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Simone Selva

Supra-National Integration and Domestic Economic Growth

The United States and Italy
in the Western Bloc Rearmament
Programs 1945-1955

PETER LANG

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Heinz Sünker, Anne Inga Hilsen
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Via Val d'Aposa 7
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E-Mail: seps@seps.it
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For my parents, and their tried patience
For Mari, and our past together

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Introduction

Supra-national economic integration and the Cold War. The Atlantic bloc countries amidst domestic growth and external equilibrium

A widely-held interpretation of American foreign policy after World War II views the transition between the Marshall Plan and security policies initiated under the shadow of the Atlantic Alliance at the turn of the 1950s as a watershed in the events of those years. One of the major questions facing me when I undertook this work concerned the effectiveness of this reading, which identified this shift as a turning point in the history of Euro-Atlantic relations in the early Cold War¹. The least convincing aspect was that the entire US strategy of building membership of Western Europe could have changed in such a short time, between the gestation of the Western alliance and the Korean crisis². The approach favored by the protagonists of the Marshall Plan aimed at building social cohesion by facilitating the process of reconstruction of European economies using both economic and cultural means. The idea that this tactic had been so swiftly and so entirely abandoned to make room for an armed defense of the free world based on strategic military defense policies seemed to be too mechanical and linear. Had this been the case, the consequence of American choices in a continent like Europe, particularly in areas where national communist parties and workers' movements were enjoying increasing consensus, would have been two-fold. Firstly, the institutional role of the infant Atlantic Pact would have been completely taken over by security and military issues, thus influencing the whole meaning of the Western alliance and of what membership of it

1D.Yergin, *Shattered Peace. The Origins of the Cold War and the National Security State*, Houghton Mifflin, Boston, 1978; M.Leffler, *A Preponderance of Power. National Security, the Truman Administration, and the Cold War*, Stanford University Press, Stanford, 1992; B.Cummings, *The Origins of the Korean War*, vol. 2, *the Roaring of the Cataract 1947-50*, Princeton University Press, Princeton, 1990; J.L.Gaddis, *Strategies of Containment. A Critical Appraisal of Postwar American National Security Policy*, Oxford University Press, Oxford, 1982; R.Pollard, *Economic Security and the Origins of the Cold War 1945-1950*, Cambridge University Press, Cambridge, 1985; W.Stueck, *The Korean War. An International History*, Princeton University Press, Princeton, 1995; M.Trachtenberg, *A Constructed Peace. The Making of the European Settlement, 1945-1963*, Princeton University Press, Princeton, 1999; J.L.Gaddis, *The Cold War. A New History*, Penguin, New York, 2005; see also some authoritative contributions in the first volume of M.P.Leffler, O.A.Westad (eds), *The Cambridge History of the Cold War*, Cambridge University Press, New York, 2010;

2 for a slightly different and more balanced interpretation of the changing US strategies to stabilize Europe and confront rising Soviet power at the dawn of the Cold War see the recent book by J.L.Harper, *The Cold War*, Oxford University Press, Oxford, 2011, particularly chapter 4;

entailed. Secondly, it would have resulted in an abrupt change of course in law enforcement strategies and containment of the communist presence in those European societies emerging from the conflict, in contrast with the objectives of social integration of the lower classes hitherto pursued by the European Recovery Program (ERP) with its aimed impetus for national economic systems. If membership of the Atlantic Alliance was built on the defense of young European democracies from both external threats and internal ones through security measures, then in countries like Italy and France where internal instability was most apparent, the answer could only be two-fold: on the one hand, a military build-up at both a domestic level and of the national armed forces of the member countries of the Pact developed according to a geo-strategic logic conceived in Washington and in NATO's high command; on the other hand, the continued marginalization of the Left with a range of tactics, from propaganda to legislation on internal security and from action against trade unions to covert operations.

In the 1990s, this broad interpretative framework regarding the shift from the Marshall Plan to the Atlantic Alliance was widely accepted in the historiography on post-World War II international and transatlantic relations. At the time, the historical debate on the economic and political relations between Italy and the United States, which form the bulk of this book, adhered to this view on the history of the foreign economic policy of the United States in the early 1950s. In Italy, in the closing years of the twentieth century, a series of scholarly reconstructions on the history of the Italian Republic in the first post war decade, focused on a wide range of specific research issues that shared this perspective³. They ranged from the country's diplomatic relations at the very beginning of the Atlantic Alliance to the early steps in the process of European economic integration. Some of these works on the interweaving between the early Cold War years and the history of the newborn Italian Republic, though more interested in delving into the interplay between the Cold War and the issue of economic stabilization and development, limited their view to the Truman Administration and its initiatives all across Western Europe. Korean rearmament was thus linked to the next page in the history of US hegemony in Europe and the struggle to ensure political stability and alliance to the West by promoting economic growth and social cohesion⁴. Nevertheless, even this literature does not

