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"Nothing Develops Like Development": Banks, Economic Development, International Expansion of Italy

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1. Historiography: the state of the art

The role of banks in supporting Italy's international projection after World War II, the framework in which it was implemented and the geopolitical consequences have been studied by historians for decades now.[1] The first research, dating to the late Nineties, focused on Mediocredito Centrale and Guido Carli.[2] Other studies followed, some by the author of the present contribution, using primary sources. One is about the first operator in export financing, Istituto Mobiliare Italiano (IMI), an entity controlled by the Italian Treasury.[3] Other studies were on banks,[4] still others on political and financial actors.[5]

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[1] In Italy the Banking Law of 1936 abolished the universal bank and divided the sector in two. Banks could provide financing (and make loans) either in the short or in the long term. The subject of this article is the banks specialized in medium-long-term industrial financing, known in Italy as "istituti di credito mobiliare".

[2] P. Peluffo (ed.), *Storia del Mediocredito centrale*, Rome-Bari, 1997. See also G. Carli, *Cinquant'anni di vita italiana*, in collaboration with P. Peluffo, Rome-Bari, 1993.

[3] F. Sbrana, *Portare l'Italia nel mondo. L'IMI e il credito all'esportazione 1950-1991*, Bologna, 2006.

[4] G. Piluso, *Mediobanca. Tra regole e mercato*, Milan, 2005, and M. Bagella (ed.), *Efibanca e l'industria italiana*, Florence, 1999,with some remarks on activity abroad.

[5] F. Sbrana, *Guido Carli da banchiere a governatore. Economia, relazioni internazionali, commercio estero*, Naples, 2012; Id., "Integrazione economica europea e sviluppo del commercio estero: l'ideale alleanza fra Guido Carli e Ugo La Malfa", in *Annali della Fondazione Ugo La Malf*a, XXI, 2007.

These publications began to reconstruct and analyse the work of banks in support of export firms. This support was provided in various forms: through a series of investments in local banks and development entities; using companies of different nature; promoting, together with the main Italian industries, leading trade organizations, able to operate as general contractors all over the world; signing, in particular via IMI, agreements with foreign public banks specifying the Italian industrial supplies purchasable at pre-established and highly competitive prices, often after the signing of intergovernmental accords. These facilities were very important for Italian exporting companies. In other words, banks not only provided medium-term financing for the sales of industrial companies but created a series of tools to promote their expansion on international markets. These studies also reconstructed information on the regulatory framework, with regard to export credit, and on the work of Guido Carli as banker and Minister of Foreign Trade.

More generally, these studies contributed to elucidating a turning point in Italian history: the construction of an open economy after the autarky of the Fascist regime. Under the leadership of Alcide De Gasperi, Italy chose to ally with the democratic and capitalist West. From the beginning of the 1950s, thanks to the initiative of Ugo La Malfa and a few others, Italy progressively liberalized trade, foreign trade being seen as essential for the development of the country, which was lacking in raw materials and energy sources. But after autarky, Italian companies were unable to compete on international markets. It was necessary to support their international expansion, and banks played a crucial role, operating as we have said. The economic consequences were positive in the short and long term: if exports are a fundamental pillar of the Italian economy today, it is thanks to the choices made in that period. There were also meaningful political outcomes for the country, as the link with democratic and free market economies countries was strengthened.

There is also a set of new studies. There was no in-depth research on Mediobanca's foreign business, which had played an important role together with IMI and Mediocredito before Giovanni Farese's

work on the period 1944-1971, using the bank's archival documentation.[6] There are two books dedicated to the context in which Italian companies and banks operated, focusing on the culture of economic development and the Cold War between the end of the Second World War and the fall of the Berlin Wall in 1989: one by Sara Lorenzini,[7] the other by Adriana Castagnoli.[8] Also worth mentioning is Ilaria Pasotti's collection of texts on development by Raffaele Mattioli, one of the major Italian bankers and influential board member of Mediobanca, in the years 1949-1969.[9]

The present article focuses on these more recent works, to highlight the new perspective they bring to studies on Italy's international economic relations, especially banking and connections between foreign trade and geopolitics. As we can read in the book on Mediobanca, the foreign business of some Italian bankers was oriented by a broad vision of international relations: they considered themselves to be actors in Italian foreign policy strategy and they were convinced they could make a significant contribution.[10] This function has been rightly attributed above all to the Italian oil company ENI under Enrico Mattei. These new studies have reconstructed the contribution of some medium-long-term banks and some bankers. Their work was probably less sensational and more conventional than that of ENI, but they made an important contribution to Italy's relations with the world. As we shall see, this happened in particular in the phase of decolonization, when the Italian banks participated in the financing of the productive investments that the newly independent states needed.

