

# **Cooperation and Investment for the Development of Southern Italy from a European and International Perspective, 1950-1960**

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## ABSTRACT

This paper examines the significance of the development of southern Italy from an international perspective. Post-war underdevelopment and unemployment in the region were important issues in the context of European integration and the cold war. The European Investment Bank and the International Bank for Reconstruction and Development (IBRD) supplied funds to rectify the situation. In addition, the Organization for European Economic Cooperation (OEEC) and the United Nations Economic Commission for Europe (UNECE) viewed the development of southern Italy as a process that would likely increase trade between Italy and Eastern Europe. The backwardness of the Mezzogiorno was part of a vaster European problem that also affected Greece, Turkey, and Yugoslavia. This paper also traces Italy's bilateral agreements with European trading partners such as France and Germany, noting the particular opportunities they offered for the region's progress. It suggests, in conclusion, that the European Union today should revisit development policies of the kind that in the 1950s successfully brought Italy into the European Economic Community.

## **Introduction**

This paper examines the significance of the development of southern Italy (the "Mezzogiorno") from an international perspective. Among the key points it makes are:

1. Post-war underdevelopment and unemployment in southern Italy were important issues in the context of the process of in-

tegration in Europe, having crucial implications not only for the inclusion of Italy in the European Economic Community (EEC), but also for the successful formation of the EEC itself.

2. The Organization for European Economic Cooperation (OEEC) and the United Nations Economic Commission for Europe (UNECE) viewed the development of southern Italy as a process that would likely increase trade between Italy and Eastern Europe. In particular, economists regarded the Balkans as a market for Italian goods and the Bank of Albania as a potential partner in southern development. Such links appeared to be a potential means of easing East-West economic and political tension.
3. Substantial loans to Italy's Cassa per il Mezzogiorno (Southern Development Fund) came from the International Bank for Reconstruction and Development (IBRD). The Cassa per il Mezzogiorno became an integral part of the IBRD's larger vision of international development. It enabled Italy to export products, equipment, and services that were needed to realize IBRD projects in Asia, Africa, and Latin America, offering an example of how development could be conceived on a global rather than on a narrower, regional or national, basis.
4. Underdevelopment in southern Italy was part of a vaster European problem that also affected Greece, Turkey, and Yugoslavia. These four countries joined in 1954 to urge the European community in general not to block imports of agricultural products from the Mediterranean. The same year they formed a coalition to find ways to improve the efficiency of agricultural production.
5. The success of the Cassa per il Mezzogiorno, demonstrated by significant economic growth and employment gains in the span of a few years, made the development program in southern Italy a model for development programs elsewhere.
6. The international dimension of the Cassa per il Mezzogiorno was not limited to its dealings with large multi-national institutions such as the IBRD and UNECE. This paper also traces the bilateral agreements between Italy and European trading part-

ners such as France and Germany, noting the particular opportunities they offered for the development of the Mezzogiorno. These contracts covered many matters, including selling equipment at reduced prices, training workers in southern Italy to work abroad, and partnerships between private companies.

7. The first two presidents of the European Investment Bank (EIB) were Italians who had been involved in the Cassa. The European partners believed that one of the EIB's primary functions was to help invest foreign capital in southern Italy.
8. The "extraordinary intervention" that brought development to southern Italy remains a relevant model today. Europe and the United States should revisit development policies of the kind that in the 1950s successfully brought Italy into the European community and the US sphere of influence.

## 1. Historical background

The problem of underdevelopment in southern Italy predates the modern Italian State, but its character changed significantly after the Second World War. The old problem of the South, the "*questione meridionale*," was recast after 1946 as the new approach to the South, the "*nuovo meridionalismo*," which framed the question in sounder, more scientific terms. An important innovation of the new approach was that it treated southern underdevelopment as a key national issue, at the forefront of Italian political debate, not as a local or regional problem. A group of leading Italian economists was charged with formulating the rationale for strategic policies that would shape the economic development of the South. The interventionist project that revamped the economy of the South beginning in 1950 went by the name of Cassa per il Mezzogiorno. It consisted in the strategic injection of large amounts of capital, sometimes at below-market interest rates, into the southern economy. The project's economic research and advisory team was the SVIMEZ group. Any inquiry into the history of the Cassa would benefit from drawing on the SVIMEZ

bulletin, a publication closely linked to the SVIMEZ group. To date, this important source of historical material on the South's post-war development has been largely neglected.

This paper will examine how the *nuovo meridionalismo* was part of the larger post-war European integration process. Up to now, Italian historians have observed that Italy opted to enter the US sphere of economic influence after the war,<sup>1</sup> a decision that brought a beneficial influx of investment capital into Italy, particularly the South.<sup>2</sup> This paper will delve more deeply into how the question of the Mezzogiorno's backwardness mattered in the negotiations that led to the creation of the European Economic Community (EEC) with the Treaty of Rome on March 25, 1957.<sup>3</sup>

Much of this paper examines how the issue of the Mezzogiorno and the need for development in the South of Italy figured in the European integration process. The paper shows the central place of the issue in discussions of integration and how it influenced the course of that process. It follows up on an earlier, detailed study by the same author.<sup>4</sup>

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<sup>1</sup> M. Salvati, *Stato e industria nella ricostruzione. Alle origini del potere democristiano*, Feltrinelli, Milan, 1982, pp. 317-324; G. Formigoni, *La Democrazia cristiana e l'alleanza occidentale (1943-1953)*, il Mulino, Bologna, 1996; F. Romero, "Gli Stati Uniti in Italia: il Piano Marshall e il Patto Atlantico", in *Storia dell'Italia Repubblicana*, Einaudi, Turin, vol. I, 1994, pp. 234-289; F. Fauri, *Il Piano Marshall e l'Italia*, il Mulino, Bologna, 2010; A. Giovagnoli, *La Repubblica degli italiani 1946-2016*, Laterza, Rome-Bari, 2016, pp. 3-26.