3 M. Del Pero, *L'alleanza scomoda. Gli Usa e la DC negli anni del centrismo (1948-1955)*, Carocci, Roma, 2001; R. Gualtieri, *La politica economica del centrismo e il quadro internazionale*, in U. De Siervo, S. Guerrieri, A. Varsori (eds), *La prima legislatura repubblicana, Vol. II, Continuità e discontinuità nell'azione delle istituzioni. Atti del convegno*, Roma 17-18 October 2002, vol. I, Carocci, Roma, 2004; id., *L'Italia dal 1943 al 1992. DC e PCI nella storia della repubblica*, Carocci, Roma, 2006;

4 C. Spagnolo, *La stabilizzazione incompiuta. Il Piano Marshall in Italia 1947-1952*, Carocci, Roma, 2001; M. Campus, *L'Italia, gli Stati Uniti e il Piano Marshall 1947-1951*, Laterza, Roma and Bari, 2008. In the framework of a recently renewed public interest in the historical and contemporary meaning of the Marshall Plan, some fresh historical contributions to the post-World War II economic history of Western Europe focus on the European Recovery Program without no link to the successive economic implication of the American military assistance under the aegis of the Atlantic Pact, see F. Fauri,

go beyond the earlier assessment, in fact it actually states that this balance and coexistence between economic aid and military assistance was soon to be upset by the rocketing in public spending fueled by the Korean crisis. This happened just when Washington had decided to distribute contracts for military production among European economies with a view to strengthening political ties between the two areas. According to these scholarly interpretations, the US government decided to use military contracts as a bargaining tool to persuade Rome to combat communism in the workplace and in factories⁵.

Therefore, this historiography considers military containment and the break-up of the antifascist alliance between the Catholics and left-wing political parties and working class movement, that had led to the drafting and approval of the Italian Constitution prior to the launch of the Marshall Plan, as the twin pillar for the country's admission not only to the Atlantic Alliance, but also to the political community of countries opposed to the Soviet-dominated East European bloc. Furthermore, admission to the Atlantic community required a certain relinquishing of national sovereignty which in the case of Italy meant a compulsory commitment to confront and tame the Italian Communist Party and its fellow-travelers. This must-do anti-communist policy was in return for military assistance and economic aid in the form of defense procurement to the Italian industrial system⁶. Accordingly, the country's readmission to the international community after its war defeat would come about through a combination of economic stabilization and the enforcement of defense and security policies aimed to protect it from both external aggression and internal threats. This new approach was to distance the Italian working class movement from Italy's mainstream politics⁷.

During the late 1990s a significant wave of scholarship was devoted to the study and research of the development policies that the post war economic and political elites of Italy undertook to raise the living standards of the less well-off sector of the population, mainly located in the South, and thus focused their attention on programs to industrialize the Southern regions of

P.Tedeschi (eds), *Novel Outlooks on the Marshall Plan. American Aid and European Re-Industrialization*, Peter Lang, Bruxelles, 2011;

5 M.Del Pero, *The United States and Psychological Warfare in Italy 1948-1955*, in "Journal of American history", n. 187 (2001), pp. 130-1334;

6 M.Del Pero, *L'Italia e la comunità atlantica*, in U.De Siervo, S.Guerrieri, A.Varsori (eds), *La prima legislatura repubblicana*, vol. 2, pp. 211-215; id., *Containing containment: rethinking Italy's experience during the Cold War*, in "Journal of Modern Italian Studies", n. 4, (2003), pp. 536-537; see also id., *When the High Seas Finally Reached Italian shores. Italy's Inclusion in the Atlantic Community*, in M.Mariano (ed.), *Defining the Atlantic Community. Culture, Intellectuals and Policies in the Mid-Twentieth Century*, Routledge, London, 2010, pp. 161-173;

7 F.De Felice, *Nazione e sviluppo: un nodo non sciolto*, in *Storia dell'Italia repubblicana*, Vol. 1, *La trasformazione dell'Italia: sviluppo e squilibri, tome 1, Politica, economia, società*, Einaudi, Torino, 1995, pp. 816-834; M.G.Rossi, *Una democrazia a rischio. Politica e conflitto sociale negli anni della guerra fredda*, in *Storia dell'Italia repubblicana*, vol. 1, *La costruzione della democrazia*, Einaudi, Torino, 1994, pp. 915 ff.;

the country with a view to leveraging internal aggregate demand⁸. Although innovative from a methodological point of view, these studies were consistent with the leading school of historical studies of the decade in that their research focused on development and an industrial policy implemented from the early 1950s onwards, and was rather limited to the South of the country. South of Rome, in fact, the constituency of the Italian left-wing was much weaker and less organized than in its strongholds in the Central-Northern regions.

