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THE BANCO DI NAPOLI
AND
THE DEVELOPMENT OF AGRICULTURAL CREDIT
IN SOUTHERN ITALY,
1927-1970

A. W. MORTBY

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DURHAM, 1982



22. MAY 1984

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INTRODUCTION

Agricultural investment has always been acknowledged as indispensable both for accelerated agricultural development involving increased output and for a smoother structural shift from agriculture to industry. Although the funds for agricultural investment can come from within agriculture - from retained profits - the frequency of harvest failures, particularly in more marginal farming areas, discourages self-financing of investments. But once other prerequisites for more rapid agricultural development are obtained - for example technological progress, receptiveness to new ideas, the intelligence and skill to implement new techniques, and the existence of sufficiently large markets to economically justify both the increased use of factor inputs and the greater risks - then an external supply of capital for investment must be available to ensure accelerated agricultural development.

In the past an external source of credit has not been readily available. Supplying the credit needs of commerce, industry and government has traditionally been more profitable. Indeed, agriculture has usually been regarded as a principal source of savings to be channelled into the expanding commercial, industrial and public sectors. Furthermore, the need for agricultural investment, and so external finance, is greater precisely when other sectors have high credit needs. For example, accelerating industrialisation is accompanied by a growing market for agricultural produce. This higher demand has to be met with a smaller amount of farm labour which is progressively being attracted into higher paid industrial employment. Tensions develop in the agricultural sector. These developments make economies in the use of agricultural labour but higher investment to improve per capita output all the more urgent. But the savings and credit needed for such agricultural investments are unlikely to be readily available. Indeed, it is more likely that the capital needs of industry will be satisfied at the cost of farm investments since the process of industrialisation will not only offer high returns on investments and so give higher yields to investors, but also the expanding and more sophisticated banking structure accompanying the industrialisation will channel savings from other sectors, and in particular agriculture, into industry. Thus, precisely when agriculture has its greatest need for investments it is least likely to get adequate finance.



This neglect has been countered in the nineteenth century in several European countries by a spontaneous upsurge of agricultural credit co-operatives in an attempt to retain agricultural savings for investment in agriculture. Agricultural credit co-operatives were conceived as organisations run by their members, drawing on their members' savings and lending to their members from their own deposits. In concept at least, they were basically designed to provide mutual assistance for farmers. More significantly, however, this upsurge in mutual assistance reflected a profound gulf between the farming community and the banking sector: a realisation on the part of farmers that banks had little interest in their credit requirements.

Demand for agricultural credit therefore existed in the second half of the nineteenth century and at the beginning of the twentieth century, but the formal banking system was unwilling and even unable to supply this credit demand. 1927, however, marked a major turning point: the government decided that the agricultural credit system should be reformed, with the new structure based solidly on the nation's major banks. It therefore set about passing a new law which reformed the agricultural credit banking structure and embodied all legislation in this field.

In the mainland south and Sardinia the Banco di Napoli, the major financial institution, promoted this reform by co-ordinating and developing agricultural credit. In brief, it became the keystone of agricultural credit in the Mezzogiorno. The section of the Bank dealing with agricultural credit (the ACSBN) was appointed as Special Institution for agricultural credit in this area. Below, but dependent on it, were two further layers of financial institutions - the Authorised Institutions and the Intermediary Boards.

This new responsibility came at a critical time for the Banco di Napoli: it had lost its note-issue privilege in 1925 and now had - in compensation for its gold reserves backing its note circulation - one of the largest capital reserves of all Italian banks. It was therefore ready to find new areas in which to expand.

The new institutional and legal structure for agricultural credit meant that the imbalance between potential demand for agricultural credit and its supply was broken; credit could now grow freely, at least if the legislators had been correct in their assessment of the measures needed and

successful in their drafting of the law. For this reason the dissertation considers the period beginning in late 1927, although there are nevertheless references where appropriate, to earlier years.

The period covered by the analysis ends in 1970. This year, more than any other, even the restoration of democracy after the Fascist period and the second World War, marks a historical break. After 1970 control over agricultural credit passed from the central government and ministries in Rome to the regional governments as part of an extensive regional devolution programme. Instead of dealing with one central administration the ACSBN would henceforward have to work with regional governments in each of the seven mainland regions of the south. In particular this meant that its credit policies could no longer be uniform throughout the mainland south, but were differentiated from region to region by the decisions of local authorities.

The choice of the mainland south also needs explanation. Two considerations predominated. First, the south in 1927 was especially heavily dependent on agriculture, the dominant economic sector, employing more than half of all workers in Italy. Furthermore, despite the south's particular dependence on agriculture, local conditions militated against easy success in farming. Rainfall was generally low and summers hot and dry; there were very few rivers that did not dry out in summer; the land was generally of poor quality, with little of it located on the plains - the majority being classified as hills or even mountains; and disease, in particular malaria, was widespread, especially on the more fertile plains. Agricultural credit demand could therefore be expected to be weakest in such an area, although the need for investment to modernise and structurally transform the south could be assumed to be all the greater. Secondly, the supply of agricultural credit had been remarkably weak. There had been a virtually complete failure of early agricultural credit co-operatives in the nineteenth century in the mainland south and by 1927-1928 its development was stunted. Numerous efforts by the government to pass legislation to promote agricultural credit in the mainland south had failed. Indeed, it could be argued that there was too much interference in the supply network to allow banks and credit co-operatives to establish the necessary stability to be able to develop a sound credit market.

Summing up, therefore, by selecting the mainland south as the geographical limit of the dissertation it was possible to take an area which was in particular need of adequate investment, with a Special Institution that was eager to expand its operations in the agricultural field. Conditions were not ideal for the "take-off" of agricultural credit, but the potential existed. The dissertation therefore analyses the development of agricultural credit in the mainland Mezzogiorno between late 1927 and 1970 in particular through the Banco di Napoli's agricultural credit section, focusing especially on the development of demand for and supply of agricultural credit and on the effect of credit supplied and investment on the transformation and modernisation of southern agriculture.

With this perspective in mind, the dissertation has been written in four distinct parts. The first chapter looks at the historical origins of the Banco di Napoli and how it became closely involved in agricultural credit in the early years of the twentieth century - partly because of its long-standing tradition of assisting the needy in the regions where it operated and partly in compensation for its loss of the note-issuing privilege when the Banca d'Italia's central bank rôle was reinforced in the mid 1920s.

The second chapter outlines the institutional and juridical framework within which agricultural credit was made available in the period from 1928 onwards. It shows how the system, in evolving, became increasingly complex, particularly with the progressive involvement of the government in the allocation and distribution of agricultural credit.

The third chapter considers the rôle in agricultural credit of the Banco di Napoli through its Agricultural Credit Section. It shows how the conditions in farming changed - largely as a result of a plentiful supply of agricultural credit - how the channels through which agricultural credit flowed and the sources of capital changed, and how the Banco di Napoli remained a constructive, though at times critical, force in agricultural credit.

The fourth chapter assesses the agricultural credit system as it evolved in Italy between 1928 and 1970. It shows that some fundamental reforms were recommended at various stages but were not adopted, for generally sound reasons.

The dissertation sets out to provide the reader with a general overview of the system of agricultural credit in Italy between 1928 and 1970 - a subject which has been virtually neglected by academics. There is at present no detailed work on the subject in English and few detailed historical studies in Italian covering anything more than a few years from 1928 onwards. Some of the reasons are that the subject is vast and complicated, material is hard to come by since the banks involved carefully protect their records and agriculture has been and continues to be a largely neglected sector of the Italian economy, industrial development taking pride of place.

The dissertation also develops two major themes that have not been examined in any detail in other studies on the subject. The first theme is that the rôle of the government and its agencies in the supply of agricultural credit progressively increased in the period, partly because the ACSBN was unable to meet the demand for credit and provide sufficient funds for investment cheaply enough, and partly because agricultural credit came to play a vital part in national economic policies. In the 1920s and 1930s this happened under the campaign for autarchy - self-sufficiency in key commodities, particularly food - which saw the government introduce the technique of compulsory purchase and stockpiling of farm output, financed, on behalf of the government, by the agricultural credit institutions from resources normally allocated to agricultural credit itself. After the second World War the government's preoccupation with economic development was a determinant influence. The authorities sought to release agricultural labour for employment in the industrial sector by streamlining agricultural production and making farming more intensive, efficient and less wasteful. Structural transformation of farms was encouraged - particularly the creation of smallholdings to be worked by their owners - as was mechanisation and the use of the latest farming techniques. This encouragement generally took the form of subsidised agricultural credit and in some cases capital grants. A consequence of the government's new policy was that it increasingly encroached on the responsibilities of the Special Institutions - for the mainland Mezzogiorno the ACSBN. The changing relationship between the government and the ACSBN during the period from 1927-1928 and 1970 when the

legislative structure of agricultural credit remained unchanged with the ACSBN clearly responsible for agricultural credit in the mainland south is therefore an extremely important, central theme of this dissertation.

A second major theme of the dissertation concerns the inadequate detail given in the published data on agricultural credit. These are confined to aggregated regional data. Nevertheless, a number of prominent academics and bankers¹ have emphasised that the Italian Mezzogiorno, although distinct from the rest of Italy, is not homogeneous - the traditions and topography of its provinces differ considerably - so that the analysis of aggregate data may well overlook or even misinterpret developments in some important areas of the mainland south. Furthermore, as the other main theme of this dissertation shows, agricultural development was encouraged, particularly after the second World War, by the government, which increasingly financed agricultural investments. The move away from market allocation of resources to more centralised investment planning, with less flexible regional allocations of funds, could only reduce the chances of the various special, local needs of the mainland south being satisfied.

1. The principal viewpoints may be found in:

S. Garofalo, "Investimenti Netti e Progresso Tecnico nello Sviluppo dell'Agricoltura Meridionale", Atti del VI Convegno di Studi della Società Italiana di Economia Agraria, 1970;

G. Orlando, "Progressi e Difficoltà dell'Agricoltura" in Giorgio Fuà (ed.), Storia dell'Economia Italiana negli Ultimi Cento Anni (Milan, 1978);
Daniele Prinzi, "Finanziamento e Credito per lo Sviluppo dell'Agricoltura", Commissione Agraria PSI-PSDI Unificati, Conferenza Agraria Nazionale, Atti, Rome, 1967;

Renzo Battistella, "Esigenze di una Qualificazione Geografica del Credito con Riferimento al Credito Agrario nel Meridione", Annali del Mezzogiorno, Università di Catania, Vol. II, 1962;

Domenico Viggiani, Organizzazione e Legislazione del Credito Agrario con Particolare Riguardo al Mezzogiorno e alle Esigenze delle Aziende Contadine (Naples, undated);

and especially Manlio Rossi-Doria, "Cos'è il Mezzogiorno Agrario; Struttura e Problemi dell'Agricoltura Meridionale", Rivista Agraria e Azione Meridionalista, Bologna, 1948, where he says "L'agricoltura del Mezzogiorno ha ordinamenti, struttura, indirizzi e rendimenti colturali diversi da parte a parte. Non c'è un solo Mezzogiorno agrario, ma molti", i.e. "From area to area, agriculture in the Mezzogiorno has different organisation, structure, aim and yields. There is not a single agricultural Mezzogiorno, but many".

The shortage or even absence of detailed provincial material (which should be sufficiently detailed to permit valid analysis of developments in agricultural credit) is made worse by the concealment or destruction in some cases of significant, detailed statistics on agricultural credit operations. The example of the Banco di Napoli illustrates the problem. Although agricultural credit is largely administered in the provincial headquarters of the ACSBN which send in quarterly returns of their agricultural credit operations to the head office in Naples, none of these provincial statistics are published. Instead, they are aggregated into regional or global series. The original provincial returns are subsequently destroyed to make room for new returns. Careful and detailed examination of the quarterly provincial returns available in the ACSBN's head office in Naples permitted the assembly of the data presented in the Statistical Appendix of this dissertation. This material clearly emphasises the special value of more detailed analysis of provincial statistics since it illustrates local differences which are considerable and significant. The documentary evidence, however, will continue to be unavailable as long as the agricultural credit institutions do not keep or publish the material contained in the disaggregated, provincial returns.

The final remarks to this introduction develop this last point of the scarcity of material on the subject dealt with in the dissertation. No published material exists which covers the entire period under consideration and none of the partial studies - usually not more than a few years - consider the particular problems of the mainland south and the Banco di Napoli. It was therefore necessary to build up information, and especially statistical series, from fragmentary sources. Three approaches were taken. First, methodical searches for relevant publications in libraries were carried out. The main libraries where material of value was found included the library of the Banco di Napoli and its archives, the library of the Agricultural Economics Department of the University of Naples at Portici, the Banca d'Italia, the Italian Ministry of Agricultural and Forestry in Rome, the Bocconi library in Milan, the library of the Istituto Nazionale di Economia Agraria in Rome, the British Museum Library, the British Library of Political and Economic Science, London, and the University of Reading

library. Secondly, the records of the ACSBN itself were examined in detail, and it was here that the provincial returns were studied. Thirdly, interviews with specialists in the subject, bankers and researchers were conducted. Amongst those who proved most helpful should be mentioned Professors De Benedictis, Graziani and Orlando and Dr. Venzi at the Agricultural Economics Department of the University of Naples in Portici; Professor De Rosa, Dr. Viggiani and Dr. Selvaggi of the Banco di Napoli; Professor Dell'Amore and Dr. Ruozi of the Cassa di Risparmio delle Provincie Lombarde; Dr. Occhiuto, Dr. Bagnulo, Dr. Qualeatti and Dr. Pontolillo of the Banca d'Italia; Dr. Virone of Shell UK; Dr. Brovelli of the Istituto Nazionale di Economia Agraria and Dr. Solimini of the Italian Banking Association. The variety of sources consulted permitted me to produce what I hope is a balanced, objective and comprehensive study of the subject.

Thanks to the encouragement of my supervisor, Professor F.C. Spooner, the assistance of the staff of the Agricultural Economics Department of the University of Naples at Portici, and the co-operation of the Banco di Napoli, I hope that this dissertation will fill a gap in studies on Italian banking and economic development in the twentieth century.

CHAPTER I

THE BANCO DI NAPOLI : AN OUTLINE OF ITS HISTORY

The aim of this study is to describe and analyse the rôle of the Banco di Napoli in supplying agricultural credit to Italian farmers during the period from the end of 1927 to 1970 - the first forty-three years of operation of the Agricultural Credit Section of the Banco di Napoli (ACSBN). To appreciate the attitude of the Banco di Napoli and its ACSBN to the responsibilities of supplying agricultural credit in a backward and impoverished area such as the Mezzogiorno and to understand its frequent clashes with the government - particularly in post-war years - it is necessary to briefly outline the growth of the Banco di Napoli (one of the world's oldest banks still operating today) from its origins in 1539 to the late 1920s when it was given its modern form and the ACSBN was established.

This chapter therefore traces the Banco di Napoli from its origins in the sixteenth century, through a period of effective nationalisation at the end of the eighteenth century and its emergence towards the end of the nineteenth century as a major bank of national importance and one of three note-issuing banks in Italy at the end of the century. In the twentieth century it records the attempts in the first quarter of the century to restructure the Banco di Napoli, giving it new responsibilities: the remittance of emigrants' savings and agricultural credit - both closely related to the interests of southern Italy from which many emigrants had come and which remained essentially rural. After considering the early involvement of the Banco di Napoli in agricultural credit, the chapter explains the administrative and operational reforms which the Banco di Napoli underwent from 1926 to 1929 as it was restructured and when the ACSBN was established.

Origins and Early Development¹

Today's Banco di Napoli traces its origins to 1539 when Nardo di Palma and Aurelio Paparo - two Neapolitans - set up the Monte di Pietà, a charitable institution offering interest-free loans against collateral - an early form of pawnbrokerage. The charitable aspect of the Banco di Napoli has remained one of its leitmotifs; the Banco di Napoli is proud of its image as the most important bank in mainland southern Italy, operating with the interests of the local community in mind.²

The success of the Monte di Pietà soon encouraged imitation in Naples. In 1563 the Monte dei Poveri was established, another charitable institution offering interest-free loans to imprisoned debtors. Then, in a period of eleven years from 1587 a further five charitable banks were opened: the Banco Ave Gratia Plena (1587); the Banco del Popolo (1589); the Banco di S. Eligio (1592); the Banco dello Spirito Santo (1594) and the Banco di S. Giacomo e della Vittoria (1597). The crests of four of these seven early Neapolitan banks (the Monte di Pietà, the Monte dei Poveri, the Banco dello Spirito Santo and the Banco di San Giacomo) are incorporated in the quarters of the Banco di Napoli's present coat-of-arms.

1. This section and the following ones have been drafted from extensive research in the library of the Banco di Napoli's head office in Naples. The main sources of material dealing predominantly or exclusively with the Banco di Napoli are:

Associazione Bancaria Italiana, Archivi Storici delle Aziende di Credito (Rome, 1956);

Banco di Napoli, The Banco di Napoli (Naples, 1951);

Banco di Napoli, Il Banco di Napoli (Naples, 1958);

Banco di Napoli, The Banco di Napoli (Naples, 1963);

G. Quarta, "Banco di Napoli" in Enciclopedia Bancaria (Milan, 1942).

Publications of a more general nature on banking history include:

R. Orsingher, Banks of the World (London, 1967);

R.S. Sayers, Banking in Western Europe (Oxford, 1962);

Louis Tardy, Report on Systems of Agricultural Credit and Insurance (Geneva, 1938).

2. When, in 1950, the Cassa per opere straordinarie di pubblico interesse nell'Italia meridionale (known as the Cassa per il Mezzogiorno or CASMEZ) was founded as a state-controlled regional development and investment board for southern Italy, the Banco di Napoli was one of the most outspoken critics since it regarded the Cassa per il Mezzogiorno as a powerful rival in the area of public works but without its own intimate understanding and experience of the Mezzogiorno.

In 1640 a different type of bank, the Banco del Salvatore, was founded which established the link between government and banking in Naples. It was not a charitable bank, as earlier Neapolitan banks, but mainly collected the local tax on flour.³

Even though the Banco Ave Gratia Plena closed its doors in 1702, the remaining seven Neapolitan banks prospered⁴ until 29th September 1794 when, in effect, they were all nationalised by the Bourbon government, which declared they were no longer to be considered as independent charitable banks but as branches of a single, state-controlled bank, the Regio Banco Nazionale. From operating just in the municipality of Naples, their banking responsibilities were extended throughout the kingdom. Furthermore, their profits, acquired through banking operations using deposits from the population at large, were henceforth to be regarded as accruing to the state. Thus the charitable character of the Neapolitan banks was temporarily lost and the official rôle became predominant.

Public confidence in the new Regio Banco Nazionale was much lower than in the private banks, and subsequent political instability and uncertainty - including the overthrow of the Bourbon regime and the Napoleonic Wars - further undermined confidence in the newly-nationalised Neapolitan banks.

The French administration of Naples, under Murat, even though bringing a reforming fervour, failed to restore stability to the banking system or win for it public confidence. This was reflected in the reluctance of the public to continue accepting paper in circulation ("fedi di credito") issued to depositors by the Regio Banco Nazionale, but transferable, and widely accepted up to that time as tender. In an attempt to overcome this resistance, the operations of the bank were divided in 1806: the Cassa di Corte henceforth administered all official business and its paper ("Carte bancali") gradually regained public confidence and became in effect official

3. Its rôle was similar to that of the Monte dei Paschi di Siena, set up sixteen years earlier on 2nd November 1624 to collect Grand Duke Ferdinand II of Tuscany's revenue from the annual leasing of pastures he owned in the Maremma di Grosseto.

4. An indication of the banks' financial success was their profits in 1788. They held 21 million ducats in deposits, had 9 million ducats in loans outstanding, and received 577,000 ducats in commission. Administrative expenses and donations to charities reduced their profits to 93,000 ducats. See Banco di Napoli, The Banco di Napoli (Naples, 1951), p.4.

tender; the private Cassa dei Privati, on the other hand, still could not obtain acceptance of its paper.

Progress towards more general acceptance of the bank resumed only after the restoration of the Bourbons by the Treaty of Vienna in June 1815. The Banco delle Due Sicilie, as the Regio Banco Nazionale was now known, was still split into two distinct sections: one dealing with state functions and the other involved in private-sector banking operations. But private citizens could make deposits either with the Cassa per i Privati or the Cassa di Corte. In addition, both sections accepted for discount commercial paper issued by the other, and balances were cleared daily. More conventional banking operations were also authorised, including the discounting of both public and private bills of exchange, pawnbrokerage and the granting of commercial, secured advances. Eventually, in 1825, a charter was drawn up for the Banco delle Due Sicilie describing the functions it could carry out. Indeed, it is from this date that many of the present Banco di Napoli's operations began.

Gradually the Banco delle Due Sicilie began to prosper and branches were set up outside Naples. In 1843 two were opened in Sicily - at Palermo and Messina. But this tentative step away from mainland southern Italy came to an end in 1848, the year of revolutions in Europe, when there was a serious uprising in Sicily. When order was restored, administrative autonomy from Naples was granted to the island. Consequently the Banco delle Due Sicilie was obliged to split into the Banco Regio dei Reali Dominii di là del Faro, which was later to become the Banco di Sicilia, and the Banco Regio dei Reali Dominii di quà del Faro (later the Banco di Napoli).

Despite this setback, the policy of expansion was resumed and in 1857 a branch was opened in Bari, the main city on the south-east coast, across the Apennines from Naples.

The following year the operations of the Banco Regio di Napoli were further extended to granting loans secured on goods, including those in customs warehouses. Thus, by the Unification of Italy in 1860 the Banco di Napoli had already assumed its principal characteristics of the twentieth century: it was the dominant bank in mainland southern Italy; its paper was accepted as tender; it provided commercial advances on pledged goods;

and it continued with pawnbrokerage. Furthermore, it was acknowledged by the authorities as having official responsibilities, verging almost on the status of being nationalised.

In the early years of the kingdom of Italy the rôle of the Banco Regio di Napoli was consolidated and further extended while its status was modified. In 1862 the Banco Regio di Napoli absorbed the Vittorio Emanuele savings bank and the following year a Royal Decree (of 27th April 1863, no. 1226) restored its status as a charitable foundation. Thus, almost seventy years of virtual nationalisation came to an end and the Banco di Napoli reverted to its original status. Its autonomy, like that of every other private sector credit institution, was nevertheless limited since it became subject to banking supervision by the Board of Agriculture, Industry and Commerce.⁵ The Banco di Napoli's close involvement with the local community was reflected after its denationalisation in the composition of its administrative General Council which included representatives of the principal economic interest groups in southern Italy.

The twenty years from the mid 1860s were ones of strongly expansionary monetary policy by the Italian authorities.⁶ This stimulated growth in the banking system and led the Banco di Napoli to review the services it offered and extend its branch network.

5. Formal banking supervision has a much longer tradition in Italy than in the United Kingdom where a separate Banking Supervision Section of the Bank of England has been established only since the mid-1970s. In Italy formal banking supervision, including the collection of statistics, was entrusted to the Banca d'Italia's Vigilanza section after the second World War.

6. From 1866 to 1883 Italy suspended convertibility as a result of the panic demand for gold when the war with Austria in 1866 brought a speculative building and railway boom to an abrupt end. The national note-issue banks were therefore free to issue unbacked banknotes to relieve pressure on the diminishing liquid assets of the commercial banks and to finance the massive public debt following the Austrian war. A major banking crisis was averted, but at the cost of a massively expanded money stock. Although inflation undermined the expansionary effect of the monetary stimulus, bank deposits quadrupled at constant prices between 1867 and 1873. Joint-stock banks increased from 17 with capital of Lit. 165 million in 1869 to 143 with capital of Lit. 793 million in 1873. For further details see more generally Banca d'Italia, I Bilanci degli Istituti di Emissione Italiani 1845-1936 (Rome, 1967) and in particular Associazione Bancaria Italiana, Archivi Storici delle Aziende di Credito (Rome, 1956), pp.470-479. See also Luigi Matassi, "Historical Evolution of Italian Industry", Banco di Roma Review of the Economic Conditions in Italy, XXIII, 1969.

In 1871 the Banco di Napoli restructured its internal organisation on lines that are still broadly operative today. Four departments were created (issue and deposit, investment of funds, savings bank and land credit). The Banco was also authorised to carry on most basic banking transactions - including discounting short-term paper (less than three months' maturity) and treasury bills, and granting secured advances.

Bank branches multiplied between 1867 and 1873. Following the success of the branch in Bari, ten new branches were opened, but only seven were in southern Italy (Lecce, Foggia, Catanzaro, Reggio Calabria, Chieti, Salerno and Avellino). The other three were in the leading commercial and political centres of Milan, Florence and Rome, indicating the growing importance of the Banco di Napoli not only in the Mezzogiorno but also throughout the Kingdom of Italy.

In 1874 the Banco made a further major breakthrough towards establishing itself on the top echelon of Italian banking following the success of the conversion of its paper circulation from payment to order to payment to bearer: it was granted permission to issue banknotes, taking its position alongside the leading banks of the kingdom - the Banca Nazionale del Regno, the Banca Nazionale Toscana, the Banca Toscana di Credito per il Commercio e le Industrie d'Italia, the Banca Romana and the Banco di Sicilia. When, in 1893, the network of note-issuing banks was streamlined - being restricted to the Banca d'Italia, the Banco di Sicilia and the Banco di Napoli - the Banco di Napoli's growing importance was confirmed.

By the end of the century the Banco di Napoli's newly acquired importance was reflected in its extensive branch network. It had twelve principal branches: in Naples (opened in 1597), Bari (1858), Florence (1867), Reggio Calabria (1870), Rome (1871), Milan (1872), Potenza (1877), Turin (1879), Venice (1879), Genoa (1884), Cagliari (1890) and Bologna (1893); nineteen branches in most provincial capitals of southern Italy, and two minor branches, including one at the Naples stock exchange (see Fig. 1).⁷

7. The presence of the Banco di Napoli in the main commercial and administrative centres of Italy as well as in the provincial capitals of southern Italy reflected its national responsibilities as one of the note-issuing banks in Italy. Furthermore, the dominant rôle played by the Banco di Napoli in southern commercial and financial life meant that it required branches in the main commercial and financial centres of the country in order to meet the transactions demands of its customers and finance internal trade.

These impressive achievements were marred, however, by the difficulties which forced the Banco di Napoli, amongst other measures, to put its Land Credit Section into liquidation in 1892. The banking crisis in Italy in the early 1890s called for a drastic reorganisation of the Banco di Napoli. In addition to the closure of the Land Credit Section, the Savings Bank, which had been incorporated into the Banco di Napoli in 1864, was granted limited autonomy in 1893.

The Banco di Napoli was therefore at a critical stage of its long history when Nicola Miraglia was appointed managing director in 1896 at the government's wish (again reflecting the continuing close attention being given to the Banco di Napoli by the government). Although it was a recognised bank of national importance, one of only three note-issue banks and with an impressive branch network, Miraglia's principal and most pressing task was to assure stable expansion.

The Banco di Napoli in the Early Twentieth Century⁸

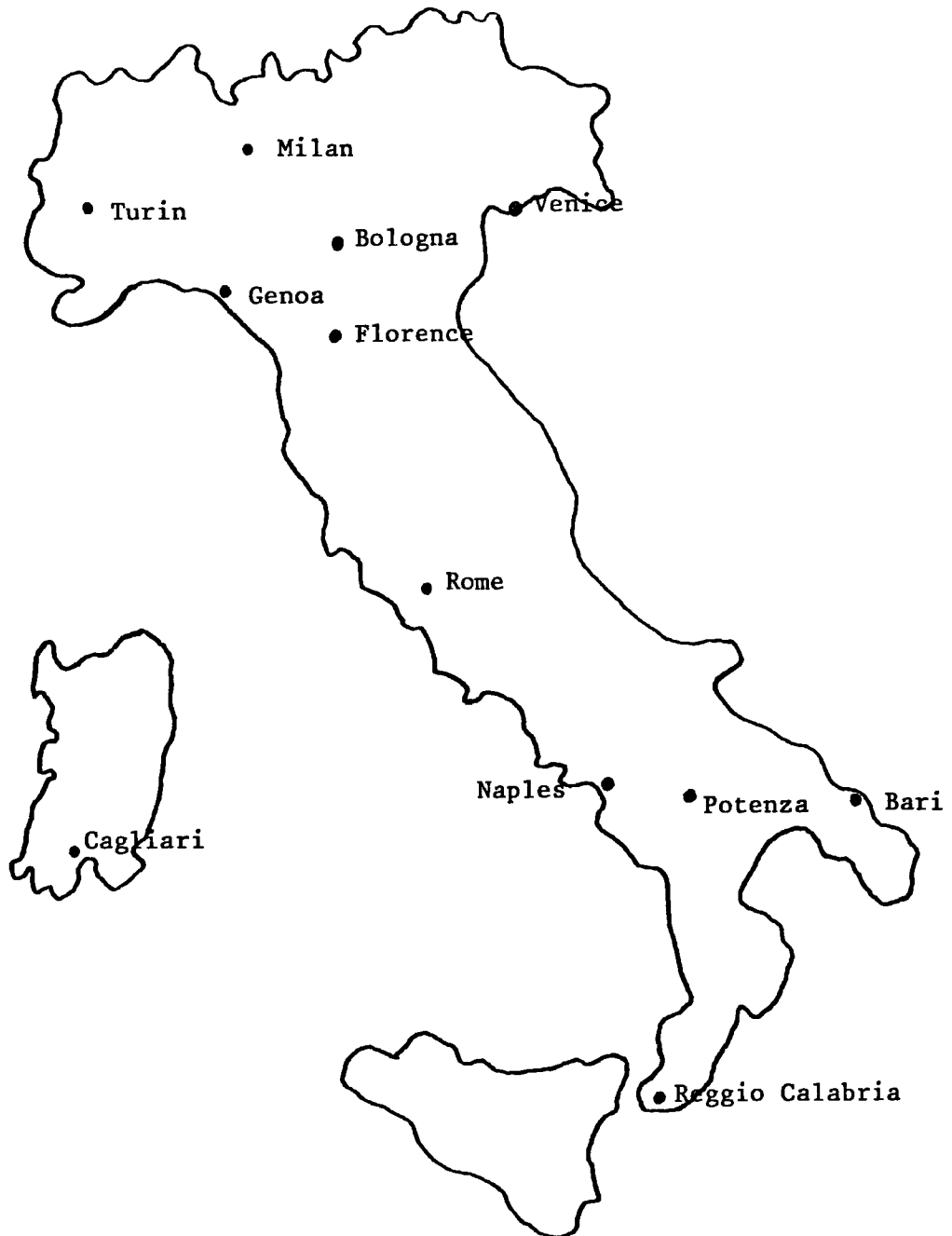
Miraglia was soon able to give the Banco di Napoli new interests and an impetus to grow which compensated for the failure of the Land Credit Section and the isolation of the Savings Bank. The new interests were emigrants' remittances and agriculture.

Emigrants' Remittances

A law passed on 1st February 1901 authorised the establishment of Italian bank agencies abroad to collect and remit to Italy deposits and savings of Italian emigrants. The Banco di Napoli was the first major Italian bank to take advantage of this authorisation. After working for several years through a network of correspondents appointed by a representative of the Banco di Napoli in New York, the Banco opened an agency in New York on 3rd June 1909 to deal directly with the public. The success of the Broadway agency encouraged the Banco to open another in New York in East 149th Street and a third in Chicago. All prospered, offering emigrants security, favourable rates of interest on deposits and advantageous exchange

8. This section, whilst drawing heavily on the sources mentioned in footnote 1 above, is also based on Annual Reports of the Banco di Napoli for this period.

Fig. 1. Principal Branches of the Banco di Napoli in 1900



Source: Banco di Napoli, The Banco di Napoli (Naples, 1951), p.vii.

rates as a result of the elimination of costly middlemen. Other agencies were not, however, opened for almost twenty years. Although the Banco di Napoli investigated in 1915 the possibility of opening an agency in Buenos Aires and another in Brasil, no application was made to the Ministry of Agriculture, Industry and Forestry until 1922, when proposals were put forward for agencies in Buenos Aires, S. Paulo and Rio de Janeiro. Even so the Buenos Aires agency was the only one to open, another seven years later, catering for an estimated emigrant population of 600,000.⁹

Agricultural credit

In the field of agricultural credit the Banco di Napoli did not pioneer operations, as with emigrants' remittances. For this reason it is necessary to digress slightly and take a closer look at the origins of agricultural credit in Italy, and particularly in the Mezzogiorno.

Up to 1869 agricultural credit remained an ordinary banking operation, undistinguished from personal credit or industrial advances. A loan was forthcoming only on the presentation of satisfactory security, normally either undisputed wealth and property, or unchallenged social and political respectability. Credit of any kind was, de facto, the prerogative of the rich and respected.

In 1869 the "legge Cordova" created agricultural credit in its own right.¹⁰ It authorised the establishment of agricultural credit banks, issuing agricultural bills, redeemable on sight. Once again this became a service open only to the wealthy landowners, who least needed agricultural

9. See: Banco di Napoli, The Banco di Napoli (Naples, 1951), pp. 33-39.

10. The general history of agricultural credit in Italy is well documented. See in particular Mario Bandini, Manuale di Economia e Politica Agraria (Bologna, 1954) which is the most comprehensive text. Domenico Viggiani, Organizzazione e Legislazione del Credito Agrario con Particolare Riguardo al Mezzogiorno ed alle Esigenze delle Aziende Contadine (Naples, undated) considers agricultural credit's development especially from the viewpoint of the Italian south. An earlier survey is Giacomo Acerbo, Storia ed Ordinamento del Credito Agrario nei Diversi Paesi (Piacenza, 1929). Other interesting publications include Enciclopedia Italiana di Scienze, Lettere ed Arti, "Il Credito Agrario", Volume XI, pp.817-8 (Milan, 1931); Giovanni Nicotra "L'Ordinamento del Credito Agrario in Italia", in Ministero per la Costituente, Rapporto della Commissione Economica, Vol.IV (Rome, 1946-7); Arrigo Serpieri, Istituzione di Economia Agraria (Bologna, 1946); and Alessandro Zambruno, Crediti ed Istituti Speciali (Milan, 1940).

credit. And yet the flow of capital from outside farming was essential to tide the majority of farmers over periods of hardship following a harvest failure, or to improve the quality and quantity of farm output.

But credit remained difficult to secure and extremely expensive. Sharecroppers, tenants and squatters were barred from bank loans (being unable to secure the loan on property) and smallholders could only borrow on a first mortgage. Default in servicing the loan invariably resulted in foreclosure and forfeit of the property pledged. Such a commitment was avoided whenever possible as farmers known to have mortgaged their land to a bank were regarded by other villagers as financially unsound. Local chandlers, who normally advanced seeds to farmers in return for payment in kind at harvest, became cautious for fear that the farmer might forfeit his land to the bank before repaying the advance. Likewise, manure traders, who collected and stored animal droppings until ready for spreading on the fields, were hesitant to sell on credit to farmers with mortgaged property. Thus farmers in need of credit usually turned furtively to the local money-lender or to a more well-to-do relative. In this way they avoided the stigma associated with a bank loan, but at the price of usurious interest rates.¹¹

After the Unification of Italy a solution to this problem was found in credit co-operatives. Small farmers seized the opportunity of strengthening their weak financial positions by co-operating with each other, relying on the assistance of the majority when one member encountered particular difficulties.

The spread of credit co-operatives¹² in rural Italy in the second

11. Luigi Pirandello's short story "Il Fumo" poignantly portrays the hostile attitudes of Sicilian villagers to the local money lender and his clients.

12. Agricultural credit in most countries developed from co-operatives. Appendix II briefly describes the origins of agricultural co-operatives and popular banks in Europe. For general descriptions of the early agricultural credit co-operative movement in Italy see in particular:

Giacomo Acerbo, La Co-operazione Agraria in Italia (Piacenza, 1932);

Ilvo Capecci, "Le Casse Rurali in Italia", Rivista di Economia Agraria XI, No.2, 1956;

Arrigo Serpieri, Istituzioni di Economia Agraria (Bologna, 1946);

Giulio Tamagnini, "Co-operazione Agraria e Impresa Coltivatrice", Rivista della Cooperazione, 1953;

half of the nineteenth century owed much to three men: Luigi Luzzati, Leone Wollemborg and Don Luigi Cerutti. Luzzati was inspired by the German Schulze-Delitzsch banks and Wollemborg and Cerutti by the Raiffeisen Credit Co-operatives.

The popular banks (Banche Popolari) set up by Luzzati diversified their operations from the beginning. The first Popular Bank in Italy, set up in 1863 at Lodi in Lombardy, directed its business towards craftsmen, artisans, small merchants, co-operatives of small farmers, large landowners and their tenants. They were therefore mixed banks, lending to commerce, industry and agriculture, in both urban and rural areas, though normally based in towns or cities. They financed their operations from both deposits and share issues and so behaved like ordinary commercial banks. The only distinction was that only shareholders could borrow and the dividend on share capital was kept to a minimum, the profit passing to the borrowing shareholders through low interest rates.

The first Italian agricultural credit co-operative (Raiffeisen Bank) was not founded until 1883 when Leone Wollemborg established the first Italian Rural Bank (Cassa Rurale) on the Raiffeisen model at Loreggia, near Padua.¹³ Within four years there were forty Rural Banks and in 1891 53, 42 of which were in Venetia, 5 in Lombardy, 5 in Piedmont and one in Tuscany (see Fig. 2 and footnote 13 below).

In 1891 Don Luigi Cerutti, a Roman Catholic priest, began to establish similar co-operative banks in remote agricultural areas. By 1897 Cerutti's "catholic social movement" controlled 904 Rural Banks. In 1913 there were 2,122 Rural Banks and one year later 2,279, mostly "confessionali" - that is linked to Don Cerutti's movement.

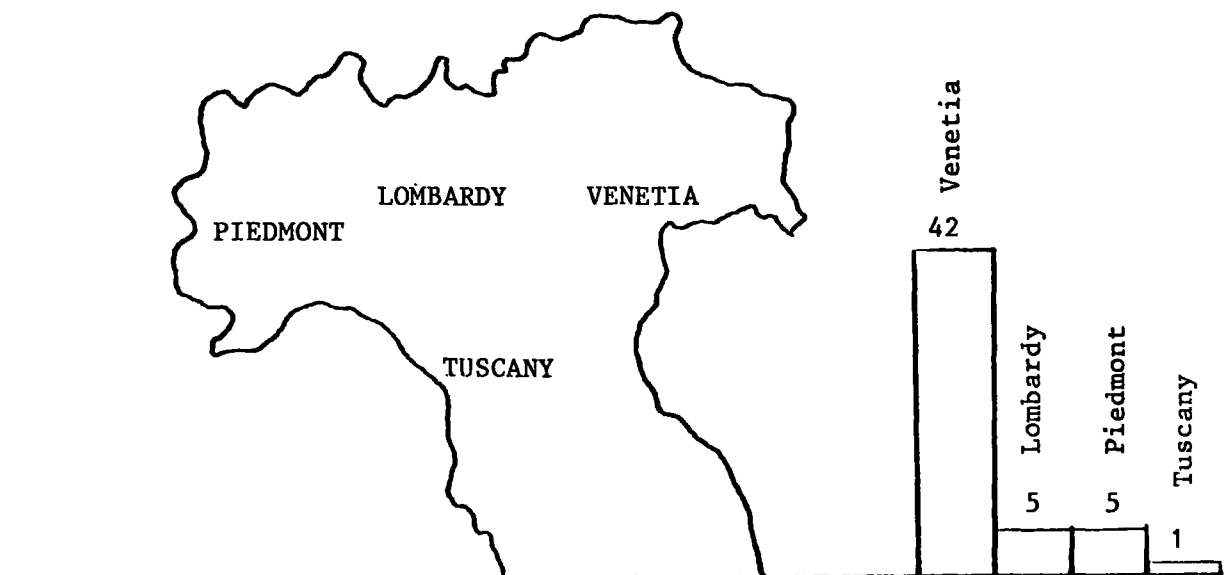
and Domenico Viggiani, Organizzazione e Legislazione del Credito Agrario con Particolare Riguardo al Mezzogiorno ed alle Esigenze delle Aziende Contadine (Naples, undated).

The rapid growth of agricultural credit co-operatives was abruptly brought to an end in 1927 with the agricultural credit reform introduced by Mussolini's government that set up the agricultural credit system examined in the following chapters of this dissertation. Although agricultural credit co-operatives were overshadowed from 1927 onwards, calls for their encouragement, given their qualities especially of close contact with the rural community, remained strong and are discussed in Chapter IV.

13. See Giulio Tamagnini, Le Casse Rurali (Rome, undated), pp. 551-573.

Rural Banks, however, were overwhelmingly concentrated in Northern Italy. The failure of most attempts to open such co-operatives in the South stemmed from social as well as economic factors. The "meridionale" (southerner) was fiercely independent, proud and traditionally distrustful of his neighbour. The social structure in the south was also significantly different. Large estates prevailed and there was a limited number of peasant smallholdings. Without security of tenure for their members and so a stable membership, agricultural co-operatives could not succeed. Furthermore, powerful landowners in the south regarded co-operation among the peasants as a threat to their dominant position as principal local employers. In the North this was not so pronounced. Peasant ownership of land was more extensive and liberal traditions often influenced the attitude of the local landowners. The liberalism was the legacy of periodic, comparatively enlightened Austrian and French rule since the Renaissance, in contrast with the oppressive Papal and Spanish Bourbon rule in the South.

Fig. 2. Rural Banks in Italy, 1891

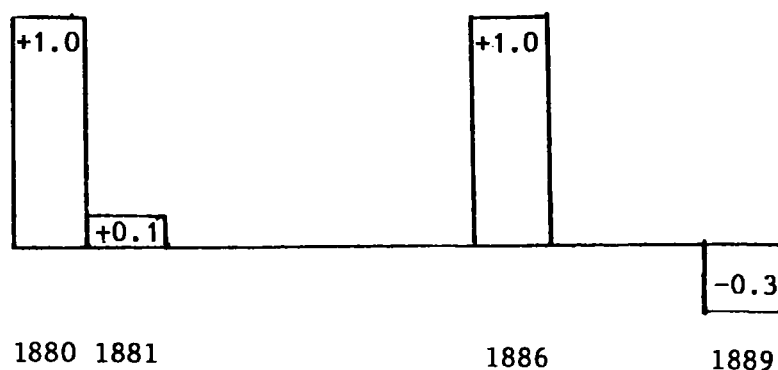


Source: Giulio Tamagnini, Le Casse Rurali (Rome, undated), pp.554-555.

The economic factors weakening the spread of agricultural co-operatives in the South stemmed from the chronic weakness of the commercial banking sector, which was required by the co-operatives to provide advances against the unlimited liability of the co-operative's members. But Italian banks were suffering from a liquidity crisis: new deposits fell between 1880 and 1881, then recovering in 1886 only to record a net outflow in 1889 (see Fig. 3). In addition, farming was in crisis, particularly in the South. Prices were plummeting, soft wheat - a principal crop in the South - fetching Lit. 359.3¹⁴ a ton in 1874 but only Lit. 187.7 in 1894. Furthermore, between 1885 and 1897 82,069 farmers lost their land in expropriations for failure to pay direct taxes. With the co-operatives dependent on unlimited liability of their members to secure additional working capital, but the attractiveness to the banks of this security being undermined by the frequent application of the government's prior right to assets in cases of failure to pay taxes, it is of little surprise that the success of agricultural co-operatives, particularly in the impoverished South, was severely limited.

The refinancing of the Rural Banks - non-profit making agricultural credit co-operatives - conformed entirely with the much-cultivated image

Fig. 3. New deposits (Lit. mn.)



Source: Derived from Banca d'Italia, I Bilanci degli Istituti di Emissione Italiani 1845-1936 (Rome, 1967), Associazione Bancaria Italiana, Archivi Storici delle Aziende di Credito (Rome, 1956), pp.470-479 and Luigi Matassi, "Historical Evolution of Italian Industry", Banco di Roma Review of the Economic Conditions in Italy, XXIII, 1969.

14. All prices, unless otherwise stated, are at constant 1963 wholesale prices, converted with the Bank of Italy's wholesale price index. For further details see: Franco Angelini, Il Grano Vita dei Popoli (Rome, 1934), pp.19-32.

preserved and fostered by the Banco di Napoli of being a charitable institution.¹⁵ The Banco di Napoli therefore seized the opportunity offered by a law in July 1901, passed by the reforming Left-Centre liberal administration headed by Giuseppe Zanardelli, which authorised the credit co-operatives and local banks in southern Italy (the mainland and Sardinia only) to draw up to 20 percent of deposits placed with the Banco di Napoli's Savings Bank. The drawings were to be reserved exclusively to finance agricultural loans, resulting in the virtual exclusion of the Popular Banks from this facility.

It was intended that the cash shortages which had caused the failure of so many credit co-operatives and small banks in the Mezzogiorno should be overcome by the provision of Lit. 6 million (at current prices) from the Banco di Napoli's Savings Bank. Nevertheless, in many respects the scheme fell short of success. Demand from the credit co-operatives was weak as a result of the persisting uncertainties in farming. Taxes were heavy, prices remained low, and "latifondisti" - large landowners - were squeezing the smallholders off the land.¹⁶ There was little incentive for farmers, even those belonging to credit co-operatives, to borrow to invest in their land. This was reflected in the drawings from the Banco di Napoli's earmarked fund. By the end of the second full year of operation - 1903 - only 53 of the 232 authorised banking intermediaries had availed themselves of the Banco di Napoli's funds. Only Lit. 1,177,000 at current prices were drawn out of the Lit. 6 million offered, and of the sums drawn only Lit. 508,000 (43 percent) were actually issued as agricultural credit, the remainder

15. Charitable deeds by the Banco di Napoli were numerous, but some of the more notable included the donation (at current prices) of Lit. 100,000 in July 1883 to the victims of an earthquake that devastated Casamicciola on the island of Ischia; Lit. 50,000 to help the poor of Naples during the cholera epidemic of 1884; Lit. 40,000 to the local authorities to issue food to the poor; Lit. 45,000 in 1890 for the University of Naples; Lit. 5,000 for a foundlings' home in 1893; Lit. 30,000 in 1905 for the victims of the Vesuvius eruption; and Lit. 200,000 in 1908 for the victims of the Reggio Calabria and Messina earthquakes. Source: Banco di Napoli, The Banco di Napoli (Naples, 1951), pp.21-25.

16. An indication of the power of the "latifondisti" comes from the agricultural census of 1930. This estimated that in Italy there were 3,500 "latifondi" of over 500 hectares, and they covered 20 percent of the land under cultivation. A further 15,000 single landowners held estates of over 100 hectares. Between them these 18,500 "latifondisti" controlled 50 percent of the farmed surface area of Italy. For a more detailed survey of the findings of the agricultural census of 1930 see Mario Casalini, Monografia Illustrativa della Sezione di Credito Agrario del Banco di Napoli (Rome, undated), pp.3-5.

finding their way, contrary to the agreement with the Banco di Napoli, through the Popular Banks to small industry and commerce.¹⁷

Little improvement followed this inauspicious start in agricultural credit by the Banco di Napoli. In February 1911 the government assigned to the Banco di Napoli the management of the Provincial Agricultural Credit Banks (Casse Provinciali di Credito Agrario) which had been set up in 1906 in the provinces of Campania, Abruzzi and Puglia.

Nevertheless the demand for credit remained weak. At end-December 1922 the 680 financial intermediaries offering agricultural credit in the nineteen southern mainland provinces and Sardinia and funded by the Banco di Napoli's Savings Bank had lent only Lit. 12.3 million at current prices out of disposable funds of Lit. 39.5 million. Indeed, between 1902 and 1922 new agricultural loans totalled only Lit. 207.5 million.

This stagnation in the demand for and supply of agricultural credit was not general but reflected economic and social uncertainty. One example of where credit could flourish in farming came in the late 1910s. During the seven years from 1916 when the government attempted to boost cereal production and so gave much needed encouragement to grain farmers, Lit. 268 million at current prices of government funds were lent for investment in the mainland Mezzogiorno - mainly in the grain-producing provinces of Foggia, Bari, Campobasso and Potenza. Indeed, Foggian farmers took Lit. 224 million (84 percent) of the government's wheat advances and twenty percent of the agricultural credit available from deposits with the Banco di Napoli's Savings Bank. The neighbouring province of Bari took a further 10 percent of the Banco di Napoli's total agricultural credit.¹⁸

17. Domenico Viggiani, Organizzazione e Legislazione del Credito Agrario con Particolare Riguardo al Mezzogiorno ed alle Esigenze delle Aziende Contadine (Naples, undated) not only presents these developments but also attributes (on page 5) this inauspicious start to the absence of spontaneously generated local credit institutions. He says: "The Annual Report of the Banco di Napoli's Savings Bank describes the repeated efforts and stubborn action and constant attempts to facilitate the creation of new local boards or stimulate the operation of existing boards and it becomes clear that legislative and administrative measures, despite their extent, were no substitute for the phenomenon of "spontaneous generation" of local boards in an area so different from the northern regions where they had flourished." In other words, the Banco di Napoli was of the opinion that the southern economic and social environment was not ready to spontaneously generate a flourishing local co-operative credit movement and in its absence agricultural credit could not flourish.

18. See Domenico Viggiani, Organizzazione e Legislazione del Credito Agrario con Particolare Riguardo al Mezzogiorno ed alle Esigenze delle Aziende Contadine (Naples, undated), p.6.

The success of agricultural credit in these provinces was short-lived. The government decided in the early 1920s that the Provincial Agricultural Credit Sections of Bari, Barletta, Taranto, Caserta, Foggia, Lecce and Campobasso - all of which were in major grain-producing areas - should become independent of the Banco di Napoli, while the less successful Provincial Banks of L'Aquila, Teramo, Chieti, Benevento, Salerno and Avellino should remain financially dependent on the Banco di Napoli's Savings Bank.

Repeated interference by the government therefore greatly undermined the stability needed by the agricultural credit banks for establishing the vital relationship with local farmers, based on trust and co-operation, which would have ensured the success of agricultural credit and increased investment in farming. Furthermore, the decision to isolate the Provincial Agricultural Credit Banks in the grain-growing areas from the Banco di Napoli left them financially weak. In response they sought safer risks in lending their own funds than they sought when administering the government's or the Savings Bank's capital. Thus many small-scale farmers in a large area of the South were refused credit that they had become accustomed to, while the banks lent predominantly to reliable borrowers - the large-scale landowners ("latifondisti"). The first signs of agricultural credit winning widespread acceptance in the Mezzogiorno therefore gradually faded.

Administrative and Operational Reform of the Banco di Napoli
(1926-9)¹⁹

For three years after Mussolini came to power in 1922 little was done to strengthen the weak economy, while De Stefani, the Finance Minister, pursued broadly liberal economic policies. His successor, Count Volpi, soon adopted a more "dirigiste" stance. In 1925 the lira was revalued, more for reasons of international prestige than as a result of international pressures on it. Consequently a firm deflationary policy was essential to maintain the lira's overvalued rate. A tight squeeze on credit and money supply was required, but the banking system was in confusion. Three banks - the Banca d'Italia, the Banco di Sicilia and the Banco di Napoli - were all empowered to issue notes, which made quantitative controls on money creation

19. The best description of events in these four years is to be found in: Banco di Napoli, Relazione al Consiglio Generale e Rendiconto (Naples, 1927, 1929 and 1930).

difficult to enforce. Furthermore credit controls were hampered by the fragmentation of the banking system. Volpi determined on a policy of banking reform to facilitate centralised economic management, a policy which was to involve a radical restructuring of the Banco di Napoli.

With effect from end-June 1926 the Banco di Napoli's privilege of note-issue was ended and gold reserves backing the notes in circulation were transferred to the Banca d'Italia.²⁰ Compensation for the gold reserves (Lit. 8,952 million at current prices) was added to the existing reserve capital of the Banco di Napoli (Lit. 168 million), which gave it the highest capitalisation of any Italian bank. Having severed the traditional links with the past, the government proceeded with a radical reform. In July 1926 the Banco di Napoli was granted the legal status of "Istituto di credito di diritto pubblico" - an independent credit institution with an autonomous administration - and the following year it was granted a new charter, outlining a new administrative system. However, from August 1927 the Finance Minister was empowered to dissolve the General Council of the Banco di Napoli. The Minister was thus in a position to ensure that the Banco di Napoli ultimately adhered to government policy. Indeed, in mid-1927 a new General Director of the Banco di Napoli, Giuseppe Frignani, the government nominee, was appointed in succession to Miraglia, strengthening still further the increasingly close links between the government and the new bank. In March 1929, at the first annual general meeting of the newly restructured Banco di Napoli, the Finance Minister (Mosconi) described Frignani in the following manner: "As a result of his deep technical knowledge and extensive administrative ability he has known how to rapidly instil into this institution the moving spirit of fascism, which will enable it to face the new and more extensive duties entrusted to it in the field of credit and in the national economy". There was no doubt that with the appointment of Frignani the Banco di Napoli's legally guaranteed autonomy was purely notional, the government having secured absolute control of the institution through its nominee, Frignani²¹.

20. See in particular Banco di Napoli, Relazione al Consiglio Generale e Rendiconto (Naples, 1927).

21. This political appointment was to benefit the Banco di Napoli's agricultural credit operations since Frignani was to become chairman of the Consorzio Nazionale per il Credito Agrario di Miglioramento (better known as Meliorconsorzio) when it was established in 1928, and was able to foster close links between the two organisations.

When Frignani took control of the Banco di Napoli in 1927, backed by a new charter and new responsibilities for the Banco, he undertook a thorough review of the structure and operations of the Banco. He modernised the internal administration of the bank, improving in particular personnel services, bookkeeping controls, accounting procedures, and the archives: all of which had remained virtually unaltered since 1909. In addition a review was made of the structure of the six main operative branches of the Banco: the Banking Section (Azienda Bancaria); the Savings Bank (Cassa di Risparmio); the Remittances Section (Sezione Rimesse degli Emigrati); Pawnbroking (Monte di Pietà); the Agricultural Credit Section (Sezione di Credito Agrario); and the Land Credit Section (Sezione di Credito Fondiario).²²

(i) The Banking Section

The Banking Section was strengthened by the creation of a specialist office to advise on the optimal balance between various forms of lending and borrowing operations. This was of prime importance for the prosperity of the Banco di Napoli since it was the Banking Section which was responsible for the collection of sight deposits and the provision of ordinary banking facilities such as overdrafts, industrial credit, commercial advances, portfolio investments and foreign exchange operations. Unless the Banking Section maintained a high level of liquid assets the other sections whose operations were highly illiquid would severely unbalance the Banco di Napoli's general balance sheet.

(ii) The Savings Bank

The Savings Bank section, the other main source of liquid assets for the Banco di Napoli, underwent little change at this time. All branches of the Banco di Napoli were given Savings Bank departments and in addition the types of savings operations offered were rationalised, duplication between time deposits and interest-bearing short-term bonds being eliminated. Facilities for the collection of small savings were also improved.

22. For details see Banco di Napoli, Relazione al Consiglio Generale e Rendiconto per gli Anni 1927 e 1928 (Naples, 1929) and especially pp.38-43 dealing specifically with the Agricultural Credit Section.

(iii) The Remittances Section

Several factors tended in the 1920s to reduce the flow of remittances into the Banco di Napoli. On the one hand the United States progressively tightened its controls on immigration, while the Italian government increasingly sought to redirect emigration towards the colonies in Africa. Furthermore, the revaluation of the lira in 1925 reduced the lira value of remittances and raised the unit handling costs for the Banco di Napoli. Nevertheless, the Banco di Napoli's Remittances Section was also galvanised by Frignani's dynamic management and opened a new branch in Buenos Aires in 1929, some fourteen years after the project was first considered.

(iv) Pawnbroking

Pawnbroking facilities, offered only in the large urban centres of Naples and Salerno in Campania, Bari, Lecce and Taranto in Puglia, Cagliari in Sardinia and Tripoli in Libya, were left intact by Frignani's reforms. This was indicative of their relative insignificance, the service offering little scope for expansion, while it was unacceptable to close down the direct descendant of the original facility offered by the Banco di Napoli in 1539.

(v) The Agricultural Credit Section

The Agricultural Credit Section was established, ex novo, in 1927, following the presentation of a royal decree law to parliament on 29th July 1927.²³ The law required the Banco di Napoli to set up a financially autonomous agricultural credit section, endowed with Lit. 100 million at current prices but without the right to collect deposits. It was to be the Special Agricultural Credit Institution for the entire mainland south and Sardinia, lending both long and short to farmers in these regions, but also rediscounting short- and medium-term agricultural paper issued by other banks authorised to offer agricultural credit (Authorised Institutions) and

23. All the legislation passed concerning agricultural credit is to be found in: Associazione Bancaria Italiana, Raccolta di Testi Legislativi e Normativi in Materia Bancaria; la Legislazione Italiana sul Credito Agrario (Rome, 1969). Guido Paggi, Il Credito Agrario nell'Attuale Riforma e nelle Prospettive Future (Rome, 1971) also clearly describes the legislation passed in 1927 as do the general sources mentioned in footnote 10 on page 17. However, the most detailed description and appreciation of the reform from the perspective of southern Italy is to be found in Banco di Napoli, Relazione al Consiglio Generale e Rendiconto per gli Anni 1927 e 1928 (Naples, 1929).

by so-called intermediary boards (Enti Intermediari) - non-banks, such as co-operatives, which had no cash of their own from deposits but which refinanced short-term agricultural credit operations with the local Special Agricultural Credit Institutions.²⁴ The Banco di Napoli opened in each of its 21 provincial head offices an agricultural credit department consisting at the administrative level of at least one chief of department and one technical adviser. All requests for agricultural credit received by branches in any province were transmitted to the agricultural credit department of the Banco di Napoli branch in the provincial capital for appraisal, both by the department's staff and by an independent special commission made up of local farming experts, including provincial representatives of the farm workers' confederation, the farmers' confederation and technical advisers of the local agricultural advisory service ("Cattedre Ambulanti di Agricoltura"). The provincial agricultural credit departments also rediscounted paper from the Authorised Institutions and Intermediary Boards, and referred long-term loan requests of over Lit. 300,000 to the Consorzio Nazionale per il Credito Agrario di Miglioramento (Meliorconsorzio)²⁵ in Rome, which was set up by the law of 1927 to provide large, long-term loans likely to pose liquidity difficulties for the Special Institutions.

Thus, from the start of operations on 14th November 1927 the Banco di Napoli's Agricultural Credit Section (ACSBN) had a sophisticated and far-reaching network of agencies throughout southern Italy. Furthermore, it inherited - largely from the provincial agricultural credit banks it replaced - a total of Lit. 73.6 million in operating loans outstanding at current prices, Lit. 34.4 million in improvement loans outstanding, Lit. 70.9 million in outstanding government loans to grain farmers, and Lit. 8.5

24. For a fuller explanation see chapter II which outlines the method of issuing agricultural credit.

25. The Meliorconsorzio's review of its first ten years of operation provides some interesting statistics. It shows that out of a total of 3,132 loan applications referred to it during those first ten years amounting to Lit. 3,601.4 million (at current prices), 533 (worth Lit. 709.4 million) were from the mainland south (i.e. the area under the responsibility of the Banco di Napoli's Agricultural Credit Section). See Meliorconsorzio, Il Consorzio Nazionale per il Credito Agrario di Miglioramento nel suo Primo Decennio di Vita (Rome, 1938), especially pp.25-79.

million in loans outstanding for farm buildings.²⁶ Indeed, by the end of 1928, the first full year in operation, the Banco di Napoli's agricultural credit section had a total of Lit. 156 million at current prices of its own funds outstanding and functioned directly through its 21 provincial head offices, its total bank network, and also through 470 intermediary boards.²⁷

(vi) The Land Credit Section

With the loss of the note-issue privilege, one of the legal restrictions on the Banco di Napoli carrying out land credit operations secured on mortgages was removed. This restriction, introduced following the banking crises at the turn of the century, had been designed to safeguard the liquidity of the note-issue banks and had forced the Banco di Napoli to leave its Land Credit Section in liquidation. However, in the years since the Land Credit Section had ceased operations this form of credit had become particularly neglected in the Mezzogiorno, and whereas land credit outstanding at end-1927 totalled Lit. 1,854.5 million at current prices in

26. See Banco di Napoli, Relazione al Consiglio Generale e Rendiconto per gli Anni 1927 e 1928 (Naples, 1929), pp.88-92. Agricultural credit was reclassified by the law of 1927 into two broad categories: short- and medium-term operating loans and long-term improvement loans.

Operating loans were defined as being available to individual land-owners:

- for the operation of the farm and the processing of farm output,
- for the purchase of livestock, machinery and farm equipment,
- as advances on the pledged security of farm output,
- through official boards or agricultural associations for:
 - . the purchase of materials on behalf of members,
 - . advances to farmers while their produce was being transformed or sold collectively by the boards or associations.

Improvement loans were granted to individual landowners:

- for laying out plantations and adopting new techniques,
- for the construction of access roads,
- for soil improvement,
- for digging wells and constructing troughs, walls, ditches and boundary markers,
- for constructing and maintaining farm buildings for the farmer, his livestock, his produce or his equipment,
- for purchasing pumping equipment to supply drinking water and the irrigation network,
- for electrical equipment needed in farming,
- for other projects which would directly increase the intrinsic value of the property.

27. The ACSBN was forbidden under the agricultural credit reform law from collecting deposits from the public at large. It therefore had to operate from its asset base - basically its inherited loans portfolio - supplemented by capital advanced by the Banking and Savings Bank Sections of the Banco di Napoli.

19,069 loans throughout Italy, the South, which covered about 25 percent of the Italian land mass, had only Lit. 158.7 million (1,629 loans).²⁸ Frignani, recognising the gap in credit services, therefore sought to reopen the Land Credit Section to new business, and secured parliamentary approval in October 1929. The terms of lending were that all credit had to be secured on a first mortgage, and could not exceed 50 percent of the value of the pledge; loans were granted for not less than ten years and not more than thirty; the loans were covered by land credit bills ("cartelle fondiariae") which the Land Credit Section could resell and which were redeemable, at fixed six-monthly intervals, during the period of the loan.²⁹ The Land Credit Section's lending, however, was restricted to Lit. 500 million at current prices (ten times its paid up reserve capital of Lit. 50 million).

The Banco di Napoli's Operations after the Reforms

1930 was the first full year (both financial and calendar) in which the newly restructured Banco di Napoli operated. The balance sheet for that year revealed the pre-eminence of the Banking Section in the total assets of the Banco di Napoli.³⁰ It contributed no less than 80.6 percent of the total assets, with the Savings Bank adding 13.4 percent and the Agricultural Credit Section a mere 3.2 percent. This pattern was repeated in the contribution to net profits by the various sections: the Banking Section contributing 69.3 percent, the Savings Bank 17.3 percent and the Agricultural Credit Section 11.4 percent.³¹ (See Table 1.)

There is therefore little doubt about the importance to the Banco di Napoli of traditional banking operations. However, the rapid growth of

28. See Banco di Napoli, Relazione al Consiglio Generale e Rendiconto per gli Anni 1927 e 1928 (Naples, 1929), pp.30-37.

29. A number of bills were issued to cover the value of the loan. In order to facilitate the sale of these bills the redemption date was not stipulated, but bills were drawn at random for regular, periodic, early redemption. See Enciclopedia della Banca e della Borsa, I Crediti Speciali (Rome, 1967), pp.38-47.

30. See Banco di Napoli, Relazione al Consiglio Generale e Rendiconto 1930 (Naples, 1931), tables appended to the report.

31. Despite its relatively small size, the Banco di Napoli's agricultural credit section established itself from its creation towards the end of 1927 to 1930 as a major profit-maker for the Banco di Napoli with higher returns on assets than any other section. See Banco di Napoli, Relazione al Consiglio Generale e Rendiconto per gli Anni 1927 e 1928, 1929, 1930 (Naples, 1929, 1930 and 1931), tables appended to the reports.

the Agricultural Credit Section in its first three years of operation foreshadowed the leading rôle it was destined to play both within the Banco di Napoli and in the development of agriculture in southern Italy. The basis for this rapid growth was provided both by the government's legislation in 1927 entrusting to the Banco di Napoli's Agricultural Credit Section control of all operations in the south, and by Frignani's adept use of the existing structure of the Banco di Napoli's branches throughout the regions and provinces of the south to bring agricultural credit to farmers wherever they worked.

However, Frignani, for all his genuine and profound interest in the success of agricultural credit (in his capacity both as managing director of the Banco di Napoli and Chairman of the Meliorconsorzio in Rome), nevertheless regarded the Agricultural Credit Section as offering only one of the many services to be obtained by clients of the Banco di Napoli from any branch.

TABLE 1
TOTAL ASSETS AND PROFITS OF THE SECTIONS
OF THE BANCO DI NAPOLI IN 1930
(at current prices)

	ASSETS		PROFITS	
	Lit. mn.	% of total	Lit. mn.	% of total
Banking Section	6,791.6	80.6	40.2	69.3
Savings Bank	1,132.8	13.4	10.1	17.3
Agricultural Credit Section	267.6	3.2	6.7	11.6
Land Credit Section	84.0	1.0	0.5	0.9
Pawnbroking	141.1	1.7	0.5	0.9
Remittances' Section	5.8	0.1	-	-
Total	8,422.8	100.0	58.0	100.0

Source: Banco di Napoli, Relazione al Consiglio Generale e Rendiconto 1930 (Naples, 1931), tables appended to the report.

The Agricultural Credit Section, like the five other specialist sections of the Banco, was not regarded as an independent banking service, but as an integral part of the Banco di Napoli itself.³² As we shall see, however, it became an extremely dynamic part of the Banco di Napoli.

32. Frignani's views are clearly expressed in the Banco di Napoli's Annual Reports, especially in Banco di Napoli, Relazione al Consiglio Generale e Rendiconto per gli Anni 1927 e 1928 (Naples, 1929), pp.22-25.

CHAPTER II

AGRICULTURAL CREDIT: THE SYSTEM AND HOW IT FUNCTIONED

In 1927 the government tabled its draft proposals for the restructuring of the Italian agricultural credit system in a decree law.¹ The decree law was subsequently amended and approved by parliament, becoming law on 5th July 1928.² From the outset it was clear that the government was intent on a major overhaul of the system, sweeping aside the chaotic network of small banks which had proliferated since the late nineteenth century.³

1. The draft decree law - called "Provisions for the organisation of agricultural credit" - was presented to parliament on 29th July 1927. Its text was reproduced in the Gazzetta Ufficiale of 26th August 1927 (No. 197). A text containing subsequent amendments is printed in: Associazione Bancaria Italiana, Raccolta di Testi Legislativi e Normativi in Materia Bancaria; La Legislazione Italiana Sul Credito Agrario (Rome, 1969), henceforth called A.B.I., Credito Agrario (Rome, 1969).