<sup>2</sup> G. Farese, P. Savona, *Il banchiere del mondo. Eugene Robert Black e l'ascesa della cultura dello sviluppo in Italia*, Rubbettino, Soveria Mannelli, 2014; A. Lepore, *La Cassa per il Mezzogiorno e la Banca Mondiale: un modello per lo sviluppo economico italiano*, Rubbettino, Soveria Mannelli, 2013; C. Villani, *Il prezzo della stabilità. Gli aiuti americani all'Italia 1953-1961*, Progreedit, Bari, 2007.

<sup>3</sup> For an important contribution on this aspect, see the recent paper by M. Zaganella, "La BEI italiana e lo sviluppo del Mezzogiorno (1958-1970)", in *Mondo Contemporaneo*, no. 2, 2016, pp. 61-86.

<sup>4</sup> F. Dandolo, "Divari da colmare. La politica per il Mezzogiorno e la ricostruzione europea e mondiale nell'orizzonte culturale di Informazioni Svimez (1948-1957)", in *Mondo Contemporaneo*, no. 2/2016, pp. 15-59; Id., *Mezzogiorno fra divari e cooperazione internazionale. "Informazioni SVIMEZ" e la cultura del nuovo meridionalismo (1948-1960)*, il Mulino, Bologna, 2017; Id., "La circolarità delle idee. La cultura del nuovo meridionalismo nella cooperazione economica internazionale", in *Il Pensiero Economico Italiano*, no. 1/2017, pp. 87-99.

## 2. The Mezzogiorno considered from the perspective of international organizations

During the 1950s and 60s most economists believed that the backwardness of the Mezzogiorno could only be cured within the context of European integration. Indeed, one reason for creating the European Coal and Steel Community was to provide opportunities for factories like the Ilva works in Bagnoli, and the resurgence of productivity at Ilva was taken by many as a sign of the assured success of southern industrialization.<sup>5</sup> Economists considered the prospects of the advance of industry in southern Italy in a context that paid special importance to Eastern Europe. Some regarded the Balkans as an important market for southern Italian goods and hoped for partnerships with the Bank of Albania. There was much unofficial talk of rebuilding trade between Italy and the Balkan nations, including those in the Soviet sphere of influence.<sup>6</sup> The Fiera del Levante in Bari was intended specifically to boost trade with the East, which many held to be crucial for economic progress in southern Italy.<sup>7</sup>

International organizations such as the OEEC were concerned about the Mezzogiorno, for the unemployment crisis in southern Italy had political as well as economic implications. Its 1953 annual report declared that the organization had to find a “better way to aid the Italian economy.”<sup>8</sup> In the UN, unemployment was generally

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<sup>5</sup> L. Vaena, “L'acciaio e l'Italia”, *Roma*, 12 June 1950, in *Informazioni SVIMEZ*, no. 25-26, 21-28 June 1950, pp. 398-399. In January 1954 SVIMEZ organized an international conference on southern development and steel consumption with the participation of Jean Monnet, president of the High Authority of the European Coal and Steel Community. See “Convegno a Napoli sulle possibilità di sviluppo del consumo dell'acciaio nell'Italia meridionale”, in *Informazioni SVIMEZ*, no. 2, 13 January 1954, p. 35. The action of the ECSC in the Mezzogiorno focused on financial aid to the Sulcis mines in Sardinia. See “Stanziamiento della Ceca a favore delle miniere del Sulcis”, in *Informazioni SVIMEZ*, no. 24, 16 June 1954, p. 462.

<sup>6</sup> “Il trattato commerciale italo-russo e gli interessi del Mezzogiorno”, in *Informazioni SVIMEZ*, no. 56, 26 January 1949, pp. 759-760.

<sup>7</sup> F. Santagata, “Riprendere con la Fiera le vie dell'Oriente”, in *Informazioni SVIMEZ*, no. 37, 13 September 1951, pp. 517-518.

<sup>8</sup> “Una mano all'economia italiana”, in *Mondo Economico*, 2 January 1954, in *Informazioni SVIMEZ*, no. 2, 13 January 1954, p. 30.

considered the foremost economic problem “in every political and social economy, both at the national and international level.” No doubt many at the UN were thinking specifically of southern Italy and its potential links to Eastern Europe.<sup>9</sup>

In 1952, in its fourth annual report, the OEEC had already observed that the structural problems that beset economies in Africa, Asia, and Latin America also affected some areas within the OEEC, specifically Turkey, Greece, and southern Italy. The thrust of the report’s findings bore on the strategy for international investments in these backward areas and for international cooperation. The report found that private capital was not capable of addressing such problems of structural underdevelopment as lack of infrastructure, insufficient housing and inefficient school systems. Structural conditions had to be improved before real economic growth could take place, and these improvements required international public investment; the beneficiaries would become attractive for private capital investment in a later phase. The funds had to be supplied on particularly favorable terms and conditions. These operations should, the report recommended, be conceived of as below-market or interest-free “non-commercial” loans, and should be for long maturities, to give recipients ample time for repayment. Such loans would have to be accompanied by technical assistance programs aimed at creating a skilled labor force that would enable the country to effectively absorb private investment from abroad.