After long and careful reflection on this scholarship, several doubts and compelling questions remained on whether, and how, the security and defense policy of NATO were the only way the government of Washington pursued the build-up of the Western bloc after the demise of the Marshall Plan. I wondered whether, in fact, the Atlantic Alliance and the United States devised and implemented these defense and security policies as a complement to the economic assistance programs of the ERP, whose duration through 1951 was considered not long enough to warrant the Atlantic membership of Italy in the long term.

The hypothesis I formulated was that the Atlantic Pact actually contained a dual strategy whereby it sought to meet the challenges of the emerging bipolarity by combining the economic and security issues of its European partners.

This theme was not new in itself either in the field of Italian or international historiography. Indeed, the debate that had developed from the late sixties through to the nineties had advanced along three lines of investigation. A first school of enquiry focused on the transatlantic side of the problem and targeted, mainly from an international point of view, the model of international economic integration that the United States pursued through the military assistance programs promoted under the umbrella of NATO. This model was based on both the growth of exchange of consumer and instrumental goods between the countries of the Western bloc, and a positive balance of payments in the individual economies of its member states⁹. A second wave of works pinpointed the impact of this combination between economic reorganization and restructuring of the military posture in the war-torn European societies. This approach was dictated by the neo mercantilist model of industrialization, germane to the historical experience of the European nation-states that the liberal and social democratic cul-

8 S.Battilossi, *L'Italia nel sistema economico internazionale. Il management dell'integrazione: finanza, industria, istituzioni 1945-1955*, FrancoAngeli, Milano, 1996; M.Salvati, *Amministrazione pubblica e partiti di fronte alla politica industriale*, in *Storia dell'Italia repubblicana*, Vol. 1, pp. 413-534; C.Spagnolo, *La polemica sul 'country study', il fondo lire e la dimensione internazionale del Piano Marshall*, in "Studi Storici", n. 1 (1996), pp. 93-144; F.Barca (ed.), *Il capitalismo italiano dal dopoguerra ad oggi*, Donzelli, Roma, 1997; R.Gualtieri, *Piano Marshall, commercio estero e sviluppo in Italia: alle origini dell'europeismo centrista*, in "Studi Storici", n. 3 (1998), pp. 853 ff.;

9 R.N.Cooper, *The Economics of Interdependence: Economic Policy in the Atlantic Community*, McGraw-Hill, New York-London, 1968, particularly introduction, pp. 234 ff.; R.N.Rosecrance, *The Rise of the Trading State. Commerce and Conquest in the Modern World*, Basic Books, New York, 1986;

tures had shared. This second line of enquiry, dominated by German and British historiographies, aimed to understand to what extent the virtuous circle between *sicherheit* and *wirtschaft* was relevant in Europe in the early Cold War period and to what extent the transition to a free-trade model of internal growth driven by increasing demand for consumer goods and capital investment was important. According to this perspective the West German economy of the 1950s (at the time a flourishing mass consumer market) dictated the success of this model, widely known in the literature as *libero-scambismo*¹⁰. In fact, Germany's importance was highly significant in the continental economic integration framework not only because the country was at the epicenter of this development, but also because her initial exclusion from the Western alliance delayed the process of the country's rearming. This meant that in the early fifties the Federal Republic of Germany was free, after selling her raw materials and capital goods, to dedicate the country's resources to the development of the civilian market whereas the Atlantic partners were called on by NATO to contribute to the industrial effort required by its defense policy.

Finally we should consider the perspective which, following the political and cultural watershed of 1989, opened up the debate on the political destinies of the European post war societies and especially the alternative between politics of inclusion and policies of militarization. This alternative was particularly imperative in Italy, where the closer we came to the Cold War, the more urgent it was to combine the reorganization of political consensus with the country's foreign policy constraints¹¹. The latest crop of studies, which concentrates on the origins and development of mass consumer society, assumes that the rules and forces of free-market economics shaped and dominated government-citizen relationships in post war Italy¹².

10 W.Abelschauser, *Wirtschaft und Rüstung in den Fünfziger Jahren. Anfänge westdeutscher Sicherheitspolitik 1945-1956*, edited by the Militärgeschichtliches Forschungsamt, Vol. 4/1, Oldenbourg, Munich, 1997; A.Milward, *Different Securities?* in G.Schmidt (ed.), *A History of NATO. The First Fifty Years*, Vol. 1, Palgrave Macmillan, New York, 2001; L.Paggi, *Strategie politiche e modelli di società nel rapporto USA-Europa 1930-1950*, in id., (ed.), *Americanismo e riformismo. La socialdemocrazia europea nell'economia mondiale aperta*, Einaudi, Torino, 1989; the most outstanding and relatively recent work that showed up in the American economic historiography to date is B.Eichengreen, *The European Economy since 1945. Coordinated Capitalism and Beyond*, Princeton University Press, Princeton (N.J.), 2007. According to this author the combining between a mass consumption model based on private consumer goods, an impressive expansion in public spending, and extensive trade liberalization let the West European countries to keep competitive in the post-World War II international economy.

