

The Cassa per il
Mezzogiorno,
the World Bank and
the Model for Italian
Economic Development

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By

Amedeo Lepore

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to Federico Lepore and Antonio Di Vittorio

“The Governor envisioned – and the times allowed that back then – that the unbound stance of the Cassa, together with its seriousness, reliability and efficiency, [...] made it the most suitable tool for attracting the most significant intervention (300 million dollars) the World Bank had ever made in Europe; such a relevant commitment was obtained by Menichella from the President of the World Bank himself in Paris in 1952. [...] The World Bank, following a suggestion by the Governor, shifted the focus from granting loans to individual projects – which referred to single plants – to rather broad sectors targeting a whole territory. [...] This made the intervention model of the Cassa an exemplary case for the implementation of development policies in economically depressed areas all over the world. Hence the worldwide interest for the action of the Cassa [...] which Menichella then leveraged to propel this institution into the sector of private financing”

(G. Pescatore, *Menichella, l'intervento per il Mezzogiorno e la Banca Mondiale*, in D. Menichella, *Testimonianze e studi raccolti dalla Banca d'Italia*, Rome-Bari, Laterza, 1986, p. 139)

“*Sviluppo* is a policy of development planned by those Italians who are concerned not merely with improving the standard of living of the Southern peasant, but also with raising the economic level of the whole of Italy by making the South a reasonably prosperous partner in the Italian economy contributing to a steadily growing national wealth, instead of being a burden which can only be regarded with shame by a Western European country”

(M. Carlyle, *The Awakening of Southern Italy*, London, Oxford University Press, 1962, p. 44)

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The Appendix is available on the SVIMEZ website
(<http://win.svimez.info/cassa/index.html>) and on the Historical Archive of
the Italian State website
(<https://aset.acs.beniculturali.it/aset-web/info/documentazioneIBRD>).

This book includes references to IBRD internal-use reports and reports by
the IBRD Presidents, as well as to other documents and materials
concerning the Cassa per il Mezzogiorno. All the IBRD materials have been
made available by the World Bank upon their public disclosure.



MAIN ABBREVIATIONS

ACS	Archivio Centrale dello Stato, the main Historical Archive of the Italian State
ASBI	Archivio Storico della Banca d'Italia, the Historical Archive of the Banca d'Italia, the Italian Central Bank
ASS	Archivio Storico della SVIMEZ, the Historical Archive of SVIMEZ
BIRS	Banca Internazionale per la Ricostruzione e lo Sviluppo (see IBRD)
CASMEZ	Cassa per il Mezzogiorno
CICR	Comitato Interministeriale per il Credito e il Risparmio, an Italian Interministerial Committee focused on top-tier vigilance on the protection of savings and credit-related activities
CIS	Credito Industriale Sardo, a special credit institution focused on financing industry in Sardinia
CNRN	Comitato Nazionale per le Ricerche Nucleari, the Italian National Committee for Nuclear Researches
ECA	Economic Cooperation Administration
EFIM	Ente partecipazioni e Finanziamento Industria Manifatturiera, a State-owned financial institution focused on industrial participations and investments
EIB	European Investment Bank
ENEL	Ente Nazionale per l'Energia Elettrica, historically the main Italian electric power company
ENI	Ente Nazionale Idrocarburi, historically the main Italian hydrocarbons company
ENSI	Energia Nucleare Sud Italia, the project that led to the construction of the Garigliano nuclear power plant
EPU	European Payments Union
ERP	European Recovery Program

FINSARDA	Società Finanziaria Sarda, a financial institution established to promote investments in Sardinia
IASM	Istituto per l'Assistenza allo Sviluppo del Mezzogiorno, a body which provided technical assistance and promoted the localization of new businesses in Southern Italy
IBRD	International Bank for Reconstruction and Development
IDA	International Development Association
IMI	Istituto Mobiliare Italiano, a self-managed public law entity created to promote the recapitalization of Italian industry, which managed the Marshall Plan funds
INSUD	Nuove Iniziative per il Sud, a development finance body controlled by the Cassa per il Mezzogiorno
IRFIS	Istituto Regionale per il Finanziamento alle Industrie in Sicilia, a special credit institution focused on financing industry in Sicily
IRI	Istituto per la Ricostruzione Industriale, the institution established for the reorganization of the Italian banking and industrial system, involved in post-war industrial reconstruction and in interventions to develop the Southern regions
ISAP	Istituto per lo Sviluppo delle Attività Produttive, a public body to promote development in Southern Italy
ISVEIMER	Istituto per lo Sviluppo Economico dell'Italia Meridionale, a special credit institution focused on financing industry in Southern Italy
ISTAT	Istituto Nazionale di Statistica, the Italian National Institute of Statistics
MSA	Mutual Security Agency
MW	Megawatt
OECD	Organization for Economic Cooperation and Development
SENN	Società Elettronucleare Nazionale, an Italian public company building nuclear power plants

SME	Società Meridionale di Elettricità, a Southern Italy-based company created to build and operate hydroelectric plants
SOFIS	Società Finanziaria Siciliana di Investimenti Industriali, a Sicilian public finance institution aimed at supporting companies which experienced economic downturns
SVIMEZ	Associazione per lo sviluppo dell'industria nel Mezzogiorno, the main Association concerned with industrial development in Southern Italy, which promoted the establishment of the Cassa per il Mezzogiorno
TVA	Tennessee Valley Authority

