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# **Planning Peace. The European Roots of the Postwar Global Development Challenge**

Michele Alacevich

University of Bologna

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The Second World War marked a radical, global transformation of political and economic hierarchies. With the rise of the United States from hemispheric to world power, the demise of colonialism, the emergence of Asia and other non-European regions, the Eurocentrism that had shaped the world during the previous hundred and fifty years came to an end.<sup>1</sup> The United Nations became a fundamental forum for the debate that accompanied this global transformation, while at the level of ideas the European notion of a ‘civilizing mission’ gave way to a new conceptual framework, the idea of ‘development’. As two historians wrote, this new notion ‘appealed as much to leaders of “underdeveloped” societies as to the people of developed countries, and it gave citizens in both categories a share in the intellectual universe and in the moral community that grew up around the world-wide development initiative of the post-World War II era’.<sup>2</sup> For decades to follow, generations of scholars, activists and policymakers would devote their careers to discussing development as a theory and set of practices, to such an extent that development, in whatever its current iteration, would impact questions as broad and as interrelated as postwar reconstruction, the fall of empires, the Cold War, and the emancipation of entire countries and continents.

To be sure, the novelty of the issue resided more in its context than in its substance: historical scholarship has abundantly documented the emergence of the developmentalist – or ‘high modernist’ – state in the first half of the twentieth century, the evolution of a development

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<sup>1</sup> For a recent analysis on the end of Eurocentrism and its global implications, see Mark Mazower, ‘The End of Eurocentrism’, *Critical Inquiry*, Vol. 40, n. 4 (2014).

<sup>2</sup> Frederick Cooper and Randall Packard (eds.), *International Development and the Social Sciences. Essays on the History and Politics of Knowledge* (Berkeley and Los Angeles: University of California Press, 1997), 1.

discourse within the borders of empires, and the century-long discussions about questions of nutrition and health standards.<sup>3</sup> Yet, the postwar international landscape was evolving quickly

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<sup>3</sup> The literature on development is rapidly expanding. For a discussion of the “high modernist state”, see the much-cited James C. Scott, *Seeing Like a State: How Certain Schemes to Improve the Human Condition Have Failed* (New Haven: Yale University Press, 1998); for some critical comments on Scott, see Frederick Cooper, ‘Writing the History of Development’, *Journal of Modern European History*, Vol. 8, n. 1 (2010). For an analysis of the modernist state in Soviet Union, see Stephen Kotkin, *Magnetic Mountain: Stalinism as a Civilization* (Berkeley: University of California Press, 1995); for the Western version, see David Ekbladh, *The Great American Mission. Modernization and the Construction of an American World Order* (Princeton: Princeton University Press, 2010). On British colonial development policies, see Michael Havinden and David Meredith, *Colonialism and Development: Britain and Its Tropical Colonies, 1850-1960* (London: Routledge, 1993). On development and empires in Africa, see the work by Frederick Cooper, such as his *Decolonization and African Society: The Labor Question in French and British Africa* (Cambridge, Cambridge University Press, 1996); *Africa Since 1940. The Past of the Present* (Cambridge: Cambridge University Press, 2002); and *Africa in the World. Capitalism, Empire, Nation-State* (Cambridge, Mass.: Harvard University Press, 2014). More specifically on development policies and empire in British Africa, see Joseph Hodge, *Triumph of the Expert* (Athens: Ohio University Press, 2007). For a study on development issues in French Africa, see Monica M. van Busekom, *Negotiating Development. African Farmers and Colonial Experts at the Office du Niger, 1920-1960* (Portsmouth, NH: Heinemann, 2002). On development and nutrition standards, see Nick Cullather, *The Hungry World. America's Cold War Battle against Poverty in Asia* (Cambridge, MA: Harvard University Press, 2010).

– and development thinking with it. What characterized the postwar development discourse was the concomitant spread of the idea of development as a national – and nationalistic – goal, the establishment of foreign aid as a central element of the new system of international relations, and the birth of the new (inter)disciplinary field of development economics.

Foreign aid became a fundamental element of Cold War strategy, perhaps the main reason why the development question became a global challenge: besides the well-known arms and space race, the development race was another key contest for the shaping of the global politics of power.