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[6] G. Farese, *Mediobanca e le relazioni economiche internazionali dell'Italia. Atlantismo, integrazione europea e sviluppo dell'Africa*, Milan, 2020.
[7] S. Lorenzini, *Una strana guerra fredda. Lo sviluppo e le relazioni Nord-Sud*, Bologna, 2017, later also published in English *Development. A cold war History*, Princeton, 2019.
[8] A. Castagnoli, *La guerra fredda economica. Italia e Stati Uniti 1947-1989*, Rome-Bari, 2015.
[9] R. Mattioli, *Sui programmi di aiuto ai paesi sottosviluppati*, a cura di I. Pasotti, Turin, 2018.
[10] G. Farese, *op. cit.*, p. 276.

2. The big picture: development and Cold War

Export support from Italian banks began in the 1950s. To better understand their role it is necessary to focus on two elements: the culture of development in the post-war period – understood as economic development, to be sure, but also social and political – and the Cold War.

A well-known economic history textbook opens by asking why the world is not fully developed. The authors note that addressing the "great divergence" was one of the tasks that engaged all governments after the World War II.[11] It is not a simple matter, because it is linked to major issues such as international trade, finance, the growth and decline of states, technological progress and foreign investment. Sara Lorenzini's study is very effective in reconstructing the phenomenon globally up to the 1980s. According to her analysis, no other word has captured the collective imagination as thoroughly as "development" during the twentieth century. It meant (and still means) progress, modernity, economic growth and well-being. It became the central element for organizing the economy and society in the contemporary age.[12] As Raffaele Mattioli wrote: "nothing develops like development."[13]

The United States was a crucial actor in this framework. At the end of the war, after the positive experience of the New Deal, it put economic assistance at the center of its foreign policy. Harry Truman's inaugural address in 1949 was a turning point. In the so-called Point Four Program, the President indicated a new course: American technical and scientific progress had to be used for the development of depressed areas, to fight poverty, malnutrition and disease.[14] The United States ideally wanted to repeat the New Deal model in areas that needed economic and social growth, from India to Afghanistan,

[11] R. Cameron, L. Neal, *A Concise Economic History of the World From Palaeolithic Times to the Present*, Oxford, 2016.
[12] S. Lorenzini, *op. cit.*, p. 9.
[13] R. Mattioli, *op. cit.*, p. 28.
[14] S. Lorenzini, *op. cit.*, p. 41.

from the Zambezi Valley to Brazil. The strategy was to combine humanitarianism, development and, as we will see shortly, Cold War objectives. Subsequently, the success of the Marshall Plan in Europe seemed to confirm the rightness of this choice.

It was an ambitious plan requiring very substantial capital investment. Some believed that private capital would not come and that consequently state intervention was necessary. Others were confident in the potential of liberalization. The economic progress of the poorest countries surely required significant financing, and this explains the importance of bank loans. Mediobanca, as well as IMI and Efibanca, with the support of Mediocredito Centrale, made available a part of the capital that poor countries needed to purchase goods and services for development, with easy payment terms and subsidized interest rates. These favorable conditions were used to make Italian exports competitive, but they could also be useful for Italy's relations with the undeveloped and developing countries.

The Cold War dominated the post-war world and was decisive in defining the US strategy. American political aims were initially kept largely in the background, but with the birth of the People's Republic of China and the outbreak of the Korean War they became more evident. The Soviet Union denounced US aid as a program, like the Marshall Plan, of economic expansionism cloaked in anti-communism and asserted that Washington's real aim was to conquer the colonies and underdeveloped areas of the world. This made foreign trade a particularly delicate matter, part of the broader economic cold war, as Adriana Castagnoli defines it in her book. The economy was in fact crucial in the clash between East and West to assert one's own supremacy and weaken the adversary.