2. A Ministerial Decree, signed on 23rd January 1928, and called "Regulations for the implementation of the Royal Decree of 29th July 1927" set out details of how the draft decree law of 29th July 1927 would operate. It was amended in June 1928 and passed on 5th July 1928. For the full text, with details of subsequent amendments, see A.B.I., Credito Agrario (Rome, 1969).

3. In November 1927 the Agricultural Credit Section of the Banco di Napoli, as a first step towards rationalising the bank network for agricultural credit, absorbed seven regional agricultural credit banks - the Istituto Vittorio Emanuele III per il Credito Agrario nelle Calabrie, the Cassa di Credito Agrario per la Basilicata, the Cassa di Credito Agrario Bari-Taranto, the Cassa Provinciale di Credito Agrario di Campobasso, the Cassa Provinciale di Credito Agrario di Caserta, the Cassa Provinciale di Credito Agrario di Foggia and the Cassa Provinciale di Credito Agrario di Lecce - and six provincial banks - the Casse Provinciale di Credito Agrario in L'Aquila, Avellino, Benevento, Chieti, Salerno and Teramo. In aggregate their capital amounted to about Lit. 2.5 billion (at 1963 prices) and agricultural loans outstanding amounted to Lit. 6.3 billion. All of the Lit. 2.1 billion of improvement loans outstanding had been issued by the seven regional banks, more than half by the Istituto Vittorio Emanuele III per il Credito Agrario nelle Calabrie. In addition there were 642 Intermediary Boards operating in mainland southern Italy in conjunction with the ACSBN (and an equal number independent), consisting mainly of co-operative banks of the Schulze-Delitzsch and Raiffeisen types. Seventy-two of the total were in the province of Salerno, south of Naples, fifty-two in Campobasso, another intensively farmed area, and there were forty or more in each of the provinces of Avellino, Caserta, Catanzaro, Foggia and Teramo. In Bari and Naples there were only ten each, reflecting the dominance in highly populated areas near urban centres of the Banco di Napoli itself. For further details see Mario Casalini, Monografia Illustrativa della Sezione

The principal difficulty which had undermined the efficiency of the early agricultural credit system had been the inherent instability of the small rural credit co-operatives and the absence of a developed bank network to which to turn in times of difficulty.⁴ If small local co-operatives were to succeed, they required adequate capital - either their own or borrowed - to withstand the loss of solvency when poor harvests forced borrowers into difficulties and caused them to postpone repayments. Furthermore, credit co-operatives lacked the financial size and strength to displace other creditors of farmers - the local moneylenders, or the chandlers and merchants, who advanced goods to farmers in return for repayment with interest, after harvest, either in cash or kind. The failure of the credit co-operatives to take up the capital made available to them from the deposits of the savings banks confirmed their limitations,⁵ whilst the success of the

di Credito Agrario del Banco di Napoli (Rome, undated), pp.34-41, henceforth referred to as Casalini, Monografia Illustrativa (Rome, undated).

4. The early southern Italian agricultural credit system - that is in the first quarter of the twentieth century - was both badly organised and chaotic. It had no stable operational base, lacking the spontaneously generated co-operation credit network that was so important in other areas of Italy and in other countries (see Domenico Viggiani, Organizzazione e Legislazione del Credito Agrario con Particolare Riguardo al Mezzogiorno ed alle Esigenze delle Aziende Contadine (Naples, undated), p.6 and pp.33-40). In addition, Viggiani also shows how the financial links between banks in the mainland south were repeatedly changed: after a series of laws, the Banco di Napoli by 1922 controlled 680 out of 1,275 intermediary credit boards in the south and Sardinia, providing virtually all of their funds. That year, however, further legislation was passed that once more hived off the larger provincial credit institutions (in Bari, Barletta, Taranto, Caserta, Foggia, Lecce and Campobasso), leaving the Banco di Napoli with outlets only through the smaller provincial institutions. The reform of 1927-8 tried to rationalise the system, eliminating duplication and introducing a highly hierarchical structure that would replace, it was hoped, the spontaneously generated co-operative network that never thrived in the mainland south. The way the new structure was set up is clearly described in: Banco di Napoli, Relazione al Consiglio Generale e Rendiconto 1927 e 1928 (Naples, 1929), pp.38-43.

5. At end-1922, for example, the 680 financial intermediaries which could offer agricultural credit in the nineteen southern mainland provinces and in Sardinia and were funded by the Banco di Napoli's Savings Bank had actually lent only Lit. 12.3 million (at current prices) of the Lit. 39.5 million available to them from the automatic allocation of resources out of savings banks' deposits.

See Domenico Viggiani, Organizzazione e Legislazione del Credito Agrario con Particolare Riguardo al Mezzogiorno ed alle Esigenze delle Aziende Contadine (Naples, undated), p.6.

government's credit scheme from 1916 to 1922 for wheat farmers⁶ reinforced the view that if an efficient and comprehensive agricultural credit system were set up it would soon encounter strong demand. Thus the key to strengthening agricultural credit was to expand the resources available to all agricultural credit institutions and to offer farmers the forms of credit they most required - on the one hand to buy seed and fuel and hire labour, and on the other hand to plant orchards, improve irrigation networks and build barns. This was the objective of the legislators in 1927 and 1928.

The Agricultural Credit Reform Law of 1928 radically reorganised the supply of agricultural credit, in particular in two respects. Firstly it established a rigidly stratified organisation of banks and secondly it drew a much-needed dividing line between short-term lending (operating loans) and long-term lending (improvement loans).⁷

The Agricultural Credit Bank Structure⁸

The new bank organisation hinged on the creation in 1927-28 of eight clearly delineated zones with one major bank - a so-called Special Institution - responsible for the efficient operation of all agricultural

6. The underlying strength of loan demand was reflected in the fact that during the seven years from 1916, when the government offered grants and loans to cereal farmers, a total of Lit. 268 million was taken up by farmers. For further details, see above, Chapter I, page 23 and Domenico Viggiani, Organizzazione e Legislazione del Credito Agrario con Particolare Riguardo al Mezzogiorno ed alle Esigenze delle Aziende Contadine (Naples, undated), p.6.

7. See A.B.I., Credito Agrario (Rome, 1969), pp.17-42.

8. For a more detailed explanation of how the Banco di Napoli's Agricultural Credit Section was reformed to fulfil its responsibilities under the new system, see Chapter I pages 27 to 29 above.

A large number of books have described the functioning of the agricultural credit bank structure as it was set up in 1928 and as it was subsequently modified. The basic legal texts are to be found in: Associazione Bancaria Italiana, Raccolta di Testi Legislativi e Normativi in Materia Bancaria; la Legislazione Italiana sul Credito Agrario (Rome, 1969). Mario Bandini, Manuale di Economia e Politica Agraria (Bologna, 1954), Mario Bandini, Cento Anni di Storia Agraria Italiana (Rome, 1957), Mario Bandini and Carlo Vanzetti, Economia e Politica Agraria (Bologna, 1967) all offer clear descriptions of the agricultural credit system, as does Guido Paggi, Il Credito Agrario nell'Attuale Riforma e nelle Prospettive Future (Rome, 1971). More technical studies of particular aspects of the agricultural credit system that should be read include Agostino Rigi Luperti, "Le Funzioni degli Ispettorati Agrari nell'Ordinamento del Credito Agrario", Credito Agrario, XI, May-June 1967, and Roberto Ruozi, I Finanziamenti Bancari alle Aziende Agricole (Milan, 1965). However,

credit within each zone.⁹ The Agricultural Credit Section of the Banco di Napoli (ACSBN) fulfilled this rôle in the southern regions of Abruzzi, Molise, Campania, Puglia, Basilicata, Calabria and some of the provinces of southern Lazio (Latina and Frosinone).¹⁰ The ACSBN was also the Special Institution for Sardinia until 1953, when the Banco di Sardegna displaced it (assuming responsibility for the island as part of the devolution programme for Sardinia and Sicily), becoming the ninth Special Institution.

What distinguished the Special Institutions from other local agricultural credit banks was that they also could offer long-term agricultural credit - improvement loans.¹¹ The only competition they

the most valuable sources of information were the people directly involved with lending agricultural credit or monitoring its development. In the first category must be mentioned Dr. Viggiani and Dr. Selvaggi at the Banco di Napoli's head office in Naples. In the second category were members of the Agricultural Economics Department of the University of Naples in Portici (and especially Dr. Venzi and Dr. Cembalo), staff of the Italian Agricultural Economics Institute (INEA) in Rome (in particular Dr. Brovelli) and of the Italian Banking Association (ABI) in Rome (Dr. Solimini). Through these discussions in particular it was possible to distinguish between what was laid down by law and what actually happened in the day-to-day provision of agricultural credit.

9. For the precise legal texts see A.B.I., Credito Agrario (Rome, 1969), pp.27-33. The eight Special Institutions set up between 1927 and 1928 were:

- (i) Istituto Regionale di Credito Agrario per l'Emilia-Romagna, based in Bologna,
- (ii) Istituto Federale di Credito Agrario per la Toscana, based in Florence,
- (iii) Sezione di Credito Agrario della Cassa di Risparmio delle Provincie Lombarde (Milan),
- (iv) Sezione di Credito Agrario del Banco di Napoli (Naples),
- (v) Sezione di Credito Agrario e Peschereccio del Banco di Sicilia (Palermo),
- (vi) Istituto Federale di Credito Agrario per l'Italia Centrale (Rome),
- (vii) Istituto Federale di Credito Agrario per il Piemonte e la Liguria (Turin),
- (viii) Sezione di Credito Agrario dell'Istituto Federale delle Casse di Risparmio delle Venezie (Venice).

10. This was stipulated in article 14 of the Decree Law of 29th. July 1927; see A.B.I., Credito Agrario (Rome, 1969), pp.29-31 and 783-784. An Italian region roughly corresponds to an English county, and a province to a borough.

11. For a detailed description of improvement loans, see below, pages 46-49.

faced in this field was from the Banca Nazionale del Lavoro e della Cooperazione, which could provide, from 1929, improvement loans throughout Italy. In the late 1930s this privilege was extended to the Banca Nazionale dell'Agricoltura, and after the war to the Banca Centrale di Credito Popolare.¹²

No bank other than the nine Special Institutions and these three national banks could supply long-term improvement credit without special ministerial approval from the Ministry of the National Economy before the war, and from the Treasury's Interministerial Committee for Credit and Savings after the war. For example, special authorisation was given to the Cassa di Risparmio di Calabria e di Lucania to make such loans in competition with the ACSBN, but only in the southern regions of Calabria and Basilicata.¹³

A further restriction on the freedom of Special Institutions to supply long-term improvement credit was the requirement that they should pass on large improvement loan applications to a national bank, set up in 1928 and based in Rome: the Consorzio Nazionale per il Credito Agrario di Miglioramento (more commonly, and henceforth, known as the Meliorconsorzio).¹⁴ The actual minimum size of loan that a Special Institution could accept without referring it to the Meliorconsorzio depended on the size of the Special Institution's capital. The Banco di

12. The privilege to provide improvement loans throughout Italy was extended to these banks through amendments to Section II, article 13 of the Decree Law of 29th July 1927, no. 1,509. For details see A.B.I., Credito Agrario (Rome, 1969), pp.27-29.

13. By 1969 five banks - the Cassa di Risparmio di Calabria e di Lucania, the Cassa Centrale di Risparmio Vittorio Emanuele per le Provincie Siciliane, the Istituto Bancario San Paolo di Torino (Sezione di Credito Fondiario), the Istituto di Credito Fondiario della Regione Trentino - Alto Adige, and the Sezione Autonoma per il Credito Agrario di Miglioramento del Mediocredito Trentino-Alto Adige - had been authorised in this way to supply improvement loans locally. A further eighteen banks - largely savings banks in the fertile Po Delta - had received special ministerial dispensation. For details see article 13 of the Decree Law of 29th. July 1927 in A.B.I., Credito Agrario (Rome, 1969), pp.27-29.

14. The Meliorconsorzio's operations and responsibilities in its first ten years of existence are well described in: Meliorconsorzio, Il Consorzio Nazionale per il Credito Agrario di Miglioramento nel suo Primo Decennio di Vita (Rome, 1938), especially pp.25-79.

Napoli's Agricultural Credit Section, for example, was required to refer all improvement loan applications exceeding Lit. 300,000 (at current prices) to the Meliorconsorzio.

The Special Institutions nevertheless had far-reaching influence in the regions under their control, in particular over the local agricultural credit banks. These banks were classified under the law of 1927-28 as either Authorised Institutions or Intermediary Boards. Authorised Institutions were so-called since they had to apply to the Ministry of the National Economy (after the war the Treasury's Interministerial Committee for Credit and Savings) for permission to offer short- and medium-term agricultural credit (operating credit).¹⁵ Permission could be revoked at any time, or banks could be suspended from supplying agricultural credit if they disregarded instructions from the local Special Institution or from the Ministry of the National Economy. In practice expulsion was rare, as was suspension, although the most common cause of suspension in pre-war years was the failure to notify the Special Institution of the conclusion of new loans, which, by law, had to be recorded in the Regional Schedule (Schedario Regionale).¹⁶ All loans made to farmers in a region had to be notified to the Special Institution for that region and entered in the Regional Schedule. In this way banks could always check that an applicant for a new loan was not already deeply indebted with other agricultural credit institutions in the same region. A second sanction which the Special Institution could invoke on recalcitrant Authorised Institutions was the refusal to accept their agricultural paper for rediscounting, a facility that Authorised Institutions relied upon when strong credit demand drained their own resources.

15. For a detailed description of operating loans, see below, pages 43 to 46.

16. This requirement was incorporated in articles 34 and 37 of the decree of 23rd January 1928. For details see: A.B.I., Credito Agrario (Rome, 1969), pp.54-55. The Regional Schedule has a modern equivalent in the French Centrale des Risques system currently operated by the Banque de France by which all participating banks notify the Banque de France of loans to individuals and, in return, may be told what other banks have lent to the same customer.

The Special Institutions were therefore in a commanding position over the Authorised Institutions; they were able to recommend their suspension or the withdrawal of their licence, and also were able to cut off their much-needed access to refinancing of loans.

Intermediary Boards - the second category of credit institutions for whom the Special Institutions were responsible - were even more dependent on the Special Institution. They were predominantly credit co-operatives, but also included some purchase and retail co-operatives.¹⁷ They had no capital of their own to lend to their members, other than the minimal sums received in the form of subscriptions, and so had to finance all operations by directly discounting agricultural paper with the Special Institutions. In effect they were intermediaries, borrowing from the Special Institution on behalf of their clients: and hence their name - Intermediary Boards. The advantage to the clients was that in most cases the terms secured and the amount raised by the Intermediary Boards were better than from a direct

17. The most common credit co-operatives were "Casse Rurali" (Rural Banks), which could levy nominal membership fees, but on the whole depended on external finance for their principal credit operations. In 1913 there existed 2,122 Rural Banks and one year later 2,279 - most "confessionali", linked to Don Cerutti's movement. The Agricultural Credit Reform of 1927-8 decreed that all existing Rural Banks and other agricultural credit co-operatives should merge to provide one, but not more, Communal Agricultural Credit Bank for each commune in Italy. The effect of this restructuring was to sharply reduce the number of co-operative and Rural Banks in Italy from 2,545 in 1927 to 1,922 in 1936.

These figures are drawn from Arrigo Serpieri, La guerra e le classi rurali italiane (Bari, 1930), pp.443-447. Additional useful sources on Intermediary Boards - especially Rural Banks - are Giulio Tamagnini, Le Casse Rurali (Rome, undated); Giulio Tamagnini, "Cooperazione Agraria e Impresa Coltivatrice", Rivista della Cooperazione, 1953; Francesco Tomasini, "L'Intervento delle Casse Rurali nelle Operazioni di Credito Agrario", Problemi di Gestione e di Organizzazione delle Casse Rurali, August 1966; Ilvo Capecchi, "Le Casse Rurali in Italia", Rivista di Economia Agraria XI, No.2, 1956, and Enzo Badioli, "Agricultural Credit in the Framework of Italian Farming", Review of the Economic Conditions in Italy, Banco di Roma, XXV, No.1, January 1971. A further book on co-operatives in Italy between 1922 and 1935 is Freppel Cotta, Agricultural Co-operation in Fascist Italy (London, 1935). Although obviously thoroughly researched and containing extremely interesting details, this book nevertheless overwhelmingly and somewhat naively supports the government's policy on co-operatives in this period, without indicating the drawbacks of such a policy (for example, the elimination of competition in services offered by co-operatives that have become effectively monopolies). In view of its lack of objectivity it should therefore be treated with caution.

application to a Special or Authorised Institution,¹⁸ while the Special Institution preferred lending through Intermediary Boards since this reduced its own administrative costs, extended the geographical coverage of its branches into often remote areas and minimised the risk, since the Intermediary Board bore the individual loan risks.

The new organisation set up by the Reform Law of 1927-28 was undoubtedly a marked improvement on the chaotic, unco-ordinated system in existence up to 1927. Prof. Luigi Pagani echoed the view of many contemporaries when he wrote: "Even if the Fascist law of 1927, which is the cornerstone of all agricultural credit ... is not perfect - as nothing ever is - it nevertheless comprises many indisputably outstanding qualities, which make the full range of legislation in this field truly worthy of the highest esteem. We may affirm, therefore, that such a range of legislation is valuable and that all the regulations, even the secondary and less important ones, when seen in their context, are well co-ordinated, efficient and designed to facilitate the successful development of agricultural credit, and so support agriculture too."¹⁹ The fact that the new system has survived to date virtually unchanged confirms this view.

In one respect, however, the new stream-lined system was open to abuse. As we have seen, the Special Institutions were the cornerstones of the credit network in their regions. The Meliorconsorzio could not interfere, being largely capitalised by the Special Institutions and also empowered only to meet loan applications passed on to it by the Special Institutions.²⁰

18. Being non-profit making organisations the Intermediary Boards had lower overheads. They were also close to their customers, which facilitated supervision and control.

19. For this quote and further comment, see his excellent appraisal of the laws affecting agricultural credit in the 1930s: Luigi Pagani, Commento alla legislazione italiana sul credito agrario (Venice, 1935), especially p.456.

20. The law of 5th July, 1928 (article 18) listed the banks and financial intermediaries which would subscribe to the capital of the Meliorconsorzio. They consisted predominantly of the banks permitted to supply improvement loans and so required to pass on to the Meliorconsorzio very large applications for credit. The Agricultural Credit Section of the Banco di Napoli, for example, was required to refer all improvement loan requests exceeding Lit. 300,000 to the Meliorconsorzio. See: Consorzio Nazionale per il Credito Agrario di Miglioramento, Il Consorzio Nazionale per il Credito Agrario nel suo primo decennio di vita (Rome, 1938), pp. 25-6.

The Authorised Institutions and the Intermediary Boards were legally under the control of the Special Institutions and, to a greater or lesser extent, financially dependent on them too. The only banks not controlled by the Special Institutions and authorised to supply farm credit were the Banca Nazionale del Lavoro e della Cooperazione, the Banca Nazionale dell'Agricoltura and the Banca Centrale di Credito Popolare.²¹ But these three banks were concentrated in the urban centres, away from the farming communities, and so had little impact on the virtual monopolies of the Special Institutions. If, as a result of administrative inefficiency, misdirected policy or a heavy burden of bad debts, one Special Institution was obliged to raise the cost of agricultural credit, its virtual monopoly control within its zone meant that all farmers in that zone had no option but to pay higher charges. In the extreme case, neighbouring farmers either side of regional boundaries for Special Institutions might be forced to pay vastly different interest on similar loans. One farmer might even be granted a loan by his Special Institution whilst his neighbour, applying for a similarly sized loan for an identical reason might have his application rejected.²²

Nevertheless, the new agricultural credit bank structure was a significant improvement on the earlier ad hoc system of rural co-operative banks, inadequately capitalised and generally unco-ordinated, working side by side with much larger specialised departments of major banks, such as the Banco di Napoli and the Banca Nazionale del Lavoro e della Cooperazione, which had ample capital but insufficient representation in rural areas to

21. Article 13 of the Decree law of 28th July 1927 (No. 1509), Section II stipulated that the Ministry of the National Economy - subsequently the Treasury's Interministerial Committee for Credit and Savings - could authorise banks to provide agricultural credit. It is under this article that the three banks were granted permission.

22. In one case a farmer from southern Lazio applied to the ACSBN for a subsidised loan to convert part of his farm into a vineyard, as many of his neighbours were doing. The ACSBN refused on the grounds that there already existed an oversupply of grapes in the regions under its control. When the farmer protested, pointing to the example of his neighbours who had been granted loans, the ACSBN told the farmer that these other farmers were under the jurisdiction of the Istituto Federale di Credito Agrario per l'Italia Centrale. In desperation the farmer took out a loan at market rates, and had succeeded in servicing it without difficulty up to the time Dr. Selvaggi of the ACSBN told me about this recent case, dating from the late 1960s, at the ACSBN's head office in Naples in January 1972.

attract and stimulate latent credit demand. The new network, despite its notable weakness of largely eliminating market competition between banks, even so brought together the expertise and capital of the larger banks with the extensive market penetration of the Authorised Institutions and Intermediary Boards. Furthermore, the creation of the Meliorconsorzio was a far-sighted move to reduce the risk of Special Institutions lending too heavily for long periods and so undermining their crucial contribution of funding almost all of the operations of the Intermediary Boards and a sizable proportion of those from the Authorised Institutions. Another measure also designed to safeguard the Special Institutions' liquidity was the prohibition placed on the collection of deposits. This reflected concern that agricultural credit banks, if they were to follow the traditional, but risky, banking technique of maturity transformation (borrowing short but lending longer) might encounter liquidity problems, especially since most of their claims were on farmers, whose income - and so ability to service and redeem borrowing - was notoriously irregular. The capitalisation of the Meliorconsorzio was a further indication of careful forethought by the legislators. By requiring the Special Institutions themselves to put up a large proportion of the Meliorconsorzio's capital, the government succeeded in minimising any friction between the Meliorconsorzio and the Special Institutions which might have discouraged the Special Institutions from passing on business to the Meliorconsorzio.

The Types of Agricultural Credit²³

The Reform Law also distinguished between two types of agricultural credit operations.²⁴ Short- and medium-term credits were called "operating" credits ("credito agrario di esercizio") whereas long-term credits were called "improvement" credits ("credito agrario di miglioramento"). The important distinction between them was the government subsidy of 2.5 percentage points on the interest payable on improvement loans only which the government

23. The principal sources of information in this section are already listed on page 35, footnote 8.

24. The very first article of the Decree Law of 29th July 1927 (No. 1,509), published in the Gazzetta Ufficiale (No. 197) on 26th August 1927, distinguished between operating and improvement loans.

introduced in 1927 in an attempt to encourage structural reform in agriculture.²⁵ As far as the banks were concerned it enforced a distinction between relatively low-risk shorter-term assets and much more illiquid long-term claims.²⁶

(i) Operating credit

Operating credit covered all loans for the daily running of the farm. In effect it comprised all forms of commercial credit. Its principal component was production credit, granted to farmers initially for four months, but renewable twice, and intended to cover the purchase cost of seed, fertilisers, insecticides, fodder and fuel, and to pay for additional seasonal labour, both at sowing and harvesting.²⁷ It therefore closely corresponded to the commercial credit traditionally supplied by village tradesmen and merchants, and usually repaid in kind at harvest-time. Since its primary purpose was to tide farmers over seasonal peaks in spending, until their assets (their crops) could be sold off in autumn, the loans were generally repaid within a few months, and seldom ran for a full year.

Secured advances were another form of operating credit. These loans were secured against a crop under cultivation or other easily realisable

25. The subsidy was paid by the Ministry of the National Economy (subsequently the Ministry of Agriculture and Forestry) directly to the credit institution, which therefore charged the borrower the difference between the free market rate and the government subsidy. See the Decree Law of 29th July 1927 (No. 1,509), Section III, article 22; and the Ministerial Decree of 23rd January 1928: part 3, article 55, reproduced in A.B.I., Credito Agrario (Rome, 1969), pp.39-40 and 65-66.

26. In the case of default and foreclosure by the bank, assets such as crops and machinery could be realised with little difficulty. But land mortgaged to a bank was a more intractable problem, forfeit of the land in default forcing the bank to find prospective purchasers, who, on the whole, would be few and far between. The clear-cut distinction between operating and improvement loans meant that banks could pay particular attention to the risks inherent in longer-term credits and improve safeguards - such as accepting a mortgage on land to provide security for a much smaller loan than the value of the land - generally no more than 60 percent. These general observations are well presented in Luigi Pagani, Commento alla Legislazione Italiana sul Credito Agrario (Venice, 1935), pp.14-15 and were emphasised by Dr. Viggiani and Dr. Selvaggi when I spoke to them in Naples in 1972.

27. These were all day-to-day running costs only. On the whole, production loans supplemented cash-flow, and so offered a good indication of profitability in farming, given the small capital reserves most farmers possessed.

assets (for example, machinery, but not the land itself) and in general served to help a farmer through a period without income when he was either processing his crop (e.g. grapes being converted into wine and left to mature, or olives being processed into olive-oil, or ham and cheese maturing) or waiting for market prices to revive after the seasonal decline following the harvest. In practice secured advances reduced the pressure on farmers to sell their crops immediately they were harvested, and so allowed farmers to process their own crops and receive the substantially enhanced profits which would otherwise have been creamed off by middlemen and merchants.

From the early 1930s secured advances were extended to provide finance for the government's stockpiling programme ("ammassi"). Although initially introduced in 1934 to stabilise farm prices and applied to wheat only, the stockpiling scheme was increasingly used from 1935 as a strategic planning instrument to regulate the supply of key agricultural products. The scheme was voluntary up to 1935. Farmers could sell their wheat at a predetermined and fixed price to government agents, who would then store the wheat until it could be gradually released onto the market without causing violent price fluctuations. After 1935 farmers were required to sell a progressively greater proportion of their output to government agents, in most cases receiving only part-payment for the crops, the balance being paid when the agent sold the crops on the free market. The agricultural credit banks were called upon to provide the capital for these purchases until the government agency could resell the crops.²⁸ Indeed, the ACSBN

28. Voluntary stockpiling of farm products (initially wheat) was introduced in 1934 and became compulsory in 1935. It was part of a broader price and wage control programme initiated in 1927, with both rents and wages being cut by over 40 percent between 1927 and 1934. But in its voluntary form it only guaranteed farmers a threshold price for wheat, at which they could sell to the government agency. If market prices rose, the supply of wheat to the agency dried up and so reduced the agency's power to depress market prices by dumping its wheat stocks onto the market at lower prices. Thus the voluntary scheme was modified and farmers were required to sell a fixed proportion of their grain to government agencies, the remainder either being sold on the free market or to the agencies as well. By 1935 the outbreak of hostilities in Ethiopia and the imposition of League of Nations' sanctions on Italy meant that the government adopted compulsory wheat and grain purchases in order to safeguard vital supplies. In 1936 olive oil, wool, hemp, cotton, flax, wine, bergamot and cocoons were added to the list of commodities compulsorily stockpiled.

actually administered much of the stockpiling scheme in southern Italy and from 24th June 1935 the Banco di Napoli's branch managers became legally responsible for local operations. The Banco di Napoli took its new responsibilities so seriously that in 1935 it established the "Società Magazzini Generali dell'Italia Meridionale ed Insulare" to overcome shortages of silos, in particular in Campobasso, Matera, Catanzaro and Cosenza, the main grain areas outside Puglia.²⁹

A third category of operating credit was that granted not directly to farmers but indirectly through local intermediary boards. The ACSBN discounted local intermediary boards' agricultural promissory notes. In this way the ACSBN financed the short-term capital needs of farmers belonging to local co-operatives without running individual risks - since the discounted promissory note was a claim on the Intermediary Board rather than the farmer - and without incurring the costs of having a local branch.

The remaining category of operating credit identified by the agricultural credit reforms of 1927-28 was advances for the purchase of livestock and machinery. These were medium-term credits of up to five years, secured on the machinery or animal actually bought. Agricultural credit banks normally provided such loans to individual farmers, but they could also finance the purchase of machinery - especially tractors - through

The extent of stockpiling and intervention policies in the 1930s and their financing are documented - at least for the mainland south - in Banco di Napoli, Relazione al Consiglio Generale e Rendiconto per gli Anni 1935 (Naples, 1936), pp.39-40 for the first time and then regularly in the Annual Reports each of the following years. In addition it is worth reading the report by the Governor of the Banca d'Italia on this subject on 20th September 1938; see Banca d'Italia, Il Finanziamento dei Piani Autarchici (Rome, 1938).

29. The mechanism for market intervention has operated ever since, being adapted in the 1960s to carry out the EEC's Common Agricultural Policy of threshold pricing. A ministerial decree on 18th July 1962, in response to an EEC directive on 4th April 1962, empowered the National Federation of Agricultural Consortia (Federconsorzio) to purchase grain and store it whenever the free market price of grain fell by 5 percent or more below the EEC guaranteed price. Then, as the price recovered, the purchased grain could be resold. On 13th May 1966 the Agricultural Intervention Board (Azienda di Stato per gli interventi sul mercato agricolo - AIMA) was authorised to take over grain price support operations from the Federconsorzio, and subsequently its powers were extended to oil (on 23rd December 1966) and fruit (17th March 1967). The various Annual Reports of the Banco di Napoli note these changes in intervention policy. See especially the sections on agricultural credit in: Banco di Napoli, Relazione al Consiglio Generale e Bilanci (Naples, 1963 and 1967).

local agricultural consortia (wholesale purchase and retailing co-operatives called "consorzi agrari") by making advances directly to the agricultural consortia.³⁰

(ii) Improvement Credit

Improvement credit covered all long-term agricultural loans, but excluded land reclamation projects. This isolation of long-term agricultural credit from short- and medium-term loans in part acknowledged the supplementary risks and costs of longer-term lending; but it also reflected the government's deep concern to see a structural transformation in agriculture.³¹

Since the early 1920s there had been an active debate amongst agricultural economists concerning the best way of modernising Italian farming and boosting productivity, which was particularly poor in the south. Significant technological progress had been made since the turn of the century. For example, Professor Strampelli had pioneered the hybridisation

30. Even so, the agricultural consortia generally sought to maintain their independence from the Special Institutions. Their position was strengthened in February 1942, when a law was passed allowing Resettlement Boards ("Enti di Colonizzazione"), agricultural co-operatives ("Co-operative agricole") and Provincial Agricultural Consortia ("Consorzi Agrari Provinciali") to offer improvement loans, bearing the state's interest rate subsidy of up to 2.5 percentage points, for the construction of co-operative storage and processing plants. See Guido Paggi, Il Credito Agrario nell'Attuale Riforma e nelle Prospettive Future (Rome, 1971), p.92.

31. With the backing of men like Serpieri, Mussolini placed great importance on restructuring agriculture. In particular he showed great enthusiasm for land reclamation and improvement, so that by 1933 the Ministry of Agriculture and Forestry was committed to contribute in grants between 84 percent and 92 percent of reclamation and improvement costs in as much as one third of Italy. Elsewhere farmers could receive capital grants of up to 38 percent of total costs for farm improvements which would also benefit the community at large. But such grants strictly precluded the use of agricultural credit on the same projects. See Mario Bandini, Manuale di Economia e Politica Agraria (Bologna, 1954), pp.240-247.

For a contemporary assessment of land reclamation and improvement, see Arrigo Serpieri, La Legge sulla Bonifica Integrale nel I, II, III, IV, V Anno di Applicazione (Rome, 1930-5). Later surveys include Mario Bandini, Sulla Bonifica (Bologna, 1954); Mario Bandini, Manuale di Economia e Politica Agraria (Bologna, 1954); and Mario Bandini, Cento Anni di Storia Agraria Italiana (Rome, 1957).

of wheat in Italy³² and much progress had been made in the field of crop rotation³³ and the use of fertilisers.³⁴

32. In 1907 Strampelli opened the Experimental Research Station at Rieti. At that time four Italian grains were in widespread use: the Rieti, Cologna, Romanella and Gentil Rosso. But all four had genetic weaknesses. The first three were liable to be beaten down by rain and wind, and the Gentil Rosso suffered from "rust" - a parasite. Strampelli's work was concentrated on the development of hybrid wheats to satisfy local requirements of climate, soil and rotations. His first major breakthrough was the Carlotta, a soft wheat derived from crossing the Rieti with the Massy. It was rust-resistant and thrived on fertile, deep soils in a mild climate - conditions generally found in northern Italy. Soon he produced the Apulia, the Cervaro and the Varrone. Strampelli's greatest achievement, in 1920, was the Ardito. It was an early-ripening wheat of high yield and quality, resistant to most parasites and diseases, and sturdy. It was suited to the harsh conditions of the Mezzogiorno, where wheat had to ripen before the summer sun scorched the plants, and where sudden storms and hail flattened weak-stalked grains. For hilly and mountainous areas, such as Abruzzi, Molise and Calabria in the south, Strampelli developed the Cambio, the Le Baionette, the Il Rosso Leonessa, the Costacalda Aremogna, and the Terminillo, while for the arid south-east he developed the eight derivatives of the Dauno, the Senatore Cappelli and the early-ripening Azizah 17-45.

Other work on hybrids was carried out at the Cereal Institute of Bologna, which developed the Rieti 11, the Gentil Rosso 48 and 58, the Cologna 12, 29 and 31, and the L'Inallettibile 28, 95 and 96. At Bari latest techniques of hybridisation were used to match grains to local conditions in Puglia, the wheat-growing centre of the Mezzogiorno.

On this subject there are two particularly interesting sources to be seen in detail: Franco Angelini, Il Grano Vita dei Popoli (Rome, 1934) and especially pp.19-46, and Giacomo Acerbo, I Progressi della Tecnica Agraria Italiana per le Coltivazioni Erbacee e la Zootecnia (Rome, 1930), especially pp.5-36.

33. Early in the twentieth century new cash-crops - beetroot, tomatoes, tobacco, peas, onions, potatoes, cauliflowers, beans, lettuce and artichokes - were introduced to Italian farming, largely as alternatives to fallow or pasture rotations. But research between the wars soon made a number of these crops principal cultivations in their own right. At the research centre of Rovigo, near Venice, methods for boosting sugar yields from sugar-beet were developed, and special machines to plant the roots were invented. Tobacco was also heavily researched, the work being financed by the State Tobacco Monopoly, and much progress was made in finding methods to transplant full-grown tobacco plants into fields of early-ripening wheat immediately after harvesting. Further research was directed at optimal fertiliser applications, the spacing of plants, irrigation, pruning, transplanting, the control of disease and pests, and the development of hybrid plants.

34. Between the wars the principal function of the Ministry of Agriculture and Forestry's National Committee to Promote Fertilisers was to publicise the advantages of regular, but not indiscriminate, use of fertilisers in association with the new hybrid wheats and cash crops. Its work was actively supported by the Agricultural Consortia and local co-operatives, which bought fertilisers in bulk and advised their members on how to secure the best results. Despite the research and propaganda, which helped increase

Scientific progress still failed, however, to be converted into substantially higher productivity. With Italy heavily dependent on imports of basic food - including wheat³⁵ - agricultural economists emphasised the need to bring more land under the plough through land reclamation, and to improve existing farms through investment in modern buildings, advanced irrigation systems, improved landscaping of farms to avoid soil erosion, more frequent restocking of orchards and vineyards, and the rationalisation of freeholdings. The reforms of 1927-28 specifically excluded land reclamation, which was covered by law only in 1933. But the following five main types of improvement credits were covered by the reforms of 1927-28.³⁶

Farm building was the principal improvement financed by long-term borrowing. It included housing for the farmer, his family and labourers, and the construction of barns, silos, milking sheds and factories and workshops for processing farm produce (canning factories, bottling plants, wine-cellars, olive-oil blending plants, cheese-processing plants and slaughterhouses).

Credit for drainage, water-control and irrigation schemes was in smaller demand. It financed the building of aqueducts, reservoirs and pumping stations, the mechanical raising of water from wells, and the piping of water to all parts of the farm, including farm buildings. It was also intended to assist water-conservation programmes, particularly during the parched summer months.

Another branch of improvement credit provided advances specifically

total fertiliser consumption by 170 percent between 1922 and 1939, there is little evidence that higher consumption appreciably boosted yields. See Franco Angelini, I Concimi (Rome, undated), and especially p.133.

35. Italy's heavy dependence on imports of wheat between the wars led Denis Mack Smith to point out in his Italy, A Modern History (Ann Arbor, 1959), p.407: "It will be noted how much Italy was still an agricultural nation (in 1933) and yet how dependent she was upon imports of grain." Indeed, wheat imports in 1933 cost Italy in foreign exchange about 75 percent of the bill for coal and coke - the main energy source - and exceeded the cost of imported machinery by 40 percent.

36. The types of improvement credits were listed in article 3 of the Decree Law of 29th. July 1927; see A.B.I., Credito Agrario (Rome, 1969), pp.18-19.

to replant orchards and vineyards. This differed from the operating credit facility of production loans for the purchase of seeds since the latter yielded returns within twelve months, at the next harvest. But fruit trees, vines, olive trees and nuts, for example, would not bear a marketable crop for several years. Vines require at least three years, almond and walnut trees up to ten and olive-trees as many as twenty years. Thus loans had to cover the long gestation period of the investment.

Field improvements were the fourth main category of improvement loans. Such credit financed the terracing of hillsides, the clearing and levelling of rocky fields and afforestation projects to restrict soil erosion and provide wind-breaks and shade as well as retaining moisture.

The fifth type of improvement credit, which rose to importance only after the second World War, was for the purchase of small-scale freeholdings. It therefore usurped some of the business which should have been handled by land credit (mortgage) banks, although this could be justified on the grounds that the agricultural credit banks were specially geared to lending to farmers and - unlike land credit banks - had an extensive branch network in rural areas. Furthermore, the interest rate subsidy could be more readily offered to farmers through the specialist agricultural credit banks.³⁷

Improvement credits were therefore of an extremely varied nature, but they were all commonly secured by a first mortgage on the land and farm buildings, and generally could run for up to thirty years. This criterion of mortgaging the property meant, however, that only landowners - no tenants - could in effect obtain improvement loans.

(iii) The procedure for obtaining a loan from an Agricultural Credit Institution

Agricultural credit - whether in the form of bank credit, or commercial credit from merchants, or moneylenders' advances - has traditionally been restricted to a privileged clientele composed predominantly of landowners. Most others have been disqualified from seeking credit by being unable to establish security of tenure or offer satisfactory alternative

37. Section II of the Decree Law of 29th July 1927 sets out the conditions to be fulfilled in order to qualify for an interest rate subsidy. See A.B.I., Credito Agrario (Rome, 1969), pp.27-33.

security against the sum advanced. Nevertheless, as Casalini has shown, there were some interesting differences between the provinces of southern Italy, although the general observation - that tenant farmers fared worse than landowners when applying for agricultural credit - held true.³⁸ Casalini showed that in the first half of 1931 the ACSBN made 35,880 advances - both operating and improvement loans - amounting to Lit. 5.4 billion (at 1963 prices), but that more than two-thirds - both by number and value - were to landowners. There were exceptions in some provinces: in the province of Naples, for example, 300 loans out of a total of 533 were made to tenant farmers, but the individual loans averaged only Lit. 62,000 compared with an average of almost Lit. 200,000 to landowners. Likewise, in Caserta landowners on average borrowed twice as much as tenant farmers. On the other hand, the average size of loans to landowners and tenant farmers was broadly similar in Bari, Foggia and Barletta - all in Puglia.

Undeniably, local conditions greatly influenced the willingness of a bank to lend to farmers. Where credit co-operatives thrived small-holders were more likely to borrow from banks and so the average size of loans to tenant farmers was brought closer to the average loan to landowners. Similarly, in provinces where intensive farming on a small scale predominated - such as market-gardening in the province of Naples - the agricultural credit banks received a high proportion of loan applications from small tenant farmers. Furthermore, where improvement loans represented only a small proportion of total agricultural credit the discrepancy in size of loan between tenants and landowners was reduced. Nevertheless, the evidence suggests that a degree of discrimination - largely justifiable on grounds of inherent risk - against tenant farmers was practiced by the ACSBN, certainly in 1931 and it has probably persisted up to the present.

Those farmers who nevertheless made applications to an agricultural credit bank for loans faced a highly bureaucratic and specialised system. As we have just seen, a farmer could deal with the local branch office of a Special Institution, or approach an Authorised Institution or his Intermediary Board, if he belonged to a local agricultural co-operative or rural

38. See Casalini, Monografia Illustrativa (Rome, undated), pp.32-41, which is also the source for the information in the following two pages.

bank. If he lived in a large town he could even approach the Banca Nazionale del Lavoro, the Banca Nazionale dell'Agricoltura (after 1938) or the Banca Centrale di Credito Popolare (after 1960). All these banks supplied operating loans, but with a few minor exceptions only the Special Institutions and these three national banks also lent improvement credit. Having selected which bank to approach and having detailed the purpose of the loan, the procedure for granting or rejecting the loan application was set in motion.

Let us assume that the farmer wanted a short-term production loan - an operating credit. Whichever bank he approached would be able to handle the application. If the bank was prepared to take on the risk, the loan would be made available to the farmer through a deposit paid into an account in his name. In return the farmer signed a "cambiale agraria", a four-month agricultural promissory note, which could be renewed twice, thus giving a total duration of one year. Each promissory note bore a face-value equal to the loan paid into the farmer's account plus the interest due. Authorised Institutions could, at any stage during the life of the promissory note, rediscount it with their local Special Institution in order to replenish depleted cash balances. On the other hand, the Intermediary Boards, which had no other source of funds, were obliged to discount an equal volume of their own promissory notes with the Special Institution in order to raise the cash for the loan itself. The claim on the farmer, however, remained the responsibility of the bank which negotiated the loan, and any failure by the farmer to redeem the promissory note was a bad debt for the bank which initially accepted the promissory note from the farmer, and not for the Special Institution which rediscounted it or discounted a new promissory note from an Intermediary Board.

Longer-term operating loans - endowment credits - could be made for up to five years. These were normally granted to cover the cost of buying a tractor, or other farm machinery, or for buying livestock. The farmer had to repay part of the loan and interest at regular six-monthly intervals by redeeming promissory notes. For example, if a farmer took out a loan for five years the bank would calculate the interest due on the loan throughout those five years. This would be summed with the capital borrowed and ten promissory notes for equal amounts and covering the total of capital plus interest would be signed by the farmer and handed to the bank on the under-

standing that at six-monthly intervals one promissory note would be redeemed. In return the total sum would be made available to the farmer for his purchase of machinery or livestock. In effect, therefore, the farmer initially repaid more interest and less capital, but by the tenth period was repaying much more and servicing the loan much less.

A refinement of this system, developed by the Agricultural Consortia, was to negotiate for farm machinery from manufacturers at a discount.³⁹ Farmers could then buy whatever equipment they needed, directly from the Agricultural Consortium, generally avoiding long delivery delays. The Agricultural Consortium would then provide a bridging loan to the farmers and then (often after delays of up to six months) would - in its rôle of an Intermediary Board - discount a promissory note with the local Special Agricultural Credit Institution. In this case, the farmer would never receive the cash he borrowed, as he would when directly negotiating the loan with a bank and receiving it through a current account. Special Institutions generally favoured lending through Agricultural Consortia since the risk devolved onto the Consortia, there remained a claim on the machinery actually sold by the Consortia, and the administrative costs of processing the loan applications were greatly reduced.

From the farmers' point of view the system for obtaining an operating loan had a number of drawbacks. The principal one was its inflexibility. No matter how small a loan was needed - say a small loan to pay for casual labour at harvesting - an application for a production loan had to be made. But the bank would take time processing it and, having granted it, would not countenance early redemption, requiring repayment of the loan and interest accrued together after four months. It has long been a demand of farmers' representatives that a much more efficient system would be for banks to offer, through current accounts, overdraft facilities to individual

39. FIAT, the big commercial and private vehicle manufacturer based in Turin, concluded exclusive contracts with the Agricultural Consortia after the second World War to supply them with tractors, so that by 1962 FIAT OM had taken a 39.3 percent share of the market and by 1968 a 44.5 percent share, with SAME, the nearest rival, holding 8.5 percent and 10.6 percent respectively. See Alfio C. Rossi, Il Progresso della Meccanizzazione Agricola (Perugia, 1969), p.146.

farmers, with predetermined ceilings.⁴⁰ Furthermore, farmers, when holding cash balances, could even use these accounts to earn interest as normal deposit accounts. To date, however, little, if any, progress has been made in this sphere.

Another criticism frequently levelled by farmers at the system has been its slowness in providing the cash urgently needed by farmers.⁴¹ If, by chance, a farmer urgently required a loan to buy seed, fertilisers or pesticides, a bank could not provide it at short notice. Invariably the farmer would have to accept the usurious terms set by the local moneylender or storekeeper. In part, however, the local Agricultural Consortia helped by providing bridging loans.

Most of these objections could not be raised against the system for granting very long-term loans, although they could for the shorter-termed improvement loans. Improvement loans repayable within five years were arranged - as with endowment operating loans - through the exchange of promissory notes and so were subject to the same drawbacks as mentioned above. Only one difference applied to endowment loans and improvement credits and that was technical: since only the Special Institutions and the national banks - the Banca Nazionale del Lavoro, the Banca Nazionale dell' Agricoltura and the Centrobanca - could provide improvement credit, these notes could not be discounted.⁴²

40. This was one of the main proposals put forward by the Young Farmers' Association (ANGA) in 1972 at a conference in Verona and repeated in Guido Paggi, Il Credito Agrario nell' Attuale Riforma e nelle Prospettive Future (Rome, 1971), p. 57. See also Chapter IV below, where proposed reforms to the agricultural credit system are discussed at greater length.

41. See Guido Paggi, Il Credito Agrario nell' Attuale Riforma e nelle Prospettive Future (Rome, 1971), p. 57.

42. The Special Institutions only discounted the Intermediary Boards' promissory notes and rediscounted the Authorised Institutions' notes. The three national banks were independent of the Special Institutions - being empowered to offer improvement loans to prevent the Special Institution holding a monopolistic position - and so no discounting or rediscounting between these banks was possible. In the case where some banks were specially authorised to supply agricultural improvement loans locally (see above, page 37) rediscounting of promissory notes was possible.

Improvement loans repayable over more than five years had to be secured against a first mortgage on the farm and buildings. In normal circumstances the loan amounted to no more than sixty or sixty-five percent of the value of the property mortgaged, and in some cases, especially in southern Italy, farmers rarely received loans worth more than forty percent of the property.

Long-term improvement loans were not made in single cash payments to the farmer, as in the case of short-term operating loans, endowment credit and some short-term improvement loans. Instead the farmer received payment from the bank as each stage of the investment project was completed. Once fifty percent of the loan was made over in this way, the bank withheld the remaining half and only paid it out to the farmer on completion of the whole project. This procedure applied to all banks offering long-term improvement credits, including the Meliorconsorzio.

If, however, the farmer applied for a government interest-rate subsidy or an outright capital grant, the entire procedure was further complicated by a requirement to submit a parallel application to the local Agricultural Inspector of the Ministry of Agriculture and Forestry. Depending on the size of the loan being sought, the applicant had to send the details of the improvement project either to the Regional Inspector (if the loan was for more than Lit. 50 million), to the Compartmental Inspector (for loans of less than Lit. 50 million but more than Lit. 20 million) or to the Provincial Inspector (for a credit of less than Lit. 20 million)⁴³.

This system led to considerable friction between the agricultural credit banks and the Agricultural Inspectors. The Inspectors gained a reputation amongst farmers and banks of excessive zeal. They insisted that

43. The First Green Plan of 1961 stipulated that the Provincial Inspector should handle all loan applications for up to Lit. 10 million, the Compartmental Inspector those loan applications for between Lit. 10 and 30 million, and the Regional Inspector all loan applications exceeding Lit. 30 million. The second Green Plan of 1966 raised these limits to Lit. 20 million, Lit. 20-50 million, and over Lit. 50 million respectively. For further details see Agostino Rigi Luperti, "Le funzioni degli Ispettorati Agrari nell' ordinamento del Credito Agrario", Credito Agrario (1967), pp.11-17.

the improvement to be carried out should correspond in every way with the proposals originally approved by them. In one case they actually insisted that a wall in a new barn should be demolished and rebuilt because the door was out of position compared with the plans.⁴⁴ Their attitude was determined by the view that their responsibility was to ensure that government funds were used to assist economically viable investment projects. Once proposals had been sanctioned, any deviation from the original scheme was, in effect, a breach of faith.

The bank looked at the matter in a different light. The economic viability of the project was of prime concern to them as well, but in addition they wanted rapid completion of the work, so that the benefits would soon accrue and the loan be repaid. Furthermore they wanted to know that the risk in lending to the farmer was a good one; that he would not defraud the bank or default on payments. The banks therefore regarded the Agricultural Inspector's declaration of approval (a "nulla osta") for a project insufficient grounds for granting a loan. Dr. Solimini of the Associazione Bancaria Italiana related an incident not atypical of the gulf in attitudes between the banks and the Agricultural Inspectors.⁴⁵ One Special Institution received an application for an improvement loan from a farmer newly settled in the area. The local Agricultural Inspector rapidly approved the proposals, thus sanctioning a government subsidy on interest payments. The bank, on the other hand, followed up references, and it came to light that the farmer had only just been released from prison after serving ten years for fraud. Not unnaturally, his loan request was refused.

Farmers were highly critical of this system for granting agricultural improvement loans. Criticism was voiced at a meeting at Verona in March 1972 where the Young Farmers' Association launched a booklet on agricultural credit.⁴⁶ The principal bone of contention was the unnecessary bureaucracy and delays. Since most improvement loans qualified for a government subsidy, all loan applications had to be made both to the bank

44. This actually happened to the parents of Dr. Lorenzo Venzi, lecturer at the Centre for Agricultural Economics, University of Naples in 1971-2, who gave me an account of the events.

45. Dr. Solimini mentioned this example in a conversation I had with him at the Associazione Bancaria Italiana's head office in Rome in 1972.

46. The booklet is: Guido Paggi, Il Credito Agrario nell'Attuale Riforma e nelle Prospettive Future (Rome, 1971).

and the local Agricultural Inspector. Only when both had approved the proposals could the loan be granted, and then the money was made available piecemeal, and usually only after heavy outlays had already been made by the borrower. The continuous supervision and interference by the Agricultural Inspectors was a further cause for complaint, while the banks were criticised for not following progress closely enough and being too inflexible when delays occurred. These criticisms of the system will be reconsidered in chapter IV, where proposed reforms suggested, but not adopted, are discussed.

CHAPTER III

THE AGRICULTURAL CREDIT SECTION OF THE BANCO DI NAPOLI AND
ITS ROLE IN SUPPLYING AGRICULTURAL CREDIT (1928-1970)

We have just considered in Chapter II the way the banking system - and specifically the ACSBN - was reformed in the late 1920s to supply agricultural credit to the farming community. We shall now focus attention on the flows of credit through the ACSBN between 1928 and 1970. In particular we shall identify the principal influences on agricultural lending by the ACSBN: the changing needs of agriculture and the different uses for which credit was sought by farmers; the changing sources of capital available to the ACSBN for on-lending; and the different priorities - often inspired by political considerations - which determined the ACSBN's lending strategy. Essentially the chapter will deal with the forces of supply and demand in the market for agricultural credit.

The evidence is mainly drawn from data of bank lending, but this is not entirely satisfactory since the figures of the capital flows in no way indicate disequilibrium between supply and demand. Thus, when demand outstrips supply, the data themselves do not indicate unsatisfied, excess demand. The figures of the capital flows must therefore be related on the one hand to the background of changing farming techniques and conditions in agriculture, and on the other hand to changing availability of credit from the banking sector, particularly with the channelling of government funds through the banking system after the second World War.

The starting point of this chapter is the condition of agriculture in the years round 1928 and the conclusion the achievements of agricultural credit in modernising farming by 1970 when the creation of semi-autonomous regions deeply affected economic policy in Italy.

The State of Agriculture in Southern Italy around 1928

The image of distress presented by Southern Italy in 1930, when the Banco di Napoli's agricultural credit section began its run of impressive

achievements¹, stemmed from the dominant position of agriculture in the southern Italian economy. In 1930, the national census showed that a greater proportion of the population was dependent on farming in the south than in the rest of Italy (54.5 percent compared with 50.8 percent); it farmed less land per head (32.2 percent of Italy's agricultural labour force lived in the south with only 25.3 percent - 7,237,469 hectares² - of Italy's farmland); and production difficulties were more acute and yields lower.³ All the indicators pointed to backwardness in agriculture in the Mezzogiorno.⁴

1. In 1930 the ACSBN contributed 11.6 percent of the Banco di Napoli's net profits from only 3.2 percent of the total balance sheet. It continued to produce good results and its share of net profits exceeded 17 percent in both 1960 and 1970 from a decreasing share of the bank's total balance sheet (9.8 percent and 6.3 percent respectively).

The Banco di Napoli's Balance Sheet, 1930-70

	(% share of total)			
	<u>1930</u>	<u>1950</u>	<u>1960</u>	<u>1970</u>
Banking Section	95.8	81.7	83.8	84.5
Industrial Credit Section	nil	7.3	3.4	4.3
Agricultural Credit Section	3.2	10.2	9.8	6.3
Land Credit Section	1.0	0.7	3.1	4.8

The Banco di Napoli's Net Profits, 1930-70

	(% share of total)			
	<u>1930</u>	<u>1950</u>	<u>1960</u>	<u>1970</u>
Banking Section	87.5	27.3	51.0	47.4
Industrial Credit Section	nil	66.9	21.0	16.8
Agricultural Credit Section	11.6	4.8	17.4	17.9
Land Credit Section	0.9	1.0	10.6	17.9

Source: Banco di Napoli, Relazione al Consiglio Generale e Rendiconto 1930, 1950, 1960 and 1970 (Naples, 1931, 1951, 1961, 1971).

2. One hectare is the equivalent of about 2.47 acres. 100 hectares equal one square kilometer.

3. Manlio Rossi-Doria made this point in conversation at the Agricultural Centre, Portici, of the University of Naples in 1971. It is outlined in detail in his article, "Cos'è il Mezzogiorno agrario", based on an address given to the Convegno di Studi sui problemi del Mezzogiorno at Bari in December 1944. It is reprinted in Bruno Caizzi (ed.), Nuova Antologia della Questione Meridionale (Milan, 1962), pp.167-168.

4. See Mario Casalini, Monografia Illustrativa della Sezione di Credito Agrario del Banco di Napoli (Rome, undated), pp.10-11 for a comprehensive, but stark, picture of agricultural depression in the Mezzogiorno. (Hereafter cited as Casalini, Monografia Illustrativa).

Indeed, the Mezzogiorno had changed little since the time of Cavour: an immemorial way of life, rooted deeply in the past, was circumscribed by unfavourable natural conditions. Agricultural poverty was the lot of the "meridionale" - the "southerner" - unless he was fortunate enough to belong to the small, landed minority who controlled the few fertile plains.⁵ Survival was an uphill struggle: malaria was endemic - the peasants faced it with resignation, just as they faced, year in, year out, the droughts of summer and the destructive rains of autumn and winter.⁶ Manlio Rossi-Doria disposed of the myth that malaria had been eradicated from the plains by the late Middle Ages - one glance at the peasants was sufficient to refute this;⁷ and Carlo Levi testified in the 1940s to its continuing presence in the hills.⁸ But the malaria-infested plains, despite the health risks, had progressively come under the plough, and pasture had given over to grain.⁹ The shortage of rain however, rendered all farming, even on the fertile southern plains, a struggle on the border-line of subsistence.

Overpopulation intensified this poverty. The small incomes of farm workers were stretched to support the many unproductive mouths of large,

5. In Southern Italy only 19.4 percent of the fertile surface area is on plains. There are no plains in the regions of Abruzzi and Molise; in Basilicata only 8.0 percent of cultivated land is on plains; in Calabria 8.5 percent; in Campania 14.2 percent, but in Puglia 52.8 percent.

For this and additional information see: Ministero per la Costituente, Rapporto della Commissione Economica Presentato all'Assemblea Costituente (Rome, 1946-7), especially Vol.I, pp.34-37 and in particular in the first volume on agriculture the data which are based on the National Agricultural Register (Catasto Agrario) of 1929 and the agricultural census of 19th March 1930.

6. See Carlo De Carolis, Sul Credito Agrario in Italia in Relazione alla Malaria (Rome, 1928), pp.1-23 for a well-argued criticism of the view that agricultural credit would revolutionise farming in southern Italy. He maintained that credit in the hands of impoverished and sick peasants was a waste. Experts had to be prepared to train farmers in the latest techniques and use the credit available to both improve local farming and eradicate diseases such as malaria.

7. Rossi-Doria, op. cit., pp.167-168.

8. See Carlo Levi, Cristo si è fermato a Eboli (Turin, 1963), especially p.145 and pp.219-223 where he described the years of his banishment under Mussolini to a remote village in Basilicata.

9. In this way extensive cultivation was gradually giving way to more intensive forms of farming involving a greater proportion of labour per unit of land.

extended families. Casalini showed that only 56.3 percent of southern rural population were gainfully employed in 1930.¹⁰ (See Fig. 4.) The highest activity rate was in Abruzzi-Molise (62.9 percent). In Puglia it was only 40.5 percent, meaning that on the fertile but arid Puglian plain there were three dependents, unemployed or unemployable, for every two actively engaged farm-workers. This could be attributed in large part to the effect of large estates - extensively farmed, and often owned by absentee landlords - where, in spite of surplus local labour, the rich land was all too often wastefully cultivated, with low labour: output ratios¹¹ and low yields. The north, by comparison, with widespread owner-occupation and owner-operation, yielded high activity rates - for example 76.8 percent in Tuscany.

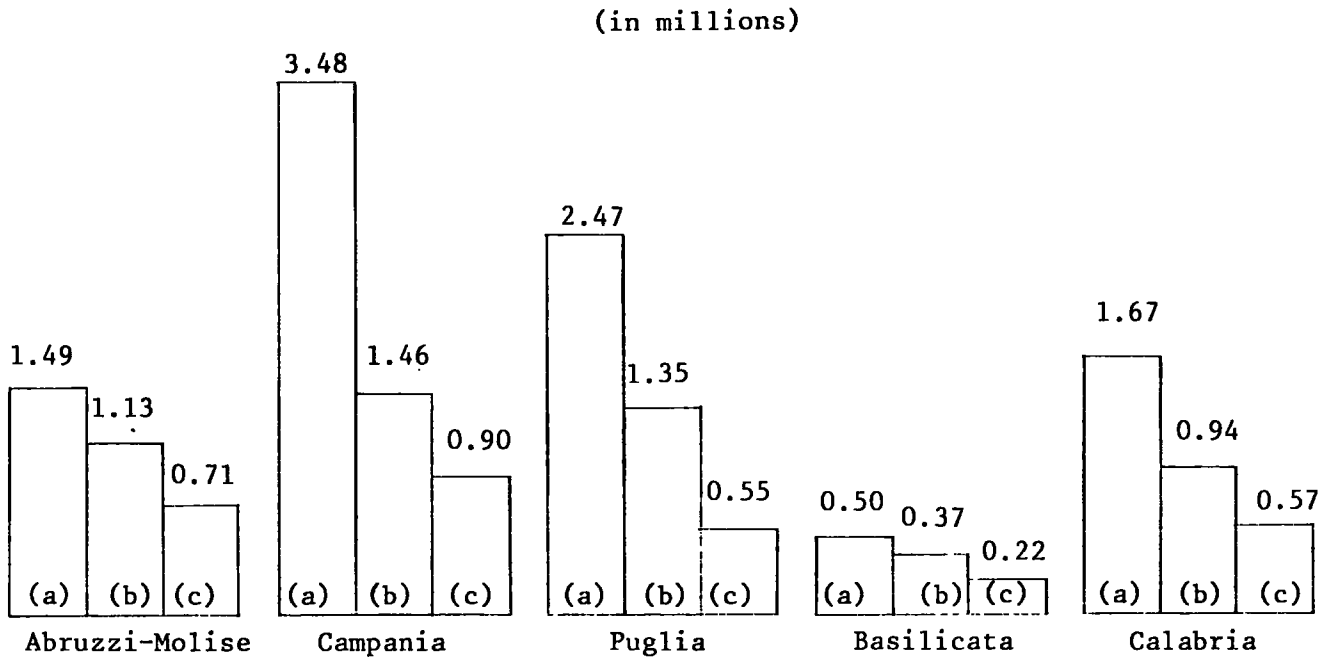
Activity rates were influenced by land tenure. The high activity rate in Abruzzi-Molise (62.9 percent) was associated with widespread owner-occupation on the mountain smallholdings of this area (46 percent of landowners were self-employed smallholders). In contrast, both activity rates and owner-occupation were low in Campania and Puglia, where only 15 percent and 16 percent respectively of landowners were actively farming their own land. By far the largest category of southern farm-workers were day labourers.¹² Sixty percent of farm workers in Puglia were day labourers, and the rate rose to 67 percent in Calabria. The absence of job-security,

10. Casalini, Monografia Illustrativa, p.4.

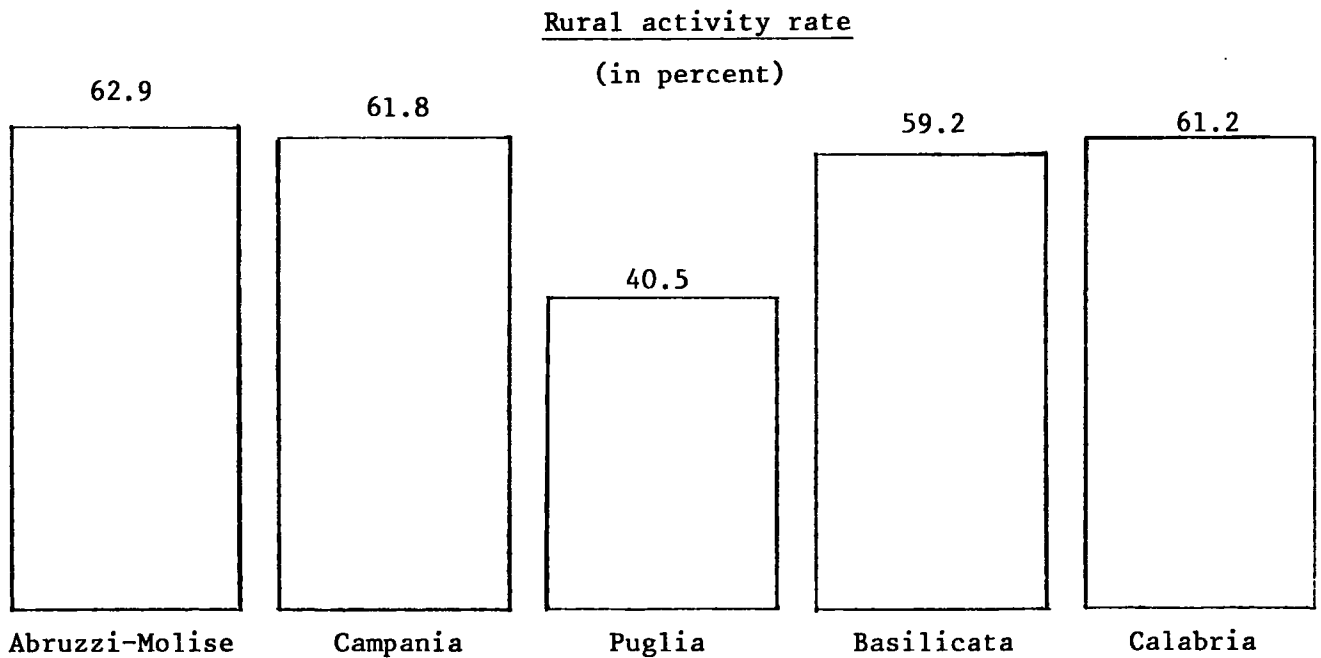
11. In other words, the landowners tried to keep labour to a minimum, while retaining the majority of the profits. Greater yields might be obtainable with more labour input, but the proportion of total profit accruing to the landowner would decline. For more details see Casalini, Monografia Illustrativa, p.4 and Manlio Rossi-Doria, "Cos'è il Mezzogiorno Agrario; Struttura e Problemi dell'Agricoltura Meridionale", Rivista Agraria e Azione Meridionalista(Bologna, 1948), pp.2-34.

12. These day labourers were in effect seasonal labour, hired day-by-day to meet the periodic work load that could not be handled by full-time labourers. For more details see Casalini, Monografia Illustrativa , p.4 and Manlio Rossi-Doria, "Cos'è il Mezzogiorno Agrario; Struttura e Problemi dell'Agricoltura Meridionale", Rivista Agraria e Azione Meridionalista (Bologna, 1948), pp.2-34.

Fig. 4. Rural employment in the regions of mainland southern Italy in 1930



Key: (a) Total population
(b) Rural population
(c) Active rural population



Source: Casalini, Monografia Illustrativa, p.4.

which was characteristic of peasant farming in this period, extended to the large number of share-cropping tenants.¹³

At the same time - that is, in 1930 - there was only a small proportion of long-lease holders. Only five percent of farm-workers in Campania and in Lazio enjoyed the relative security of long leases ("enfiteuti") and in Puglia only one percent. Regular and secure farm work was therefore at a premium in southern Italy, with occasional and seasonal employment contributing to widespread disguised unemployment.¹⁴

Overpopulation amongst the peasant classes only intensified rural poverty. Whatever profits from farming were concentrated in the hands of the landed elite, who, because of the abundant supply of cheap labour, had little incentive to reinvest the proceeds in improvement of their estates. Thus agriculture remained labour intensive, with a low capital: output ratio.

Despite this chronic poverty, between the census years 1921 and 1931 population in the five mainland regions of the Mezzogiorno was rising faster than the national rate of 61.9 per thousand. It reached 75.6 in Abruzzi-Molise; 104.2 in Puglia; 114.5 in Campania; and 119.0 in Calabria. Rural overcrowding and poverty were therefore the most striking characteristics of the period. (See Table 2.)

The rapid population growth found a partial outlet in emigration: to the large cities of the south - Naples, Bari, Palermo, Messina, Cagliari, and Reggio Calabria; or to the north - Milan, Turin, Rome, and Genoa; others tried their luck abroad, many in the United States and South America,

13. Short leases included the "mezzadria" system of sharecropping. Tenants were offered land which they were to maintain and cultivate. Then at harvest time they were allowed to retain only a portion of the crops - until the 1960s it rarely exceeded 50 percent. They had no security of tenure and received no compensation for improvements they made to the estate. Hence investment was kept to a minimum. For further details see C. Daneo, Agricoltura e Sviluppo Capitalistico in Italia nel Decennio 1951-60 (Milan, 1964), pp.31-36.

14. P.N. Rosenstein-Rodan, "Disguised Unemployment and Under-employment in Agriculture", Monthly Bulletin of Agricultural Economics and Statistics (Rome, 1957), pp.1-7.