The OEEC report described the conditions for private investment after public investment had prepared the ground, when private investors would bear “normal commercial risk,” which might include oscillating profits and even failure. But prior to private investment, the non-commercial risks of developing preliminary in-

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<sup>9</sup> “Le risoluzioni approvate dalla diciottesima sessione del Consiglio economico-sociale dell’ONU”, in *Informazioni SVIMEZ*, no. 45, 10 November 1954, p. 853. High unemployment was a prominent issue in the report of an OEEC delegation that visited the region of Puglia at the end of 1953. “Visite di tecnici dell’OECE in Puglia”, in *Informazioni SVIMEZ*, no. 47-48, 25 November-2 December 1953, p. 998.

frastructure should be borne by public entities. In short, the report sought to shield private investors from the preliminary “non-commercial risks” that were the main obstacle to private investment in developing areas.<sup>10</sup>

The 1953 report of the UN Economic Commission for Europe (UNECE) focused on the Italian Mezzogiorno to a striking extent. While it also discussed larger issues of European integration, such as the creation of a European Defense Community and a European Political Community (both dropped at the commission’s next meeting),<sup>11</sup> approximately two thirds of the 1953 report were devoted to southern European economic development. A key issue here was the lack of industrial development in southern Italy and the migration of workers northward. The report praised the efforts of the Cassa per il Mezzogiorno, efforts which, the report noted, signaled “a sharp... break with past decades.”<sup>12</sup> The Cassa per il Mezzogiorno had been established in 1950 by Italy to promote and finance a broad range of investments in the South, especially in agriculture and infrastructure construction, including housing. The report implicitly encouraged Italy to continue taking a more active role via IRI, the State-owned industrial conglomerate, in promoting southern industrialization chiefly in order to employ young people and produce necessary goods for the South itself.

This report stimulated debate at the ninth session of the UN Economic Commission for Europe, held in Geneva in March 1954. Emilio Colombo, Italy’s Undersecretary of Public Works, underscored the crucial role that the UN and the International Bank for Reconstruction and Development (IBRD) had to play in assisting the development of backward areas. In coordination with the work per-

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<sup>10</sup> OECE, “Valorizzazione delle regioni insufficientemente sviluppate”, in *Supplemento alle “Informazioni SVIMEZ” sui problemi dei Paesi economicamente sottosviluppati*, 1953, no. 4, pp. 108-118.

<sup>11</sup> G. Mammarella, P. Cacace, *Storia e politica dell’Unione Europea*, Laterza, Rome-Bari, 2013, pp. 72-77.

<sup>12</sup> “Il Mezzogiorno d’Italia nella relazione della Commissione economica per l’Europa (ECE)”, in *Informazioni SVIMEZ*, no. 10, 10 March 1954, p. 203.

formed by international organizations to further development, Colombo suggested, European integration could tailor policies to address territorial disparities within countries. Colombo hoped that the development work of international organizations like the UN might extend beyond Africa and Asia to include the Italian South and other backward parts of Europe.

The loans by IBRD-financed countries for development projects in southern Italy during the 1950s and 60s (up to June 30, 1963) totaled \$165 billion (Lit. 103,125 million). They were of enormous benefit not only to the Mezzogiorno, because they enabled Italy to export products, equipment, and services that helped realize IBRD-backed projects in Asia, Africa, and Latin America.<sup>13</sup>

The importance of the underdevelopment of southern Italy was underscored in an article published in *Informazioni SVIMEZ* in 1954. The article forcefully argued that the new Europe had to face the fact that the South of Italy was larger geographically and demographically than several European states; its backwardness was a potential obstacle to Europe's development plans:

It is an area as large as Greece, but with twice the population; it is as large as Czechoslovakia, but with 5 million more people. The three Benelux states combined have only 2 million more people; the three Scandinavian states have 3 million less. The population of Southern Italy is greater than that of Romania and Hungary. This shows that Mezzogiorno issues are as large as those of other entire European countries and that the Mezzogiorno represents the biggest backward area within the new Europe.<sup>14</sup>

During the 1954 session of the UNECE, Italy, Greece, Yugoslavia, and Turkey officially requested that the more advanced, northern European countries not block imports of agricultural products from the Mediterranean, reflecting the persistent centrality of agriculture to economic development in the South of Europe. This emphasis on

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<sup>13</sup> F. Sbrana, *Portare l'Italia nel mondo*, il Mulino, Bologna, 2006.

<sup>14</sup> "Dibattito internazionale sull'Europa e sul Mezzogiorno d'Italia", in *Informazioni SVIMEZ*, no. 13-14, 31 March-7 April 1954, p. 265.

agriculture was consistent with the IBRD's vision of European development in general, and Italian agricultural reform was generally praised by economists, including IBRD's development experts. The session concluded by approving a resolution in response to the four countries' request.<sup>15</sup> Perhaps the most important outcome of the meeting, from the point of view of the Mezzogiorno, was the cooperation of experts from the four countries, which would produce proposals to the Economic Commission for Europe.<sup>16</sup>

At the "Private Initiative Day" in Milan, discussion again focused on the relationship between European integration and Mezzogiorno development. It was asserted that European integration had not been paying enough attention to underdeveloped areas:

The natural and technical resources within Europe are not being shared with pockets of backwardness within Europe, such as southern Italy. United Europe attracts investment capital that does not arrive in places that need it, such as the Mezzogiorno.<sup>17</sup>

The Mezzogiorno received further attention at the OEEC in Paris during analysis of a report by a group of economists that included Italy's Pasquale Saraceno and Neil H. Jacoby, a member of US President Dwight D. Eisenhower's Council of Economic Advisors. At the previous Paris conference, Italy's Finance Minister Ezio Vanoni had affirmed that the South was one of the most interesting areas for international investment policies because the Cassa per il Mezzogiorno was achieving significant, swift progress.

