

The Balance between Industry and Agriculture in Economic Development

**Proceedings of the Eighth World Congress of the
International Economic Association, Delhi, India**

**Volume 1
BASIC ISSUES**

**Edited by
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M in association with the
MACMILLAN INTERNATIONAL ECONOMIC
PRESS ASSOCIATION

14 Small-scale Industry in Rural Areas: the Italian Experience

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1 A HISTORICAL RETROSPECT

In Italy, as in other countries, the beginning of modern industry was largely based on small firms operating in rural areas or 'putting out' work to rural dwellers. A comprehensive account of Italian experiences with 'small-scale industrialisation in rural areas' would have therefore to start from a remote past, and would be too large a subject for the present paper.

So I will focus only on a singular feature of recent Italian history. But let me introduce it with a few historical statistics (detailed in the Appendix Table A 14.1).

On the eve of the twentieth century Italy was still a predominantly agricultural country. If we take as a rough indicator of industrialisation the percentage of the active population in industry¹ to total active population, we find this index to be scarcely 20 (see Figure 14.1, which provides a geographical partition of the country). Nineteen of the twenty present administrative regions have been grouped in three partitions, North-West, North-East and Centre (hereafter labelled NEC), and South, each of which is sufficiently homogeneous as concerns recent economic history. The remaining region, Latium, is shown apart, because its evolution is strongly marked by the presence of Rome, the Italian capital, which accounts for about three-quarters of Latium's total population.

It appears from Figure 14.1 that at the turn of the century the industrialisation index was near the national average in all geographical partitions.²

Since the turn of the century, however, the industrialisation index shows a strong increasing trend in the North-West, while there was

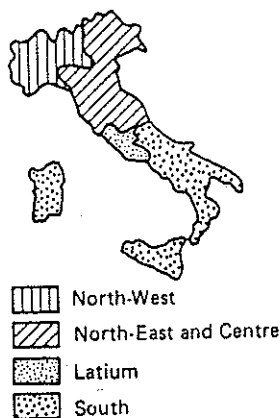
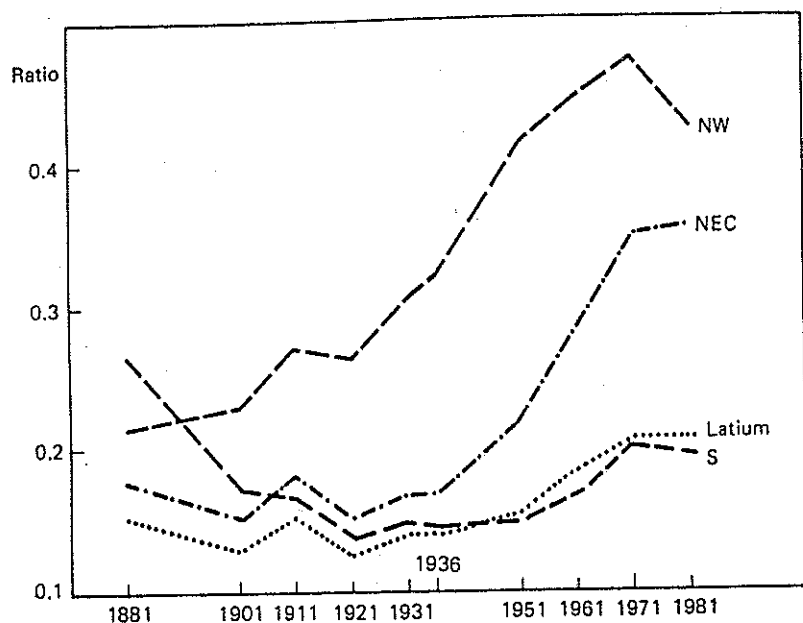


Figure 14.1 Ratio of active population in industry to total active population

not such a trend in other parts of the country. Consequently, at the last Census preceding the Second World War the index for the North-West was twice as high as the index for other partitions: the North-West had become a moderately industrialised economy, while all the rest of Italy was still mainly pre-industrial.