Currency equivalencies

1 US\$ = 625 Lit.

Lit. 1 = 0.0016 US\$

Lit. 1,000,000 = 1,600 US\$

Lit. 1 billion = 1.6 million US\$

INTRODUCTION

The extraordinary intervention in Southern Italy has been mostly analyzed by the literature with a focus on the reasons, origins, evolution and outcomes of such a policy. The usual perspective considers this one among the hypotheses that have been proposed over time to solve the main contradiction of the Italian national development, i.e., the “Southern Question”, meaning the historical gap in both economic and social conditions between the Northern and Southern areas of the country. The Italian economic dualism and its long-term evolution during more than a century and a half of national unity has indeed stimulated a prolific literature on these matters, which tends to consider the Cassa per il Mezzogiorno as the most important tool deployed to solve the internal contradiction of an advanced country with a large backward area. Reconstructing these events, that affected Italian economic policies for almost all the second half of the 1900s, does still require a demanding, long-lasting research effort, in consideration of the availability of vast, in scope and size, and still-untapped primary sources at the national level, which are currently located in the Central State Archive (ACS, *Archivi dello Sviluppo Economico Territoriale*, <<https://aset.acs.beniculturali.it/aset-web/>>), but also in many other places which are not always easily accessible for researchers. Moreover, their uncovering opens new opportunities for more precise statistical analysis, adding to the other sources, making up a significant ensemble of materials needing to be studied and understood.

However, the primary sources that have recently been made available within the ample and significant internal documentation produced by the World Bank – whose public disclosure and consultation was authorized only a few years ago – are an invaluable trove of information. These documents concern the evaluations that the Bank’s Presidents and its main departments carried out on the Cassa per il Mezzogiorno and on the economic development of Southern Italy, as well as other various aspects related to the loans requested to the World Bank and the public investments carried out in Italy. Such valuable sources are useful not only to achieve a better understanding of the significance of the extraordinary intervention and its trends during at least 15 years, but also to provide an original viewpoint on the matter. Studying the extraordinary intervention through the lens of the World Bank can indeed widen the scope of the analysis and show the Italian

development policies within an international context. To summarize, the reports and the other papers issued by the International Bank for Reconstruction and Development (IBRD) open up a new frontier for the research on the Cassa and the economic growth of Southern Italy during the propelling phase of the Italian “golden age”. These documents prove the “double paternity” of the extraordinary intervention: it emerges from studying them that such a policy was not only the product of a farsighted and serious national reflection, but also depended on the involvement of several institutions and economic entities abroad. Therefore, by means of such a rich array of primary sources containing data, evaluations and proposals, it is now possible to reconstruct an overall profile of a crucial period, i.e., the one going from the end of the postwar reconstruction to the key moments of the Italian “economic miracle”. Furthermore, through the study of the IBRD documents, it becomes possible to substantiate a methodological approach which goes beyond the idea that the Southern Question concerned only the relationship between Northern and Southern Italy. Instead, this analysis suggests the development of a much wider perspective, within which to frame and explain the backwardness of Southern Italy, including its evolution and the opportunities to find a solution for it in an international setting. In so doing, after an oblivion having lasted for more than two decades, a significant contribution is given to a new meridionalist perspective, one which would not simply retrace past interpretations, but rather, identify in the scenario of international integration new tools to interpret the backwardness of Southern Italy and propose possible answers to the need for an economic recovery and a productivity acceleration for both the Mezzogiorno and the country as a whole.

On the other hand, when assessing the Cassa’s experience, one cannot overlook the evaluations of a certain historiography which shares with the common sense and the prevailing political sentiment a negative outlook on the extraordinary intervention. Such views have tended to underestimate, criticize or disrepute the general fabric of the extraordinary intervention as a whole or for a large part. The overall negative judgment passed down on this experience depended on several reasons, ranging from the lack of consideration for the extraordinary intervention as a general strategy, to the preference for the promotion of local development policies. However, the choice of denying nationwide strategies led to the fragmentation of the Italian national interest, as well as to a waste of public resources by the local institutions, and to the eschewing of a unitary vision for the two macro-areas of Italy. Nevertheless, considering also the documents and the information made available by the World Bank, it is possible to expose the ideological

bias characterizing some of the more destructive interpretations on the matter, and to reconsider this prevailing but erroneous approach. As a matter of fact, if one looks at history without prejudice, it may be observed how the Cassa per il Mezzogiorno was, up until the early 1970s, an undoubtedly successful initiative which proved itself greatly useful to the Italian economic progress. It was only with the end of the “golden age” and the onset of more invasive policies, especially after the establishment of the Italian Regions, that the extraordinary intervention definitively lost its character of crucial tool for the productive modernization of Southern Italy, and instead turned it more and more into a “routine” practice, mostly plagued by excessive forms of assistance.

After all, the controversy surrounding the so-called policy choice between “*macchine o maccheroni*” (“machinery or macaroni”) – itself a staple of the phase preceding the establishment of the Cassa – was to appear again and again, until more recent times. With the expression mentioned above, Minister Roberto Tremelloni defined the two alternative views that shaped the discussion on the Italian economic policy since the end of WWII. In 1950, in an article titled “*Tempi Lunghi*” (“Long Terms”), Luigi Einaudi argued that hastily encouraging the industrialization of the South, rather than focusing the intervention on building physical and civic infrastructure as a priority to strengthen its economic fabric, would have been a grave mistake. On this idea, Guido Carli aptly remarked, with an extraordinary, way ahead, but controversial statement, that: «Developing the ideas of Giustino Fortunato, Einaudi argued that the development process could not be promoted in the absence of a higher level of education and civics, and therefore of a more direct participation in managing local administrations. The Italian State had to build the State where it was chronically absent» (G. Carli, *Cinquant’anni di vita italiana*, in cooperation with P. Peluffo, Rome-Bari, Laterza, 1996, p. 126). Against such an inflexible stance, the government led by Prime Minister Alcide De Gasperi chose to establish the Cassa. Probably, this decision was also suggested by the favorable opinions of international partners, who leaned in favor of expansive economic policies in Southern Italy. However, the most bitter confrontation of ideas happened between those who, like Donato Menichella, would have rather used the aid provided by the Marshall Plan to strengthen currency reserves, covering the deficit in the balance of payments through the supply of foodstuffs and consumer goods, and those who, as it was the case with Giovanni Malagodi, deemed that investments in industrial initiatives, by buying capital goods, were the best way to restart a virtuous development process of the Italian economy in its entirety.