11 F.De Felice, *Nazione e sviluppo*; id., *Nazione e crisi: le linee di frattura*, in *Storia dell'Italia repubblicana*, Vol. 3, *L'Italia nella crisi mondiale. L'ultimo ventennio*. Tome 1, Economia e società, Einaudi, Torino, 1996, pp. 7-130.; L.Paggi, foreword to F.De Felice, *La questione della nazione repubblicana*, Laterza, Roma-Bari, 1999;

12 in this respect the Italian historiography is a remarkable case in point in the framework of a broader European historical trend. Over the last ten years an impressive amount of studies on this topic turned

This research perspective maintains that the Italian postwar mass consumption model was a growth-biased policy based on mass production of consumer durable goods for private consumption.

In contrast to this last wave of scholarship, this book attempts to retrieve a more classical economic and political history discourse by approaching the history of the Italian economic policy since the birth of the Republic from the vantage point of its continuity and discontinuity with the past. In addition, this research identifies post war Italian economic policymaking as a combination between expansionary economic policy initiatives to get the Italian labor movement involved in material reconstruction and economic growth and anti-communist inspired strategies which aimed to reassure the United States governments, and the Western bloc countries at large.

Thus the general thesis of this research is that between the end of the European Recovery Program and the mid-1950s a mix of security policies and economic growth initiatives was the fly-wheel for most West European countries' political and economic supra-national integration, involving both internal growth and international market integration. Through the case study of the military assistance programs of NATO to Italy between the birth of the Atlantic pact and the implementation of comprehensive economic growth programs by the Christian Democrat-led economic and political elites of Italy, I aim to pinpoint a set of connections that linked the shaping of domestic economic policy and the country's foreign policy ties. The negotiations between Italy and its Western allies on the military assistance programs cut across all those economic policy issues that arose from the interplay between internal choices and supra-national integration of the West European economies. They ranged from trade policy to the post-Marshall Plan need to ease the pressures on the balance of payments that were generated after the end of the capital inflows provided by the ERP programs. Moreover, military aid negotiations influenced the fiscal policies formulated in the West European member states of NATO to match the re-launch of industrial investments and aggregate demand with a requirement to cool off public debt and restore balanced public finances as well as influencing the debate on which public spending model should be adopted to pump the internal market successfully. The United States and Italy continued to be involved in bilateral negotiations on the military assistance programs to the Peninsula until the very end of 1950. Subsequently this bargaining process took place against the background of supranational economic and defense institutions such as NATO, the OEEC and then later, IBRD. Consequently, this book provides a detailed reconstruction of these negotiations in order to explore this interdependence and

up. Among the most authoritative works it is worth mentioning E.Scarpellini, *Comprare all'americana*, Il Mulino, Bologna, 2001; A.Arviddson, *Marketing modernity: Italian Advertising from Fascism to Postmodernity*, Routledge, London, 2003; P.Capuzzo (ed.), *Genere, generazione, consumi. L'Italia degli anni Sessanta*, Carocci, Roma, 2003; E.Papadia, *La Rinascente*, Il Mulino, Bologna 2005; P.Capuzzo, *Culture del consumo*, Il Mulino, Bologna, 2006; E.Scarpellini, *L'Italia dei consumi*, Laterza, Roma-Bari, 2008;

offers a case study that spans all the transatlantic, European and national research perspectives.

This case study is of paramount importance for researching and reconstructing this two-fold strategy by the US that combined economic and military assistance due to America's post war concern that Italy might become communist. Moreover, as we move from the reconstruction years to the development assistance programs launched in Washington by the mid-1950s to help the country join the community of Western industrial democracies this research perspective becomes ever more significant. This interpretative framework does not in any way intend to underestimate the anti-communist bias and the striking contrast between the birth of democracy and the harsh violence and social conflict that overshadowed the early stages of the Italian Republic¹³. On the contrary, from the perspective of international economic relations, the very nature and objective of this work is to re-interpret the American presence in postwar Italy as balanced between strategies to broaden its western-oriented constituency and moves to make the communist issue a national test of loyalty to the Atlantic Alliance. In this respect, the two-pronged American struggle to both expand the Italian domestic market and its total aggregate demand through the impact that economic mobilization for rearmament could have on the civil sectors, and to influence and shape the dynamics and nature of this expansion in civilian demand and manufacturing, is a remarkable case in point. As a matter of fact, against a background of supra-national interdependence in both goods and capitals typical of the post-World war II American-run capitalist development, the US authorities exploited the military assistance programs implemented under the umbrella of NATO to pursue both an anti-communist means to secure Italy to the Atlantic bloc, and a tidy policy to combine Cold War politics and economic growth¹⁴. Therefore, according to the research conducted in this work, the widespread and wide-reaching anti-communist bias that swept Italy in the early Cold War

