

The World Bank Loans to Italy and the History of Postwar Development Policies

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Abstract

In the aftermath of World War II a new global issue emerged at the center of the international discourse: the development of the so-called backward countries. Why did this matter become so important only at that time, since poverty had always existed? Two new circumstances had a fundamental role: the decolonization process, which created many new backward countries and gave them visibility, and the Cold War, which gave them strategic and geopolitical relevance. One of the key players in the implementation of international development policies was the World Bank. Established in 1944 at the Bretton Woods conference to help war-torn European countries reconstruct their economies, the Bank was quickly outperformed by the Marshall Plan, the American bilateral aid program to Europe. After the Marshall Plan, however, the Bank resumed its relations with certain European countries that needed to link post-war reconstruction to longer-term development policies.

From 1951 and during the whole of the 1950s, Italy became the most important European borrower from the World Bank. A number of reasons explain the centrality of Italy for the World Bank's development policies in Europe: Southern Italy was the largest underdeveloped area in Europe. At the same time, the Italian political and financial institutions were well developed and sophisticated, and the Bank could thus easily enter into a productive dialogue with them. For this reason, among others, the Bank became deeply involved in the design and implementation of the development plan for the Italian Mezzogiorno, which became a pilot project for the World Bank itself. Southern Italy even became a playground for development economists and social scientists. Finally, the development of Italy, and the bringing up to speed of its less advanced regions, was essential for the country's political stability and crucial to the integrity of the Western bloc during the Cold War.

The Bank of Italy, the Cassa per il Mezzogiorno (the Italian regional development agency), and research institutions such as Svimez, all agreed that Italy's main economic goal should be the territorial expansion of the industry to include less developed regions, for which catching up with the rest of the country was essential. Reconstruction and development should go hand in hand, and the World Bank became the principal counterpart that helped Italy in its efforts toward this goal.

Between 1951 and 1965 Italy received eight loans from the World Bank, totaling almost US\$ 400 million, the largest amount lent (and the one disbursed over the longest period of time) by the Bank to a European country.