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ITALIAN AGRICULTURE AND THE CRISIS

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AFTER the detailed report of His Excellency Professor Arrigo Serpieri, I shall confine myself to a short description of the characteristics of Italian economic life and of its reactions to the crisis in order to state those principles which, in my opinion, deserve the special attention of the Conference as far as the first subject of our meeting is concerned.

MAIN CHARACTERISTICS OF ITALIAN AGRICULTURE

The incongruity between the density of population and the poorness of the soil is of decisive importance to Italian economic life. The soil contains very few useful minerals and is little adapted to cultivation, as it consists for the most part of hills and mountains. On its surface of 31 million hectares there live more than 42 million people (135 inhabitants per sq. km.) This surface consists of four-fifths hilly and mountainous country and only one-fifth plain, the latter moreover being infested with malaria to a high degree in south and central Italy. Nevertheless, the agricultural and forest lands occupy a surface of 28.5 million hectares, of which 15 million are arable land while the rest consists of meadows, pasture lands, woods, and uncultivated agricultural land.

The first main characteristic of Italian agriculture is thus the considerable quantity of cultivated soil in a country in which the hilly and mountainous districts form so great a part of the total surface.

Of the surface occupied by agriculture, cornfields make up 12.8 million hectares, of which 7.7 million are exclusively cultivated as cornfields, while 5.1 million are inter-cultivated with 'wood plants' (olives, &c.). The specialized cultivations of wood plants amount to 2.2 million hectares.

This shows the second feature of Italian agriculture, viz. that agriculture consists to a great extent of the simultaneous cultivation of different sorts of cultivated plants.

In spite of the extensiveness of mountainous districts only 5.5 million hectares in Italy are covered with woods, i.e. hardly 19.5 per cent. of the soil used for agriculture or forestry, whereas arable land

takes up 52.8 per cent., and pasture lands, meadows, and uncultivated soil amount to 27.7 per cent.

The number of inhabitants directly engaged in agriculture constitutes nearly half the entire population of Italy.

The cultivated soil is almost exclusively private property. The property of the State, of the Communes, and of other incorporated bodies includes mainly forests, meadows, and uncultivated land, especially in the mountainous districts. In upper and central Italy we find property much divided up and agriculture carried on more intensively and under heavy capital investments, particularly in the plain of the river Po. In south Italy and in the islands, especially in Sicily, there are, besides the big estates cultivated extensively (*Latifundia*), small holdings which the peasants have brought by an enormous amount of work to a very high degree of intensity, particularly in the cultivation of fruit-trees.

We have to point out as a further characteristic of Italian agriculture that highly intensive cultivation is nearly always the result of two main causes: either it is the consequence of heavy capital investments in magnificent works for the drainage of the soil or in equally magnificent works for its irrigation, or it is the result of diligent work often carried on for centuries by men who have created new districts of cultivation frequently in the midst of rocks and by victorious struggle against extraordinary climatic difficulties.

An agrarian reform proper, similar to that of other countries, has never occurred in Italy, but there has been a continuous dividing-up of landed property all the same. Immediately before the War there was already begun, without participation of the State, a transfer of land to the small farmers, which increased immensely after the War. My colleague, Professor Lorenzoni, will report on this development.

In addition to it, the *Bonifica Integrale*, which undertakes the complete melioration of all districts of the country capable of cultivation but hitherto unproductive and which is a magnificent enterprise of the State, helps to diminish the number of big estates. The 'National Undertaking of Ex-service Men' (*Opera Nazionale Combattenti*) also produces a large number of small holdings through the clearing of the Pontine Marshes and through other works. It is generally seen to that the land is not given away for nothing to untrained masses, but that it is gradually acquired by the work of people able to work their way up from simple labourers to farm-managers and small landowners.

In all parts of Italy, though particularly in the mountainous districts and some special regions, like Sardinia, there exists besides

too much dismemberment of landed property, an excessive splintering of allotment holdings against which there is as yet no legal provision like the German *Feldbereinigung* (compulsory exchange or purchase of land so as to have as few small pieces of property scattered about as possible).