13 L.Paggi, *Violenza e democrazia nella storia della Repubblica*, in "Studi Storici", n. 4 (1998), pp. 935-952; L.Baldissara, *Democrazia e conflitto. Gli anni cinquanta come storia*, in id. (ed.), *Democrazia e conflitto. Il sindacato e il consolidamento della democrazia negli anni Cinquanta (Italia, Emilia Romagna)*, FrancoAngeli, Milano, 2006, pp. 13-66; G.Marino, *La repubblica della forza. Mario Scelba e le passioni del suo tempo*, FrancoAngeli, Milano, 1995; M.G.Rossi, *Una democrazia a rischio*. From a different perspective, another cohort of historical literature investigated through the initiatives under way in the Italian and European left since the birth of the Atlantic Pact onward to hamper Italy's military build-up. Astonishingly, this scholarship miss the point and does not place its reconstruction against this post war harsh social conflict between Western oriented forces and pro-Soviet Italian labor movement. In this respect see for example M.Lodevole, *The Western Communists and the European Military Build-up 1949-50: a Preventive Strategy*, in "Cold War History", Vol. 10, n. 2, (2010), pp. 203-228.

14 Both in general and with specific respect to the Italian case see Mutual Security Agency, Office of Assistant Director for Europe, 'Developments in NATO', 6 February 1953, in NARA, RG469, Mission to Italy, Office of the Director, Subject Files (Central Files) 1948-1957, b. 25., fold. 6 (Evaluation Team);

years, mirrors a time in the history of Italian democracy when attempts to disregard the working class movement, and strategies that aimed for its inclusion in the core of western constituency, co-existed.

An historical inquiry into the military assistance programs as a case study for the reconstruction of the intertwining between domestic and foreign economic policy, internal choices and international constraints that constitutes the common denominator of the three historiographical perspectives briefly outlined above, reveals three significant issues. First and foremost the political economic governance of internal development as a patchwork of policies clearly aimed to build up and cement a stable and loyal social constituency. This perspective provides scholars with the enviable opportunity to assess the political economy of rearmament. Its broad scope, which ranges from foreign economic policy to the economic cultures underpinning the postwar shape of state-market relationships, not to mention the key industrial policy issue revolving around the reorganization of the internal manufacturing system after the demise of Fascism, means it offers a wealth of historical paraphernalia which allows us to reappraise the Italian postwar economic growth model as narrated so far by historians¹⁵.

The second perspective pertains to that development of diplomatic relations between Italy and the United States that was clearly linked to the rearmament programs. Bilateral negotiations on military assistance went way beyond both the economic implications of rearmament for Italy and its economy, and the debate on which policies were worth undertaking to confront them. In fact, the military assistance programs touch upon a variety of political issues of great importance in the history of postwar diplomatic relations between the two countries, such as the revision of the Italian Peace Treaty and the final solution to the international political clash over the North-Eastern city of Trieste and its repositioning between the American and the Soviet spheres of influence on the European theater¹⁶.

Therefore, political relations and economic diplomacy are bound together in the history of the military assistance programs. As a matter of fact, this research clearly shows how both Rome and Washington took advantage of their bargaining on the so called off-shore procurement programs to trade off economic and political targets respectively. Accordingly, the off-shore procurement contracts that are extensively examined in this book, were negotiated against the background of the wider economic confrontation of the US in its trade war against the Soviet

15 for a sample of the historiography so far available on the subject see S.Battilossi, *L'Italia nel sistema economico internazionale*; F.Petrini, *Il liberismo a una dimensione. La Confindustria e l'integrazione europea 1947-1957*, FrancoAngeli, Milano, 2005; L.Segreto, *The Importance of the Foreign Constraint: Debates about a New Social and Economic Order in Italy, 1945-1955*, in D.Geppert (ed.), *The Postwar Challenge. Cultural, Social, and Political Change in Western Europe, 1945-58*, Oxford University Press, Oxford, 2003;

16 As widely known to those familiar with this literature, either of these diplomatic issues were key to let Italy move in the international community after its defeat in World War II.

bloc throughout the 1950s. This commercial war was intended to undermine the strength of the communist parties and their trade union fellow-travelers in Western Europe.

