

# Loan Interruptus: The World Bank, Reconstruction and Development in Italy, 1947-53

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## Abstract

This article tells the story of an agreement that never took place. It is the story of a loan that both the borrower (Italy) and the lender (the International Bank for Reconstruction and Development, aka the World Bank) had seriously pursued, but came to a halt shortly before being finalized. As paradoxical as it may sound, this story (or lack thereof) is the ideal starting point to examine the subsequent long-lasting and fruitful relation between the World Bank and Italy in the years 1951-1965, because all the salient elements that would characterize that relation were born – again, paradoxically – out of this *loan interruptus*.

Italy's decision to apply for membership in the Bretton Woods institutions – the International Monetary Fund (IMF) and the International Bank for Reconstruction and Development (IBRD) – was made immediately after World War II. The senior management of Banca d'Italia, the Italian Central Bank, and the Italian government pursued this goal with determination, as they saw it as a necessary step toward the reconstruction of Italy's political and economic relations with Allied countries. For Italy, in addition to economic considerations, the most desirable aspect of its Bretton Woods membership was primarily political: it was supposed to demonstrate a collaborative approach and goodwill in Italy's international relations after the authoritarian, warmongering, and autarchic policies pursued by the Fascist government.

The Marshall Plan, because of its unprecedented scale, its call for European coordination and its character of reaction to the worsening international situation, was a major novelty and a fundamental turning point in the construction of postwar Europe. For the International Bank, the Marshall Plan is considered a turning point, as from its inception, the Bank abandoned European reconstruction and embraced the mission of Third World development. The effect on the Bank's loan policies was a shift from short-term reconstruction projects to longer-term development ones. Implicitly or explicitly, several studies underscore the transition of the International Bank from reconstruction to development, and especially the discontinuity between these two phases.

Evident and unquestionable though the transition is, focusing primarily on its character of discontinuity does not show a complete picture of the story. As a matter of fact, important elements of the development policies that the International Bank would adopt after the Marshall Plan had already emerged in the negotiations between the Bank and Italy before the Marshall Plan. The Marshall Plan was obviously a catalyst and actively encouraged the shift of the

International Bank from reconstruction to development. As a matter of fact, the early negotiations between the Bank and Italy did not result in a loan; the first loan would be signed only in 1951. This certainly influenced the usual conclusion that Bank-Italy relations were modified by the advent of the Marshall Plan. Yet, those early negotiations were brought to a halt only because Italy so decided and, when they were resumed, they incorporated several important elements already discussed in the early phase. The "development Bank," as opposed to the "reconstruction Bank," was obviously not a completely new institution endowed with a fully new set of policies. The continuity is especially evident in the importance assigned to balance of payments issues, a macroeconomic approach, the mechanisms designed for the disbursement of the loans, and even an attitude to consider reconstruction and development as two interconnected phases, with no clear border distinguishing one from the other.