TABLE 2
POPULATION GROWTH AND DENSITY
IN THE REGIONS OF SOUTHERN ITALY
BETWEEN 1921 AND 1931

	Population in 1931	Increase between 1921 and 1931 per 1,000 population	Population per square kilometer in 1931
Abruzzi-Molise	1,493,742	75.6	96.2
Campania	3,482,338	114.5	257.8
Puglia	2,172,280	104.2	128.3
Basilicata	504,352	103.0	50.5
Calabria	1,667,419	119.0	110.6

Source: Casalini, Monografia Illustrativa, pp.1-5.

a few in Britain, France and Switzerland.¹⁵ However, the tighter restrictions on migration and emigration introduced by Mussolini's government meant that this partial outlet became less effective and population density remained acute in the south; it was highest at 257.8 people per square kilometer in Campania.¹⁶ Indeed, the Italian inclination to live in urban centres - 72 percent of the population lived in cities, towns and villages - was all the more pronounced in the Mezzogiorno with a rate of 91.9 percent in Puglia (Fig. 5). Over one million of the Campanian population of 3,482,338 lived in the crowded city of Naples in 1931.¹⁷ But a large proportion of the labour force which lived in urban centres worked on the farms.¹⁸ As Casalini

15. See Robin Palmer's recent research (so far unpublished) at the University of Sussex into the sociological factors accompanying the migration of labour from Italy to England.

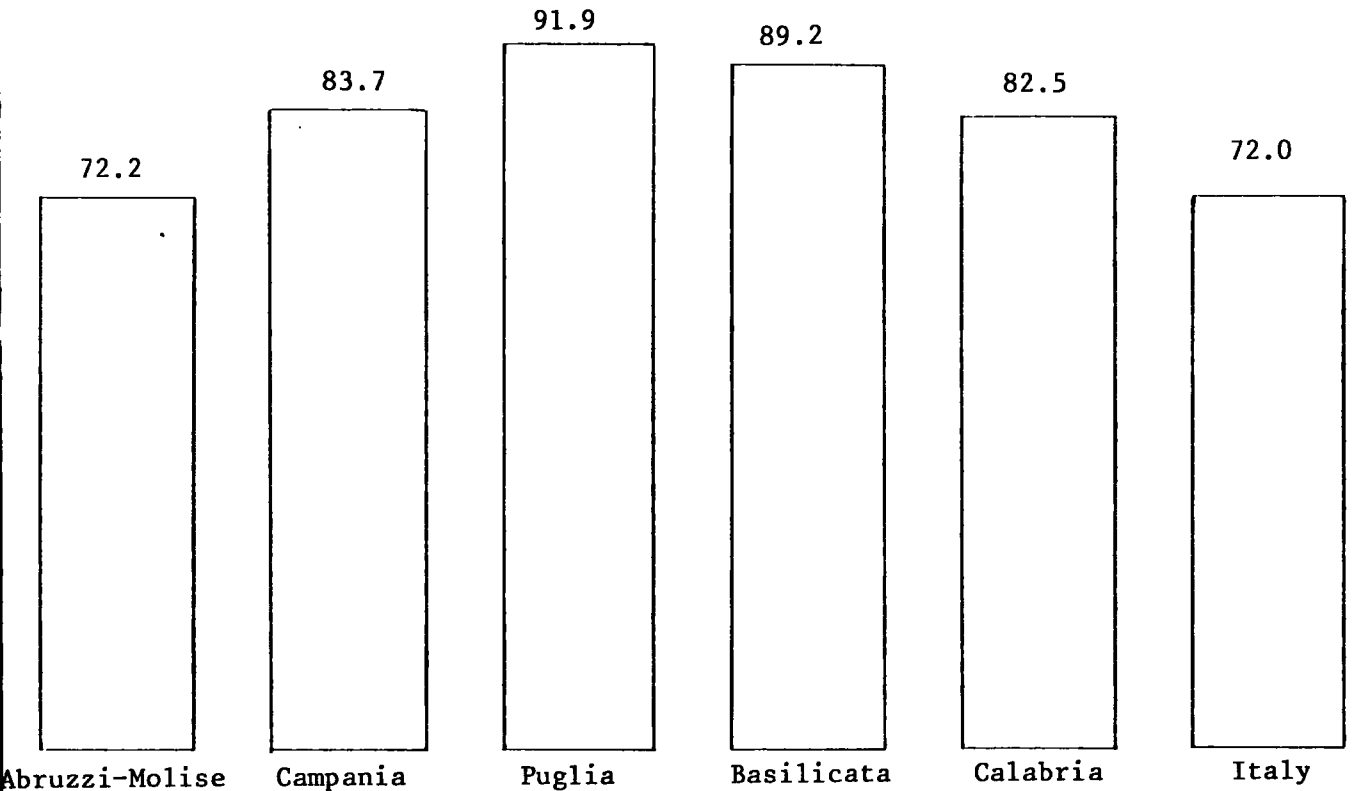
16. In Italy average population density was only 132.7 per square kilometer in 1931. All data on population in this paragraph refer to 1931 and come from Casalini, Monografia Illustrativa, p.2.

17. Casalini, Monografia Illustrativa, p.3.

18. In 1930 it was calculated that 91.9 percent of the population in Puglia lived in urban centres, but 54.5 percent of the active labour force were employed in agriculture. Clearly an overwhelming proportion of farm workers lived in towns and not on the land. See Casalini, Monografia Illustrativa, p.4.

commented, this was a particular hindrance to agriculture: time was wasted travelling to and from the fields and between the dispersed parcels, and there was little scope for developing integrated farming systems.¹⁹

Fig. 5. Population in urban centres in 1931
(in percent)



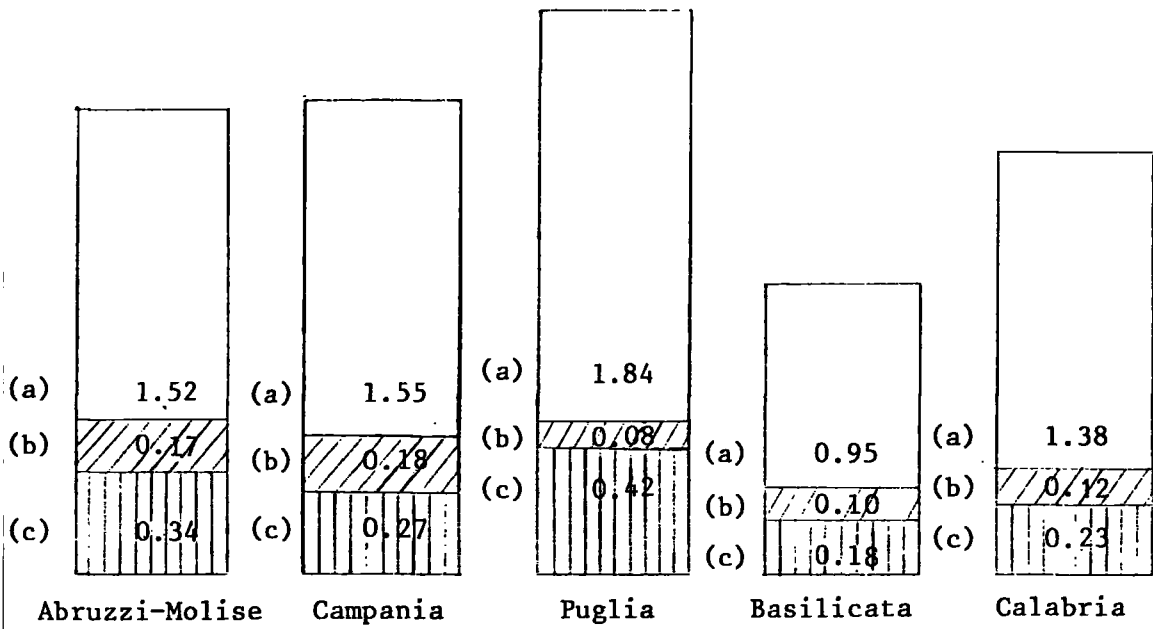
Source: Casalini, Monografia Illustrativa, p.2.

As for farming techniques, the south followed traditional methods, and concentrated on wheat - especially hard wheat, harvested before the summer sun could shrivel the plants.²⁰ Indeed, 27.4 percent of the farmland was under grain in Puglia, and 28.6 percent in Campania (see Fig. 6). Yields were poor: Puglian wheat farmers averaged 11.5 quintals per hectare between 1926 and 1933; and in Campania the average was only

19. Casalini, Monografia Illustrativa, pp.5-6.

20. It must not be forgotten that since Roman times southern Italy has been famed as the granary and vineyard of Europe.

Fig. 6. Grain farming in the regions of mainland southern Italy in 1930
(in millions of hectares)



Key: (a) Surface area according to the 1928 land survey
(b) Other grains
(c) Wheat

Source: Casalini, Monografia Illustrativa, p.5

10.0 quintals.²¹ This compared with 23.4 quintals in Lombardy and a national average of 13.4.

Other crops were better suited to the local conditions of the Mezzogiorno. Intensive market gardening with multiple cropping and balanced rotations was highly successful where rich soils were farmed by small owner-operators, as, for example, on the fertile foothills of Mount Vesuvius in Campania (see Table 3). Southern farmers also specialised in hemp, tobacco, olives, nuts, figs and citrus fruit. In 1929 31 percent of national fruit production came from the south; 64.4 percent of almonds; 73 percent of walnuts; and 83.3 percent of dried figs.²² But all these crops required little attention, although their cultivation was concentrated in regions where heavy overpopulation and rural under-employment demanded more labour-intensive farming.

21. One quintal equals marginally less than two hundredweight. See also Franco Angelini, Il Grano Vita dei Popoli (Rome, 1934), especially pp.19-23.

22. See Casalini, Monografia Illustrativa, p.7.

TABLE 3

CROPS CULTIVATED IN THE REGIONS OF SOUTHERN ITALY IN 1930
(in hectares)

	ABRUZZI- MOLISE	CAMPANIA	PUGLIA	BASILICATA	CALABRIA
Wheat	344,390	267,179	420,443	180,427	233,570
Other grains	116,447	176,481	83,845	100,520	122,000
Vegetables ¹⁾	10,624	36,573	24,072	673	12,844
Potatoes	80,731	38,533	7,597	6,412	25,010
Hemp	-	29,435	-	-	-
Tobacco	-	19,810	-	-	-
Legumes ²⁾	141,000	255,000	265,000	54,000	137,000
Fodder	419,451	292,759	374,622	340,982	260,992
Vines ³⁾	112,218	234,964	176,273	20,071	41,271
Olives ³⁾	276,370	168,925	480,427	23,602	263,375
Total	1,551,231	1,519,659	1,832,279	726,687	1,096,062

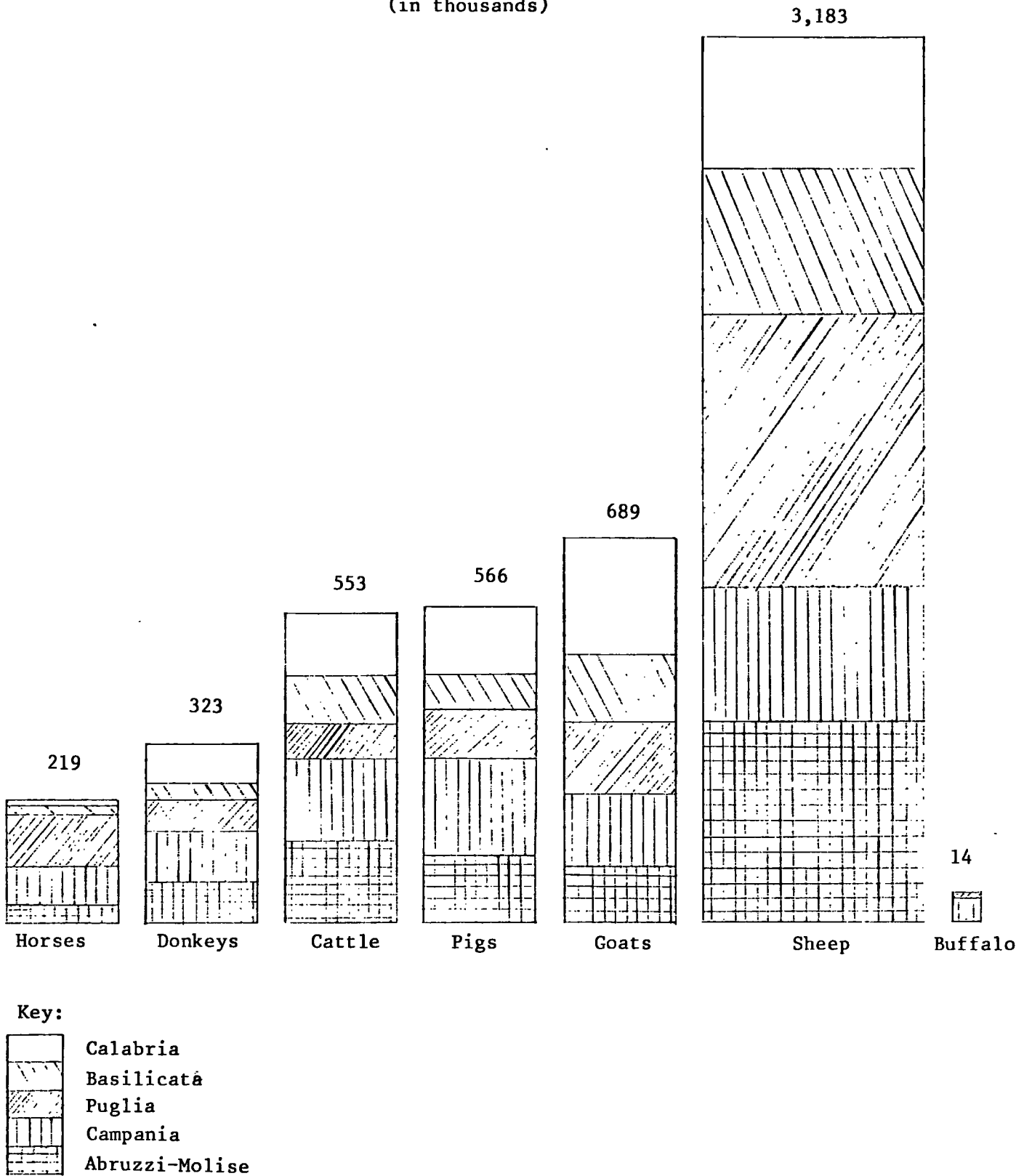
- 1) Vegetables only as main crops: artichokes, onions, garlic, beans, peas.
- 2) Vegetables as part of crop rotations or for seed.
- 3) Partly mixed sowing - "promiscua". This involves the growing of two crops in the same field, and leads to "double counting" in the total.

Source: Casalini, Monografia Illustrativa, pp. 5-8.

Livestock farming was neglected in the south. Population pressures, combined with the shortage of prime farming land, meant that little pasture was available and fodder was at a premium, particularly since the hot summers scorched grass and pastures in the lowlands. Only sheep and goats could thrive, high up on the rocky slopes of the Appenines (see Fig. 7).²³ Furthermore, according to the livestock census of March 1930 there were few draught animals, largely due to the dispersion of smallholdings, which precluded the profitable use of oxen, horses and donkeys. These were to

23. Even so flocks of sheep and goats still had to be taken to high pastures in summer. As the rights of passage across farm land ("trasumanza") were eroded under more intensive farming and land reclamation, so did the numbers of sheep and goats.

Fig. 7. Livestock in the regions of mainland southern Italy
at the census of 10th March 1930
(in thousands)



Source: Casalini, Monografia Illustrativa, p.6.

be found in large numbers only on the extensively farmed estates of Puglia and Campania.

The poverty of the peasants in the Mezzogiorno was thus acute. But while peasants struggled to survive, eking out a living from their fragmented plots and seeking daily employment on large estates, absentee landowners made a comfortable living from their extensively farmed estates. A study of agricultural incomes in the Italian regions between 1921 and 1924 reflected these social distinctions.²⁴ The average value of farm output per hectare between 1921 and 1924 was Lit. 1,467 (at current prices) throughout Italy; but in Puglia, where low cost extensive farming predominated, output per hectare was worth Lit. 1,897. In Campania successful intensive market gardening to meet the needs of urban centres such as Naples kept the value of output per hectare comparatively high at Lit. 1,373. But in the regions where peasant smallholdings predominated the average value of output was well below the national mean - Lit. 982 per hectare in Abruzzi-Molise; Lit. 815 in Calabria; and Lit. 546 in Basilicata.

The demand for agricultural credit must be seen against this background. The majority of large landowners were disinterested in improving their estates through investments in the 1920s; extensive cultivation was cheap and profitable, and required little complex supervision. Likewise, the leasing of land was profitable to the landlord, especially the "mezzadria" - or sharecropping - system where the landlord could evict the tenant at short notice. This also restricted the potential demand for credit. Even if tenants sought to borrow for investment in their landlords' estates, the banks would lend only on a first mortgage, and this implied the landlords' involvement.²⁵ Thus the system of extensive farming dominated by large landowners meant that demand for agricultural credit was the exception rather than the rule. Owner-occupiers were unlikely to seek bank credit, for although they owned their land, they still generally relied on credit from local tradesmen who supplied fodder and seed. If it became known that

24. Casalini, Monografia Illustrativa, p.8 for more details and as the source of the following data.

25. With "mezzadria" the tenant had no claim at the termination of the lease to the value of improvements made during his tenancy. Hence he would never use his funds or make himself liable for borrowed capital. However, if the landowner took out a loan to improve the land it was normal for the tenant to carry a proportion of the debt burden. For more details see C. Daneo, Agricoltura e Sviluppo Capitalistico in Italia nel Decennio 1951-60 (Milan, 1964), pp.31-36.

a bank had a pre-emptive right on the land through a first mortgage, tradesmen were less willing to lend. The local money-lender, charging usurious interest rates (but guaranteeing absolute secrecy) was still a feature of the rural scene.²⁶ In spite of the potential demand, the volume of agricultural credit sought from banks was therefore small in 1930.

This situation became worse during the 1930s. As Orlando²⁷ rightly argues, the suppression of many agricultural cooperatives and of the "cattedre ambulanti" in the 1930s fossilised the channels through which technical assistance had previously ensured steady modernisation of agriculture. However, it must be recalled that neither the agricultural cooperative network nor the "cattedre ambulanti" had had a major impact on southern farming, which had remained backward and unresponsive to modern techniques. Orlando's argument, while still valid for the Mezzogiorno, therefore applied more to the technologically more aware north.

The endemic weakness of demand for agricultural credit in 1930 was reinforced by a fundamental structural shift between agriculture and industry which was already in train by 1930. By that date industry's contribution to GDP at current prices had risen to equal that of agriculture at about 30 percent.²⁸ From 1930 agriculture was no longer the leading sector in Italy. Not only was the relative importance of agriculture within the economy declining, but progressive industrialisation was accompanied by sharply improving returns on industrial investments, including bank lending.

26. See above, Chapter I, page 18 and footnote 11.

27. See G. Orlando, *Progressi e Difficoltà dell'Agricoltura* in Giorgio Fuà (ed.), *Storia dell'Economia Italiana negli Ultimi Cento Anni* (Milan, 1978), pp.43-46, hereafter cited as Orlando, *Progressi e Difficoltà dell'Agricoltura*.

28. Sectoral GDP data are to be found in Giorgio Fuà, *Notes on Italian Economic Growth 1861-1964* (Milan, 1965), pp.53,56-8,59,74,78,79 and 80. Additionally, Simon Kuznets, *Modern Economic Growth; Rate, Structure and Spread* (Yale, 1966), pp.106-7 shows that the rate of structural shift was accelerating in Italy. In the forty years to 1911 agriculture's use of labour declined from 51 percent to 45 percent of the total; most of the increase was in services. At the end of the following forty years (i.e. centred on 1931) agriculture accounted for 10 percent less of the total labour force (i.e. 35 percent). See also Orlando, *Progressi e Difficoltà dell'Agricoltura*, pp.19-102.

Lending to farmers was becoming less profitable, whilst the number of farmers who were potential borrowers also declined as labour left the fields for the factories.

Even so the ACSBN went from strength to strength, setting itself impressively high standards as early as 1930. By 1930 - only three years after the major restructuring of the Banco di Napoli begun by Frignani - the ACSBN contributed 11.6 percent of the Banco di Napoli's total net profits from only 3.2 percent of the total balance sheet.²⁹ At no future date was the return on the ACSBN's operations so impressive, even though the ACSBN maintained its dynamic growth throughout the following forty years - with the exception of the war and immediate post-war years. Indeed, the ACSBN managed to push up its contribution to the Banco di Napoli's net profits to over 17 percent in both 1960 and 1970, albeit from significantly larger proportions of the bank's total balance sheet than in 1930 (9.75 percent in 1960 and 6.34 percent in 1970 compared with 3.2 percent in 1930).

This sustained financial strength of the ACSBN owed much to the transformation of agriculture in the years after 1930. Agriculture in Italy - both in the north and the south - underwent radical change after 1930: output and productivity advanced marginally faster than in industry. Whereas per capita output in agriculture (at constant 1963 prices) was a mere Lit. 235,000 in 1931, by 1970 it had risen over fivefold to Lit. 1,234,300. Industrial output per head, on the other hand, despite the expanding industrial base, rose from about Lit. 400,000 in 1931 to about Lit. 2 million. Such a transformation of agriculture required massive capital injections, provided largely by the ACSBN. Hence the striking expansion in the ACSBN's total claims from Lit. 10.5 billion in 1930 (at constant prices) to Lit. 144.3 billion in 1970, compared with only a sevenfold expansion of the Banco di Napoli's aggregate balance sheet.

Conditions were therefore favourable for a strong expansion of agricultural credit in southern Italy from about 1930. Agriculture was in decline relative to industry, with conditions in farming backward and

29. See footnote 1 above and Chapter I for further details. The data in this paragraph are all from the tables appended to the Banco di Napoli, Relazione al Consiglio Generale e Rendiconto 1930, 1950, 1960 and 1970 (Naples, 1931, 1951, 1961, 1971).

depressed. But the ACSBN - capitalising on its long-established presence in rural areas - was able to achieve and sustain high profitability.³⁰ With latent loan demand and a willingness to supply credit on account of the attractive profits available, it was only a matter of time before the volume of credit supplied to farmers rose impressively.

The ACSBN from its establishment in 1927 to the Second World War

The expansion of agricultural credit from 1927-8 (the first year of the ACSBN's operations) was remarkable. In the period from 14th November 1927 to 31st December 1928 the ACSBN made operating loans totalling Lit. 9.3 billion and Lit. 1.1 billion of improvement loans (at 1963 wholesale prices).³¹ A further 26 applications for improvement loans -worth Lit. 1.7 billion - were referred to the Meliorconsorzio in Rome by the ACSBN and seven - worth Lit. 0.6 billion - were granted.³² By the outbreak of the war in 1939 the annual total of new operating credits was close to Lit. 80 billion, with a further Lit. 1.3 billion of improvement loans (see Fig. 8).

This massive expansion of agricultural credit occurred, however, mainly from 1936. In the years up to 1936 agriculture was in the shadow of the world-wide depression of the late 1920s and early 1930s. With the market prices for farm output falling faster than factor input costs (see

30. The Banco di Napoli, as noted in Chapter I, was active in the field of agricultural credit at the turn of the century. Its name was therefore familiar - at least more than any other bank's - in most of the mainland south.

31. These figures have been calculated from data in: Banco di Napoli, Relazione al Consiglio Generale e Rendiconto per gli Anni 1927 e 1928 (Naples, 1929), taking the wholesale price index calculated by the Banca d'Italia to deflate current values. Indeed, all figures in this dissertation on agricultural credit by the ACSBN are at constant 1963 wholesale prices. The figures themselves have been taken from Annual Reports of the Banco di Napoli, completed with and checked against internal documents of the ACSBN. With the exception of these unpublished data of the ACSBN, no continuous series has been found for agricultural credit operations by the ACSBN. Published information usually covers total agricultural credit operations in individual regions or broader areas of Italy, and so combines lending by different institutions, not just the ACSBN.

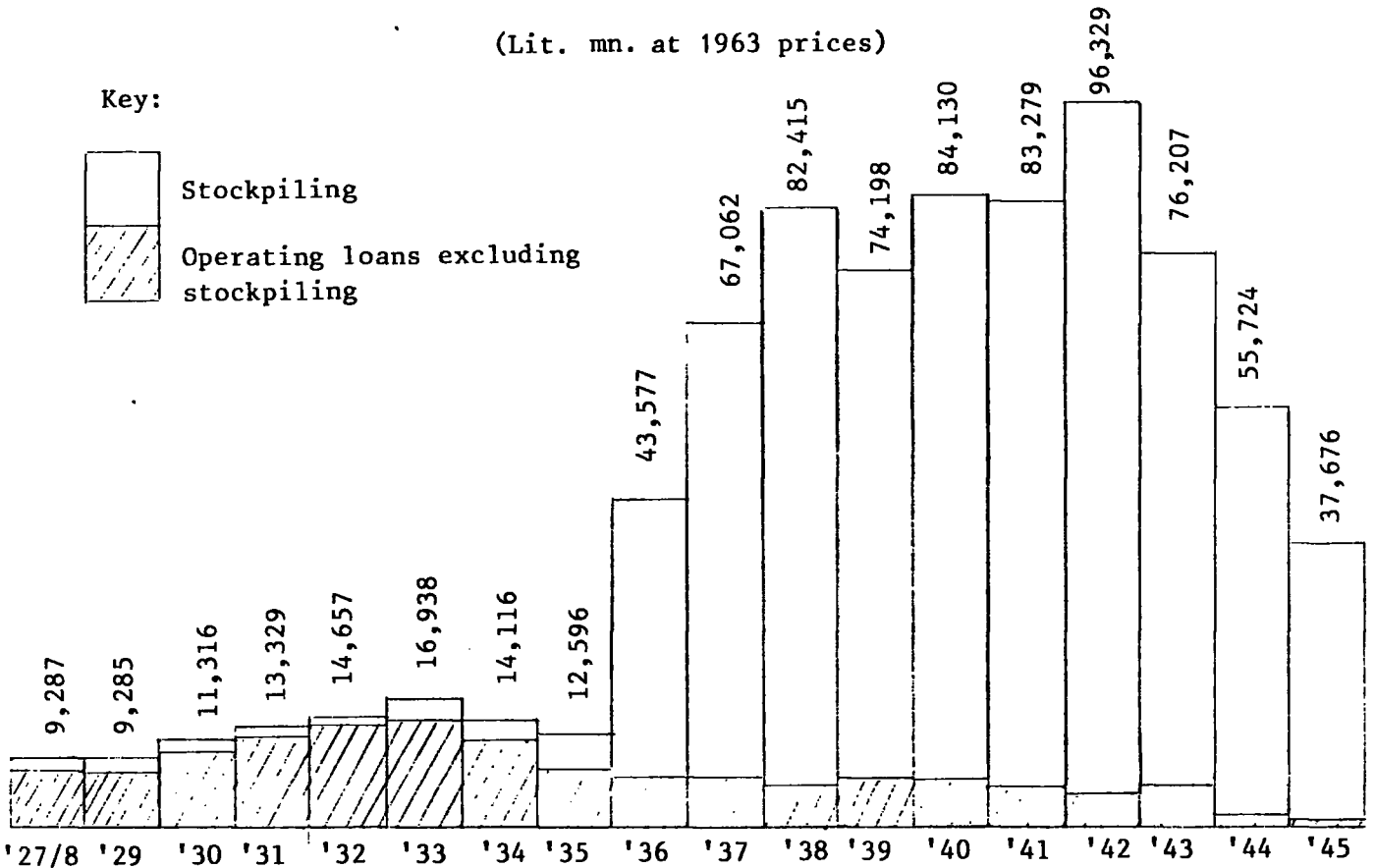
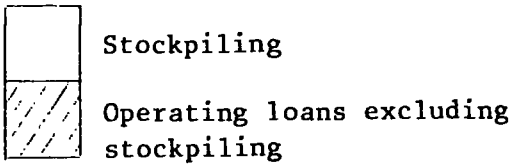
32. See above, Chapter II, pages 37 and 40 for an explanation of the arrangement by which loan applications were referred to the Meliorconsorzio.

Fig. 8. New Agricultural Loans, 1927/8-1945

(a) Operating loans (directly to farmers and through intermediary boards)

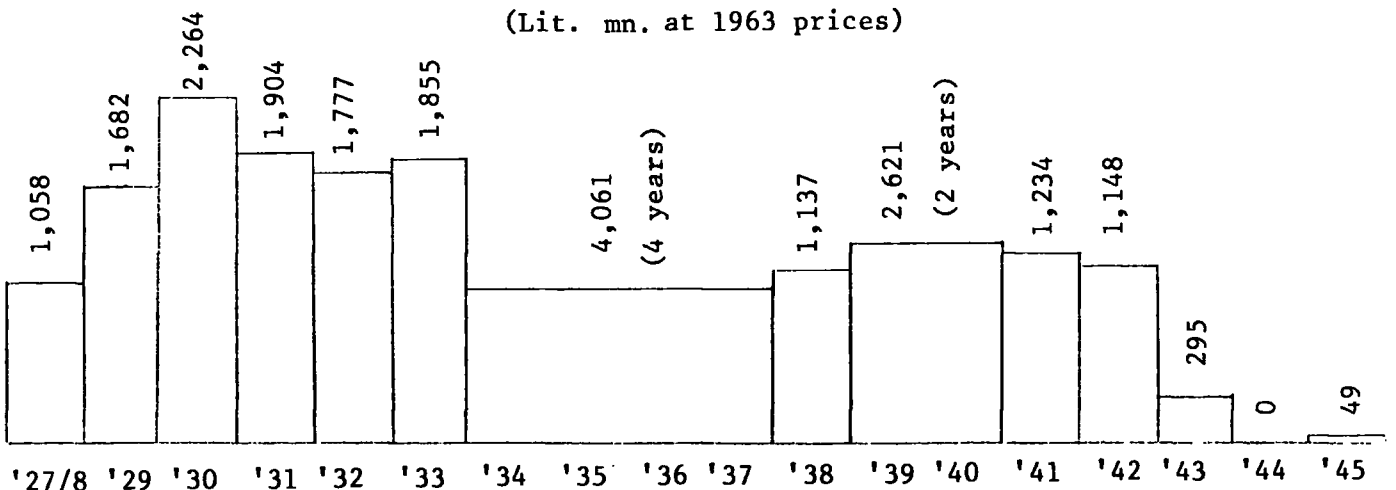
(Lit. mn. at 1963 prices)

Key:



(b) Improvement loans

(Lit. mn. at 1963 prices)



Source: Banco di Napoli, Relazione al Consiglio Generale (Naples, from 1929 to 1948).

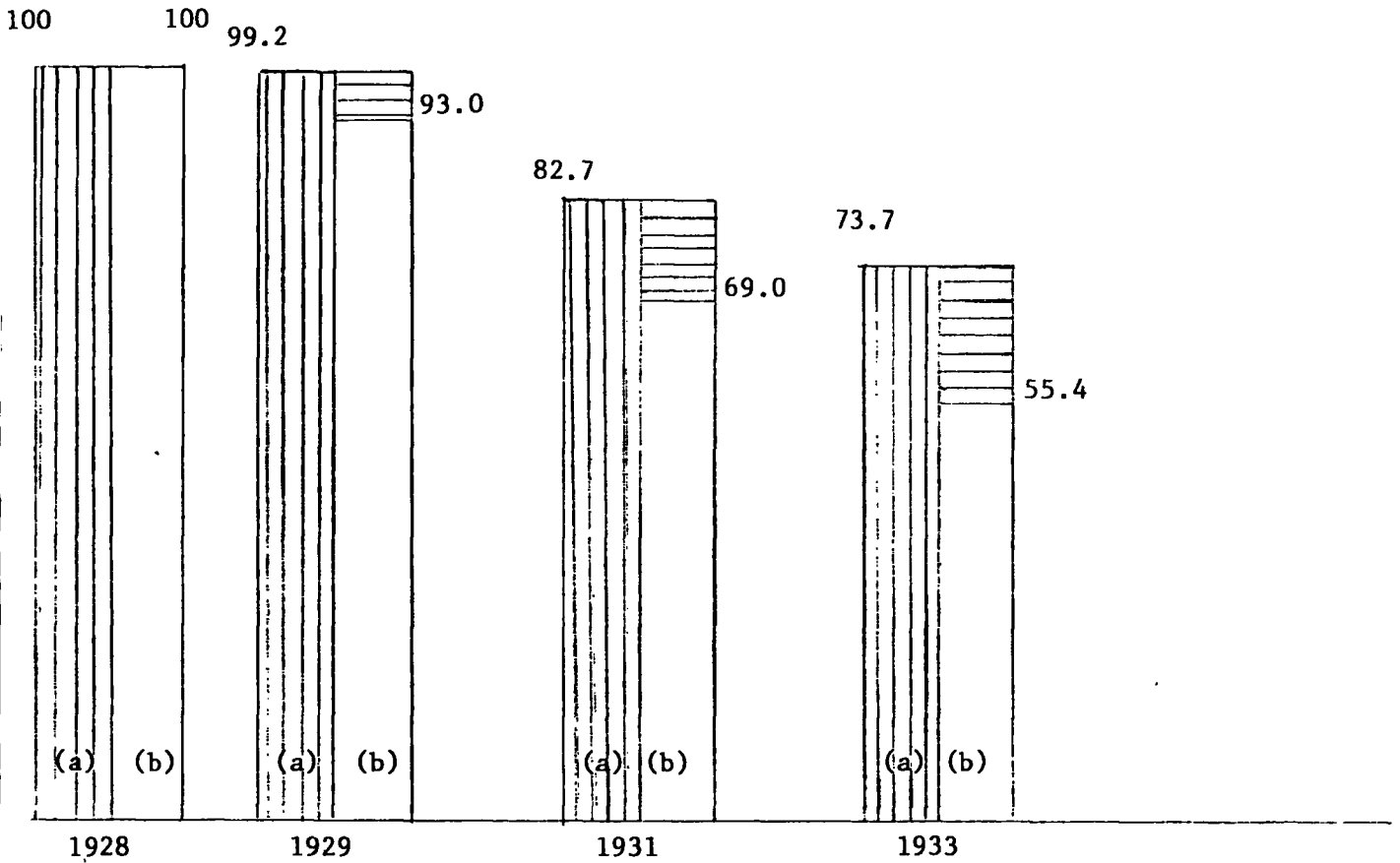
Fig. 9), farmers' ability to service and repay debt deteriorated, while their need for additional bank finance increased.³³

The agricultural credit banks, on the other hand, were reluctant to commit their funds to an increasingly high-risk sector. On 24th July 1930 the government took the unusual step of presenting a decree law to parliament which ordered banks to extend the repayment period for loans issued to farmers now unable to service or repay the loans because of falling prices. The response of many banks was to switch funds allocated for new lending to the extension of existing loans. But farmers were still initially dependent on bank operating loans to smooth out their extremely irregular - and uncertain - cash flow. The Government was therefore obliged to urgently direct the credit institutions to maintain the flow of new funds to credit-worthy farmers.³⁴

33. It is worth reading Cohen's chapter on the relationship between agriculture and industry and agricultural development (see Jon S. Cohen "Rapporti agricoltura-industria e sviluppo agricolo" in Pierluigi Ciocca and Gianni Toniolo (ed.), L'Economia Italiana nel Periodo Fascista (Bologna, 1976), hereafter cited as Cohen, Rapporti Agricoltura-industria e Sviluppo Agricolo.) His evidence, however, should be treated with caution. His analysis is based on relatively limited material and differs in several respects from other published sources and from the evidence presented in this dissertation. For example, on page 396 Cohen asserts that agricultural value added declined constantly, falling in 1943 to half the level of 1925. However, Paolo Ercolani "Documentazione statistica di base" in Giorgio Fuà (ed.), Storia dell'Economia Italiana negli Ultimi Cento Anni (Milan, 1978), Vol. III, p. 411 shows that at constant 1938 prices gross agricultural production rose from Lit. 40.3 billion in 1925 to Lit. 41.7 billion in 1932, fell back to Lit. 35.3 billion in 1936, recovered to Lit. 42.1 billion in 1939 but, under the disruptive influence of war, fell to Lit. 29.6 billion in 1943 - 73 per cent. of the 1925 level. He also shows that between the periods 1923-28 and 1937-41 total Italian gross agricultural saleable product at constant prices increased, as did cereals, root crops and livestock. Cohen also maintains on page 396 that the supply of agricultural credit, excluding loans for land reclamation ("bonifica") declined after 1928. This, however, is not borne out by the evidence from the ACSBN for the Mezzogiorno and from the Banca d'Italia for the whole of Italy. As Fig.8 shows, new operating loans by the ACSBN rose until 1933 before falling back (after stockpiling credits are excluded). New improvement loans by the ACSBN peaked earlier, in 1930, but also did not decline significantly until 1934.

34. For a fuller discussion of the government's action see the whole section on the ACSBN's operations in 1930 in: Banco di Napoli, Relazione al Consiglio Generale e Rendiconto (Naples, 1931).

Fig. 9. Production costs: Market retail prices for agriculture



Key:

- (a) Agricultural factor input costs (1928 = 100)
- (b) Agricultural output market prices (1928 = 100)
- Relative loss of profitability

Source: F. Angelini, I Concimi (Rome, undated), p. 133.

The effect, however, was short-lived. Although the ACSBN increased the volume of all types of operating loans made in 1930, with particularly strong growth in production loans (from Lit. 4.8 billion in 1929 to Lit. 5.8 billion in 1930), by 1931 production loans were the only ones to grow appreciably (reaching Lit. 7.4 billion), and thereafter almost all types of lending - both operating and improvement credits - fell away. The Banco di

Napoli's Annual Report for 1931 indicated the extent to which the financial difficulties of farmers impinged on their operations. As a consequence of recent laws and directives to assist farmers in financial difficulties the ACSBN in 1931 renegotiated and rescheduled loans totalling Lit. 5.6 billion (at constant 1963 prices), made special operating loans worth Lit. 1.2 billion and postponed repayment of Lit. 0.3 billion on 842 loans because of crop failures. This total of Lit. 7.1 billion compared with total new operating and improvement loans granted by the ACSBN in 1931 of Lit. 15.2 billion. Government influence over the credit institutions' allocations of funds for agricultural credit was therefore appreciable in the early 1930s.

From these early beginnings the Government's use of the ACSBN's funds increased massively, largely in the context of the broader policy of making Italy self-sufficient in key sectors - "autarchy". In agriculture, wheat gave rise to most concern.³⁵ This had been a long-standing problem. Twice between the outbreaks of the two world wars Italy was forced to take action to boost domestic grain production. In 1916 the shortage of foreign reserves to cover essential war material imports meant that food imports had to be cut and domestic food production boosted. Accordingly, in that year the Government introduced cash incentives to encourage grain farmers to increase output and so reduce Italy's dependence on imported wheat. This scheme was successful, and remained in operation until 1922 when world grain prices fell sharply and the need for government cash subsidies was reduced.

35. As late as 1931 Italy imported Lit. 836 million worth of wheat (7.2 percent of total imports, and 27.8 percent of food imports). In the following five years there was a marked improvement in the dependence on imported grain, as the Banca d'Italia explained: "The greatest success in establishing self-sufficiency was achieved in wheat: following increased harvests as a result of the Battle for Grain, wheat imports, which in 1931 still cost Lit. 800 million (the second largest import after coal), declined to Lit. 500 million in 1932 and to about Lit. 200 million a year in the following three years. In 1936 wheat imports cost Lit. 300 million as a result of a poor domestic harvest", Banca d'Italia, L'economia italiana nel sessennio 1931-1936 (Rome, 1938), Vol. I, p. 231. However, the Banca d'Italia was mistaken in ascribing the improvement exclusively to increased domestic production. Imported food prices crashed during the depression from an index (base 1925 = 100) of 69.8 in 1929 to 28.2 in 1934. The apparent deterioration in the wheat trade balance in 1936 was largely due to the recovery in import prices, which rose from an index of 29.0 in 1935 to 35.1 in 1936. These figures are all derived from table 1 in Banca d'Italia, L'economia italiana nel sessennio 1931-1936 (Rome, 1938).

Four years later, however, the revaluation of the lira imperilled the balance of payments. Once more a reduction in grain imports was called for and propaganda was directed at making Italy self-sufficient in wheat - Mussolini's "Battle for Grain". The principal element was an increase in the duty on imported grain. Rewards were also offered to farmers boosting productivity, higher yielding seeds better suited to local conditions were developed and financial assistance was offered to help farmers buy new machines and artificial fertilisers. However, these measures had only limited success in the face of continuing cheap foreign grain imports and plummeting agricultural prices during the Depression.³⁶ Narrowing profit margins forced farmers to reduce much-needed spending on farm maintenance and improvements and fertilisers were used only sparingly, with a consequent fall in yields.³⁷

The scheme operated on a voluntary basis, with the Ministry of Agriculture and Forestry appointing agents to buy grain from farmers at a fixed price, stockpile it, and release it gradually onto the market to avoid depressing free market prices. Farmers could either accept the government's guaranteed minimum price if the market price fell below it, or wait and sell at a higher price if the market subsequently picked up.³⁸ By fixing the guaranteed minimum price to ensure farmers an adequate profit the Ministry could encourage the cultivation of wheat (see Fig. 10).

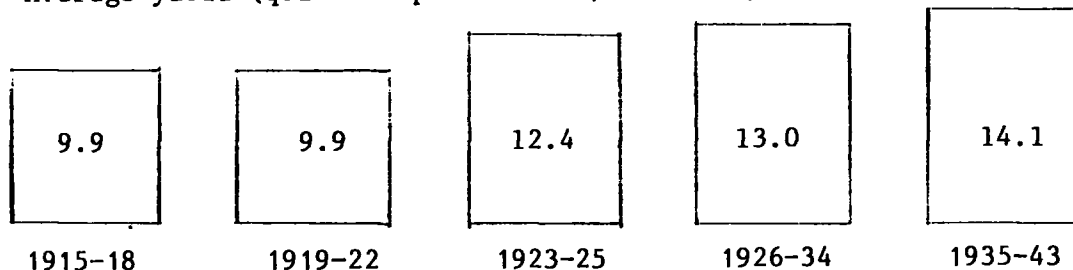
36. Whereas production costs declined from 100 in 1928 to 73.7 in 1933, market prices for agricultural produce fell from 100 to 55.4. Profits were seriously squeezed and many small-scale farmers reverted to subsistence farming with minimal production costs. For more details see Franco Angelini, I Concimi (Rome, undated), p.133 and Fig. 9 on page 74 above.

37. Falling yields were reflected in sharp falls in agricultural output at constant prices, particularly in 1934 and 1936, with declines of 14 percent and 15 percent respectively compared with the high output year of 1932. See Giorgio Fuà (ed.), Storia dell'Economia Italiana negli Ultimi Cento Anni (Milan, 1978), Vol. III, p. 411.

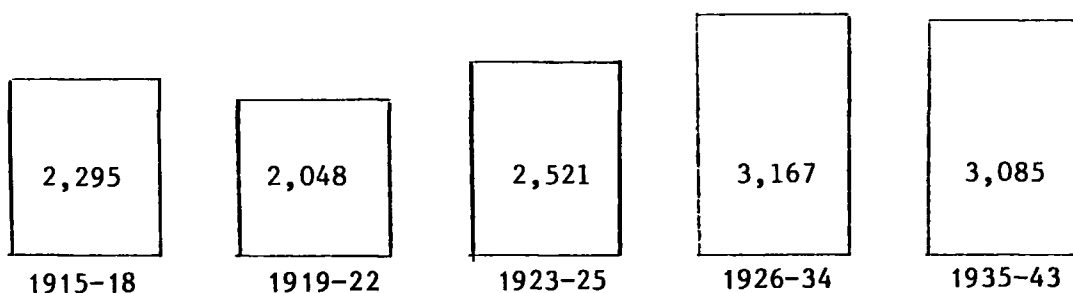
38. This formed part of a more general policy of price control dating from 1927. Between 1927 and 1934 rents and wages were cut by over 40 percent; the latest cut (of between 12 and 15 percent in rents and of between 6 and 12 percent in wages) was made on 15th April 1934. But this coincided with a general world recovery in prices. To maintain the new rent and wage structure, the government had to insulate the Italian economy as much as possible from world price movements. Thus voluntary stockpiling of farm products was introduced in 1934 and became compulsory in 1935. See in particular: Banca d'Italia, Adunanza Generale Ordinaria (Rome, 1935), pp. 11-37; Banca d'Italia, Adunanza Generale Ordinaria (Rome, 1936), pp. 14-47; and Banca d'Italia, Adunanza Generale Ordinaria (Rome, 1937), pp. 20-68; and more generally Banca d'Italia, L'economia italiana nel sessennio 1931-1936 (Rome, 1938).

Fig. 10. Indicative earnings from hard and soft wheat*
(*assuming average yields of hard and soft wheat were similar)

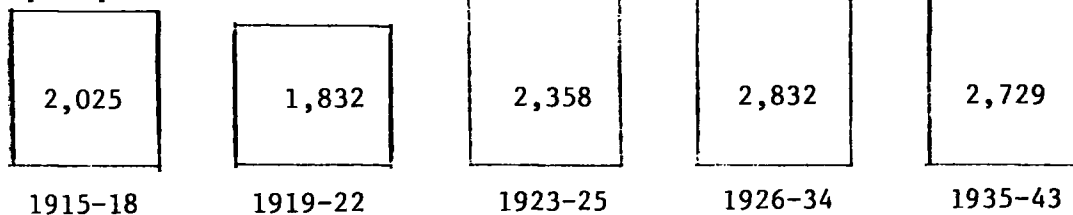
Average yield (quintals per hectare)



Hard wheat price (Lit. [1945 value] per quintal)



Soft wheat price (Lit. [1945 value] per quintal)



Hard wheat average income (Lit. per hectare)

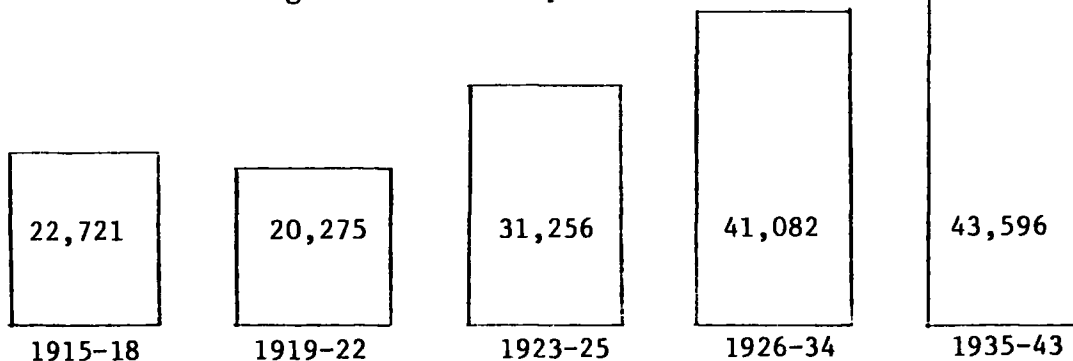
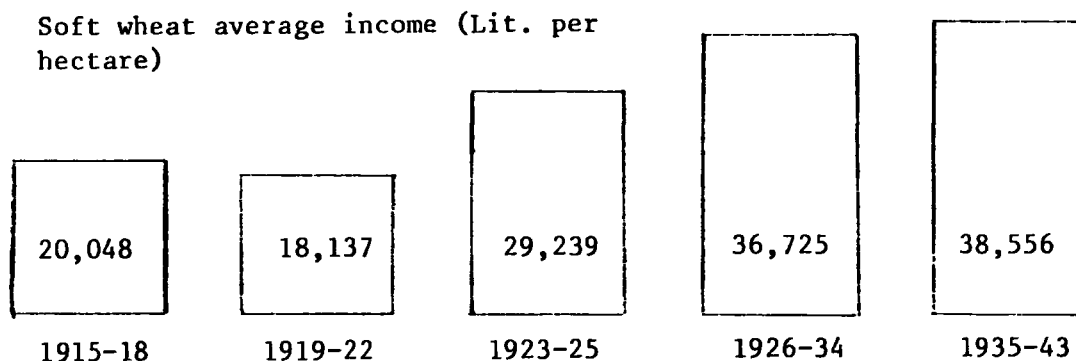


Fig. 10 continued



Source: Derived from data in tables 4 to 13 of Ministero per la Costituente, Rapporto della Commissione Economica Presentato all'Assemblea Costituente (Rome, 1946-7), Vol. I, Agricoltura, pp. 508-519.

Although voluntary stockpiling ensured a guaranteed return to farmers, it involved at most the creation of a floor price for wheat. Price rises could not be controlled, except by dumping from stocks. Even this was difficult since such stocks were small and dumping policies had to be co-ordinated and synchronised throughout the country to avoid the danger of fraud.³⁹ The government therefore decided in June 1935 to stabilise farm prices at the guaranteed minimum by requiring farmers to sell a considerable proportion (up to 90 percent) of their wheat to the Ministry's agents.⁴⁰ Thus windfall profits were restricted to a small part of farm output and food prices could be stabilised by aggressive government pricing policies, without undermining farm profitability. In addition, the Ministry was in a stronger position to influence global production by adjusting the guaranteed minimum price, since this now applied to the bulk of production.

39. If, for example, the authorities depressed market prices in the north of the country by selling from stocks, there would be scope for the purchase of cheap government grain from the north for resale in the south at a substantial windfall profit as long as a price differential persisted. Alternatively, speculators might buy up government supplies at lower than market prices in the north and hold them for sale at grossly inflated prices when the government's stocks were exhausted and market prices rose.

40. Other crops - including olive oil, wool, cotton, hemp, flax, wine, bergamot, and cocoons - were added to the list of stockpiled produce in 1936. See the sections on the ACSBN in Banco di Napoli, Relazione al Consiglio Generale e Rendiconto (Naples, 1935 and 1936) for additional details of the legislation and the rôle of the ACSBN.

Stockpiling of farm produce coincided with a recovery in agricultural output. At constant 1963 prices, agricultural value added rose from a fifteen-year low of Lit. 1,988 billion in 1936 to a record Lit. 2,372 billion in 1939. But it had a crippling effect on agricultural credit since the Ministry of Agriculture and Forestry appointed the Special Agricultural Credit Banks as stockpiling agents for the government. They were required to finance the operations out of their own funds, being periodically reimbursed by the government. This tied up increasingly large sums, particularly with the introduction of compulsory stockpiling of grain and of other crops in 1936 (see Fig. 11). The Special Agricultural Credit Banks were therefore forced to cut back on conventional agricultural credit operations.

The ACSBN was no exception. In 1935 the ACSBN committed 38.3 percent (Lit. 4.8 billion at 1963 prices) of its new lending to stockpiling. The next year such loans had risen almost eightfold and took up 84.8 percent of the ACSBN's new loans, with the majority (six-sevenths) of stockpiling being for grain. Indeed, in the second half of 1936, after the summer harvest, the ACSBN could boast that it had stockpiled one-third of southern Italian grain production: that is one-fifteenth of the national output.⁴¹ In 1937 the expenditure on stockpiled grain rose by 70 percent and accounted for 90 percent of the ACSBN's total operating lending that year. The ACSBN bought six million quintals (almost 600,000 tons) of grain from about 200,000 farmers, representing almost 8 percent of national output, and costing the ACSBN Lit. 53.4 billion in cash advances. The expansion of grain stockpiling continued into 1938, when 6,594,745 quintals were purchased, at a cost of Lit. 60.4 billion, and accounted for 93.2 percent of the ACSBN's operating loans.

With the outbreak of war in 1939 the details of grain stockpiling became classified material.⁴² Nevertheless, the ACSBN continued to assemble data and, although uncorroborated by other sources, they reveal that wheat stockpiling continued to absorb most of the ACSBN's loanable funds until 1943, when Mussolini's government fell and the Allied armies swept into southern Italy.

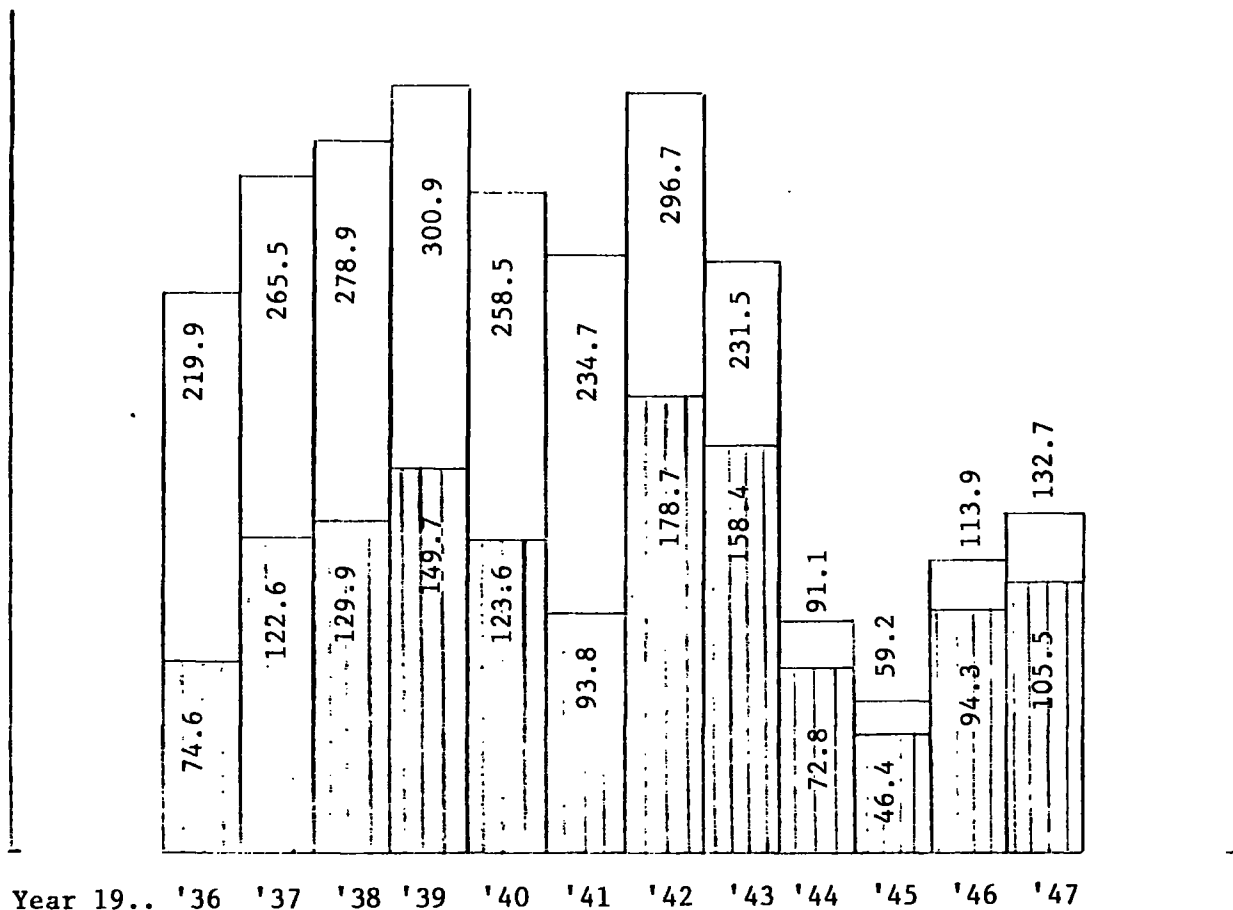
41. Banco di Napoli, Relazione al Consiglio Generale e Rendiconto per l'anno 1936 (Naples, 1937).

42. G. Nicotra, L'Ordinamento del Credito Agrario in Italia (Rome, 1946), pp.653-655.

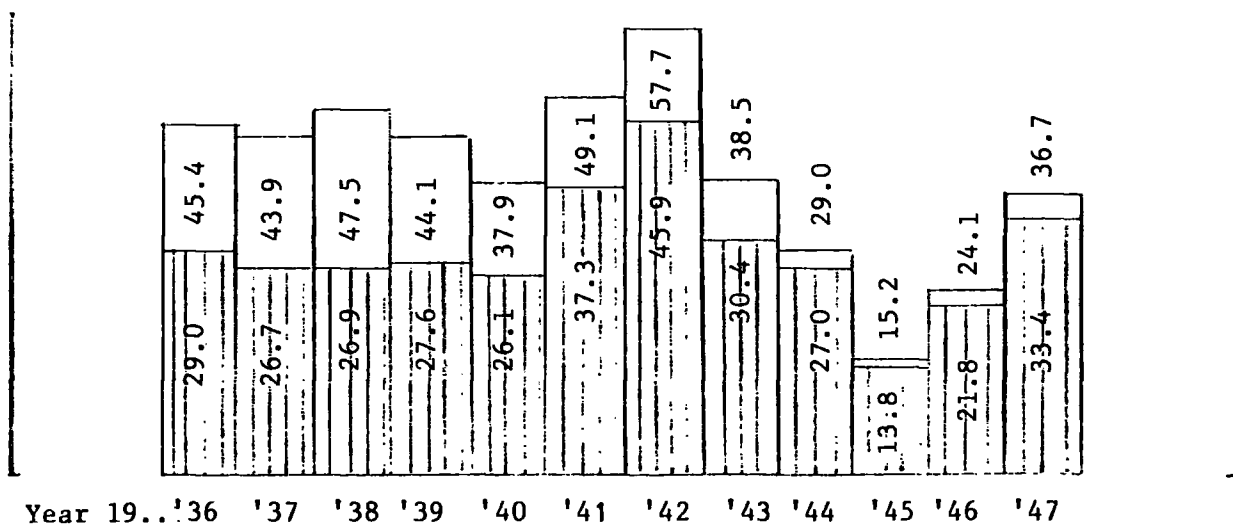
Fig. 11. Stockpiling and total agricultural credit outstanding, 1936-47

(in Lit. bn.)

(a) Stockpiling credit: total agricultural credit in Italy



(b) Stockpiling credit: total agricultural credit by the ACSBN in the mainland Mezzogiorno





Key:  Conventional agricultural credit (short+long)
 Credit for stockpiling

Fig. 11 continued

Source: ACSBN and Banca d'Italia. For data on ACSBN operations, see Annual Reports of the Banco di Napoli and internal documents of the ACSBN. For aggregate national data, the Banca d'Italia provided most information. See in particular: Banca d'Italia, Raccolta di Serie Statistiche Generali sul Credito e sulla Finanza (Rome, 1941), supplemented by Banca d'Italia, Bollettino (Rome, various years). Continuous series back to 1928 published in Istituto Nazionale di Economia Agraria, Annuario dell'Economia Agraria Italiana (Rome, 1947) are not consistent with figures from the Banca d'Italia (either for before the second World War or after). They are also not compatible with ACSBN data and so were not taken into consideration.

The overwhelming concentration of grain stockpiling left little credit available to the ACSBN for lending to farmers for other purposes, and undoubtedly a proportion of these remaining funds went to grain farmers. Excluding all types of stockpiling, the ACSBN lent only Lit. 4.6 billion (at 1963 prices) in 1942 in new operating loans, the last full year before southern Italy was crossed by the battle front.⁴³ This compared with Lit. 8.5 billion in 1928 and the peak of Lit. 14.1 billion in 1933. The main losers were livestock farmers who were able to raise barely Lit. 0.6 billion in 1940 - the last year for which data are available - compared with Lit. 3.1 billion in 1931. Production loans also fell away dramatically from their peak of Lit. 7.4 billion in 1931 to Lit. 3.3 billion in 1942. The stultifying effect on the ACSBN of such a massive capital drain into stockbuilding was also reflected in improvement loans, which in 1942 reached Lit. 1.1 billion, only marginally higher than fourteen years earlier.

However, a major consequence of the stockpiling scheme was the ever-increasing number of farmers brought into contact with the ACSBN. Diffidence on the part of farmers had always limited the demand for bank credit in the past, farmers preferring to turn to moneylenders in secrecy, rather than being seen to borrow from banks, since they feared that commercial credit would dry up when it became known that a bank had prior claim on a farmer's assets. Stockpiling, however, was a commercial operation with the

43. All data on ACSBN lending are based on information in Banco di Napoli, Relazione al Consiglio Generale (Naples, 1929 to 1971).

farmer selling his produce - mainly wheat - to the government's agent, in the south the ACSBN. Close contact established the vital first step towards encouraging farmers to turn to the ACSBN for credit when in need rather than go to moneylenders. In 1930, 54,278 operating loan applications were considered by the ACSBN (of which 48,661 were granted); in 1938 applications had risen to 321,671 and the total accepted to 310,030. Improvement loans, on the other hand, failed to gain widespread acceptance, and in 1939 the ACSBN still only accepted 377 applications, compared with 408 in 1928, although in 1930 the total briefly soared to 1,526 as many loans were renegotiated or rescheduled under the terms set by the government's law of July 1930.⁴⁴

The ACSBN during the second World War

Despite the progressive limitation of detailed information available, it is clear that the second World War - and in particular its last two years - had a devastating effect on the ACSBN's operations (see Fig. 8, page 72).⁴⁵ This is illustrated by the development of new operating loans, excluding stockpiling. Between 1939 and 1945 they fell from Lit. 6.5 billion to a meagre Lit. 1.2 billion. Within this total, production loans, which reflect the willingness of farmers to increase their expenditure on factor inputs beyond their immediate liquidity, collapsed from Lit. 4.7 billion to Lit. 0.3 billion. Borrowing from the ACSBN to finance mechanisation and livestock purchases also declined drastically, falling from Lit. 1.0 billion in 1939 to Lit. 81 million in 1945. The decline in new improvement loans was also dramatic. After holding up at an average of Lit. 1.25 billion between 1939 and 1942, they fell to Lit. 0.3 billion in 1943 and to zero in 1944, picking up only slightly in 1945.

In contrast with these sharp declines in conventional agricultural credit, stockpiling continued to increase strongly up to 1942 - rising from Lit. 27.6 billion in 1939 to Lit. 45.9 billion in 1942. Subsequently it also declined, reaching Lit. 13.8 billion in 1945 (see Fig. 11, page 80). As the various Annual Reports of the Banco di Napoli noted, stockpiling finance meant that the ACSBN dealt with an ever increasing number of farmers

44. See above (pages 73 to 75) the third paragraph of this section which discusses the impact of the law of July 1930.

45. All data on the ACSBN's operations are based on information in Banco di Napoli, Relazione al Consiglio Generale (Naples, 1929 to 1971).

up to 1942: 400,000 in 1939, 420,000 in 1940, 600,000 in 1941 and 650,000 in 1942.

In comparison, Fuà estimated that total Italian agricultural production at factor costs (and converted into 1963 prices) declined only from Lit. 2,372.2 billion in 1939 to Lit. 1,518.7 billion in 1945 while the share of agriculture in total domestic production actually rose from 26.1 percent to 29.4 percent, reflecting the particularly poor condition of industry in 1945.⁴⁶

In 1943 the battlefront crossed southern Italy and Abruzzi, Cassino and Formia were cut off from the rest of the south until 1944. With the change of government a provisional administrator was appointed to run the Banco di Napoli, but the amount of available information on operations, which had progressively declined since the beginning of the war, did not increase. It was not until 1948 that the Banco di Napoli again published detailed Annual Reports and the first one, covering the four years to February 1948 did little to fill the gaps in information available and interpretation of events.⁴⁷ Other sources are also limited. The Constituent Ministry's survey of the condition of the Italian economy after the war confined itself to an examination at a national level⁴⁸ and the National Statistical Institute (ISTAT) stopped publishing detailed information on agricultural credit after 1942.⁴⁹ Therefore, beyond presenting the figures mentioned above, little can be authoritatively said about the ACSBN's agricultural credit operations during the war.

The ACSBN during the Post-war Years of Reconstruction and Reform

The ACSBN emerged from the second World War in a depressed state. Operating loans made in 1945 amounted to a meagre Lit. 37.6 billion (at 1963 prices) of which all but Lit. 1.2 billion was to finance compulsory

46. These figures are calculated from data in: Giorgio Fuà, Notes on Italian Economic Growth 1861-1964 (Milan, 1965), p.58.

47. See: Banco di Napoli, Relazione al Consiglio Generale del Commissario Straordinario (Febbraio 1944 - Febbraio 1948) (Naples, 1949).

48. Ministero per la Costituente, Rapporto della Commissione Economica Presentato all'Assemblea Costituente (Rome, 1946-7).

49. ISTAT, Annuario Statistico dell'Agricoltura Italiana 1939-1942 (Rome, 1948).

stockpiling operations. Conventional agricultural credit - that is excluding stockpiling - rose the following year to Lit. 1.9 billion.⁵⁰ This compared with a peak of Lit. 14.1 billion in 1933 and Lit. 6.5 billion as late as 1939. The decline in long-term improvement loans was even more dramatic despite the already depressed demand for such loans in the 1930s: it dried up entirely in 1944, affected by economic uncertainties due to the war; in 1945 the ACSBN lent only Lit. 49 million in improvement loans although the total rose in 1946 to Lit. 1.0 billion, still low compared with Lit. 2.3 billion in 1930 and an average of Lit. 1.3 billion in 1939 and 1940.

Two factors undermined the recovery in agricultural credit: the political uncertainty surrounding Italy's future - which was not resolved until the convincing electoral victory of the Christian Democrats over the Communists in 1948⁵¹ - and rapid inflation, the cost of living almost doubling between 1944 and 1945 and quadrupling between 1944 and 1948. Political and economic uncertainty therefore combined to disrupt the flow of liquidity into agriculture which was much-needed to accelerate recovery from the ravages of war.

In addition, stockpiling once more drained massive sums from the banking sector after short-lived attempts in 1945 to dismantle the scheme. In October 1945, the coverage of the compulsory stockpiling scheme was reduced: it was applied henceforward only to grain for milling, olive oil and sugar beet, and even these products were not to be purchased in total by the official boards; a proportion of a farmer's output was left for him to sell openly on the free market. In consequence the ACSBN briefly found the call on its loanable resources to finance stockpiling declining - to Lit. 36.4 billion in 1945 and Lit. 45.7 billion in 1946, compared with Lit. 54.0 billion in 1944. Nevertheless, this still accounted for the overwhelming majority of the ACSBN's total new lending (96.9 percent in 1945 and 94.1 percent in 1946) and necessitated the continued maintenance of an extensive

50. All data on the ACSBN's operations are based on information in Banco di Napoli, Relazione al Consiglio Generale (Naples, 1929 to 1971).

51. Following approval of the new constitution in 1947, general elections were held in January 1948. The Christian Democrats, led by Alcide de Gasperi, won an overall majority with 307 seats, compared with only 207 in the previous Constituent Assembly. The main opposition grouping of Communists and Socialists won only 182 seats, a fall of 37 compared with the outgoing Assembly. See Denis Mack Smith, Italy, A Modern History (Ann Arbor, 1959), p. 496.