The political dimension of development did not go unnoticed by the pioneers of postwar development thinking. Forty-five years ago, Gunnar Myrdal, Swedish economist, international civil servant, and Nobel laureate, highlighted specifically the global foreign policy dimension to explain the postwar focus on international development. The economic and social conditions of poor populations in less developed countries, he noted, were ‘not very different from those existing before the disintegration of the colonial power system’. And yet, it was only ‘the international tensions, culminating in the Cold War, that have made the fate of the underdeveloped countries a matter of foreign policy concern in the developed countries’.<sup>4</sup>

With typical partisanship, Walt W. Rostow, an economic historian at MIT and National Security Advisor in the Johnson administration, also underscored the indissoluble link between Cold War strategy and the development mission: ‘We must demonstrate that the underdeveloped nations – now the main focus of Communist hopes – can move successfully . . . into a well-established take-off within the orbit of the democratic world, resisting the

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<sup>4</sup> Gunnar Myrdal, *Asian Drama* (New York: Twentieth Century Fund, 1968), 8.

blandishments and temptations of Communism. This is, I believe, the most important single item on the Western agenda'.<sup>5</sup> Historians of development have accordingly given particular emphasis to the nexus between development history and the Cold War scenario.<sup>6</sup>

But whereas scholars, past and recent, made a point of connecting the development question with the dynamics of global international relations, a further assumption seemed too obvious to deserve mention, namely, that development was a Third World question. To the extent that the First and – to a lesser extent – the Second World were involved, it was in their function as political and economic patrons and, ultimately, as models of economic, social and political maturity. The consistent absence of any development discourse in historical analyses focusing on 'developed' or 'Western' areas is proof of the power of this assumption. When considering how Europe recovered from World War II, for example, the Marshall Plan and the recovery of war-torn productive activities monopolized the attention of historians. The

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<sup>5</sup> Walt W. Rostow, *The Stages of Economic Growth. A Non-Communist Manifesto* (Cambridge: Cambridge University Press, [1960] 1990), 134.

<sup>6</sup> Besides the works of Cullather and Ekbladh, cited above, see, for example, Nils Gilman, *Mandarins of the Future. Modernization Theory in Cold War America* (Baltimore: The Johns Hopkins University Press, 2003); Daniel Immerwahr, *Thinking Small. The United States and the Lure of Community Development* (Cambridge, MA: Harvard University Press, 2015); Michael Latham, *The Right Kind of Revolution. Modernization, Development and U.S. Foreign Policy from the Cold War to the Present* (Ithaca, NY: Cornell University Press, 2011); and Odd Arne Westad, *The Global Cold War. Third World Interventions and the Making of Our Times* (Cambridge: Cambridge University Press, 2005).

focus has overwhelmingly been on early postwar reconstruction, and, more recently, relief. To the extent that one remained focused on Europe, development was simply not an issue.<sup>7</sup> The early history of the World Bank is particularly interesting in this regard. This international organization was established at the 1944 Bretton Woods conference with the goal of helping war-torn European countries reconstruct their productive apparatus after the war. It is important to note here its official name: International Bank for Reconstruction and Development. Although scholars and even participants in the Bretton Woods conference disagree on the relative priority originally assigned to the two purposes of the Bank – reconstruction and development – all agree that reconstruction referred to Europe, and development referred to the non-European, underdeveloped world.<sup>8</sup> John M. Keynes, the

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<sup>7</sup> See, for example, Michael Hogan, *The Marshall Plan. America, Britain and the Reconstruction of Western Europe, 1947-1952* (Cambridge: Cambridge University Press, 1989); Alan S. Milward, *The Reconstruction of Western Europe, 1945-51* (Berkeley and Los Angeles: University of California Press, 1984); Jessica Reinisch, 'Internationalism in relief: the birth (and death) of UNRRA', *Past and Present*, Supplement No.6, edited by Mark Mazower, Jessica Reinisch and David Feldman (2011); and Jessica Reinisch and Elizabeth White (eds.), *The Disentanglement of Populations: Migration, Expulsion and Displacement in post-war Europe, 1943-1949* (Basingstoke: Palgrave Macmillan, 2011).

<sup>8</sup> Among those privileging 'reconstruction' see, for example, Richard N. Gardner, *Sterling-Dollar Diplomacy* (Oxford: Clarendon Press, 1956) and more recently Ben Steil, *The Battle of Bretton Woods: John Maynard Keynes, Harry Dexter White, and the Making of a New World Order* (Princeton: Princeton University Press, 2013). One scholar who has recently

major architect of the World Bank, was only repeating common wisdom when, in private conversations at the British embassy in Washington, he stated that the Bank's focus on the development of non-European countries should 'wait until the reconstruction of Europe is much further advanced'.<sup>9</sup> Historians are still adhering to Keynes's interpretation when they affirm that, overshadowed by the grander Marshall Plan, the Bank abandoned European reconstruction and shifted its focus to the new mission of fostering development in the Third World.<sup>10</sup> In this narrative, development is, once again, essentially a non-European issue. Yet, to depict the postwar history of development as a non-European story is incorrect and misleading.