The third research issue that stems from a comprehensive reconstruction of the military assistance programs to Western Europe involves both internal policymaking and foreign economic policies and sheds light on the economic cultures of the Italian elites at the very beginning of the international economic integration process that characterized the post war era. The position of these elites and the debate over the military assistance programs is a vantage point from which to reconstruct which were their preferred policy options for opening up the Italian economy and making Italy a stable international trading and manufacturing partner for the West. It emerges that the Italian economic and political elites clashed over the best viable way to ensure goods, capital and monetary integration in the European market. On the one hand we find the economic elites mentoring the Christian Democratic Party in power at the time, on the other, a significant array of economic interests linked to the export sectors and the value of the currency on the foreign exchange markets. My interpretation of this situation clashes with most historical that contend that there was a striking contrast between politics and economics, i.e. between the De Gasperi-led governments and the leading economic institutions of Italy, from the Central Bank to Confindustria, the nation-level association of entrepreneurs. The aim is to account, in as detailed a way as possible, for the variety of approaches and proposals that both sides of the Italian ruling class adopted. The central theme was the debate on the best viable way to open up the national economy to the supra-national market integration in the making at the time. Two very different options came up: one proposed tying the Italian trade and monetary area to the dollar market, while the other preferred to attempt to make Italy part of a truly integrated and interdependent European trade and currency market based on the interlocking exchange of durables and investment goods across the continent. The latter solution envisaged that the German consumer market would drive a continent-wide market integration serving as the fly-wheel which would permit each single European economy to progress over a reasonable period of time.

My own perspective on the mix between anti-communist bias and economic stabilization strategies that influenced the American presence in postwar Europe following the end of postwar economic reconstruction and the Marshall Plan owes much to both the historiography of modern Italy, but also to a number of authoritative studies that advanced and reshaped the international debate on the early Cold War. These studies are in some cases broad-based and at others very specific. In this respect, Victoria De Grazia's image of a *White Atlantic* leading American cultural hegemony in Europe throughout the twentieth century comes with implications broader than her specific research area on the making of a mass consumer culture and market across the old continent. According to De Grazia, by the time American-style mass democracy was at its most successful on the European continent, the very nature and the historical meaning of the Cold War had already undergone a major change. By the late 1950s, in fact, the Cold War as a military confrontation had definitely come of age. By the time of the world famous «kitchen debate» exchanges between Soviet Premier Nikita S. Khrushchev and

American Vice President Richard M. Nixon, the Cold War was already an economic competition between the two superpowers¹⁷. Charles S. Maier identified the fulfilling of material needs as crucial in the early Cold War years, according to a logic whereby economic growth and defense would lead to internal cohesion and the protection of territory¹⁸. This interpretation of the key role played by public spending and rearmament would endure throughout the period of post war stabilization through to the mid-1950s. This watershed in the historiography on the Cold War is bound to the concept of American freedom that emerged in the United States. As Eric Foner put it, the combination of freedom from fear and freedom from need had been at the basis of US international economic policies from the time of the New Deal in the 1940s¹⁹.

Although the historiography of twentieth century Europe increasingly stresses how the cultures and ideas of war fell apart even as the concept of citizenship became central to the contemporary European parlance, it also pays attention to the interplay between security and prosperity²⁰. Furthermore, several studies focus on the relationship between the significant improvement in the average living standards and the aftermath of a mass consumer society as the key pair to reinterpret post war Europe and the 1950s from a social and economic history perspective²¹. The fact that the Italian case study merits particular attention is highlighted by a recent group of studies that have concentrated on the postwar economic development in Southern Italy against the background of Italy's international economic role and relations in the early Cold War years. Although these studies offer different perspectives, all of them attempt to examine the interweaving between the structure of society in Italy as the American economic intervention shaped it and the anticommunist bias as a specific asset to the US intervention in Italy in the early Cold War years²². Overall, the aim of this book is to advance

17 V.De Grazia, *Irresistible Empire. America's Advance Through Twentieth Century Europe*, Belknap Press, Cambridge (Mass.), 2005; R.Oldenziel, K.Zachmann (eds), *Cold War Kitchen. Americanization, Technology, and European Users*, The MIT Press, Cambridge (Mass.), 2009;

18 C.S.Maier, *Among Empires. American Ascendancy and its Predecessors*, Harvard University Press, Cambridge (Mass.), 2006;

19 E.Foner, *The Story of American Freedom*, W.W.Norton & Company, New York, 1998;

20 J.J.Sheehan, *Where Have all the Soldiers Gone? The Transformation of Modern Europe*, Houghton Mifflin Company, Boston and New York, 2008, Chapters 7 and 8, and particularly pp. 193-160; T.Judt, *Postwar. A History of Europe since 1945*, The Penguin Press, New York, 2005, pp. 242 ff.; see also, M.Mazower, *Dark Continent. Europe's Twentieth Century*, Vintage Books, New York, 1998;

21 S. Cavazza, E.Scarpellini (eds), *La rivoluzione dei consumi. Società di massa e benessere in Europa 1945-2000*, Il Mulino, Bologna, 2010; R.J.Pulju, *Women and Mass Consumer Society in Postwar France*, Cambridge University Press, New York, 2011;