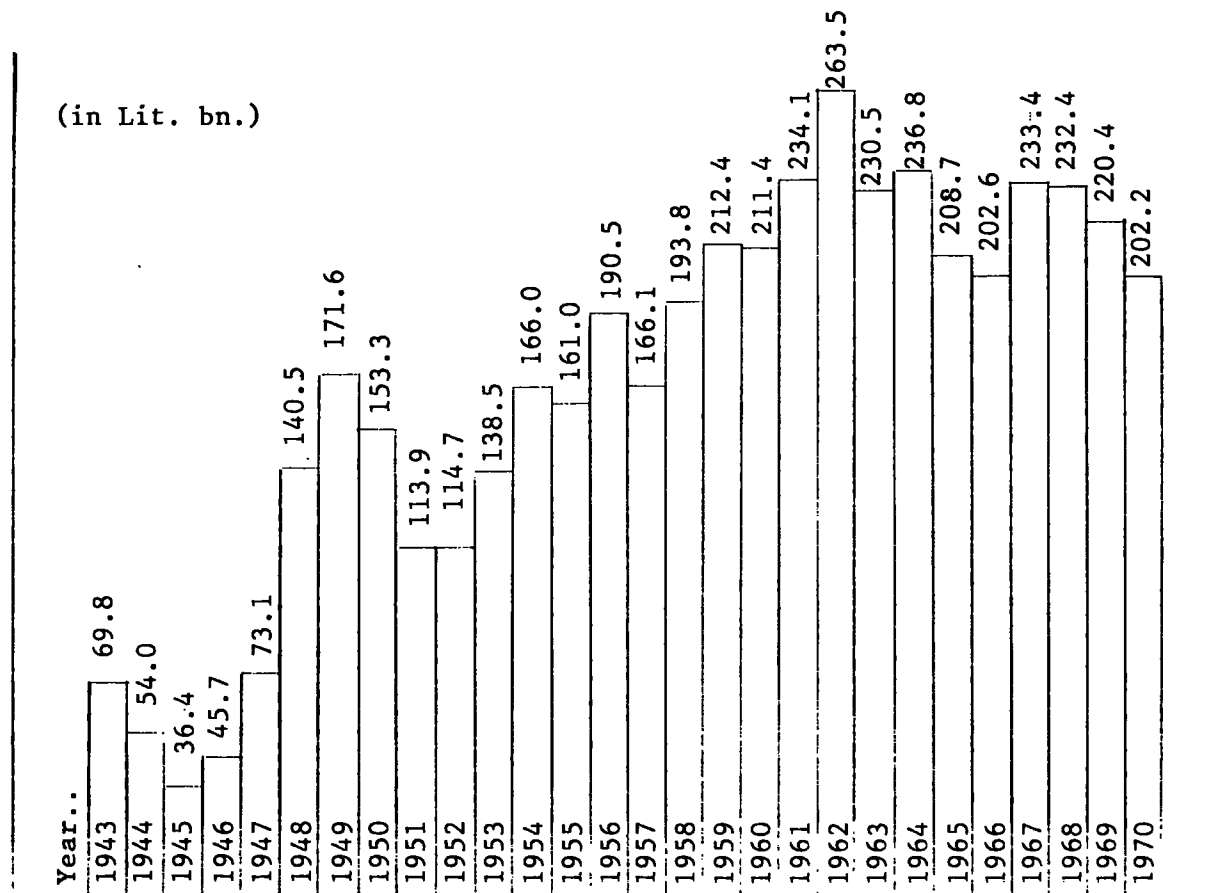
network of bank branches and Intermediary Boards (693 in 1945, as against 529 in 1932 and 476 in 1937).⁵²

But this modest respite was short-lived. Rapid inflation and shortages forced the authorities to reconsider their more liberal policies for market intervention and reintroduce the compulsory stockpiling of all grain produced from May 1946 and all olive oil from October 1946. The ACSBN was called upon to pay out Lit. 73.1 billion in 1947 on stockpiling - more than double the volume (at constant prices) paid in 1945, and in the year to end-1948 the volume doubled once more. Thereafter the amount fluctuated somewhat, reaching a peak of Lit. 263.5 billion in 1962 (Fig. 12).

Other short-term operating loans by the ACSBN picked up only slowly after 1945, and as a result the outlay on stockpiling accounted for over 90 percent of the ACSBN's short-term operations until 1950 and as late as 1954

Fig. 12. Stockpiling financed by the ACSBN, 1943-70

(new lending at 1963 prices)



Source: Banco di Napoli, Relazione al Consiglio Generale (Naples, 1949-1971).

52. See Banco di Napoli, Relazione al Consiglio Generale (Naples, 1933, 1938 and 1949).

still took up 86 percent.⁵³ This only gradual recovery in more conventional operating loans was largely attributable to the ACSBN's chronic shortage of liquidity during the late 1940s and the first years of the 1950s - a shortage made worse by the effects of stockpiling. The Banco di Napoli's Annual Report for 1945⁵⁴ noted with satisfaction the recovery in demand for credit, particularly for the purchase of machinery and livestock, and the strength of loan demand was a feature noted in most annual reports into the 1950s. At the same time, however, the shortage of loanable funds was lamented in the same annual reports. Inflation exacerbated the ACSBN's difficulties, reducing both the purchasing power of repayments on previous loans and also the return to the ACSBN on depreciating fixed-rate assets.

The ACSBN's liquidity problems had been foreseen immediately after the war by the Constituent Ministry, whose report of 1946 on the economy declared that, in its view, credit institutions would be unable to meet the full investment requirements of Italian agriculture.⁵⁵ It was three years later that the government eventually took action to boost banks' liquidity: in April 1949 it allocated over Lit. 1.6 billion (at 1963 prices) to the ACSBN and the Banco di Sicilia's Agricultural Credit Section to increase their operations at a fixed-rate cost to the borrower of 5 percent.⁵⁶ But

53. It should be noted that, because of its special characteristics (financing government market intervention programmes rather than credit demands), stockpiling was omitted by the Banca d'Italia from all the data published for agricultural credit after 1947 in Banca d'Italia, Bollettino della Banca d'Italia (Rome, 1948 onwards).

54. Banco di Napoli, Relazione al Consiglio Generale del Commissario Straordinario (Febbraio 1944 - Febbraio 1948) (Naples, 1949).

55. For example, with prices quadrupling between 1944 and 1948, a farmer who had taken out a loan in 1944 to buy a tractor would need to borrow four times as much in 1948 to buy a similar machine. Thus the capital repayment by that farmer on his loan of 1944 would be sufficient only to cover a quarter of the cost of a new loan for a tractor in 1948. The ACSBN had to raise the additional three-quarters elsewhere, and not being allowed to collect deposits, this meant applying to the parent Banco di Napoli. The ACSBN's problems were further intensified by the erosion by inflation of the purchasing power of its interest receipts. This point is developed from Ministero per la Costituente, Rapporto della Commissione Economica (Rome, 1946-47), Vol. IV, pp.653-655.

56. See especially the section on the ACSBN's operations in: Banco di Napoli, Relazione al Consiglio Generale e Bilanci (Naples, 1950). A further Lit. 1.3 billion was offered in October 1949 to other agricultural credit banks operating in central and northern Italy.

the Banco di Napoli's Annual Report for 1949, presented in mid-1950, commented bitterly that as yet not a lira had been forthcoming from the government, either under the provision of April 1949 or from American aid facilities. All new lending had to be financed from the ACSBN's increasingly inadequate resources.⁵⁷

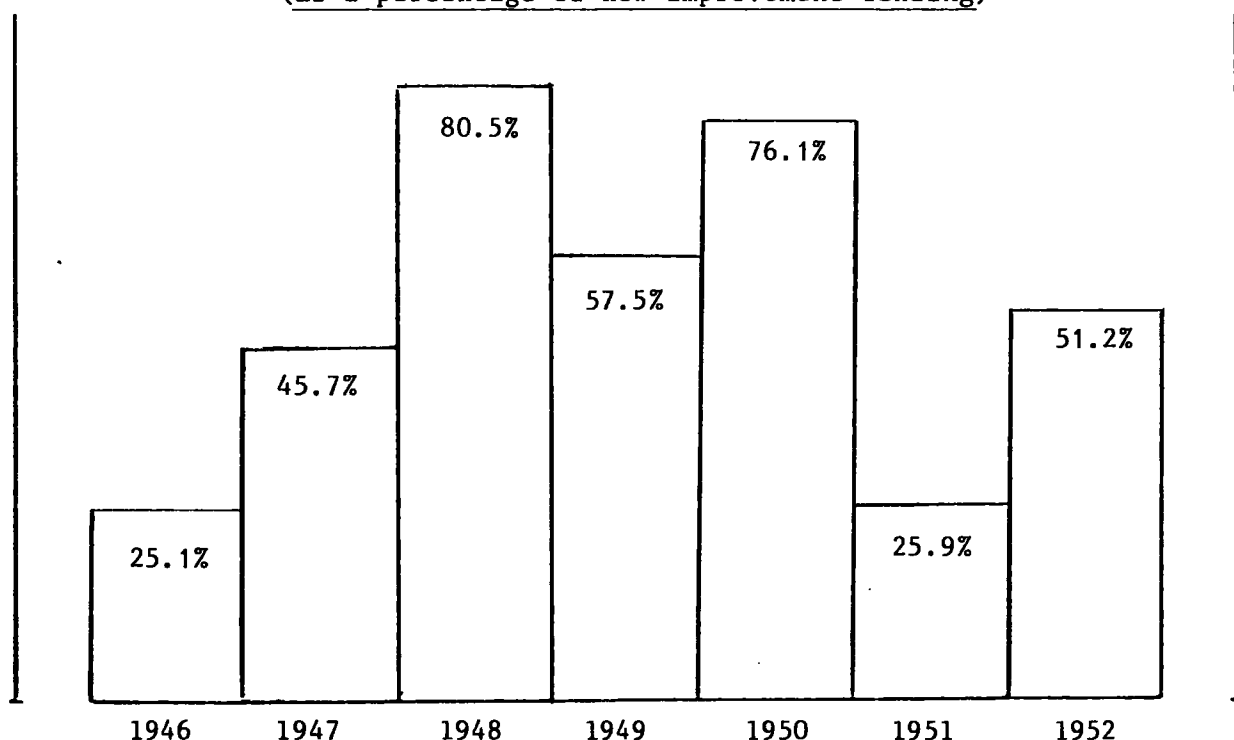
In June 1950 a further Lit. 0.7 billion was promised to the ACSBN by the government out of the American-financed Interim Aid Fund and once again payment of this sum was delayed. It was eventually made available in December 1950 and January 1951, but was subject to stringent conditions: all loans from it were to be made at the fixed interest rate of 4.5 percent per annum, and the construction of farm buildings with these loans was barred. This particular veto on the use of the funds owed much to the government's belief that the relative shortage of agricultural credit was being intensified by particularly heavy loan demand from large landowners who, in an attempt to avoid compulsory purchase of their extensively farmed estates under the laws fostering the development of small-scale land ownership, were - at least superficially - transforming their estates into a network of smaller units, each now requiring farmbuildings. The Banco di Napoli - not without some justification - condemned this view, arguing in the Annual Report of 1951 that farm buildings often were the first step in the vital farm improvement schemes so needed in the Mezzogiorno. Indeed, at the end of 1951 the Banco di Napoli itself was obliged to assist the ACSBN by advancing some Lit. 1.7 billion (at 1963 prices) after the ACSBN had exhausted its own resources in addition to an earlier advance of Lit. 0.6 billion.

The ACSBN's chronic shortage of liquidity in the first eight years after the war was closely mirrored in its lending policy. There was a marked reluctance to entertain any substantial long-term operations, and most of the ACSBN's resources - after stockpiling commitments had been satisfied - were directed at very short-term credits, usually of less than one year. Short-term production loans accounted for 75 percent or more of total operating credits made in the three years from 1948 to 1950, while medium-term loans for the purchase of livestock and farm machinery together accounted for just over 15 percent of the total from 1949 to 1952. Long-term improvement loans were depressed up to and including 1949. In 1950

57. The material in this and the following paragraphs is drawn from Banco di Napoli, Relazione al Consiglio Generale e Bilanci (Naples, 1949, 1950, 1951, 1952 and 1953).

they amounted to a record Lit. 3.7 billion, but this was due to the massive cash needs of the public agencies (the Land Reclamation Consortia and the Land Reform Boards) which drew over three-quarters of total improvement credits from the ACSBN in that year⁵⁸ (Fig. 13).

Fig. 13. Lending by the ACSBN to government agencies, 1946-52
(as a percentage of new improvement lending)



Source: Banco di Napoli, Relazione al Consiglio Generale del Commissario Straordinario (Febbraio 1944 - Febbraio 1948 (Naples, 1949) and Banco di Napoli, Relazione al Consiglio Generale e Bilanci (Naples, 1950, 1951, 1952, 1953).

58. Two public agencies, the Land Reclamation Consortia and the Land Reform Boards - set up by the "Stralcio" law of 21st October 1950 - were the ACSBN's principal clients for improvement loans. Both were involved in long-term projects: the Land Reform Boards in the transformation into smallholdings of extensively-farmed land in classified reform zones and the Land Reclamation Consortia in the reclamation and improvement of wasteland.

Land reclamation ("bonifica"), it should be noted, was concentrated predominantly in mainland southern Italy from the beginning of the 1950s.

As Mario Bandini, Cento Anni di Storia Agraria Italiana (Rome, 1957), pp.200-210 shows, in the first half of the 1950s, the mainland south accounted for never less than 39 percent of expenditure in Italy on land reclamation.

The following year the ACSBN's total new improvement lending contracted sharply to Lit. 0.8 billion - the lowest since 1947 - reflecting the marked reduction of public agencies' cash needs as initial expensive operations - the purchase of land and the reorganisation of the land - were completed and as government funds became available to finance them directly. This irregular demand from public agencies for long-term finance greatly impinged on the ACSBN's freedom to encourage borrowing by the private sector, particularly given its persistent liquidity shortages.⁵⁹ Between calls to finance stockpiling operations and the demands on the ACSBN from land reform agencies, less than 10 percent of new lending by the ACSBN in 1951 was left for private farmers, and the overwhelming majority of this amount was taken up in short-term production credits.

Thus, by the end of 1951 the ACSBN was clearly failing to fulfil the basic requirement - as outlined by the Constituent Ministry in 1946 - of encouraging the modernisation of southern agriculture. Despite its repeated protests, the ACSBN was increasingly called upon to finance government intervention in southern farming, while much-needed capital injections, promised by the government, were delayed. In part at least this was to change from 1952 as government policy underwent a fundamental shift.

The ACSBN and the Modernisation of Italian Agriculture (1952-60)

The eight years from 1952 marked the establishment of modern farming in Italy and the ACSBN played a central rôle. In 1952 there were only 80,907 tractors throughout Italy; by 1960 the total had more than

59. It should be noted, however, that as Orlando, Progressi e Difficoltà dell'Agricoltura, pages 93-94 shows, the investments by Reform Boards in the south were, in fact, highly profitable. He considers the period from 1956 to 1964 and finds that the growth in gross agricultural saleable product is halved if the area covered by the Reform Boards is excluded. This, however, is not surprising, since in general the areas developed by the Reform Boards were formerly wastefully farmed but fertile land and the Reform Boards were able to transform them into high-yielding intensively farmed smallholdings.

trebled to 248,985.⁶⁰ The average use of nitrates, phosphates and potash fertilisers rose from 33.9 kilograms per hectare in 1952 to 54.4 kilograms in 1960 (Fig. 14). This transformation of farming methods - of which mechanisation and more widespread use of fertilisers were only two, albeit striking, manifestations - was largely attributable to the fundamental change in government policy towards agricultural credit in 1952. Up to 1952 credit laws had remodelled the bank network while subsidies and capital contributions were offered to encourage long-term farm improvements and the extension of small-scale owner-occupation. These programmes continued into the 1950s with the Reform Boards and Land Reclamation Boards furthering official policy, largely with bridging finance from the Special Agricultural Credit Institutions such as the ACSBN. In addition the Cassa per opere straordinarie di pubblico interesse nell'Italia meridionale (known as Cassa per il Mezzogiorno or CASMEZ)⁶¹ - established in 1950 to finance the provision of social and economic infrastructures and encourage the industrialisation of the south - was active in assisting farmers to obtain basic facilities such as electricity, gas and water.⁶² Finally, the government's 2 1/2 percentage point interest rate subsidy on improvement loans (introduced in 1928) continued. But little had been done by the government to alleviate the continued shortage of liquidity which beset the agricultural credit banks. All this changed for the better in 1952 when the government presented its so-called "Twelve-Year Plan".

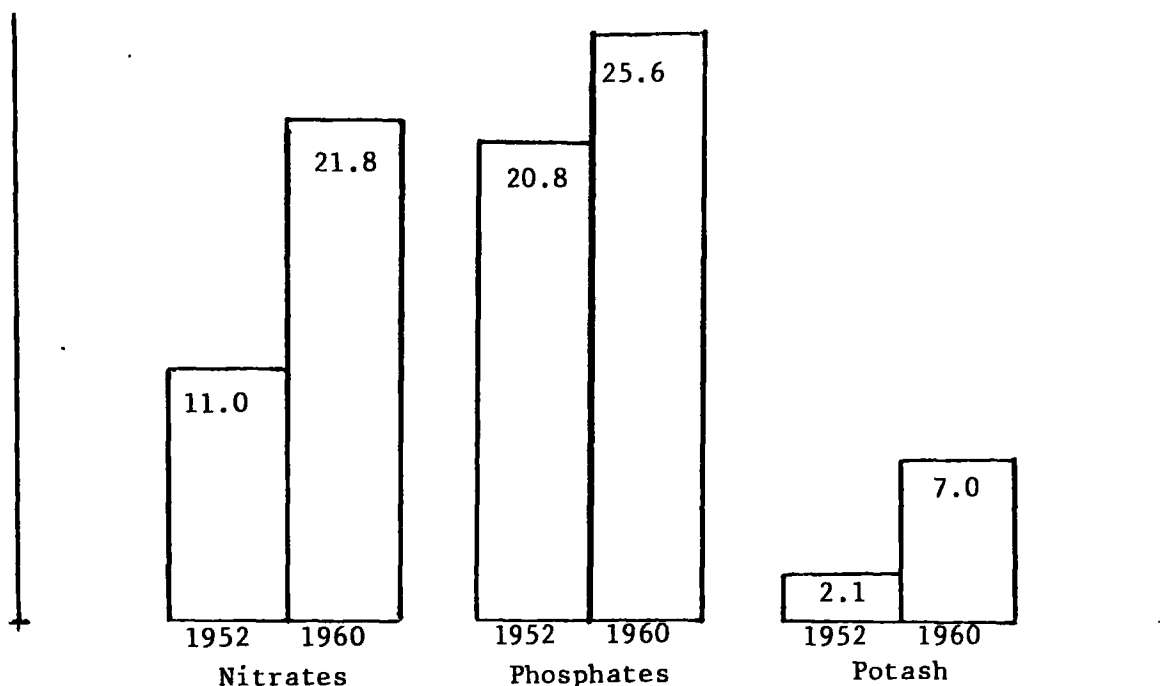
60. Alfio C. Rossi, Il Progresso della Meccanizzazione Agricola (Perugia, 1969) is an excellent review of mechanisation in Italian agriculture, which was the subject of my undergraduate dissertation at Durham University in 1969. Reliable historical series are published in tables appended to Utenti Motori Agricoli, Quarant'anni di Motorizzazione Agricola in Italia 1928-1967 (Rome, 1968), hereafter cited as Utenti Motori Agricoli.

61. The Cassa per il Mezzogiorno was set up by law No. 646, dated 10th August 1950 and published in the Official Journal (No. 200) of 1st September 1950. For the full text see: Associazione Bancaria Italiana, La Legislazione Italiana Sul Credito Agrario (Rome, 1969).

62. Among the many publications on the Cassa per il Mezzogiorno, three are particularly worth reading:
Cassa per il Mezzogiorno, Les realisations (Rome, 1967);
Cassa per il Mezzogiorno, Atti del Convegno di Napoli (Rome, 1952);
Cassa per il Mezzogiorno, Problemi del Credito Agrario e Industriale (Bari, 1961).

Fig. 14. Fertiliser consumption, 1952-60

(kg. per hectare)



Source: ISTAT, Annuario Statistico dell'Agricoltura Italiana (Rome, 1953 and 1961).

The Twelve-Year Plan, sometimes known as the "legge Fanfani"⁶³ after its sponsor, Amintore Fanfani, was designed principally to benefit small- and medium-scale farmers operating both individually and in associations or co-operatives. The government agreed with the agricultural credit banks to establish three "revolving funds", one each for the purchase of farm machinery, the construction of irrigation networks, and the construction of farm buildings. The credit institutions were to administer the funds,

63. Most of the detailed information on the Twelve-Year Plan and the revolving funds was obtained from unpublished research being done by Dr. F. Brovelli at the Istituto Nazionale di Economia Agraria (INEA). The data in Table 4, page 96 are from this source. Published descriptions of the Twelve-Year Plan may be found in: Mario Bandini, Cento Anni di Storia Agraria Italiana (Rome, 1957), pp.169-170 and Guido Paggi, Il Credito Agrario nell'Attuale Riforma e nelle Prospettive Future (Rome, 1971), pp.33-34.

totalling at current prices Lit. 25 billion annually for five years (Lit. 125 billion in all), of which 30 percent each was to be lent to farmers wishing to buy machinery (operating credits) or install irrigation systems (improvement credits) and 40 percent to farmers to finance new agricultural construction projects (improvement credits). During this period of five years all sums repaid into the three funds could be relent, but all operations had to be wound up by mid-1964 - hence the title "Twelve-Year Plan". Some redistribution of capital between each of the revolving funds was permitted if demand for one particular operation fell off. This in fact happened, and much of the allocation for irrigation projects was transferred to the fund for farm equipment - that is from long-term improvement to medium-term operating credits. By the end of 1959, for example, Lit. 243.5 billion had been lent, of which over half (Lit. 127.7 billion) had been spent on machinery, only Lit. 9.8 billion on irrigation systems, and Lit. 106.0 billion on farm buildings.

Borrowers paid only three percent per annum interest on their loans, but were required to contribute at least a quarter of the capital outlay themselves. In effect this did not prevent small-scale farmers from using this facility since they could divert capital being held to finance operating outlays and then seek production loans from the ACSBN to make up their cash shortfall. Maximum repayment periods were fixed at five years for loans to buy machinery, six years for irrigation schemes and twelve years for farm buildings. Significantly, however, the law stipulated that only Italian-manufactured farm machinery was to be bought with capital from the revolving funds.⁶⁴

Responsibility for the administration of the revolving funds rested with the Ministry of Agriculture and Forestry in conjunction with the credit institutions. The Ministry each year allocated shares of each of the three funds to the Special and the Authorised Agricultural Credit Institutions in proportion to the loans of each type made in previous years by every bank. If at the end of a financial year any surplus remained from

64. In 1962, when this condition was withdrawn, Italian manufacturers dominated the Italian tractor market: FIAT OM accounting for 39.3 percent of all sales, LANDINI 9.9 percent and SAME 8.5 percent. See A.C. Rossi, Il Progresso della Meccanizzazione Agricola (Perugia, 1969), p.146.

a bank's share of the revolving fund then that bank's allocation for the following year was reduced.⁶⁵ The Ministry bore no responsibility for the revolving funds beyond providing the capital and fixing the interest rate to be paid. Losses were the exclusive responsibility of the banks, as was the vetting of applications and applicants.

The encroachment of the government into the field of agricultural credit was not unwelcome to the ACSBN which for several years had been suffering from acute liquidity shortages. The actual impact of the new scheme, however, was not entirely beneficial for the ACSBN, introducing greater instability into lending patterns and making portfolio management by the ACSBN increasingly difficult. The ACSBN's difficulties stemmed from its rôle as the sole Special Institution for the mainland south which meant that the ACSBN had a virtually unbroken monopoly of improvement loans in the south. Such loans - at least as stipulated in the original "Twelve-Year Plan" - were to account for 70 percent of the funds supplied through the revolving funds. Thus the ACSBN became responsible under the conditions governing the revolving funds for a large proportion of the scheme.

The scheme's volatile impact was soon apparent on the ACSBN: in 1953, the first full year that the revolving funds operated, 411 out of 1,083 improvement loans made by the ACSBN were financed from the revolving funds. The next year the proportion still remained high - 349 out of 1,059. The decline in 1955 - to 217 out of 1,521 new loans - reflected the financing of the majority of eligible projects in the first few years of the scheme and the diversification of improvement loan demand into new areas - in particular for the financing of the purchase by small-holders of their own farms, usually with generous government subsidies on the interest rate.

Even though the impact of the revolving funds on the ACSBN's activities in long-term improvement lending was soon waning, the rôle of the state in this sector - through such schemes as the Cassa per il Mezzogiorno, the European Recovery Programme and specific assistance to regions hit by

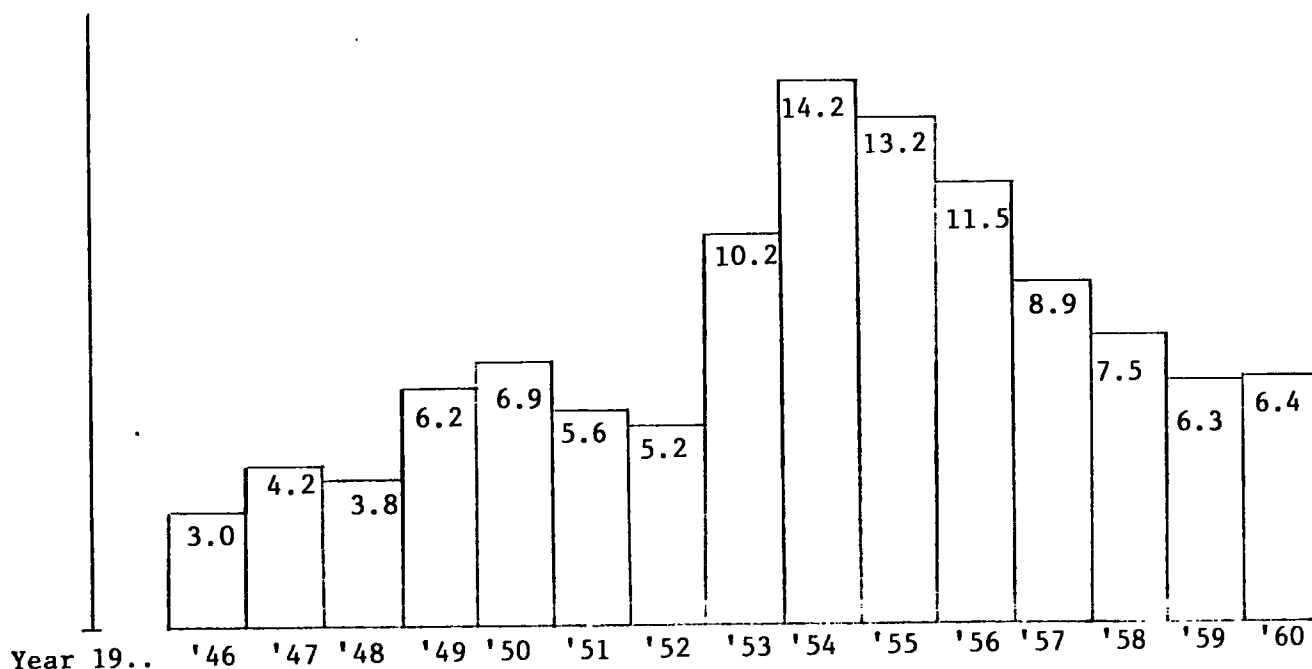
65. Banks therefore tended to encourage borrowing from these funds so as to use up their full quota. This often resulted in quotas being entirely allocated long before the end of the year. This information and that in the following five paragraphs is drawn from Banco di Napoli, Relazione al Consiglio Generale e Bilanci (Naples, 1953 to 1961) and from information given to me by Dr. Brovelli at the INEA (see the Observations on Sources section at the end of this dissertation).

natural disasters (in particular flooding) - meant that the ACSBN's own resources continued to play a minor, and variable, part in total improvement lending. They accounted for 35 percent in 1952 but only 20 percent in 1953 and 15 percent in 1954, although recovering to 33 percent in 1955. Furthermore, there was some evidence, particularly in 1955, that the incursion of the government into selected areas of long-term agricultural credit - in the case of the Twelve-Year Plan irrigation schemes and farm building - removed from the ACSBN the opportunity to invest its own resources in large projects of relatively limited risk. Whereas the average value of an improvement loan financed by the ACSBN in 1955 was Lit. 1,435,000 (at 1963 prices), the average value of all improvement loans that year (whether financed by the ACSBN or the state, but excluding very short-term credits made to the land reform boards and subsequently transferred to the General Banking Section of the Banco di Napoli) came to Lit. 2,783,000, almost double.

The novel feature of the revolving funds was the extension of government involvement into medium-term agricultural credit, a sector previously untouched by government grants, funding or interest rate subsidies. The impact of the new departure in policy was remarkable, revealing an exceptionally strong latent demand for agricultural credit to buy farm machinery which was stimulated by the provision of cheap credit. Whereas in 1951 loans by the ACSBN for farmers to acquire farm equipment amounted to Lit. 795.4 million (at 1963 prices) and in 1952 to Lit. 845.5 million, the next year - the first full year that the revolving funds operated - the annual amount more than doubled to Lit. 1,850.4 million, and rose further to Lit. 3,332.1 million in 1954 and Lit. 4,371.4 million in 1955, before gradually falling back to just over Lit. 2,000 million by 1962. In relation to total operating loans (excluding stockpiling) by the ACSBN, those to finance farm machinery accounted for about 5 percent in the early 1950s but over 14 percent in 1954 (Fig. 15).

Nevertheless, the impact of the revolving funds might have been greater still if more finance had been forthcoming from the Treasury. Certainly the ACSBN held this view, and in its annual report in 1955 it

Fig. 15. New mechanisation credits by the ACSBN, 1946-1960
(as a percentage of total lending)



Source: Banco di Napoli, Relazione al Consiglio Generale e Bilanci
(Naples, 1949 to 1961).

bitterly attacked the Treasury for failing to increase its allocation.⁶⁶ Indeed, from 1952 to 1960 the Treasury never deviated from a fixed quota for the six mainland regions of southern Italy of 18 percent of all funds available from the revolving fund for farm equipment (see Table 4).

66. The Annual Report of the Banco di Napoli for 1955 stated: "The operations financed out of funds advanced by the Treasury ... contributed to the total of loans for the purchase of farm machinery; but it is necessary to point out that a greater volume of lending could have taken place if additional resources had been made available as requested when the initial allocation had been fully exhausted."

Two other official measures to boost agricultural credit in the 1950s had only limited impact on the ACSBN. In July 1952, at the same time as the Twelve-Year Plan, but in another law⁶⁷, the government established a fund - initially of Lit. 1 billion (at current prices) for the financial year 1952-3 - to be administered by the Special Institutions to assist farmers in villages where over 80 percent of the surface area was more than 600 meters above sea level, or where the range between minimum and maximum altitude above sea level was more than 600 meters. Loans were granted for repayment over thirty years at an annual interest rate of 4 percent. Applicants had to submit to a means test which excluded the "latifondisti" - the large landowners who often owned mountain pastures for spring and summer grazing of their livestock. Up to four-fifths of the investment costs of farm improvements, sanitation, farm buildings, livestock improvement and tourist facilities were eligible for subsidised loans. Unlike the Twelve-Year Plan, the government indemnified the Special Institutions for 70 percent of losses. Despite the particularly mountainous nature of southern Italy⁶⁸, the ACSBN met little demand for loans under the Mountain Reform Law and in 1953 there were twenty-two such loans completed, worth Lit. 37 million (at 1963 prices), and in 1954 twenty-four worth Lit. 34 million - less than one percent of all improvement loans in 1954.

The scheme in 1957 to extend the formula of revolving funds to medium-term loans for animal husbandry was slightly more successful. Lit. 5 billion (at current prices) were assigned to a revolving fund for the development of livestock rearing, and particularly the production of meat.⁶⁹ Loans were repayable over seven years at an annual interest rate of 4 percent. The capital of the revolving fund was allocated between the

67. This law - No. 991 of 25th July 1952 - was presented to parliament for approval on the same day as the Twelve-Year Plan. For the precise text of this law, see A.B.I., Credito Agrario (Rome, 1969), pp.502-522.

68. The six southern mainland regions covered about a quarter of total farmland in Italy. Only 19.5 percent was on plains, with the regions of Abruzzi and Molise having only mountain and hill farms - no farms on plains. Of the south's farmland 34.7 percent was on mountains and 45.8 percent on hills. See Ministero per la Costituente, Rapporto della Commissione Economica (Rome, 1946-7), Vol.I, p.26.

69. Once more the revolving funds' endowment capital came from American aid, in this case a loan concluded on 30th October 1956. See Guido Paggi, Il Credito Agrario nell'Attuale Riforma e nelle Prospettive Future (Rome, 1971), pp.33-34.

Special and Authorised Institutions in proportion to the volume of lending to livestock farmers in previous years. Accordingly the ACSBN had drawing rights on the fund of only Lit. 255 million (at current prices) - barely 5 percent of the total. Even so the effect of the new revolving fund was to boost loans by the ACSBN to livestock farmers by almost fifty per cent. in real terms from 1957 to 1960 and to increase the proportion of such loans to total operating loans (excluding stockpiling) by the ACSBN from about nine percent in 1957 to almost fourteen percent from 1960 to 1962.

It cannot be denied that from 1952 to the beginning of the 1960s the rôle of the ACSBN was dramatically transformed. Whereas in 1951 newly-granted operating credits totalled a mere Lit. 11.6 billion at constant 1963 prices, they had tripled to Lit. 34.9 billion in 1956 and stood at Lit. 39.4 billion in 1958. The total outstanding at end-year rose even more dramatically - from Lit. 7.6 billion at end-1951 to Lit. 29.7 billion at end-1960. Similarly long-term improvement loans rose strongly, newly announced credits growing from Lit. 3.1 billion in 1952 to Lit. 16.4 billion in 1960 and the ACSBN's total claims at end-year rising from Lit. 2.1 billion in 1952 to Lit. 39.0 billion at end-1960.

Such growth would have been impossible without the massive injection of funds through the ACSBN by the government. In 1961, for example, improvement loans outstanding totalled Lit. 39.0 billion out of total claims on farmers of Lit. 68.7 billion; but just under three-quarters - Lit. 28.8 billion - were loans made with government funds. In effect, only one-quarter of farmers' total long-term liabilities in mainland southern Italy were claims of the ACSBN; about three-quarters were claims by the government through the agency of the ACSBN.⁷⁰

It would be wrong to conclude from this evidence that the ACSBN had been unwilling to commit sufficient funds of its own to meet demand for agricultural credit which was subsequently satisfied only when government funds were made available. As we have already noted the ACSBN frequently lamented in the late 1940s and early 1950s its chronic shortage of liquidity - a shortage made worse by its inability, resulting from a clause in the

70. These details are mentioned in the various Annual Reports of the Banco di Napoli (1953 to 1962) and recorded in internal documents of the ACSBN (the quarterly returns of the provincial ACSBN offices).

Agricultural Credit Reform Law of 1928, to collect deposits directly from the public. Thus, although monetary expansion was taking place - reflected in a growth of the money supply (bank liabilities) - the ACSBN did not automatically enjoy an expansion of its loanable funds. Furthermore, in a period of progressive inflation - wholesale prices almost doubling between 1946 and 1963 - loan demand in nominal terms continued to increase and the ACSBN's assets were progressively eroded.

The inherent weakness of the ACSBN's position caused by the persistent shortage of loanable funds was exacerbated by the high interest rates the ACSBN had to charge to cover its costs. Although no evidence is available about average interest rates charged by the ACSBN - each loan being priced individually - the ACSBN on a number of occasions complained that its administrative costs were considerably higher than most other banks. Dr. Viggiani⁷¹ attributed this to two main factors: first, that the Banco di Napoli was the main bank in the mainland south - almost 30 percent of the total surface area of Italy - and so needed to maintain branches in a much greater, and often more sparsely populated, area than most other banks; and secondly, that the gradual and late industrialisation of the south, accompanied by a steady movement of agricultural communities out of the traditional hilltop towns and onto the lowland farmland itself as malaria and disease were brought under control, had meant that the Banco di Napoli needed to open more branches in the dynamic growth areas of the south - the new industrial and rural centres - but was unable to close its branches in the gradually depopulating towns, which remained the administrative and political headquarters of the southern regions. High administrative costs combined with appreciably higher risk in banking operations in the south - because of both fraud and the greater climatic uncertainty in southern farming - meant that interest charges on agricultural credit were frequently prohibitively high. Although demand for agricultural credit was present and growing - as the loss of labour to the industrial centres forced a rationalisation of holdings and greater mechanisation, and as

71. Dr. Viggiani, recently Director-General of the Banco di Napoli, but formerly head of the ACSBN, mentioned this particular problem in conversation in 1972. See also: Banco di Napoli, Relazione al Consiglio Generale e Bilanci (Naples, 1959), p.47.

technological and scientific progress offered the prospect of greater yields and returns, but on appreciably greater initial expenditure - many farmers could not afford the risk of incurring short-, medium- or long-term liabilities which had to be serviced and redeemed promptly and without fail. It was subsidised government-financed loans which, in the 1950s, filled the gap caused by the structural imbalance between the supply of and the demand for agricultural credit in the Mezzogiorno.

The ACSBN's Contribution to Agricultural Credit during the
Decade of Agricultural Planning (1961-1970)

As we have seen in the foregoing section, the impact of public funds on agricultural credit in the 1950s was considerable. This applied equally to the ACSBN's operations and those of the other Special Institutions for agricultural credit.⁷² Indeed, Banca d'Italia data for all Special Institutions show that whereas only 2.1 percent of all operating loans outstanding at the end of 1951 were accounted for by government funds, by 1960 this proportion had risen more than ten-fold to 22.4 percent.⁷³ Likewise the government's share of outstanding improvement loans to farmers rose from 6.9 percent of the total at the end of 1951 to 42.2 percent in 1960. This growth was achieved through an ill-assorted collection of provisions dating from the late 1940s when the authorities attempted to facilitate - through interest rate subsidies and, in specific reform areas, loans - the expansion of small-scale freehold farming.

These measures were augmented by the creation in 1950 of the Cassa per il Mezzogiorno, which developed basic infrastructures in rural areas by providing subsidised loans through the agricultural credit institutions. In 1952 the Twelve-Year Plan added a further dimension to the types of loans available to farmers from government funds, setting up revolving

72. The Special Institutions for agricultural credit, as mentioned in Chapter II, were set up between 1927 and 1928 to supervise the efficient operation of all agricultural credit within their geographical areas of influence. See footnote 9 (page 36) to Chapter II for a list of these Special Institutions.

73. Banca d'Italia, Bollettino della Banca d'Italia (Rome, 1952-61).

funds for the purchase of farm machinery, the construction of farm buildings and irrigation systems. These revolving funds, however, were to be wound up within twelve years. In addition the technique of revolving funds was extended to livestock farmers in 1957, while further subsidised loans from government funds could be obtained by all smallholders in mountain areas.

The confusion caused by this multiplicity of provisions was reflected in significant administrative costs and frequent delays in approving loans. In its Annual Report for 1958 the Banco di Napoli condemned these delays as unnecessary and demanded prompt remedial action.⁷⁴

Draft official proposals to remedy the situation and simplify the State's involvement with agricultural credit nevertheless met with a hostile reception from the Banco di Napoli in its Annual Report for 1959. The Banco di Napoli regarded the proposals for a co-ordinated development programme for agriculture - the Green Plan - with apprehension. The suggestion of a further extension of interest rate subsidies was welcomed by the Banco di Napoli, but the failure of the proposals to tackle the plethora of procedures necessary to obtain state-financed agricultural loans was condemned. Indeed, the Banco di Napoli feared the Green Plan would increase administrative delays and undermine progress being made by the credit institutions themselves in streamlining the procedure for obtaining a loan.⁷⁵

In addition the Banco di Napoli was alarmed at the irregular and uncertain flow of funds from official sources. As we have seen, the revolving funds of 1952 stimulated the demand for and supply of funds for specific projects, but only briefly: a sudden spurt of lending gradually fell away. Indeed, the revolving funds, with cash allocations for three years only, were then expected to finance their operations out of redemption and service payments, which inevitably entailed a much smaller volume of new lending.

74. The Banco di Napoli, Relazione al Consiglio Generale e Bilanci (Naples, 1959), pages 47-8 stated: "Once more we must voice the bitterness felt in this bank that as much speed and efficiency [as the ACSBN had achieved in its own operations] cannot also be applied in the case of loans to be made with funds advanced by the State and destined to finance southern agriculture. ... If the credit institutions' past experience is taken into account, then, without doubt, a more efficient system could be created from the desirable comprehensive reform of the multitude of provisions."

75. See Banco di Napoli, Relazione al Consiglio Generale e Bilanci (Naples, 1960) p. 43.



Furthermore, funds allocated under specific legislation and replenished by subsequent provisions often ran out before the new funds became available. For example, the ACSBN exhausted in 1958 its quota under a law of February 1956⁷⁶ for the development of small freeholdings and by the end of 1958 still had not received any of the new appropriation approved in February 1958.⁷⁷ The Banco di Napoli therefore regarded with some scepticism the proposals for a co-ordinated programme of state-financed intervention in agriculture.

In several respects their fears were well-founded. The first Green Plan came into effect on 2nd June 1961 at a bad time for agricultural credit institutions - and particularly the ACSBN - which were in the midst of a serious liquidity crisis. In 1959 and 1960 two consecutive bad harvests, which were especially poor in the grain-growing areas of Puglia, brought many farmers to the verge of bankruptcy. In a desperate attempt to forestall a spate of collapses, a law was passed in July 1960 requiring banks to reschedule outstanding loans on request by extending the repayment period by up to five years. This placed a severe strain on the ACSBN.⁷⁸ Between July and December 1960 the ACSBN rescheduled 18,317 loans worth Lit. 5.7 billion (at 1963 prices) - 9 percent of total loans outstanding at the end of 1960 - and was still considering a further 1,050 applications for Lit. 0.9 billion. At the same time loan demand was boosted as a result of inadequate cash flow following crop failures. But the ACSBN was in no position to satisfy this demand and new operating loans (excluding stock-piling and at constant prices), which had risen every year since 1945, declined marginally in 1959 and more sharply in 1960 and 1961 when they reached the lowest annual total since 1954. With liquidity tight, the ACSBN reorganised its lending patterns, drastically reducing the amount of credit it offered to the Intermediary Boards for on-lending mainly to co-operatives, and concentrated its resources on very short-term production credits granted directly to its own customers.

76. This law (No. 53) had been presented to parliament for approval on 1st February 1956. See Guido Paggi, Il Credito Agrario nell'Attuale Riforma e nelle Prospettive Future (Rome, 1971), p.94.

77. This new appropriation had been presented to parliament in a law (No. 189) on 20th February 1958. See Guido Paggi, Il Credito Agrario nell'Attuale Riforma e nelle Prospettive Future (Rome, 1971), p.94.

78. See the sections on the ACSBN's operations in these years in Banco di Napoli, Relazione al Consiglio Generale e Bilanci (Naples, 1960 and 1961).

The first Green Plan, it was hoped, would revive the flagging fortunes of the ACSBN. In fact, it only created new problems at the outset. Although the Plan proposed a capital injection of Lit. 550 billion between 1961 and 1965, with at least 40 percent for the Mezzogiorno, no funds arrived in 1961. The only provision to be implemented immediately was a reduction in the stamp duty payable on agricultural promissory notes ("cambiali agrarie") - the principal instrument in operating loans. Ironically, this had the prompt effect of boosting loan demand (by reducing the fixed costs of taking out a loan) at a time when funds were still not available.

When the funds finally came on-stream, largely in 1962, they were directed into schemes ranging from research projects to improve agricultural yields to the support of purchase, operating and retail co-operatives.⁷⁹ The largest appropriation - Lit. 90 billion - subsidised long-term farm improvements and regional development, including the Cassa per il Mezzogiorno's efforts to develop infrastructures in the south (see the Statistical Appendix for details of such lending in the provinces of the south). Lit. 40 billion were granted for land reclamation and a further Lit. 40 billion boosted the resources available since 1952 under the Mountain Reform Law. Co-operatives were particularly favoured, Lit. 35 billion being offered to those processing farm produce and a further Lit. 25 billion for the establishment of new co-operatives and the extension of existing ones. The revolving funds for mechanisation, irrigation and farm buildings, set up in 1952 but seriously hampered by shortage of funds, were revived and extended beyond 1964, the original date set for their winding up. The repayment period was extended from six to eight years for irrigation loans and from twelve to twenty years for farm construction. The requirement that only Italian-made machinery could be acquired with loans from the revolving funds was abandoned, largely in recognition of the newly established EEC policy of free trade.

In addition an Inter-bank Guarantee Fund ("Fondo Interbancario di Garanzia", FIG) was established for all banks providing improvement loans. These banks, on joining and paying an annual subscription, were insured

79. See Appendix I for details of the Green Plan's provisions.

against eighty percent of all losses - an essential provision given the government's refusal to accept liability for losses of its assets on-lent by the banks under the Twelve Year Plan and the significant extension of such loans in the first Green Plan.

Despite the massive injection of funds - albeit, belatedly - by the government through the credit institutions, the ACSBN remained critical of the measures.⁸⁰ When the Green Plan's funds eventually arrived in 1962 they were totally inadequate to meet the pent-up demand, particularly since the subsidised interest rates were extremely attractive. The financing of owner-occupied smallholdings, for example, virtually doubled in 1962, the ACSBN granting 314 loans worth Lit. 0.9 billion, compared with 148 loans totalling Lit. 0.5 billion in 1961, and the ACSBN's allocation for the year was fully taken up. Nevertheless, the demand was uneven and production loans for small-scale farmers and co-operatives fell short of the annual allocation. Indeed, the ACSBN still suffered in 1962 from the symptoms of the liquidity crisis now in its third year: further declines in improvement loans and a reduction of lending via the Intermediary Boards.

Caught between strong loan demand from farmers for specific types of cheap credit but an erratic and inappropriate supply of funds from the government, and with its own liquidity at a low ebb, the ACSBN was hit by two further developments in 1962. In that year the Ministry of Agriculture and Forestry adopted an easier attitude towards the licensing of banks for operating credit (Authorised Agricultural Credit Banks).⁸¹ This move was intended to boost competition amongst banks, increase the flow of credit to farmers and reduce the market interest rate for unsubsidised credit which, due to capital shortages, had been rising rapidly. But the Banco di Napoli condemned the increased competition. It pointed out that the Authorised Institutions generally lent only to the larger farmers where risk was smaller. This selective approach permitted them to charge lower interest rates. In contrast the ACSBN, as the Special Institution for the mainland Mezzogiorno, had to maintain an extensive and costly network of branches and could not discriminate against small-scale farmers.

80. For a fuller picture of the ACSBN's actions and the Banco di Napoli's attitude to the developments in this period as outlined in this and the following three paragraphs see the sections on the ACSBN's operations in the Banco di Napoli's Annual Reports for 1960, 1961 and 1962.

81. For details of the relationship between the Special Credit Institutions and the Authorised Institutions see Chapter II.

Furthermore, the ACSBN, as the local Special Institution, was also legally required to rediscount the Authorised Institutions' promissory notes and finance the Intermediary Boards' operations, both on very small margins. In addition the ACSBN, unlike the overwhelming majority of Authorised Institutions, also supplied long-term improvement credits. The rate of return to farmers on such operations was lower than from operating loans, so the interest rate that the ACSBN could charge was lower than might be desired. Also improvement loans were often repaid over long periods - up to forty years in some cases - which meant that inflation rapidly reduced the value of the bank's claim and required frequent new capital injections to boost the availability of improvement loans - the value of redemption and service payments being inadequate to satisfy new demand. The ACSBN therefore argued with some justification that increased competition would cause it to lose its more profitable business and so force up the cost of credit on the remainder of its business - the opposite effect of that intended by the government. The second development in 1962 to undermine the ACSBN was the increase in duties and taxes payable by credit institutions. ⁸²

Both these measures seriously shook the ACSBN. In addition to the growing involvement of the government in the selection of agricultural credit operations to be subsidised or financed from government funds, the privileged position of the ACSBN in the Mezzogiorno's banking network was being undermined and an increased tax burden was added to the heavy cost of maintaining an extensive branch network throughout the south. The alarm felt by the ACSBN at the growing influence of the government together with greater competition from other banks can be better understood in the light of Prinzi's analysis of the sources of gross fixed investment in agriculture: "Of total investments, the public sector (Ministry of Agriculture, official Boards, Regional governments, the Cassa per il Mezzogiorno) contributed in 1965 more than 50 percent (about Lit. 300 billion), and the contribution rose to more than 90 percent for the development of infrastructures associated with land reclamation projects, 25 percent for the improvement of farm buildings and 40 percent for farm equipment. Bank credit contributed another third (Lit. 185 billion in 1965, of which Lit. 89 billion for long-

82. This law (No. 1,228) was presented on 27th July 1962. See Guido Paggi, Il Credito Agrario nell'Attuale Riforma e nelle Prospettive Future (Rome, 1971), p.95.

term investments and Lit. 96 billion for farm equipment) and the remaining fixed capital investment was provided from farmers' retained profits".⁸³ The ACSBN therefore felt its rôle being undermined as competition among banks increased while the demand for bank credit - as opposed to credit from government funds - decreased.

In 1963, however, conditions for the ACSBN improved with the government increasing its payments to the credit institutions for handling subsidised improvement loans - still largely the prerogative of the ACSBN in the Mezzogiorno. The introduction of the Inter-bank Guarantee Fund in the first Green Plan to insure banks against 80 percent of capital losses on improvement loans made on behalf of the Ministry of Agriculture had been the first official acknowledgement that the credit institutions required increased security as the volume of business they handled for the Ministry multiplied.⁸⁴

It also became necessary to review the system for paying the credit institutions the costs of administering the Ministry of Agriculture's subsidised loans to farmers. In many cases the interest on cheap loans was insufficient to cover the ACSBN's costs. The ACSBN therefore had to negotiate with the Ministry of Agriculture an additional handling charge. This ad hoc system was long drawn out and often costly. The massive extension of subsidised, cheap government loans in the first Green Plan made a reform of this system essential, and in September 1961 an agreement was reached by which a fixed maximum handling charge was settled between all banks and the

83. D. Prinzi, Finanziamento e Credito per lo Sviluppo dell' agricoltura (Rome, 1967), p. 106. It is interesting to compare these ratios with those of the ACSBN in the provinces of the south (see the Statistical Appendix).

As Table 12 of the Statistical Appendix shows, by basing his conclusions on 1965, Prinzi has chosen a year when the ACSBN's contribution to improvement lending was at or close to its peak in most of the provinces of the mainland south. His figures showing that a ratio of government funds to bank credit of 3:2 existed in 1965 actually understated the importance of government funds in most of the provinces of the mainland Mezzogiorno at least throughout most of the 1960s.

84. For details see: Ilvo Capecchi, Il Credito Agrario (Florence, 1966), p.86; Banca d'Italia, Assemblea Generale dei Partecipanti (Rome, 1962), pp.444-455 and Banca d'Italia, Assemblea Generale dei Partecipanti (Rome, 1964), pp.393-400.

Ministry of Agriculture.⁸⁵

In 1963, acknowledging the fact that improvement loans were more costly to administer and involved greater risk, the authorities increased the maximum handling charge on improvement loans in the south to 7.85 percent, 0.20 percent more than on similar loans in the centre and north of Italy and a full 3/4 percent more than the maximum charge on operating loans in the south. Given that the ACSBN remained virtually the only credit institution in the mainland south to provide improvement credit and that it faced the acutest competition on operating loans, this greater increase in handling charges on improvement loans clearly helped to reduce the specific burden of administrative costs stemming largely from the ACSBN's extensive branch network.

Even if one of the ACSBN's problems - the heavy cost of administering the government's loan programme, especially improvement loans, throughout the mainland south - had been eased by the increased handling charges in 1963, the other major complaint of inadequate government funds and an irregular supply of them persisted. The revolving funds for the creation of owner-occupied freeholdings, for mechanisation, and the contributions to finance the modernisation of farming were all exhausted during the course of the Green Plan. During the course of 1964 both the revolving funds for mechanisation and farm building projects (totalling Lit. 235 billion) were replenished by a total of Lit. 52 billion⁸⁶ so that lending for these projects could continue at the prevailing high level. Indeed, the value of

85. The maximum rate of return payable by the Ministry of Agriculture on fixed interest loans made on its behalf by agricultural credit institutions was:

<u>Date of Ministerial Decree</u>	<u>In the Mezzogiorno</u>		<u>In Centre and North</u>	
	<u>Improvement Loans</u>	<u>Operating Loans</u>	<u>Improvement Loans</u>	<u>Operating Loans</u>
	%	%	%	%
4th September 1961	7.30	7.00	7.10	6.75
5th June 1963	7.85	7.10	7.65	6.85
9th September 1964	8.50	7.40	8.30	7.15
14th January 1970	9.50	8.40	9.30	8.15

See Banca d'Italia, Assemblea Generale dei Partecipanti (Rome, 1962, 1964, 1965 and 1971).

86. The revolving fund for mechanisation and farm building projects were replenished by Law No. 120 of 3rd March 1964 and law No. 1,132 of 2nd November 1964. See Banca d'Italia, Assemblea Generale dei Partecipanti (Rome, 1964), pp.393-400 and Banca d'Italia, Assemblea Generale dei Partecipanti (Rome, 1965), pp.334-342.

loans from the mechanisation fund in the mainland south rose by 40 percent between 1963 and 1964 and the number of credits rose from 3,839 to 6,380 (see Table 5).

Animal husbandry also received much needed assistance: in May 1964 the government boosted the revolving fund by Lit. 52 billion.⁸⁷ Similarly, a further stimulus was given to increase the number of small freeholdings in May 1965, with loans for the first-time purchase of freeholdings being offered at only 1 percent interest and operating loans being supplied to the new owners at a cost of 2 percent.

These replenishments of exhausted funds initially provided by the Green Plan caused disturbing fluctuations in the lending of the ACSBN:⁸⁸ loans to prospective small freeholders accounted for only 20 percent of improvement loans issued by the ACSBN in 1965. As the impact on demand of the 1 percent loans was felt, the proportion of these credits rose to 40 percent in 1966. Nevertheless, the greatest disturbance to a regular flow of credit came from the gradual reduction of lending by the Cassa per il Mezzogiorno, which largely financed its long-term operations through the ACSBN. In 1963 the ACSBN reported a marked contraction in loans made on behalf of the Cassa as uncertainty surrounding the Cassa's future mounted with the approaching expiry of its charter in 1965. In 1964 the ACSBN received 810 loan applications for Lit. 5.3 billion to be met out of the Cassa's funds - 371 less than in 1963 and for well over Lit. 1 billion less - and the contraction continued into 1965, despite the extension of the Cassa's charter until 1980. Indeed, loans for the Cassa showed little recovery until 1967, largely accounting for the depressed level of the ACSBN's improvement lending for the five years from 1962 to 1966 (Fig. 16) (see also the Statistical Appendix, page 193 and tables 11 and 12, which show that there was a sharp contraction in the contribution to agricultural improvement credits in the provinces of the mainland south between 1963 and 1970).

87. The animal husbandry fund was boosted by Law No. 404 of 23rd May 1964. For further details see: Banca d'Italia, Assemblea Generale dei Partecipanti (Rome, 1965), pp.334-342.

88. See Banco di Napoli, Relazione al Consiglio Generale e Bilanci (Naples, 1964 to 1968) and Mario Bandini and Giuseppe Guerrieri, Istituzioni di Economia e Politica Agraria (Bologna, 1968), p.311 for details of the extension of the Cassa's charter.

TABLE 5

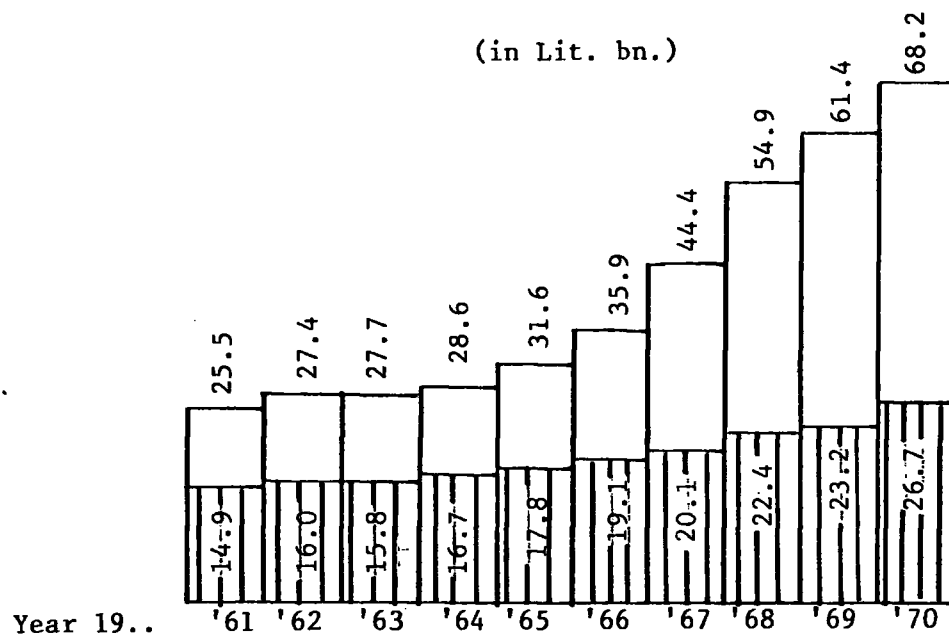
LENDING FROM THE MECHANISATION FUNDS 1961-70

(Lit. million at 1963 wholesale prices)

	1961		1962		1963		1964		1965		1966		1967		1968		1969		1970	
	No.	Lit. mn.	No.	Lit. mn.	No.	Lit. mn.	No.	Lit. mn.	No.	Lit. mn.	No.	Lit. mn.	No.	Lit. mn.	No.	Lit. mn.	No.	Lit. mn.	No.	Lit. mn.
Lazio	998	954	1,989	2,003	1,464	1,349	1,770	2,022	1,657	1,841	1,684	1,895	1,607	2,113	2,109	3,049	2,178	3,221	1,984	2,948
Abruzzi-Molise	564	476	589	541	630	738	767	990	1,275	1,437	1,542	1,742	1,679	2,046	1,871	2,439	1,575	2,189	2,012	2,748
Campania	630	669	638	843	317	451	800	1,110	1,159	1,399	988	1,248	1,271	1,761	1,419	1,992	1,652	2,275	2,075	2,564
Puglia	1,044	1,214	1,691	2,463	1,000	1,303	1,820	3,117	1,574	2,818	1,686	2,512	1,731	2,877	1,696	2,924	1,625	2,883	2,203	3,679
Basilicata	108	113	145	209	119	227	339	646	298	498	274	436	390	776	411	879	391	862	605	1,284
Calabria	351	364	410	494	309	419	884	1,243	756	766	487	623	623	876	740	1,012	858	1,086	776	985
Total (South)	3,695	3,789	5,462	6,553	3,839	6,487	6,380	9,128	6,719	8,759	6,661	8,455	7,301	10,449	8,246	12,294	8,279	12,516	9,655	14,209
Italy	26,431	23,330	35,053	37,172	22,992	26,937	33,424	44,121	40,634	48,934	44,922	52,593	52,447	66,997	58,507	81,318	54,711	78,292	58,735	81,714
South as % of total	14	16	16	18	17	24	19	21	17	18	15	16	14	16	14	15	15	16	16	17

Source: INEA, unpublished data.

Fig. 16. ACSBN improvement loans outstanding and the contribution of Cassa per il Mezzogiorno funds, 1961-70



Key: Total ACSBN improvement loans outstanding
Cassa funds

Source: ACSBN, internal documents and Banco di Napoli, Relazione al Consiglio Generale e Bilanci (Naples, 1962 to 1971).

This unsatisfactory state of affairs, characterised by the erratic availability of specific types of agricultural credit and the dominant rôle of the government in determining policy for agricultural credit, continued with the second five-year Green Plan in 1966.⁸⁹ The second Green Plan was approved by parliament on 27th October 1966 and covered the five years from 1966 to 1970. In principle it allocated Lit. 146 billion (at current prices) for each of the first two years and Lit. 194 billion for each of the remaining three years - Lit. 874 billion in total - although the ACSBN complained that little cash was made available during 1966 itself.

In contrast with the first Green Plan, which brought together into one measure all the existing facilities for farmers to raise cheap loans

89. See A.B.I., Credito Agrario (Rome, 1969), pp.101-148.

either from government funds or with government subsidies, the second Green Plan had a specific objective: the modernisation of Italian agriculture so that it could better withstand the competition from other EEC countries. This required greater expansion of improvement loans and the relative reduction of operating credits.⁹⁰ Long-term agricultural improvement and transformation schemes - the key to the modernisation of farming - were allocated a total of Lit. 100 billion under the Green Plan and the revolving fund for the mechanisation of agriculture - originally established in 1952 for twelve years - was extended until 1980 and its capital increased by Lit. 93 billion. New loans were to be made at a cost of two percent only and farmers were required to meet only one-tenth of the cost from their own savings. The revolving fund to improve livestock farming, set up in 1957, was also expanded, receiving Lit. 62 billion.⁹¹

One of the greatest innovations in the second Green Plan was the large allocation (Lit. 93.9 billion) for price stabilisation through intervention purchases of farm produce: in effect stockpiling. With Italy's participation as a founding member in the Common Market, adherence to the Common Agricultural Policy (CAP) required a co-ordinated intervention policy throughout the Community to maintain high prices and acceptable farm profits. Intervention purchases (stockpiling) had been one of the prime responsibilities of the

90. This was stated in Article 1 of the Law (No. 910) of 27th October 1966 - the Second Green Plan.

See also Aristide Palombi, La Programmazione in Italia; Programma di Sviluppo Economico per il Quinquennio 1966-70 (Rome, 1968), pp.71-75.

91. See Appendix I for details of the Green Plan's provisions. Orlando, Progressi e Difficoltà dell'Agricoltura, page 93, puts forward an interesting argument. He shows that the second Green Plan, by allocating 41.7 percent of its resources to production incentives, 21.7 percent to cooperation and market support measures, 19.3 percent to infrastructures and 14.4 percent to assist mountain areas, leaving only 1.4 percent for research and development and 1.5 percent for technical assistance, assumed that agricultural progress was being held back by a shortage of capital and not by the ignorance of farmers and their reluctance to innovate. To the extent that the Mezzogiorno received increased technical assistance from the Cassa per il Mezzogiorno and the Reform Boards the problem of slow uptake of latest technology was reduced. Even so, the concentration of Cassa per il Mezzogiorno and Reform Board action in limited areas meant that sharp differences developed between the provinces of the mainland south, as discussed further in the Statistical Appendix.

Special Credit Institutions since they had been introduced in the mid-1930s by Mussolini to stabilise food prices. In April 1962 however, an EEC directive to member countries established new guidelines for intervention purchases and in July of that year the Federconsorzio - the central body of the Agricultural Consortia - was empowered to buy and store grain on behalf of the government each time the market price fell 5 percent or more below the guaranteed price agreed by the EEC partners. Subsequently the Federconsorzio also intervened to support the prices of other crops, mainly fruit and vegetables. In May 1966 a specialised government agency, the "Azienda di Stato per gli Interventi sul Mercato Agricolo" (AIMA) was set up and the Federconsorzio's duties were transferred to it.⁹²

The establishment of AIMA, which was better financed than the Federconsorzio, was a further severe blow to the Special Institutions, which had lent massive sums to the government to finance agricultural intervention purchases and had also acted as agents of the government. Now their prestigious position was downgraded to simply refinancing the majority of outstanding stockpiling credits. In 1962, the year that the Federconsorzio officially became the government's agent in place of the Special Institutions, the ACSBN lent Lit. 263.5 billion (at constant 1963 prices) for stockpiling - 89 percent of its total short-term operating loans.⁹³ This level was never reached again, although new stockpiling credits were still above Lit. 200 billion (at 1963 prices) in 1970 as the ACSBN continued to fund much official intervention buying. This it did, however, not by making large new loans on behalf of the official intervention agency (AIMA) but by rolling-over outstanding claims. At the end of 1966 total outstanding stockpiling loans (in nominal terms) amounted to Lit. 216.0 billion (Lit. 202.6 billion at constant 1963 prices), of which Lit. 194.4 billion were roll-over credits on grain crops. At the end of 1970 the nominal value of outstanding stockpiling loans was Lit. 240.8 billion, of which Lit. 229.6 billion had been rolled-over from earlier years. Strikingly, the ACSBN's claims resulting from stockpiling loans in both 1966 and 1970 at constant prices were virtually identical (Lit. 202.6 billion and Lit. 202.2 billion). The substantial

92. For the extension of the Federconsorzio's powers see: Banca d'Italia, Assemblea Generale dei Partecipanti (Rome, 1963), pp.393-403, and on AIMA, Banca d'Italia, Assemblea Generale dei Partecipanti (Rome, 1967), pp.170-171.

93. For stockpiling loans by the ACSBN see Banco di Napoli, Relazione al Consiglio Generale e Bilanci (Naples, 1963 to 1971).

capital injection into stockpiling from the second Green Plan, therefore, had little impact on the ACSBN's total exposure, although it did mean that the majority of new operations in the latter half of the 1960s was being financed by AIMA with government funds rather than by the ACSBN, in sharp contrast with the years before 1962.

Despite this loss of a major growth sector in its agricultural credit operations, the ACSBN continued to expand its lending, the real value of new operating loans (excluding stockpiling) increasing by 28 percent between 1966 and 1970 and improvement loans by 154 percent (Fig. 17).⁹⁴ The second Green Plan again contributed massively to this expansion, particularly in improvement loans, and the special facilities approved in 1965 for the expansion of small-scale freeholdings also played an important part. Indeed, the ACSBN reported that 40 percent of new improvement loans in 1966 had been lent to farmers to buy and equip small freeholdings. This share rose to 53 percent in 1967 and then fell back gradually to 22 percent in 1970, largely reflecting the exhaustion of the funds made available since 1965.