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<sup>15</sup> "Dibattito internazionale sull'Europa e sul Mezzogiorno d'Italia", in *Informazioni SVIMEZ*, no. 13-14, 31 March-7 April 1954, p. 269-271. For an overview of relations among between Italy, Greece, Turkey and Jugoslavia, see S. Stallone, "In difesa di Enver Hoxha. L'Italia e la questione albanese di fronte al patto balcanico (1952-1953)", in *Eunomia*, no. 1, 2015, pp. 21-46.

<sup>16</sup> "Problemi mondiali delle aree depresse", in *Informazioni SVIMEZ*, no. 50, 15 December 1954, pp. 949-951. Cooperation between Italy and Greece tightened after representatives of the two countries signed a protocol on 3 December 1953. "Cooperazione economica tra Italia e Grecia", in *Informazioni SVIMEZ*, no. 3, 18 January 1956, p. 67.

<sup>17</sup> "Giornata dell'iniziativa privata alla Fiera di Milano", in *Informazioni SVIMEZ*, n. 19, 12 May 1954, p. 357.

By 1954, the consensus was that the *Cassa per il Mezzogiorno* was proving to be a success and a model for international development more generally. Donato Menichella, Governor of the Bank of Italy, observed that the Cassa demonstrated the efficacy of Italy's long-term economic program. With the support of SVIMEZ, the Cassa helped to increase international respect for the Italian state.

Italians themselves were proud of the progress the Cassa had achieved between 1950 and 1954, thanks in part to such crucial players as SVIMEZ and the Bank of Italy. They looked with satisfaction on the roles played by domestic institutions in formulating and implementing this highly successful development program.<sup>18</sup>

### 3. The Mezzogiorno as a reference point for other underdeveloped areas

In the autumn of 1954 the OEEC made a positive assessment of the Italian economy and endorsed Italy's ten-year plan for expanding the economy and employment, the *Schema di sviluppo dell'occupazione e del reddito nel decennio 1955-1964*. Yet the OEEC also encouraged other European countries to assist Italy "because Italy cannot overcome its own structural hurdles with its own resources."<sup>19</sup>

<sup>18</sup> "Il problema delle aree depresse del Sud Europa e l'attività della SVIMEZ nella relazione annuale della Banca d'Italia", in *Informazioni SVIMEZ*, no. 23, 9 June 1954, p. 431.

<sup>19</sup> "Un rapporto dell'OECE sulla situazione dell'economia italiana", in *Informazioni SVIMEZ*, no. 47-48, 1 December 1954, p. 500-501. Finance Minister Vanoni commented on the report as follows: "The practice of examining year by year the evolution of OEEC countries' situation is becoming more and more reliable, so the observations found in such reports now constitute important grounds for appreciating the political economies of member States. It is important to consider that these evaluations are not only the technical judgement of dedicated researchers but also the expression of member governments' opinions. So the conclusion of the chapter regarding Italy is held in higher consideration." On these aspects, see S. Baietti, "Il momento d'oro di Ezio Vanoni", in F. Dandolo and F. Sbrana (eds.), *L'intervento pubblico*, cit., pp. 111-149; A.A. Persico, *Pasquale Saraceno. Un progetto per l'Italia*, Rubbettino, Soveria Mannelli, 2013, pp. 300-363; D. Parisi, "OEEC, Economic Commission for Europe, e Rockefeller Foundation: prospettive europee e americane sul progetto italiano di sviluppo socio-economico",

This subject was examined in depth during the 24<sup>th</sup> annual meeting of the Bank for International Settlements in Basel a month later.<sup>20</sup> In that venue approaches were formulated that favored the development policies for the Mezzogiorno. The Cassa per il Mezzogiorno was discussed as an important case-study of how progress could be achieved by means of “extraordinary intervention.” Southern Italy became a paradigm for how development could be achieved in other underdeveloped areas of Europe. Indeed, the Mezzogiorno was adopted as a reference point in the first meeting of experts from Italy, Greece, Turkey, and Yugoslavia. The experts agreed to cooperate in agricultural and industrial policymaking in order to increase Mediterranean exports and stimulate European contributions to Mediterranean countries in the form of capital investment and activities such as worker training. Saraceno was the Italian expert who helped formulate this approach.<sup>21</sup> The strategy was reexamined in subsequent meetings of experts, and the final report cited the importance of foreign investment capital in the development of the Mediterranean area. The OEEC continued to insist, in its analysis of Italy, that rapid economic growth in the South of Italy required an infusion of capital investment in the Mediterranean from economically stronger European countries.<sup>22</sup> The crucial role of foreign investment was never in doubt.<sup>23</sup> This OEEC position explains why

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in A. Giovagnoli and A. Persico (eds.), *Pasquale Saraceno e l'unità economica italiana*, Rubbettino, Soveria Mannelli, 2013, pp. 228-256. “Politica creditizia internazionale e Mezzogiorno d'Italia”, in *Informazioni SVIMEZ*, no. 41, 13 October 1954, p. 768.

