

THE STATIST

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Egregio Professore:

Da tempo non ci scriviamo e mi auguro che tutto proceda bene nella Sua Città bagnata dal Sole, mentre qui affrontiamo l'imminente inverno con coperte elettriche e tazze di té con Rhum.

Ebbi occasione di passare prontamente il suo libro a Vincent Cronin prima di partire per l'oriente ed ora rientrato in sede vorrei sapere se lo posso assistere ulteriormente.

Intenato Lei potrebbe studiare la forma di collaborare con noi, solo per non perdere i contatti. Abbiamo in imminente produzione il nostro annuario finanziario, bancario, di oltre 250 pagine, e pensiamo che questo rappresenti ottime possibilità per qualsiasi organizzazione di carattere finanziario. Le tariffe come da brochure accluso sono di Lst.100 la pagina e pro rata e benché la Banca di Sicilia e Cassa di Risparmio V.B. hanno già preso spazio mancano altre e buone possibilità. Faccio stresso alla SO.FI.S. (che presi una pagina in Aprile, veda ritaglio accluso) e la IRFIS ($\frac{1}{2}$ pagina in aprile, ritaglio pure accluso), poi ci sarebbe la Banca del Sud ecc. Lascio a Lei di decidere il miglior da farsi sollecitamente ed in maniera che sia remunerativo per Lei. Ha concordato che le venga disposto il 30% in questa occasione e spero che pronto di potrà dare delle buone notizie.

Non credo che il conto dell'Ente di Turismo sia stato regolato però non appena vediamo i lilleri non lalleremo.

La ringrazio sentitamente in anticipo e porgo i sensi della mia massima stima.

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Mgr. Prof. Gaetano Falzone,
Via M. Rapisardi 16
PALERMO (SICILY)

C. Cassuto
(C. E. Cassuto)
Manager: Foreign Department.



INDUSTRIAL DEVELOPMENT IN SICILY

by Carlo Bazan

President of the Banco di Sicilia

NOT so many years ago ardent discussions were taking place on the best ways of guiding the economic development of Sicily. It was held by some that agriculture and the processing of its products must always take pride of place, and that any hope of establishing fresh industries must be excluded. Such an opinion is not held today.

Even as late as 1951 the net product of Sicilian industries and their allied activities totalled 180 milliards of lire; yet in 1959 on the same reckoning the total was more than double at 390 milliards. The contribution to the Regional revenue rose from 38 per cent to 46 per cent, and in 1960 and 1961 probably approached 50%; future years will see, no doubt, a still greater increase.

The course of industrial exports confirms this. In 1951 total Sicilian exports to foreign countries were 52 milliards lire, and to this figure secondary industries, excluding those engaged in processing primary products, contributed only about 15 milliards, or less than one-third. In 1960, out of a total export of 96 milliards, the share of industrial exports