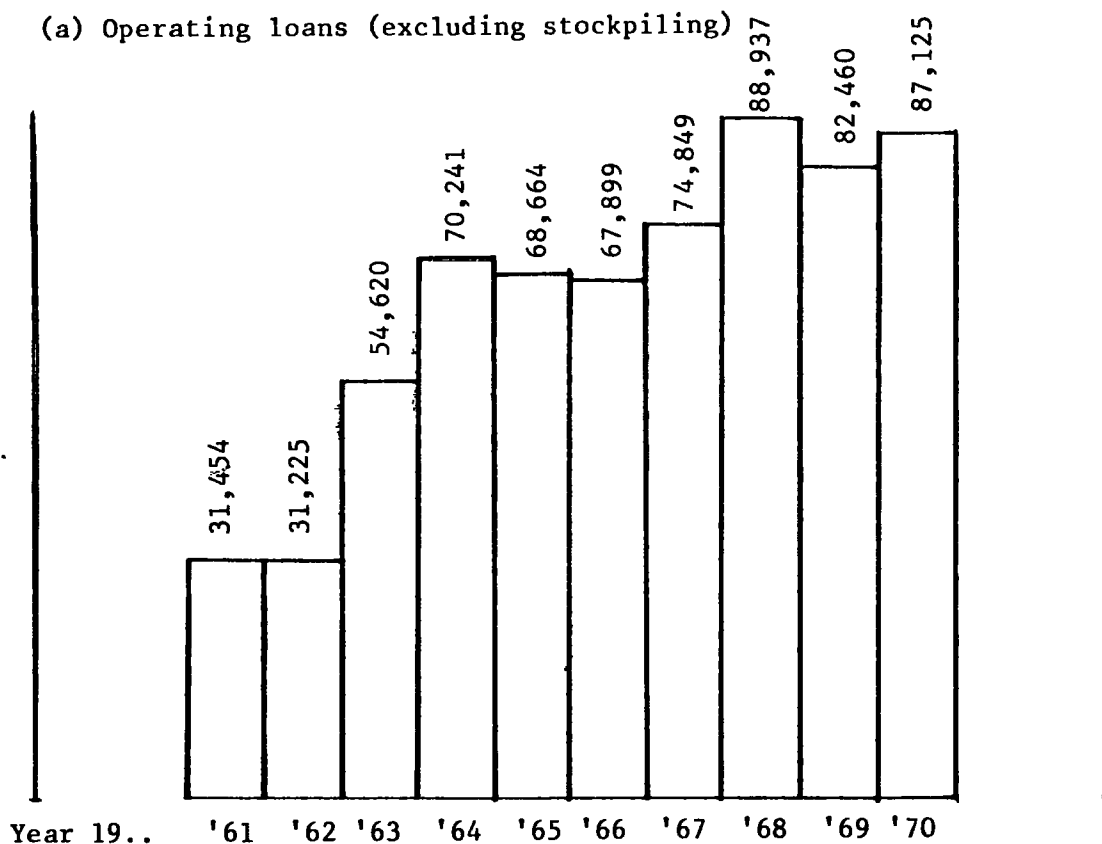
The success of the ACSBN in expanding its lending to farmers was marred once more by the constraints imposed by an inadequate supply of funds, both its own and the government's. Its own capital was severely stretched by the crop failures caused by the drought from December 1967 to July 1968 which reduced the ability of farmers to service and repay existing loans. In July 1968 government aid to farmers in distress was announced, and this eased the pressure on the ACSBN. Nevertheless, further bad weather in 1969 again placed considerable pressure on the ACSBN's liquidity. The difficulties were intensified by the exhaustion of some of the government's allocations for agricultural credit. In 1968, for example, the government's special fund for the development of mountain areas - set up in 1952 - ran out of funds, reducing the ability of farmers in these areas to refinance maturing loans and forcing several to borrow alternative higher cost short-term finance from the ACSBN to tide them over until government funds were forthcoming once more. The exhaustion of allocations under the small freeholding scheme of 1965, which had been one of the successes of the period, accounting for over half of all new improvement loans in 1967, added a further strain on the ACSBN in 1970.⁹⁵

94. For details of ACSBN lending in this and the following paragraphs see the sections on the ACSBN in Banco di Napoli, Relazione al Consiglio Generale e Bilanci (Naples, 1967 to 1971).

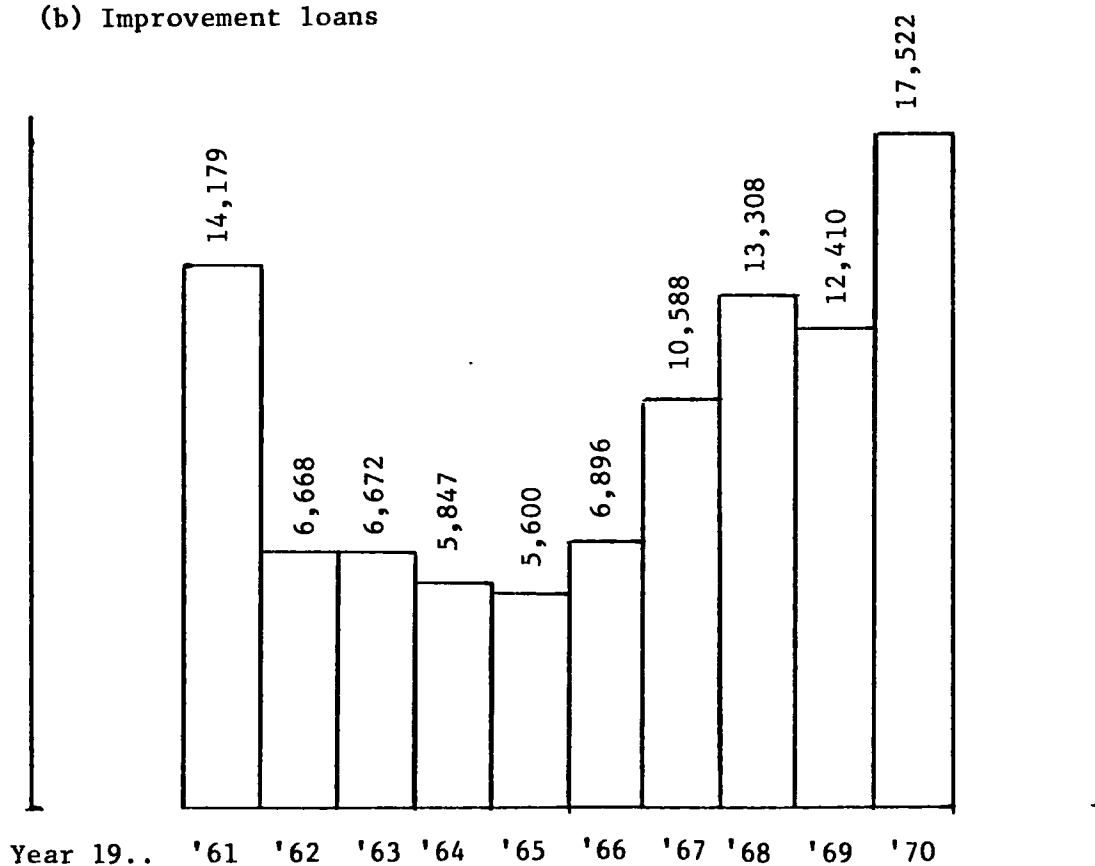
95. See Banco di Napoli, Relazione al Consiglio Generale e Bilanci (Naples, 1971), p.60.

Fig. 17. New operating and improvement loans by the ACSBN, 1961-70
(Lit. bn. at constant 1963 prices)

(a) Operating loans (excluding stockpiling)



(b) Improvement loans



Source: Banco di Napoli, Relazione al Consiglio Generale e Bilanci
(Naples, 1962 to 1971).

Unlike earlier years, however, agricultural credit in 1970 was badly affected by the failure of the government to make available the funds it has promised the ACSBN to subsidise some of the operating loans for that year. The Banco di Napoli with some bitterness noted in its Annual Report for 1970 that this delay by the government, compounded by the reduced payment when it was belatedly made, caused severe distress to farmers and forced the ACSBN to make fewer subsidised operating loans in 1970 than in the previous year.⁹⁶

These difficulties - shortage of liquidity for the ACSBN; inadequate and inappropriate financing from the government - were exacerbated in the late 1960s by the mass emigration of farm labourers from the Mezzogiorno (see table 8 below). They were attracted by higher wages in the industrial north of Italy, and even further afield, especially in Germany, Switzerland and Belgium. Employment in agriculture and fishing in 1966 accounted for 35.9 percent of total employment in southern Italy (including Sicily and Sardinia); but in 1970 the proportion had fallen to 30.7 percent. In the four most backward regions, where the ACSBN was the leading agricultural credit bank, the decline was greater still: in Abruzzi 30,100 full-time farm workers (21 percent) left the land in the years from 1966 to 1970; in Molise 17,700 (28 percent); in Basilicata 17,800 (20 percent); and in Calabria 40,600 (20 percent).⁹⁷ The ACSBN argued that this massive migration from the land highlighted the inflexibility of the agricultural credit system in which the government, which provided the majority of the funds, stipulated the uses to which they should be put.

Loss of labour resulted in a significant shift in loan demand: away from farm building and general mechanisation and towards labour-saving equipment such as tractors and motorised tools. The loss of cheap labour also meant that livestock farming, which was labour intensive, went into

96. The section on the ACSBN's operations in 1970 in Banco di Napoli, Relazione al Consiglio Generale e Bilanci (Naples, 1971) and the data on lending by the ACSBN generally illustrate this problem.

97. In Campania only 6 percent (24,600) left the land and in Puglia only 5 percent (18,400) reflecting the more gradual but already advanced attraction of farm labour from the land and into the local urban industrial centres of Naples, Salerno, Bari and Taranto. The figures quoted here differ slightly from those in table 19 of the Statistical Appendix where part-time agricultural employment is additionally included. See ISTAT, Occupati Presenti in Italia 1951-1971 (Rome, 1972), pp.78-84.

decline. But the second Green Plan had provided specific sums for each aspect of agricultural credit, and the switching of funds from one use to another, in line with changing patterns of demand, was impossible. As Dr. Selvaggi of the ACSBN said in 1972, the inflexibility of the system stemmed from the fact that credit for agriculture was regulated by rigid acts of parliament, formulated by politicians who knew little about farming. If a provision needed to be changed, only another act of parliament could do this, and a congested parliamentary calendar ruled this out.⁹⁸

During the course of 1970 the funds set up by the second Green Plan ran out and the ACSBN reported that farmers, who could no longer obtain cheap medium- and long-term credit under the Green Plan, were turning to short-term production loans. In 1970 such loans totalled Lit. 71.9 billion (at current prices), the highest on record - Lit. 60.4 billion at constant 1963 prices and second in size to the 1968 total - and accounted for 69 percent of all operating loans. On the other hand, loans to live-stock farmers accounted for only 4.7 percent of total new operating loans in 1970 (5.8 percent in 1969) and loans to buy farm equipment 6.0 percent (6.4 percent in 1969). The ACSBN nevertheless remarked on the continued growth in demand for improvement loans, which in real terms grew by 41 percent in 1970. The ACSBN explained that this surge reflected the need to restructure operations through investment to cut the high labour costs caused by the emigration of farm labourers.⁹⁹

Credit demand to modernise farming, particularly in the south, was therefore still great in 1970 as the second Green Plan, which had been established precisely to put Italian farming on a competitive basis with other EEC countries, was coming to an end. Much therefore remained to be achieved, but the government, which, as we have seen, gradually assumed a greater proportion of the financing burden for agriculture, was unable and unwilling to shoulder such a growing burden in a suitably flexible way.

The move towards political devolution to the regions of Italy also transferred in 1971 the responsibility for agriculture to the regional governments. The central government continued to supply some funds, but

98. Dr. Selvaggi of the ACSBN, when I spoke to him in September 1972, cited this example. This echoed the criticism of government inefficiency in most of the Banco di Napoli's Annual Reports in the 1960s and was most scathing about bureaucratic delays in Italian government.

99. See the section covering the ACSBN's operations in 1970 in: Banco di Napoli, Relazione al Consiglio Generale e Bilanci (Naples, 1971).

the ACSBN reported that they were totally inadequate. The newly-established regional governments had none of the experience or expertise to bridge the gap left by the central government. Furthermore the ACSBN was faced with the task of negotiating with each of the seven regional governments where it operated as Special Institution.¹⁰⁰ These problems, however, lie outside our terms of reference, this study terminating in 1970. Nevertheless, the consequences of the central government's policy from the late 1940s of greater financial involvement with agricultural credit are worth noting. This policy assisted the ACSBN to expand its agricultural credit operations despite periodic, severe capital shortages. Whereas in 1948 the ACSBN had short-term operating claims of Lit. 4.1 billion (at 1963 prices) and a further Lit. 0.6 billion in long-term improvement claims, in 1970 its claims had multiplied to Lit. 98.0 billion and Lit. 102.1 billion respectively - a remarkable achievement. Much of this was the ACSBN's own success, 77 percent of operating loans outstanding at the end of 1970 relating to loans from its own funds, and a further 29 percent of improvement loans outstanding had also been financed from its own resources. The balance came from government and Cassa per il Mezzogiorno funds.¹⁰¹

From the government's viewpoint the success of its massive capital injections into agriculture had to be measured against the achievements in modernising agriculture, eradicating the chronic rural poverty of the 1920s and 1930s and assisting agriculture to develop at the same time as labour was draining from the land at a rapid rate. The achievements - as we shall see - were striking. Whether more could have been accomplished if the government had adopted more flexible or different policies remains a controversial topic.¹⁰²

The Achievements of Agricultural Credit up to 1970

Although the ACSBN encountered serious difficulties, not least in its relations with successive governments and the Ministry of Agriculture and

100. The ACSBN was the Special Institution in Campania, Puglia, Calabria, Basilicata, Abruzzi, Molise and the southern provinces of Lazio.

101. See the data on ACSBN lending in the Banco di Napoli's Annual Reports for the period from 1948 to 1970.

102. Such alternative policies are considered in the next chapter.

Forestry, culminating in the virtual breakdown of the existing system of agricultural credit supply in the 1970s, the period from 1928 to 1970 was characterised by a remarkable transformation of farming which owed much to the generous supply of cheap agricultural credit. We have already noted the chronic poverty and distress of southern agriculture in the late 1920s and early 1930s.¹⁰³ By the early 1950s, even before Italian farming became modernised through the spread of mechanisation, conditions were greatly improved and output had risen substantially.

Agricultural Output in the Mezzogiorno

The improved conditions were reflected in per capita value added at factor costs and at 1963 prices. In 1931 it had stood at an average for Italy of Lit. 235,000; twenty years later the national average had risen to Lit. 334,700 and the average for the seven southern mainland regions¹⁰⁴ had risen to Lit. 268,600 (Fig. 18). Between 1951 and 1955 per capita value added in the south rose at an average annual rate of 2.3 percent. In the following ten years - the principal years when the revolving funds, set up in 1952, were most fruitful and also the first years of the first Green Plan - the average annual growth rate rose to 13.2 percent. Even in the five years of the second Green Plan, the annual growth of per capita value added averaged 8.3 percent.¹⁰⁵

This notable achievement was not confined to southern agriculture. Indeed the south fell even further behind the average performance in

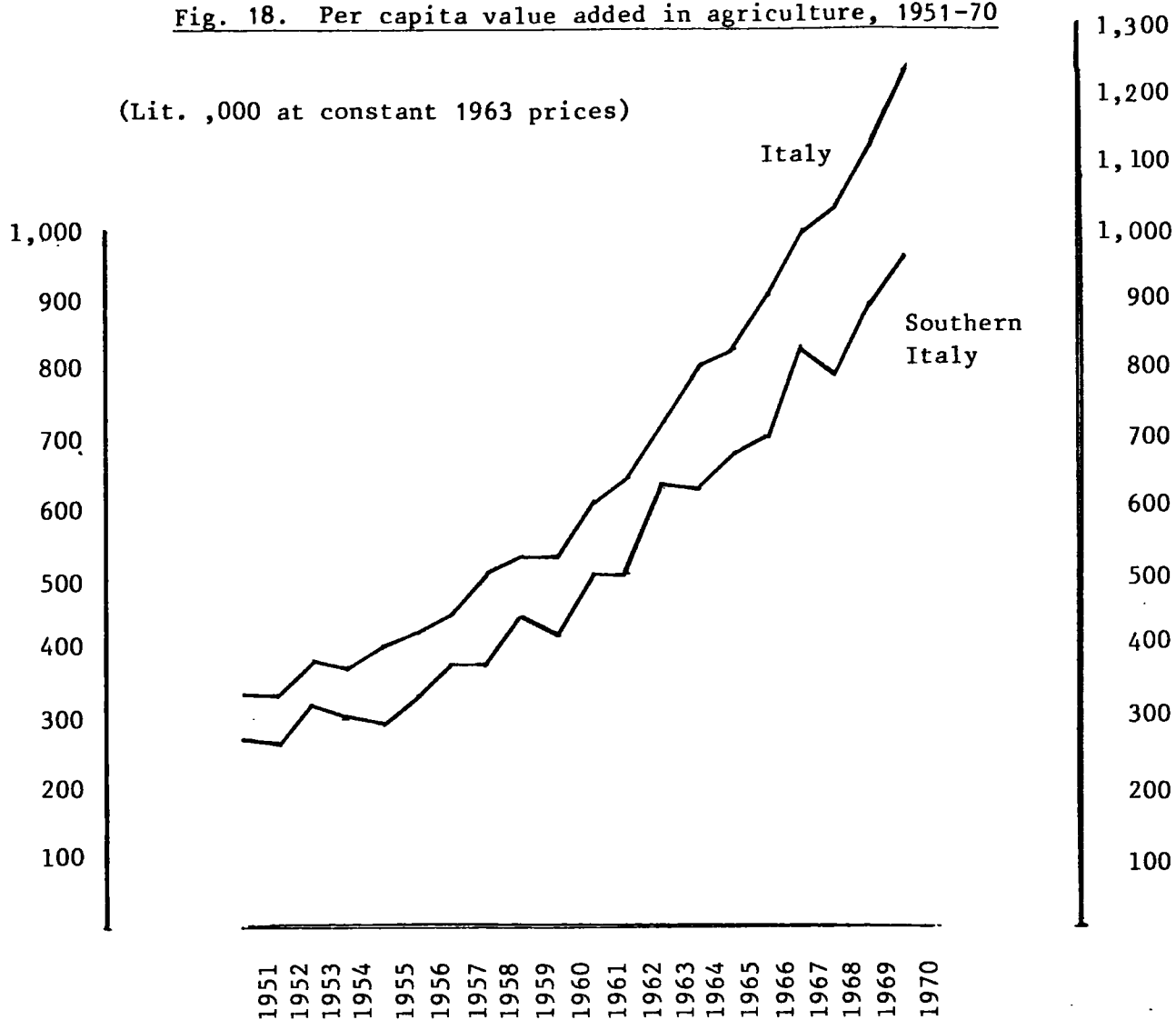
103. See above, pages 57-71.

104.. The seven southern mainland regions were Campania, Puglia, Calabria, Basilicata, Abruzzi, Molise and Lazio. Sicily and Sardinia were also southern regions but as particularly backward islands were subject to special treatment.

The figures quoted here and below are based on Giorgio Fuà (ed.), Storia dell'Economia Italiana negli Ultimi Cento Anni (Milan, 1978), Vol. III, pp.410-423 and ISTAT, Annuario di Contabilità Nazionale (Rome, 1972), pp.45,197-199.

105. These figures are confirmed in the data for the regions of the mainland south in table 7, although the method of calculation - average of annual changes instead of average of three-year moving averages in table 7 - is different.

Fig. 18. Per capita value added in agriculture, 1951-70



Source: ISTAT, Annuario di Contabilità Nazionale (Rome, 1972), p.45.

Italy, value added per head amounting to 78 percent of the national average in 1970 compared with 80 percent in 1951.

Thus, even though the ACSBN multiplied its outstanding claims on southern farmers with regard to operating loans by almost 8 1/2 times, and improvement loans by almost 50 times, productivity of southern farmers fell further behind that of northern farmers. Only in comparison with industrial output did southern agriculture make any appreciable advance -per capita value added in 1951 in southern agriculture amounting to less than 38 percent of industrial output per head, but rising to over 48 percent in 1970 - reflecting the more efficient use of manpower in agriculture.

The relatively poor performance of southern, as opposed to northern, farmers - in 1970 per capita value added was Lit. 965,400 compared with Lit. 1,420,100 in the north - was due to conditions in six of the seven regions in the mainland Mezzogiorno. Only Lazio - most of which lay outside the ACSBN's sphere of influence which extended only into the two most southern provinces of the region - could boast productivity (Lit. 1,387,300) on a par with the north. In Puglia, Campania and Abruzzi output per head lay between Lit. 900,000 and Lit. 1 million; the lowest value was in Molise, where two farmers' output was insufficient to match one average northern farmer. Nevertheless, the twenty years from 1951 witnessed extensive progress even in these backward regions of the south. Although value added per head in the mainland Mezzogiorno rose by over three and a half times - largely as a result of a more than five-fold increase in Lazio - the increase for the other southern regions ranged from just under threefold (Calabria) to just under fourfold (Abruzzi-Molise) - still creditable performances (see the Statistical Appendix, table 19 c) for the growth of agricultural value added per capita in the regions of the mainland south between 1961 and 1970.)

Calabria's comparatively poor performance was paralleled in the region's low draw-down of credit facilities offered by the ACSBN - the local Special Institution. In 1961 it accounted for only 15.3 percent of the ACSBN's outstanding operating loans made directly to farmers, 13.8 percent of the ACSBN's refinancing of Authorised Banks' and Intermediary Boards' operating loans, and a mere 9.2 percent of the ACSBN's long-term improvement claims.¹⁰⁶ By 1970 these shares had fallen to respectively 8.1 percent, 5.1 percent and 7.7 percent - remarkably low figures, particularly when it is borne in mind that Calabria accounted for 12.1 percent of agricultural value added in 1970 and employed 13.9 percent of the total rural labour-force in the south. Conversely, the southern regions which performed relatively well - Puglia, which by 1970 had the highest per capita output in the mainland south after Lazio, and Abruzzi-Molise which increased its per capita output fastest (again excluding Lazio) in the twenty years from 1951 - maintained and even increased their large-scale use of agricultural

106. These figures are calculated from internal documents of the ACSBN which are discussed more fully in the Statistical Appendix.

credit between 1961 and 1970. Puglia raised its share of improvement credits from 26.1 percent to 30.2 percent and of operating loans directly granted by the ACSBN from 43.7 percent to 47.7 percent, and Abruzzi-Molise increased its share of these two types of credit from 16.8 percent to 22.4 percent and from 10.8 percent to 14.3 percent respectively. Undoubtedly a close correlation existed between improved agricultural output per head and recourse to agricultural credit (see the Statistical Appendix for more details).

This view, however, is not shared by Orlando¹⁰⁷ when considering Italy as a whole. In his survey of agriculture in Italy he argues convincingly that the return on agricultural investment was disappointing and that such investment was often wasted, particularly where it merely replaced versatile, low-cost labour with more specialised, higher-cost machinery.¹⁰⁸ What was instead needed in order to improve the productivity of the capital and labour inputs was additional technical assistance - so that latest developments could be promptly implemented - and structural transformation of farms - so that the most modern techniques could be best exploited, without meeting practical problems (for example, the introduction of mechanisation in grain farming could be blocked by fragmented and irregularly shaped plots). Orlando, however, reaches an important conclusion concerning agriculture in the Mezzogiorno: he regards it as being distinct from the rest of Italian agriculture.¹⁰⁹ He states: "if one wishes that the rate of productivity growth for capital should return to high levels, offering in this way attractive investment opportunities in agriculture, it is necessary that the structure of agriculture should change, just as it has changed quite significantly in the Mezzogiorno, where the hypothesis of decreasing productivity cannot in fact be applied."¹¹⁰

107. See Orlando, Progressi e Difficoltà dell'Agricoltura, pp.96-102.

108. Agricultural investment, in contrast with agricultural credit, includes self-financing but excludes production credits (to finance for example purchases of seeds, fertilisers and fuel and pay seasonal labour) and market support operations (stockpiling).

109. Orlando even goes so far as to say that the history of agriculture in Italy in many respects is that of the northern plains only.

110. Orlando, Progressi e Difficoltà dell'Agricoltura, pp.101-2.

This very important and valid conclusion about the Mezzogiorno - which fully supports a similar view expressed by Garofalo in 1969¹¹¹ - is, however, only poorly supported by statistical evidence in Orlando's paper. His analysis suffers in particular because he treats all investment as being identical. However, different types of investment should be afforded different treatment. For example, investment in a new farm machine, which will be paid for and written off over a five to ten-year period is very different from investment in an irrigation system which will continue to function productively for twenty or thirty years and probably will yield the farmer a much higher return on his initial investment, particularly in periods of high inflation. Furthermore, the gestation period of various investments is not the same: investment in farm machinery has an immediate productive impact, but in replanting a vineyard the vines will only bear a commercial crop of grapes after two or three years. It is, therefore, dangerous to consider investment in agriculture in aggregate and link it to contemporaneous output and employment - albeit using three-year moving averages for all data. A more accurate analysis of the data will only be possible, as Garofalo also argues, if time-lags are applied to the various types of agricultural investment. Basically, however, a distinction has to be made in any analysis of the productivity of capital investments in agriculture between long-term improvement investments designed to change the structure of farming and short- and medium-term investments incorporating latest technology in farming and improving its efficiency. In addition, it should be recalled that there is a close correlation between production credit and stockpiling finance on the one hand and the level of agricultural output on the other hand.

These examples illustrate the dangers of relying too heavily on aggregate national income statistics in trying to analyse the relative contribution of labour and capital to agricultural growth. A further problem arises with the regions covered by the data. Orlando considers Italy as a whole or divides Italy into its four zones covered by national income statistics. He also looks at the four broad geographical categories of Italian farming: hills and mountains in the Appenines; Alpine mountains;

111. See S. Garofalo, "Investimenti Netti e Progresso Tecnico nello Sviluppo dell'Agricoltura Meridionale", Atti del VI Convegno di Studi della Società Italiana di Economia Agraria, 1970, pp.209-232, hereafter cited as Garafalo, Investimenti Netti e Progresso Tecnico.

intensively farmed hills and plains in the centre and south; and hills and the Po valley. However, as argued in the Statistical Appendix attached, even within the regions and between the provinces of the mainland south - given the different local conditions, crops cultivated and techniques used - the uptake of agricultural credit, and so investment, differed considerably, placing different requirements on the ACSBN. Account of regional differences therefore has to be taken.

Orlando's approach using aggregated national income statistics is justified by the shortage or even absence of regional and provincial data. This problem is particularly acute for the years before 1950. Thereafter studies by the Italian central statistical office on national income¹¹² and by the Banca d'Italia in its banking statistics allow more detailed analysis by regions. Anything more detailed - particularly for agricultural credit - is, however, virtually impossible, as explained in the Statistical Appendix.

Tables 6 to 11, which are divided into the same three periods considered by Orlando, all show how significant some of the differences between regions in the mainland south actually were and how the south in general performed differently from Italy taken as a whole despite its relatively high weight in the national total.

A few more specific observations on the tables and the material used to compile them are necessary. Although Orlando identified three distinct periods marked by different results, the data for the regions of the south show much greater volatility, not only between the three major periods but also year by year. A second point is that, somewhat unexpectedly, the south and islands lost a smaller proportion of their agricultural labour force during these years than the national average. What Orlando described as a chronic loss of farm labour was, therefore, less severe in most southern regions. The only exceptions in the south were Lazio, under the urban pull of Rome, and Abruzzi-Molise, one of the more backward and inhospitable regions of the mainland south. Indeed, the tables show that the loss of agricultural labour by Abruzzi-Molise was matched in the period from 1963 to 1970 by a particularly high level of improvement

112. See ISTAT, Annuario di Contabilità Nazionale (Rome, 1972), Vol. II.

TABLE 6

OUTPUT OF AGRICULTURE, FORESTRY AND FISHING AT FACTOR COST
(average percentage change of three-year moving averages
centred on the middle year)¹

	1953-55	1955-63	1963-70
Italy	1.4	2.5	2.3
South and Islands ²	-0.1	2.8	3.2
Lazio	3.7	4.0	2.2
Campania	0.4	4.1	2.8
Puglia	-1.4	3.8	3.5
Abruzzi-Molise	0.7	3.6	1.5
Basilicata	3.7	1.2	2.6
Calabria	2.5	2.1	3.0

1. Calculated on data at constant 1963 prices.

2. Campania, Puglia, Abruzzi, Molise, Basilicata, Calabria, Sicily, Sardinia.

Source: ISTAT, Annuario di Contabilità Nazionale (Rome, 1972).

TABLE 7

OUTPUT AT FACTOR COST PER CAPITA OF LABOUR FORCE IN
AGRICULTURE, FORESTRY AND FISHING
(average percentage change of three-year moving averages
centred on the middle year)¹

	1953-55	1955-63	1963-70
Italy	4.3	7.2	8.1
South and Islands ²	5.4	5.2	9.1
Lazio	7.0	10.0	8.2
Campania	3.0	7.2	7.3
Puglia	1.7	6.6	6.6
Abruzzi-Molise	3.9	8.9	8.3
Basilicata	6.3	5.9	8.0
Calabria	1.3	7.6	7.1

1. Calculated on data at constant 1963 prices.

2. Campania, Puglia, Abruzzi, Molise, Basilicata, Calabria, Sicily, Sardinia.

Source: ISTAT, Annuario di Contabilità Nazionale (Rome, 1972).

TABLE 8

TOTAL EMPLOYMENT IN AGRICULTURE, FORESTRY AND FISHING
(average percentage change of three-year moving averages
centred on the middle year)

	1953-55	1955-63	1963-70
Italy	-2.7	-4.0	-5.1
South and Islands ¹	-2.8	-3.6	-3.9
Lazio	-3.2	-5.4	-5.6
Campania	-2.6	-2.9	-3.7
Puglia	-3.1	-2.4	-3.0
Abruzzi-Molise	-3.1	-4.8	-6.3
Basilicata	-2.4	-4.4	-4.0
Calabria	-3.7	-5.0	-3.8

1. Campania, Puglia, Abruzzi, Molise, Basilicata, Calabria, Sicily, Sardinia.

Source: ISTAT, Annuario di Contabilità Nazionale (Rome, 1972).

TABLE 9

TOTAL AGRICULTURAL PRODUCTION LOANS GRANTED
(average percentage change of three-year moving averages
centred on the middle year)¹

	1953-55	1955-63	1963-70
Lazio	34.3	5.8	7.3
Campania	12.2	9.9	8.3
Puglia	28.4	11.6	7.9
Abruzzi-Molise	21.3	4.8	8.8
Basilicata	32.3	4.4	14.4
Calabria	24.7	11.3	7.6

1. Calculated on data at constant 1963 prices.

Source: Banca d'Italia, Bollettino della Banca d'Italia (Rome, 1949-71).

TABLE 10

TOTAL AGRICULTURAL MECHANISATION LOANS GRANTED
(average percentage change of three-year moving averages
centred on the middle year) ¹

	1953-55	1955-63	1963-70
Lazio	35.8	5.8	4.4
Campania	57.7	15.0	5.7
Puglia	41.0	13.2	5.1
Abruzzi-Molise	12.7	12.0	6.0
Basilicata	16.1	2.3	7.1
Calabria	27.1	8.3	3.4

1. Calculated on data at constant 1963 prices.

Source: Banca d'Italia, Bollettino della Banca d'Italia (Rome, 1949-71).

TABLE 11

TOTAL AGRICULTURAL IMPROVEMENT LOANS GRANTED
(average percentage change of three-year moving averages
centred on the middle year) ¹

	1953-55	1955-63	1963-70
Italy	41.5	8.6	9.0
Lazio	60.5	-0.4	9.0
Campania	36.1	2.9	9.2
Puglia	113.0	1.3	9.6
Abruzzi-Molise	41.8	3.0	25.5
Basilicata	40.8	10.7	7.9
Calabria	15.4	6.4	9.8

1. Calculated on data at constant 1963 prices.

Source: Banca d'Italia, Bollettino della Banca d'Italia (Rome, 1949-71).

investment which allowed the region to maintain a higher than average growth rate in per capita output. In this regard it is worth noting that Garofalo maintains that although increased investment in the south was insufficient to compensate for the loss of labour, the productivity of both capital and labour increased in the south and so sustained growth of total and per capita output was possible.

With regard to per capita agricultural output, it is striking that the mainland regions in the south distinctly differ from the national growth rates and even the performance of the south and islands (excluding Lazio). Whereas the growth rate of output per head increased strongly in Italy and the south and islands between 1955-63 and 1963-70, it remained unchanged or even slowed in all mainland southern regions except Basilicata.

A final general remark concerns the rôle of the government - basically the Cassa per il Mezzogiorno and the Reform Boards - in improving agricultural productivity by reclaiming land and establishing efficiently run smallholdings. Orlando notes that the return on such investments was much higher than the national average. Since this could be attributed to the selection of the most suitable land for such development projects, it points to another difficulty arising from analysis based on broad national aggregates. If some investments - in this case improvement loans in government-sponsored and financed projects - are both higher yielding than other investments and boost total and per capita agricultural output (for example by converting extensively farmed, low-yielding land into intensively farmed, high-output land), then it might be of greater analytical value to study agricultural investment data not through aggregate national income statistics but in disaggregated form. The breakdown might usefully be into smaller areas (regions or even provinces), according to the purpose of the investment (mechanisation or improvement) and on the basis of the origin of the capital for investment (public sector projects or private investments). Such detailed information does exist, but is not published and can be found only for the most recent years. For the ACSBN it is presented and briefly examined in the Statistical Appendix attached.

In conclusion, there can be little doubt that, at least for the mainland south, agricultural investment - and so credit - contributed significantly to the impressive improvement in total and per capita agricultural output, at least from 1951 onwards. Indeed, it is worth noting Garofalo's conclusion that investment in southern agriculture was more productive than

in southern industry in this period.¹¹³ In the following sections an attempt is made to assess in more detail the importance of agricultural credit and investment for agricultural development and productivity in the period. The analysis is based on the observation that improvement credit was directed at much needed structural changes in farming, including especially land reform; that mechanisation loans, mainly used to buy tractors, were associated with the loss of farm labour and so contributed to higher per capita output; and that production loans - used to acquire fertilisers and other inputs - were not only closely linked to total output but also boosted productivity by exploiting latest technology. The time-lags operating before the benefits of each of these investments are felt differ, declining from improvement credits to mechanisation loans and then to production loans.

Land ownership in the Mezzogiorno

From the late 1940s massive sums of agricultural credit were allocated to finance schemes to transform land ownership. These were both official and private. The south was the primary target for such reforms and large areas of extensively cultivated farmland were designated reform areas.¹¹⁴ Within these areas land was acquired from their owners, who in general had employed labourers or tenants on the land, and self-sufficient family units were created for freehold sale to individual farmers. Finance was an essential element - covering the purchase of the land from the original owner, the costs of transforming the extensive estates into individual smallholdings, and the provision of a mortgage and operating capital to the newly settled freeholder. The funds were made available largely from government allocations through the Special Credit Institutions, and we have mentioned above some of the problems this caused the ACSBN.¹¹⁵

113. See Garofalo, Investimenti Netti e Progresso Tecnico, pp. 219-221.

114. For a more detailed survey see: Mario Bandini, Cento Anni di Storia Agraria Italiana (Rome, 1957), pages 133-154, which traces the spread of land reform and reclamation, focussing in particular on the period from the 1920s.

115. See above, pages 86-89 describing the ACSBN's bitter attack on the Treasury's inflexibility in advancing cash to the credit institutions.

Undoubtedly, however, the schemes were notable successes, meeting in particular the objective of providing job-security for an increasing proportion of farmers. Whereas in 1930 only 15 percent of farmers were cultivating their own land in Campania and 16 percent in Puglia, the 1970 Agricultural Census showed that these proportions had risen to 93 percent and 80 percent respectively. In 1970 in the six principal regions of mainland southern Italy the proportion averaged 87.6 percent - above the national average of 86.8 percent. In fact over 61 percent of the 6.3 million hectares farmed in the mainland south were owner-operated (compared with 59 percent in the whole of Italy).

The increased job security afforded by greater freehold ownership of farmland was also extended to leasehold and tenant farmers. In particular share-croppers, who in the late 1930s had no property rights, could be evicted without notice and paid the landowner in kind, were granted rights to a more substantial share of the produce and greater security of tenure.

In conjunction with the programme to extend freehold ownership of farmland by breaking up extensively farmed estates, the authorities also attempted to eliminate subsistence farming on plots barely large enough to support the farmer's family. Much debate surrounded the question of optimal farm size, which obviously varied in relation to local farming conditions, and the authorities at no time attempted to enforce a maximum or minimum landholding requirement on farmers, despite many such demands. Nevertheless, there were clear signs, both between 1946 and 1960 and between 1960 and 1970 that the proportion of farms of 50 hectares or more - widely accepted as at the upper limit for a single farmer and his family to comfortably manage - was increasing. In part this reflected two developments - the gradual drain of labour from the land (resolving the earlier problem of chronic rural overcrowding) which offered the opportunity to merge two or more small farms into a much bigger unit, and the advance of mechanisation which enabled one farmer to cover as efficiently more land. Comparing the two agricultural censuses in 1961 and 1970, all mainland regions in the

116. Two participants in the debate were Manlio Rossi-Doria, who, in a lecture at Portici, Naples in 1972 claimed that owner-occupiers could not handle a farm of more than 100 hectares, and Camillo Daneo, who in Agricoltura e Sviluppo Capitalistico in Italia nel Decennio 1951-60 (Milan, 1964), pp.72-86, held that 50 hectares was the maximum size.

south experienced a growth in farms of over 50 hectares. Whereas in 1961 36.5 percent of the farmland in the south was cultivated in units of 50 hectares or more, in 1970 the proportion had risen to 38.7 percent, with more than 45 percent of farmland in Abruzzi, Basilicata and Calabria farmed in such large parcels.

Land tenure reform therefore highlighted the key rôle that agricultural credit played in the improvement of rural conditions in the mainland Mezzogiorno. Not only did it regulate the finance of land reform schemes, but it also funded the drive towards greater mechanisation. In part these developments were inter-related. Without greater job-security for farmers and the extension of free-holding, the ACSBN would have been greatly restricted in the amount of credit it could safely make available, particularly since the government regarded its advances to farmers through the ACSBN as the ACSBN's ultimate risk. Indeed, improvement loans would have been seriously hampered by the absence of extensive freeholding since a first mortgage on the land was a prerequisite for such loans. But once the reform of land tenure was underway and farmers were guaranteed greater security, more credit was forthcoming and also demanded. This helped the farmers to mechanise and encouraged them to expand their holdings, given the labour-saving qualities of advanced farm equipment. Thus agricultural credit and land-tenure were closely intertwined, progress in one triggering advances in the other.

Mechanisation in the Mezzogiorno 117

The internal combustion engine was the single greatest change in post-war farming. The 1950s were a period of soaring utilisation of farm

117. This is the theme of my undergraduate dissertation at Durham University in 1969.

The dissertation, under the title of "Mechanisation in Italian Agriculture, 1949-1959, with special reference to the particular problems of the Mezzogiorno", was based mainly on research in Bari and at the University of Bari. The main published sources were: Alfio C. Rossi, La Meccanizzazione Agricola in Italia e nei Paesi della Comunità Economica Europea (Perugia, 1965);

Daniele Prinzi, Prospettive della Meccanizzazione Agraria Italiana (Bari, 1955);

Salvatore Garofalo, "L'Uomo e la Macchina nell'Agricoltura di Capitanata", Rivista di Economia Agraria, 1955;

Giuseppe Pellizzi, "Per una Agricoltura Moderna: Urgente ed Indispensabile una Efficiente Meccanizzazione", Rivista di Economia Agraria, 1954;

V. Ricchione, "Progresso dell'Agricoltura e Macchine nel Mezzogiorno", Rivista di Economia Agraria, 1954;

M. Scotton, "Meccanizzazione Agricola", Rivista di Economia Agraria, 1954-9;

machinery and far-reaching innovation. In addition to the tractor, combine harvesters were in widespread use and small-scale rotavators, hand-operated mechanical sprays and water pumping systems were extending the range and variety of labour-saving devices on offer to farmers. The progress of technology also permitted specialised equipment to be produced to overcome local problems. For example, FIAT brought onto the market a range of independent-wheel drive tractors. This adapted them to hills where normal tractors would have overturned, and so more than doubled the area where tractors could be used.¹¹⁸

The spread of tractors was astounding. Whereas in 1950 there were less than 57,000 in use throughout Italy, by 1960 there were about a quarter of a million and in 1970 over 630,000.¹¹⁹ The six regions of the mainland Mezzogiorno (Abruzzi, Molise, Campania, Puglia, Basilicata and Calabria) not only kept pace with this expansion but also increased their share of the total, from 8.7 percent in 1950 to 12.7 percent in 1970.¹²⁰ This overall strength of demand for tractors in the mainland south nevertheless disguised periods of weakness which coincided with reduced supply by the ACSBN of operating loans to buy equipment.

No such periodic weakness is as apparent in the national data for tractors. A clear correlation, in fact, exists only in the mainland south between the supply (by the ACSBN) of credit for mechanisation and the rate of growth of the south's stock of tractors.

G. Stefanelli, "Trattrici e Meccanizzazione Agricola in Italia all'Inizio del 1959 e Sviluppi nel Decennio 1948-58", Rivista di Economia Agraria, 1960. In addition one unpublished university dissertation was of value: Eraldo Candura, Il Costo delle Lavorazioni Agricole Eseguite con le Macchine nell'Agricoltura Italiana e la sua Dinamica nel Ventennio 1946-65 (Bari, 1966).

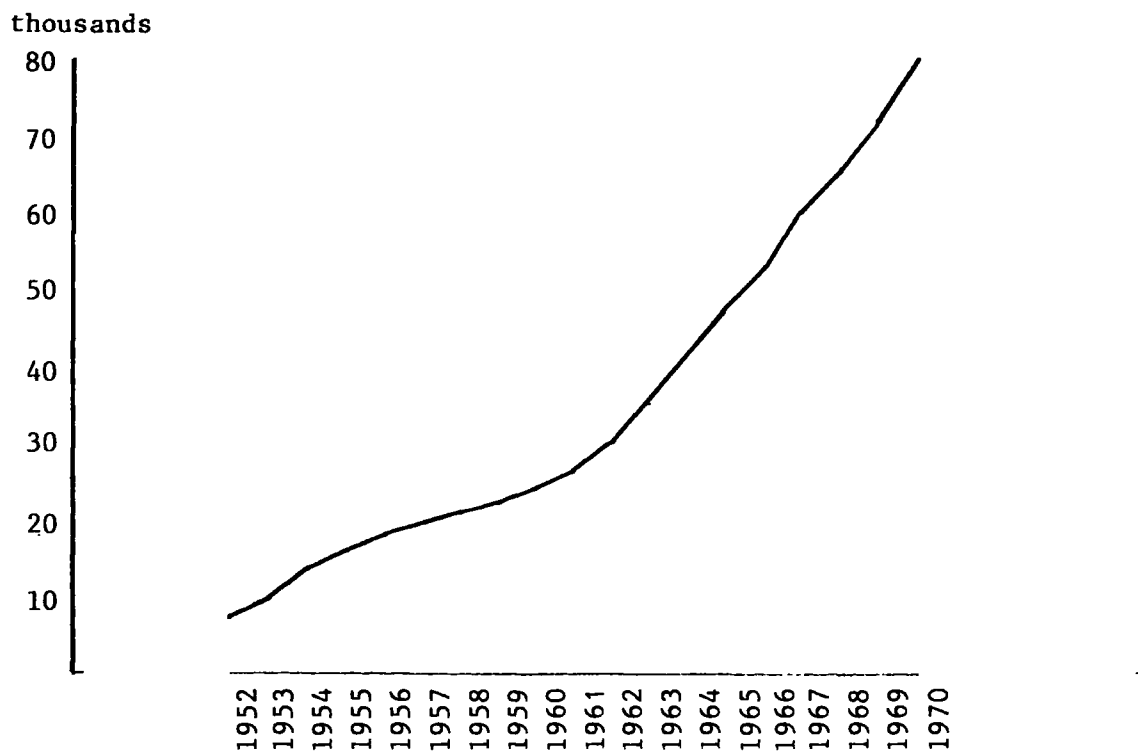
118. The Agricultural Census of 1970 revealed that of a total surface area farmed in Italy of 25,091,300 hectares, 5,692,900 were on plains, 10,736,100 on hills and 8,662,300 on mountains. See INEA, Annuario dell'Economia Agraria Italiana (Rome, 1972) for details of the census.

119. The figures are from Utenti Motori Agricoli, Quarant'Anni di Motorizzazione Agricola in Italia 1928-1967 (Rome, 1968) and Annual Reports of UMA from 1968 to 1971. UMA is the association of farm machinery users and its data cover all new tractors purchased each year. They do not allow for second-hand imports and re-conditioned machines.

120. The text of the Statistical Appendix - in particular pages 190 and 191 - and its tables 16 and 17 illustrate and analyse in more detail the development of mechanisation both in the regions and in the provinces of the mainland south from 1961 to 1970.

With the introduction, in 1952, of the government's subsidised revolving fund for mechanisation, the ACSBN virtually doubled, between 1952 and 1953, its lending for mechanisation as a proportion of its total new loans (from 5.2 percent to 10.2 percent). A peak was reached in 1954 (14.2 percent of new lending that year), but with the initial capital allocation fully utilised, the availability of cheap funds was reduced and lending declined (Fig. 15). This pattern was mirrored precisely in the numbers of tractors in operation in the mainland south during these years. After totalling 4,964 in 1950 and 7,286 in 1952, the total surged, reaching 13,412 in 1954 and 16,069 in 1955 (Fig. 19). Annual growth rates reached 35 percent and 36 percent in 1953 and 1954 respectively. Thereafter the growth rate slowed down, dropping to only 6 percent in 1959, but accelerated again in the five years of the first Green Plan -when large sums were injected into the revolving fund for mechanisation -reaching an annual growth rate of 9 percent in 1961, 14 percent in 1962, 17 percent in 1963 and 18 percent (the highest since 1955) in 1964.

Fig. 19. Tractors in mainland southern Italy, 1952-70



Source: Utenti Motori Agricoli, Quarant'Anni di Motorizzazione Agricola in Italia 1928-1967 (Rome, 1968) and Annual Reports of UMA from 1968 to 1971.

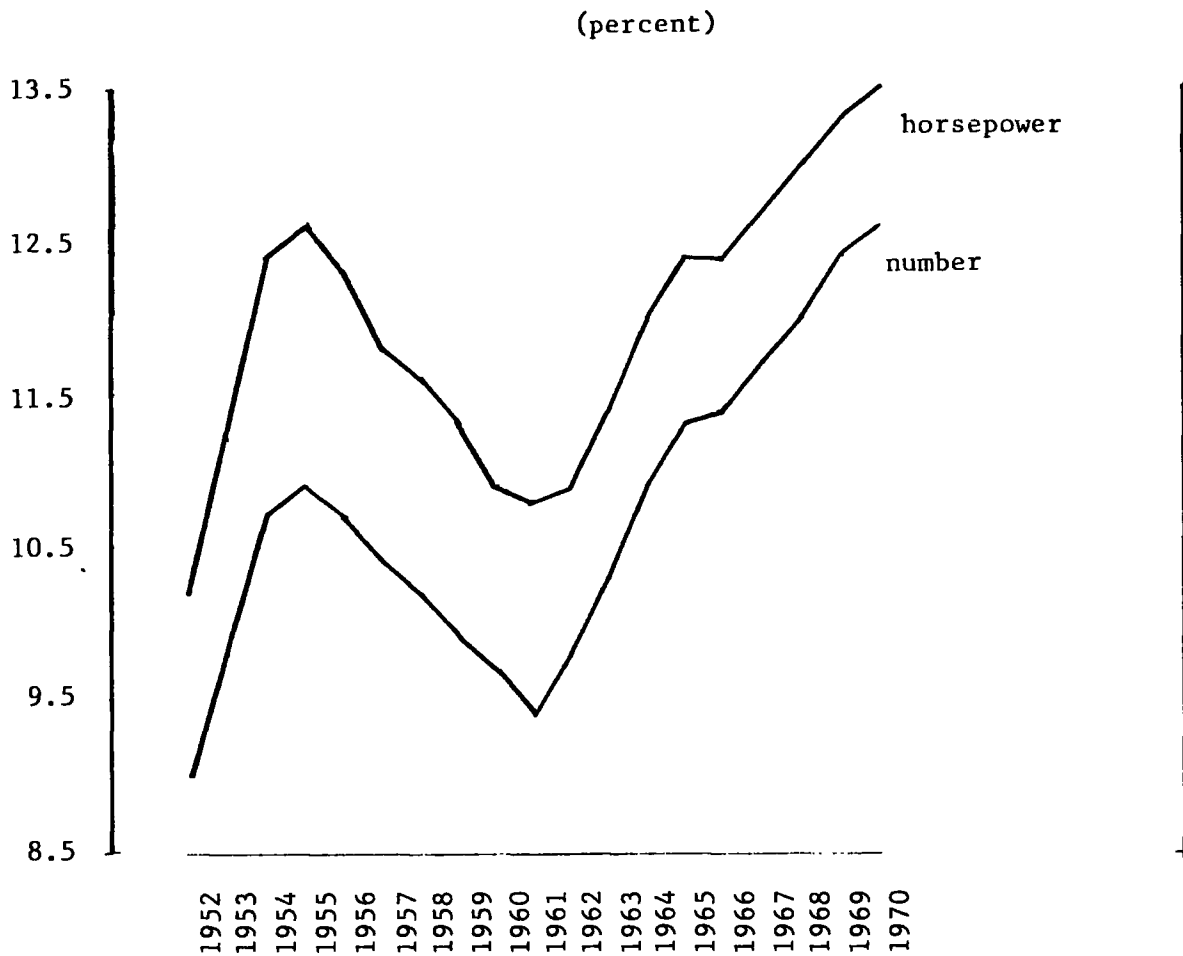
Demand for tractors in the mainland south was, without doubt, highly price elastic. When subsidised loans were available demand soared. Conversely, a shortage of cheap credit caused a fall in demand for new tractors, with farmers on the whole not willing to borrow cash at market rates to buy machinery, or to use their own capital. This, however, was a characteristic of the south, no such evidence being so clearly available for the rest of Italy.

This conclusion throws interesting light on the rôle of agricultural credit in the mainland south and the interaction of the ACSBN and the government. The experience of mechanisation in the south confirms the view that on cost grounds alone southern farmers on the whole ruled out the use of tractors if market rates had to be paid for loans. The ACSBN could at no stage offer preferential terms to farmers wishing to mechanise, least of all in 1952 - when the revolving fund was set up -when it was still suffering the after-effects of a severe liquidity crisis. Only the offer of subsidised government funds (through the revolving fund for mechanisation) assured southern farmers the prospect of modernising their techniques through the greater use of farm equipment, in the process reducing costly manual labour and reaping the benefits of, for example, more efficient, mechanised deep-ploughing.

The government's contribution was therefore invaluable. Nevertheless it was subject to abuse. A study by the Agricultural Economics Department of the University of Naples concluded that southern farmers were inclined to buy more powerful tractors than they required and then to underutilise them.¹²¹ It argued that overinvestment in capital equipment was a conscious decision by farmers who regarded a large new tractor as a prestigious asset, easily afforded if cheap government credits were forthcoming. This is confirmed only in part by a comparison of the share of all tractors and their total horsepower in the mainland south on the one hand and in Italy on the other (Fig. 20). The mainland south certainly used tractors of greater horsepower than the national average throughout the period from 1948 to 1970. Furthermore, from 1951 to 1955 there is a distinct tendency towards even more powerful tractors in the mainland south than generally in Italy. But thereafter the trend is reversed. Thus, although the study's

121. Dr. Cembalo of the Agricultural Economics Department of the University of Naples at Portici explained that one reason for a southern farmer buying a tractor was to impress his neighbours - "fare la bella figura", as he put it. See also Angelo Cembalo, Lucio de Angelis, Analisi della convenienza della meccanizzazione in aziende contadine (Portici, 1972).

Fig. 20. Share of Italian tractors and horsepower in southern mainland Italy, 1952-70



Source: Utenti Motori Agricoli, Quarant'Anni di Motorizzazione Agricola in Italia 1928-1967 (Rome, 1968) and Annual Reports of UMA from 1968 to 1971.

conclusions may well have applied to the five years from 1951 to 1955, it seems unlikely that they were generally valid after that period, with evidence pointing to a decline of excessively high-powered tractors in the south after 1955. Indeed, there was much more intensive use of tractors in the south than elsewhere in Italy, with this trend being particularly reinforced in the 1950s and 1960s: whereas each tractor in the mainland south used 24 quintals of diesel fuel in 1928 and 1938, in Italy as a whole average fuel consumption was 21 quintals and 23 quintals respectively. Subsequently, the more intensive use of tractors in the south became more pronounced, with average consumption of 24 quintals in 1958 and 18 quintals in 1968, compared with only 17 and 12 quintals respectively in Italy. ¹²²

122. For details of fuel consumption see the data in Utenti Motori Agricoli, Quarant'Anni di Motorizzazione Agricola in Italia 1928-1967 (Rome, 1968) and Annual Reports of UMA from 1968 to 1971. Although the relatively high unit consumption of diesel fuel may also have been attributable to

In conclusion, mechanisation played a crucial rôle in the modernisation of Italian agriculture after the second World War. Mechanisation - especially in the mainland south - would have been long-delayed and on a much more limited scale if it had not been for massive, cheap credit supplied by the government. Although the ACSBN administered the funds, by its own admission it would have been unable to raise so much capital itself or lend it at such low rates. The benefits for southern agriculture cannot be refuted, especially with the rapid migration of labour from the land to industrial centres, and although some abuses of the system of cheap credit undoubtedly took place, there is strong evidence to suggest that these have been exaggerated. Mechanisation - one of the major changes in farming between 1928 and 1970 - owed much to the provision of agricultural credit, largely from government sources, but via the ACSBN.

Advanced farming techniques in the Mezzogiorno: fertilisers

The widespread use of fertilisers by the 1960s was indicative of the spread of advanced farming techniques through southern Italy, particularly in the post-war years. As we have already noted, in 1928 southern farming was backward, with little use of the latest techniques. Although some progress was made before the war in breaking down farmers' ignorance and their devotion to age-old practices,¹²³ the south remained retarded. The use of fertilisers showed clearly the backwardness of the south and how the situation was transformed between 1950 and the late 1960s.¹²⁴ It also showed how agricultural credit - as with mechanisation - once more played an important rôle.

wasteful use of machinery, less efficient motors or the tendency to use overpowered machinery in the south, there can be no doubt that machinery was more intensively used in the south as the years passed.

123. The greatest progress was achieved by the "cattedre ambulanti" - touring teams of experts who lectured and demonstrated the latest techniques to farmers throughout Italy. See especially Orlando, Progressi e Difficoltà dell'Agricoltura, pp.29 and 39 on this subject.

124. Fertiliser use before the second World War is discussed in Franco Angelini, I Concimi (Rome, undated), pp.132-133 and Emanuele Morselli, Economia Agraria e Sistema Bancario (Rome, 1945), pp.22-24. Mondo Economico, Cento Anni di Economia Italiana (1861-1960) (Milan, 1961), p.34 covers both the pre-war period and post-war years and shows especially clearly the very rapid increase in fertiliser consumption since the 1930s.

Of the three basic fertilisers - nitrogen-, potassium- and phosphate-based - nitrates showed the greatest increase in the mainland Mezzogiorno between 1951/2 and 1968/9, consumption rising from 7.4 kilograms per cropped hectare to 33.8 kilograms.¹²⁵ Whereas the mainland south achieved only 75 percent of the average nitrate fertiliser consumption in Italy in 1951/2, by 1968/9 the gap had narrowed considerably - southern farmers' fertiliser consumption per hectare amounting to 92 per cent. of average consumption in Italy. Similarly southern farmers increased their consumption of phosphates (from 11.2 kilograms per hectare in 1951/2 to 28.0 kilograms in 1968/9) and of potash fertilisers (from 0.2 kilograms to 5.8 kilograms) and also brought their consumption more into line with the more sophisticated techniques of northern farmers. But as with mechanisation, their use of fertilisers was closely related to the supply of agricultural credits. When capital ran short - either because of low farm income or because of a credit squeeze imposed by the ACSBN - then fertiliser consumption fell back sharply. This was the case in 1960/1 and 1961/2 when - after a series of disappointing grain harvests and a liquidity crisis in the ACSBN as debts had to be rescheduled because of the crop failures - nitrate consumption in southern Italy declined at a time when increased use of fertilisers may have ensured greater output in subsequent years, making up for the losses. Thus, the ACSBN's widely-reported difficulties meant that farmers were unable to raise as much cash as they needed to pay for fertilisers. (For additional details of developments in the provinces, see the Statistical Appendix, in particular page 189, which stresses the large performance gap between the provinces in the 1960s, and its tables 13, 14 and 15.)

Conclusion

This chapter has traced the principal influences on agricultural lending by the ACSBN: the changing needs of agriculture and the different uses for which credit was sought by farmers; the changing sources of capital on-lent by the ACSBN; and the different priorities which determined the ACSBN's lending strategy. The background conditions of

125. The data are derived from tables in: ISTAT, Annuario Statistico dell'Agricoltura Italiana (Rome, 1951-1971). See Table 12.

Table 12

FERTILISER CONSUMPTION IN THE MAINLAND SOUTH AS A PROPORTION
OF AVERAGE FERTILISER USE IN ITALY, 1951-70

(%)

<u>Agricultural Year</u>	<u>Nitrates</u>	<u>Phosphates</u>	<u>Potash</u>
1951/2	75.5	62.1	12.5
1952/3	77.3	63.4	9.5
1953/4	82.1	66.4	13.0
1954/5	81.8	70.4	11.4
1955/6	76.3	64.9	14.9
1956/7	85.8	68.7	19.5
1957/8	90.1	71.3	20.0
1958/9	96.9	71.2	26.8
1959/60	94.5	70.1	42.5
1960/1	95.3	69.7	36.9
1961/2	86.3	72.5	34.5
1962/3	88.8	75.4	31.9
1963/4	93.0	77.0	38.2
1964/5	95.0	77.5	36.3
1965/6	93.9	79.0	40.7
1966/7	93.2	80.6	43.0
1967/8	89.9	80.6	43.5
1968/9	92.7	84.2	45.8
1970	88.1	82.0	41.7

Source: ISTAT, Annuario Statistico dell'Agricoltura Italiana (Rome, 1951-1971).

agriculture also played a vital rôle in determining demand for credit. Rural poverty in 1928 was compounded by over-population, traditional farming methods, and a social structure which, through lack of security of tenure, deprived the majority of farm-workers of any incentive to improve their methods and the soil. These factors impeded any substantial strengthening of demand for credit, but the need for credit was present, reflected in the backwardness of southern agriculture when compared with the north. Gradually conditions in the south improved, and by 1970 performance was almost on a par with that in the north: the gap in per capita income had been narrowed; latest techniques - most notably machinery and fertilisers - were in widespread use throughout Italy; and differences in security of tenure were being eliminated, with the gradual disappearance of the traditional southern practice of share-cropping and the more widespread establishment of small freeholdings.

These changes were in part created by the availability of agricultural credit; in part they themselves generated increased demand for external finance. In the whole process the ACSBN played a central rôle though - as we have frequently noted - the ACSBN was frequently incapable of providing credit in sufficient quantities and cheaply enough to satisfy the needs of southern farmers (largely latent at first, subsequently rapidly expanding). From the ACSBN's own point of view, its success was assured by consistently high profits, but it nonetheless was failing to meet the government's objectives, which in the 1930s called for agricultural self-sufficiency in Italy and after the war called for improved productivity and rapid modernisation. The ACSBN's failure in this regard allowed the government to take a more active part in the supply of agricultural credit, expanding its involvement beyond subsidising the cost of long-term improvement loans, a practice which dated from 1928.

At first the government used the agricultural credit banking structure to assist in its price control programme by financing the stockpiling of selected commodities. Progressively the demands of stockpiling encroached on the ACSBN's ability to offer other forms of credit. By the outbreak of the second World War the ACSBN could no longer be described as an autonomous bank - its assets (loanable funds) were almost entirely being used under the direction of the government. Significantly, however, the stockpiling

programme had a most important side-effect: it brought into contact the ACSBN and a large number of diffident farmers, who until then had shunned approaching a bank for credit. Familiarity gradually broke down farmers' fears of banks and, after the war, released latent loan demand.

After the war, however, official attitudes underwent significant changes. A report by the Constituent Ministry in 1946 confirmed the new line being adopted: it recognised the growing needs of farmers for credit but expressed the view that the credit institutions would be unable to meet the full investment requirements of Italian agriculture. It therefore agreed that the onus of ensuring the availability of sufficient funds fell on the central government. This principle was to characterise the post-war years. The pressing need for such a policy was soon apparent in the late 1940s, with the ACSBN - legally barred from collecting deposits and consequently dependent on the parent Banco di Napoli for capital - encountering a liquidity crisis precipitated by rampant inflation and the realisation of latent loan demand in the rural south.

Out of particular need for government assistance, a close link was forged between the ACSBN and the government in the early post-war years. But it was short-lived. The government's inept distribution of funds to the credit institutions soon encountered sharp criticism from the ACSBN, the Banco di Napoli's Annual Report for 1949 first voicing complaints to be frequently repeated in subsequent years.

Nevertheless, the government persevered, taking a progressively more prominent rôle. Whereas before the war it had restricted its own financial involvement to an interest rate subsidy on long-term improvement loans and to requiring the ACSBN to finance the stockpiling programme in the south, after the war it became more active in supplying capital and influencing the use of the ACSBN's funds (usually by making selected types of loans more attractive to borrowers through interest rate subsidies). Land reclamation and tenure reform projects were favoured; the Cassa per il Mezzogiorno was set up to assist economic development in the south and, in 1952, a twelve-year plan for the supply of cheap credit for three specific types of projects, entirely financed by the government and only administered by the agricultural credit institutions, was launched. Steadily the government encroached further into the financing of agricultural credit, culminating in the two Green Plans in the 1960s. In addition, from the early 1960s, when the

Christian Democrat party was forced to accept the Socialists in a coalition government, the relationship between the government and the ACSBN cooled further, with the government gradually eroding the ACSBN's privileged position as the Special Institution in the mainland south, controlling other banks and having a virtual monopoly of long-term agricultural credit. Conditions were further unsettled by frequent instances of the government failing to maintain an adequate supply of credit to the institutions.

The uneasy partnership of the ACSBN and the central government lasted up to and beyond 1970. The ACSBN remained highly profitable; the government was able to curb the ACSBN's autonomy and direct the flows of credit to agriculture. Given that southern farming made great strides forward, the partnership no doubt was a success. Nevertheless, criticism of the system was rife. Some of the arguments are discussed in the next chapter.

CHAPTER IV

AN APPRAISAL OF THE ITALIAN SYSTEM OF AGRICULTURAL CREDIT

In the foregoing chapters we discussed the way the Banco di Napoli gradually became a cornerstone of the bank network supplying agricultural credit in Italy, how its rôle was firmly delineated by a comprehensive legal code¹, and how it maintained profitability and a rapidly expanding balance sheet despite a frequently uneasy working relationship with successive central governments. The ACSBN's unequivocal financial success throughout the period and its achievement - as noted in the previous chapter - of multiplying the real value of lending to farmers throughout a span of over forty-three years was achieved within the credit structure as established in 1928 and subsequently only insignificantly modified.

This banking structure for agricultural credit differed, however, in many ways from corresponding systems for the supply of agricultural credit in other countries. The Italian system was only one of many possible variants. Even into the 1960s it bore the hallmark of Mussolini's "Corporate State" in which strictly centralised economic and social planning was intended to eliminate unnecessary duplication of services. Elsewhere in Europe agricultural credit continued to be channelled largely through the traditional agricultural co-operatives. The existence of alternative systems for meeting the financial needs of farmers generated in Italy a healthy environment in which the Italian agricultural credit structure came under periodic review - as in 1946 and 1947 by the Constituent Ministry - and recommendations for change or reform were advanced.

In general it must be admitted that the changes which were adopted were of little fundamental importance and the organisation of credit supply remained essentially intact. Even so, a number of the proposals warrant closer consideration, particularly in the context of the ACSBN's occasionally unhappy experiences² with agricultural credit, as outlined in the preceding chapter. Before advancing, however, it is worthwhile considering - at

1. See Associazione Bancaria Italiana, La legislazione italiana sul credito agrario (Rome, 1969) for a comprehensive collection of relevant laws and directives.

2. See above, Chapter III, and especially the sections on the ACSBN's pre- and post-war experience with stockpiling and recurring liquidity shortages.

least cursorily - the ways in which the Italian system for supplying agricultural credit differed from those in other advanced economies, since this will help in evaluating the proposed reforms of the Italian system that we shall presently be discussing.

Agricultural Credit in other Developed Countries

Although discussed before the second half of the nineteenth century, agricultural credit really developed only from the mid-1800s, with independent systems - usually based on co-operative movements - springing up throughout Europe. In Germany Raiffeisen and Schulze-Delitzsch both developed forms of co-operative agricultural credit; in Bohemia Kampelik set up a system of credit; in Poland Stefcik; in France Durand and later Meline and Vigier; and in Italy Cerutti, Wollemborg and Luzzatti.³

From these common, but not identical, co-operative origins the agricultural credit systems in many countries gradually underwent changes. In Italy, the rural banks (both agricultural co-operatives and popular banks) were subordinated to the Special Agricultural Credit Institutions by the reform law of 1928 and then reduced in numbers so that no commune had more than one rural bank.⁴ When the transformation of the Italian system was finally completed in 1928, what emerged was a highly streamlined, tiered banking system, with a high degree of specialisation between credit institutions but a minimal rôle for the credit co-operatives, whether of the Raiffeisen or Schulze-Delitzsch types.

This is not so elsewhere in Europe.⁵ Co-operatives dominate the supply of agricultural credit in the Netherlands. Other European countries also rely more heavily than Italy on co-operatives for agricultural credit. Both Germany and France have a local network of co-operative banks supported at the national level by major banking institutions and in both countries the

3. See above, Chapter I, p. 17-24 and Appendix II on the origins of agricultural credit co-operatives in Italy and their fundamental differences.

4. According to I. Capecchi, "Le Casse Rurali in Italia", Rivista di Economia Agraria (1956), p.248, the rural banks reached their peak in 1922 with a total of 3,540. Mussolini's bank reorganisation with consolidation of banks and branches badly hit the rural banks and their decline was exacerbated by the appointment of State Inspectors to investigate banks. Their visits to rural banks undermined confidence, given that all members were subject to unlimited liability, and on occasions caused banks to collapse. In 1947 there were less than 1,000 rural banks, the lowest total since the turn of the century.

5. For general comments see: G. Minderhoud, Agricultural Credit in Western Europe (Iowa, 1964) and Ministry of Agriculture and Fisheries, Report on Agricultural Credit (London, 1926).

government is able to influence the flow of agricultural credit by operating through the central institution at the national level. In France there is also a separate, parallel credit system operating on the Raiffeisen co-operative model and flourishing. In both Belgium and Luxembourg co-operatives remain the primary suppliers of agricultural credit. At the other extreme is the United Kingdom. Agricultural credit is confined to loans by the Agricultural Mortgage Corporation - generally for the purchase of farmland - with day-to-day credit needs being met by advances from local commercial bank branches.

The variety of European experience in the field of agricultural credit has been reflected in equally varied proposals for the reform of agricultural credit in Italy. On the one hand rural and popular banks have advocated a vigorous return to agricultural credit through the co-operative banking network. Others have sought greater governmental control and streamlining of the system, with - if possible - even less reliance on co-operative banks. Still others have questioned the value of agricultural credit itself. All these points, and others, will be considered in the following sections.