What we have said so far helps in outlining the framework in which Italian banks financed exports. At the end of the war, the United States attained political and economic primacy in international relations and focused decisively on development. The political and ideological clash with the Soviet Union divided the world into two blocs. The Bretton Woods agreements laid the foundations for economic reconstruction and international cooperation (monetary,

financial and trade), through the International Monetary Fund and the International Bank for Reconstruction and Development (the World Bank). Foreign trade expanded steadily during the so-called "golden age" of the world economy. In the meantime, the great colonial empires went into crisis and numerous countries gained independence, all suffering underdevelopment.

3. Mediobanca and the "African vocation"

The book about Mediobanca contributes to an understanding of the history of this Milanese bank from an international perspective. Where previous analyses were mainly from the domestic perspective, this new study explores the foreign elements in capital, business horizons and social networking, and above all the role of the bank in supporting the internationalization of the Italian economy. This is an important issue, considering how important exports have been for the growth of the Italian GDP. Historiography has rightly highlighted the contribution of some large Italian companies and then the so-called "pocket multinationals" to exports, but the banks' contribution needs to be taken into greater consideration.

Using many archival sources, the book describes Mediobanca's "African vocation"[15] dating back to the 1940s, with its special, and little-known, attention to the poor countries. Enrico Cuccia, who in his youth had spent a period in Ethiopia working for the government, shared a specific interest in Africa with Guido Carli. They travelled across the continent, looking for opportunities to combine business and development, wondering about geopolitical events. The law proposed by Carli to finance exports lent a powerful impulse to overseas sales. It gave the so-called "third world" the opportunity to purchase the technology it needed from Italy with deferred payments and subsidized interest rates. The rapid development of Italian commercial initiatives followed. In Africa (and in

[15] G. Farese, *op. cit.*, p. 243.

other continents as well) infrastructures were built and industrialization programs were launched, to be consolidated through commercial operations in the opposite direction. This was particularly significant in the season of decolonization, a turning point in world history.

This process had major geopolitical consequences. When export financing was linked to the development of backward former colonies, it became an important asset for Italy's foreign policy. This was made possible in part by Italy's rapid industrial development. Thanks to the studies available today, it is possible to grasp the clear strategic vision of international politics that characterized some Italian bankers: Cuccia and Carli, of course, but also Raffaele Mattioli. And today we have a new book dedicated to these themes. These men had an articulate vision of world economic development, the role of Italy, and the function of banks. They had a sense of responsibility in the face of the many underdeveloped areas of the planet: Mattioli affirmed that for his generation this was the main problem to be faced after World War II.[16]

4. Decolonization

Decolonization gathered momentum during the 1950s and gave independence to new states whose salient feature was economic backwardness. Their new ruling class – made up of those who had fought for independence – strongly felt the need for development, to establish a break with the past. This need created significant business opportunities for Western countries. But the path to these new markets overlapped with the Cold War. The process of decolonization fuelled the competition between models of society, in a race to conquer the peoples that were gaining independence.[17] The Soviet Union took insidious action to bring the newly independent coun-

[16] R. Mattioli, *op. cit.*, p. 22.
[17] S. Lorenzini, *op. cit.*, p. 11.

tries into its sphere of influence, attracting them with promises of technical and financial assistance, supplemented by some elements of political attraction: from the desire to end relations with the colonizers to the major role of the State in economic development (which was not appreciated by Western liberalism). In the span of a few years, sixteen African countries entered into cooperation agreements with the USSR.