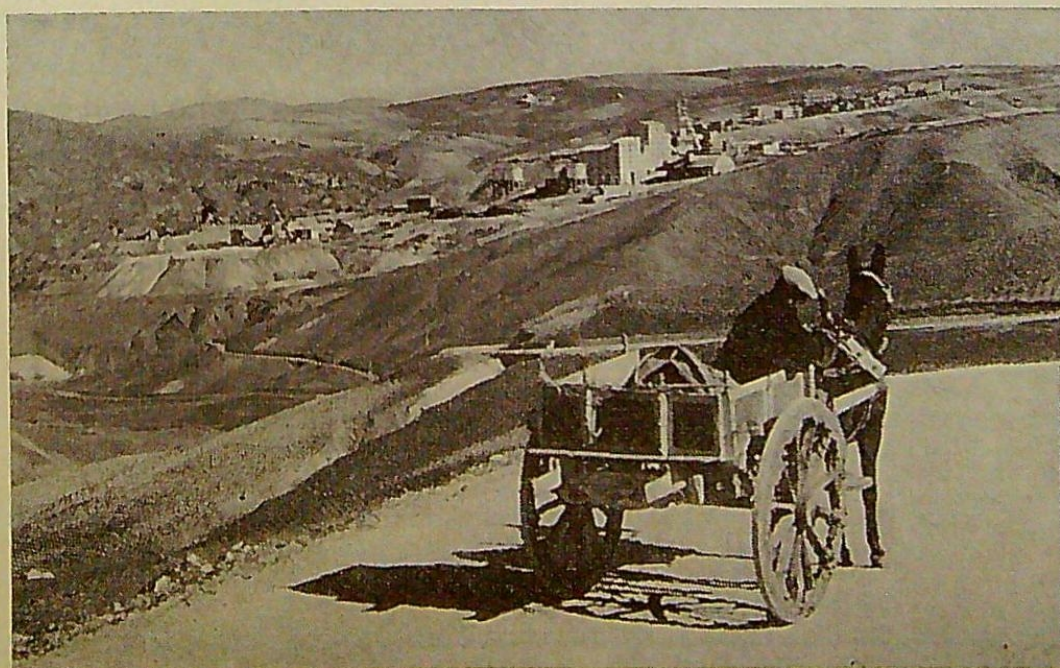
was over 48 milliards. Similarly, sales by these industries to other regions of Italy increased in volume (internal trade figures are not given in values) from half a million to 2.9m. tons, their proportion of total Sicilian exports to peninsular Italy rising from 41% to 72%.

These are the first fruits of the process of industrialisation started so timidly 15 years ago. At first there were only a few simple fiscal relaxations and a certain amount of far-sighted financial aid from the Industrial Credit Department of the Bank of Sicily to industrialists often animated by a pioneering spirit. Later, industrial companies were permitted to issue bearer shares, contrary to the regulations obtaining elsewhere in Italy requiring registration, and a regional fund was set up for minority participation in the capital of new industries.

Next, the Regional Government of Sicily, by virtue of special legislative powers, assumed control of the prospecting for deposits of hydrocarbons in liquid or gaseous form, and of other minerals.

Quiet contemplation of modern industrial development

The San Cataldo potash mine, South of Palermo, has helped to absorb displaced labour from the depressed sulphur mining industry. It constituted a major step towards the establishment of an integrated fertilizer industry in Sicily



promote development after the successful stabilisation of the Finnish markka in the late 1950's.

FOREIGN BORROWERS MAY BE HIT

One effect of the squeeze starting in Switzerland, and her imbalance of payments, is almost certain to be a tightening of the bond market for foreign loans. Last year the UK was the largest borrower on this market, taking £13m., and companies that were planning new issues this year in Switzerland may find themselves hit. The last credit squeeze in Switzerland brought the volume of capital exports via foreign loans down from £35m. in 1955 to £1.3m. in 1957. The volume rose again the next year and reached a record level of £83m. in 1961, according to Swiss Bank Corporation figures. No UK borrower made an appearance on the Swiss capital market until 1959, but since then the volume of UK borrowing rose rapidly and in three years reached a total of £27m. Since the war, the largest borrower has been the World Bank, with a total of £50m., followed by Belgium (£40m.), the USA (£35m.) and Italy (£32m.). The total of these loans since 1947 has been £357m. Up to 1953, more than 80 per cent were on behalf of public bodies. Since 1954, almost two-thirds the amount raised was for foreign private borrowers.

JAPAN IS TAKING NO CHANCES

The payments crisis which suddenly engulfed the highly prosperous Japanese economy in the middle of last year appears to be receding. Reserves, which in the months immediately after the trouble first developed were shrinking at a rate of about 6 per cent per month, have recently been holding fairly steady close to the relatively comfortable level of \$1,500m. And though this new-found stability owes a good deal to the fact that the Japanese authorities have been drawing liberally on the credit lines obtained from two groups of American banks a few months ago, there are indications that it also reflects a turn for the better in the country's external payments fortunes. Trade figures suggest that the excess of imports over exports is coming down from the spectacular levels it reached at times last year—at one time it was in the vicinity of \$2,000m. on an annual rate basis. And figures released by the central bank relating to letter of credit arrangements for exports and imports suggest that this improvement can be expected to continue in the months ahead.