<sup>20</sup> Paragraph 12 of the final motion was broadly dedicated to the Mezzogiorno: “Alongside the progress made in Europe as a whole, difficult problems have regarded some countries, signally Italy, Turkey and Greece. Our attention is focused in particular on the huge problem of the Italian Mezzogiorno’s underdevelopment. This problem is important for all the Western countries.... The area’s situation can be considered one of the most urgent objectives of international investment policy.” “Il Mezzogiorno all’esame dell’OECE”, in *Informazioni SVIMEZ*, no. 19, 12 May 1954, p. 360.

<sup>21</sup> “Riunione di esperti per lo studio dello sviluppo economico dell’Europa meridionale”, in *Informazioni SVIMEZ*, no. 45, 10 November 1954, pp. 854-856.

<sup>22</sup> “Proposte per lo sviluppo delle zone depresse dell’Europa meridionale”, in *Informazioni SVIMEZ*, no. 19, 9 May 1956, p. 406.

<sup>23</sup> F. Ventriglia, “Nord e Sud all’OECE”, *24 Ore*, 15 March 1956, in *Informazioni SVIMEZ*, no. 12, 21 March 1956, p. 260.

the Vanoni plan was attached to the Treaty of Rome of March 25, 1957. All six signatory countries considered the inclusion of the Vanoni plan an essential part of the groundwork for European economic integration.<sup>24</sup>

During the planning of European integration, the SVIMEZ experts also discussed the strengthening of European relations with African countries. Expanded trade between Europe and Africa could be of particular benefit to the Mezzogiorno, given its proximity to Africa. The SVIMEZ report suggested that the "Mezzogiorno could form a bridge between the developed European countries and the underdeveloped African countries."<sup>25</sup> It was thought that Italy, which had a less hostile colonial history in Africa than France or Belgium, would be a more acceptable trading partner in some African territories (other than Morocco, Tunisia, and Libya). Yet there were problems to be overcome if Italy were to act as a bridge between Europe and African markets. For example, by the end of 1957, Italy had a trade deficit with Africa amounting to Lit. 45 billion, based on available commercial bank data. And there were tariff barriers that needed to be dealt with.

There were other fundamental obstacles to building trade relations between southern Italy and Africa. One was lack of trained local managers and administrators in the decolonizing nations of Africa. On the other hand, the necessity of providing international technical assistance was also an opportunity for Italy, because, as SVIMEZ remarked, "Italy and the Mezzogiorno could surely promptly respond to those needs."<sup>26</sup> It was noted that the Mezzogiorno could occupy a privileged position in Europe with regard to collaboration with Africa: in agriculture, small business and industry, Africa and the Mezzogiorno were home to a number of similar

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<sup>24</sup> P. Roggi, *Scelte politiche e teorie economiche in Italia nel quarantennio repubblicano*, Giapichelli, Turin, 1987, p. 65.

<sup>25</sup> "Mezzogiorno d'Italia e Paesi africani", in *Informazioni SVIMEZ*, no. 18-19, 30 April-7 May 1958, p. 383.

<sup>26</sup> *Ibid.*, p. 384.

productive and distributive activities. Cooperation might be possible in agricultural reform and land reclamation. These were two sensitive issues in the Maghreb, and SVIMEZ experts had been interviewed by an Algerian commission studying Italy's agricultural reform as a possible model.

In summary, geography made the South of Italy the natural reference point for African nations looking to Europe for assistance in agricultural sectors such as fruits and vegetables, wine, dairy, and vegetable oils. Given Italy's relatively uncomplicated colonial history in Africa, the Mezzogiorno seemed a comparatively unobjectionable European trading region for African nations.<sup>27</sup> And the Cassa per il Mezzogiorno, both as an Italian development project and as an international project (working with Yugoslavia, Greece, and Turkey), became a model for other development projects around the world.<sup>28</sup>

#### **4. The Mezzogiorno under bilateral agreements between Italy and other European countries**

While the development of the Mezzogiorno was part of the wider European integration process, it was furthered in practice by bilateral agreements between Italy and other European states. Crucial to the area's progress were the agreements between Italy and the two strongest European economies, France and Germany.

In January 1955 a committee of representatives from France and Italy was formed to help the Mezzogiorno pick up pace. France's postwar economic resurgence and the measures it had taken to deal with underdevelopment within its borders made that country a preferred partner for Italy. In fact, Italian economists studied French regional development policies when they designed their own "extraordinary intervention" in the South.<sup>29</sup>

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<sup>27</sup> *Ibid.*

<sup>28</sup> "Politica creditizia internazionale e Mezzogiorno d'Italia", in *Informazioni SVIMEZ*, no. 41, 13 October 1954, p. 768.

<sup>29</sup> "Collaborazione francese allo sviluppo economico del Mezzogiorno", in *Informazioni SVIMEZ*, no. 8, 23 February 1955, p. 141.

The first concrete result to come from this committee was an agreement signed in the spring of 1956 authorizing French banks to issue a credit of 12 billion francs (Lit. 21.4 billion) to the Cassa per il Mezzogiorno in order to make capital available to French-Italian firms operating in the South. Under the terms of the agreement, this capital could be reissued with other loans after the initial loans were repaid. Another important result was the decision of the French glass company Saint Gobain to set up a major plate-glass factory in the province of Caserta, near Naples. The plant, which would employ 750 workers when fully phased in,<sup>30</sup> was the first of many substantial investments of French capital in the Mezzogiorno.