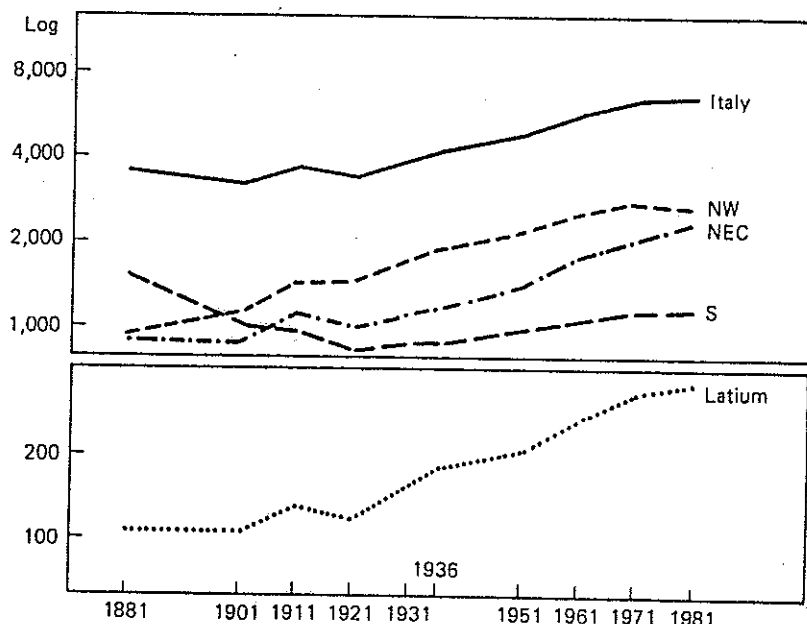


Figure 14.2 Active population in industry (000)

Around the middle of the century major changes took place in the still pre-industrial part of Italy. In the NEC partition, an endogenous industrialisation process gained speed, without any explicit state support, and resulted in a development pattern based on small firms and diffuse location.

In the South there was massive state action for promoting industrialisation, largely through an inflow of capital and of managerial and entrepreneurial capacity from the North.

As shown in Figure 14.1, the industrialisation index for NEC rose appreciably between 1936 and 1951, and very rapidly from 1951 to 1971. The index for the South also moved, but later and slower. Thus NEC regained much of the ground previously lost, while the South went on losing.

After 1971 the index kept approximately stable in NEC and the South, and declined in the North-West, reflecting a marked evolution towards a service economy.

We may be interested in considering – besides the industrialisation index – the absolute number of population active in industry (see Figure 14.2). It is found that the comparative performance of the

three major geographical partitions as concerns the latter is roughly in line with that concerning the former.³ Indeed, the recent comparative success of NEC shows up even stronger in Figure 14.2 than in Figure 14.1, because the absolute amount of its industrial labour force continued to increase very fast from 1971 to 1981, when its industrialisation index had stopped increasing significantly.

The position reached to-day may be summarised by saying that while the North-West is a mature industrial economy facing de-industrialisation, NEC has eventually become a fairly industrialised economy, and the South is still mainly pre-industrial.

Two questions are to be answered. First, why did industrialisation progress more in NEC than in the South, despite the state policy favouring the latter? I think that this can be explained only to a minor extent by the fact that the NEC area enjoys greater closeness to, and better communications with the old core of Italian industry. The main explanation is to be found in the different development model. Endogenous development took place in the NEC area, while the policy for the south was based on the transplant of capital, enterprise and management from the North.

The second question is why NEC's development started at mid-century and not before. My answer is that two prerequisites matured just at that time, namely excess supply of labour in agriculture (due to technological progress there), and improved transport and communication, that created new opportunities for contacts with distant markets.

In the following I will expound the NEC industrialisation model,⁴ because I think it provides a lesson about the potential for development latent in local resources, and how not to waste it; a lesson that might be found interesting in other countries confronted with the need to industrialise rural regions.

2 THE NEC MODEL

2.1 The Starting Point

A key factor in the model is the environment. The original environment is typical of the Italy of the independent Communes, e.g., Tuscany (as opposed to the territories of the former kingdom of Naples).

Thus the territory is rich in small and medium-sized towns – urban

centres with long traditions of efficient and democratic local government and vigorously engaged in commerce, the professions and handicrafts.

The countryside is covered by a good road network, is fairly well endowed with infrastructures, and has reasonable access to services. The family-run, small-scale enterprise (owner, share-cropper or tenant) is common in agriculture. The rural population is large and has close links with the population of the towns.

In the whole population (rural and urban) there is a high proportion of self-employed workers. The economic role of the family is often not confined to consumption, but covers production too. A large part of the population has a house, a small-holding or a family shop to fall back on. Relationships within the extended family and with the neighbourhood are supportive and there is marked community participation and social integration. This sort of environment has a high potential for development.