Enrico Cuccia soon realized that decolonization opened up interesting opportunities and at the same time posed serious geopolitical problems. In 1957, a Mediobanca executive, Bonaldo Stringher, visited a series of countries that were on the verge of independence: Senegal, Mali, Ivory Coast, Togo, Cameroon and others. Cuccia himself went to Guinea two years later, where Ahmed Sekou Touré had led the struggle to free the country from the colonial yoke. The banker sought to understand the new orientations of this nation. It was a model colony, with an important port on the Atlantic. Conakry was so loved by the French that it was called the Paris of Africa. Mediobanca's archival documents tell of a period of rapid transition, with great uncertainty among government officials and considerable inexperience. And the desire to quickly change the balance of power of the past, which brought the country into the socialist sphere of influence, especially that of East Germany. Sekou Touré refused to make Guinea one of the West African nations that maintained close relations with France, the former colonial power. This choice would be paid for with the country's progressive economic decline.[18]

Shortly after, Mediobanca's chief executive also went to Abidjan, in the Ivory Coast, to visit another country that had just become independent. He wanted to probe the attitude of President Houphouet-Boigny towards foreign capital and local entrepreneurship. Cuccia thus engaged in a long, complex, and risky affair, not only for business reasons but also, according to Farese, owing to a sense of social responsibility in the historical transition. After World

[18] E. M. Aliou Diallo, *Histoire politique et sociale de la Guinée. De 1958 à 2015*, Paris, 2017.

War II, Europe had benefited enormously from US capital and technology, and it later became an American outlet market with mutual profit. as well as a strategic ally against communism. A similar plan could be replicated with Africa and other underdeveloped areas; it had to be done in spite of the more complex situation, the recent attainment of independence, and the weight of history.

These rapid changes required a new road map. Cuccia considered it useful for Mediobanca (and for Italian companies in general) to take its place in a European framework. This had to be done in harmony with the European construction under way in those years. It was necessary to transcend the old colonial interests and cooperate with Africa, countering the attraction of the former colonies towards the socialist bloc. Europe had to operate in a new way. This would also allow Italy to access markets still controlled by the former colonial powers.

Cuccia was not a philanthropist or a benefactor. He was a banker and a businessman. Yet he felt the need to meet the challenge of cooperating with backward countries, in Africa and beyond. In a letter sent in 1960 to a Lehman Brothers executive, he wrote: "I'm convinced that we are entering an epoch in which affluence has mitigated the class struggle in the Western World and socialism has exhausted its most aggressive weapons in the claims for the well-being of the masses. We are witnessing, instead, the antithesis between rich nations and poor nations, developed countries and underdeveloped countries, advanced areas and backward areas, with enormously far-reaching economic and technical problems and with sharper and more dangerous antagonism than those that gave rise to the Western Revolutions."[19]

This issue was also of great concern to Raffaele Mattioli, who at the helm of Banca Commerciale Italiana participated in the establishment of a series of African banks promoted by Credit Lyonnais in the former French colonies. In the early 1960s, Banca Commerciale

[19] G. Farese, *op. cit.*, p. 247.

held minority stakes in a series of countries – Benin, Cameroon, Congo, Ivory Coast, Guinea, Madagascar, Morocco, Nigeria, Senegal, Tunisia – together with other international banks.[20]

Mattioli wrote in the Bank's report for 1959: "È nel lungimirante interesse del mondo 'sviluppato' di non lasciare che la distribuzione dei capitali disponibili sia regolata dal solo gioco immediato dei saggi di profitto ottenibili (…) Qui è il nocciolo, il senso profondo di ogni 'programma' d'aiuto ai paesi 'sottosviluppati': che vuol dire portare capitali e tecniche dove spontaneamente non sarebbero andati, ossia integrare e, se necessario, sostituirsi all'automatico meccanismo delle forze naturali del mercato, e operare delle scelte che tengano conto, al di là del rendimento immediato di ogni singolo investimento, della sua utilità proporzionale in un quadro più vasto, del suo valore di contrappeso ad altri investimenti, dei mercati che apre e di quelli che esige che vengano aperti, dei profitti incidentali o complementari che esso determina. Occorre di più? *Latu senso* l'aiuto ai Paesi 'sottosviluppati' è anche, e precipuamente, una funzione bancaria – della banca nell'essenza della sua natura –, svolta sì su un piano mondiale, perché il mondo è ormai la 'scala' di ogni iniziativa economica, ma su un modulo che ci è familiare e non è possibile abbandonare senza cadere o nella beneficienza o nell'utopismo"[21].

5. New guidelines for foreign policy and trade circuits beyond the Iron Curtain

New Italian foreign policy guidelines matured in the late 1950s. The so-called "neo-Atlantic" strategy was conceived by various Italian political and economic leaders: the President of the Republic, Giovanni Gronchi; the secretary of the Christian Democratic Party, Amintore Fanfani; the president of ENI, Enrico Mattei; and others.