As it was pointed out when explaining a parliamentary motion concerning the use of European Recovery Program funds: «It came a time when the Council of Ministers [...] faced such a problem: whether the choice was to import machinery or macaroni. That was to say, to choose if raw materials were to be imported, which would immediately provide for the creation of a dedicated lire fund, and therefore the means to invest in the Mezzogiorno, or if, on the other hand, the choice was to import machinery. And Hon. Tremelloni chose the latter, precisely at that moment. But why did he choose the machinery import program? Because we were no longer able to import goods and raw materials. And why was that so? Because we had hoarded the famous dollar fund that Minister Lombardo strives to spend nowadays, and to do so rapidly. The issue had these exact features and it was an overall problem, which affected the structure and the core of Italian economy deeply» (Atti Parlamentari, Camera dei Deputati, *Discussioni*, Afternoon assembly of May 17, 1950, Intervention by M. Zagari, p. 18310). A similar general value characterized the decision to intervene in favor of the most backward area of Italy, not only through internal funds and with the realization of gradual steps within the design of the extraordinary intervention, but also through the recourse to “impact loans”, that is to say a particular form of loans provided by the International Bank for Reconstruction and Development, which would impact on the economy as a whole and not on specific projects. However, the radical contrast of approaches over which economic strategy should be implemented – which culminated in the aforementioned diatribe between “machinery or macaroni” – lost some steam and eventually disappeared. An original solution was finally found which, as it will be shown in this volume, rested on the pragmatic amalgamation of objectives that was realized in the experience of the Cassa per il Mezzogiorno, and was grounded on the complementarity between the two strategic directions and endowments of financial resources for the South, which referred respectively to the Italian State and to the World Bank. As it was noted: «The controversy over “machinery or macaroni” was in the end resolved in a peculiar way, which characterized Italy’s emergence from the political and economic throes of postwar reconstruction. The role of the World Bank was crucial in this contest, as it presented an acceptable compromise (considering not only the program, but also the institutions) both for the “Keynesians” overseas and the Italian “conservatives” at home» (L. Paganetto, P.L. Scandizzo, *La Banca mondiale e l’Italia: dalla ricostruzione allo sviluppo*, Bologna, il Mulino, 2000, p. 95).

Moreover, the long-term commitment towards the economic and social development in the Mezzogiorno created the need for an articulate and

innovative model. The result was born out of the opportunities offered by fostering growth in a rapidly changing context, rather than arising from the theories and cultures which faced off during the postwar reconstruction era. In particular, the model was founded on the joint initiatives carried out by the national institutions and international organizations. Their cooperation was based on three kinds of opportunities, namely the opportunity to act in the interest of Southern Italy and to tackle the territorial gap; the opportunity of sustaining productive modernization and competitiveness for Italy as a whole; the opportunity to abide by the guiding role of the overseas allies and the advantage their economy would have acquired from widespread economic development in Europe. Hence, the relationship between public intervention and market initiative in Italy did not follow the usual rules of the past but pursued instead a novel path. In a contribution that is still very important in order to understand the essential features of the Southern question, Adriano Giannola and Alfredo Del Monte, recalling the viewpoints of the “new meridionalism” of Pasquale Saraceno and Rodolfo Morandi, noted that «the role of the State should not substitute private initiative in Southern Italy, but should rather help and support it, in order to overcome some initial disadvantages», and that «the Italian State had to create and activate those “agglomeration factors” useful in triggering a spontaneous flow of private savings to be invested in productive activities»; anyway: «Direct State intervention in the industrialization of Southern Italy was excluded» (A. Del Monte, A. Giannola, *Il Mezzogiorno nell'economia italiana*, Bologna, il Mulino, 1978, p. 121). This volume may help understand how much of the original core of meridionalist thought was made a reality, and what other kinds of conditions and choices contributed to that, beginning with the implementation of the agreements struck with the International Bank for Reconstruction and Development in building a model for the economic development of Italy.

The main themes connected with the evolution of the “Southern Question” – i.e., of the gap between Northern and Southern Italy from its inception to the current times, of the trends in the expenses for the extraordinary intervention and of the development policies, as well as of the evaluation of the action of the Cassa and the strategic role of this entity in favor of Italian economy – have already been described in detail in previous works. Much care was taken to offer a unitary representation of this historical experience, for it not to lose itself in the plethora of single episodes of the whole design for such a unique policy in the history of Southern Italy. These works have shown the worth of such an original model, which empowered the economic development of Southern Italy during twenty-five years, substantially contributing to bridging the gap with

the rest of the country. Hence, the main goal of this new work on the Cassa per il Mezzogiorno and the World Bank is to shed light on a significantly wider scenario and on the strategic connections between one of the international organizations established by the Bretton Woods agreements and the events of the Italian economic dualism. Therefore, because of the wealth of information they contain, the IBRD documents have been considered in their chronological progression and without systematic links with other similar sources, be they national or foreign. The critical evaluation of these sources has allowed to examine and interpret unique materials, that will certainly be of interest to all researchers that have been analyzing – as some have done in similar or comparable directions – the relationship between the Cassa and the international organizations, as well as Italy and its overseas partners, during a new era of economic and social development, started right in the most backward Italian territory, i.e., the Mezzogiorno.