In return for French investments in the South, Italy agreed to cooperate in the industrial development of France's colonies. These projects, mostly involving public works and new factories, utilized the resources of northern Italian industries.<sup>31</sup> IMI, Banca Nazionale del Lavoro and Banque de Paris et des Pays Bas formed an autonomous partnership to support the study and implementation of industrial projects both in French Africa and in southern Italy.<sup>32</sup> Italian economists applauded this French-Italian cooperation, which promised to accelerate the arrival of European direct investment in the South and to enhance and diversify Italy's industrial structure.

Thus, French companies were investing in the economically most backward part of Italy, while northern Italian companies were investing in the underdeveloped French territories in Africa. This was a potential model for bilateral agreements between industrialized regions. Italian experts praised this kind of collaboration because its main objective was to accelerate European investment in southern Italy.<sup>33</sup>

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<sup>30</sup> "Stabilimento in Campania della Saint Gobain francese", in *Informazioni SVIMEZ*, no. 29, 18 July 1956, p. 611. The plant opened in December 1959: "L'inaugurazione dello stabilimento della Saint Gobain a Caserta", in *Informazioni SVIMEZ*, no. 50, 16 December 1959, p. 1053.

<sup>31</sup> "Finanziamenti francesi alla Cassa per il Mezzogiorno", in *Informazioni SVIMEZ*, no. 21, 23 May 1956, p. 449.

<sup>32</sup> "Costituzione di una Società italo-francese per lo sviluppo industriale", in *Informazioni SVIMEZ*, no. 10, 11 March 1959, p. 201.

<sup>33</sup> L. Magnani, "Prima pietra: i finanziamenti francesi alla Cassa per il Mezzogiorno", 24 Ore, 20 May 1956, in *Informazioni SVIMEZ*, no. 22-23, 30 May-6 June 1956, pp. 461-462.

Collaboration between Italy and the Federal Republic of Germany was more difficult because Germany was already engaged in a massive effort to rebuild its own productive economy after the war. Nevertheless, trade between the two countries expanded strongly in the first half of the 1950s; for example, Italian imports of German automated components increased from Lit. 11 billion to Lit. 67 billion between 1950 and 1955.<sup>34</sup> Siemens showed an interest in Sicily at the beginning of the decade. Other German firms considered exploiting the subsoil in southern Italy; for instance, companies belonging to the Krupp group assigned technical experts to work in Calabria. Germany's economic minister, Ludwig Erhard, visited parts of southern Italy at the end of 1955, by which time Germany was well on the way to postwar recovery and able once again to undertake new foreign policy initiatives. The event pleased Italian economists, particularly because Germans were already investing capital in the Middle East and Erhard's visit suggested that German capital might flow to Italy. Erhard toured factories and hydroelectric plants under construction and later met with SVIMEZ experts and Budget Undersecretary Mario Ferrari Aggradi. At the end of these meetings, at which representatives of the Cassa per il Mezzogiorno, the Confederation of Italian Industry, IRI, and the Italian Foreign Exchange Office were also present,<sup>35</sup> he stated that Italy's economic lag could be reduced with an injection of German capital.<sup>36</sup>

The first concrete result of these meetings was the establishment of a private firm in Bonn whose mission was to ensure that German companies were satisfied with products ordered from southern Italy.<sup>37</sup> As in the case of France, an Italian-German coordinating com-

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<sup>34</sup> F. Fauri, *L'integrazione economica europea 1947-2006*, il Mulino, Bologna, 2006, p. 115.

<sup>35</sup> "Visita del Ministro Erhard nel Mezzogiorno", in *Informazioni SVIMEZ*, no. 50, 14 December 1955, p. 1138.

<sup>36</sup> S. Kiesswetter, "La Germania disposta a cooperare allo sviluppo economico del Mezzogiorno", *Il Sole*, 6-7 February 1956, in *Informazioni SVIMEZ*, no. 8, 22 February 1956, p. 182.

<sup>37</sup> "Una società germanica per gli investimenti nell'Italia meridionale", in *Informazioni SVIMEZ*, no. 1, 4 January 1956, p. 11.

mittee was formed. Its first task was to set up training centers in the South that would give local workers skills enabling them to find employment in Germany. This was characteristic of the Federal Republic of Germany's approach to developing areas.<sup>38</sup> In any event, the German financial market was not especially eager to invest in southern Italy, given the enormous need for investment capital in Germany itself.<sup>39</sup>

This was not the only rationale for Germans not to invest in southern Italy. An article that appeared in *Informazioni SVIMEZ* in 1956 placed much of the blame for German indifference on Italians themselves, quoting a rhetorical question in an editorial in the *Frankfurter Allgemeine Zeitung*: "Is it possible to argue with the German businessmen about their lack of enthusiasm, if northern Italian businessmen do the same?"<sup>40</sup>

Notwithstanding Germans' general lack of enthusiasm for investment in southern Italy, there was opportunity for trade between the two countries. Germany, in fact, became the largest importer of Italian goods during the mid-1950s, and most of those goods were agricultural products from the South.<sup>41</sup> At the end of 1956 a greater possibility for capital from German investors seemed to be in the offing because the German government issued DM 50 million earmarked for developing areas. But there was no guarantee that these funds would reach Italy, and indeed some Italians thought the money would more likely be invested in India and Afghanistan.<sup>42</sup>

<sup>38</sup> A. Rendi, "Il Sud e gli investimenti tedeschi", in *Nord e Sud*, no. 22, September 1956, in *Informazioni SVIMEZ*, no. 38, 19 September 1956, p. 779.