As regards relations between people employed in agriculture, especially between landowners and farm-labourers, it is worth stressing the fact that in Italy the farm managed by the owning family alone and the system of agricultural co-partnership (*Compartecipazione*) are widely spread. In Italy there belong to those family farms, besides the small freehold farms, the small rural leaseholds and farms held by leases under which the peasant pays a proportion of the produce as rent. A very common and typical form of the latter is the *Mezzadria* or half-share tenancy. The *Compartecipazione*, the system of agricultural co-partnership, includes quite a number of different ways of assigning a share of the output to the workers instead of paying them wages. In times of crisis, this system has proved to be very practicable. But even in places where workmen receive cash wages, as is the case with the big estates extensively or intensively cultivated, workers who are permanently employed receive a part of their wages in agricultural products.

THE EFFECT OF THE CRISIS ON AGRICULTURE

Italian agrarian production includes three main categories of products, namely:

- (i) The products of grain-cultivation.
- (ii) The products of stock-breeding.
- (iii) The products of the cultivation of fruits, vines, olives, and vegetables.

These products are partly destined for export, which has been reduced through the restricting measures of the importing countries. This export consists mainly of vegetables, fruits, products of the silk industry, hemp, potatoes, tobacco, tomatoes, dairy products, rice, macaronis and other food-stuffs made of dough.

The import of agricultural products consisted mainly of wheat, till the struggle for self-sufficiency in wheat, ordered by the Duce, had been won. To-day, our chief imports consist only of maize, cattle, meat, eggs, poultry, wood, and oilseeds.

In addition to this, Italy imports cotton and wool for finishing at home, while a considerable amount of textile products, including goods made of natural or artificial silk, are exported.

Furthermore she imports for her industry a considerable amount

of coal (despite the magnificent increase in the home production of electricity through the use of hydraulic power) as well as of mineral oils, iron, copper, &c.

The export trade since 1929 has continuously decreased, shrinking in 1933 to nearly one-third. This is particularly due to the restrictions of imports in all countries which endeavour to gain national self-sufficiency and thereby cause a steady decrease in the international exchange of goods and in international services.

Economic liberalism is continuously giving way to an economic policy which, without any regard to dogmatic considerations, endeavours to cope with the present difficulties. It is in this connexion that the exchange of goods between countries of different natural conditions, or with a different development of agriculture and industry, obtains a particular importance.

In Italy, as in the rest of the world, the main symptoms of the crisis are the following: a fall in the price of products without a proportionate decrease in the cost of production, resulting in an incongruity of prices and costs; a heavier retrogression in the prices of agricultural products than in those of industrial products; wholesale prices going down faster than retail prices, and this in spite of the increase in the number of retail shops, a fact which has completely disproved the theory of the equalizing influence of free competition; finally the increase in unemployment, which, however, is far smaller than in many other countries, thanks to the steps taken by the Fascist Government. The powerful action of the Government and the setting up of the corporative system—to be dealt with later—have alleviated the consequences of the crisis to an extent which is difficult to measure, as it would be necessary for this purpose to ascertain precisely how Italian economic life would have developed under the guidance of pre-Fascist principles and institutions.

The decline in prices of agricultural products has been especially pronounced in all cases where production exceeds home-demand. As these products simply have to be exported, a tariff-wall is of little use against them. For some products, e.g. rice and silk-cocoons, the Government has granted direct and indirect premiums for both export and production.

The fall in prices of agricultural products was out of keeping with the decrease in costs. Accordingly, there has not only been a sharp decline in the social income of agriculture but also a change in the distribution of this income between capital and labour, as the cut in wages, especially those paid in cash, was not proportionate to the decrease of prices and products in many agricultural enterprises.

The inquiry into the distribution of income in Italian agriculture, which I have carried out for more than ten years, has produced the following results.

If we divide the four years 1925-8 into two equal periods, the first of which, 1925-6, is marked by inflation and increasing prices, the second, 1927-8, by deflation, stabilization, and declining prices, we see that the yield of agricultural enterprises in the second period is one-fifth or one-fourth, partly even down to a third, of that in the first period.