The four chapters of this volume follow a path going from the examination of the role of the World Bank during the first phase of the extraordinary intervention, to the analysis of the evolution of the financing the World Bank made available for the economic and social development of Southern Italy, up to the evaluation of the period of greater flowering of the IBRD initiative, corresponding with more significant dynamism in the economy of Southern Italy, and finally, to the observation of the last funding phase carried out by the World Bank and the outcomes of such a “systemic” intervention in Southern Italy. Furthermore, an extensive appendix to this volume, featuring the primary sources and the documents used for research, has been made available on the SVIMEZ and the Historical Archive of the Italian State websites. To the achievement of such a challenging level of research contributed, besides a few experts, several people from both the SVIMEZ and the field of Economic History, to whom the Author would like to extend his deeper and heartfelt gratitude. It goes without saying that the mistakes and the limits that may be contained in this book are due to the Author, as he is the sole responsible of the ideas, the elaborations and the other contents of this volume.

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Naples, July 15, 2023
Amedeo Lepore

PREMISE

THE MAIN SOURCES FOR THE STUDY OF THE EXTRAORDINARY INTERVENTION IN SOUTHERN ITALY: THE DOCUMENTS ISSUED BY THE WORLD BANK

The documents concerning the credit lines bestowed upon Italy that the World Bank has made available in the past few years – and with greater availability since 2010 – are a very important legacy when revisiting the years straddling between postwar reconstruction and the Italian “economic miracle”, which featured a “double convergence”, never achieved before. During that era, for the first and only time in the history of unified Italy, a course of events began which was able to thrust Italy towards the most economically advanced areas in Europe, and the same time allowed Southern Italy to grow faster than the rest of the country, thus reducing the structural gap between Northern and Southern Italy, which had been the cornerstone feature of the “Southern Question” in the previous decades and was to be the case again after the crisis of the 1970s and the end of Fordism. The extraordinary intervention and the Cassa per il Mezzogiorno, its most important and useful tool for about 25 years, became a paradigmatic initiative, helpful not only for the area it was focused on, i.e., the one undergoing reforms from 1950 onward¹, but also as a general model for development.

¹ The two most important laws to develop Southern Italy, which came into force upon the end of the reconstruction were the agrarian reform (the so-called “excerpt law”) of October 21, 1950, no. 841, following the Italian law of May 12, 1950, no. 230 (the so-called “Sila law”), having the objective to expropriate privately held land in order for it to be divided up amongst farmers, as well as the law of August 10, 1950, no. 646, establishing the Cassa per il Mezzogiorno and foreseeing a general plan, initially featuring a ten-year span, to carry out extraordinary works in order to usher in the economic and social advancement of the regions in Southern Italy.

Southern Italy was doubtlessly favored by that strategy, itself opening the path towards significant financial resources (initially, 1,000 billion lire within a decade²) in order to speed up the creation of infrastructure supporting agricultural production and civic growth during the first seven years of the program, and to promote a broader industrialization, starting from 1957 onwards. Therefore, Southern Italy became the protagonist of a steady modernization of its production facilities, succeeding in making the first steps on the path of economic development. However, the choices made at that time, within a framework completely favorable to economically expansive policies, did not grace just a part of Italy. As a matter of fact, it was the whole of the country which experienced a period of deep and fruitful prosperity, based on the reciprocity of the market and production relationships established within its main areas. The ultimate drive towards this significant phenomenon of economic transformation arose from several favorable circumstances and purposeful actions, both at the national and the international level, all of them connected to the redeeming capacity of Southern Italy as well.

According to Pasquale Saraceno, the extraordinary intervention responded to «the need of making industrialization in Southern Italy possible; as this process had started later in that area, compared with the rest of Italy, the three following conditions were required: quicker procedures than those envisioned by ordinary administration, an allocation of funding longer than the annual period of the Italian state budget, accompanied by a series of activities to be carried out in a coordinated way, within different programs and fields. These were all activities that could not be entrusted to the ordinary administration of the State, due to its binding regulatory system [...]. Therefore, [...], the operational entity chosen to resolve those issues, namely the Cassa per il Mezzogiorno, had to be a public law institution; the cornerstone of its autonomy must be found in a somewhat special instance of Italian administrative law, especially when we consider the powers of its

² By means of the Italian law of July 25, 1952, no. 949, the overall duration of the extraordinary intervention was extended to 12 years, raising the spending forecast to 1,280 billion. Through the Italian law of July 29, 1957, no. 634, advancing industrial initiatives first and foremost, the duration of the plan was extended to 15 years and the available budget grew up to 2,040 billion lire. In 1964, the budget availability of the Cassa per il Mezzogiorno reached the significant amount of 2,227.6 billion lire.

Board of Directors and the controls by the Italian Superior Council of Public Works and the Italian Court of Auditors»³.