<sup>39</sup> A general review of the situation found no significant capital investment except for Wintershall's investment in oil exploration in Sardinia, so collaboration was based solely on medium-term financing under German legislation. See "Gli investimenti tedeschi nel Mezzogiorno", in *Informazioni SVIMEZ*, no. 1, 1 January 1958, p. 13.

<sup>40</sup> F. Ventriglia, "Collaborazione tedesca per lo sviluppo del Mezzogiorno", in *Mondo Economico*, 6 October 1956, in *Informazioni SVIMEZ*, no. 43-44, 24-31 October 1956, pp. 879-881.

<sup>41</sup> "Gli scambi italo-tedeschi e il Mezzogiorno d'Italia", in *Informazioni SVIMEZ*, no. 38, 18 September 1957, p. 869.

<sup>42</sup> F. Orlando, "Collaborazione tedesca per il Mezzogiorno", in *Il Giornale d'Italia*, 11 December 1956, in *Informazioni SVIMEZ*, no. 52, 26 December 1956, p. 1091.

There was also some hesitation on the Italian side, as the German financing carried an 8% interest rate. Italy was looking for foreign financing on more favorable terms.<sup>43</sup>

A breakthrough occurred in 1957 when a number of German firms announced that they would sell equipment to Italy at reduced prices and take advantage of the rates on long-term loans issued by German banks.<sup>44</sup> In addition, Finance Minister Erhard became more receptive to investing in southern Italy once IBRD-EIB financing for the Mezzogiorno had been obtained.<sup>45</sup> He commented that Italian-German cooperation for the Mezzogiorno would be easier to achieve within the framework of recent European integration efforts, such as the IBRD-EIB loans.

As a consequence, in September 1959 the German government issued DM 500,000 worth of financing for market analysis of sulfur and its derivatives, to be conducted in the South.<sup>46</sup> Toward the end of 1960 Dürkoppwerke AG Bielefeld and IRI-Finmeccanica reached an agreement to form Dürkopp Italia S.p.a. in order to build a plant in Casoria, near Naples, whose activities would integrate those of plants in Dürkoppwerke and Bielefeld.<sup>47</sup>

A number of contracts were also signed between Italy and Belgium. In the spring of 1956 a group of some twenty Belgian businessmen visited southern Italy under the sponsorship of the Belgian Foreign Trade Ministry.<sup>48</sup> The visit resulted in trade agreements involving 60 firms belonging to the Belgian Export Association. While

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<sup>43</sup> "L'interesse tedesco per lo sviluppo del Meridione", in *Informazioni SVIMEZ*, no. 5-6, 30 January-6 February 1957, p. 83.

<sup>44</sup> "La partecipazione tedesca allo sviluppo del Mezzogiorno", in *Informazioni SVIMEZ*, no. 47, 20 November 1957, p. 1063.

<sup>45</sup> "La possibilità di investimenti tedeschi nell'Italia meridionale", in *Informazioni SVIMEZ*, no. 41, 14 October 1959, p. 850.

<sup>46</sup> "Accordo italo-tedesco per un programma tecnico per il riassetto delle miniere di zolfo", in *Informazioni SVIMEZ*, no. 37, 16 September 1959, p. 773.

<sup>47</sup> "Progetto per uno stabilimento industriale a Casoria", in *Informazioni SVIMEZ*, no. 45, 9 November 1960, p. 880.

<sup>48</sup> "Visita nel Mezzogiorno di una missione belga", in *Informazioni SVIMEZ*, no. 16, 18 April 1956, p. 356.

the Belgians were interested in increasing commerce,<sup>49</sup> the Italians hoped to see more Belgian capital for southern development. In 1955 Belgian capital for that end totaled a very modest 5 billion francs.<sup>50</sup>

There was some aid from Switzerland, which issued SF 165,000 for southern Italy in the spring of 1957.<sup>51</sup> More significant were the efforts of an Italian-Swiss financial group that aimed to build a factory in Monopoli that would employ 600 workers.<sup>52</sup> Toward the end of the 1950s there were plans for Swedish investment in southern Italy, in the form of factories in Bari, in the Puglia region.<sup>53</sup>

However helpful these bilateral agreements may have been, the South's hopes really hinged on the European Investment Bank, whose creation by the Treaty of Rome in 1957 Italy had strongly supported.<sup>54</sup> The appointment of Pietro Campilli, Italy's Minister for the South from 1953 to 1958, as the EIB's first president seemed to confirm a European consensus that the bank should be involved in the development of southern Italy. This opinion gained ground the following year when another Italian, Paride Formentini, Director General of the Bank of Italy, became the EIB's second president. There were strong links between European financing and the progress of southern Italy.<sup>55</sup> EIB annual reports show that from January 1, 1958

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<sup>49</sup> "Mostre dell'industria belga nell'Italia meridionale", in *Informazioni SVIMEZ*, no. 22-23, 30 May-6 June 1956, p. 467.

<sup>50</sup> "Interesse belga per il Mezzogiorno", in *Informazioni SVIMEZ*, no. 24, 13 June 1956, p. 522.

<sup>51</sup> "Finanziamenti svizzeri per il Mezzogiorno", in *Informazioni SVIMEZ*, no. 17-18, 24 April-1 May 1957, p. 386.