Let us see, now, how the industrialisation process is set in motion.

2.2 The Industrialisation Process at Work

On the one hand, we have a mass of workers who are no longer able to find satisfactory jobs in agriculture, but are unwilling to leave their homes where they feel integrated and protected, and are therefore looking for work as near home as possible. On the other hand, in this world of family businesses and self-employed workers, there is some management experience, some spirit of initiative, some sense of responsibility, and all these gifts, even in small doses, are widespread among the population. This potential is then mobilised to harness the surplus agricultural labour, and the result is the setting up of small, or even tiny, industrial initiatives.

The new enterprises and their growth and propagation are mainly financed directly from family savings. Given the limited savings available, the investment strategy adopted proceeds by small steps. The enterprises are set up in places where local labour is available and where existing private and public infrastructures can be used; the enterprises are therefore scattered widely over the territory as befits a logic of development which exploits existing structures as far as possible, while minimising the break with tradition.

This type of industrialisation also allows enterprises to avoid excessive wage claims and labour conflict. There are two points to consider here. First, as they can continue to live at home, the new industrial

workers find themselves in a favourable position (compared to those workers who operate at some distance from their home) as concerns the opportunity of supplementing their wages with other income sources, and also as concerns the cost of living, the quality of life, and social security. This leads to moderation in wage claims. Secondly, there are few social distinctions between the new entrepreneurs and their workers; there are indeed often family ties, and, moreover, there is considerable social mobility, which favours a climate of co-operation.

The goods produced and the technologies used are in line with the other characteristics of the NEC model which I have outlined above. The new industry concentrates on those branches, technologies and types of product which do not present insuperable disadvantages for small-sized firms. It specialises, wherever possible, in a type of production which allows it to make use of local craft tradition. Production such as that described above rarely finds an adequate outlet in the neighbourhood. Therefore a large proportion of the industries which develop within the NEC area work chiefly for markets outside the region or abroad, which is possible because of recent progress in transport and communications.

One can now answer the question posed by those students of the economics of industrial location who ask whether the development of industry in certain districts rather than others depends on the presence of market outlets, the presence of raw materials or on other factors. Undoubtedly in the NEC model 'other factors' play the largest role. In this model, industrialisation finds fertile soil in the local (if still latent) supply of entrepreneurial energies, labour and savings, and in the existence of a well-run society with its institutions, its culture and material infrastructures. The success of the model relies on its capacity to combine all the strong points and resources of the existing organisation and harness them to modern development. This assumes that transplants and changes are not so drastic as to shatter the existing social pattern, thereby squandering valuable resources.

Two development phases – in the first phase, due to underemployment and depressed local conditions, the new enterprises are faced with an abundant and undemanding labour supply. Moreover, both the local authorities and public opinion are favourably disposed to enterprises creating new opportunities for employment, and the regulations are not too strictly applied to these enterprises. On the

other hand, in this first phase new enterprises are unlikely to be able to compete on equal terms, technically and organisationally, with well-established firms. These two characteristics of an industrial world still in its infancy – modest productive capacities and modest social demands – offset each other. Enterprises which are still technically and organisationally inferior to established firms can be profitable and competitive if they pay lower wages, lower taxes and do not have to conform strictly to regulations on working conditions and environmental pollution.

At a later stage, when the industry has grown, labour becomes more demanding and social controls more rigorous. The wages, charges and regulations which are borne by the enterprises tend to equal those of established industries, and the firms can maintain their profitability and competitiveness only by raising their productivity.

In this second phase, the NEC industries make rapid technical and organisational progress by perfecting the organisation of the integrated system of small firms and increasing specialisation in quality production, that of small batches or even customised production (for example, robots).

After this brief outline of the model as a whole, I shall examine some details.

2.3 The Entrepreneurs and the Workers

The labour force comes mainly from the families of agricultural workers, at least in the beginning. The majority of the workers have some sort of family property (small-holding, shop or house), and so have a safety net to catch them in hard times. They are not 'proletarians'.

While the leaders of the first wave of industrial development in North-Western Italy came mainly from the upper classes, those of the NEC development come from all classes. Indeed, the great majority come from the lower-middle and lower classes. After the pioneers, the entrepreneurial ranks are swollen by people who started as wage earners and who have then set up their own business in the same industry.