22 E.Bernardi, *La riforma agraria in Italia e gli Stati Uniti. Guerra fredda, Piano Marshall e interventi per il Mezzogiorno negli anni del centrismo degasperiano*, Il Mulino, Bologna, 2006; M.Campus, *L'Italia, gli Stati Uniti e il piano Marshall*; M. Gesummaria, *Piano Marshall e Mezzogiorno*, Mephite Edizioni, Napoli, 2003; L.Pellé, *Il Piano Marshall e la Ricostruzione in Puglia 1947-*

this line of investigation on post war Italian politics and economics against the country's transatlantic constraints. It is a research perspective launched at the turn of the 1980s by leading scholars of economic and international history²³, and later expanded further by a cohort of younger historians working between these two historical disciplines²⁴. More recently it was revamped by works specifically devoted to furthering knowledge on the role of the Italian business community and the country's economic policymakers and entrepreneurial elites in the construction of a modern industrial democracy and a stable partner of the Atlantic bloc international economy²⁵. Finally, this approach takes advantage of the broader debate on the meaning and nature of international economic aid from 1945 to the 1960s. This viewpoint, which is mostly concerned with interpreting US foreign economic policy and the economic aid programs furthered by international economic institutions such as the IBRD it backed, has

52, Piero Lacaita, *Manduria-Bari-Roma*, 2004; C. Villani, *Il Prezzo della stabilità. Gli aiuti americani all'Italia 1953-1961*, Progedit, Bari, 2007; R.Forlenza, *A Party for the Mezzogiorno. The Christian Democratic Party, Agrarian Reform and the Government of Italy*, in "Contemporary European History", Vol. 19, n. 4 (2010), pp. 331-349; E.Bernardi, *Riforme e democrazia. Manlio Rossi Doria dal fascismo al centro sinistra*, Rubbettino, Soveria Mannelli, 2011;

23 V.Zamagni, *Betting on the Future: the Reconstruction of Italian Industry 1946-1952*, in J.Becker, F.Knippling (eds), *Power in Europe? Great Britain, France, Italy and Germany in a Postwar World 1945-1950*, vol. 1, Walter de Gruyter, Berlin and New York, 1986; J.L.Harper, *America and the Reconstruction of Italy 1945-1948*, Cambridge University Press, Cambridge, 1986; J.Miller, *The United States and Italy. The Politics and Diplomacy of Stabilization 1940-1950*, The University of North Carolina Press, Chapel Hill, 1986; P.P.d'Atorre, *Il Piano Marshall in Italia: politica, economia, relazioni internazionali nella ricostruzione italiana*, in E.Di Nolfo, R.Rainero, B.Vigazzi (eds), *L'Italia e la politica di potenza in Europa 1945-1950*, Marzorati, Milano, 1990; F.Romero, *The United States and the European Trade Union Movement 1944-1951*, The University of North Carolina Press, Chapel Hill, 1993;

24 L.Segreto, *Finanza, industria e relazioni internazionali nella Ricostruzione italiana. Il prestito dell'Eximbank all'Italia 1947-1955*, in "Passato e Presente", n. 51 (2000); Id., *The Impact of US Productivity Philosophy in Italy after the Second World War*, in D.Barjot (ed.), *Catching up with America. Productivity Missions and the Diffusion of American Economic and Technological Influence after the Second World War*, PUF-LA Sorbonne, Paris, 2002; B.Curli, *Ricostruzione e sviluppo. La Banca Mondiale e l'economia Italiana 1947-1951*, in "Archivi e Imprese", Vol. 8, n. 15, (1997), pp. 33-71; F.Fauri, *Il Piano Marshall e l'Italia*, Il Mulino, Bologna, 2009;

25 F.Petrini, *Il liberismo a una dimensione*; id., *Americanismo e privatismo. La Confindustria e il Piano Marshall*, in "Ventunesimo secolo", n. 2 (2007); A.Rapini, *La nazionalizzazione a due ruote*, Il Mulino, Bologna, 2007; in this respect see also, among others, F.Ricciardi, *Il 'Management' del 'governo della scarsità': L'Iri e i Piani di ricostruzione economica*, in "Studi Storici", n. 1 (2005), pp. 127-154; S.Nocentini, *L'Ice e la distribuzione degli aiuti postbellici in Italia (1943-1950)*, idem, pp. 155-186; I.Napoli, *La Deltac e la ricostruzione italiana 1944-1953*, id., pp. 187-218;

recently contended that even from late-1940 these international economic aid programs aimed both to target economic growth and development, and to fight a war on poverty and scarcity²⁶.