By the end of the first 15 years of activity by the Cassa per il Mezzogiorno the picture was rich, especially concerning investments in Southern Italy (see Table 1a and Table 1b). Indeed, considering the actions up to December 31, 1965, infrastructure built directly by the Cassa amounted to 1,560.7 billion lire (33.4% of overall investments), while private initiatives supported with the incentives of the Cassa amounted to 2,973.6 billion (63.6% of overall investments) and the other investments (programs supporting the city of Naples, its surroundings and province, school buildings, vocational training and contributions towards social activities) amounted to 142.3 billion (i.e., 3% of overall investments). All in all, the interventions reached the significant amount of 4,676.6 billion lire⁴.

Considering the international milieu, the analysis and the elaborations first, and then the financing provided by the World Bank – which at the time was called the International Bank for Reconstruction and Development (IBRD) – were the main external impulse towards beginning the extraordinary intervention, implementing those special resources which came straight from Washington. The idea of “impact loans”⁵ – i.e., a form of loans granted by the International Bank for Reconstruction and Development, acting on the economy as a whole, and not on single projects – was established on the basis of the “Big Push” theory, a brainchild of Paul

³ P. Saraceno, *Gli interventi del primo IRI: dallo smobilizzo delle grandi Banche alla proposta di legge bancaria, 1933-1936*, in “Banca, borsa e titoli di credito”, year XLIV, New Series, XXXIV, folio III, 1981, p. 302.

⁴ See Camera dei Deputati, *Relazione sulla attività di coordinamento (ai sensi delle leggi 18 marzo 1959, no. 101 e 26 giugno 1965, no. 717) depositata dal Ministro per gli Interventi Straordinari nel Mezzogiorno*, Rome, Istituto Poligrafico dello Stato, 1966, p. 9.

⁵ The model of the “impact loans”, the one explicitly chosen for the first financing lines to develop Southern Italy, did not intend to support specific actions, but rather supported overall interventions able to reverberate on the whole economy of Italy, by providing foreign currency loans useful to bridge those gaps within the balance of payments due to the effects of investments.

Table 1a. *Investments carried out by the Cassa up to December 31, 1965 (in billions of lire)*

ESERCIZI FINANZIARI	Infrastrutture					TOTALE		
	Bonifiche, sistemi- azioni mon- tane e ri- forma fon- diaria (a)	Viabilità ordinaria	Acquedotti e fogna- ture (b)	Opere fer- rovie e marittime	Diverse	Totale	Opere d'inte- resse turistico	Valori assoluti
1950-51	3,0	0,1	0,8	—	—	0,9	—	3,9
1951-52	22,3	14,9	3,2	—	—	18,1	0,5	40,9
1952-53	59,0	24,3	9,1	—	—	33,4	1,7	94,1
1953-54	85,9	20,6	13,9	2,6	—	37,1	2,2	125,2
1954-55	100,4	12,2	13,9	11,9	—	38,0	2,5	140,9
1955-56	80,8	7,7	13,3	14,9	—	35,9	2,6	119,3
1956-57	67,3	7,1	14,6	12,2	—	33,9	3,5	104,7
1957-58	56,6	4,8	15,1	2,6	—	22,5	2,4	81,5
1958-59	66,8	9,8	21,5	15,5	—	46,8	1,2	114,8
1959-60	50,9	11,4	18,6	12,3	—	42,3	2,3	95,5
1960-61	53,6	13,6	21,1	9,6	—	44,3	5,2	103,1
1961-62	56,9	16,2	30,5	12,7	—	59,4	4,3	120,6
1962-63	69,8	7,7	43,5	5,5	7,2	63,9	5,2	138,9
1963-64	70,8	10,2	38,8	2,4	2,2	53,6	4,3	128,7
1964-65	50,1	15,1	29,5	1,8	4,5	50,9	5,8	106,8
1° luglio - 31 dicembre 1965 ..	17,5	7,8	13,1	1,0	1,6	23,5	0,8	41,8
TOTALE ...	911,7	183,5	300,5	105,0	15,5	604,5	44,5	1.560,7
								33,4

Source: Cassa per il Mezzogiorno, in Camera dei Deputati, *Relazione sulla attività di coordinamento (ai sensi delle leggi 18 marzo 1959, n. 101 e 26 giugno 1965, n. 717) depositata dal Ministro per gli Interventi Straordinari nel Mezzogiorno*, Rome, Istituto Poligrafico dello Stato, 1966, p. 8.

Table 1b. *Investments promoted by the Cassa and totals up to December 31, 1965 (in billions of lire)*