[20] C. Brambilla, *La sfida internazionale della Comit*, Bologna, 2013, pp. 83-84.
[21] R. Mattioli, *op. cit.*, pp. XXVIII-XXIX.

The basic idea was that Italy could benefit from its peculiar geographic position (at the centre of the Mediterranean, sort of midway between East and West) to acquire a new international role, particularly among different spheres and cultures, while still remaining in the Atlantic alliance. This transformed the relations between Italy and the underdeveloped countries. And the banking world made its own contribution to this new foreign policy orientation. Guido Carli, for example, offered Gronchi some useful ideas for cooperation with the newly decolonized countries, among other things in order to keep them away from the Soviet bloc.[22]

During the same period, new political and commercial perspectives were opened up by the innovations introduced by Nikita Khrushchev in the Soviet Union. Moscow started new commercial relations with the most advanced states, because its industrial development could not be based on internal resources alone. The great political opponent became a great outlet market. Italy quickly opted for dialogue with the Soviet Union and rapid development of trade. This was a very sensitive issue since there was to be no assistance to Soviet technological development. For the United States, this was an ineluctable condition, given that technological pre-eminence was the cornerstone of US power. NATO had the same orientation. Castagnoli's analysis provides details for this picture, both on Italy and on its companies. First of all this regarded ENI, whose ambitions were constantly monitored by the CIA and constituted a permanent source of tension between the American administration and the Italian government, because the oil company traded with China, Algeria and the Soviet Union itself.[23] More generally, all Italian commercial collaboration with the post-Stalin USSR was carefully monitored in the US. In any case, Rome had a useful role to play within the Atlantic alliance. For example, as the "least colonial" of the European powers, Italy effectively opposed the Eastern bloc in the Middle East.

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[22] F. Sbrana, *Guido Carli da banchiere a governatore*, cit., pp. 93-97.
[23] A. Castagnoli, *op. cit.*, p. 75.

Italy rapidly expanded its trade with Eastern Europe and the Soviet Union. Significant examples are the huge auto plant built in Togliattigrad by Fiat and the major deals made by ENI. This trade with Eastern Europe expanded substantially in the 1960s, thanks to the transformation of Italian industry, with the growth of companies operating in the most advanced sectors such as plant engineering, shipbuilding and electromechanics. The banks played an important role in trade with all of Eastern Europe. It was no coincidence: Khrushchev had asked Italy to finance exports right from his first meeting with Gronchi.

Banking was a conspicuous weak spot for the Soviets. Farese tells of Cuccia's conversation with Russian bankers to explain to them how to assess creditworthiness and other banking issues.[24] IMI executives also helped Communist officials who had trouble understanding the terms of the financial arrangements. Later the Soviet banking system developed, but with various difficulties. One example is the International Investment Bank, established within the Comecon and initiating operations in the seventies. The modernization of Soviet bloc economy and greater integration between countries were the Bank's main objectives. This is generally viewed as an emblematic case of the economic unreformability of socialism, due to its incompatibility with the principles of the free market.[25]

To come back to Mediobanca, growing activities in Eastern Europe accompanied expansion in other areas of the world, such as India, Afghanistan and other Asian countries; in Latin America, where the Cuccia bank played an important role; and in the African continent, as illustrated above. At the end of the 1960s, Mediobanca operated in a truly global space, offering Italian companies valuable support in international trade.

Italy had a considerable export financial commitment. This was a serious problem, for a country with its own problems of domestic

[24] G. Farese, *op. cit.*, pp. 184-190.
[25] D. R. Storne, "CMEA's International Investment Bank and the Crisis of Development Socialism", in *Journal of Cold War Studies*, 10, 2008, pp. 48-77.

development, due to the relative backwardness of the entire South. Italy had to choose whether to invest domestically – for the South and for the social needs of a newly industrialized country – or to encourage sales abroad. It was the creator of the export credit law, Guido Carli, now Governor of the Bank of Italy, who reported this problem to Prime Minister Mariano Rumor.[26] He himself opted for exports and later, on various occasions, defended that choice. According to Carli it was essential. The balance of payments was a sensitive issue for Italy. The country had a manufacturing economy, and imports grew along with GDP, so that support for exports was essential.[27]