Proposals for the Reform of Agricultural Credit in Italy

In the extreme case it has been suggested that the provision of substantial agricultural credit at subsidised rates is harmful to farmers. Such loans incur liabilities which must be serviced through interest payments and ultimately liquidated. If farmers build up their liabilities to banks, the drain on cash-flow needed to service the loans increases. If cash-flow is curtailed - for example as a result of bad harvests - there is a grave danger of bankruptcy. In addition, it can be argued that abundant and cheap credit leads to inefficiencies. Farmers can either make windfall profits or operate less efficiently when cushioned by subsidised credit or a surfeit of liquidity. In particular, farmers may be reluctant to innovate - remaining over-manned - if protected by a misguided policy of easy or cheap credit. More seriously, inefficiencies in production would pose a threat to farmers if the cheap credit policy were abandoned, leaving them burdened by liabilities.

This hostility towards agricultural credit on the grounds that it encouraged inefficiency lay behind the reluctance in the 1920s of Inter-

mediary Boards - largely local credit co-operatives - to encourage farmers to rely increasingly on the ACSBN's credit.⁶ As late as 1961 Professor Aldo Pagani re-echoed these reservations, suggesting that agricultural credit was against the interests of farmers, even though it was a highly profitable business for the banks.⁷ The exception was for long-term investment or in exceptional circumstances, such as a general crop failure. He therefore advocated that its use should be restricted to major capital investment projects and farmers discouraged from incurring excessive liabilities. This view can also be found in Orlando's study of investment in agriculture, which he found to be yielding progressively lower returns over the years even though the amount of agricultural credit granted continued to increase.⁸ His point, however, is made with particular reference to the centre and north of Italy, a specific exception being made of the Mezzogiorno.

Criticism has also been levelled at the use of agricultural credit as an instrument of government policy to promote the modernisation of agriculture. Pontolillo stressed the high costs to the public sector.⁹ Whereas in 1950 interest rate subsidies by the government on agricultural credit advanced by the banking system cost Lit. 0.3 billion (at current prices), by 1970 the annual outlay had risen to Lit. 66.4 billion and in 1975 the government was committed to total outlays of at least Lit. 736.4 billion just to maintain subsidies on outstanding loans until 2001. Research at the University of Naples' Agricultural Economics Research Centre for the Mezzogiorno even questioned the benefit of investments made out of, or subsidised with, public sector funds. Studies by Cosentino and De Benedictis¹⁰ in 1971 and Cembalo and de Angelis¹¹ in 1972 showed the wasteful use of

6. This marked reluctance of the intermediary boards to assist the newly formed ACSBN to extend its business is noted by Dr. Domenico Viggiani in an undated Banco di Napoli monograph: Organizzazione e legislazione del credito agrario con particolare riguardo al Mezzogiorno ed alle esigenze delle aziende contadine, p.8.

7. Aldo Pagani, "Qualcosa bolle in pentola", Problemi Agricoli (1961), p. 19.

8. Orlando, Progressi e Difficoltà dell'Agricoltura, pp.84-102.

9. Vincenzo Pontolillo, "Aspetti del sistema di credito speciale", Bollettino della Banca d'Italia (1971),p.14.

10. Vincenzo Cosentino, Michele De Benedictis, L'economia delle macchine nell'azienda agraria (Portici, 1971), pp.7-51.

11. Angelo Cembalo, Lucio de Angelis, Analisi della convenienza della meccanizzazione in aziende contadine (Portici, 1972), pp.9-53.

tractors on plots too small to yield sufficient returns to cover both capital and the running costs of the tractors.

On the other hand, whilst acknowledging the high financial commitment of the public sector to investment in agriculture - in particular for land reclamation - Prinzi argued that farmers were already so burdened by debts in the mid-1960s that increased use of public funds was essential to forestall widespread bankruptcies and at the same time to maintain necessary replacement of equipment.¹² Anticipating these points, Ciarrocca, in 1957,¹³ went so far as to argue that increased public financing of agricultural investment was vital in order to compensate for the weakness in private investment. This weakness had been caused by the post-war wave of social unrest, the increased pressure on employers by agricultural workers' unions, fears of even more damaging agricultural reforms and the dangers posed by the strength of the Communist Party which had obtained forty percent of the national vote in elections.

More arguments that the government should be more active in the supplying of agricultural credit have come from commentators of the banking system. Ruozi in 1971 convincingly argued that the streamlining of banking services and greater rationalisation of bank branches had been to the detriment of rural communities in general and farmers in particular.¹⁴ Because of higher administrative costs in rural areas, banks could not be expected to maintain vital services unless the government agreed to offset at least a part of the additional costs.¹⁵ In addition Prinzi pointed out that, because of the higher risk involved in lending to the more needy farmers, especially in the Mezzogiorno, banks tended to charge higher interest rates, making it even more difficult for these farmers to borrow and improve their condition.¹⁶

12. Daniele Prinzi, "Finanziamento e credito per lo sviluppo dell' agricoltura", Commissione Agraria Nazionale PSI-PSDI Unificati, Conferenza Agraria Nazionale, Atti (Rome, 1967), pp.107-109.

13. Vittorio Ciarrocca, "Formazione e uso del capitale in agricoltura", Rivista di Economia Agraria (1957), pp.16-23.

14. Roberto Ruozi, "Concentrazione Bancaria e credito all'agricoltura", Il Risparmio (1971), pp.1392-1401.

15. As noted in chapter III above (pages 106-107) this was one of the factors that influenced the authorities to allow a higher maximum handling charge on agricultural credits in southern Italy than elsewhere.

16. Daniele Prinzi, *op.cit.*, pp.115-116.

The above points all brought into question the adequacy of the existing system of agricultural credit, seeking either to limit its development or to increase the control of the government so as to improve the use of agricultural credit as an instrument of government policy for the transformation and development of agriculture. In practice, this dissatisfaction with agricultural credit brought forward four major proposals for reform, each of which warrants closer consideration. The four proposals were: the creation of a new national body, the Istituto Nazionale di Credito Agrario (INCA), to provide and supervise agricultural credit throughout Italy; a strengthening of the co-operative network for agricultural credit; a reform of the relationship between banks and farmers, specifically through the extension of deposit and overdraft facilities to agricultural credit; and the development of technical assistance and supervised credit.

The first three of these proposals were discussed at length in a Consiglio Nazionale dell'Economia e del Lavoro's (CNEL) report published in November 1969.¹⁷ This report owed its existence to the recognition in 1966 by Campilli, the president of CNEL, that a radical reappraisal of agricultural credit was long overdue. Three factors brought him to this conclusion. He was aware that the initial stage of modernisation in agriculture - the adoption of new techniques, and especially machinery - had been completed, and now it was essential to move on to exploit more fully the new techniques through a progressive rationalisation of farming practices. New methods were not enough in themselves: it was necessary to transform the whole process of agricultural production to make the fullest use of these techniques and eliminate inefficiencies. Secondly, the removal of tariff barriers between the original six members of the EEC on 1st July 1968 meant that Italian agriculture had both to adjust to a larger market and face the full force of competition from other member countries. Finally, he recognised that the traditional pattern of finance for agriculture - by which cash-flow generally financed the majority of investment - had broken down, with cash-flow providing less and government spending more. This meant that the existing structure for supplying credit was showing strains, and needed to be overhauled.

17. Consiglio Nazionale dell'Economia e del Lavoro, Osservazioni e proposte sul riordinamento del credito agrario (Rome, 1969), pp.16-20, henceforward termed CNEL (1969).

These were the three major recommendations of the CNEL report, but it also proposed a reorganisation and simplification of legislation concerning agricultural credit - a long-standing request of the Banco di Napoli. It also asked for the establishment of a maximum interest rate for all agricultural loans, with the government making up the difference between the market and subsidised rates. The latter point was inevitably highly controversial since it committed the government to massive expenditure which could never be forecast accurately at the time that national budgets were drawn up and which was largely dependent on the credit plans of the banking sector rather than the government itself. A further recommendation of the CNEL report, also echoing earlier proposals of the Banco di Napoli, was that banks should calculate the maximum amount of an improvement loan not on the basic value of the land pledged as security for the advance, but on the value enhanced by the investment itself. In this way the amount available to farmers could be increased substantially.

(i) The Istituto Nazionale di Credito Agrario (INCA)

The principal recommendation of the CNEL report was that the Istituto Nazionale di Credito Agrario (INCA) should be established. This was not an original proposal. In 1954 Professor Giordano Dell'Amore had envisaged a public body - which he called INCA - which would assess the demand for agricultural credit throughout Italy, fix interest rates, provide funds to all banks needing them, operate a loss-sharing fund and administer state contributions. It would not lend directly to the public, but would be responsible for the efficient operation of the entire agricultural credit system. These ideas were restated in 1961 by Dell'Amore¹⁸ and finally were put forward for a third time in 1969 in the CNEL report.

One of the central features of the plan was the way all funds destined for agriculture would be channelled through INCA. These funds were to come from the government, public bodies, the agricultural credit banks and bond issues on domestic and foreign capital markets. Whereas the existing agricultural credit system lacked a central body to co-ordinate operations and redistribute resources between the virtually autonomous regional Special Credit Institutions, these functions would now be brought together under INCA. In effect the proposals would establish a system similar to the

18. Giordano Dell'Amore, Il credito agrario a una svolta (Milan, 1961), pp.13-18.

co-operative structure in the Netherlands and Germany, but with the notable distinction that the central, co-ordinating body (INCA) would be a public body rather than part of the co-operative banking organisation. The only element of co-operative banking in the Italian system would remain at the lowest level of intermediary boards. In this way there would be an extension of the government's control over the entire agricultural credit system. Indeed, it was in reaction to this that Pagani condemned the danger of an increased rôle of the government in agricultural credit and sought to limit credit solely to long-term investment programmes.¹⁹

Other criticism centred round the creation of a national body with such extensive powers. Viggiani feared that such a body would tend to overlook the particular needs of a development area such as the Mezzogiorno.²⁰ Furthermore Viggiani,²¹ as had Pagliazzi²² in 1958, regarded as a major weakness the proposed dependence of INCA on bond issues both at home and abroad. Pagliazzi pointed out that the Italian capital market was inadequately developed to provide sufficient funds, and Viggiani argued that it would be better to authorise the Special Institutions to raise funds through bond issues since their paper would in all probability be better accepted than INCA's which would represent in the eyes of the investing public a poor alternative to government and other public sector bonds.

The failure of INCA to get beyond outline proposals on three separate occasions, spanning fifteen years, is an eloquent indication of the problems facing reforms of agricultural credit. Its major weakness lay in the fact that it attempted to bring together the autonomous Special Institutions under a single body which would operate closely with the Ministry of Agriculture and Forestry. But no centralised body had been created when the system had been designed in 1928 precisely because the Special Institutions were considered best able to safeguard local interests and would jealously defend their local clientele. With the broadening of agricultural markets through

19. See above, p.144 and footnote 7.

20. Domenico Viggiani, Organizzazione e legislazione del credito agrario con particolare riguardo al Mezzogiorno ed alle esigenze delle aziende contadine (Naples, undated), p.32.

21. Ibid., p.36.

22. Paolo Pagliazzi, Il credito e l'agricoltura (Rome, 1958), pp.18-19.

the EEC and increased competition, local difficulties became more acute, and any movement towards a centralised system undermined the chances of cushioning the impact of competition on distressed areas such as the Mezzogiorno.

Nevertheless, the need for closer co-operation between the Ministry of Agriculture and Forestry and the credit institutions - represented by the special rôle of INCA - was a vitally important recognition. With the government playing an ever increasing part in supplying funds for agricultural credit, closer co-operation with the credit institutions was essential in order to channel the funds to the most productive investments.

Even so INCA was against the underlying trend in Italian politics towards devolution of powers to the Regional Governments. In the event this trend, which made tangible progress in the 1970s, effectively ended the viability of Dell'Amore's plan.

(ii) Strengthening the co-operative network for agricultural credit

The advantage of moving towards a less centralised system of lending to agriculture - the telling-point against INCA - nevertheless lay behind the recommendation, also included in the CNEL report,²³ that the spread of co-operative Rural Banks (Casse Rurali) should be encouraged. The report illustrated how important Rural Banks were to the supply of agricultural credit: they provided 24 per cent. of all loans (although they themselves had to borrow the funds from the larger banks in the system) and 45 per cent. of their branches were in communities where there was no other bank.

In advocating greater encouragement and use of Rural Banks, other commentators have stressed the advantages offered by the close links co-operative Rural Banks have with the local communities. Whilst criticising the CNEL proposals for the establishment of INCA on the grounds that it would add to bureaucracy, cause delays in granting loans and reduce flexibility in providing agricultural credit, an article by the Associazione Tecnica delle Banche Popolari Italiane²⁴ went on to state that what was needed to improve agricultural credit was a more efficient branch network of banks. This would

23. CNEL (1969) pp.20-25 and p.34 para. 8.

24. Associazione Tecnica delle Banche Popolari Italiane, La riforma del credito agrario (Rome, 1969).

ensure that credit would be made available where it was needed and when required, through an efficient local network of outlets rather than being issued from a specialised banking unit remote from the farmers. Baroncini illustrated how unfavourably Italy compared with other EEC countries in the diffusion of bank branches and the relative dominance of large banks compared with local credit co-operatives. Whereas there were just over 20,000 banks (some with more than one branch) lending agricultural credit throughout the six EEC countries, in Italy there were barely more than 1,000.²⁵

The weakness of co-operative banking in Italy had two further consequences. Through co-operatives, loans could be made much faster, based on the personal pledge of the borrower who at the same time was a member of the co-operative and usually subject to unlimited liability together with all other members.²⁶ In addition, local credit co-operatives could also attract deposits from members and then plough them back into agriculture, rather than leaving these sums idle or allowing them to be deposited with a large bank which might lend the deposits outside agriculture.²⁷

Despite all these valid arguments, however, little had been done to strengthen co-operative banking by 1970. Two main reasons lay behind this. First, the establishment of credit co-operatives required a considerable degree of banking expertise on the part of the administrators who, at the same time, were local farmers. Although this was possible in larger communities, in smaller ones where co-operatives had not been established, the chances of finding suitably gifted administrators were more remote. Secondly, the period from 1928 to 1970, and especially after 1950, was one of profound

25. Angelo Baroncini, "La riforma del credito agrario", Agricoltura delle Venezie (1970), p.435.

26. Giovanni Garofalo, "Credito agrario di esercizio e funzione propulsiva della 'piccola banca'", Credito Popolare, Rivista di "Credito e Cooperazione" delle Banche Popolari Italiane (1963), pp.493-495 stressed this point.

27. Daniele Prinzi, op.cit., p.124 took up this argument.

economic change in agriculture, with large-scale migration from the land.²⁸ This introduced a high degree of social instability that worked against the creation of new credit co-operatives, however desirable this may have been from the point of view of banking efficiency.

(iii) Extension of deposit and overdraft facilities to farmers

As early as the mid-1940s there was detailed consideration of proposals to set up Agricultural Current Accounts (Conti Correnti Agrari), and the Constituent Ministry commented on these proposals in the report of its Economic Commission on Credit and Insurance in 1946.²⁹ Agricultural Current Accounts were forbidden by the Agricultural Credit Law of 1928 which prohibited sections of banks offering agricultural credit from taking deposits and required farmers obtaining loans either to mortgage their property or issue agricultural promissory notes.³⁰ In this way it was intended that

28. In Italy as a whole, the total labour force declined from 18.6 million in 1951, with 46.6 percent in agriculture, to 17.7 million in 1970, with 20.9 percent in agriculture. In the individual regions of mainland southern Italy the proportion of workers in farming in this period fell equally dramatically: in Puglia from 64.0 to 40.3 percent; in Basilicata from 76.2 to 45.1 percent; in Calabria from 68.0 to 39.1 percent; in Campania from 50.7 to 28.6 percent; and in Abruzzi-Molise from 73.1 to 41.3 percent. See ISTAT, Occupati Presenti in Italia 1951-1971 (Rome, 1972), pp.6-113.

29. Ministero per la Costituente, Rapporto della Commissione Economica (Rome, 1946) Vol. IV, pp. 272, 275.

30. Roberto Ruozi, I finanziamenti bancari alle aziende agricole (Milan, 1965) pp. 168-178 considered the financial problems facing the Special Credit Institutions. He pointed out that the basic law organising agricultural credit (the Law of 5th July 1928, No. 1760), whilst allowing some credit institutions to accept certain deposits, in effect prevented the Special Credit Institutions from collecting deposits. This greatly restricted their ability directly to adjust their liabilities in response to a changing pattern of loan demand. The problems arising affected the two principal types of Special Credit Institutions - on the one hand the agricultural credit sections of major national banks and on the other the specially established and independent agricultural credit banks - in different ways. In particular, the Special Credit Institutions which were sections of national banks, such as the ACSBN (Agricultural Credit Section of the Banco di Napoli), were able to adjust the level of their loanable funds relatively more easily since the parent bank could, through interest rate adjustments, increase or decrease the deposits it held and advance more or less of these sums to the agricultural credit section. No such adjustment could be made by the independent agricultural credit banks.

deposits would not be put at risk by being lent to farmers who, for reasons outside their control - such as bad weather or crop failure - might be unable to repay loans as planned. At the same time it ensured that the banks had adequate security - the mortgage or promissory notes - in return for their loans.

But this system was regarded as unduly complicated and inflexible. Credit institutions were on occasions starved of funds by their parent, deposit-taking banks, and, in periods of inflation, when the demand for credit rose particularly rapidly, were often unable to supply sufficient credit. If they could take deposits directly from the public, it was argued, then their deposit liabilities would rise more in line with demand for credit. Farmers also objected to the delays and high cost of obtaining loans caused by the need to arrange mortgages or take up agricultural promissory notes. These delays meant that farmers, if they anticipated cash shortages, borrowed sufficient sums to cover all their projected needs, and continued to pay interest even on unused, precautionary borrowing, although article 15 of the Agricultural Credit Law of 1928 did allow them to redeposit borrowed funds until needed in an interest-bearing account with the credit institution. If there was an early surge in income, farmers also suffered, since they were unable to repay loans before the promissory notes matured.

In order to improve access to agricultural credit, reduce costs and make the whole system more flexible, it was suggested that farmers should open current accounts with agricultural credit institutions. Each account would have a separately negotiated overdraft limit, and net deposits would be paid interest.

The report of the Constituent Ministry's Economic Commission nevertheless came out against such a reform on the grounds that it would become easier for farmers to borrow funds - possibly at a rate subsidised by the government - and not use them for investment in farming. The report also went on to say: "The commission also bore in mind that with such a system the danger would arise that the (credit) institutions might take advantage of such an innovation to disguise other operations as agricultural credit" and so defraud the government of subsidies - a sad comment on the integrity of the banking system.³¹ Indeed, a parliamentary bill in 1957 proposing the introduction of agricultural current accounts was rejected, partly on account

31. See Ministero per la Costituente, Rapporto della Commissione Economica (Rome, 1946-7), Vol. IV, p.273.

of similar fears, after being approved by the Senate.³² Even so, an EEC Commission study of legislation affecting agricultural credit in the six original members of the European Community noted that only in Italy did legislation prohibit the use of agricultural current accounts, which it described as "a particularly flexible mechanism which allows operating credits to match at all times the actual operating needs."³³

The Italian stance on this point was not, however, altered even though the CNEL report reiterated the numerous advantages - already discussed - of such a system. In large part this inflexibility could be explained by the particular rôle of the government in the supply of agricultural credit in Italy. In those countries where agricultural credit on the whole remained a banking operation, then agricultural current accounts, which simplified procedures, reduced costs and were more attractive to farmers, won general approval. But in Italy the government's involvement - not only in subsidising interest rates but also in providing large sums of capital to lend or as grants - meant that the risks of fraud outweighed the practical advantages of the proposed system.

(iv) The development of technical assistance and supervised credit³⁴

The fourth major reform of agricultural credit proposed in recent years - the development of technical assistance and supervised credit - aimed to strengthen the demand for credit; the other three reforms previously discussed were concerned with observed weaknesses in the supply of agricultural credit.

32. For a more detailed discussion see Gino Cardinali, "Il disegno di legge sul credito corrente agrario", Credito Agrario (1958), pp.1-4, and Paolo Pagliuzzi, Il credito e l'agricoltura (Rome, 1958), pp.21-23.

33. CNEL (1969) refers on page 20 to this EEC document and its conclusions.

34. For detailed discussions of this extensive subject see Horace Belshaw, "Agricultural credit in economically underdeveloped countries", F.A.O. Agricultural Studies No. 46 (Rome, 1959), and "New approach to agricultural credit", F.A.O. Agricultural Development Paper No. 77 (Rome, 1964).

The advocates of technical assistance³⁵ believed that progress lay in the instruction and guidance by experts of farmers in how best to use their land, adopting more modern farming practices and, where advisable, borrowing funds for investment in the land. Supervised credit combined technical assistance with the provision of credit and guided its investment.

The need for such instruction and guidance in Italy stemmed from the backwardness of Italian farmers, especially in comparison with other European countries, which were becoming closer competitors as a result of the Treaty of Rome in 1959, and from the pressing need to modernise farming in Italy as rapidly as possible. It was widely accepted that such modernisation involved the adoption of a wide range of new "best" techniques from machinery to strains of crops specially developed for local conditions. But new technology had also to be embodied in the work-force through education. Farmers had to be kept aware of latest developments and encouraged to keep up to date. It was pointless providing cheap and plentiful capital through agricultural credit if farmers slavishly followed traditional practices or invested large sums of borrowed capital in machinery or new crops only to exploit them inefficiently. The advocates of technical assistance and supervised credit therefore emphasised that the crucial problems to be tackled were not only a shortage of loanable funds for farmers, but also the necessity of ensuring that the credit was put to the best possible use.

Both techniques - technical assistance and supervised credit - had been known for a long time and experiments had met with considerable success. One of the earliest was the Farmers' Home Administration project of Supervised Farm Credit in the United States, which was launched in

35. Domenico Viggiani presented a paper at Borgo a Mozzano in 1959 entitled "La assistenza tecnica nella impostazione e nello svolgimento delle pratiche di credito agrario" in which he emphasised the value of technical assistance. Borgo a Mozzano was the location of a controlled experiment in technical assistance financed by Shell SpA and described by: Dr. L.E. Virone, "Borgo a Mozzano: Technical assistance in a rural community in Italy", The World Land Use Survey, Occasional Paper No. 4 (London, 1963), henceforth cited as Dr. L.E. Virone, "Borgo a Mozzano".

1918.³⁶ Under this system, any farmer who had been refused agricultural credit at least three times could apply to the Farmers' Home Administration for assistance. A local supervisor would then be appointed to his case. Together with the farmer, the supervisor would draw up a detailed plan covering a number of years for the transformation and improvement of the farm. Loans would then be granted to finance these investments and assure the farmer a minimum, acceptable family income. Repayment would then be related to farm income, and financial control would be maintained by the supervisor through a register kept up to date by the farmer and containing statements of all personal and farm expenditure. Over a period of time it was thus possible to convert an uneconomic farm into a profitable venture, thanks to the provision of technical assistance, supervision and credit. Such systems, however, contained two drawbacks: the high cost of providing the services and the need for a large number of highly qualified specialist supervisors.

On a more modest scale, technical assistance had been practised in Italy since 1898 when the first "Cattedra Ambulante per l'Agricoltura" was set up in Pesaro. This was a private body of agricultural experts who travelled in their local area and gave technical advice, lectures and assistance to farmers. Their value was particularly appreciated by Mussolini's government during the Battle for Grain in the late 1920s and 1930s when great efforts were made - with some success - to boost grain production through increasing acreage, the more widespread use of fertilisers and the introduction of hybrid wheat.³⁷ In 1935, however, the Cattedre Ambulanti were taken over by the Ministry of Agriculture and Forestry and transformed into Provincial Inspectorates for Agriculture, with the power to approve or reject

36. See Domenico Viggiani, "Il credito agrario controllato quale forma di assistenza sociale in favore delle famiglie rurali povere", Rivista di Economia Agraria (Rome, 1953), pp.653-656, which cover experience in the United States and the whole of Manlio Rossi Doria, "Il piccolo credito agrario negli Stati Uniti d'America", Atti Dei Georgofili (1953).

37. For more details of the Battle for Grain, see above, Chapter III, pp. 76-78.

applications by farmers for loans benefiting from government contributions or subsidies.³⁸ As a result, they became more distant from farmers, absorbed into local government and so no longer the educational influence they had been for almost forty years.

This gap was only partly filled by the local agricultural consortia which helped teach farmers the advantages of fertilisers and farm machinery and supplied these inputs at subsidised prices. It was only in the 1950s, with the redistribution to tenants and subsistence farmers of extensively farmed and reclaimed land that further significant progress was made. The Reform Boards - set up to administer areas where new small-holdings were being established, successfully combined the provision of credit with technical assistance.³⁹ Even so, both Viggiani and Rossi Doria pointed out in 1953⁴⁰ that technical assistance in the case of the Reform Boards applied not only to establishing new smallholdings, but required the motivation to greater efficiency of the new freeholders who had been fortunate enough to benefit from the redistribution of land in the reform programme. The limited experiment with technical assistance undertaken from 1954 by Shell Italiana SpA at Borgo a Mozzano was an even more striking success.⁴¹

Italy therefore had considerable experience of technical assistance and supervised credit. The provision of technical assistance was, however, insufficient. As Orlando forcefully shows, the average cost per hectare farmed of the "cattedre ambulanti" in 1909 was Lit. 70 (at 1963 prices). By 1935, just before the "cattedre ambulanti" were suppressed, Lit. 230 (at 1963 prices) per farmed hectare was being spent on technical assistance. Under the second Green Plan this had fallen back to Lit. 200 (at 1963 prices) per farmed hectare.⁴²

38. See Dr. L.E. Virone "Borgo a Mozzano", p.3, where he outlines the efforts of Italian public administration to bring more efficient farming practices to farmers.

39. The Reform Boards, set up following legislation in 1950, operated in Sila (Calabria), Maremma, Puglia, Basilicata, Sicily, Sardinia and the Padano Delta. By the end of 1959 Dr. Virone estimated that 761,953 hectares had been expropriated in these areas and 616,580 hectares reallocated to 109,303 peasant families. See L. E. Virone, "Borgo a Mozzano", p.2.

40. See above, footnote 36 for the full references.

41. Dr. L.E. Virone, "Borgo a Mozzano", pp.3-36.

42. Orlando, Progressi e Difficoltà dell'Agricoltura, p.39.

The problem widely debated in the 1950s and 1960s revolved round the question of who should provide costly technical assistance and supervised credit, given that it had been proved so successful on a number of occasions, though on the whole only in controlled experiments. Most commentators argued that it was the responsibility of the credit institutions themselves. Picchi maintained in 1966 that the credit institutions had an obligation to investigate the economic viability of a farm not only with a view to safeguarding any loan about to be granted, but also to advise the farmer on how best to farm his land more profitably.⁴³ Prinzi saw the credit co-operatives as best suited for this task.⁴⁴

In contrast, Viggiani, who later became director of the ACSBN, recognised the limitations on the credit institutions.⁴⁵ Although the ACSBN maintained a team of specialists in each province of the south, providing the basis for a system of advice and guidance to farmers, as well as loans of adequate size to cover the farmers' requirements, the system had a number of drawbacks. The main one was that it was available only to those farmers who came forward with requests for credit. In general these were the more progressive, better educated farmers who least needed supervised credit and technical assistance. The relatively more backward and needy farmers, who had no recourse to bank credit, would therefore be left out of such a scheme. Furthermore, in the face of inadequate infrastructures, general education and

43. Antonio Picchi, "Limitazione dei rischi nel credito agrario", Atti del 2° Convegno di studio promosso dalla Università Cattolica del Sacro Cuore e dall'Ente Nazionale Casse Rurali Agrarie ed Enti Ausiliari (Rome, 1966), p.122.

44. Daniele Prinzi, op.cit., pp. 124-126.

45. Domenico Viggiani outlined these views to me in an interview in February 1972. They were also expressed in his lecture at Borgo a Mozzano in 1959 (see above footnote 35) and his article in the *Rivista di Economia Agraria* in 1953 (see above footnote 36). The Banco di Napoli, in its Annual Reports of 1953, 1954, 1955 and 1958 recommended government support for agricultural credit institutions so that they could provide more extensive technical assistance to borrowers, but their appeals met with little or no response.

sanitation, the value of all such efforts was greatly reduced. Indeed, as Professor Graziani forcefully explained, supervised farm credit and technical assistance, whether provided by the banks or the government, would only bear fruit in conjunction with a general economic programme aimed at industrial development and the gradual streamlining of agriculture through the transfer of labour from farming to industry.⁴⁶ Only when the number of farms had been greatly reduced could supervised credit and technical assistance be profitably applied - especially since the administrative costs would be lower - and a greater proportion of farmers would, in the normal course of events, approach banks for credit.

The object of reform, as identified by commentators such as Viggiani, could not be faulted: technical assistance and supervised credit were vital facilities which would undoubtedly have increased the return - in terms of increased farm output - on agricultural credit. The reason why the proposed reform was not acted upon was predominantly financial - the cost of running such a scheme in other than the limited areas under the Reform Boards of the early 1950s would have been prohibitive. Furthermore, adoption of a nationwide scheme would have tended to fossilise land ownership in that it would have assisted all farmers to become more efficient. In doing this it would have greatly slowed down the transfer of labour from relatively low-productivity employment in farming to more productive employment in industry - a cornerstone of the economic development programmes in post-war years. Consequently the burden of providing technical assistance, as we have seen, fell on the special credit institutions such as the ACSBN with their limited resources. Nevertheless, with the continuing exodus of labour from farming and a trend towards larger farms, contact between farmers and the credit institutions may be expected to increase, bringing more and more farmers under the influence of the credit institutions and their albeit limited technical assistance.

46. Professor A. Graziani of the Agricultural Economics Department of the University of Naples at Portici discussed these points with me on 10th May 1972.

Conclusions

The foregoing discussion shows how difficult it was to obtain widespread support for major proposals for reforming the system of agricultural credit. Indeed, not one of the four proposals was adopted despite each having notable qualities. In large part this reflected satisfaction - mainly by the government and the Special Credit Institutions - with the existing system. Admittedly the ACSBN on occasions was outspoken in its criticism of the system, and in particular the way the government operated it, but in general it accepted that radical restructuring - such as the creation of INCA - was not necessary. Although INCA would have assured better distribution of loanable funds and improved facilities for raising capital for on-lending to farmers, both the Special Credit Institutions and the government feared an erosion of their influence. The Special Credit Institutions saw themselves becoming financially answerable to and dependent on INCA; the government feared that in accepting INCA it would lose its control over loans made with government funds and that INCA would prevent the government using agricultural credit as an instrument of agricultural policy. Others feared that INCA would lead to greater bureaucracy and delays in distributing agricultural credit. A new tier would be added to the various layers of financial institutions offering credit to farmers, a tier that would need to contain nominees of all vested interests: the government, the credit institutions and, perhaps, even manufacturers of farms inputs. In addition, it would be far-removed from the farmers themselves, and unclear about the particular needs of the farmers. Finally the additional costs would only lead to dearer credit, given that the resultant improved efficiency of the credit system would be unlikely to cover the high administrative costs.

The encouragement of agricultural credit co-operatives also encountered opposition from the government and the Special Credit Institutions. Their encouragement would have challenged the position of the Special Credit Institutions. Whilst reducing the business available to the Special Credit Institutions, the development of co-operatives would have led to less efficiency in the administration of agricultural credit, since there was a shortage of men of sufficient skill or vision to make the necessary decisions. In particular it would have led to a fragmentation of credit supply that would have

greatly weakened the ability of the government to use credit as an instrument of agricultural policy. Likewise, making access to credit easier under a current account facility for farmers would have reduced the scope for using agricultural credit, at subsidised rates, as an incentive for specific investments - a feature of the 1950s and 1960s.

The one proposed reform that did not encounter entrenched opposition from the government and credit institutions was technical assistance and supervised credit. In practice, opposition was not necessary, the scheme being too costly to consider on a large scale. In some selected projects it was implemented and worked well and in certain pilot projects - such as the Cassa di Risparmio delle Provincie Lombarde's scheme in the early 1970s to provide capital and expert advice to farmers prepared to develop intensive livestock farming - there was some success in reconciling the high cost with the actual returns. But in a general application such success would have been unattainable.

It therefore appears that although major reform of the agricultural credit system was largely unsuccessful, limited progress was made in selective areas. Nevertheless, the fundamental weaknesses outlined in the foregoing chapters and well documented in the experience of the ACSBN in the evolving agricultural credit system are unlikely to meet with early remedies. Indeed, the factors that brought Campilli in 1966 to the conclusion that a radical reappraisal of agricultural credit was long overdue have not been tackled in the following decade.

CONCLUSIONS

General remarks

This dissertation has examined the development of agricultural credit in the mainland south between 1927-8 and 1970 from the perspective of the Banco di Napoli. As the introduction explained and the various chapters developed, there were sound reasons for choosing such a precise topic. Agriculture was taken because the Italian economy, but particularly that of the mainland south, remained predominantly agrarian well into the twentieth century. Agricultural credit was important because adequate capital inputs were necessary to facilitate modernisation of farming techniques and to maintain production levels while releasing other resources - essentially labour - for the process of industrialisation. The time-span of 1927-8 to 1970 was determined by two clear watersheds in Italian agricultural history. In 1927 the government won parliamentary approval for a radical restructuring of the agricultural credit system which involved the replacement of a basically local, co-operative credit network with a rigidly hierarchical, streamlined system based on a central Special Institution in each major economic area. The new system continued to function throughout the following forty-three years with only minor alterations. Even the second World War and the review of the economic structure by the Constituent Assembly immediately after the war led to no significant changes. In 1970, however, the central government and ministries in Rome transferred control over agricultural credit to the regional governments as part of an extensive regional development programme. In this way the influence of the Special Institutions in their areas of competence which encompassed various regions was shattered. Instead of being the local representative of the national government, the Special Institutions lost their freedom to determine agricultural credit policy in the regions under their control; this responsibility passed to the regional governments and the Special Institutions could no longer apply standardised policies throughout their territories. In effect, henceforward each region would have its own agricultural credit policy whereas before fewer Special Institutions determined agricultural credit policy. These considerations also explain the choice of the Banco di Napoli and its Agricultural Credit Section (ACSBN).

The ACSBN became in 1927 the Special Institution for the regions of Abruzzi, Molise, Basilicata, Campania, Calabria and Puglia and the two southern-most provinces of Lazio - the mainland Mezzogiorno. It is therefore reasonable to look at the development of agricultural credit in the mainland south from the perspective of the ACSBN.

It may be asked why the dissertation focuses so closely on the mainland south and only occasionally draws parallels or contrasts with developments in other countries or even in other areas of Italy. With regard to international comparisons, the explanation is to be found in the fact that the agricultural credit reform law of 1927 pushed Italian agricultural credit in one direction, well away from the approach taken in virtually all other countries - credit co-operatives. The highly structured, politically manipulated, hierarchical system adopted in Italy had its roots in co-operative credit, but the reform eliminated competition, closed down large numbers of credit co-operatives where they duplicated services and subordinated the credit outlets to national rather than local considerations. Elsewhere, the local rôle of credit co-operatives - local self-help - was retained and even strengthened through associations of credit co-operatives, as happened for example in the Netherlands. In a few countries, for example the United Kingdom and Ireland, the supply of agricultural credit was left to the formal financial system, with commercial banks lending most forms of agricultural credit and a national body - in the United Kingdom the Agricultural Mortgage Corporation - supplementing the supply of funds. Thus in 1927 Italy parted company with the rest of Europe. This dissertation therefore considers developments in the special case of Italy after it parted company.

Within the special case of Italy, however, there were other special sub-cases. The Italian Mezzogiorno has long been recognised as an especially backward region of Italy. Indeed, recognition of this fact has led to the development of the theory of Italian dualism - the more advanced north and backward south. Many explanations have been put forward for dualism in Italy - the influence of occupation by more enlightened countries in the north than in the south; the closeness of the north to markets and competition; the stultifying effect of the southern climate and associated diseases; the economic exploitation by the north of the south which was considered a useful source of cheap labour and produce for the north; the

financial exploitation of the south, which was drained of savings by a banking system geared to supplying the needs of the modernising and industrialising north; the administrative neglect of the south, which was burdened by heavy taxes but received a disproportionately low level of public services. These factors, and many more, have been given to explain why the Mezzogiorno was retarded in comparison with the north and centre. Most of these factors have been drawn on in this dissertation as possible explanations for certain developments. The fact nevertheless remained that the mainland south, where the ACSBN was the Special Institution, was undoubtedly at a disadvantage in comparison with the rest of Italy. Since agriculture was the main economic sector of the Mezzogiorno in 1927-8 and agricultural credit is recognised as a vital key to agricultural development, detailed analysis of how the ACSBN was able to meet its responsibilities is important not just for an interpretation of agricultural development in the south but also in the context of studies of dualism.

To the extent that there are no detailed studies of agricultural credit in the mainland Mezzogiorno in the whole period from 1927-8 to 1970, this dissertation provides important new insight into these topics. Where appropriate references have been made to events and developments in other parts of Italy and abroad, but this is not a comparative study. This dissertation concentrates on agricultural credit in the mainland Mezzogiorno, and not just in aggregate, but also taking into consideration the many different facets of southern agriculture, as explained in the introduction and developed in the Statistical Appendix.

Within this clearly defined field, the dissertation covered three principal areas: questions of a financial and banking nature (e.g. supply of and demand for agricultural credit and the rôle of the ACSBN in providing agricultural financing); questions of an economic and development nature (e.g. agricultural credit and its contribution to agricultural growth); and questions of a political nature (e.g. the rôle of the public sector and the structure through which agricultural credit could best be provided). The conclusions that may be drawn from the evidence in the dissertation on these topics are presented in the following section.

Specific concluding remarks

(i) Financial and banking considerations

The dissertation's description and analysis of the development of agricultural credit in the mainland south took account of the financial and banking aspects by considering the subject through the operations of the ACSBN. Interesting conclusions may be drawn from the facts presented in the dissertation. These conclusions concern in particular the influences on agricultural credit's supply, demand and price; the significance of risk inherent in agricultural investment; the profitability of agricultural investment for the banking system; and the consequences for regional and sectoral flow of funds of the ACSBN's and Banco di Napoli's operations in the mainland south.

Interpretation of the influences on agricultural credit's supply, demand and price is conditioned by the fact that when the ACSBN was created in November 1927 it was placed in a clear monopoly position. In the mainland Mezzogiorno (and at that time also in Sardinia and Libya) it was not only unchallenged by any other bank but also dominated and controlled the smaller local agricultural credit institutions. It could, for example, force Authorised Institutions and Intermediary Boards out of the agricultural credit business if they went against its instructions. Up to the end of the second World War its position was never seriously challenged. The two banks empowered to lend all forms of agricultural credit throughout Italy in order to break the monopoly of the Special Institutions - the Banca Nazionale del Lavoro and the Banca Nazionale dell'Agricoltura - were mainly located in large commercial centres and seldom in rural areas, and so presented only a minor challenge to the ACSBN's position in the backward, agricultural mainland south. Even the co-operative system became shackled, with its credit operations firmly controlled by the government and its agricultural credit institutions rationalised and transformed into Intermediary Boards which were totally dependent on the local Special Institution for funding. A final check on the monopoly position of the ACSBN - the establishment of the Meliorconsorzio in 1928 to provide long-term credit exceeding a certain amount specified for each Special Institution - was of no great hindrance to the ACSBN, especially during the period that its first chairman, Frignani, was also the General Director of the Banco di Napoli.

The ACSBN was therefore in a particularly strong and independent position, certainly up to the end of the second World War. Its monopoly over agricultural credit was broken after the second World War when the government set up the Cassa per il Mezzogiorno in 1950 with the specific aim of fostering economic development in southern Italy. This meant that an institution entirely outside the control of the ACSBN could channel substantial sums of credit and even capital grants into selected areas of the south, both in agriculture and industry.

The implications of the ACSBN's unbroken monopoly position up to 1950 and its weakened, but still powerful, influence after 1950 are significant. One might have expected the ACSBN to take advantage of its privileged position, making excessive profits, lending only to the most secure customers and channelling funds through its parent bank into more profitable industrial investments. There is, however, no evidence of such extreme developments. Some weaknesses of the system did, however, emerge.

With regard to the supply of agricultural credit the ACSBN has repeatedly emphasised that as far as lending out of its own funds was concerned there had never been any difficulty in satisfying legitimate demand. Confirmation can be found for this in the data for the 1930s which show that most loan applications received by the ACSBN were satisfied. This observation, however, makes no mention of the other crucial variable linking supply and demand, namely price. The ACSBN could regulate the interest rate on its own loans so as to ensure that demand could be met from available resources. Given the large proportion of short-term renewable production loans out of total ACSBN lending with its own funds, the ACSBN had ample flexibility to ensure that demand could be restricted through the price mechanism. In addition, the Authorised Institutions and Intermediary Boards, which refinanced part or all of their agricultural lending through the ACSBN, could be encouraged to limit their operations by higher charges imposed by the ACSBN. Thus the claim by the ACSBN that there was never a shortage of agricultural credit offered may be true, but this might have been due to the price charged for loans.

Direct evidence, however, is not available, there being no records of the interest rate charged on agricultural credit. Indirect evidence nevertheless exists. The data on new agricultural loans by the ACSBN are clearly influenced by periods of tight liquidity. For example, the intensifying financial difficulties of farmers caused by the sharp drop in output prices and smaller falls in input prices forced the government in 1930 to pass a law requiring the agricultural credit institutions to renegotiate outstanding loans to reduce the risk of bankruptcies amongst farmers. This loss of liquidity for the ACSBN was offset by a reduction in new lending. Only new, short-term production loans continued to grow, since the ACSBN could be assured of early repayment. Similarly, following harvest failures in 1959 and 1960 the government again forced agricultural credit institutions to renegotiate their outstanding loans. The resulting liquidity squeeze forced the ACSBN to drastically reduce its new lending, especially its financing of Intermediary Boards, and to concentrate on short-term production loans.

In addition, the ACSBN's liquidity was further constrained by two factors. First, the ACSBN had no direct access to the money or capital markets. It was prohibited from taking deposits by the Agricultural Credit Reform Law of 1927 and was dependent on allocations by the Banco di Napoli from deposits with other sections of the bank or the bank's own capital market funding. Secondly, the period from 1928 to 1970, but particularly the immediate post-war years, was characterised by strong inflation. The purchasing power of money was therefore decreasing, so as loans made several years earlier were repaid, they were no longer sufficient to acquire the same products as they had originally. To the extent that the interest payments made were insufficient to cover the depreciation in the purchasing power of money and the operating costs of the ACSBN - as was the case - then the ACSBN's liquidity was being constantly squeezed and especially in periods of accelerating inflation. This was the case, for example, in the late 1940s, when it greatly hampered the ACSBN's contribution to post-war recovery in southern agriculture and was only resolved when large capital injections - mainly from American aid - were made available.

These examples indicate a recurring weakness in the supply of agricultural credit in the mainland south throughout the period under review: the ACSBN at times was unable to supply sufficient funds. When it was able to freely manipulate demand through the interest rate charged there were no problems, but when it was forced to increase its lending or lengthen maturities, then it suffered severe strains.

The problem of inadequate supply of agricultural credit was intensified by the stockpiling policy of the Fascist government. By requiring the ACSBN to initially finance the stockpiling of crops on behalf of the government and only later reimbursing the ACSBN, the margin for independent action by the ACSBN was drastically reduced. Consequently, the ACSBN had little incentive to stimulate agricultural credit demand in the 1930s and early 1940s.

Demand in any case was weak. The requirement that only landowners could obtain an improvement loan, since a mortgage had to be secured on the land, greatly limited demand in the mainland south where very few farmers worked their own land. In addition there was a certain stigma associated with borrowing from a bank: if a farmer were known to have borrowed from a bank he would find it increasingly difficult to obtain commercial credit since the bank had a prior claim on his assets in the case of default.

As the dissertation showed, however, the post-war years witnessed a significant transformation in attitudes to supply for and demand of agricultural credit. On the supply side the government itself or through the Cassa per il Mezzogiorno increasingly provided cheaper funds to agriculture. On the demand side three factors had positive, stimulative results. First, more frequent contact with the ACSBN because of its administration of compulsory stockpiling from the mid-1930s meant that farmers became less hesitant and reluctant to deal with banks. Secondly, the efforts of Reform Boards and the Cassa per il Mezzogiorno to modernise farming in the mainland south stimulated demand for modern inputs such as fertilisers and tractors and broke down much of the conservatism of farmers. In addition land reform programmes meant that owner-occupied and operated smallholdings flourished, reducing the obstacles to agricultural credit growth caused by the pre-war land tenure structure. Thirdly, the rapid loss of labour from agriculture into urban centres meant that credit was needed to accelerate labour saving modernisation and investments.

A feature commonly limiting supply and demand was the risk involved in such a credit operation. Neither the bank nor the farmer could be certain of the loan being serviced regularly and repaid. Agriculture is a notoriously risky sector, subject to harvest failures, sharp international as well as national price fluctuations and sometimes violent structural change associated with its steady decline in relation to other economic sectors. In periods of no government guidance - as in the early 1930s - the ACSBN therefore favoured low-risk lending. This meant that large landowners, mainly in the more prosperous grain-growing areas in Puglia, found agricultural credit particularly easy to obtain while the marginal and subsistence farmers of the hilly and mountainous areas of the mainland south could rarely obtain loans. Similarly, large landowners could afford the risk of borrowing from banks since a crop failure would seldom lead to bankruptcy. Subsistence and marginal farmers could hardly run such a risk, even if the investment might be highly rewarding if all went well.

Considerations of risk nevertheless played a minor rôle in determining agricultural credit flows in much of the period under review. The financing of compulsory stockpiling in the late 1930s and early 1940s and the government's post-war policy on subsidised loans and development projects played a much greater rôle.

These developments nevertheless did not impinge on the profitability of the ACSBN, as the dissertation has shown. Other sections of the Banco di Napoli were less profitable, but this does not allow us to conclude that the ACSBN was taking undue advantage of its monopolistic position in the mainland south for much of the period under review. It probably reflects more the low levels of return to be obtained on industrial investment in the industrially backward south and the high administrative costs of banking in a large area with scattered population and a low level of per capita savings associated with the low standard of living. In this regard it could be argued that the effective dismantling of the co-operative credit network by the agricultural credit reform law of 1927 played against the interest of southern farmers since agricultural credit co-operatives, operating on a voluntary basis, could have supplied cheaper loans than the cumbersome and costly Banco di Napoli.

On the other hand credit co-operatives would have done little to prevent the drain of savings from the agricultural south and into the commercial and industrial centres of northern and central Italy. These flows, when they took place, involved in general the savings of more affluent southerners and would still have taken place without the assistance of the Banco di Napoli. It should be noted, however, that the prohibition of deposit collection by the ACSBN and all other agricultural credit institutions in the agricultural credit reform law of 1927 undoubtedly reduced contact between farmers with small savings and the agricultural credit institutions, disrupting and diverting the flow of loanable funds and increasing overall costs.

These considerations all point to the conclusion that, despite the repeated assertions to the contrary by the ACSBN, there were problems with the financial and banking system and in particular with agricultural credit supply and demand in the period under review. The problems nevertheless did not stem from the monopolistic position of the ACSBN in the mainland south. They could in part be traced to the reform law of 1927 which replaced a credit system basically structured on co-operatives with a rigidly hierarchical banking system under the control of the Special Institutions. On the other hand the centralised structure permitted the government to foster contacts between farmers and the credit institutions and to selectively encourage lending. A more fragmented banking system based on co-operatives would have been less amenable to such manipulation. On balance, and as Chapter IV of the dissertation emphatically shows, the agricultural financing and banking system set up towards the end of 1927 operated well and the proposed reforms and amendments were reasonably rejected.

(ii) Economic and development considerations

A balanced evaluation of the contribution of agricultural credit, and in particular that supplied by the ACSBN, to economic growth and development is virtually impossible. The dissertation has nevertheless presented the evidence and mentioned the analytical work that has been done on the subject. A number of fundamental difficulties arise when trying to evaluate the contribution of agricultural credit. For example, if there had been no

agricultural credit provided, what proportion of farmers' cash needs would still have been met but from other sources such as commercial credit and moneylenders? In other words, what proportion of agricultural credit merely substituted other sources of external finance and what proportion was supplementary? If substitution was significant then the contribution of agricultural credit to economic growth and development would have been relatively limited. Conversely, if agricultural credit largely added to total agricultural investment then its contribution would have been much greater.

These observations are especially significant for the mainland south. With an overwhelming proportion of southern farmland marginal - either on infertile mountains or in hilly country - the gradual rundown of farming with the loss of labour attracted into industry would not have generated a spontaneous substitution of labour with capital and so higher credit demand. Instead marginal land would have fallen into disuse and the agricultural sector would have contracted. This phenomenon certainly occurred and may have contributed to the serious problem of soil erosion, flooding and landslides that have affected hilly and mountainous areas particularly in southern Italy where farming has been abandoned. It could therefore be argued that without agricultural credit the environmental damage done by marginal land falling into disuse would have been greater. Such considerations certainly weighed heavily in the government's decision in the 1950s to offer credit on particularly favourable terms to farmers in mountain areas. Judgement of the contribution of agricultural credit to economic growth and development cannot therefore be based exclusively on economic considerations such as the rate of return on agricultural investments. Account must also be taken of the environmental and social costs, for example, of not ensuring continued farming of marginal and so low-yielding land.

Furthermore, the arguments just mentioned lead to another important conclusion: that an adequate assessment of agricultural credit's contribution to economic growth and development cannot rest only on a comparison of the productivity of capital investments (i.e. relating agricultural credit and investment to total agricultural output and taking account of changes in the labour input) in the mainland south with other areas of

Italy or the national average. Within these broad geographical groupings there were major differences in the nature of the agricultural credit and investments. For example, areas containing mainly fertile plains were more inclined to replace migrating labour with higher capital investments since the returns on the investment would normally be high. But in the marginal farming areas there would be less incentive to replace labour. Accordingly, local differences must be taken into account as much as possible. The scope for this is, however, very limited, since statistics on agricultural credit, investment, labour force and output are insufficiently detailed at a provincial level.

A further point that must be borne in mind is that agricultural investments are not identical. The same amount of money invested in a tractor or an irrigation scheme will yield different returns to the farmer and over different time-spans. Some investments may be of only very limited economic value. This has been illustrated by the stockpiling programme which in the late 1930s and early 1940s accounted for the overwhelming part of agricultural credit. While desirable from the viewpoints of national self-sufficiency and price stabilisation, in economic terms stockpiling merely substituted agricultural credit for more traditional commercial credit and investment in the form of carrying stocks until market prices and demand justified sales on the market. The growth potential of agriculture was hardly improved by stockpiling investments, unless price stabilisation helped to boost farmers' confidence and expectations and so stimulated additional, but this time, productive investments. This, however, is unlikely to have been significant.

A different problem is raised by the largescale investments after the second World War in land reform and the creation of owner-operated smallholdings. These extremely capital intensive transformations of wasteland or extensively farmed estates undoubtedly boosted production and yielded high returns over long periods. In addition they were supplementary investments since, without agricultural credit and government encouragement, it is unlikely that they would otherwise have been made. These two examples clearly indicate that a worthwhile analysis of the value of agricultural credit must therefore also take into consideration the purposes to which the agricultural credit was put.

A large number of variables have therefore to be considered in any evaluation of agricultural credit and investment, such as whether agricultural credit supplemented or replaced other forms of financing; whether it had non-economic, social and environmental functions or was purely commercially determined; and the precise purpose of investments financed with agricultural credit. Such a precise analysis requires detailed statistics, broken down according to sufficiently uniform geographical units, for example, provinces. For the whole period from 1928 to 1970 the material is unavailable, but some progress can be made taking shorter periods, as the Statistical Appendix has convincingly shown. However, only general conclusions can be drawn about the importance of agricultural credit for economic growth and development over the whole period.

There can be no doubt that agricultural credit contributed significantly to the remarkable progress in southern agriculture between 1927-8 and 1970. Total and per capita agricultural output rose strongly during the period. A backward agricultural system was modernised with new crops and rotations introduced, fertilisers applied in ever-increasing amounts and mechanisation taking off. In addition there was a radical reform of land-tenure designed to give farm workers their own secure smallholdings and to break up large estates which had been extensively and inefficiently farmed. Chapter III of the dissertation has traced these developments, but what is of particular significance is the picture that emerges from the Statistical Appendix linking low agricultural credit uptake with slower economic growth and development, especially in the provinces of Calabria and Basilicata.

Agricultural credit therefore contributed to and moved in parallel with improving agricultural output and efficiency. Indeed, as discussed in the dissertation, there is even evidence to suggest that agricultural credit in the mainland south was particularly effective in this regard and significantly more so than in the rest of Italy. But the question remains whether the agricultural credit system in any way retarded agricultural progress. This is one of the points considered in the next section.

(iii) Political considerations

The dissertation has shown that politics - in the sense of general policy considerations rather than decisions concerning agriculture based purely on economic considerations - were frequently dominant influences on the development of agricultural credit during the period under review. In addition, the agricultural credit system itself and many of the proposed reforms of the system (mainly discussed in Chapter IV) reflected political prejudices: on the one hand a belief in free market forces and on the other hand a preference for centralised control over a rigid, extremely hierarchical agricultural credit network. At no time during the period was agricultural credit allowed to develop free of political considerations. The very decision in the 1927 agricultural credit reform to abandon a co-operative agricultural credit system which would have been largely free to determine its own lending policy precluded any effective development of agricultural credit outside political control. One of the principal motives for the reform of 1927 was to establish an agricultural credit system that could be easily manipulated by the authorities. The question that has to be answered is whether this political interference was necessary for agriculture or whether it slowed its development, especially since the proposals for improvement of the agricultural credit system which are discussed in Chapter IV imply some dissatisfaction with the functioning of the system.

One of the principal reasons for planning and carrying through a reform of the agricultural credit system in 1927 lay in the desire to remodel the entire banking system on sounder lines. The currency reform in the mid-1920s with the introduction of a strong currency policy required monetary deflation. The powers of the central bank had to be increased - as was done by the concentration of note-issue in the Bank of Italy - and credit had to be firmly regulated. In agriculture this meant a reorganisation of agricultural credit at the end of the 1920s and a reform of land purchase and reclamation finance in the 1930s. More significantly, efforts were made to streamline the bank network, so as to avoid unnecessary competition, which might force banks to undertake risky operations in order to maintain a competitive edge, and checks were also introduced to limit the deposit-taking powers of the agricultural credit banks and so their scope for credit creation. Thus one of the provisions of the agricultural credit

reform law of 1927 was that agricultural credit institutions could not take deposits. In this way the Authorised Institutions and especially the Intermediary Boards became heavily dependent of their local Special Institution for refinancing of their lending operations. Overall monetary control could therefore be exerted through the Special Institution.

The fact that the agricultural credit system went through the tremendous upheavals of the period from 1927 to 1970 - the world depression, the second World War, post-war inflation and the Italian economic miracle - without collapsing and even prospered indicates that it was sturdily constructed. It may, however, be argued that in that sturdiness was also too much inflexibility which reduced its ability to adapt to changing circumstances and to resist particularly the government's demands.

Pre-war stockpiling illustrates this well. The government, with its national concerns over autarchy - self-sufficiency in key products - saw advantages in providing a guaranteed minimum price for vital agricultural produce. In addition this would allow the authorities, through intervention purchases and sales, to regulate market prices and so, through the sensitive price of flour and bread, influence the level of domestic wages and salaries and ultimately domestic demand. The problem arose from the liquidity effect on the agricultural credit institutions of financing such expensive stockpiling operations. This dissertation has argued that a positive side-effect of stockpiling was to bring farmers into closer contact with the credit institutions and break down their distrust of the banking system. Nevertheless, it remains true that the government diverted funds originally made available to agricultural credit into financing and backing its own general economic policies, exploiting the easily controlled agricultural credit structure.

After the second World War the agricultural credit system's inflexibility again impeded it from fully meeting the financial needs of agriculture and left it vulnerable to political decisions concerning the distribution of agricultural credit. Although the Constituent Assembly came down strongly in support of the existing agricultural credit system as being the best suited to supplying the post-war credit needs of agriculture, the late 1940s and early 1950s were marked by chronic liquidity shortages. Despite increasing their lending operations, the agricultural credit institutions and especially the ACSBN were unable to meet the demands from a radically changing agriculture. The social demands for land reform with

the creation of many smallholdings to be owner-operated required massive capital injections - to reclaim the land or acquire it from absentee or wasteful landowners; to transform it into economically viable smallholdings; to equip the new smallholder not only with machinery, but also a farmhouse, barns and storage facilities; and to provide operating capital. Land that was previously under-capitalised suddenly required heavy investments, and the agricultural credit institutions, whose loanable funds were being eroded by high inflation, were unable to meet this politically motivated high credit demand.

Another government objective in the 1950s was to modernise agriculture, making farming more efficient and releasing surplus labour for absorption in industry and the service sector. This, too, required high capital injections into agriculture, but the credit institutions were forbidden to bid for deposits and the politically desired investments were in any case highly price elastic.

Associated with this national objective of modernising agriculture was the more specific policy of economic development of the Mezzogiorno. This involved the provision of vital infrastructures and the stimulation of industrial development in addition to the modernisation of agriculture.

Most of these post-war political objectives could not be justified on economic grounds alone: they were pursued as much for social as economic reasons. The rigid agricultural credit structure in some respects was completely unsuited to meeting the demands placed on it in this context, while in other respects it was ideally suited. Its inability lay in providing the necessary funds; its strength in being ideally structured to efficiently channel to the farmers the funds eventually made available. This observation is vital to any assessment of the agricultural credit system and the rôle of the ACSBN from 1927 to 1970: it was poorly equipped to generate itself a flow of capital into agriculture but it was ideally structured to channel capital inputs. In other words it was more an arm of public administration than a genuine banking institution and for this reason it was almost continuously forced to assist in the implementation of government policy, either making its meagre cash resources available to the government, as with stockpiling before the war, or channelling government funds to specific projects such as land tenure reform, agricultural modernisation and the development of the Mezzogiorno after the war.

Seen in this context, the reforms to the agricultural credit system that were proposed over the years and have been outlined in Chapter IV fit into a clearer pattern. On the one hand some proposals sought to release the agricultural credit institutions from their liquidity difficulties. Dell'Amore's proposals to establish INCA, which would have been able to raise funds on domestic and even international capital markets and then supply them to the agricultural credit institutions would have allowed the agricultural credit system to develop lending policies of its own rather than increasingly becoming an agent of the government. Similarly a strengthening of agricultural co-operatives and permitting agricultural credit institutions to take deposits would have granted them greater financial freedom. On the other hand, other proposed reforms, such as the development of technical assistance and supervised credit, were new areas where government action was necessary - albeit through the agricultural credit system - since the costs of introducing such programmes would have been prohibitively high for the credit institutions.

Ultimately the decision of the authorities to leave the agricultural credit system unchanged reflected a desire to maintain control over a structure that had proved itself well-suited to implementing government policies. Refusal to consider reforms such as INCA, strengthening credit co-operatives and allowing agricultural credit institutions to take deposits therefore indicated the government's clear-cut choice not to have an independent agricultural credit system - a decision initially taken in 1927 and one which made agricultural credit in Italy develop differently from other European countries.

A final question remains: how long can the government leave the agricultural credit system unchanged? Although change comes notoriously slowly in Italy, and especially in the Mezzogiorno, there are indications that it must come soon. The introduction of greater regional autonomy with the devolution programme of the early 1970s has meant that the individual regional governments have a vital say over agricultural credit policy in their regions. The shift in political power to the regions means that large Special Institutions are now having to work with several regional governments - the ACSBN with seven. Their former advantage of being able to co-ordinate agricultural policy throughout the area under their control has now been lost. It therefore seems probable that, if the regional governments retain or even increase their influence over agricultural policy, then a

reorganisation of the agricultural credit system may become necessary, possibly in such a way as to better meet the local credit needs.

Concluding remarks

This dissertation has examined the development of agricultural credit in the mainland south between 1927 and 1970 from the perspective of the Banco di Napoli. In doing this it has covered a subject completely ignored in English and only briefly and partially considered in Italian. This gap, however, needed to be filled and out of the study important conclusions have been drawn.

It has been noted that from 1927 the development of agricultural credit in Italy moved distinctly away from the co-operative pattern more widely pursued in other European countries. Furthermore, developments in southern Italy, and in particular the mainland south, were different from those in the north, reflecting in large part differences in land tenure, the quality of farmland and education, and the climate. The development of agricultural credit in Italy was therefore a special case in Europe, and in the mainland south it was a special case itself within Italy.

In addition to filling a gap in studies on agricultural credit this century, it also highlighted two major aspects of agricultural credit in mainland southern Italy. The first one was the prominent rôle played by the government in agricultural credit throughout the period from 1927 to 1970. Although up to the end of the second World War there was no channelling of government funds through the ACSBN and into farming, there was considerable political pressure on the ACSBN to ensure the success of official policy on agriculture and in particular the programme for autarchy. After the war the agricultural credit network was both supplemented - by the creation of the Cassa per il Mezzogiorno and the Reform Boards - and exploited to funnel vast amounts of government credit into agriculture. In effect the agricultural credit network - unlike in other countries - was used throughout the period by the government as a branch of public administration and increasingly its own-fund operations played a smaller part in its total lending.

This centralised control over agricultural credit, which was a characteristic of the agricultural credit reform law of 1927, nevertheless meant that policy was generally formulated at a national level. Not only did this restrict the possibilities for resolving the particular economic backwardness of the Mezzogiorno - a point frequently raised by the Banco di Napoli in its Annual Reports - but it also meant that special problems within the mainland south - for example the difficulties of introducing modern farming techniques to the remote farms in marginal mountain and hill areas such as Calabria and Abruzzi-Molise - were neglected. This second major aspect of agricultural credit has been developed especially in the Statistical Appendix where the little material that exists in a sufficiently detailed form for the provinces of the mainland southern regions is presented. Much further valuable research could be done in this area if data were to be kept and made available by the agricultural credit institutions and the ACSBN in particular. Some grounds for optimism exist since the shift of political power from central government to the regional authorities may well lead to greater interest in particular local problems, including agricultural credit.

A final quotation from Viggiani, referring to the differences between northern and southern Italy could well be applied to the differences within the mainland south and well illustrates the value of research on agricultural credit in the mainland Mezzogiorno: "The different degree of development of agricultural credit between the North and the South is therefore only a reflection of the substantial difference between the two prevailing forms of agriculture and does not depend on the level of interest rates, nor on the availability of funds. On the contrary, experience over decades now has shown that increasing the funds available to the credit institutions and stimulating [demand] though a reduction in interest rates produce results only with long delays and only when conditions outside the farms are such as to allow a profitable use of credit.

Agricultural development in the Mezzogiorno must therefore be pursued through an integrated agricultural policy, and efficient organisation of agricultural credit supply is only one instrument of such a policy. On

the other hand, during this process of evolution the Mezzogiorno and the Islands will still suffer for some time from significant financing problems which will not affect the other regions and will therefore justify special but temporary measures."¹

Studies on this subject remain to be done, but I hope this dissertation has provided a comprehensive background for them and indicated where fruitful research can be done.

1. Domenico Viggiani, Organizzazione e Legislazione del Credito Agrario con Particolare Riguardo al Mezzogiorno ed alle Esigenze Contadine (Naples, undated), p. 32.

THE GREEN PLANS

Green Plans offered massive capital contributions and loans for a wide range of projects. The following table shows the principal categories:

FIRST GREEN PLAN	Allocation Lit.000 mn.	SECOND GREEN PLAN	Allocation Lit.000 mn.
Research, experimentation, demonstration and technical assistance to farmers.	21.5	1. RESEARCH (a) experimentation and resolution of development process 9.0 (b) research into market conditions and demand for agricultural produce 3.6 (c) technical assistance and extension services 15.65	
LONG-TERM CREDIT Contributions towards private land improvements benefiting the community, as defined in L.215 of 13th February 1933. 90.0 Interest rate subsidy on improvement credit, as introduced in L.1760 of 5th July 1928. The subsidy was to make up the difference between market rate and 4% p.a. (3% in mountain and development areas). 2.5 Capital grants to owner-occupiers for farm buildings and housing. 30.0 Capital grants on irrigation projects. 14.0 Increased finance for the L.991 of 25th July 1952 concerning mountain improvements. 40.0 Grants to encourage the cultivation of high quality luxury produce, such as wine, grapes, olives, nuts and citrus fruit. 14.0 Capital to assist co-operatives set up processing plant for farm output. 35.0 Capital to expand existing co-operatives and build new ones. 25.0 General land reclamation schemes. 40.0 Land reclamation in mountain areas. 25.0 Grants and loans for the creation of owner-occupied small-holdings. 17.5 Increased allocation to the Cassa per il Mezzogiorno mainly for loans to the Reform farms. 30.0		2. LONG-TERM CREDIT (a) Improvement grants of 40% with subsidised interest of 3% on the residual lent in Italy (50% grants and 2% interest in mountain and development areas). 100.0 (b) Infrastructures in mountain areas. 22.0 (c) 50% capital grants for mountain pastures. 30.0 (d) 5% grants towards the cost of planting olive, citrus, nut and fruit trees. 29.0 (e) general land reclamation schemes. 11.0 (f) land reclamation in mountain areas. 25.0 (g) afforestation schemes to counter soil erosion. 69.5 (h) 80% grants towards the cost of supplying electricity to rural areas. 38.0	
SHORT-TERM CREDIT Grants for pest control. 10.0 Advances to the Special and Authorised Institutions to lend for animal husbandry improvement. 5.5 Assistance to co-operatives, small- and medium-sized farms to extend animal husbandry. 20.0 35% capital contributions to co-operatives, tenants and share-croppers for the purchase of farm machinery. 20.0 Capital contribution to all farmers excluded under 3(d) above for the purchase of machinery 4.25 Advances to the Special and Authorised Institutions to lend as operating credit at 3% interest to co-operatives and small farmers. 20.0		3. SHORT-TERM CREDIT (a) grants for pest control 15.3 (b) increased allocations under the 1957 revolving fund for livestock at 2% interest 62.0 (c) grants for improvement of animal husbandry 11.0 (d) provision of 25% capital grants to share-croppers and tenants on machine purchases. 13.0 (e) increased allocations under the 1952 mechanisation revolving fund, extending its life to 1980, fixing the interest rate at 2% and permitting loans of up to 90% of the cost. 93.0 (f) advances to the Special and Authorised Institutions to lend as operating credit at 3% interest to co-operatives and small farmers. 29.0	
		4. EEC PRICE SUPPORT INTERVENTION (a) price stabilisation through intervention purchases, improved processing of farm produce; and greater co-operation between producers and vendors. 93.9	
TOTAL	464.25	TOTAL	669.95

Sources on the Green Plans: The whole of Claudio Marani, "Credito Agrario e Piano Verde", Progresso Agricolo, VII, July 1961 and Banca d'Italia, Assemblea Generale dei Partecipanti (Rome, 1962), pp.444-455.