On the contrary, the problem of underdevelopment, in its specific postwar configuration, was also very much a European problem. During and after World War II, Europe was an incubator of development thinking, and it was in Europe and with European problems in mind that many of the constitutive elements of the postwar global development discourse – both in their theoretical and practical dimensions – were initially discussed: The crisis of European liberal democracies in the first half of the twentieth century was compounded by

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highlighted the 'development' priority at Bretton Woods is Eric Helleiner, *Forgotten Foundations of Bretton Woods* (Ithaca, NY: Cornell University Press, 2014).

<sup>9</sup> As reported in William Clark, *From Three Worlds: Memoirs* (London: Sidgwick and Jackson, 1986), p. xi.

<sup>10</sup> See Edward S. Mason and Robert E. Asher, *The World Bank Since Bretton Woods* (Washington, DC: Brookings Institution Press, 1973); and Devesh Kapur, John P. Lewis, and Richard Webb, *The World Bank. Its First Half Century* (Washington, DC: Brookings Institution Press, 1997).



the presence in Europe of a number of backward and fragile areas, which opened the door to the continental expansionism of totalitarian regimes. Politicians, scholars, and commentators reflecting on the European crisis highlighted the link between long-term democratic stability and economic development. For Europe to emerge from the tragedy of two world wars not simply stronger and at peace, but also safe from the resurgence of totalitarian impulses, backwardness in the European continent itself had to be eradicated.<sup>11</sup>

In particular, a key component of the postwar development discourse and the theoretical core of the new discipline that in a few years came to be known as ‘development economics’ began with wartime planning in British quarters for the postwar industrial development of Central and Eastern Europe. The later Soviet takeover of the region made the implementation of those plans impossible. And yet Europe remained fundamental for the formation of the postwar mainstream development doctrine. Nor did the onset of the Cold War, which would soon transform the development challenge into a global strategic issue, push this question onto the backburner in Europe. The reorganization of Europe under two spheres of influence changed continental equilibria, but for the development issue this merely meant a change in geographical focus. First, suddenly outdated proposals of agrarization of former arch-enemy

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<sup>11</sup> The influence of interwar Eastern European development thinking on the postwar development discourse has been discussed in Joseph Love, *Crafting the Third World. Theorizing Underdevelopment in Rumania and Brazil* (Stanford: Stanford University Press, 1996). Love’s book is fundamental reading for development historians. His focus, however, is mainly on the links between Rumanian economic thought in the 1930s and Brazilian structuralism in the 1950s. James M. Warner and Kenneth P. Jameson, ‘The Role of Eastern Europe in Development Economics’ History’, *History of Economics Review*, Vol. 39 (Winter 2004) also offers a fine survey of some literature from the late 1930s and early 1940s.

Germany were shelved. And second, Italy became the theater of a major development effort. In other words, whilst the onset of the Cold War obviously marked a historical watershed, deep continuities emerged in the shaping of the development discourse between the wartime and the postwar years. The co-presence of fracture and continuity are important elements of the story told in this article.

Key figures of the British development effort for Eastern Europe became regular fixtures in Italy, major players in the development of the Italian plan. The analyses and solutions first envisioned for Central and Eastern Europe provided the intellectual framework from which to address Italy's southern question in the late 1940s. Most importantly, they became the basis of a development program for southern Italy that, unlike in Central and Eastern Europe, was actually implemented. These Italian policies would become a standard reference in the global development discourse throughout the crucial years from the late 1940s to the early 1960s – the years, that is, when the discipline of development economics reached its 'classic' maturity.

In other words, the Italian phase offered one of the first opportunities for the still small community of development economists to test their ideas in the field. Indeed, the very definition of development economics – and thus the related professional category of development economists – is, in this context, almost an anachronism, since at that time the discipline was just emerging as a separate discipline on the basis of its eclectic mix of theoretical analysis and practical solutions (the first courses in development economics were offered in US universities only in the mid-1950s).<sup>12</sup> In this formational period, the

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<sup>12</sup> As future Nobel laureate James Meade put it in 1949, development planning was 'the great economic issue which now confront[s] us', and the exposure of economists and practitioners

development plan for the Italian Mezzogiorno had a fundamental role, not because it succeeded – in fact, especially since the mid-1960s, the Italian South became an exemplary case of underdevelopment – but because in the early postwar period and for a decade or so it was considered one of the few observable laboratories of development policies.