Miglioramenti fondiari (c)	Investimenti privati sostenuti da incentivi				Altri investimenti				TOTALE GENERALE		
	Iniziativa industriale (d)	Pesca e artigianato	TOTALE		Edilizia scola- stica, irru- zione profes- sionale e con- tributi per ac- tività sociali	Provve- dimenti a favore della città e della provincia di Napoli	TOTALE		Valori assoluti	Incidenza sull'eser- cizio %	Incidenza sul totale %
			Valori assoluti	Inciden- za sull'eser- cizio %			Valori assoluti	Inciden- za sull'eser- cizio %			
0,1	—	—	0,1	2,5	—	—	—	—	4,0	100,0	0,1
9,4	0,8	—	10,2	20,0	—	—	—	—	51,1	100,0	1,1
18,4	7,8	—	26,2	21,8	—	—	—	—	120,3	100,0	2,6
20,3	13,3	—	33,6	21,2	—	—	—	—	158,8	100,0	3,4
24,6	21,1	—	45,7	24,3	—	1,1	1,1	0,6	187,7	100,0	4,0
32,6	51,8	—	84,4	41,1	0,2	1,3	1,5	0,7	205,2	100,0	4,4
30,6	68,5	—	99,1	48,2	0,8	1,1	1,9	0,9	205,7	100,0	4,4
38,3	63,1	—	101,4	52,8	2,1	6,9	9,0	4,7	191,9	100,0	4,1
43,6	95,6	0,9	140,1	52,6	6,9	4,6	11,5	4,3	266,4	100,0	5,7
47,5	133,3	6,7	187,5	63,3	7,7	5,2	12,9	4,4	295,9	100,0	6,3
49,1	182,1	10,5	241,7	67,3	12,4	2,1	14,5	4,0	359,3	100,0	7,7
47,4	251,5	16,7	315,6	69,2	13,4	6,6	20,0	4,4	456,2	100,0	9,7
40,3	378,7	15,8	434,8	73,3	16,5	3,1	19,6	3,3	593,3	100,0	12,7
20,1	456,5	21,4	498,0	77,9	11,8	1,2	13,0	2,0	639,7	100,0	13,7
30,0	441,6	20,0	491,6	79,3	20,0	1,4	21,4	3,5	619,8	100,0	13,2
12,0	230,0	21,6	263,6	82,0	15,5	0,4	15,9	5,0	321,3	100,0	6,9
464,3	2.395,7	113,6	2.973,6	63,6	107,3	35,0	147,3	3,0	4.676,6	100,0	100,0

Source: Cassa per il Mezzogiorno, in Camera dei Deputati, *Relazione sulla attività di coordinamento (ai sensi delle leggi 18 marzo 1959, n. 101 e 26 giugno 1965, n. 717) depositata dal Ministro per gli Interventi Straordinari nel Mezzogiorno*, Rome, Istituto Poligrafico dello Stato, 1966, p. 9.

Rosenstein-Rodan⁶, who suggested the adoption of non-fragmented interventions, themselves able, through their unitary impact, to provide, within a reasonable timeframe, the big push onwards needed in order to kickstart the policies for the development of Southern Italy. The loans granted by the World Bank, themselves subdivided into eight different tranches from 1951 to 1965, amounted to about 400 million dollars and played no secondary role in starting the productive take-off of Southern Italy, concerning both their size and quality. The development model adopted in Italy with the crucial intervention of the World Bank was based on the roles played both by the State and the relevant international institutions, which did not pursue the mere growth of aggregate demand, but rather strove to promote productive investment towards modernizing the economic and social system of Southern Italy by using a logic of “supply-side Keynesianism”⁷.

A source which proved to be critical towards fully understanding the worth of the extraordinary intervention carried out in Southern Italy and the role of the World Bank in supporting the most backward area of Italy, as well as in further studying the overseas analyses concerning Italy, is the sizable hoard of documents the World Bank issued through its departments and restricted to internal use alone. These documents have been opened to public research. This documentation is subdivided into two specific series featuring, on one side, the reports involving the analysis and evaluation on several issues concerning the development program on behalf of Southern Italy, the Italian projects on industry, irrigation and power, the Cassa per il

⁶ See P.N. Rosenstein-Rodan, *Problems of Industrialisation of Eastern and South-Eastern Europe*, in “The Economic Journal”, vol. 53, no. 210-211, 1943, <<http://la.utexas.edu/users/hcleaver/368/368rroneseetable.pdf>>;

Id., *The international development of economically backward areas*, in “International Affairs”, vol. 20, no. 2, 1944; Id., *Notes on the theory of the big push*, in H. Ellis, H.C. Wallich (eds.), *Economic development for Latin America*, New York (NY), St. Martin’s Press, 1961; Id. (ed.), *Capital formation and economic development*, London, Allen & Unwin, 1964; The World Bank/IFC Archives, *Oral History Program, Transcript of the Interview with Paul Rosenstein-Rodan*, by R. Oliver, New York (NY), Columbia University, Oral History Research Office, August 14, 1961, <<https://oralhistory.worldbank.org/transcripts/transcript-oral-history-interview-paul-rostenstein-rodan-held-august-14-1961>>, <http://oralhistoryportal.cul.columbia.edu/document.php?id=ldpd_4072948>.

⁷ Pasquale Saraceno, in particular, thought to the need of achieving capital accumulation as an engine of development for Southern Italy, therefore enabling the productivist vocation of the area (see P. Saraceno, *Politica Keynesiana e Mezzogiorno*, in “Informazioni SVIMEZ”, no. 11, 1976, pp. 540-541; also published in “Rinascita”, no. 21, 1976, p. 23).

Mezzogiorno, as well as the activities supporting the growth of the regions of Southern Italy. On the other side, the reports issued by the President of the International Bank for Reconstruction and Development, themselves bent towards informing the Bank's executive directors on the requests by the Cassa, the financial resources proposed towards the development of Southern Italy, as well as on the results achieved by the relevant loans and the Italian economic conditions as a whole. The latter element, assessing the condition of the Italian national economy, was considered crucial towards the granting of loans, as one of the earliest contributions noted by showing the existence of an "extraordinary" kind of interest towards Southern Italy in conjunction with the initiatives carried out by the World Bank⁸.

The papers produced by the International Bank for Reconstruction and Development are a source of primary importance for a detailed reconstruction of the assessment performed on both Southern Italy and on the country as a whole by the representatives of the Bank (established in Bretton Woods in 1944), parting the veil of diplomatic relationships and official negotiation. The official documents issued by this institution were addressed to a much wider and more diverse audience. The internal papers, instead, helped setting up, without possibility of mistakes, the decisions on the loans to be granted in order to develop a markedly backwards area. Through the documents issued by the World Bank, it is also possible to notice, from an "objective" and geographically distant point of view, the overall worth of the extraordinary intervention, albeit by verifying the effective outcome of each and every credit line. Therefore, the documents by the IBRD, originally intended for internal use within the Bank's management, have become the main tiles useful in completing the mosaic reflecting an overall brand new image of the initiatives carried out by the Cassa per il Mezzogiorno, of its establishment and activities, themselves all peculiar features within the framework of the Italian productive development and economic modernization.