Thus, class differences are not marked. Workers and employers come from the same or similar social backgrounds, and are connected by family ties and social mobility. They have a common work ethic handed down to them from the pre-existing society of family-run farms and craft activities. It is an ethic based on the traditional

conviction that there is a necessary relationship between effort and reward, between commitment to one's work and social success. This leads to emulative behaviour and to labour relationships based on co-operation rather than strife. Even the problem of the loss of a job can be faced with less anxiety, when, as is most often the case, the worker has an economic base in the family which can temporarily give him refuge, and when a large number of ways are open to provide his return to the labour market. For this reason, enterprises face little resistance to plans for reconversion or retrenchment.

It may also be noted that, in this situation, a whole series of factors serve to keep wage claims within bounds. They are briefly examined below.

Wage levels and standard of living – in the first place, certain factors permit the achievement of a given volume of real purchasing power with a money pay lower than that which would be necessary under conditions of concentrated industrialisation. Thus, the average cost of housing is lower because old houses remain in use and the price of new dwellings is not so high as in large cities. Family ties with agriculture mean that certain foodstuffs can be provided on favourable terms. Commuting between home and work is generally less expensive, both in time and money, than it is for workers who live in the cities.

There are many other advantages, which are not so easy to quantify in terms of money, but are none the less appreciated, and which accrue from the workers remaining in their own surroundings. I will pass over these and take up one final point.

This is the high degree of utilisation of the labour potential. The widespread existence of productive activities within the family and the close network of family and neighbourhood relationships creates the conditions for the employment – although without formal work contracts – of those marginal elements of the work force (housewives, retired people, students) who, in other circumstances, have difficulty in finding work. As well as giving employment to these 'second rank' workers, the socioeconomic structure favours a super-utilisation of the 'first rank' workers. Men who own small businesses always tend to work long hours, and they are numerous here. Wage-earners here often have a second job to which they devote part of the time left over from their primary jobs. These second jobs often consist simply in giving a helping hand in a family small-holding or shop. This is also the temporary solution to unemployment found by

many workers when they are on the dole. And, moreover, it serves for some as a means of taking advantage of their holidays.

2.4 The Small Enterprise System

The small size of the enterprises is a key element. In these particular environmental conditions, it is undoubtedly the formula which gives the greatest possibility of success and also that which best preserves the environment.

It is the formula most suited to local entrepreneurs who would not be able to raise large amounts of capital or manage complex organisations even should they wish to do so. It is also what makes it easier to find manpower in an essentially rural area, studded with small and medium-sized towns. Such a territory does not offer a pool of labour suitable for large industrial agglomerations, but it does provide labour for smaller and more numerous industrial units.

Furthermore, industrialisation based on small enterprises does not cause so much of an upheaval as that based on large concentrations, as regards not only urbanistic and landscape values, but also the existing social structure. For example, the system of small enterprises maintains the continuity of the productive role of the family and of the old work tradition, and does not upset the balance of democratic local government as much as would the creation of large-scale industry.

Type of production preferred in the NEC model – choices of types of product and technology are influenced by three considerations, whose relative weight is modified as development proceeds.

First, production lines are chosen which are within the cultural horizon and the technical and financial capacities of the local entrepreneurs. In the early stages of industrialisation, this implies the adoption of technologies which are not too alien for a world of small farmers and artisans. Moreover, those industries are preferred which have a link with the earlier craft specialisations of the individual areas. A large number of important industrial districts have an ancestry of this sort. The fact that these industries evolve, without a break in continuity, from a pre-existing craft tradition makes their first steps easier and does not stop them, as they develop and diversify, from gradually adopting advanced technology.

Secondly, the conditions of under-employment existing at the outset encourage the firms specialising in those production lines

which allow them to take advantage of the relatively low cost of labour and the lack of rigidity in the regulations concerning the protection of the environment and the health of the workers. Both cause and effect will disappear with industrial progress.

Thirdly, those industries are preferred in which it is possible to break down production into stages or products without having to use inferior techniques. Thus, even a very small enterprise can, by concentrating exclusively on one stage of the process – and/or on a few component parts of the product – avoid the risk of being below the optimal size from a technical point of view. I have left this point to the last, because, as we shall see in a moment, it has the most important consequences for the NEC industrial structure. Of the three points mentioned above, it is the one which remains valid for the longest time. It combines with the other two points to condition the entrepreneurs' choices in the early stages of industrialisation. Then, as development proceeds, its influence increases, while that of the other two declines.