Bearing in mind that reserves can be reinforced at any time to the extent of \$305m. by drawing on the stand-by credit negotiated with the IMF earlier this year,

it looks as though there is every chance that Japan will now be able to prevent her payments crisis quickly taking a disastrous turn for the worse. This might have happened on fears that the erosion of reserves would necessitate the imposition of restrictions on the withdrawal of foreign capital. This could have provoked a flight from the country of the vast quantities of short-term money that have flowed into it through the Euro-dollar and Euro-sterling markets and in other ways during the past couple of years. So freely have the Japanese imbibed this financial water in that period that it has been officially calculated that short-term liabilities in foreign exchange are now in excess of comparable assets. From this it follows that any appreciable outflow of such money could have inflicted heavy punishment on reserves.

While the immediate outlook is less worrying, the Japanese balance of payments is still far from satisfactory. So it is hardly surprising that the foreign exchange budget for the next six months, released last week-end, has a strong austerity flavour, with the amount allocated for imports set 10 per cent below the figure for the past six months. For the same reason, the simultaneous announcement that another 320 items are being freed from quantitative import restrictions to bring liberalisation up to 75 per cent strikes a rather odd note. Presumably the Japanese authorities are hoping that the measures they have taken to damp down the demand for imports through retrenchment policies at home will ensure that the intake of foreign goods will shrink even though it has become easier to buy them.

If, however, things don't work out this way, the trade liberalisation will obviously be a liberalisation only in name. Yet the Japanese authorities can hardly be blamed for attempting the difficult trick of riding these two horses at once. On the one hand they must make a show about eliminating barriers to the entry of foreign goods into Japan if they want other countries to reduce impediments to their own export drive. On the other, the reserve position having been basically impaired by the big external deficit of the past year, a firm check must be imposed on spendings abroad if the payments crisis is to be lastingly resolved.

FIRST STEP FOR IMF CRISIS CLUB

The first step in implementing the International Monetary Fund's general arrangements to reinforce the international monetary system in a crisis has been taken by Italy. It has formally adhered to the Fund's arrangements for borrowing up to \$6,000m. from ten major industrial countries should the Fund's ability to help a member in difficulty be hindered by shortage of funds. Before the plan can go

into action at least seven countries with commitments equivalent to \$5,500m. must formally adhere to it. Italy's maximum commitment is \$550m. and she will sit with other members of this new club to approve any lending operation before its machinery can operate. The other members-to-be are Belgium, Canada, France, West Germany, Japan, the Netherlands, Sweden, the UK and the USA. But the main strength of the arrangements, which were agreed in December, lies in the \$1,000m. commitments of the UK and West Germany and in the USA's \$2,000m. share. These will help strengthen international liquidity should some other country get into trouble; but should the pound or dollar weaken neither the UK nor US commitments to the new arrangements could be used and the increase available in liquidity through the IMF will only be \$3,000m. or so.

THE TIDES OF INVESTMENT

For many years it has been customary to argue that the growth of UK commitments for financing development in the overseas Commonwealth would call for a sustained effort to expand current account earnings substantially in relation to outgoings of the same kind if sterling was not to be constantly running into supply-demand trouble in the currency markets. In the event, to judge by a survey in the latest issue of the Treasury Bulletin for Industry, the problem of the increased outflow of money into long-term investment abroad is at present being nicely taken care of by the inflow of long-term investment money into the UK.