Gabriele Pescatore, who was the President of the Cassa per il Mezzogiorno from 1955 until 1976, effectively summarized the motivations underlying the interventions carried out by the World Bank, following the viewpoint held by Donato Menichella: «The Governor envisioned – and the times allowed that back then – that the unbound stance of the Cassa, together with its seriousness, reliability and efficiency, [...] made it the most suitable tool for attracting the most significant intervention (300 million dollars) the World Bank had ever made in Europe; such a relevant commitment was

⁸ See L. D'Antone, *L'«interesse straordinario» per il Mezzogiorno (1943-1960)*, in "Meridiana", no. 24, 1995; now published in Id. (ed.), *Radici storiche ed esperienza dell'intervento straordinario nel Mezzogiorno*, Naples, Bibliopolis, 1996.

obtained by Menichella from the President of the World Bank himself in Paris in 1952. [...] The World Bank, following a suggestion by the Governor, shifted the focus from granting loans to individual projects – which referred to single plants – to rather broad sectors targeting a whole territory. [...] This made the intervention model of the Cassa an exemplary case for the implementation of development policies in economically depressed areas all over the word. Hence the worldwide interest for the action of the Cassa [...] which Menichella then leveraged to propel this institution into the sector of private financing»⁹.

From a previously unpublished report, set up by Paul Rosenstein-Rodan for the Economics Department of the International Bank for Reconstruction and Development on July 7, 1950¹⁰, several interesting elements emerge, and they confirm the unique extent of a significant set of documents. The “Preliminary report on the development program of Southern Italy” began with a summary pointing out that Italy deserved credit for loans amounting up to 20-25 million dollars per year¹¹. This part of the document featured also an important note, especially at that time: it stated that the main danger to government stability was not the political tensions or the risk of Communism, but rather the absence of a sound program of economic development¹². Furthermore, the document noted that the program to

⁹ G. Pescatore, *Menichella, l'intervento per il Mezzogiorno e la Banca Mondiale*, in D. Menichella, *Testimonianze e studi raccolti dalla Banca d'Italia*, Rome-Bari, Laterza, 1986, p. 139.

¹⁰ See P.N. Rosenstein-Rodan, *Preliminary report on the development program of Southern Italy*, Economic Department Report, no. E98, Washington (DC), The World Bank, 1950, <<https://documents.worldbank.org/en/publication/documents-reports/documentdetail/792731468262476081/preliminary-report-on-the-development-program-of-southern-italy>>.

¹¹ The document started like this: «The examination of Italy's creditworthiness leads to the conclusion that, under reasonably optimistic assumptions, Italy would appear to be creditworthy for an additional dollar debt burden represented by a series of annual loans of \$ 20 to 25 million per annum. The loans envisaged for the development of the South are well within this limit. In fact, they only absorb about one-half of the “reasonably optimistic” credit ceiling. Even under less optimistic assumptions, loans envisaged at an annual rate of \$ 10 million could just be serviced by Italy» (P.N. Rosenstein-Rodan, *Preliminary report on the development program of Southern Italy*, cit., p. 1).

¹² The text contained the following passage: «The maintenance of a stable Government seems probable in spite of high political tension both on the Left and on the Right. Centrifugal tendencies within the anti-Communist majority are rather a symptom of a smaller immediate danger of Communism than of any weakening of the anti-Communist front. While there might be reshuffles in the Cabinet, for instance, a movement within the present majority parties to the Right in the short-

develop Southern Italy was a well-built and coherent one, being a priority within the Italian investment policy¹³. The interventions foreseen for Southern Italy, according to the note by Rosenstein-Rodan, was the biggest project for regional development in the world and was to be financed by 90% with local capital and only by 10% through foreign loans: Italy was deemed fit to support such investments, which were to finance agricultural land reclamation and irrigation, aqueducts, roads, public works, enhancing tourism and agricultural processing facilities, without jeopardizing the country's monetary stability¹⁴.

The institution chosen to channel such interventions (the Cassa per il Mezzogiorno) – itself the object of a draft bill, still not approved by the Parliament at the time – was considered feasible and, furthermore, suitable to make these development policies a reality. There was also the wish for it to remain «relatively a-political»¹⁵, i.e., a tool bereft of those heavy conditionings, typical of those policies being focused merely on managing financial resources, such as those responsible for turning the positive features of the extraordinary intervention upside down during the 1970s. The enactment of the former strategy would have achieved important results, involving also some tangible effects on the Italian trade balance and on the availability of foreign currency: «The realization of the investment program will provide for productive employment of an additional 250,000 to 300,000 unemployed workers. These workers consume at present 300 to 400 lire per day and will earn, when employed, 1,000 to 1,100 lire per day; they will thus consume 600 to 700 lire more a day than hitherto. Since Italy lacks vital foodstuffs (wheat and fats and raw materials) a proportion of the newly employed workers' additional expenditure will lead to a demand for additional imports. An analysis of the Southern Italian family workers' budgets and of the raw materials required by Italian manufacturers for the investment program leads to the conclusion that the equivalent of \$ 100

run and to the Left in a somewhat longer-run, the main danger to political stability would be the absence of a large economic development program» (P.N. Rosenstein-Rodan, *Preliminary report on the development program of Southern Italy*, cit., p. 1).