Division of labour and methods of integration – the division of labour among a number of different manufacturing firms can solve the problem of making small size compatible with the technological optimum only as concerns production in the strict sense; but there are other important functions, such as finance and control, marketing, management of human resources, in which the small manufacturing firm would still find itself at a disadvantage. It is, therefore, expedient for the small enterprise to entrust these functions to specialised agencies, which can work on a reasonably large scale by serving a number of manufacturers. We thus have a combination of two closely-knit networks: the division of labour among a number of manufacturers and the division of labour between manufacturers and tertiary firms offering the necessary services.

To say that enterprises make use of the division of labour is the same as saying that they form an integrated system, and, in fact, the development of a system of integrated small enterprises is one of the most commonly recognised characteristics of the NEC model. Writers have spoken of 'industrial districts' (borrowing the name from Marshall), 'area systems', 'clusters of enterprises', or 'constellations of enterprises'. Each of these writers was obviously thinking of a different variety of the integrated system, which had indeed many different forms. Some systems are clearly circumscribed (the majority of transactions are carried out within the system), while others have

vaguer boundaries; some systems are restricted to a limited territory, while others are not, and, finally, in some systems the association of enterprises is formally regulated while in others it is not.

Methods of co-operation vary from financial participation to supply contracts, from simple family relationships to informal temporary agreements. In order to give a few instances, I can start by mentioning the co-ordination of small Tuscan industries by private export firms with offices in Florence, which not only co-ordinate foreign demand with Tuscan production, but at the same time carry out important complementary functions, giving mercantile and financial assistance and controlling quality.

In other cases, there are forms of association. For instance, the associations of artisans and small entrepreneurs in Emilia have created centres which prepare wage packets, keep the books, pay VAT contributions, and fill in tax forms for their members. There are also co-operatives for the sale of products and, still more important, co-operatives which act as guarantors to the banks for the solvency of the single entrepreneur and negotiate the most favourable interest rates possible.

I may conclude these examples by considering the highly individual model of integration offered by the Prato wool industry. In this system there are many leading firms which have no employees whatever, consisting only of the entrepreneur himself. It is he who designs the good to be produced and commissions the spinning, weaving, finishing and mending from different firms.

Industrial districts specialising in one product – a phenomenon found fairly frequently is the geographical agglomeration of small enterprises either producing similar goods or vertically integrated; in other words, the formation of areas specialising in one single production line.

It is a well-known fact that the contiguity of many enterprises producing similar goods creates a complex of economic factors and stimuli influencing each single firm, and for this reason, the process of agglomeration, once under way, has an avalanche effect, caused by the reciprocal strengthening of the firms inside the area, by the arrival of other firms from outside, and by the involvement of the surrounding territory through overspill or annexation.

The luxuriant growth of which these agglomerations are capable is, in the short term, an important component of the overall growth of the NEC industry, but, if it is not properly channelled, it runs the risk

of causing long-term difficulties. Two dangers must be considered. First, it is better to avoid the total, or almost total, dependence of a highly-populated area on one very limited specialised product; the first crisis in the sector would cause a social disaster. Secondly, one must fear a situation in which the 'area-systems' act as magnets attracting a concentration of population and activities, thereby causing congestion within the area and abandonment outside it; should this happen, the territorial balance from which the NEC model draws its strength would no longer exist.

Problems of services – as noted above, industrialisation based on small enterprises following the NEC model demands and stimulates considerable growth in the supply of services for these enterprises.

The range of services offered by existing private agents is rich and varied, but it could be improved. Not only are there certain services where either quality or selling price is exposed to criticism, but there is also a whole series of services that is excluded or seriously neglected. I refer to scientific services, to basic educational facilities, and to all those services which a small firm (without the wider operational horizons of a large enterprise) is unwilling to pay for by itself, as in any case the greater part of the benefits produced from these services will not accrue to its own production alone but be spread through the system.

Given the fundamental importance of services to production in the NEC model, and the gaps in the structures created by private enterprise, we must consider the possibility of supplementing them from public sources. Experiments on these lines have been carried out especially at local and regional level, but results so far have been modest. This is hardly surprising given the difficulty of finding forms of public aid compatible with the NEC model's way of working, i.e., which invigorate it without spoiling it (by, e.g., bureaucracy, 'welfarism', and favouritism).

The service activities stimulated by NEC industrialisation show a marked tendency to concentrate in the towns. This gives rise to a paradoxical situation in which a deconcentrated, rural model of industrial development leads to a concentrated, urban model of tertiary development. This spontaneous tendency is reinforced by certain local administrations who are planning to develop major regional towns as capitals of the 'tertiary sector'.