<sup>52</sup> "Progetto per la costruzione di uno stabilimento a Monopoli", in *Informazioni SVIMEZ*, no. 17-18, 27 April-4 May 1960, p. 342.

<sup>53</sup> "Stabilimento svedese per abbigliamento femminile a Bari", in *Informazioni SVIMEZ*, no. 15, 15 April 1959, p. 330.

<sup>54</sup> "Il capitale italiano ed estero per la rinascita del Mezzogiorno", in *Informazioni SVIMEZ*, no. 35-36, 28 August-4 September 1957, p. 789.

<sup>55</sup> In July 1960, in the ministry committee venue, Villa Lubin, Cassa per il Mezzogiorno and the EIB signed a contract for Lit. 7.5 billion of financing to be utilized for a hydro-electric plant under construction in Sardinia. During the autumn of the same year, the EIB signed a contract assigning Lit. 3.125 billion of financing to the Cassa per il Mezzogiorno, earmarked for the construction of new plants in Pomigliano d'Arco to produce and assemble diesel engines designed and commissioned by Renault. The total cost of

to December 31, 1962, the bank approved 37 loans totaling \$254,300,000. Of this financing, 64% went to Italy, 21% to France, 11% to Germany, 2% to Belgium, and 2% to Luxembourg.<sup>56</sup>

Still, the most effective economic cooperation among European countries probably took the form of the migration of workers from the South of Italy to France, Germany, Belgium, and Switzerland. These countries absorbed more than 93% of those who left southern Italy to work in Europe.<sup>57</sup>

The “first period” of “extraordinary intervention” was followed by a new era. The mission of the Cassa del Mezzogiorno was renewed and European integration proceeded, with its impact on the South. This was positive, the economist Pasquale Saraceno acknowledged, but he warned that contacts and opportunities in foreign markets were no substitute for a national policy for southern development: Italian and European projects for the South were both necessary and complementary. Saraceno’s view still seems valid today when we consider how to close the North-South gap.

## 5. Conclusion

This paper has analyzed the importance of the underdevelopment of the Mezzogiorno in the context of post-war European integration. It has examined the role played by international organizations, especially the United Nations and the International Bank for Reconstruction and Development, in addressing the problem. Given the remarkable progress that the Mezzogiorno swiftly

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this project amounted to Lit. 6.7 billion. See “Prestito della Banca Europea degli Investimenti alla Cassa per una centrale idroelettrica in Sardegna” and “Prestito BEI alla Cassa per il Mezzogiorno per la costruzione di nuovi impianti dell’Alfa Romeo a Pomigliano d’Arco”, in *Informazioni SVIMEZ*, respectively no. 29, 20 July 1960, p. 579, and no. 43-44, 26 October-2 November 1960, p. 860.

<sup>56</sup> “I finanziamenti della BEI all’Italia nel 1962”, in *Informazioni SVIMEZ*, no. 24, 12 June 1963.

<sup>57</sup> “Il movimento migratorio dei lavoratori italiani”, in *Informazioni SVIMEZ*, no. 35-37, 28 August 4/11 September 1963, p. 777.

achieved, this paper has also looked at the Mezzogiorno as a model for development in other areas of the world. Finally, it has analyzed in detail the contributions that the more industrialized European nations made in terms of investment in the South. The paper underscores the crucial role of foreign capital in assisting the Mezzogiorno. But one must also keep in mind the warning by Pasquale Saraceno, an architect of economic policy for the South, that contacts and dealings with foreign economies, however important, were not a substitute for a national policy on behalf of the Mezzogiorno.<sup>58</sup>

This paper also sets the problem of Mezzogiorno development within the context of European integration, demonstrating how critical an issue it was in that process. European integration, together with Italy's entry into the US sphere of influence, were key factors shaping the course of development.

The most important conclusion to be drawn is that the Mezzogiorno's backwardness had to be addressed as a European issue, not merely a national problem. The question of underdevelopment, in particular in the Mezzogiorno, was at the heart of the European integration process, and this is reflected by the proportion of EIB loans that went to Italy.

Nowadays other issues, such as monetary and trade policies and the free movement of people, dominate the conversation in Europe, crowding out development as a question of international attention. Instead, Europe could well learn from the lesson of the postwar Mezzogiorno's success: that international financing aimed at diminishing cross-border economic disparities can not only boost economies, but can also mitigate public dissatisfaction and political tension.

It was and remains impossible to solve the problems of underdevelopment and unemployment in the South relying solely on cap-

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<sup>58</sup> "Relazione del Comitato per lo sviluppo dell'occupazione e del reddito sul tema 'Schema di sviluppo e Mercato Comune Europeo'", in *Informazioni SVIMEZ*, no. 43-44, 23-30 October 1957, p. 988. See also P. Saraceno, "Considerazioni sull'azione svolta in favore del Mezzogiorno", in *Informazioni SVIMEZ*, no. 7, 12 February 1958, pp. 137-143. For an overview, see D. Strangio, *Dall'European Recovery program all'integrazione economica europea e alla Banca Europea per gli Investimenti*, Rubbettino, Soveria Mannelli, 2011.

ital from within the region; the effort also requires capital from abroad. What is needed today is a constructive conversation on how to create equitable conditions under which significant volumes of capital can be attracted to the South.

Lastly, a reinvigorated and economically sound Mezzogiorno could newly serve as a model for other underdeveloped areas, as “extraordinary intervention” did in the 1950s. The Mezzogiorno, with its particularly compelling geographical position in the Mediterranean, is once again a potential development project whose benefits would transcend the national sphere.