APPENDIX II

The two principal forms of agricultural credit co-operatives in Italy were based on the Raiffeisen and Schulze-Delitzsch models. These two types of co-operative banks differed in several significant ways.¹

Frederick William Raiffeisen, burgomaster of Weyerbusch, founded his first bank in 1869. It was exclusively for local farmers and operated on three fundamental principles: the unlimited liability of its members; a restricted area of operations; democratically elected and usually unpaid officers. With unlimited liability of members and a policy of keeping the bank's share capital low, close supervision and efficient administration required that the membership should be extremely exclusive, based on a village where members all knew each other and would co-operate.

The exclusivity of Raiffeisen's agricultural co-operatives contrasted with Francis Frederick Schulze's Popular Banks - better known as Schulze-Delitzsch co-operative banks. Schulze established his first bank at Delitzsch in 1852 to serve both urban and rural needs - the former preponderating. In 1912 it was estimated that less than a third of members were farmers or even remotely associated with agriculture.

Unlimited liability also applied to members of Schulze-Delitzsch banks, but share capital was often significant and, unlike in Raiffeisen banks where it was normally only a nominal sum, occasionally prevented impoverished farmers from joining the banks. Backed by the greater financial stability of a sizable share capital and reserves and the unlimited liability of its members the Popular Banks - unlike the Raiffeisen Banks - were freer to operate in a broader geographical area, lending to members in more varied businesses and also recruiting more professional, paid administrators.

1. See Ilvo Capecchi, "Le Casse Rurali in Italia", Rivista di Economia Agraria, XI, No.2, 1956, p.248 and in general Giulio Tamagnini, Le Casse Rurali (Rome, undated).

STATISTICAL APPENDIX

The dissertation investigates the rôle of the ACSBN in the supply and distribution of agricultural credit in mainland southern Italy. It notes the increasingly important rôle of the government in both supplying the credit and in determining the uses to which it should be put, as, for example, in the two Green Plans of the 1960s. Largely for simplicity of presentation, but also because of the more abundant availability of data, the dissertation deals with large geographical areas - the mainland south or the individual regions of the mainland south (Campania, Calabria, Puglia, Basilicata, Abruzzi, Molise and the southern part of Lazio). Some very limited material is, however, also available for provinces in the south (i.e. subdivisions of regions).

Analysis of agricultural credit in the individual provinces of the mainland south would have been extremely interesting but was impossible because of the shortage of material. The value of such research lies in the fact that the Banco di Napoli's agricultural credit operations were decentralised to the provinces with the reorganisation of the Banco di Napoli in the late 1920s (see above page 24). Bank branches were therefore required to refer their business to the local provincial headquarters and not the Banco di Napoli's head office. All decisions were made there and so all statistics were based on the provincial headquarters. These statistics were assembled every three months and transmitted to the head office in Naples where regional and global aggregations were made. From the quarterly series submissions were then prepared for the Banco di Napoli's Annual Report, the principal publication presenting information on the ACSBN. Detailed studies were seldom undertaken or published and virtually no information is available on a provincial basis. Research is further hampered by the destruction during the second World War of a large part of the archives of the Banco di Napoli and by the continuing practice of destroying the quarterly provincial data-sheets about seven years after they have been received and aggregated into regional and global series.

Although some of the material could, at least in theory, be reconstituted by painstaking study of the branch records of all Banco di Napoli branches, this is unlikely to yield comprehensive series. This makes the material I have been able to assemble from quarterly provincial data-sheets all the more valuable, warranting presentation in this appendix. Inclusion in the dissertation itself, however, would have diverted attention from the major arguments developed there. The topics considered here, without exploiting all the material available, nevertheless develop aspects of agricultural credit in the mainland south which have already been touched upon in the dissertation.

(a) A comparison between 1927-30 and 1970 of the ACSBN's operations in the provinces and regions of the mainland south

Research by Casalini,¹ probably in the early 1930s, which details new lending by the ACSBN from its establishment on 14th November 1927 until 1930 by provinces, allows a detailed comparison by provinces between the beginning of the period covered in this study and the end. By taking just over three full years, Casalini allowed long enough for the ACSBN to establish itself, integrating the various independent credit institutions - mainly Provincial Agricultural Credit Banks - that had operated independently until the national reform of agricultural credit in 1927. 1970 was also a significant year since it was the last full year of the decade of agricultural programming under the two Green Plans.

Inevitably the comparison of two periods in time is liable to distortions from special factors influencing the periods chosen and cannot accurately reflect developments in the intervening years. Indeed, as table 1 shows, the data for 1970 are particularly distorted by the disproportionate credit taken up by Naples and Campobasso in 1970. Even so, the table does allow a number of interesting conclusions to be drawn.

1. Casalini, Monografia Illustrativa (Rome, undated).

A further technical point must be noted when studying the table. The figures cover new loans issued during these years. Such figures greatly overstate the importance of operating loans, which are largely repaid within twelve months, and understate the relevance of long-term improvement loans, which are repaid gradually over several years. Indeed, 87 percent of total new lending in 1927-30 was in the form of operating loans, while in 1970 it was still 83 percent. On the basis of loans outstanding at end-year, the share of operating loans fell to 64 percent and 48 percent respectively, revealing a marked shift away from operating loans and towards improvement loans during the period. However, in the absence of provincial data for loans outstanding in 1927-30, the comparison must be based on new lending.

Between 1927-30 and 1970 total agricultural credit by the ACSBN increased in only three provinces of the six regions of the mainland south: in Naples and Salerno, and in Campobasso. The increases in Naples and Campobasso were both attributable, at least in part, to special factors. For Naples the booking at the ACSBN head office of many operating loans by financial intermediaries and refinanced by the ACSBN accounted for the 26.3 percentage point increase in Naples' share of total new operating loans over the period. For Campobasso the increase could be traced to a very large rise in new improvement loans to the province, particularly in 1970, and channelled by the Cassa per il Mezzogiorno through the ACSBN.

The table also shows that two of the poorest regions of the mainland south - Basilicata and Calabria, in the extreme south and south-west of Italy - suffered the sharpest reduction in their shares of new agricultural credit. In Basilicata, Potenza's share fell from 6.5 percent to only 1.5 percent and Matera's share from 10.0 percent to 2.7 percent. In Calabria, the provinces of Catanzaro and Cosenza both experienced sharp declines in their shares - from 4.3 to 1.4 and 3.8 to 1.0 percent respectively, although Reggio Calabria, the third province in the region, virtually maintained its share of 3.2 percent.

New operating loans, given their overwhelming weight in the total (as explained above), closely reflect these developments. The two provinces making up the region of Basilicata, together with Campobasso in the mountainous region of Molise, each saw their share fall to a quarter of that in 1927-30. Cosenza in Calabria experienced a similar contraction and there were smaller declines in Catanzaro, also in Calabria, and the Puglian province of Taranto. Elsewhere in Puglia, which had the largest share of new operating loans in 1927-30 than any other region, Brindisi and Foggia/San Severo almost maintained their shares, so that in 1970 Puglia still accounted for 35.8 percent of the total, after 44.5 percent in 1927-30. With Naples and Salerno increasing their shares, the region of Campania boosted its share in the period from 13.7 percent to 40.6 percent.

A preliminary case therefore exists for asserting that, with the exception of very few provinces, there was a general tendency between 1927-30 and 1970 for the ACSBN to increase its distribution of new operating loans to the provinces in the more prosperous regions - Campania and Puglia - at the expense of the poorer regions - Basilicata, Calabria and Molise.

In effect, what was happening was that agricultural credit was meeting credit demand and not stimulating additional demand. This was particularly the case in areas where farmers, for reasons of tradition, lack of training and education or absence of incentives to invest (such as expanding demand for farm produce) remained reluctant to borrow from the ACSBN.

A less clear picture emerges from the provincial data on new improvement lending by the ACSBN. Calabria again comes out badly, with Catanzaro's share falling from 9.4 to 0.8 percent, Cosenza's from 7.4 to 1.6 percent and Reggio Calabria's from 7.6 to 3.1 percent. In Basilicata, Potenza's share also fell sharply, but, in contrast, Matera's rose. Part of the answer may be found in the fact that in these two regions the ACSBN was not the sole supplier of improvement loans, facing competition from the Cassa di Risparmio di Calabria e di Lucania (see above Chapter II, page 37) This, however, does not explain the fact that while Avellino and Napoli in the region of Campania lost ground, Caserta, also in Campania, increased its share. In Basilicata Matera advanced and Potenza fell back; in Puglia

Bari and Taranto benefited and Foggia suffered; and in Abruzzi Teramo gained and Chieti and L'Aquila lost. The answer to these inconsistencies can be found, at least in part, in the significant but selective distribution of improvement loans through the ACSBN by the government and the Cassa per il Mezzogiorno.

(b) The ACSBN's agricultural credit activities in the provinces and regions of the mainland south from 1961 to 1970

The previous section outlined the changing pattern of agricultural credit in the provinces of the mainland south between 1927-30 - the first years when the ACSBN operated - and 1970 - the end of the second Green Plan. Within this period, however, the last ten years are undoubtedly the most interesting, covering the two Green Plans, the decision in 1965 to extend until 1980 the charter of the Cassa per il Mezzogiorno and the period of rapid industrialisation in Italy which continued to attract large numbers of farm-workers from the land and into the industrial cities.

The provincial statistics for agricultural credit in this period of significant change and economic development confirm that where agricultural credit was taken up in sufficient quantities output and modernisation were not impeded by the relative decline of agriculture in comparison with the industrial and service sectors. Whether the more advanced and developed provinces took up more credit in order to consolidate their advantageous position or whether the provision of credit favoured some provinces rather than others and the provinces so favoured were able to develop faster cannot be easily analysed. What is important, however, is the confirmation from the data in the tables that agricultural credit and the modernisation of agriculture go hand in hand.² This important conclusion is illustrated in the following sections which draw heavily on the data found in the ACSBN's internal quarterly provincial data-sheets.

2. This observation is, in fact, not surprising since government policy, especially since 1952, had been to ensure that if farmers wished to borrow, then sufficient cheap funds were available for farm improvements and medium-term investments (such as mechanisation). Therefore, in those areas where conditions favoured increasing agricultural production, agricultural credit tended to grow. But there was little done to encourage investment in backward areas where farmers had no immediate incentive to invest in their

(i) Operating credit (tables 2, 3, 4 and 5)

Operating credits consist of direct loans by the ACSBN to farmers, indirect lending by the ACSBN to farmers through the refinancing of Intermediary Boards' lending, the financing and administration of stockpiling on behalf of the government and fishery credits. The last two types of operating credits can be ignored at this stage: as table 5 shows, the distribution of stockpiling loans was generally stable in the period, being related to production rather than more erratic financing and investment needs; fishery credits can also be excluded, not only because the amounts were insignificant, but in addition because many provinces are landlocked and so have no need for such credits.

Direct lending, significantly greater in volume than indirect lending, reflects the divergent take-up of operating credits by different provinces (see table 2). Whereas Bari and Foggia in Puglia increased their shares of direct loans outstanding over the ten-year period, neighbouring Brindisi lost ground, particularly during the second Green Plan. L'Aquila and Teramo in particular, but also Chieti and Pescara, increased their shares, so that the region of Abruzzi accounted for 11.3 percent of outstanding loans in 1970 compared with only 7.6 percent in 1961. Latina, in Lazio, also markedly increased its share. On the other hand, Calabria, and in particular its provinces of Catanzaro and Cosenza, suffered sharp contraction in their relative take-up of direct operating credit. Both provinces in Basilicata also lost ground, though less significantly, as did Avellino.

These figures therefore add weight to the view, expressed in section (a) above, that the relatively poorer provinces were falling further behind in the volume of credit received while the more prosperous provinces tended to maintain or even increase their absorption of credit. Indeed, it shows that this development not only applied to the whole period from 1927-30 to 1970 but was also a characteristic of the last ten years when most growth in output and credit took place.

farms. Proposals to correct this drawback in the agricultural credit system have been discussed in Chapter IV above.

Outstanding indirect operating lending by the ACSBN, as shown in table 3, is difficult to interpret given the step increase in 1963 in the share of Naples from less than 1 percent to almost 60 percent. The step increase in Naples' share can be largely attributed to the rediscounting of agricultural paper by some Intermediary Boards with the ACSBN head-office in Naples even though the operation refinanced loans made in other provinces. Despite this distortion in the province of Naples, it is clear that the provinces of Benevento, Caserta and Salerno in Campania were able to maintain or increase their shares in these ten years, as did Campobasso, Teramo and Latina.

Taking direct and indirect operating lending outstanding together (see table 4), the greater weight of direct lending in the total confirms the view from table 2 that while Basilicata and Calabria lost ground over the ten years to 1970 and Puglia and Molise were stable, Abruzzi, Lazio and, to a lesser extent, Campania increased their relative take-up of operating credits.

This pattern is reflected in the development of the use of fertilisers and stock of farm machinery in the provinces of the mainland south, although different local farming conditions also had an influence. Fertiliser use is a good indicator of the willingness of farmers to invest in current production whereas the stock of farm machinery can be used for many years. Both are financed from operating credit although loans to buy fertilisers, like seed and pay for additional seasonal labour, are generally repaid within twelve months once the harvested crops are sold. In contrast, loans for the purchase of farm equipment are generally repaid over several years. This prompt repayment of borrowings to finance running costs explains why the data in tables 2, 3 and 4, which show amounts outstanding at end-year, correspond less well to the data on fertiliser use in tables 13, 14 and 15 than to the stock and use of farm machinery in tables 16 and 17.

Fertiliser use nevertheless highlights the gulf between the more prosperous provinces of the mainland south, which had increasing recourse to agricultural credit, and the more backward provinces. After excluding provinces such as Naples and Salerno in Campania, and Reggio Calabria and

Latina - all near large urban centres and so specialising in intensive farming and multiple cropping and requiring large inputs of fertilisers, the provinces of Potenza, Matera, Catanzaro and Cosenza remain among the lowest users of fertilisers (especially nitrates), together with Campobasso, L'Aquila and Avellino - all provinces in hilly or mountainous areas. It is worth noting that all these provinces have a relatively high average size of farms, ranging from 3.6 hectares in Avellino to 10.7 hectares in Matera - the highest of any mainland southern Italian province (see table 18), suggesting that demand for fertilisers and so credit was greatest where land was already in short supply and heavily used.

A remarkably good fit exists between operating loans outstanding (see table 4) and the stock of tractors in the provinces of the mainland south (table 16). For example, looking at regional aggregates, between 1961 and 1970 Basilicata's share of the mainland southern Italian tractor stock fell from 9.8 percent to 8.0 percent; its share of outstanding operating credit fell from 10.0 percent to 8.0 percent. Calabria's shares also declined, from 12 percent to 8.8 percent of the stock of tractors and from 15.1 percent to 7.9 percent of the outstanding operating loans. Conversely, Abruzzi increased its share of tractors from 12.4 percent to 16.1 percent while its share of operating loans rose from 8.0 to 11.0 percent. These findings are not surprising, since for the majority of farmers, mechanisation necessitated a capital outlay well beyond their means. Credit was therefore essential and the government recognised this by making it available through the Revolving Funds and then the two Green Plans. What is surprising, however, is the uneven progress of mechanisation and the associated regional and provincial differences in the take-up of agricultural credit. The two regions slowest to embrace the new technology - Calabria and Basilicata - were in fact losing agricultural labour to industry as fast or even faster than the average for the mainland south. With increased productivity hampered by the slow rate of modernisation, value added per head in Basilicata remained less than 80 percent of the southern average between 1961 and 1970 and declined in Calabria from 94 percent in 1961 to 87 percent in 1970 (see

table 19). In contrast, Abruzzi-Molise, which increased its recourse to operating loans and mechanised heavily, modestly increased its productivity in the same period.

In conclusion, partial analysis of the ACSBN's provincial data on operating loans not only provides an insight into the development of agricultural credit between 1961 and 1970 but also raises extremely interesting questions: in particular, why provinces such as Potenza, Matera, Catanzaro, Cosenza and even Reggio Calabria failed to benefit from the abundant operating credit offered through the ACSBN from the government's Green Plans while provinces in Abruzzi - especially L'Aquila and Teramo - were able to gain considerably from it. In part the answer is to be found in the use of agricultural improvement credits in the provinces, without which new and more efficient techniques could not be adopted.

(ii) Improvement credit (tables 6, 9, 10, 11 and 12)

Improvement credits, as already discussed in Chapter II, are particularly important for agricultural development since they finance the structural improvement of the farm, allowing subsequent introduction of more modern and efficient techniques, such as mechanisation. Improvement loans are directed only in part at the purchase of farmland. They mainly provide irrigation systems, farm buildings and roads, consolidation and rationalisation of farmland and the supply of mains water and electricity. Such improvements overlap to a certain extent with the more general problem of regional development which is more the responsibility of the government and less that of individual farmers. In this respect, while the investments on the farm should be arranged by the farmer, the government must ensure that the region is endowed with the necessary infrastructures. In this area, however, the distinction between public and private sector initiatives has become progressively blurred, with the government itself and its regional development agency, the Cassa per il Mezzogiorno, increasingly funnelling funds for structural improvements through the ACSBN and to the farming community in the form of agricultural improvement loans. How were these and other improvement funds from the ACSBN distributed between the provinces of the mainland south?

Table 6 shows the proportion of total improvement loans outstanding by provinces and regions. Provinces in only four regions lost significant ground between 1961 and 1970: Avellino, Caserta and Naples in Campania, Potenza and Matera in Basilicata, Cosenza and Reggio Calabria in Calabria and Chieti and Pescara in Abruzzi. On the other hand advances were concentrated in three regions: Puglia (in the provinces of Bari, Brindisi, Lecce and Taranto), Molise and Lazio (in the provinces of Latina and Frosinone).

It is worth noting, however, that the instances of provinces receiving a significantly smaller proportion of improvement loans than would be expected by the agricultural area of those provinces has fallen, implying a more equitable distribution of improvement credit. Comparing table 6 with table 18, in 1961 Avellino, Benevento, Potenza, Catanzaro, Cosenza, Bari, Brindisi, Campobasso, L'Aquila, Latina and Frosinone were all proportionally undersupplied with improvement loans. By 1970 Bari, Brindisi, Campobasso and Latina were no longer on the list and there had been no additions. Much of the redistribution can be traced to the growing importance of improvement funds stemming from the government and the Cassa per il Mezzogiorno (see table 12).

The supply of government improvement funds accounted in 1961 for at least half of total outstanding improvement loans only in two provinces: Avellino and Benevento. By 1970 Salerno, Potenza, Catanzaro, Cosenza and Reggio Calabria had joined them in drawing over half of their improvement credits from government funds while Caserta, Naples, Bari, Foggia, Pescara and Latina had all significantly increased their indebtedness to the government. However, comparing the distribution between provinces of government-financed improvement credits a different pattern emerges. Proportionally more funds were directed at provinces with larger than average farms (Potenza, Matera, Cosenza, Foggia, Teramo and Latina) and less to provinces with smaller than average farms (Avellino, Benevento, Caserta, Naples, Brindisi, Lecce and Frosinone) (see tables 10 and 18). The region of Campania lost most ground, this happening, significantly, only during the years of the second Green Plan.

During the 1960s the importance of improvement loans financed by the Cassa per il Mezzogiorno declined as the Cassa faced liquidity shortages. These stemmed from the expiry of its original charter in 1965 and the uncertainty surrounding its possible renewal. In the event, the Cassa's charter was extended until 1980 but the result of uncertainty was that its lending through the ACSBN was relatively depressed from 1962 until 1966 (see Chapter III, page 108). The result was that whereas in 1963 thirteen provinces relied on the Cassa for over half of their improvement loans from the ACSBN, in 1970 only six of these provinces remained so heavily dependent on Cassa funds and Frosinone had been added to the list (see table 12).

As with government-financed improvement loans there was also a more even distribution of Cassa funds between provinces, although the redistribution was less pronounced than for government funds. This held even if 1970 is omitted from consideration because of the distortion caused by the very sharp rise in lending to Campobasso that year. Provinces which lost ground included Caserta, Salerno, Potenza, Foggia and Pescara, most of which had been receiving a relatively large proportion of Cassa funds in 1961.

Improvement lending by the ACSBN with its own funds shifted markedly between provinces in the ten years to 1970, with provinces in the same region generally following the same pattern. The contribution of ACSBN funds to total improvement loans outstanding increased in all the provinces of the regions of Lazio, Puglia and Abruzzi, remained broadly stable in the provinces of Basilicata and Molise and declined in the three provinces of Calabria (see table 12). These differences are reflected in the proportion of ACSBN funds going to individual provinces. On the one hand, all the provinces of Puglia and Lazio increased their shares - with Puglia taking over 36 percent of ACSBN improvement loans in 1970 compared with only 15 percent in 1961 - and all the provinces of Abruzzi except for Pescara also showed an improvement. On the other hand all the provinces of Calabria, Basilicata and Campania (except for Salerno) lost ground over the same ten years.

(c) Conclusions

This statistical appendix has briefly described the trends in agricultural credit growth in the different provinces of the mainland south from 1927-30 to 1970. Detailed analysis was impossible, requiring much more space than is available here, but the material does illustrate important elements of the main study, especially in Chapter III. It also casts new light on the success of the Green Plans. The Green Plans, a major effort of economic programming at a national level, injected vast sums into agriculture. Since, as the tables illustrate, there is a clear correlation between the take-up of agricultural credit and agricultural development and modernisation, the value of the Green Plans should not be underestimated. However, what the provincial data show that is not seen in regional or total data and is less apparent in the tables for total agricultural credit in the provinces of the mainland south (tables 7 and 8) - which show little significant change in credit distribution to provinces and regions in the years of the Green Plans - is that the provinces in the poorest regions of Calabria and Basilicata were losing ground in relation to the more developed and favoured provinces of other regions both in credit made available and, as a result, in modernisation, growth and productivity. Admittedly, the channelling of long-term improvement loans from government and Cassa per il Mezzogiorno funds to these two regions was sustained and even increased in these ten years, but this was at least in part offset by relatively sharp falls in improvement lending by the ACSBN from its own funds. This might suggest that the ACSBN did not sufficiently back up government and Cassa per il Mezzogiorno efforts to encourage development in these regions. In practice, however, the ACSBN's agricultural credit was overpriced for the more backward areas where credit demand was weak for structural reasons. In the more prosperous farming areas, on the other hand, farmers were more able and willing to pay higher interest rates for supplementary credit from the ACSBN.

Alternatively, it might have been that the resistance to modernisation of farming techniques in these areas was reduced when the government and Cassa per il Mezzogiorno offered credit on favourable terms but remained for borrowing at more commercial rates from the ACSBN. The answer may be

found in a more detailed comparison of lending in the provinces of Calabria and Basilicata with that in the provinces of Abruzzi and Molise. Here, in backward, mountainous and poor regions of the mainland south, credit take-up was greater than the average and modernisation was accelerated, with the result that agricultural development was appreciable in the years from 1961 to 1970. However, the reasons for this regional difference between Calabria and Basilicata on the one hand and Abruzzi and Molise on the other would need much more study and analysis than is possible here.

What is essential to note from the provincial data is that credit taken up by individual provinces differed greatly, even within the same region. It is therefore essential to be extremely cautious when interpreting developments on the basis of aggregated data. This is also vital when looking at the elements of agricultural credit: significant differences exist between operating and improvement lending to individual provinces; between direct and indirect operating credits; and between improvement credits financed from ACSBN, government or Cassa per il Mezzogiorno funds. These differences make it all the more regrettable that no detailed agricultural credit data are published for individual provinces.

a) NEW LENDING BY THE ACSBN: A COMPARISON BETWEEN 1927-30 AND 1970
(in percent of total in six regions¹⁾)

	1927-1930			1970		
	Operating	Improve- ment	Total	Operating	Improve- ment	Total
<u>Campania</u>	<u>13.0</u>	<u>18.6</u>	<u>13.7</u>	<u>45.7</u>	<u>15.4</u>	<u>40.6</u>
Avellino	1.8	1.9	1.8	1.5	0.8	1.4
Benevento	1.4	0.6	1.3	1.1	0.5	1.0
Caserta	5.2	7.3	5.5	4.5	8.8	5.2
Napoli	2.1	3.3	2.2	34.1	0.8	28.5
Salerno	2.5	5.5	2.9	4.5	4.5	4.5
<u>Basilicata</u>	<u>17.7</u>	<u>8.9</u>	<u>16.5</u>	<u>4.1</u>	<u>4.9</u>	<u>4.2</u>
Potenza	6.4	7.4	6.5	1.5	1.8	1.5
Matera	11.3	1.5	10.0	2.6	3.1	2.7
<u>Calabria</u>	<u>9.3</u>	<u>24.4</u>	<u>11.3</u>	<u>5.5</u>	<u>5.5</u>	<u>5.5</u>
Catanzaro	3.5	9.4	4.3	1.6	0.8	1.4
Cosenza	3.3	7.4	3.8	0.8	1.6	1.0
Reggio Calabria	2.5	7.6	3.2	3.1	3.1	3.1
<u>Puglia</u>	<u>45.7</u>	<u>37.0</u>	<u>44.5</u>	<u>35.8</u>	<u>21.0</u>	<u>33.4</u>
Bari / Barletta	13.4	4.5	12.2	10.1	6.4	9.5
Brindisi	2.4	2.8	2.4	2.3	2.7	2.4
Foggia / San Severo ...	13.3	21.8	14.4	13.2	4.8	11.8
Lecce	11.9	5.7	11.1	8.0	3.7	7.3
Taranto	4.7	2.2	4.4	2.2	3.4	2.4
<u>Molise</u>	<u>4.1</u>	<u>0.8</u>	<u>3.7</u>	<u>1.5</u>	<u>46.3</u>	<u>9.1</u>
Campobasso / Termoli / Isernia	4.1	0.8	3.7	1.5	46.3	9.1
<u>Abruzzi</u>	<u>10.2</u>	<u>10.3</u>	<u>10.2</u>	<u>7.3</u>	<u>6.9</u>	<u>7.3</u>
Chieti / Vasto	1.8	3.0	1.9	1.5	1.2	1.5
L'Aquila	2.1	2.1	2.1	1.8	0.7	1.6
Pescara	3.0	2.7	3.0	1.8	1.6	1.8
Teramo	3.3	2.5	3.2	2.2	3.4	2.4
TOTAL	100.0	100.0	100.0	100.0	100.0	100.0

Sources: Casalini, *Monografia Illustrativa*, pp.32-41; ACSBN, internal documents.

1) Campania, Basilicata, Calabria, Puglia, Molise, Abruzzi. In 1927-1930 the ACSBN lent to farmers in Sardinia and in 1970 to farmers in the three southern provinces of Lazio. For consistency of comparison these loans have been excluded from the table.

TABLE 1
(continued)

b) OPERATING CREDIT ISSUED: TOTAL EXCLUDING STOCKPILING¹⁾

(Lit. bn. at constant 1963 prices; totals may not be the sum of columns due to rounding.)

	1927-8	1939	1950	1960	1970
CAMPANIA		2.4	2.7	9.1	14.1
BASILICATA		1.4	1.0	3.0	5.4
CALABRIA		2.2	1.7	8.0	13.4
PUGLIA		6.7	5.6	19.8	37.8
ABRUZZI-MOLISE		3.3	2.0	6.7	10.6
LAZIO		9.6	6.0	13.0	20.2
TOTAL		25.7	18.9	59.7	101.5
ACSBN	8.0	6.5	11.2	36.8	86.3

Sources: Banca d'Italia, Bollettino della Banca d'Italia (Rome, 1949 to 1971).
Banco di Napoli, Annual Reports (Naples, 1929 to 1971).

1) Stockpiling is taken to include both government operations and bank advances secured against farm produce.

TABLE 1
(continued)

c) IMPROVEMENT CREDIT ISSUED

(Lit. bn. at constant 1963 prices; totals may not be the sum of columns due to rounding)

	1927-8	1939	1950	1960	1970
CAMPANIA		0.97	0.94	2.33	2.93
BASILICATA		-	0.09	0.93	1.38
CALABRIA		0.09	0.17	2.30	3.25
PUGLIA		0.27	0.86	2.04	4.50
ABRUZZI-MOLISE		0.25	0.26	1.10	6.72
LAZIO		1.67	0.52	3.41	4.22
TOTAL		3.26	2.85	12.11	23.00
ACSEB	1.06	1.52	1.88 ¹⁾	8.69	18.78

Sources: Banca d'Italia, Bollettino della Banca d'Italia (Rome, 1949 to 1971).

Banco di Napoli, Annual Reports (Naples, 1929 to 1971).

1) Average of 1949-1951, because 1950 is inflated by lending to Reform Boards in Banco di Napoli data.

OPERATING CREDIT OUTSTANDING IN THE PROVINCES OF THE MAINLAND SOUTH:
DIRECT LENDING BY THE ACSBN TO FARMERS

	1961	1962	1963	1964	1965	1966	1967	1968	1969	1970
<u>CAMPANIA</u>	<u>18.70</u>	<u>20.01</u>	<u>20.15</u>	<u>22.62</u>	<u>22.01</u>	<u>21.66</u>	<u>21.41</u>	<u>21.34</u>	<u>19.15</u>	<u>19.14</u>
Avellino	5.45	5.00	4.51	4.12	3.77	4.01	3.44	3.28	2.73	2.30
Benevento	1.09	1.34	1.59	1.96	2.13	2.30	2.54	2.21	1.92	1.45
Caserta	5.86	5.85	5.54	7.92	6.65	7.09	5.83	5.89	4.47	5.54
Napoli	2.14	2.82	4.30	3.78	3.27	2.73	3.19	3.42	2.83	2.70
Salerno	4.16	5.00	4.21	4.84	6.19	5.53	6.41	6.54	7.20	7.15
<u>BASILICATA</u>	<u>9.86</u>	<u>9.34</u>	<u>7.05</u>	<u>6.67</u>	<u>7.15</u>	<u>6.71</u>	<u>6.85</u>	<u>8.07</u>	<u>8.83</u>	<u>8.46</u>
Potenza	4.30	3.75	2.76	2.59	3.03	2.60	2.59	3.22	3.79	3.90
Matera	5.56	5.59	4.29	4.08	4.12	4.11	4.26	4.85	5.04	4.56
<u>CALABRIA</u>	<u>15.32</u>	<u>16.58</u>	<u>14.17</u>	<u>12.88</u>	<u>11.83</u>	<u>11.30</u>	<u>10.67</u>	<u>9.57</u>	<u>8.45</u>	<u>8.13</u>
Catanzaro	6.06	6.32	6.16	3.91	3.17	3.36	3.31	2.97	2.42	2.42
Cosenza	4.60	4.62	3.41	4.04	3.71	3.17	3.09	2.42	2.04	1.71
Reggio Calabria	4.66	5.64	4.60	4.93	4.95	4.77	4.27	4.18	3.99	4.00

(percent)

TABLE 2
(continued)

	1961	1962	1963	1964	1965	1966	1967	1968	1969	1970
<u>PUGLIA</u>	<u>43.74</u>	<u>40.61</u>	<u>46.57</u>	<u>44.54</u>	<u>45.36</u>	<u>47.43</u>	<u>46.97</u>	<u>45.57</u>	<u>46.66</u>	<u>47.70</u>
Bari/Barletta	12.53	11.52	11.68	11.88	13.17	13.97	13.74	12.34	14.47	15.47
Brindisi	4.22	4.44	6.78	6.17	6.33	5.91	5.03	3.96	2.91	2.72
Foggia/San Severo ...	15.55	14.23	12.45	10.85	10.98	12.00	13.02	16.83	17.43	16.97
Lecce	8.01	6.67	9.26	10.74	10.77	11.04	10.53	8.19	7.81	8.70
Taranto	3.43	3.75	6.40	4.90	4.11	4.51	4.65	4.25	4.04	3.84
<u>MOLISE</u>	<u>3.21</u>	<u>3.22</u>	<u>2.48</u>	<u>2.35</u>	<u>2.82</u>	<u>2.44</u>	<u>2.30</u>	<u>2.71</u>	<u>3.39</u>	<u>3.04</u>
Campobasso/Termoli/ Isernia	3.21	3.22	2.48	2.35	2.82	2.44	2.30	2.71	3.39	3.04
<u>ABRUZZI</u>	<u>7.61</u>	<u>8.81</u>	<u>7.07</u>	<u>8.48</u>	<u>9.23</u>	<u>8.22</u>	<u>9.44</u>	<u>10.57</u>	<u>11.58</u>	<u>11.30</u>
Chieti/Vasto	3.69	3.51	2.69	2.90	3.30	2.90	3.06	2.99	3.42	3.75
L'Aquila	-	1.07	1.11	1.36	1.64	1.90	2.08	2.05	2.05	2.28
Pescara	2.37	2.75	1.91	2.11	1.80	1.33	2.11	2.69	2.89	2.85
Teramo	1.55	1.48	1.36	2.11	2.49	2.09	2.19	2.84	3.22	2.42
<u>LAZIO</u>	<u>1.59</u>	<u>1.41</u>	<u>2.52</u>	<u>2.42</u>	<u>1.61</u>	<u>2.25</u>	<u>2.37</u>	<u>2.16</u>	<u>1.95</u>	<u>2.22</u>
Latina/Formia	1.24	1.12	2.27	2.21	1.41	2.06	2.20	2.02	1.76	1.92
Frosinone	0.35	0.29	0.25	0.21	0.20	0.19	0.17	0.14	0.19	0.30
TOTAL	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00

Source: ACSBN, internal documents.

OPERATING CREDIT OUTSTANDING IN THE PROVINCES OF THE MAINLAND SOUTH:
INDIRECT LENDING ¹⁾ BY THE ACSBN TO FARMERS

(percent)

	1961	1962	1963	1964	1965	1966	1967	1968	1969	1970
<u>CAMPANIA</u>	<u>11.51</u>	<u>8.41</u>	<u>62.77</u>	<u>59.20</u>	<u>57.43</u>	<u>51.83</u>	<u>53.24</u>	<u>55.19</u>	<u>57.62</u>	<u>64.39</u>
Avellino	1.97	1.94	0.76	1.08	0.01	1.57	1.21	1.10	0.06	-
Benevento	1.28	2.47	0.67	2.61	4.49	4.39	3.32	2.53	3.45	3.02
Caserta	6.90	2.08	0.53	3.00	4.59	5.75	7.70	9.26	7.02	6.78
Napoli	0.04	0.31	58.85	51.45	47.72	39.92	32.80	37.00	43.92	49.61
Salerno	1.32	1.61	1.99	1.06	0.62	0.20	8.21	5.30	3.17	4.98
<u>BASILICATA</u>	<u>10.68</u>	<u>11.76</u>	<u>3.78</u>	<u>4.16</u>	<u>4.05</u>	<u>1.09</u>	<u>1.93</u>	<u>4.27</u>	<u>3.37</u>	<u>2.38</u>
Potenza	4.40	3.49	1.41	1.77	2.09	1.09	1.10	1.27	0.12	0.12
Matera	6.28	8.27	2.37	2.39	1.96	-	0.83	3.00	3.25	2.26
<u>CALABRIA</u>	<u>13.82</u>	<u>12.85</u>	<u>4.49</u>	<u>8.62</u>	<u>7.65</u>	<u>13.22</u>	<u>7.24</u>	<u>6.15</u>	<u>7.04</u>	<u>5.07</u>
Catanzaro	6.18	3.20	0.07	0.01	-	4.05	1.00	3.04	-	-
Cosenza	-	-	-	-	-	-	-	-	-	-
Reggio Calabria	7.64	9.65	4.42	8.61	7.65	9.17	6.24	3.11	7.04	5.07

TABLE 3
(continued)

	1961	1962	1963	1964	1965	1966	1967	1968	1969	1970
<u>PUGLIA</u>	<u>46.20</u>	<u>43.39</u>	<u>15.29</u>	<u>12.69</u>	<u>6.29</u>	<u>4.02</u>	<u>7.76</u>	<u>15.40</u>	<u>11.18</u>	<u>9.02</u>
Bari/Barletta	1.59	1.41	0.46	0.50	0.08	-	0.11	0.46	0.44	1.05
Brindisi	1.53	2.80	2.18	2.40	0.01	-	-	-	-	-
Foggia/San Severo ...	40.79	37.43	12.22	9.76	4.28	3.52	3.68	13.62	9.69	7.32
Lecce	0.99	0.74	0.01	0.03	0.10	0.50	0.87	0.67	0.30	0.65
Taranto	1.30	1.01	0.42	-	1.82	-	3.10	0.65	0.75	-
<u>MOLISE</u>	<u>4.75</u>	<u>4.53</u>	<u>1.46</u>	<u>1.97</u>	<u>7.23</u>	<u>10.59</u>	<u>12.40</u>	<u>6.87</u>	<u>5.15</u>	<u>8.71</u>
Campobasso/Termoli/ Isernia	4.75	4.53	1.46	1.97	7.23	10.59	12.40	6.87	5.15	8.71
<u>ABRUZZI</u>	<u>10.05</u>	<u>14.25</u>	<u>9.70</u>	<u>11.03</u>	<u>11.49</u>	<u>13.12</u>	<u>14.31</u>	<u>8.21</u>	<u>9.51</u>	<u>7.70</u>
Chieti/Vasto	1.84	1.50	2.28	3.02	0.84	0.06	0.09	0.08	0.05	0.03
L'Aquila	-	1.89	1.07	1.37	1.31	1.75	1.46	0.36	-	-
Pescara	7.08	7.77	2.10	1.50	3.47	3.55	3.66	2.10	3.99	2.75
Teramo	1.13	3.09	4.25	5.14	5.87	7.76	9.10	5.67	5.47	4.92
<u>LAZIO</u>	<u>2.98</u>	<u>4.80</u>	<u>2.49</u>	<u>2.35</u>	<u>5.87</u>	<u>6.14</u>	<u>3.10</u>	<u>3.92</u>	<u>6.11</u>	<u>2.74</u>
Latina/Formia	2.98	4.80	2.49	2.35	5.87	6.14	3.10	3.92	6.11	2.74
Frosinone	-	-	-	-	-	-	-	-	-	-
TOTAL	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00

Source: ACSBN, internal documents.

1) By discounting agricultural paper of Intermediary Boards, and so indirectly financing the lending to farmers by Intermediary Boards. (See above, Chapter II, page 45).

TABLE 4

TOTAL OPERATING CLAIMS OUTSTANDING¹⁾ OF THE ACSBN
IN THE PROVINCES OF THE MAINLAND SOUTH

(percent)

	1961	1962	1963	1964	1965	1966	1967	1968	1969	1970
<u>CAMPANIA</u>	<u>17.55</u>	<u>18.77</u>	<u>27.32</u>	<u>27.03</u>	<u>25.29</u>	<u>23.86</u>	<u>23.33</u>	<u>23.81</u>	<u>21.52</u>	<u>22.42</u>
Avellino	4.89	4.67	3.88	3.75	3.42	3.83	3.30	3.12	2.56	2.14
Benevento	1.12	1.47	1.43	2.04	2.35	2.45	2.59	2.24	2.02	1.56
Caserta	6.02	5.54	4.69	7.33	6.45	6.99	5.94	6.13	4.63	5.63
Napoli	1.81	2.55	13.48	9.53	7.40	5.44	4.98	5.86	5.37	6.10
Salerno	3.70	4.64	3.84	4.39	5.67	5.14	6.52	6.45	6.95	6.99
<u>BASILICATA</u>	<u>10.00</u>	<u>9.60</u>	<u>6.49</u>	<u>6.37</u>	<u>6.86</u>	<u>6.31</u>	<u>6.55</u>	<u>7.80</u>	<u>8.49</u>	<u>8.02</u>
Potenza	4.32	3.72	2.53	2.49	2.94	2.49	2.50	3.08	3.57	3.63
Matera	5.68	5.88	3.96	3.88	3.92	3.82	4.05	4.72	4.93	4.39
<u>CALABRIA</u>	<u>15.07</u>	<u>16.18</u>	<u>12.54</u>	<u>12.37</u>	<u>11.43</u>	<u>11.43</u>	<u>10.46</u>	<u>9.33</u>	<u>8.36</u>	<u>7.90</u>
Catanzaro	6.08	5.98	5.14	3.44	2.87	3.41	3.17	2.98	2.27	2.24
Cosenza	3.86	4.12	2.83	3.55	3.36	2.94	2.90	2.25	1.91	1.59
Reggio Calabria	5.12	6.07	4.57	5.38	5.20	5.09	4.39	4.10	4.18	4.08

TABLE 4
(continued)

	1961	1962	1963	1964	1965	1966	1967	1968	1969	1970
<u>PUGLIA</u>	<u>44.13</u>	<u>40.91</u>	<u>41.31</u>	<u>40.71</u>	<u>41.74</u>	<u>44.26</u>	<u>44.60</u>	<u>43.38</u>	<u>44.47</u>	<u>44.88</u>
Bari/Barletta	10.78	10.43	9.79	10.51	11.96	12.96	12.92	11.48	13.61	14.42
Brindisi	3.79	4.27	6.01	5.72	5.75	5.48	4.73	3.67	2.73	2.52
Foggia/San Severo ...	19.59	16.73	12.41	10.72	10.36	11.38	12.45	16.60	16.95	16.26
Lecce	6.88	6.03	7.71	9.45	9.78	10.25	9.94	7.64	7.35	8.11
Taranto	3.09	3.46	5.39	4.31	3.90	4.18	4.56	3.99	3.84	3.56
<u>MOLISE</u>	<u>3.45</u>	<u>3.37</u>	<u>2.31</u>	<u>2.31</u>	<u>3.24</u>	<u>3.03</u>	<u>2.92</u>	<u>3.02</u>	<u>3.50</u>	<u>3.43</u>
Campobasso/Termoli/ Isernia	3.45	3.37	2.31	2.31	3.24	3.03	2.92	3.02	3.50	3.43
<u>ABRUZZI</u>	<u>7.99</u>	<u>9.39</u>	<u>7.51</u>	<u>8.79</u>	<u>9.44</u>	<u>8.58</u>	<u>9.73</u>	<u>10.39</u>	<u>11.45</u>	<u>11.04</u>
Chieti/Vasto	3.38	3.29	2.62	2.91	3.07	2.69	2.88	2.77	3.21	3.48
L'Aquila	-	1.16	1.10	1.36	1.61	1.89	2.04	1.93	1.92	2.12
Pescara	3.13	3.29	1.94	2.03	1.95	1.50	2.21	2.65	2.95	2.84
Teramo	1.48	1.65	1.84	2.48	2.80	2.51	2.61	3.04	3.36	2.60
<u>LAZIO</u>	<u>1.81</u>	<u>1.78</u>	<u>2.52</u>	<u>2.41</u>	<u>2.00</u>	<u>2.53</u>	<u>2.41</u>	<u>2.29</u>	<u>2.20</u>	<u>2.31</u>
Latina/Formia	1.52	1.52	2.31	2.23	1.82	2.36	2.25	2.16	2.02	2.03
Frosinone	0.29	0.26	0.21	0.18	0.18	0.18	0.16	0.13	0.18	0.28
TOTAL	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00

Source: ACSBN, internal documents.

1) Total operating credit for production, that is excluding stockpiling credits and fishery credits.

a) STOCKPILING CLAIMS OUTSTANDING OF THE ACSBN IN THE PROVINCES OF THE MAINLAND SOUTH

(percent)

	1961	1962	1963	1964	1965	1966	1967	1968	1969	1970
<u>CAMPANIA</u>	<u>8.27</u>	<u>8.40</u>	<u>11.05</u>	<u>11.29</u>	<u>8.37</u>	<u>8.37</u>	<u>8.50</u>	<u>8.29</u>	<u>8.46</u>	<u>8.45</u>
Avellino	2.11	2.09	1.88	1.80	2.15	2.06	2.13	2.11	2.13	2.18
Benevento	1.88	1.79	1.71	1.86	2.00	2.16	1.97	1.98	1.99	2.02
Caserta	2.40	2.78	3.35	3.94	2.20	2.17	2.36	2.20	2.20	2.22
Napoli	0.49	0.57	2.10	1.50	0.41	0.43	0.52	0.40	0.53	0.41
Salerno	1.39	1.17	2.01	2.19	1.61	1.55	1.52	1.60	1.61	1.62
<u>BASILICATA</u>	<u>24.45</u>	<u>22.11</u>	<u>21.64</u>	<u>20.28</u>	<u>23.74</u>	<u>24.67</u>	<u>23.46</u>	<u>23.39</u>	<u>23.75</u>	<u>23.94</u>
Potenza	14.76	13.69	12.95	12.24	14.26	15.09	13.93	13.94	14.10	14.29
Matera	9.69	8.42	8.69	8.04	9.48	9.58	9.53	9.45	9.65	9.65
<u>CALABRIA</u>	<u>9.40</u>	<u>8.58</u>	<u>9.09</u>	<u>10.27</u>	<u>9.64</u>	<u>9.58</u>	<u>9.47</u>	<u>9.68</u>	<u>9.68</u>	<u>9.70</u>
Catanzaro	4.90	4.66	5.15	5.15	5.31	5.03	5.07	5.18	5.24	5.23
Cosenza	3.39	2.80	2.91	3.47	3.28	3.56	3.09	3.19	3.18	3.19
Reggio Calabria	1.11	1.12	1.03	1.65	1.05	0.99	1.31	1.31	1.26	1.28

TABLE 5
(continued)

	1961	1962	1963	1964	1965	1966	1967	1968	1969	1970
<u>PUGLIA</u>	<u>32.12</u>	<u>35.42</u>	<u>30.77</u>	<u>34.26</u>	<u>30.16</u>	<u>30.95</u>	<u>31.98</u>	<u>31.93</u>	<u>31.16</u>	<u>31.59</u>
Bari/Barletta	5.62	7.19	7.71	7.77	6.05	6.18	5.81	6.76	5.83	5.72
Brindisi	1.58	2.76	0.88	2.05	1.11	1.06	1.17	0.87	1.03	0.94
Foggia/San Severo ...	17.75	16.42	18.16	18.44	18.12	18.68	19.78	19.18	19.57	19.54
Lecce	3.66	5.03	1.33	2.44	1.74	1.68	1.90	1.95	1.71	1.84
Taranto	3.51	4.02	2.69	3.56	3.14	3.35	3.32	3.17	3.02	3.55
<u>MOLISE</u>	<u>8.08</u>	<u>6.17</u>	<u>5.99</u>	<u>6.22</u>	<u>8.87</u>	<u>7.51</u>	<u>7.67</u>	<u>6.75</u>	<u>6.81</u>	<u>6.89</u>
Campobasso/Teramo/I Isernia	8.08	6.17	5.99	6.22	8.87	7.51	7.67	6.75	6.81	6.89
<u>ABRUZZI</u>	<u>16.34</u>	<u>18.10</u>	<u>20.09</u>	<u>16.47</u>	<u>17.85</u>	<u>17.60</u>	<u>17.66</u>	<u>18.62</u>	<u>18.81</u>	<u>18.09</u>
Chieti/Vasto	3.14	3.07	3.18	2.59	2.87	2.74	2.84	2.93	2.98	2.87
L'Aquila	-	1.73	1.87	1.48	1.78	1.69	1.90	2.13	2.03	2.09
Pescara	3.61	3.62	4.95	3.42	3.49	3.71	3.64	3.81	3.85	3.50
Teramo	9.59	9.68	10.09	8.98	9.71	9.46	9.28	9.75	9.95	9.63
<u>LAZIO</u>	<u>1.34</u>	<u>1.25</u>	<u>1.34</u>	<u>1.22</u>	<u>1.35</u>	<u>1.32</u>	<u>1.28</u>	<u>1.34</u>	<u>1.35</u>	<u>1.36</u>
Latina/Formia	0.93	0.90	1.02	0.85	1.01	0.99	0.96	1.01	1.02	1.01
Frosinone	0.41	0.35	0.32	0.37	0.34	0.33	0.32	0.33	0.33	0.35
TOTAL	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00

Source: ACSBN, internal documents.

TABLE 5
(continued)

b) NEW STOCKPILING FINANCED BY THE ACSBN ON BEHALF OF THE GOVERNMENT¹⁾
(Lit. bn. at constant 1963 prices)

1927-8	0.8	1939	62.1	1950	153.3	1961	234.1
1929	0.9	1940	73.6	1951	113.9	1962	263.5
1930	1.1	1941	74.6	1952	114.7	1963	230.5
1931	1.1	1942	86.8	1953	138.5	1964	236.8
1932	1.3	1943	69.8	1954	166.0	1965	208.7
1933	2.9	1944	54.0	1955	161.0	1966	202.6
1934	2.4	1945	36.4	1956	190.5	1967	233.4
1935	4.8	1946	45.7	1957	166.1	1968	232.4
1936	36.9	1947	71.8	1958	193.8	1969	220.3
1937	60.3	1948	140.5	1959	212.4	1970	202.2
1938	76.9	1949	171.6	1960	211.4		

Source: Banco di Napoli, Annual Reports (Naples, 1929 to 1939).

1) Up to 1952 the Government's funding of agricultural credit was confined to stockpiling advances and some improvement loan interest rate subsidies (plus, from 1950, CASMEZ operations).

TOTAL IMPROVEMENT CLAIMS OUTSTANDING OF THE ACSBN
IN THE PROVINCES OF THE MAINLAND SOUTH

(percent)

	1961	1962	1963	1964	1965	1966	1967	1968	1969	1970
<u>CAMPANIA</u>	<u>32.57</u>	<u>32.08</u>	<u>31.83</u>	<u>31.98</u>	<u>30.63</u>	<u>30.42</u>	<u>28.68</u>	<u>27.75</u>	<u>26.78</u>	<u>24.71</u>
Avellino	2.08	1.92	1.77	1.67	1.63	1.61	1.45	1.33	1.1	1.28
Benevento	1.89	2.17	2.21	2.24	2.15	2.18	2.70	2.30	2.	1.82
Caserta	16.02	15.97	16.20	16.18	15.76	15.38	13.30	12.20	11.4	10.81
Napoli	3.11	3.03	2.84	2.99	2.77	2.43	2.41	2.30	2.06	1.87
Salerno	9.47	8.99	8.81	8.90	8.32	8.82	8.82	9.62	9.85	8.93
<u>BASILICATA</u>	<u>13.52</u>	<u>13.45</u>	<u>12.09</u>	<u>12.24</u>	<u>12.51</u>	<u>12.26</u>	<u>11.39</u>	<u>11.36</u>	<u>10.81</u>	<u>10.03</u>
Potenza	2.86	2.71	2.57	2.44	2.21	1.91	1.84	1.86	2.25	2.28
Matera	10.66	10.74	9.52	9.80	10.30	10.35	9.55	9.50	8.56	7.75
<u>CALABRIA</u>	<u>9.21</u>	<u>9.67</u>	<u>8.11</u>	<u>6.85</u>	<u>6.23</u>	<u>5.98</u>	<u>6.59</u>	<u>7.55</u>	<u>8.35</u>	<u>7.65</u>
Catanzaro	1.93	1.90	2.00	1.96	2.15	2.02	2.08	2.15	2.55	2.22
Cosenza	2.37	2.00	1.52	1.09	0.87	0.75	1.04	1.02	1.35	1.37
Reggio Calabria	4.91	5.77	4.59	3.80	3.21	3.21	3.47	4.38	4.45	4.06

TABLE 6
(continued)

	1961	1962	1963	1964	1965	1966	1967	1968	1969	1970
<u>PUGLIA</u>	<u>26.13</u>	<u>25.66</u>	<u>26.99</u>	<u>27.66</u>	<u>29.39</u>	<u>30.27</u>	<u>32.10</u>	<u>32.06</u>	<u>30.93</u>	<u>30.19</u>
Bari/Barletta	5.10	5.71	4.98	5.31	5.35	5.63	6.12	7.46	7.72	7.80
Brindisi	1.35	1.28	1.49	1.40	1.98	2.08	2.15	1.95	1.97	2.31
Foggia/San Severo ...	12.92	11.71	12.73	12.23	13.32	13.86	15.54	15.15	13.88	12.38
Lecce	3.31	3.25	3.56	4.22	4.15	3.89	3.62	3.45	3.47	3.70
Taranto	3.45	3.71	4.23	4.50	4.59	4.81	4.67	4.05	3.89	4.00
<u>MOLISE</u>	<u>3.88</u>	<u>3.43</u>	<u>3.53</u>	<u>3.65</u>	<u>3.48</u>	<u>3.50</u>	<u>3.56</u>	<u>3.68</u>	<u>3.71</u>	<u>9.87</u>
Campobasso/Teroli/ Isernia	3.88	3.43	3.53	3.65	3.48	3.50	3.56	3.68	3.71	9.87
<u>ABRUZZI</u>	<u>12.95</u>	<u>13.86</u>	<u>14.36</u>	<u>13.94</u>	<u>13.46</u>	<u>13.49</u>	<u>13.04</u>	<u>12.22</u>	<u>13.85</u>	<u>12.50</u>
Chieti/Vasto	3.60	4.14	4.61	4.64	4.43	4.45	4.07	3.45	3.07	2.75
L'Aquila	-	0.81	0.89	0.98	0.99	1.06	1.05	1.12	2.48	2.22
Pescara	5.76	5.63	5.43	5.03	4.68	4.60	4.46	4.05	4.37	3.92
Teramo	3.59	3.28	3.43	3.29	3.36	3.38	3.46	3.60	3.93	3.61
<u>LAZIO</u>	<u>1.75</u>	<u>1.86</u>	<u>3.10</u>	<u>3.67</u>	<u>4.31</u>	<u>4.06</u>	<u>4.64</u>	<u>5.39</u>	<u>5.59</u>	<u>5.03</u>
Latina/Formia	1.56	1.70	2.83	3.09	3.80	3.62	4.23	4.92	5.19	4.62
Frosinone	0.19	0.16	0.27	0.58	0.51	0.44	0.41	0.47	0.40	0.41
TOTAL	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00

Source: ACSBN, internal documents.

TOTAL AGRICULTURAL CLAIMS OUTSTANDING¹⁾ OF THE ACSBN
IN THE PROVINCES OF THE MAINLAND SOUTH

(percent)

	1961	1962	1963	1964	1965	1966	1967	1968	1969	1970
<u>CAMPANIA</u>	<u>24.86</u>	<u>25.39</u>	<u>29.31</u>	<u>29.28</u>	<u>27.70</u>	<u>26.83</u>	<u>25.92</u>	<u>25.76</u>	<u>23.96</u>	<u>23.62</u>
Avellino	3.52	3.30	2.95	2.81	2.60	2.83	2.41	2.24	1.94	1.69
Benevento	1.50	1.82	1.78	2.13	2.26	2.33	2.64	2.27	2.05	1.70
Caserta	10.89	10.68	9.76	11.35	10.66	10.79	9.51	9.13	7.96	8.34
Napoli	2.44	2.79	8.79	6.55	5.31	4.08	3.73	4.10	3.68	3.88
Salerno	6.51	6.80	6.03	6.44	6.87	6.81	7.63	8.02	8.33	8.01
<u>BASILICATA</u>	<u>11.71</u>	<u>11.52</u>	<u>8.96</u>	<u>9.04</u>	<u>9.41</u>	<u>9.00</u>	<u>8.89</u>	<u>9.56</u>	<u>9.57</u>	<u>9.07</u>
Potenza	3.61	3.22	2.55	2.47	2.61	2.23	2.18	2.48	2.88	2.92
Matera	8.10	8.30	6.41	6.57	6.80	6.77	6.71	7.08	6.69	6.15
<u>CALABRIA</u>	<u>12.21</u>	<u>12.94</u>	<u>10.59</u>	<u>9.86</u>	<u>9.08</u>	<u>8.96</u>	<u>8.59</u>	<u>8.45</u>	<u>8.29</u>	<u>7.77</u>
Catanzaro	4.06	3.95	3.75	2.77	2.55	2.78	2.64	2.57	2.39	2.23
Cosenza	3.14	3.07	2.25	2.43	2.24	1.95	2.00	1.64	1.62	1.47
Reggio Calabria	5.02	5.92	4.58	4.66	4.30	4.24	3.95	4.24	4.28	4.07

TABLE 7
(continued)

	1961	1962	1963	1964	1965	1966	1967	1968	1969	1970
<u>PUGLIA</u>	<u>35.36</u>	<u>33.32</u>	<u>35.00</u>	<u>34.78</u>	<u>36.16</u>	<u>37.93</u>	<u>38.55</u>	<u>37.79</u>	<u>37.38</u>	<u>37.18</u>
Bari/Barletta	8.01	8.08	7.67	8.15	8.97	9.64	9.63	9.49	10.57	10.95
Brindisi	2.60	2.78	4.02	3.76	4.04	3.94	3.48	2.82	2.33	2.41
Foggia/San Severo ...	16.34	14.23	12.55	11.41	11.70	12.50	13.94	15.88	15.29	14.23
Lecce	5.14	4.65	5.88	7.07	7.23	7.37	6.88	5.57	5.36	5.80
Taranto	3.26	3.59	4.88	4.40	4.21	4.47	4.61	4.02	3.83	3.79
<u>MOLISE</u>	<u>3.66</u>	<u>3.40</u>	<u>2.84</u>	<u>2.92</u>	<u>3.35</u>	<u>3.24</u>	<u>3.23</u>	<u>3.34</u>	<u>3.58</u>	<u>6.81</u>
Campobasso/Termoli/ Isernia	3.66	3.40	2.84	2.92	3.35	3.24	3.23	3.34	3.58	6.81
<u>ABRUZZI</u>	<u>10.41</u>	<u>11.61</u>	<u>10.52</u>	<u>11.14</u>	<u>11.26</u>	<u>10.81</u>	<u>11.33</u>	<u>11.29</u>	<u>13.36</u>	<u>11.80</u>
Chieti/Vasto	3.49	3.71	3.49	3.70	3.68	3.49	3.45	3.11	3.11	3.09
L'Aquila	-	0.99	1.01	1.19	1.33	1.52	1.56	1.53	2.18	2.17
Pescara	4.41	4.45	3.48	3.40	3.19	2.90	3.30	3.34	3.63	3.41
Teramo	2.51	2.46	2.54	2.85	3.06	2.90	3.02	3.32	4.43	3.13
<u>LAZIO</u>	<u>1.78</u>	<u>1.82</u>	<u>2.78</u>	<u>2.98</u>	<u>3.04</u>	<u>3.23</u>	<u>3.49</u>	<u>3.81</u>	<u>3.87</u>	<u>3.73</u>
Latina/Formia	1.54	1.61	2.54	2.62	2.71	2.93	3.21	3.52	3.58	3.39
Frosinone	0.24	0.21	0.24	0.36	0.33	0.30	0.28	0.29	0.29	0.35
TOTAL	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00

Source: ACSBN, internal documents.

1) Total excluding stockpiling credits and fishery credits.

TOTAL AGRICULTURAL CLAIMS OUTSTANDING¹⁾ OF THE ACSBN
IN THE PROVINCES OF THE MAINLAND SOUTH

(percent)

	1961	1962	1963	1964	1965	1966	1967	1968	1969	1970
<u>CAMPANIA</u>	<u>15.31</u>	<u>15.16</u>	<u>19.36</u>	<u>19.12</u>	<u>17.96</u>	<u>17.66</u>	<u>17.52</u>	<u>18.08</u>	<u>17.57</u>	<u>17.54</u>
Avellino	2.70	2.56	2.36	2.23	2.37	2.44	2.27	2.18	2.02	1.88
Benevento	1.71	1.79	1.73	1.97	2.12	2.24	2.31	2.14	2.03	1.82
Caserta	5.97	5.88	6.23	7.12	6.36	6.48	6.04	6.06	5.57	5.88
Napoli	1.37	1.54	5.22	3.78	2.91	2.32	2.23	2.52	2.41	2.52
Salerno	3.56	3.39	3.82	4.02	4.20	4.18	4.67	5.18	5.54	5.44
<u>BASILICATA</u>	<u>19.01</u>	<u>17.88</u>	<u>15.85</u>	<u>15.37</u>	<u>16.61</u>	<u>16.77</u>	<u>15.88</u>	<u>15.61</u>	<u>15.54</u>	<u>15.00</u>
Potenza	10.02	9.53	8.22	7.99	8.48	8.62	7.83	7.51	7.59	7.46
Matera	8.99	8.35	7.63	7.38	8.13	8.15	8.05	8.10	7.95	7.54
<u>CALABRIA</u>	<u>10.57</u>	<u>10.28</u>	<u>9.74</u>	<u>10.06</u>	<u>9.34</u>	<u>9.25</u>	<u>8.99</u>	<u>8.98</u>	<u>8.90</u>	<u>8.54</u>
Catanzaro	4.53	4.37	4.50	4.11	3.93	3.89	3.80	3.71	3.59	3.43
Cosenza	3.28	2.90	2.61	3.01	2.76	2.75	2.52	2.32	2.28	2.16
Reggio Calabria	2.76	3.01	2.63	2.94	2.65	2.61	2.67	2.95	3.03	2.95

TABLE 8
(continued)

	1961	1962	1963	1964	1965	1966	1967	1968	1969	1970
<u>PUGLIA</u>	<u>33.51</u>	<u>34.60</u>	<u>32.71</u>	<u>34.51</u>	<u>33.17</u>	<u>34.49</u>	<u>35.41</u>	<u>35.25</u>	<u>35.00</u>	<u>34.99</u>
Bari/Barletta	6.64	7.57	7.73	7.96	7.53	7.94	7.81	8.32	8.67	8.89
Brindisi	2.01	2.76	2.29	2.78	2.55	2.50	2.36	1.96	1.79	1.82
Foggia/San Severo ...	17.17	15.56	15.64	15.42	14.99	15.62	16.79	17.37	17.19	16.38
Lecce	4.29	4.87	3.38	4.44	4.44	4.53	4.47	3.97	3.85	4.21
Taranto	3.40	3.84	3.67	3.91	3.66	3.90	3.98	3.63	3.50	3.69
<u>MOLISE</u>	<u>6.21</u>	<u>5.07</u>	<u>4.56</u>	<u>4.79</u>	<u>6.14</u>	<u>5.37</u>	<u>5.37</u>	<u>4.84</u>	<u>4.95</u>	<u>6.84</u>
Campobasso/Termoli/ Isernia	6.21	5.07	4.56	4.79	6.14	5.37	5.37	4.84	4.95	6.84
<u>ABRUZZI</u>	<u>13.85</u>	<u>15.54</u>	<u>15.75</u>	<u>14.17</u>	<u>14.59</u>	<u>14.19</u>	<u>14.38</u>	<u>14.53</u>	<u>15.23</u>	<u>14.31</u>
Chieti/Vasto	3.29	3.32	3.32	3.07	3.27	3.11	3.15	3.03	3.07	3.00
L'Aquila	-	1.43	1.47	1.35	1.55	1.60	1.72	1.79	2.12	2.13
Pescara	3.96	3.96	4.29	3.43	3.35	3.31	3.47	3.55	3.74	3.44
Teramo	6.60	6.83	6.67	6.32	6.42	6.17	6.04	6.16	6.30	5.74
<u>LAZIO</u>	<u>1.55</u>	<u>1.49</u>	<u>2.00</u>	<u>2.00</u>	<u>2.19</u>	<u>2.28</u>	<u>2.43</u>	<u>2.73</u>	<u>2.84</u>	<u>2.78</u>
Latina/Formia	1.21	1.20	1.72	1.63	1.85	1.97	2.13	2.42	2.53	2.43
Frosinone	0.34	0.29	0.28	0.37	0.34	0.31	0.30	0.31	0.31	0.35
TOTAL	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00

Source: ACSBN, internal documents.

1) Total including stockpiling credits and fishery credits.

IMPROVEMENT CLAIMS OUTSTANDING OF THE ACSBN IN THE PROVINCES OF THE MAINLAND SOUTH:
FINANCED FROM THE ACSBN'S OWN FUNDS

(percent)

	1961	1962	1963	1964	1965	1966	1967	1968	1969	1970
<u>CAMPANIA</u>	<u>34.24</u>	<u>35.87</u>	<u>33.18</u>	<u>34.51</u>	<u>31.33</u>	<u>31.23</u>	<u>26.63</u>	<u>25.24</u>	<u>24.38</u>	<u>22.40</u>
Avellino	1.38	1.64	1.72	1.99	2.23	2.26	1.96	1.86	1.88	1.74
Benevento	2.33	2.17	2.03	2.00	1.90	1.80	1.56	1.37	1.31	1.09
Caserta	16.11	18.02	16.27	16.02	14.23	13.64	11.41	9.91	9.42	9.12
Napoli	8.10	8.06	7.01	7.21	6.08	5.16	4.23	4.04	3.74	3.07
Salerno	6.32	5.98	6.15	7.29	6.89	8.37	7.47	8.06	8.03	7.38
<u>BASILICATA</u>	<u>12.62</u>	<u>11.21</u>	<u>10.94</u>	<u>9.89</u>	<u>10.96</u>	<u>10.14</u>	<u>10.08</u>	<u>10.20</u>	<u>8.75</u>	<u>8.21</u>
Potenza	3.72	3.23	3.09	2.95	2.45	2.17	2.25	2.24	2.54	2.56
Matera	8.90	7.98	7.85	6.94	8.51	7.97	7.83	7.96	6.21	5.65
<u>CALABRIA</u>	<u>24.23</u>	<u>24.43</u>	<u>16.78</u>	<u>13.26</u>	<u>9.85</u>	<u>8.36</u>	<u>7.44</u>	<u>7.02</u>	<u>6.92</u>	<u>5.25</u>
Catanzaro	3.98	4.26	4.48	4.61	4.59	4.39	3.84	3.44	3.28	2.59
Cosenza	6.88	5.43	3.43	2.14	1.54	1.35	1.24	0.98	1.17	0.98
Reggio Calabria	13.37	14.74	8.87	6.51	3.72	2.62	2.36	2.60	2.47	1.68

TABLE 9
(continued)

	1961	1962	1963	1964	1965	1966	1967	1968	1969	1970
<u>PUGLIA</u>	<u>15.07</u>	<u>14.87</u>	<u>19.97</u>	<u>21.98</u>	<u>26.04</u>	<u>27.83</u>	<u>33.78</u>	<u>35.64</u>	<u>33.44</u>	<u>36.12</u>
Bari/Barletta	0.91	1.50	2.61	3.27	3.36	3.66	4.01	7.34	7.36	9.72
Brindisi	0.66	0.72	0.98	0.83	1.34	1.31	1.64	1.94	2.34	3.66
Foggia/San Severo ...	11.97	10.90	14.39	15.89	18.83	18.76	23.03	20.39	17.05	14.93
Lecce	1.18	1.36	1.66	1.34	1.20	1.43	1.82	2.39	2.49	2.72
Taranto	0.35	0.39	0.33	0.65	1.31	2.67	3.28	3.58	4.20	5.09
<u>MOLISE</u>	<u>3.06</u>	<u>2.85</u>	<u>2.78</u>	<u>3.02</u>	<u>2.77</u>	<u>2.48</u>	<u>2.48</u>	<u>2.74</u>	<u>2.37</u>	<u>8.14</u>
Campobasso/Termini/ Isernia	3.06	2.85	2.78	3.02	2.77	2.48	2.48	2.74	2.37	8.14
<u>ABRUZZI</u>	<u>9.65</u>	<u>9.47</u>	<u>11.47</u>	<u>11.24</u>	<u>11.57</u>	<u>13.05</u>	<u>12.57</u>	<u>12.47</u>	<u>17.49</u>	<u>14.83</u>
Chieti/Vasto	1.77	1.48	3.18	2.07	2.04	2.59	2.51	2.33	2.51	2.61
L'Aquila	-	0.11	0.17	0.27	0.22	0.22	0.18	0.36	5.11	4.16
Pescara	4.54	4.45	4.13	4.55	4.25	4.93	4.83	4.54	4.38	3.63
Teramo	3.34	3.43	3.99	4.35	5.06	5.31	5.05	5.24	5.49	4.43
<u>LAZIO</u>	<u>1.14</u>	<u>1.31</u>	<u>4.90</u>	<u>6.11</u>	<u>7.48</u>	<u>6.93</u>	<u>7.05</u>	<u>6.71</u>	<u>6.65</u>	<u>5.05</u>
Latina/Formia	1.05	1.23	4.88	5.87	7.44	6.86	6.89	6.26	6.20	4.69
Frosinone	0.09	0.08	0.02	0.24	0.04	0.07	0.16	0.45	0.45	0.36
TOTAL	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00

Source: ACSBN, internal documents.