¹³ See *Ibidem*.

¹⁴ The document featured the following indications: «For the first two years, about 43 billion lire per annum and about 25 billion lire in the third year of the program will be financed from the lire counterpart fund so that only 57 billion lire in the first two years and 75 billion lire in the third year will form additional investments. From the fourth year onwards, the whole of the 100 billion lire will represent additional investment» (P.N. Rosenstein-Rodan, *Preliminary report on the development program of Southern Italy*, cit., p. 2).

¹⁵ *Ibidem*.

million investments per annum will cause additional dollar imports of around \$ 10 to 12 million per annum, while the expected increase in dollar exports is small. The foreign exchange needs other than dollars amount to the equivalent of about \$ 40 million per annum, i.e: four times the amount of the dollar requirements»¹⁶.

The aim of the loan granted by the World Bank was twofold: on one hand, it had to cover the additional imports in dollars following the enactment of the plan for Southern Italy, without denting the Italian currency reserves; on the other hand, it had to provide an equivalent amount of additional currency to finance the program¹⁷. Furthermore, the currency equivalent in lire of the credit line bestowed by the IBRD upon the Cassa per il Mezzogiorno was to be invested in specific supplementary projects¹⁸, further enriching the overall investment program¹⁹. At the end of the summary,

¹⁶ *Ivi*, pp. 2-3. The document featured an additional assessment of the possible impact of the investment program in Southern Italy: «Increased income from investments will begin to flow in four to six years time, since it takes so long for most land reclamation and irrigation schemes (which form two-thirds of the whole program) to bear fruit. The increase in production of grains, milk and meat, fruit and vegetables will not only save some imports but will also increase exports to the non-dollar areas. Foreign exchange receipts from the increased exports are expected to cover the bulk of the indirect foreign exchange requirements at the end of the program. "Local currency loans" thus only advance subsistence funds over a transition period after which the higher level of production can be maintained without the continuation of additional lending. For the same reason, the Italian Government can advance the non-dollar foreign exchange requirements out of its own present reserves without danger to its long-run balance of payments position. [...] When after the first two years, the additional investment caused by the plan will rise from \$ 100 to \$ 120 million in the third year and then to \$ 160 million per annum from the fourth year onwards, it is probable that some dollar imports may be substituted by non-dollar imports and may thus represent a smaller proportion of the indirect foreign exchange requirements of the plan. Italy may also then be able to finance out of its own reserves one part of the indirect dollar requirements of the plan besides providing for all non-dollar foreign exchange requirements. If neither of the two possibilities obtained, the case for raising somewhat the dollar financing by the Bank might be considered for future tranches of the loans after 1953 or 1954» (P.N. Rosenstein-Rodan, *Preliminary report on the development program of Southern Italy*, cit., pp. 3-4).

¹⁷ See *Ivi*, pp. 4-5.

¹⁸ See *Ivi*, p. 5.

¹⁹ The report highlighted such a procedure, stating that: «It would thus, incidentally, raise the total amount of additional investment in Italy from \$ 100 million to the equivalent of at least \$ 110 million per annum. In practice, however, it would raise the investment to the equivalent of at least \$ 120 million, since the lire counterpart

a positive assessment for the development plan for Southern Italy was expressed, as such a plan could have been «a turning point in Italian economic history», and a conclusive evaluation on the interventions carried out by the International Bank for Reconstruction and Development was given: «Italy has unused manpower and a good machine industry but it lacks foodstuffs and raw materials. Development of unused resources would be impossible without additional imports of foodstuffs and raw materials. Loans to provide these indirect foreign exchange requirements are therefore the most efficacious way to contribute to the solution of Italy's fundamental economic and social problem. Such loans will not create a permanent need for credits to finance a higher standard of living but will only be required during a transition period of seven to eight years, after which the productive results of the development program could suffice to maintain a higher standard of living without further credits»²⁰.

The second part of this document, more analytical in nature, was called "Notes on Development Program of Southern Italy" and was focused on some particularly relevant themes, such as the economy of Southern Italy, the priority of that region in the whole of the Italian economy, the overall goals of the plan, the agrarian problems, the investment program and the financing of the plan through the Cassa per il Mezzogiorno²¹. Economically speaking, Southern Italy was considered as an underdeveloped area within a developed country, with its own unique features: «It has all the characteristic features of an underdeveloped country: an agrarian surplus population, open and disguised unemployment, a low income per head (\$ 150 per annum as against the Italian average of \$ 212 and the Northern Italian average of \$ 240) and a rate of progress lower than the rest of the country. But it has also assets which other underdeveloped countries lack: availability of administrative managerial and technical know-how, a potential supply of additional skilled and semi-skilled workers from the North and a local capital supply which, though not sufficient, may be larger

of the Bank's dollars will be used as a loan to companies which will provide at least 50% of their own capital not much of which might have been otherwise invested for investment in specific projects. The Bank's loan of \$ 10 million per annum would be an essential element in a flow of additional investment in Italy of \$ 110 to \$ 120 million per annum. The collaboration and consultation in the whole field of the development program will give the Bank an influence and a vital part in an investment more than ten times as large as the amount of its loans» (P.N. Rosenstein-Rodan, *Preliminary report on the development program of Southern Italy*, cit., p. 5).

²⁰ *Ivi*, pp. 5-6.

²¹ See *Ivi*, p. 7.