The survey shows that between the early 1950's and the closing years of that decade inward investment rose by no less than three-quarters against an increase in the outward flow of only a quarter. Taking the last three years alone, the outflow of money from the country under this heading averaged some £350m. Against this, the inflow of foreigners' funds for long-term employment in the UK leapt from £200m. in 1959 to over £400m. last year. This meant that in 1961 the UK was actually showing a payments surplus in respect of long-term investment activity. However, since last year's inflow was boosted by a very exceptional transaction—the arrival of £131m. of money in connection with the parent Ford undertaking's acquisition of the British element in its UK's subsidiary's capital—it would be unwise to regard it as providing an accurate reflection of the current state of the tide in this sector of the balance of payments. But it should be noted that even if the Ford operation is entirely left out of account, the net outflow of long-term investment was limited to £80m.

Bearing in mind the difficulty the pound has been experiencing in recent years it is naturally a matter for relief that overseas

investors are displaying such an intense interest in opportunities for employing their funds in the UK. UK investment abroad is not proving the burden it was expected to be. But in a longer-term sense the relatively fast rate of growth of the foreign stake in the British economy may not be an unmixed blessing. The higher the level such investment reaches, the bigger will be the charge on the country's current account payments in respect of interest and profit remittances each year. So unless such foreign investment promotes exports to an equivalent extent, it may add to the country's payments problems in the longer run.

There is also the point that, whereas foreign long-term investment in the UK has a very pronounced equity emphasis, British investment in the rest of the world has a much larger fixed interest element. And investment of the equity type tends to bring much larger rewards than that in fixed interest, particularly in a world that is so inflation prone.

PLEA FOR PLANNING OF LAND AND JOBS

Building society annual meetings usually yield comments on the economic situation, house prices and design, and the burden of unjustified taxation on building societies. At the Abbey National annual meeting

was added to these a strong plea for national land use planning. It was from Mr Stanley Ramsay, deputy chairman, who pointed out that current negative planning restrictions yield no prospect of a solution to the problems of population drift and excessive commuting. He hoped that positive control of the use of land might soon be as much in vogue as economic planning has become.

For building societies the social problems of the London conurbation are reflected in high house prices, which make necessary larger than average mortgages and tend to defeat the movement's aim of making home ownership possible for more and more of the population. Mr Ramsay suggested that the chief attraction of the large cities is the prospect of better jobs. The key to planning lay in work location.

The Abbey National closed 1961 with liquid resources at an above-average level, 16.6 per cent of total assets. Sir Harold Bellman, the chairman, defended this by suggesting that large societies, with many inlets and outlets for funds, found the control of liquidity "necessarily an inexact art". Therefore, ample safety margins were needed. Liquidity was also being called on to act as a buffer against short-term fluctuations in interest rates, to bridge the gap in time—almost six months in 1961, for instance—between deciding to raise rates to shareholders and borrowers and the actual changeover.

At the Leicester Permanent Building

Society's annual meeting Mr Norman D. Ellis, the chairman, forecast the society's growth and advances in 1962 will be well ahead of 1961 if the trend of the first three months continues. The society's total assets increased 9.5 per cent during 1961 to £75.1m., while its liquidity at end-1961 is down a point from a year earlier, to 12.8 per cent of total assets. Advances in 1961 were up £260,000 to £12,336,000. The society, which during the year expanded by adding eight new branches, is the first building society in the UK to install a computer for its accounting work.

A further increase in home ownership, bringing with it continued pressure on the society for mortgage accommodation, is foreseen by Mr John Dunham, chairman of the Co-operative Permanent Building Society, in his review of the year. This argues a continuation of the trend away from renting, revealed by the statistics of the past decade. Ten years ago about seven council houses were being built for every one privately. Today some 60 per cent of total house construction is in private hands. As private dwellings are generally larger than council houses, perhaps three-quarters of all new living accommodation is being built privately.

The task ahead is not only rehousing the millions of people still living in sub-standard accommodation, but also making room for "a new conception of what constitutes proper housing as a background for family life".

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THE STATIST *World Banking Survey*





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The Statist
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