If things continue in this way, and if, as is generally considered likely, the tertiary sector is destined to absorb an increasing pro-

portion of the work force, there will be a progressive weakening of those decentralised structures which today form the strength of the NEC model. This is not all, however. If this territorial dualism persists, whereby the services go to the towns, while industry remains in the country, the differentiation between services and industry will widen, and, in the final analysis, reach a complete antithesis. Should the service industries continue to offer higher wages and better working conditions, the feeling that the towns are prospering at the country's expense could be aggravated and thus could recreate a potential rivalry and distrust between town and countryside of the kind familiar to us in other situations in history, when 'countryside' conveyed the idea of an exploited peasantry.

For all these reasons, we cannot but be preoccupied by present tendencies. It is, however, obvious that the development of service industries is to be encouraged, and that, as things are at present, firms in this sector secure considerable economies from a marked urban concentration. But the existing situation is also the result of the policies adopted, and we can attempt to change that by giving our policies a different slant in the future. In particular, we may envisage a policy aimed at taking advantage of the considerable possibilities for deconcentration offered by new technological developments in telecommunications and telematics.

The strengths of the system – the analysis we have carried out shows the logic underlying the formation of the system of small enterprises. Small dimensions are adopted because this is the highway to a development based on local resources, and the enterprises must be linked together to form a system, in order to avoid the diseconomies which would otherwise stem from their smallness. It must now be asked whether the results obtained – the system of small enterprises – is simply a poor man's second best, something which poor countries have to accept because they are not (yet) able to construct a system based on large enterprises, or whether the decentralised model may not in some ways be actually superior. The answer is that the system of small enterprises has certain strengths (just as it has obvious weakness). I will now review the most important of these.

I should first stress the favourable environmental conditions produced by the overall working of the NEC model, such as low cost of living, intensive utilisation of the labour potential, and survival of the old attitude to the work. On the one hand, the small enterprises, as essential elements in the model, help to produce those conditions,

and on the other hand, they benefit from them in terms of lower costs and more efficient business management.

Moreover, 'smallness' allows faster adaptation to continually changing markets and technologies. In the first place, the small firm, which is less bound than the large one by the dead hand of bureaucracy and trade union rules, is quicker to modify the allocation and size of the labour force and other resources. In the second place, a system of small enterprises makes it possible, by the simple transfer of subcontracts, to solve problems which would require closures and relocation of personnel in a large firm system. In the third place, the NEC system gives an outlet to the inventiveness and spirit of initiative of a large number of people, and encourages these qualities through competition and emulation. So, even though, as we have seen, basic research may be neglected, there is a profusion of the type of research which is the closest to industrial application and which leads to a continual flow of small innovations (almost of the 'learning by doing' kind).

Greater flexibility, and a more open attitude to innovations, make the small enterprise the most suitable one for production on a small scale or for single items. It is therefore at an advantage in those markets where demand is either fragmented for geographical or social reasons (down to the exceptional case of 'customised' demand), or variable in time (rapid fashion changes or frequent innovations.)

This position in the international division of labour gives the NEC model a lead, because the relative importance of these markets is increasing. The NEC-type industry can, therefore, seize on this opportunity. Indeed, it has already begun to do so. It can rely on its greater flexibility to beat the competition of more advanced economies as it can rely on qualitative and technological superiority to beat the competition of emerging economies with low wages.

2.5 Capital Formation

The following are the main characteristics of capital formation in the NEC model. Families have a high propensity to save, and these savings tend to be invested directly within the family. The investments are made with an eye to producing immediate results in terms of production (i.e., the incremental capital/output rate is kept low). The result is that local industry achieves a good growth ratio relying

on local savings and depending little or not at all on a net capital inflow from outside.

As to the characteristics of savings, in the NEC model family savings are used mainly to build and improve the family's premises and equipment: the house, the small-holding, the workshop and the shop. This gives them two important qualities. In the first place, while serving as a reserve for the future and as an income-yielding asset, this type of savings, more than any other, satisfies the saver's desire for self-fulfilment. Secondly, it offers the saver a certain security as to maintaining the value of his money in times of inflation. These two considerations, self-fulfilment and security, help to explain why the family's propensity to save is generally higher in the NEC model than in other communities where concentration of settlements and productive structures offers less opportunity for direct investment.