As regards the distribution of the yield between capital and labour, a decided difference between the various systems of enterprise, according to the type of contract between owners and farm-hands, becomes conspicuous. Under the system of *métayage*, and generally under all systems where the worker is paid by a part of the output, the income of the labourers fluctuates according to the total yield, and the same obviously holds good for the revenue of the owners. In those enterprises, however, where the worker is paid in cash, wages now form a relatively larger part of the net yield. This diminution of the owner's share means a definite shifting of the distribution of the yield towards the worker. Here we see the importance of the different systems of payment (fixed wages in cash or in products, or share in the output) in the distribution of the total yield.

Of course, the results of these facts gained by our inquiry differ locally as well as according to the classes concerned. The decrease in the yield is felt less by those who directly consume the products of the farm than by those forced to sell them. The retrogression of the money yield is of no importance to the man who consumes the whole output *in natura*, while it matters a great deal to those who have to dispose of this output. Between these two extreme cases there are innumerable possibilities.

The results of the shrinkage of returns is very often emphasized for the owners by the fact that taxes have not been lowered to the same extent as prices or returns, and their profits are thus still further diminished.

In the four years 1929-32 we find another fall in the total yield of agricultural enterprises owing to the continuous decrease in prices, not equalled by a corresponding decline in the costs of production. This fall, however, has been alleviated by the measures which the Government has undertaken in order to help agriculture.

Thus a moderation of that change in the distribution of the total income, mentioned above, has been achieved even in those enterprises where the workers receive cash wages and are not tied to the

soil by a share in the output, as the wages have been more and more adapted to the new organization of the enterprise. Though they have not been cut to the same degree as prices and net yields, they have been lowered to such an extent as to alleviate, or at least not to increase any further the difference between the income of owners and that of workers which we found for 1927-8 in enterprises paying their workers in cash.

THE MEASURES FOR THE ALLEVIATION OF THE CRISIS

The Fascist Government has endeavoured to alleviate the crisis by two kinds of measures, first by the protection of prices, secondly by a progressive adaptation of the costs to the altered value of money. In doing so, they revealed the great importance and the great effect of the syndicalistic constitution. For it succeeded in bringing about by strict discipline and collaboration of the two parties concerned a reduction of wages and rents in keeping with the changed situation.

For the protection of prices the Fascist Government, unlike other countries, has never—apart from exceptional cases—applied high tariffs hindering the exchange of goods by quotas or total bans. For the Government believes that the exchange of goods and services between different countries is a necessity of modern economic life.

The Government has alleviated the heavy indebtedness of the farmers by two measures. Without diminishing the legal obligations of the debtors it has made it possible to settle the debts according to plan, and it has made grants for the payment of interest in certain provinces with a particularly heavy indebtedness or in especially difficult individual cases.

The struggle for an Italy self-sufficient in grain and the *Bonifica Integrale*, which have been undertaken for the improvement of agriculture, are marvellous achievements of the Fascist Government.

This struggle, ordered by the Duce in 1925, has increased the average yield of wheat from 10.5 dz. per hectare in pre-War days, to 16 dz. per hectare in 1933, and has thereby succeeded in making Italy independent of the import of foreign wheat. This result is the more remarkable as grain is to a great extent cultivated in hilly or mountainous districts, and the annual import of wheat had increased from 13 million dz. in pre-War days to 26 million dz. before the beginning of the 'battle of grain'. The action spread over all Italian agricultural districts, once the first aim of the struggle, viz. the increase in the total production by an increase of output per unit of land, had been achieved.

The *Bonifica Integrale* aims at the cultivation of the marshes and the

melioration of all land extensively cultivated. At present this tremendous action deals with 4,275 million hectares. From the beginning of the Fascist era until July 1, 1933, 5,270 million lire were spent on it. The best way of appreciating this achievement is to realize that the Italian state spent only 1,782 million lire for the improvement of the soil before the Fascist era.

Together with the general 'back to the land' programme, with the closer connexion of the peasant with the soil, and with the Government's population policy, the *Bonifica Integrale* is a boon for the whole of Italian economic life.

