indispensable by the South's still-severe disparities with respect to the rest of the country, its mass unemployment and its sometimes difficult civic life. It is the duty of the State to exercise full control of the territory.

It is essential that public administrations everywhere in the South achieve a high level of efficiency and transparency. This is necessary to development. Safeguarding the environment and the territory assumes ever-increasing importance.

Firms must step up innovation. The encouragingly positive experiences achieved in some areas, in the advanced sectors, can be extended.

Right now the recovery of southern economic development is threatened by the risks to Italian economic growth and the cost of living implicit in the high price of oil and the extreme weakness of the euro. These threats must be averted not only by appropriate specific measures but also by initiating the requisite structural reforms.

Certainly we are not faced with the “renew or perish” situation that Guido Dorso denounced in 1944. But the need for renewal and progress in the South remains, and we must act accordingly.

The South can, indeed it must, represent an opportunity of growth for all Italy.