It should be noted that differences in savings as shown in statistics reveal only part of the truth. Some of the time off from 'official' work is spent in accumulating resources, eg., family house-building during weekends. Activities of this kind create income, savings and investment which the national accounts ignore. Of course, this use of free time is found everywhere, but there are signs that it is particularly common in the NEC districts. This is not surprising, considering that the whole NEC rationale encourages and facilitates it.

The above description portrays a world of largely self-financing investors, and this is a strong point in the system in the sense that the enterprises are not deep in debt and are therefore less vulnerable.

I shall now examine the characteristics of real investment, and first comment on its volume. As the location of new productive initiatives tends to be chosen on the basis of pre-existing structures, past investments can be recouped, and there is a reduction in the new investments needed to launch these projects. This observation holds good for every type of infrastructure – from workers' houses to power lines and roads, and includes the whole network of services needed to create civilised surroundings. It is also valid to some extent for the factory buildings and plant. Small firms frequently start out in buildings not designed for the purpose, and adapted, for example, from warehouses, storerooms or stables, with makeshift equipment. This allows them to begin production with a minimum of new investment. If production is successful, and as both the funds available and the cultural horizon expand, they will gradually adopt more sophisticated technological and logistic solutions. And so on, step by step,

without great leaps forward. When one firm leaves its buildings and equipment for better ones, the old assets are frequently taken over by another firm which is trying to move one step up the ladder, too. So the progress made by one firm makes things easier for another, and, by a chain reaction, the whole group gradually moves upwards, making the maximum use of the capital available.

We must not expect the results of this investment model to be impressive from all points of view. They may not be so for technicians and town planners, as the model produces an industrial landscape dotted with provisional solutions consisting of makeshift buildings and outdated technologies. This may be cause for regret, but, given the limited quantity of investment, the model has the great advantage of allowing the largest number of people possible to find work and to improve their qualifications by experience. It should also be noticed that this gradual progress reduces the risk of serious errors.

3 REPERCUSSIONS ON AGRICULTURE

While agriculture makes a positive contribution to NEC industrialisation, it is also important to examine the influence of this industrialisation on agriculture.

Some problems arise from the fact that industry competes with agriculture in the use of land and water resources, but only in a few particular zones has the damage suffered by agriculture been very serious.

Repercussions on the labour market are much more important. NEC type industrialisation brings wide-ranging opportunities for extra-agricultural work in rural zones, and triggers the phenomenon of the 'multi-activity family' (whose members are employed both in agriculture and in other types of work) which gives a breathing space to agriculture. The possibility of income from extra-agricultural sources helps the family to remain in its place of origin and thus averts the danger of the countryside being abandoned – so common in models of concentrated industrialisation. From a plurality of activities the family both derives a higher income and gains wider experience advantageous for agriculture. Those members of the family employed in extra-agricultural activities bring new technological and administrative skills to the management of the family farm, and employ their savings in agricultural investment, with possibly profound changes in agriculture.

We must also remember the ability of multi-activity families to weather the seasonal variations in agricultural work.

Agrarian policy will, however, have to face dramatic choices in the future, following the effect of industrialisation on young people's professional ambitions. Among today's multi-activity families, the leading role in the small family farm remains, on the whole, in the hands of the older generation. The younger generation is not interested in taking over, because youth find extra-agricultural employment more satisfying and less demanding. Of course, a great many young people appreciate the fact of belonging to a family owning a small-holding, but very few are anxious to run it themselves. If this trend continues, the small family farm, which is one of the pillars of the NEC model, will gradually cease to exist for lack of new generations willing to take it over. A policy must be devised to cope with this possibility. On the one hand, we should ask ourselves whether it is possible to concentrate on a really substantial package (in education, finance, public services, prices, etc.) that would make small farm management attractive to young people again. Following the same line of reasoning, we should also consider a plan to change the small farm into a diversified business, e.g., agro-tourism, which would make its management both financially and personally more rewarding. Looking at things from the opposite point of view, one might suggest a policy which would accept the decline of the small farm and favour the setting up of farms large enough to permit the exploitation of brilliant managerial capacities and thus attract the best qualified type of youth. We need not even dismiss the possibility of separating the two functions present up to now in small family farms; indeed a system could be envisaged in which large farms take over market production, while family small-holdings produce for domestic consumption.