Methodology and Structure

Most of the studies on the economic implications of rearmament in post-World War II Europe continue to work on the so-called burden-sharing stake, that is to say the ratio of national public spending to the common defense effort established under the umbrella of NATO to finance its coordinated rearmament programs at national level. This approach led the vast majority of historical reconstructions to work on the changing ratio of defense spending to the total balance sheet in each European member state of the Atlantic Alliance. In pursuing this research endeavor, most historians assume that each country was to expand its defense spending in proportion to its GDP and resorted to the national account statistics methodology to carry out this type of investigation²⁷. This approach is indeed of paramount importance to my own work in so far as it sheds light on the ratio of rearmament to the reorganization of civilian production and consumption in war torn European economies. The impact of rearmament on the process of economic recovery has been touched upon by a significant number of studies. In the case of Italy, Formigoni's book can be considered at the forefront of this scholarship: his *La Democrazia Cristiana e l'alleanza occidentale* convincingly argues that on this point a series of striking contradictions emerged both between the Christian Democrats and the national economic policymaking elites and within the Christian Democratic Party itself²⁸.

However, this perspective does not allow us to make a comparison with the years preceding this post war period, when the newborn democratic governments of Italy were provided with the weapons, military spare parts and machine tools necessary for the reorganization of the national army firstly by the United Kingdom and then by the United States.

My own perspective throws light on the implications on Italy's foreign trade and monetary equilibrium of the post war military assistance it received. The stabilization policies pursued through the ERP, in fact, had been clearly aimed to restructure monetary stability and the foreign exchange equilibrium in the European countries. This was particularly the case for the foreign exchange rate of the European currencies and the European countries' trade balance against the dollar area and its commodity markets. This research perspective on the economic implications of military assistance after the end of the Marshall Plan is therefore a viable basis

26 M.Alacevich, *The World Bank and the Politics of Productivity: the Debate on Economic Growth, Poverty and Living Standards in the 1950s*, in "Journal of Global History", n. 6 (2011), pp. 53-74;

27 in this respect it is a paramount study T.Geiger, *Britain and the Economic Problem of the Cold War. The Political Economy and the Economic Impact of the British Defence Effort 1945-1955*, Aldershot, Ashgate, 2004;

28 G.Formigoni, *La Democrazia cristiana e l'alleanza occidentale 1943-1953*, Il Mulino, Bologna, 1996;

from which to compare the American stabilization policies from the European Recovery Program to the Atlantic Alliance rearmament programs.

From the time of the Marshall Plan, American policymakers had to tackle the problem of how to couple domestic economic stabilization and industrial recovery with supranational integration of the European economies into the wider postwar international economy without imperiling their external monetary and trade equilibrium. The early post-1945 resurrecting of the intra-European commodity market by means of bilateral trade agreements in Europe did not satisfy the American objective to integrate the European economies in a multilateral commercial and currency setting. The 1947 bilateral trade and payment agreements among the West European countries raised liquidity problems across the continent: some countries suffered from imbalances, other accrued an excess of currency liquidity. This asymmetry in monetary equilibrium among the European economies brought the reorganization of a continent-wide trade area to a stalemate. Very soon thereafter, between 1947 and 1950, the foundation of a multilateral trade and payments system was laid down in three successive steps. First the Bank for International Settlements provided the European economies with a multilateral monetary set-off to balance bilateral trade exchanges. Thereafter, the OEEC was to run a share of the ERP funds to offset disequilibrium in the balance of payments arising out of either the intra-European trade, or between the European currency areas and the dollar markets. In this respect the OEEC resorted to the so-called special drawing rights to ease pressure on the European monetary areas suffering from trade imbalances with the dollar area. Finally, the setting-up of the European Payments Union (EPU) offered the European countries a viable way to finance imports in national currency up to an amount not exceeding their own share of the EPU fund.

The US commitment to redress the balance of payments of the West European countries can be better appreciated by closely examining the Marshall Plan support for this process that led to the creation of an international trade and payments system. During the 1950/1951 fiscal year, for instance, the ERP financed EPU for as much as 600 million US dollars. Meanwhile, the US Congress increasingly made the point that the creation of a single European economic area could be achieved not only by raising industrial productivity, the employment rate and market competitiveness across the European economies, but also by means of «dismantling quota and quantitative trade restrictions, as well as barriers on labor migration across Europe»²⁹.

Therefore, currency liquidity and capital investments to fund imports were at the foreground of American foreign economic policy way before industrial mobilization in the wake of the Korean War stimulated domestic demand for the import of military spare parts and investment goods for the European defense and military industrial complex all across the European

29 A.Tarchiani to Ministero degli Esteri, 'Piano Marshall e Punto IV' [original manuscript in Italian, our own translation from Italian to English], 25 May 1950, in ASBI, Carte Caffè, pratt., n. 50, fold. 1;