6. Concluding remarks

The topics analysed by the books reviewed here are numerous and it is not possible to make a complete list. Just to mention one last theme, both Lorenzini's and Farese's studies point to the topic of "epistemic community." Lorenzini sees epistemic community as originating in the struggle against underdevelopment,[28] while Farese's work on Mediobanca uses the same term to describe the international network of businessmen who collaborated with Enrico Cuccia. They shared not only business opportunities but also a political and ideal vision. They believed in freedom, liberal democracy, international economic and political cooperation. They considered these to be a better choice than international relations based on the balance of power and war. Only in this way could true well-being in freedom be achieved.[29]

Much more could be added, such as the competition between Mediobanca and IMI that emerges in the volume on the Milanese

[26] G. Farese, *op. cit.*, p. 183.
[27] G. Carli, *Intervista sul capitalismo italiano*, a cura di E. Scalfari, Bari 1977, pp. 12-13; G. Carli, *Cinquant'anni di vita italiana*, cit., pp. 140-143.
[28] S. Lorenzini, *op. cit.*, pp. 54-55.
[29] G. Farese, *op. cit.*, pp. 273-279.

bank, but this would require a broader analysis. Some final observations remain to be made on the new historiographical framework. These studies increase our knowledge on some major issues: the international expansion of the Italian economy, the action of the banks, the geopolitical repercussions of foreign trade, the vision of some bankers. Furthermore, they allow us to better understand the framework: in North-South relations between advanced and less developed states, and in East-West relations during the Cold War. The situation involved a set of constraints and various opportunities from the economic point of view. The season of decolonization is most interesting. The work of credit institutions is peculiar, fundamental for exporting companies and useful in supporting Italian geopolitical strategies. The growth in exports, crucial for Italian development, came in part thanks to the important commitment of the banking system. The Mediobanca study offers new confirmation. One of the issues to be explored in the future concerns the action of the government: did the various foreign ministers and foreign trade ministers give useful guidance? Did they come up with any new proposals? Did the banks follow the directions of the executive or did they decide the strategy themselves? It will be interesting to go further into this issue by comparing Italy with other European countries, above all Germany. And also using the global history approach[30]. Another interesting aspect to investigate is military supplies: there is still little information on this, although it is likely to be of considerable importance. Moreover, it will be useful to examine how exporting companies considered the work of banks: the historical archives of these exporters probably contain documentation on this topic.

A final point to emphasize concerns bankers such as Enrico Cuccia, Guido Carli, and Raffaele Mattioli (one might add IMI President Stefano Siglienti and perhaps others as well). These men had a strategic vision, which was essential for effective long-term action

[30] See "Development in World History - Development as World History", special issue of the review *Journal of World History*, 3, 2021.

plans. They tried to support the development of the backward countries (and to oppose the Communist bloc), without forgoing efficient banking management. The considerable number of initiatives proposed by Mediobanca in Africa and the high profits obtained there are very significant. Cuccia spent time and energy on work in that continent: he considered it an opportunity rather than a problem, even if it was not easy to operate there. Farese rightly wonders: why not take up this perspective even today, adopting a European approach to meet the challenge of major competitors such as China and Russia?[31]

We can conclude with a brief reflection on current events. Globalization creates new problems. We are in a time of worsening inequalities (even if some have decreased). These phenomena – and armed conflict – are at the origin of the migration flows that characterize our era. The 21st century opened with the attack on the Twin Towers. Twenty years of war followed that terrorist attack. But in recent months we have seen the end of Western intervention and the Taliban returning to power in Afghanistan. Action, not resignation, is needed. A new approach must be found. History cannot tell us how to face the world today, but it can help us not to be crushed by the present – decolonization too was an extraordinary challenge for the West – and can give us ideas for working out new strategies. Shouldn't a commitment by the advanced countries to support development – economic, social and political – be central again? There have been difficulties and mistakes in the past, but this is no reason to give up. The boldness of those who came before us is an invitation to seek new ways.

[31] G. Farese, *op. cit.*, p. 284.