The construction of the corporate state is the great political creation of the Fascist revolution, of which it forms the historical and social substance. This creation will, in the course of time, influence most strongly the economic life and, especially, the agriculture of Italy. The corporations are, according to the definition of the Duce, 'an instrument used by the State for the organic and uniform leading of the productive forces so as to increase the wealth, the political power, and the well-being of the Italian nation'. The corporative system is 'the disciplined and, for that reason, controlled economic life (as discipline without control is inconceivable). It overcomes socialism, it overcomes liberalism, and it creates a new synthesis.' It levels the opposite tendencies of classes and groups in the higher interest of the community.

Eight of the twenty-two corporations are concerned with agriculture, viz.

The Wheat Corporation.

The Corporation for Stock-breeding and Fisheries.

The Corporation for Horticulture and the Cultivation of Fruits and Vegetables.

The Corporation for Vine-growing.

The Corporation for the Cultivation of Olives and Oilseeds.

The Sugar-beet Corporation.

The Corporation for Textile Vegetable Fibres.

The Forestry Corporation.

The corporations will get to work on November 10 of this year. They consist of the syndicalistic organizations, in which all producers are included, as well as of organs of both Government and party, and they have to lay down the economic principles necessary in the higher interest of the community, for the organization and the directing of production.

Finally, I think I may state that the economic organization of today aims more and more at a regulation and a supervision of both

production and distribution, which we can no longer leave to the free play of economic forces. The egoism of classes and groups must give way, without detriment to private initiative, to the higher interests of national life. But though you cannot dispense with discipline and regulation if you want to avoid the disadvantages of unrestrained free competition, you must not allow them to prevent the healthy selection of branches of production and factories, which constitutes a vital condition of all economic progress.

A planned regulation of production and distribution is particularly important to agriculture, suffering from a crisis of over-production, which has moreover to fight against the legal and illegal competition of substitutes which reduce the value of the genuine agricultural products obtained by so much toil. A typical example of this is the competition which Italian fats of animal or vegetable origin have to encounter from substitutes. A great part of the European continent suffers from a crisis in dairy products which has the most serious repercussions on stock-breeding, whereas the competition of margarine fats is continuously increasing. In the same way, a part of the Mediterranean oil-cultivation is very much depressed by the competition of rapeseed-oil. In many countries of central and north Europe (in the case of dairy products) and south Europe (as regards oil-cultivation) these products are of supreme importance. A regulation of the economic life, which aims at achieving a maximum of profit for its own nation, and which does not expect that achievement to arise from a chaotic and often fatal clash of opposing interests, is bound to judge the opposing economic forces by their importance to the community and to prevent small advantages from jeopardizing or destroying many larger and more important interests.

Of course, the home regulation of production and distribution must needs influence the export trade of the various countries. At present we are living in a period of increasing shrinkage of world trade, as all countries are endeavouring to obtain still greater economic independence and self-sufficiency. It seems inconceivable to me that economic liberalism, which has suffered a serious defeat at home, will be able to maintain its position in economic relations of foreign countries. The most-favoured-nation clause has really experienced such qualifications that it has frequently become a mere slogan used by everybody; but hardly anybody is really upholding it.

On the other hand, nations which have organized their economic life according to plans and who want to regulate their economic relations with other countries, will have to conclude compensating-

agreements. Such agreements will be of great importance for the maintenance of international trade, because they will make possible an economic exchange between countries which supplement one another with regard to the goods they want to export and import.

These are the principles of internal and foreign economic relations which I have gained from experience in our eventful days and which I recommend to the attention of the Conference.

Index of Prices of Agricultural Products in Italy

1928 = 100

	1929	1930	1931	1932	1933
Wheat	96	94	75	82	69
Rice	96	74	62	67	55
Maize	87	62	50	62	45
Potatoes	101	63	88	72	38
Hemp	86	62	42	47	50
Wine	65	48	38	37	32
Oil	80	65	73	62	57
Beef ¹ (live-weight)	108	98	74	62	57
Veal ¹ (live-weight)	111	107	74	62	61
Pigs ² (live-weight)	99	78	54	55	58
Manufacturing milk ³	94	75	70	59	51
Butter ⁴	99	81	70	61	52

¹ Average price of second quality on Milan market.

² Average price for live pigs on Milan market.

³ Average of markets of Piacenza, Lodi, Cremona.

⁴ Average price on the Milan market.