4 THE OUTLOOK

There is a widespread agreement that, up to now, the NEC model of rural industrialisation has been a relatively successful experience. Without an explicit plan, it has succeeded, area by area, in rallying local potential for entrepreneurship, work and savings, and in using to advantage the material and social structures, probably with better results than would have been possible using imported models and resources. The material well-being and the cultural level of the

population have improved substantially; social integration and mobility have been strengthened, and there has been no serious disruption.

This, on the whole, bright picture, however, is not without some shadows. Industrialisation has brought with it certain evils which a more sagacious public policy could have avoided. But the positive results greatly outweigh the negative ones.

While an assessment of the results obtained can easily be made, future developments are controversial. We have to consider whether, precisely as a result of the progress made, the deconcentrated model which has been the basis of the NEC economy (small enterprises, low territorial concentration, fundamental importance of the family and the agricultural environment) is destined to lose its pride of place to a completely different model of development, characterised by large enterprises and complex organisation, by metropolitan concentration and a sharp break between town and countryside. Should the NEC economy develop in this way, it would be a repetition of events in earlier developed regions and countries. There, too, industrialisation began in a deconcentrated form, and only became concentrated in a second phase of development.

The history of earlier developed countries, however, presents a third phase which has been manifest for some time, and which gives cause for reflection. Urban congestion and huge industrial centres have begun to make their negative effects felt (ungovernability, sclerosis, lack of individual responsibility), and this has led, both in theory and in practice, to a new movement towards deconcentration. This should serve as a warning to the later developed countries and regions, such as NEC. We must ask ourselves why the latter should slavishly copy the policy of concentration, only to discover one fine day – too late, as usual – that they, too, will have to make a U-turn and begin to deconcentrate again.

The solution suggested here has little chance of being automatically adopted. In an earlier phase of NEC development, both cultural survivals and automatic economic mechanisms were leading society towards deconcentrated development, without any explicit plan having been adopted; but today the situation is different, and the automatic bias in favour of concentration is now growing stronger, and threatening the deconcentrated model. Thus the increase in income and international contacts through business, tourism, and education abroad are all leading to the adoption of 'consumeristic' models. Young people who now have easy access to higher education

want safe careers such as are afforded by large bureaucracies. Commercial attempts to 'sell' consumerism as a life-style are highly organised on a world scale, whereas there are no similar organisations to sell competing life-styles.

The progress of the NEC development in a way which will guarantee the advantages of the deconcentrated model cannot therefore be left to chance, but calls for a clear realisation of the situations and an explicit policy.

Appendix Table A14.1 Basic statistics

	1881	1901	1911	1921	1931	1936	1951	1961	1971	1981
<i>Active population in industry ('000)</i>										
North-West	946	1 122	1 409	1 459	1 757	1 867	2 211	2 537	2 766	2 653
NEC	921	883	1 112	1 008	1 119	1 181	1 425	1 758	2 054	2 336
South	1 564	1 024	969	824	884	899	976	1 061	1 153	1 151
Latium	106	105	128	116	155	176	205	262	321	353
Total Italy	3 537	3 133	3 618	3 407	3 914	4 123	4 817	5 618	6 294	6 493
<i>Ratio of active population in industry to total active population</i>										
North-West	.215	.230	.271	.264	.309	.322	.417	.451	.479	.428
NEC	.175	.153	.182	.151	.167	.168	.223	.288	.353	.359
South	.266	.175	.165	.139	.149	.147	.149	.164	.202	.197
Latium	.151	.128	.154	.127	.140	.140	.156	.186	.208	.208
Total Italy	.217	.181	.201	.179	.202	.204	.246	.287	.334	.321

Notes

1. In the present paper I refer to Population Census figures, corrected for changes of boundaries and of industrial classifications, and I include in 'industry' items 2, 3, 4 of the International Standard Industrial Classification (United Nations).
2. Actually, in 1881 the South was above the rest, but this was due to female labour precariously employed in traditional textile activities, a phenomenon which dwindled away in subsequent decades.
3. Things are different for Latium. Due to the attraction exerted by Rome, population increased in this region at a much faster rate than in average Italy. The same applies to total active population, and to active population in industry. But the ratio of the latter to the former increased less in Latium than elsewhere.
4. I shall largely draw from a previous study (Fuà, 1983).

Reference

- Fuà, G. (1983) 'L'industrializzazione nel Nord-Est e nel Centro', in Fuà, G. and Zacchia, C. (eds) *Industrializzazione senza fratture* (Bologna: Il Mulino).