IMPROVEMENT CLAIMS OUTSTANDING OF THE ACSBN IN THE PROVINCES OF THE MAINLAND SOUTH:
FINANCED FROM GOVERNMENT FUNDS

(percent)

	1961	1962	1963	1964	1965	1966	1967	1968	1969	1970
<u>CAMPANIA</u>	<u>41.98</u>	<u>41.88</u>	<u>43.31</u>	<u>44.44</u>	<u>45.39</u>	<u>41.14</u>	<u>34.59</u>	<u>31.42</u>	<u>28.99</u>	<u>28.28</u>
Avellino	8.75	7.91	7.57	7.03	6.63	5.54	3.28	2.44	2.23	2.10
Benevento	7.15	8.46	9.62	10.54	11.60	9.15	8.04	5.18	4.08	3.81
Caserta	6.80	6.71	6.97	6.92	7.03	6.45	5.97	6.15	5.73	5.34
Napoli	4.34	3.91	3.61	3.39	3.11	2.26	1.83	2.00	1.82	2.12
Salerno	14.94	14.89	15.54	16.56	17.02	17.74	15.47	15.65	15.13	14.91
<u>BASILICATA</u>	<u>2.21</u>	<u>2.25</u>	<u>2.38</u>	<u>2.63</u>	<u>2.83</u>	<u>2.56</u>	<u>4.28</u>	<u>5.66</u>	<u>7.80</u>	<u>8.83</u>
Potenza	1.06	1.23	1.42	1.77	2.07	2.03	1.84	2.33	3.36	3.89
Matera	1.15	1.02	0.96	0.86	0.76	0.53	2.44	3.33	4.44	4.94
<u>CALABRIA</u>	<u>9.08</u>	<u>8.79</u>	<u>8.62</u>	<u>8.45</u>	<u>8.24</u>	<u>9.33</u>	<u>11.58</u>	<u>14.10</u>	<u>14.12</u>	<u>14.14</u>
Catanzaro	3.48	3.21	3.16	3.10	2.98	1.94	2.77	3.22	4.26	4.09
Cosenza	0.88	0.81	0.64	0.53	0.48	0.30	2.04	2.03	2.43	2.81
Reggio Calabria	4.72	4.77	4.82	4.82	4.78	7.09	6.77	8.85	7.43	7.24

TABLE 10
(continued)

	1961	1962	1963	1964	1965	1966	1967	1968	1969	1970
<u>PUGLIA</u>	<u>26.03</u>	<u>23.08</u>	<u>21.38</u>	<u>19.97</u>	<u>18.30</u>	<u>20.75</u>	<u>24.11</u>	<u>24.70</u>	<u>24.98</u>	<u>24.69</u>
Bari/Barletta	4.08	3.46	3.14	2.53	2.11	3.71	5.92	7.21	6.59	6.66
Brindisi	2.55	2.26	2.08	1.93	1.72	2.36	1.64	1.23	1.06	1.00
Foggia/San Severo ...	8.49	8.15	8.23	8.11	7.83	10.76	12.86	13.20	13.86	13.41
Lecce	5.56	4.95	3.85	3.49	3.03	1.82	1.29	1.46	1.91	2.15
Taranto	5.35	4.26	4.08	3.91	3.61	2.10	2.40	1.60	1.56	1.47
<u>MOLISE</u>	<u>3.96</u>	<u>3.86</u>	<u>4.01</u>	<u>4.05</u>	<u>4.13</u>	<u>4.47</u>	<u>3.98</u>	<u>4.44</u>	<u>4.25</u>	<u>3.99</u>
Campobasso/Termoli/ Isernia	3.96	3.86	4.01	4.05	4.13	4.47	3.98	4.44	4.25	3.99
<u>ABRUZZI</u>	<u>15.06</u>	<u>18.50</u>	<u>18.60</u>	<u>18.75</u>	<u>19.40</u>	<u>19.15</u>	<u>15.57</u>	<u>12.56</u>	<u>12.88</u>	<u>12.86</u>
Chieti/Vasto	2.42	2.18	1.94	1.80	2.02	2.71	1.66	1.20	1.15	1.05
L'Aquila	-	4.90	5.97	7.14	8.64	8.00	4.61	3.46	2.70	2.72
Pescara	1.99	1.81	1.74	1.62	1.49	1.97	3.69	3.54	4.57	4.77
Teramo	10.65	9.61	8.95	8.19	7.25	6.47	5.61	4.36	4.46	4.32
<u>LAZIO</u>	<u>1.68</u>	<u>1.64</u>	<u>1.71</u>	<u>1.70</u>	<u>1.74</u>	<u>2.61</u>	<u>5.89</u>	<u>7.13</u>	<u>6.97</u>	<u>7.21</u>
Latina/Formia	1.16	1.15	1.21	1.21	1.25	2.27	5.63	6.82	6.74	7.02
Frosinone	0.52	0.49	0.50	0.49	0.49	0.34	0.26	0.31	0.23	0.19
TOTAL	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00

Source: ACSBN, internal documents.

IMPROVEMENT CLAIMS OUTSTANDING OF THE ACSBN IN THE PROVINCES OF THE MAINLAND SOUTH:
FINANCED FROM CASSA PER IL MEZZOGIORNO FUNDS

(percent)

	1961	1962	1963	1964	1965	1966	1967	1968	1969	1970
<u>CAMPANIA</u>	<u>29.30</u>	<u>27.91</u>	<u>28.57</u>	<u>28.21</u>	<u>27.66</u>	<u>27.58</u>	<u>27.58</u>	<u>27.18</u>	<u>26.57</u>	<u>23.52</u>
Avellino	0.59	0.58	0.50	0.45	0.39	0.34	0.23	0.18	0.15	0.27
Benevento	0.28	0.63	0.66	0.75	0.68	0.92	1.16	1.06	0.94	0.74
Caserta	18.48	17.29	18.23	18.06	18.18	18.47	18.05	18.08	17.99	16.50
Napoli	0.55	0.48	0.45	0.70	0.70	0.65	1.27	1.16	1.03	0.80
Salerno	9.40	8.93	8.73	8.25	7.71	7.20	6.87	6.70	6.46	5.21
<u>BASILICATA</u>	<u>16.98</u>	<u>17.24</u>	<u>14.88</u>	<u>15.35</u>	<u>15.12</u>	<u>15.77</u>	<u>15.58</u>	<u>16.14</u>	<u>15.03</u>	<u>12.34</u>
Potenza	2.96	2.84	2.56	2.31	2.09	1.72	1.53	1.25	1.03	0.76
Matera	14.02	14.40	12.32	13.04	13.03	14.05	14.05	14.89	14.00	11.58
<u>CALABRIA</u>	<u>2.52</u>	<u>3.05</u>	<u>3.38</u>	<u>3.19</u>	<u>3.69</u>	<u>3.67</u>	<u>3.72</u>	<u>3.50</u>	<u>4.20</u>	<u>4.16</u>
Catanzaro	0.59	0.48	0.42	0.35	0.52	0.45	0.44	0.42	0.46	0.43
Cosenza	0.75	0.71	0.70	0.65	0.54	0.45	0.45	0.37	0.51	0.48
Reggio Calabria	1.18	1.86	2.26	2.19	2.63	2.77	2.83	2.71	3.23	3.25

TABLE 11
(continued)

	1961	1962	1963	1964	1965	1966	1967	1968	1969	1970
<u>PUGLIA</u>	<u>31.09</u>	<u>31.31</u>	<u>31.97</u>	<u>32.14</u>	<u>33.31</u>	<u>33.95</u>	<u>34.42</u>	<u>34.32</u>	<u>34.38</u>	<u>30.33</u>
Bari/Barletta	7.24	8.22	6.65	6.92	7.11	7.36	7.83	7.72	8.99	7.32
Brindisi	1.34	1.30	1.62	1.60	2.41	2.52	2.77	2.45	2.51	2.39
Foggia/San Severo ...	14.54	12.96	12.86	11.12	10.91	11.27	11.03	12.44	11.54	9.66
Lecce	3.65	3.71	4.51	5.87	6.13	5.98	6.04	5.62	5.60	5.69
Taranto	4.32	5.12	6.33	6.63	6.75	6.82	6.75	6.09	5.74	5.27
<u>MOLISE</u>	<u>4.23</u>	<u>3.59</u>	<u>3.82</u>	<u>3.90</u>	<u>3.81</u>	<u>3.97</u>	<u>4.20</u>	<u>3.89</u>	<u>4.22</u>	<u>15.95</u>
Campobasso/Termini/ Isernia	4.23	3.59	3.82	3.90	3.81	3.97	4.20	3.89	4.22	15.95
<u>ABRUZZI</u>	<u>13.85</u>	<u>14.74</u>	<u>14.95</u>	<u>14.43</u>	<u>13.60</u>	<u>12.60</u>	<u>12.25</u>	<u>11.80</u>	<u>12.00</u>	<u>10.49</u>
Chieti/Vasto	4.74	5.84	5.95	6.53	6.30	6.07	6.34	5.85	5.20	4.23
L'Aquila	-	0.14	0.15	0.15	0.15	0.14	0.12	0.11	0.33	0.38
Pescara	7.32	7.11	6.94	5.96	5.49	4.95	4.52	4.02	4.17	3.46
Teramo	1.79	1.65	1.91	1.79	1.66	1.44	1.27	1.82	2.30	2.42
<u>LAZIO</u>	<u>2.03</u>	<u>2.17</u>	<u>2.46</u>	<u>2.77</u>	<u>2.81</u>	<u>2.47</u>	<u>2.24</u>	<u>3.16</u>	<u>3.58</u>	<u>3.22</u>
Latina/Formia	1.89	2.05	2.10	2.00	2.01	1.75	1.57	2.58	3.06	2.60
Frosinone	0.14	0.12	0.36	0.77	0.80	0.72	0.67	0.58	0.52	0.62
TOTAL	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00

Source: ACSBN, internal documents.

a) BREAKDOWN OF IMPROVEMENT LOANS OUTSTANDING IN THE PROVINCES OF THE MAINLAND SOUTH
BY ORIGIN OF THE FUNDS

(in percent of total improvement loans outstanding in each province)

	1961	1962	1963	1964	1965	1966	1967	1968	1969	1970
<u>CAMPANIA</u>										
<u>Ave llino</u>										
ACSBN	17.24	23.17	29.48	36.33	47.15	49.56	46.64	43.62	39.38	39.43
Government	66.23	59.22	54.46	47.85	39.36	39.28	46.21	50.83	56.34	52.29
Cassa per il Mezzogiorno	16.53	17.60	16.06	15.82	13.49	11.16	7.14	5.55	4.28	8.28
<u>Benevento</u>										
ACSBN	32.03	27.12	27.85	27.16	30.31	29.35	19.89	18.60	17.47	17.26
Government	59.43	55.90	55.25	53.39	51.89	48.08	60.64	62.56	65.70	66.78
Cassa per il Mezzogiorno	8.54	16.98	16.90	19.45	17.80	22.57	19.47	18.84	16.83	15.95
<u>Caserta</u>										
ACSBN	26.20	30.60	30.39	30.16	30.89	31.40	29.54	25.50	23.23	24.42
Government	6.68	6.03	5.46	4.86	4.28	4.80	9.13	14.05	17.10	15.76
Cassa per il Mezzogiorno	67.12	63.37	64.14	64.98	64.83	63.80	61.33	60.45	59.68	59.82

TABLE 12

(continued)

	1961	1962	1963	1964	1965	1966	1967	1968	1969	1970
<u>Napoli</u>										
ACSBN	67.75	72.16	74.73	73.39	75.02	75.24	60.56	55.21	51.01	47.35
Government	21.91	18.54	16.15	12.89	10.76	10.63	15.51	24.23	30.07	36.03
Cassa per il Mezzogiorno	10.34	9.30	9.12	13.72	14.22	14.13	23.93	20.55	18.92	16.62
<u>Salerno</u>										
ACSBN	17.39	18.04	21.14	24.93	28.31	33.60	29.14	26.30	22.93	23.89
Government	24.83	23.78	22.40	21.12	19.64	23.01	35.68	45.28	52.27	53.25
Cassa per il Mezzogiorno	57.78	58.19	56.46	53.94	52.05	43.39	35.18	28.42	24.81	22.86
<u>BASILICATA</u>										
<u>Potenza</u>										
ACSBN	33.88	32.26	36.32	36.78	37.89	40.11	42.09	37.68	31.85	32.47
Government	5.81	6.51	6.99	8.22	8.99	12.12	20.40	34.90	50.77	54.49
Cassa per il Mezzogiorno	60.32	61.23	56.70	55.00	53.12	47.78	37.51	27.43	17.38	13.04

TABLE 12

(continued)

	1961	1962	1963	1964	1965	1966	1967	1968	1969	1970
<u>Matera</u>										
ACSBN	21.75	20.15	24.95	21.56	28.25	27.27	28.25	26.28	20.42	21.11
Government	1.70	1.37	1.28	1.00	0.71	0.59	5.21	9.77	17.65	20.36
Cassa per il Mezzogiorno	76.56	78.48	73.77	77.44	71.04	72.14	66.54	63.94	61.93	58.54
<u>CALABRIA</u>										
<u>Catanzaro</u>										
ACSBN	53.79	60.95	67.81	71.62	73.00	77.09	63.48	50.26	36.22	33.69
Government	28.43	24.27	20.08	17.99	13.31	11.01	27.07	41.81	56.96	58.69
Cassa per il Mezzogiorno	17.78	14.79	12.11	10.39	13.69	11.89	9.45	7.93	6.82	7.62
<u>Cosenza</u>										
ACSBN	75.64	73.47	68.40	59.94	60.26	63.60	40.92	30.03	24.34	20.77
Government	5.84	5.82	5.36	5.48	5.23	4.50	39.75	55.08	61.27	65.51
Cassa per il Mezzogiorno	18.52	20.70	26.24	34.58	34.51	31.90	19.33	14.90	14.39	13.72

TABLE 12

(continued)

	1961	1962	1963	1964	1965	1966	1967	1968	1969	1970
<u>Reggio Calabria</u>										
ACSNB	70.91	69.27	58.53	52.10	39.62	28.95	23.40	18.59	15.63	11.93
Government	15.12	11.88	13.34	14.39	14.29	25.24	38.70	56.19	56.85	56.79
Cassa per il Mezzogiorno	13.97	18.85	28.14	33.51	46.09	45.81	36.91	25.22	27.52	31.27
<u>PUGLIA</u>										
<u>Bari/Barletta</u>										
ACSNB	4.68	7.12	15.84	18.75	21.50	23.04	22.54	30.87	26.85	36.05
Government	21.61	8.69	8.00	5.41	3.78	7.54	19.67	26.91	29.07	27.22
Cassa per il Mezzogiorno	82.71	84.20	76.15	75.84	74.71	69.43	57.78	42.23	44.08	36.73
<u>Brindisi</u>										
ACSNB	12.64	15.31	19.91	17.98	23.19	22.43	26.23	31.17	33.39	45.74
Government	29.64	25.38	17.76	15.63	8.33	13.03	15.50	17.55	18.32	13.73
Cassa per il Mezzogiorno	57.72	59.31	63.32	66.39	68.48	64.54	58.27	51.27	48.30	40.53

TABLE 12
(continued)

	1961	1962	1963	1964	1965	1966	1967	1968	1969	1970
<u>Foggia/San Severo</u>										
ACSBN	24.15	25.24	34.21	39.56	48.34	47.93	51.06	42.23	34.56	34.87
Government	10.34	9.99	8.21	7.53	5.64	8.87	16.84	24.27	33.97	34.56
Cassa per il Mezzogiorno	65.50	64.77	51.58	52.91	46.02	43.19	32.10	33.50	31.47	30.57
<u>Lecce</u>										
ACSBN	9.32	11.36	14.14	9.70	9.94	13.04	17.29	21.73	20.22	21.28
Government	26.43	21.86	13.72	9.39	7.01	5.34	7.24	11.80	18.72	18.50
Cassa per il Mezzogiorno	64.26	66.77	72.14	80.91	83.05	81.63	75.47	66.47	61.06	60.21
<u>Taranto</u>										
ACSBN	2.67	2.83	2.34	4.42	9.76	19.65	24.21	27.72	30.42	36.75
Government	24.42	16.48	12.27	9.87	7.55	5.00	10.48	10.98	13.67	11.71
Cassa per il Mezzogiorno	72.91	80.69	85.39	85.71	82.69	75.35	65.31	61.30	55.91	51.54

TABLE 12

(continued)

	1961	1962	1963	1964	1965	1966	1967	1968	1969	1970
<u>MOLISE</u>										
<u>Campobasso/Termoli/Isernia</u>										
ACSBN	20.57	22.54	23.84	25.18	27.18	25.12	23.95	23.30	17.96	23.84
Government	16.05	16.15	14.44	12.61	11.37	14.60	22.73	33.55	38.96	12.89
Cassa per il Mezzogiorno	63.38	61.31	61.72	62.21	61.45	60.28	53.32	43.14	43.09	63.27
<u>ABRUZZI</u>										
<u>Chieti/Vasto</u>										
ACSBN	12.79	9.72	20.91	13.59	15.73	20.60	21.22	21.16	23.01	27.45
Government	10.55	7.57	5.36	4.42	4.38	6.97	8.30	9.65	12.79	12.22
Cassa per il Mezzogiorno	76.66	82.70	73.73	81.99	79.89	72.43	70.48	69.19	64.19	60.33
<u>L'Aquila</u>										
ACSBN	-	3.67	5.65	8.28	7.52	7.21	5.83	10.04	57.98	54.24
Government	-	86.31	85.04	82.69	83.90	85.95	89.06	86.12	36.99	39.12
Cassa per il Mezzogiorno	-	10.02	9.31	9.04	8.59	6.84	5.11	3.85	5.02	6.65

TABLE 12

(continued)

	1961	1962	1963	1964	1965	1966	1967	1968	1969	1970
<u>Pescara</u>										
ACSBN	20.55	21.44	23.05	27.49	31.07	37.94	37.31	35.19	28.23	26.73
Government	5.45	4.62	4.07	3.66	3.07	4.89	16.85	24.31	35.62	38.78
Cassa per il Mezzogiorno	74.01	73.95	72.88	68.85	65.87	57.17	45.84	40.50	36.15	34.50
<u>Teramo</u>										
ACSBN	24.24	28.39	35.22	40.18	51.54	55.59	50.31	45.69	39.26	35.51
Government	46.68	42.09	33.12	28.25	20.72	21.86	33.07	33.69	38.59	38.19
Cassa per il Mezzogiorno	29.08	29.53	31.67	31.57	27.74	22.55	16.62	20.62	22.15	26.29
<u>LAZIO</u>										
<u>Latina/Formia</u>										
ACSBN	17.58	19.67	52.28	57.87	67.05	67.13	56.13	39.94	33.58	29.41
Government	11.75	9.71	5.45	4.45	3.15	7.17	27.08	38.62	44.13	48.54
Cassa per il Mezzogiorno	70.67	70.62	42.27	37.68	29.80	25.69	16.79	21.44	22.28	22.05

TABLE 12

(continued)

	1961	1962	1963	1964	1965	1966	1967	1968	1969	1970
<u>Frosinone</u>										
ACSBN	13.17	13.28	2.44	12.73	2.78	5.38	13.52	30.67	31.25	25.61
Government	43.78	43.75	23.10	9.71	9.23	8.63	12.82	18.39	19.45	14.94
Cassa per il Mezzogiorno	43.05	42.96	74.46	77.56	88.00	85.99	73.67	50.94	49.30	59.45

Source: ACSBN, internal documents.

TABLE 13

FERTILISER CONSUMPTION IN THE PROVINCES OF THE MAINLAND SOUTH: NITRATES

Agricultural year (July - June)
(kg./hectare farmed)

	Average for ¹⁾ 1933-4/1934-5	1949-1950 ²⁾
<u>CAMPANIA</u>	<u>6.4</u>	<u>14.9</u>
Avellino	1.7	2.7
Benevento	1.0	2.4
Caserta	n.a.	7.1
Napoli	13.1	74.8
Salerno	8.1	17.7
<u>BASILICATA</u>	<u>0.6</u>	<u>0.6</u>
Potenza	0.6	0.5
Matera	0.6	0.7
<u>CALABRIA</u>	<u>0.7</u>	<u>3.3</u>
Catanzaro	0.7	2.6
Cosenza	0.7	2.0
Reggio Calabria	0.9	7.0

TABLE 13
(continued)

	Average for 1933-4/1934-5 ¹⁾	1949-1950 ²⁾
<u>PUGLIA</u>	<u>1.6</u>	<u>3.5</u>
Bari/Barletta	2.3	5.3
Brindisi	1.4	5.8
Foggia/San Severo	0.7	0.4
Lecce	2.8	6.5
Taranto	1.2	2.0
<u>ABRUZZI-MOLISE</u>	<u>2.2</u>	<u>4.0</u>
Chieti/Vasto	4.4	3.8
L'Aquila	1.5	3.2
Pescara	4.7	12.6
Teramo	2.6	7.8
Campobasso	0.6	0.6
<u>LAZIO</u>	<u>2.6</u>	<u>4.1</u>
Latina	n.a.	5.2
Frosinone	1.1	5.2

1) Source: F. Angelini, I Concimi (Rome, undated), p.134.

2) Source: ISTAT, Annuario Statistico dell'Agricoltura Italiana (Rome, 1951), p.152.

TABLE 13
(continued)

	1960-61	1961-62	1962-63	1963-64	1964-65	1965-66	1966-67	1967-68	1968-69	1969-70
<u>CAMPANIA</u>	<u>45.7</u>	<u>45.4</u>	<u>52.7</u>	<u>50.0</u>	<u>54.0</u>	<u>59.4</u>	<u>58.3</u>	<u>53.9</u>	<u>62.2</u>	<u>62.1</u>
Avellino	17.5	17.6	19.1	19.4	21.3	23.1	26.6	25.3	26.5	25.4
Benevento	19.5	20.9	24.2	24.4	26.7	29.1	30.4	31.5	32.4	36.0
Caserta	35.9	30.1	40.0	37.3	40.2	47.1	52.2	46.6	53.3	53.7
Napoli	153.4	161.0	179.8	172.8	179.6	196.2	168.6	140.8	180.7	165.0
Salerno	53.7	53.2	64.0	57.7	65.3	70.6	68.9	68.4	80.1	84.2
<u>BASILICATA</u>	<u>8.7</u>	<u>9.6</u>	<u>11.2</u>	<u>13.1</u>	<u>17.6</u>	<u>18.6</u>	<u>22.2</u>	<u>23.8</u>	<u>24.7</u>	<u>28.9</u>
Potenza	9.4	11.2	13.0	15.3	20.4	19.4	23.1	24.9	24.2	28.0
Matera	7.8	7.6	8.9	10.2	13.4	17.5	21.0	22.2	25.3	30.4
<u>CALABRIA</u>	<u>18.3</u>	<u>18.9</u>	<u>21.3</u>	<u>24.4</u>	<u>24.9</u>	<u>28.9</u>	<u>29.2</u>	<u>31.4</u>	<u>33.8</u>	<u>30.0</u>
Catanzaro	17.1	15.7	16.5	19.2	18.3	23.1	23.3	22.4	26.4	24.0
Cosenza	13.4	14.6	17.9	21.6	22.6	23.1	23.5	25.4	29.9	26.4
Reggio Calabria	30.8	34.0	37.3	41.3	44.3	55.3	55.5	65.2	58.8	52.0

TABLE 13
(continued)

	1960-61	1961-62	1962-63	1963-64	1964-65	1965-66	1966-67	1967-68	1968-69	1969-70
<u>PUGLIA</u>	16.0	18.8	20.8	23.5	28.7	33.0	32.0	31.4	34.4	36.7
Bari/Barletta	19.8	20.1	24.2	27.0	33.5	33.5	32.2	29.3	29.5	34.3
Brindisi	17.9	25.7	24.2	21.9	28.9	33.4	34.2	35.5	33.6	25.0
Foggia/San Severo ...	12.3	15.9	17.0	23.9	29.2	35.2	34.7	36.1	40.9	45.3
Lecce	18.9	22.1	25.3	25.7	29.5	34.6	30.2	28.7	33.7	37.0
Taranto	12.0	13.2	14.6	13.2	18.7	23.4	24.6	26.2	30.1	30.4
<u>MOLISE</u>	6.4	6.9	8.5	9.0	11.0	12.9	15.2	15.2	18.0	19.6
Campobasso/Termoli/ Isernia	6.4	6.9	8.5	9.0	11.0	12.9	15.2	15.2	18.0	19.6
<u>ABRUZZI</u>	15.2	22.0	24.5	26.4	26.9	30.3	30.5	27.6	29.9	33.1
Chieti/Vasto	16.7	21.1	22.4	26.4	25.6	29.7	30.7	28.8	33.4	37.5
L'Aquila	16.0	16.8	20.5	18.8	19.4	23.5	25.0	23.3	21.9	23.7
Pescara	26.8	24.3	27.7	31.2	31.5	34.1	32.7	20.9	23.0	30.0
Teramo	25.6	27.8	30.0	31.3	34.8	36.5	35.0	35.1	37.9	37.9
<u>LAZIO</u> ¹⁾	19.8	20.3	23.4	24.4	27.4	30.8	32.6	31.6	33.6	37.6
Latina/Formia	28.4	28.0	39.9	38.0	40.2	45.8	45.7	41.9	42.7	48.0
Frosinone	20.7	20.9	23.9	24.3	25.9	27.7	29.9	30.7	32.2	32.3

Source: ISTAT, Annuario Statistico dell'Agricoltura Italiana (Rome, 1961-71).

1) LAZIO here consists of all the provinces in the region, including those not covered by the ACSBN.

FERTILISER CONSUMPTION IN THE PROVINCES OF THE MAINLAND SOUTH: PHOSPHATES

Agricultural year (July - June)
(kg./hectare farmed)

	Average for ¹⁾ 1933-4/1934-5	1949-1950 ²⁾
<u>CAMPANIA</u>	<u>9.0</u>	<u>11.3</u>
Avellino	4.9	4.7
Benevento	5.9	4.4
Caserta	n.a.	5.6
Napoli	14.1	48.7
Salerno	10.0	12.1
<u>BASILICATA</u>	<u>5.0</u>	<u>5.9</u>
Potenza	3.0	3.8
Matera	7.6	8.9
<u>CALABRIA</u>	<u>4.2</u>	<u>8.1</u>
Catanzaro	5.0	9.0
Cosenza	3.8	6.3
Reggio Calabria	3.6	10.0

TABLE 14
(continued)

	Average for 1) 1933-4/1934-5	1949-1950 2)
<u>PUGLIA</u>	<u>5.9</u>	<u>5.6</u>
Bari/Barletta	6.8	4.5
Brindisi	8.0	8.8
Foggia/San Severo	3.6	3.8
Lecce	7.2	8.3
Taranto	5.9	6.1
<u>ABRUZZI-MOLISE</u>	<u>7.9</u>	<u>10.6</u>
Chieti/Vasto	9.8	8.4
L'Aquila	2.3	4.2
Pescara	13.5	20.8
Teramo	17.6	27.5
Campobasso	4.7	5.9
<u>LAZIO</u>	<u>8.9</u>	<u>7.7</u>
Latina	n.a.	7.7
Frosinone	7.4	9.0

1) Source: F. Angelini, I Concimi (Rome, undated), p.134.

2) Source: ISTAT, Annuario Statistico dell'Agricoltura Italiana (Rome, 1951), p.152.

TABLE 14
(continued)

	1960-61	1961-62	1962-63	1963-64	1964-65	1965-66	1966-67	1967-68	1968-69	1969-70
<u>CAMPANIA</u>	<u>23.6</u>	<u>25.0</u>	<u>28.2</u>	<u>24.4</u>	<u>26.9</u>	<u>30.1</u>	<u>30.0</u>	<u>29.4</u>	<u>30.9</u>	<u>30.7</u>
Avellino	12.1	12.2	12.5	11.7	12.2	12.9	13.5	13.5	13.8	12.6
Benevento	15.4	15.8	16.6	15.8	17.7	19.2	20.8	21.7	21.3	22.9
Caserta	16.1	17.4	21.1	18.5	25.9	22.1	25.9	25.1	26.0	26.3
Napoli	63.5	66.3	80.1	66.0	70.8	82.6	76.3	72.1	78.2	86.4
Salerno	29.9	33.3	37.0	30.7	35.5	40.0	37.2	36.4	39.7	35.7
<u>BASILICATA</u>	<u>11.1</u>	<u>11.9</u>	<u>10.5</u>	<u>11.1</u>	<u>13.1</u>	<u>16.0</u>	<u>19.6</u>	<u>22.4</u>	<u>24.5</u>	<u>28.4</u>
Potenza	12.4	12.8	11.2	11.2	13.2	14.6	19.2	21.1	23.3	25.5
Matera	9.6	10.9	9.7	10.9	12.9	18.1	20.2	24.4	26.3	32.6
<u>CALABRIA</u>	<u>20.5</u>	<u>21.1</u>	<u>20.6</u>	<u>23.4</u>	<u>24.5</u>	<u>28.0</u>	<u>27.4</u>	<u>27.0</u>	<u>28.9</u>	<u>26.5</u>
Catanzaro	20.5	22.0	20.4	22.7	22.1	28.3	26.9	24.0	27.5	25.3
Cosenza	17.3	17.0	18.1	22.2	24.8	23.2	23.4	24.2	26.5	24.2
Reggio Calabria	26.9	27.6	25.9	27.1	29.2	38.4	37.1	40.0	37.0	34.1

TABLE 14
(continued)

	1960-61	1961-62	1962-63	1963-64	1964-65	1965-66	1966-67	1967-68	1968-69	1969-70
<u>PUGLIA</u>	<u>14.1</u>	<u>17.0</u>	<u>16.0</u>	<u>17.8</u>	<u>22.7</u>	<u>27.5</u>	<u>27.8</u>	<u>31.3</u>	<u>32.0</u>	<u>34.1</u>
Bari/Barletta	12.0	13.4	13.5	15.0	20.0	21.7	22.0	24.4	23.7	26.0
Brindisi	19.5	25.7	24.2	20.0	25.1	30.8	28.9	33.6	30.8	31.0
Foggia/San Severo ...	13.1	17.1	13.8	20.8	26.3	34.3	36.3	40.5	44.5	47.8
Lecce	14.7	17.1	18.6	17.9	19.5	25.0	23.2	24.8	23.1	25.2
Taranto	15.7	16.9	16.6	14.0	19.1	22.7	23.3	27.6	30.5	31.1
<u>MOLISE</u>	<u>12.3</u>	<u>12.8</u>	<u>13.3</u>	<u>12.1</u>	<u>12.7</u>	<u>13.5</u>	<u>16.3</u>	<u>15.1</u>	<u>17.1</u>	<u>18.8</u>
Campobasso/Termoli/ Isernia	12.3	12.8	13.3	12.1	12.7	13.5	16.3	15.1	17.1	18.8
<u>ABRUZZI</u>	<u>19.9</u>	<u>28.8</u>	<u>29.4</u>	<u>29.4</u>	<u>32.2</u>	<u>36.1</u>	<u>36.5</u>	<u>34.0</u>	<u>34.8</u>	<u>38.0</u>
Chieti/Vasto	14.0	24.5	24.3	24.1	29.6	37.3	38.4	36.5	40.6	44.0
L'Aquila	11.8	12.4	14.9	13.2	13.1	17.4	19.6	15.2	14.3	16.4
Pescara	45.0	41.9	43.0	44.3	55.8	54.9	43.9	36.6	32.3	39.7
Teramo	39.3	45.6	44.9	46.4	43.0	43.7	48.6	49.2	49.6	49.6
<u>LAZIO</u> 1)	<u>23.1</u>	<u>21.5</u>	<u>20.3</u>	<u>22.8</u>	<u>25.6</u>	<u>26.2</u>	<u>30.1</u>	<u>27.9</u>	<u>29.4</u>	<u>33.2</u>
Latina/Formia	23.1	21.8	23.0	27.6	26.8	27.2	31.3	28.7	31.2	33.5
Frosinone	18.3	17.9	17.7	17.6	19.3	19.3	20.8	20.0	18.9	16.3

Source: ISTAT, Annuario Statistico dell'Agricoltura Italiana (Rome, 1961-71).

1) LAZIO here consists of all the provinces in the region, including those not covered by the ACSBN.

FERTILISER CONSUMPTION IN THE PROVINCES OF THE MAINLAND SOUTH: POTASH

Agricultural year (July - June)
(kg./hectare farmed)

	Average for 1) 1933-4/1934-5)	1949-1950 ²⁾
<u>CAMPANIA</u>	<u>0.1</u>	<u>0.1</u>
Avellino	0.1	-
Benevento	-	-
Caserta	n.a.	-
Napoli	0.4	0.6
Salerno	0.1	0.2
<u>BASILICATA</u>	<u>-</u>	<u>-</u>
Potenza	-	-
Matera	-	-
<u>CALABRIA</u>	<u>-</u>	<u>-</u>
Catanzaro	-	-
Cosenza	-	-
Reggio Calabria	0.1	0.1

TABLE 15
(continued)

	Average for ¹⁾ 1933-4/1934-5	1949-1950 ²⁾
<u>PUGLIA</u>	<u>0.5</u>	<u>0.3</u>
Bari/Barletta	0.1	-
Brindisi	0.6	0.5
Foggia/San Severo	-	-
Lecce	2.4	1.2
Taranto	0.1	0.2
<u>ABRUZZI-MOLISE</u>	<u>-</u>	<u>0.1</u>
Chieti/Vasto	-	-
L'Aquila	-	0.2
Pescara	0.2	-
Teramo	-	0.1
Campobasso	-	-
<u>LAZIO</u>	<u>1.9</u>	<u>0.1</u>
Latina	n.a.	0.1
Frosinone	-	-

1) Source: F. Angelini, I Concimi (Rome, undated), p. 134.

2) Source: ISTAT, Annuario Statistico dell'Agricoltura Italiana (Rome, 1951), p.152.

TABLE 15
(continued)

	1960-61	1961-62	1962-63	1963-64	1964-65	1965-66	1966-67	1967-68	1968-69	1969-70
<u>CAMPANIA</u>	<u>2.3</u>	<u>2.3</u>	<u>2.4</u>	<u>2.2</u>	<u>2.8</u>	<u>4.1</u>	<u>4.6</u>	<u>4.6</u>	<u>5.1</u>	<u>5.3</u>
Avellino	0.8	0.6	0.7	0.7	0.7	1.0	1.0	1.2	1.3	1.3
Benevento	0.8	0.8	0.8	1.2	1.7	2.2	1.9	2.7	2.6	3.4
Caserta	2.2	1.5	1.9	1.8	1.9	2.7	4.5	4.5	4.8	4.0
Napoli	5.0	4.9	6.2	5.0	5.7	10.5	8.9	9.5	10.8	12.9
Salerno	4.0	4.5	4.0	3.4	5.3	7.3	8.5	7.5	8.8	8.6
<u>BASILICATA</u>	<u>1.3</u>	<u>1.6</u>	<u>1.7</u>	<u>2.1</u>	<u>2.4</u>	<u>2.2</u>	<u>3.0</u>	<u>3.9</u>	<u>3.9</u>	<u>4.2</u>
Potenza	1.1	1.4	1.5	1.7	1.9	1.8	2.6	3.5	3.2	3.3
Matera	1.6	1.9	2.0	2.7	3.2	2.8	3.8	4.5	5.0	5.6
<u>CALABRIA</u>	<u>3.4</u>	<u>4.0</u>	<u>3.6</u>	<u>5.0</u>	<u>4.1</u>	<u>6.3</u>	<u>6.4</u>	<u>6.8</u>	<u>7.0</u>	<u>6.8</u>
Catanzaro	2.1	2.8	2.1	4.2	2.3	4.6	4.1	4.8	5.4	4.7
Cosenza	1.7	2.2	2.0	3.2	3.0	3.6	4.3	4.4	5.4	5.4
Reggio Calabria	9.3	10.1	9.6	10.3	10.4	16.2	16.4	16.6	14.4	14.4

TABLE 15
(continued)

	1960-61	1961-62	1962-63	1963-64	1964-65	1965-66	1966-67	1967-68	1968-69	1969-70
<u>PUGLIA</u>	<u>3.6</u>	<u>5.4</u>	<u>4.5</u>	<u>5.5</u>	<u>6.0</u>	<u>7.4</u>	<u>7.5</u>	<u>7.9</u>	<u>8.4</u>	<u>7.9</u>
Bari/Barletta	2.7	3.4	3.5	4.2	4.1	5.4	6.0	5.5	5.8	4.9
Brindisi	7.0	9.9	5.9	5.9	8.0	9.2	10.3	9.6	9.2	8.5
Foggia/San Severo ...	2.1	3.4	2.5	4.4	3.7	5.1	4.8	4.6	5.2	4.5
Lecce	5.3	9.9	8.6	9.9	11.5	14.3	13.5	14.9	16.2	16.0
Taranto	4.0	4.9	5.3	4.9	6.0	7.6	8.9	11.1	11.6	12.5
<u>MOLISE</u>	<u>0.6</u>	<u>0.8</u>	<u>1.3</u>	<u>1.4</u>	<u>1.5</u>	<u>1.8</u>	<u>2.3</u>	<u>2.3</u>	<u>3.1</u>	<u>3.6</u>
Campobasso/Termoli/ Isernia	0.6	0.8	1.3	1.4	1.5	1.8	2.3	2.3	3.1	3.6
<u>ABRUZZI</u>	<u>2.3</u>	<u>3.7</u>	<u>4.3</u>	<u>4.7</u>	<u>5.0</u>	<u>7.0</u>	<u>7.7</u>	<u>7.4</u>	<u>7.4</u>	<u>9.0</u>
Chieti/Vasto	3.4	4.2	4.2	5.4	5.9	8.9	7.7	7.9	9.1	11.2
L'Aquila	2.8	2.8	5.5	4.9	4.2	6.8	9.4	7.2	7.9	7.4
Pescara	4.7	4.6	4.4	5.5	5.5	6.9	8.2	8.1	5.2	9.5
Teramo	2.2	3.2	2.9	3.0	4.1	4.5	5.3	6.5	5.8	7.2
<u>LAZIO</u> ¹⁾	<u>3.0</u>	<u>2.7</u>	<u>3.2</u>	<u>3.9</u>	<u>4.4</u>	<u>5.2</u>	<u>6.3</u>	<u>5.6</u>	<u>6.1</u>	<u>7.7</u>
Latina/Formia	4.8	4.1	4.5	6.7	7.8	9.9	10.6	11.4	12.5	17.5
Frosinone	2.3	0.8	1.3	2.1	1.8	2.0	2.7	2.0	2.4	2.9

Source: ISTAT, Annuario Statistico dell'Agricoltura Italiana (Rome, 1961-71).

1) LAZIO here consists of all the provinces in the region, including those not covered by the ACSBN.

STOCK OF TRACTORS IN THE PROVINCES OF THE MAINLAND SOUTH

(in units and Horse Power)

	1928	1939	1950
<u>CAMPANIA</u>			
No.	167	559	903
HP.	4,905	15,798	25,822
Avellino			
No.	11	88	111
HP.	350	2,578	3,222
Benevento			
No.	26	72	73
HP.	786	2,161	2,036
Caserta			
No.	n.a.	n.a.	373
HP.	n.a.	n.a.	10,571
Napoli			
No.	58	220	98
HP.	1,680	5,830	2,402
Salerno			
No.	72	179	248
HP.	2,089	5,229	7,591

TABLE 16
(continued)

(in units and thousands of Horse Power)

	1961	1962	1963	1964	1965	1966	1967	1968	1969	1970
<u>CAMPANIA</u>										
No.	5,762	6,488	7,598	8,959	10,452	11,702	13,317	14,621	16,503	18,579
HP.	197.7	228.7	277.6	337.1	403.7	461.8	534.1	596.6	684.0	779.2
<u>Avellino</u>										
No.	779	898	1,069	1,327	1,514	1,714	1,991	2,173	2,460	2,851
HP.	29.8	34.9	42.8	54.1	63.1	72.2	84.3	93.6	107.2	125.1
<u>Benevento</u>										
No.	782	916	1,168	1,497	1,848	2,138	2,482	2,822	3,293	3,711
HP.	27.6	33.2	44.0	58.0	73.0	85.5	100.6	116.5	137.5	156.4
<u>Caserta</u>										
No.	2,285	2,578	2,954	3,402	3,913	4,231	4,764	5,187	5,750	6,387
HP.	78.7	92.3	109.4	130.5	155.7	173.9	200.3	221.7	250.0	281.2
<u>Napoli</u>										
No.	551	609	711	853	995	1,155	1,309	1,426	1,589	1,771
HP.	17.1	19.3	23.2	28.5	34.0	40.9	47.1	51.8	59.0	66.3
<u>Salerno</u>										
No.	1,345	1,487	1,696	1,880	2,182	2,464	2,771	3,013	3,411	3,859
HP.	44.5	49.0	58.2	65.9	78.0	89.4	101.8	113.0	130.3	150.2

TABLE 16
(continued)

(in units and Horse Power)

	1928	1939	1950
<u>BASILICATA</u>			
No.	87	318	523
HP.	2,583	9,360	15,991
Potenza			
No.	42	105	213
HP.	1,216	3,156	6,610
Matera			
No.	45	213	310
HP.	1,367	6,204	9,381
<u>CALABRIA</u>			
No.	149	394	656
HP.	4,441	11,174	19,085
Catanzaro			
No.	100	191	360
HP.	2,961	5,305	10,952
Cosenza			
No.	34	152	237
HP.	1,024	4,341	6,756
Reggio Calabria			
No.	15	51	59
HP.	456	1,528	1,377

TABLE 16

(continued)

(in units and thousands of Horse Power)

	1961	1962	1963	1964	1965	1966	1967	1968	1969	1970
<u>BASILICATA</u>										
No.	2,930	3,149	3,513	3,980	4,491	4,891	5,530	6,004	6,521	7,178
HP.	110.7	121.3	141.1	162.3	186.4	206.0	237.8	263.2	292.7	327.8
Potenza										
No.	1,461	1,616	1,826	2,113	2,370	2,590	2,934	3,158	3,495	3,811
HP.	53.6	60.9	72.4	85.5	97.9	109.4	126.9	140.4	159.6	178.1
Matera										
No.	1,469	1,533	1,687	1,867	2,121	2,301	2,596	2,846	3,026	3,367
HP.	57.0	60.3	68.8	76.8	88.5	96.5	110.8	122.9	133.2	149.6
<u>CALABRIA</u>										
Catanzaro										
No.	3,591	3,836	4,266	4,892	5,378	5,822	6,473	6,940	7,347	7,846
HP.	129.8	140.8	161.8	189.7	213.5	235.3	266.6	292.3	318.4	345.9
Cosenza										
No.	1,659	1,658	1,786	1,968	2,104	2,228	2,497	2,678	2,859	3,118
HP.	63.1	63.9	69.5	77.5	84.7	93.4	104.5	116.1	127.8	142.2
Reggio Calabria										
No.	608	699	772	912	1,041	1,150	1,275	1,369	1,421	1,506
HP.	18.4	21.5	24.7	30.2	35.9	40.6	46.6	50.8	54.8	59.1

TABLE 16
(continued)

(in units and Horse Power)

		1928	1939	1950
<u>FUGLIA</u>	No.	830	1,562	1,843
	HP.	24,855	46,521	62,862
Bari/Barletta	No.	80	198	300
	HP.	2,415	6,006	10,339
Brindisi	No.	92	131	187
	HP.	2,789	4,615	5,954
Foggia/San Severo	No.	523	919	962
	HP.	15,506	26,304	33,510
Lecce	No.	54	131	141
	HP.	1,632	3,867	4,504
Taranto	No.	81	183	253
	HP.	2,520	5,729	8,555
<u>MOLISE</u>	No.	56	270	327
	HP.	1,693	7,653	9,688

TABLE 16
(continued)

(in units and thousands of Horse Power)

	1961	1962	1963	1964	1965	1966	1967	1968	1969	1970
<u>PUGLIA</u>										
No.	8,765	10,214	12,213	14,618	16,759	18,445	20,851	22,451	24,767	26,991
HP.	307.9	363.0	445.9	540.6	632.9	708.4	814.5	890.4	998.7	1,102.3
Bari/Barletta										
No.	1,619	1,919	2,510	3,314	3,954	4,439	5,266	5,806	6,508	7,151
HP.	53.7	64.1	85.1	112.3	135.5	154.8	186.9	208.7	238.1	265.7
Brindisi										
No.	834	988	1,145	1,374	1,503	1,608	1,867	2,047	2,236	2,445
HP.	26.4	31.2	37.8	47.3	53.3	57.9	69.4	77.1	85.6	94.5
Foggia/San Severo										
No.	4,362	4,988	5,822	6,740	7,691	8,380	9,249	9,751	10,721	11,613
HP.	161.3	187.8	228.7	270.5	316.1	350.8	394.6	424.2	473.5	518.9
Lecce										
No.	735	861	1,033	1,192	1,355	1,520	1,649	1,810	1,991	2,135
HP.	25.8	30.3	36.8	42.8	50.1	57.9	64.3	71.8	81.0	88.6
Taranto										
No.	1,215	1,458	1,703	1,998	2,256	2,498	2,820	3,041	3,311	3,647
HP.	40.7	49.6	57.6	67.7	77.8	87.0	99.4	108.6	120.5	134.6
<u>MOLISE</u>										
No.	1,516	1,792	2,058	2,353	2,852	3,131	3,474	3,849	4,293	4,736
HP.	55.5	67.4	80.6	93.7	115.8	129.0	145.2	163.7	185.5	206.9
Campobasso/Termoli/ Isernia										
No.	1,516	1,792	2,058	2,353	2,852	3,131	3,474	3,849	4,293	4,736
HP.	55.5	67.4	80.6	93.7	115.8	129.0	145.2	163.7	185.5	206.9

TABLE 16
(continued)

(in units and Horse Power)

	1928	1939	1950
<u>ABRUZZI</u>			
No.	85	426	712
HP.	2,605	12,804	22,372
Chieti/Vasto			
No.	27	165	266
HP.	839	4,885	8,512
L'Aquila			
No.	42	125	158
HP.	1,291	3,727	4,748
Pescara			
No.	12	65	127
HP.	355	1,880	3,749
Teramo			
No.	4	71	161
HP.	120	2,312	5,363

TABLE 16

(continued)

(in units and thousands of Horse Power)

	1961	1962	1963	1964	1965	1966	1967	1968	1969	1970
<u>ABRUZZI</u>	No.	3,716	4,366	5,295	6,347	7,395	10,009	11,340	12,815	14,429
	HP.	141.9	170.1	209.0	251.2	293.4	404.2	459.5	523.1	591.5
Chieti/Vasto	No.	1,248	1,469	1,917	2,426	2,899	3,984	4,648	5,460	6,312
	HP.	45.9	54.8	72.2	91.8	109.1	149.8	174.5	207.0	240.3
L'Aquila	No.	1,100	1,300	1,503	1,721	1,986	2,772	3,001	3,221	3,482
	HP.	42.7	51.2	59.9	68.6	79.3	114.6	124.5	134.7	146.1
Pescara	No.	620	717	786	912	1,034	1,277	1,458	1,683	1,901
	HP.	22.9	27.7	30.4	35.0	40.0	49.6	57.5	66.8	75.9
Teramo	No.	748	880	1,089	1,288	1,476	1,976	2,233	2,451	2,734
	HP.	30.5	36.5	46.6	55.8	65.0	90.2	102.9	114.5	129.3

TABLE 16

(in units and Horse Power)

	1928	1939	1950
<u>LAZIO</u>			
No.	841	2,104	2,725
HP.	24,662	68,056	95,037
Latina/Formia			
No.	n.a.	303	429
HP.	n.a.	9,917	14,920
Frosinone			
No.	40	69	174
HP.	1,169	2,019	4,702

TABLE 16

(continued)

(in units and thousands of Horse Power)

	1961	1962	1963	1964	1965	1966	1967	1968	1969	1970
LAZIO ¹⁾										
No.	12,074	13,204	14,572	16,239	17,805	19,519	21,515	23,239	24,542	26,961
HP.	441.0	487.3	545.7	611.9	681.5	753.2	837.9	918.0	986.0	1,098.0
Latina/Formia										
No.	2,706	3,041	3,369	3,819	4,183	4,660	5,096	5,544	6,154	6,656
HP.	85.3	97.1	112.7	129.9	145.7	164.9	183.3	203.8	231.8	256.1
Frosinone										
No.	900	998	1,093	1,267	1,440	1,629	1,884	2,139	2,570	3,027
HP.	31.4	36.0	40.7	48.0	55.3	63.8	74.4	86.3	106.4	126.0

Source: Utenti Motori Agricoli, Quarant'Anni di Motorizzazione Agricola in Italia 1928-1967 (Rome, 1968) and Annual Reports of UMA from 1968 to 1971.

1) LAZIO here consists of all the provinces in the region, including those not covered by the ACSBN.

TABLE 17

FUEL CONSUMPTION ON FARMS IN THE PROVINCES OF THE MAINLAND SOUTH

(thousands of quintals)

	1961	1962	1963	1964	1965	1966	1967	1968	1969	1970
<u>CAMPANIA</u>	<u>240.0</u>	<u>269.6</u>	<u>272.3</u>	<u>303.3</u>	<u>351.6</u>	<u>375.7</u>	<u>420.1</u>	<u>467.6</u>	<u>511.3</u>	<u>595.2</u>
Avellino	26.2	28.7	29.6	32.7	39.5	42.2	46.9	49.2	52.5	56.6
Benevento	24.6	27.0	31.3	35.7	44.6	48.8	54.5	63.0	67.4	74.1
Caserta	96.1	111.0	113.7	128.0	145.3	159.1	177.1	192.9	208.1	240.1
Napoli	37.8	45.1	40.3	48.0	54.0	54.9	60.2	69.1	78.7	93.7
Salerno	55.3	57.9	57.4	58.9	68.2	70.8	81.3	93.4	104.6	130.8
<u>BASILICATA</u>	<u>90.6</u>	<u>95.1</u>	<u>104.1</u>	<u>120.2</u>	<u>137.1</u>	<u>148.8</u>	<u>173.2</u>	<u>185.1</u>	<u>207.9</u>	<u>219.0</u>
Potenza	39.9	44.5	48.1	56.5	63.3	69.1	82.2	85.5	96.6	101.0
Matera	50.6	50.6	56.0	63.7	73.8	79.7	91.0	99.6	111.2	118.0
<u>CALABRIA</u>	<u>116.4</u>	<u>119.4</u>	<u>133.6</u>	<u>143.4</u>	<u>163.2</u>	<u>179.2</u>	<u>201.2</u>	<u>210.3</u>	<u>229.2</u>	<u>244.4</u>
Catanzaro	52.4	51.2	57.6	60.8	69.0	72.3	84.2	91.5	100.8	100.5
Cosenza	40.2	42.3	47.3	51.3	60.3	65.9	72.6	73.7	78.5	84.9
Reggio Calabria	23.9	26.0	28.6	31.2	33.8	40.9	44.4	45.2	49.9	49.1

TABLE 17
(continued)

	1961	1962	1963	1964	1965	1966	1967	1968	1969	1970
<u>PUGLIA</u>	<u>339.5</u>	<u>381.1</u>	<u>413.9</u>	<u>482.7</u>	<u>582.1</u>	<u>615.4</u>	<u>739.9</u>	<u>819.6</u>	<u>900.6</u>	<u>1,010.7</u>
Bari/Barletta	47.6	54.9	65.3	78.7	95.8	109.7	138.0	155.7	183.1	205.9
Brindisi	25.6	29.1	29.3	35.7	46.6	47.0	60.9	66.6	78.5	92.4
Foggia/San Severo ...	192.5	215.4	236.5	269.9	313.1	324.2	377.2	410.6	424.3	461.3
Lecce	25.9	28.7	30.4	37.0	48.3	53.1	67.2	80.9	97.0	120.0
Taranto	48.2	53.1	52.4	61.3	78.3	81.3	96.7	105.9	117.5	131.1
<u>MOLISE</u>	<u>42.9</u>	<u>48.4</u>	<u>54.2</u>	<u>59.2</u>	<u>67.5</u>	<u>72.7</u>	<u>81.7</u>	<u>85.9</u>	<u>94.0</u>	<u>97.2</u>
Campobasso/Termoli/ Isernia	42.9	48.4	54.2	59.2	67.5	72.7	81.7	85.9	94.0	97.2
<u>ABRUZZI</u>	<u>130.9</u>	<u>145.6</u>	<u>157.9</u>	<u>173.1</u>	<u>202.3</u>	<u>216.9</u>	<u>243.4</u>	<u>258.3</u>	<u>282.3</u>	<u>306.5</u>
Chieti/Vasto	43.8	51.3	59.9	65.3	74.2	80.4	88.7	97.3	106.5	113.8
L'Aquila	31.5	32.9	36.7	39.1	46.1	53.1	59.6	59.8	61.5	67.9
Pescara	21.3	22.3	22.1	23.0	28.9	27.5	31.1	33.3	37.9	40.7
Teramo	34.3	39.0	39.2	45.7	53.2	56.0	64.1	67.9	76.4	84.1
<u>LAZIO</u> ¹⁾	<u>397.9</u>	<u>392.9</u>	<u>390.3</u>	<u>415.9</u>	<u>464.6</u>	<u>511.8</u>	<u>578.1</u>	<u>610.2</u>	<u>665.7</u>	<u>769.0</u>
Latina/Formia	92.5	92.1	88.9	93.5	119.4	143.7	174.7	187.5	214.0	262.0
Frosinone	26.8	28.4	27.8	28.7	34.2	37.1	41.8	43.5	47.7	55.2

Source: Utenti Motori Agricoli, Quarant'Anni di Motorizzazione Agricola in Italia 1928-1967 (Rome, 1968) and Annual Reports of UMA from 1968 to 1971.

1) LAZIO here consists of all the provinces in the region, including those not covered by the ACSBN.

THE NUMBERS OF FARMS AND THE AREA FARMED IN THE PROVINCES
OF THE MAINLAND SOUTH IN 1961

	FARMS		SURFACE AREA FARMED		AVERAGE SIZE OF FARMS Hectares
	No.	% of Total	Hectares	% of Total	
<u>CAMPANIA</u>	<u>343,104</u>	<u>23.9</u>	<u>1,221,197</u>	<u>17.0</u>	<u>3.6</u>
Avellino	71,219	5.0	258,484	3.6	3.6
Benevento	48,126	3.4	187,356	2.6	3.9
Caserta	62,974	4.4	234,167	3.3	3.7
Napoli	68,621	4.8	92,708	1.3	1.4
Salerno	92,164	6.4	448,482	6.3	4.9
<u>BASILICATA</u>	<u>100,586</u>	<u>7.0</u>	<u>903,247</u>	<u>12.6</u>	<u>9.0</u>
Potenza	71,068	5.0	588,561	8.2	8.3
Matera	29,518	2.1	314,686	4.4	10.7
<u>CALABRIA</u>	<u>278,790</u>	<u>19.4</u>	<u>1,407,867</u>	<u>19.6</u>	<u>5.0</u>
Catanzaro	101,427	7.1	494,873	6.9	4.9
Cosenza	97,409	6.8	621,632	8.7	6.4
Reggio Calabria	79,954	5.6	291,362	4.1	3.6
<u>PUGLIA</u>	<u>385,539</u>	<u>26.9</u>	<u>1,783,465</u>	<u>24.9</u>	<u>4.6</u>
Bari/Barletta	135,133	9.4	489,442	6.8	3.6
Brindisi	43,896	3.1	164,663	2.3	3.8
Foggia/San Severo	78,150	5.4	649,255	9.1	8.3
Lecce	83,306	5.8	253,097	3.5	3.0
Taranto	45,054	3.1	227,008	3.2	5.0
<u>MOLISE</u>	<u>63,306</u>	<u>4.4</u>	<u>390,690</u>	<u>5.4</u>	<u>6.2</u>
Campobasso/Termoli					
Isernia	63,306	4.4	390,690	5.4	6.2

TABLE 18
(continued)

	FARMS		SURFACE AREA FARMED		AVERAGE SIZE OF FARMS Hectares
	No.	% of Total	Hectares	% of Total	
<u>ABRUZZI</u>	<u>162,479</u>	<u>11.3</u>	<u>977,379</u>	<u>13.6</u>	<u>6.0</u>
Chieti/Vasto	58,729	4.1	234,362	3.3	4.0
L'Aquila	52,754	3.7	456,861	6.4	8.7
Pescara	23,505	1.6	109,450	1.5	4.7
Teramo	27,491	1.9	176,706	2.5	6.4
<u>LAZIO</u>	<u>101,410</u>	<u>7.1</u>	<u>487,648</u>	<u>6.8</u>	<u>4.8</u>
Latina/Formia	34,614	2.4	199,479	2.8	5.8
Frosinone	66,796	4.7	288,169	4.0	4.3
TOTAL	1,435,214	100.0	7,171,493	100.0	5.0

Source: ISTAT, 1° Censimento Generale dell'Agricoltura: 15 Aprile 1961
(Rome, 1962), table 1.

b) VALUE ADDED AT FACTOR COST (Lit.,000 mm. at constant 1963 prices and percent of total)

	1961	1962	1963	1964	1965	1966	1967	1968	1969	1970
CAMPANIA										
Total	282.1	278.8	313.5	293.2	323.6	336.1	358.2	367.5	360.8	380.0
%	24.1	24.4	24.5	24.7	25.1	26.7	24.1	27.6	24.6	26.2
BASILICATA										
Total	58.2	51.5	59.7	45.9	53.0	52.9	62.9	51.0	67.7	62.9
%	5.0	4.5	4.7	3.9	4.1	4.2	4.2	3.8	4.6	4.3
CALABRIA										
Total	149.8	115.8	188.0	125.3	147.5	146.9	177.5	164.9	186.6	175.7
%	12.8	10.2	14.7	10.6	11.4	11.7	11.9	12.4	12.7	12.1
PUGLIA										
Total	321.9	334.5	345.1	351.9	398.0	348.3	474.8	352.5	430.8	422.1
%	27.5	29.3	27.0	29.7	30.9	27.7	31.9	26.5	29.4	29.1
ABRUZZI-MOLISE										
Total	151.5	143.3	154.7	147.4	143.1	148.4	171.0	154.3	169.7	159.2
%	13.0	12.6	12.1	12.4	11.1	11.8	11.5	11.6	11.6	11.0
LAZIO¹⁾										
Total	205.3	216.3	217.4	222.1	224.7	224.8	242.8	241.8	249.1	252.1
%	17.6	19.0	17.0	18.7	17.4	17.9	16.3	18.2	17.0	17.4
TOTAL										
Total	1,168.8	1,140.4	1,278.4	1,185.8	1,289.9	1,257.4	1,487.1	1,332.0	1,464.7	1,452.1
%	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

TABLE 19
(continued)

c) VALUE ADDED PER CAPITA (Lit.,000 at constant 1963 prices and as a proportion of the total)

	1961	1962	1963	1964	1965	1966	1967	1968	1969	1970
CAMPANIA	Total	485.5	479.1	560.8	589.9	656.4	745.3	831.5	822.6	911.1
	%	95.6	94.6	87.4	93.9	96.3	105.8	104.5	91.8	94.4
BASILICATA	Total	398.6	379.0	533.0	399.2	477.7	472.6	510.3	704.0	768.3
	%	78.5	74.8	83.1	63.6	70.1	67.1	64.1	78.6	79.6
CALABRIA	Total	475.7	388.7	681.1	447.5	542.2	592.4	716.8	814.0	840.4
	%	93.7	76.7	106.2	71.2	79.6	84.1	90.1	90.9	87.1
PUGLIA	Total	574.8	556.5	670.1	708.1	774.4	697.9	728.3	916.4	997.2
	%	113.2	109.8	104.5	112.7	113.6	99.1	114.9	102.3	103.3
ABRUZZI-MOLISE	Total	408.2	424.1	562.6	569.1	535.9	733.9	717.7	827.8	833.5
	%	80.4	83.7	87.7	90.6	78.6	84.3	90.2	92.4	86.3
LAZIO ¹⁾	Total	624.0	730.9	849.3	925.3	952.3	999.1	1,191.0	1,273.4	1,387.3
	%	122.9	144.3	132.4	147.3	139.8	141.8	149.7	142.1	143.7
TOTAL	Total	507.7	506.6	641.4	628.1	681.4	704.4	836.9	795.7	965.4
	%	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Source: ISTAT, Annuario di Contabilità Nazionale (Rome, 1972), pp.185-191.

1) LAZIO here consists of all the region and not just the southern three provinces where the ACSBN operated.

TABLE 19
(continued)

MEMORANDUM ITEM:
NATIONAL ACCOUNTS DATA FOR ITALIAN AGRICULTURE

d)

	1936	1951	1961
Employment in agriculture, forestry and fishing (millions)	8.52	8.41	5.66
Total employment in all sectors (millions)	18.10	19.70	19.50

i)

ii)

	at constant 1963 prices				
	1928	1939	1950	1960	1970
Agricultural value added (Italy)	2,243.7	2,372.2	2,244.6	3,499.0	4,546.0
Industrial value added (Italy)	2,136.8	2,834.5	3,197.9	8,452.0	16,378.0
Total value added (Italy)	7,244.9	9,104.1	9,746.1	20,183.0	35,450.0
Agriculture as % of total	31.0	26.1	23.0	15.6	11.3

Source: Giorgio Fuà (ed.), Storia dell'Economia Italiana negli Ultimi Cento Anni (Milan, 1978), pp.410-423.

Observations on Sources

As mentioned in the introduction to this dissertation, three approaches were followed to gather the material for this dissertation. The first approach was to methodically search for relevant publications in major libraries. Material was found in the library of the Banco di Napoli and its archives, the library of the Agricultural Economics Department of the University of Naples at Portici, the Banca d'Italia, the Italian Ministry of Agriculture and Forestry in Rome, the Bocconi library in Milan, the library of the Istituto Nazionale di Economia Agraria in Rome, the British Library, the British Library of Political and Economic Science, London, the University of Reading library and Palace Green library, Durham University. In addition, earlier research at the University of Bari was re-used. All relevant material is listed in the bibliography below. In order to simplify the bibliography, it is divided into three parts: original and unpublished material, books and articles. Furthermore, items which have made only a passing reference to the topic of agricultural credit or which merely repeated information in other publications have been omitted.

The second approach was to examine in detail the records of the ACSBN. The most important documents to come to light were quarterly returns from the provincial head offices of the ACSBN. These quarterly returns detailed the number and amounts of loans outstanding at the beginning of the quarter, the new transactions during the quarter, the outstanding transactions concluded during the quarter and the number and amounts of loans outstanding at the end of the quarter. Each return was broken down into different categories of operations and all loans under specific legislation were identified. Unfortunately these returns were kept by the ACSBN only for about seven years. For this dissertation I was able to gather series from 1961 to 1970. These will probably no longer be available in such disaggregated form since, after aggregation of the material to get regional figures, the provincial returns are eventually destroyed.

The third approach was to interview specialists in the subject, bankers and researchers. These interviews were particularly interesting and fruitful. One of them requires mention because it was the source of vital

information and provides an insight into the statistical problems encountered.

As a result of the conversation with Dr. Brovelli at the National Agricultural Economics Institute (INEA) I was able to study research being done at INEA into agricultural credit and the government's rôle. This research appears to have been subsequently used in an EEC document: Commissione delle Comunità Europea, Il Credito all'Agricoltura; III. Italia (Brussels, 1976). The material I was able to examine at INEA was much more detailed than the EEC document, which covers a later period than that of this dissertation, and allowed me to get a much better idea of the growing importance of government-funded agricultural credit in the 1950s and 1960s.

The statistical problem concerns efforts to compile a consistent series for agricultural credit both by the ACSBN and in the whole of Italy covering the whole period from 1927 to 1970. For the ACSBN the problem was relatively easily resolved since the necessary details were available from the ACSBN when not published. The national series was much more difficult. The Banca d'Italia was the official source of such information but there were breaks in the series until 1947. It was tempting to take a series from 1928 to 1947 in INEA, Annuario dell'Economia Agraria Italiana (Rome, 1948) but this did not match the Banca d'Italia series where they overlapped. At INEA, however, I was warned that their series had been compiled from data as submitted by the credit institutions whereas the Banca d'Italia corrected the figures to eliminate credit operations falling outside their definition of agricultural credit. The treatment of stockpiling finance also differed. In the end the series used in this dissertation combines Banca d'Italia figures with other official sources: those of ISTAT, published in the Annuario Statistico dell'Agricoltura Italiana (Rome, 1940-48).

One final remark is required to explain the special difficulties of research on Italian economic history, particularly before the second World War. Unlike in the United Kingdom, where detailed and reliable economic reporting has been available for many years in magazines such as the Economist and in newspapers, in Italy the more common sources of informed comment are academic publications and reviews. This explains the large number of articles in the bibliography and virtual absence of contemporary journalistic reports. Alternatively, recognised experts were invited by institutions or official bodies either to produce authoritative monographs on specific topics (see

Casalini, Monografia Illustrativa, for the Banco di Napoli) or to give lectures or papers on a subject (see the studies by Viggiani in the bibliography). Only through a balanced review of such material is it possible to gauge contemporary views of economic events in Italy.

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