From the viewpoint of the present discussion, in particular, the Italian experience provided the opportunity of linking the theoretical analysis of British wartime development planning for underdeveloped areas to the phase of practical implementation. As a foundational case for postwar development economics, Italy thus provided a crucial link between the European experience of development planning and the global development discourse. Even the very earliest literature on the European case played a seminal role in the global development discourse, and movements of experts and their ideas across places and periods are fundamental elements of my analysis.<sup>13</sup> This article aims at illuminating the pathways that led

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to specific country experiences was one of the factors, as another pioneer of development argued, ‘responsible for divergences of development economics from mainstream economic theory’. James E. Meade, *Planning and the Price Mechanism. The Liberal-Socialist Solution* (New York: Macmillan), p. v; Hollis B. Chenery, ‘From Engineering to Economics’, *Banca Nazionale del Lavoro Quarterly Review*, n. 183 (December 1992), 379.

<sup>13</sup> For a similar perspective on ‘how ideas travel, who transports them, what baggage they carry on their journeys, and how they become domesticated and naturalized upon arrival’, see David Armitage, ‘The International Turn in Intellectual History’, in Darrin M. McMahon and Samuel Moyn (eds.), *Rethinking Modern European Intellectual History* (New York: Columbia University Press, 2014), as quoted in Stuart Ward, ‘The European Provenance of Decolonization’, *Past and Present*, n. 230 (February 2016), 230. Ward’s article provides a

from specifically European contextual development planning (Eastern and Central Europe and later the Italian South) to the formation of the postwar global development canon.

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The British wartime development focus on Central and Eastern Europe was not, per se, surprising. In this regard, it should be noted that twentieth century analysts considered Central and Eastern Europe as a pivotal area. A shot in Sarajevo had started World War I, and the invasion of Poland by the Nazi armies initiated World War II. In between, there had been the dissolution of the Austro-Hungarian and Ottoman empires, the rise of Fascist regimes in Italy and elsewhere, the rearmament of an undemocratic and aggressive Germany in the heart of Europe, and the birth of a number of weak and often internally disunited independent states east of the Rhine. The economic conferences of the interwar period – such as the 1932 Stresa conference, held to consider ways to relieve the East European economies – proved completely ineffectual to reestablish continental cooperation, and the same is true of the several projects of economic and political alliances among Central European states. The political fragility and economic disruption of those areas – compounded by the population growth ensuing from the shutting off of the migratory valve – had a much stronger impact than inconsequential diplomatic negotiations. The economic crisis that crushed the regions of

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fine discussion of the European roots of a concept – decolonization – that would gain global currency in the postwar years.

Central and Eastern Europe paved the way for the Nazi European imperial project. As an acute observer wrote in 1943, ‘The second world war began on this economic front’.<sup>14</sup>

The occupation of the Sudeten Region and invasion of Czechoslovakia made it clear that the Nazi imperial project would first focus on the eastern territories. Central and Eastern Europe was a crucial area for the stability and control of the whole European continent and thus for the balance of power at the global level. But the strategic role of Central Europe was not just a fixation of German nationalism: its importance was commonly recognized in the analyses of scholars of international relations and economic geography.<sup>15</sup> British geographer Halford Mackinder, for example, wrote in 1919: ‘Who rules Eastern Europe commands the Heartland [i.e., the area from the Elbe to the Yangtze river]; who rules the Heartland commands the World Island [i.e., Europe, Asia, and North Africa]; and who rules the World Island commands the World’.<sup>16</sup> Eastern Europe, that is, was at the core of a number of concentric

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<sup>14</sup> John B. Condcliffe, ‘Introduction: East of the Rhine’, in Antonín Basch, *The Danube Basin and the German Economic Sphere* (New York: Columbia University Press, 1943), p. xi.

<sup>15</sup> As Mark Mazower has shown, however, one major flaw characterized the Nazis’ European imperial project, namely, that their war of occupation of the continent directly derived from the need to mobilize resources and not, like in British plans, from a broader hegemonic vision; see Mark Mazower, *Hitler’s Empire. How the Nazis Ruled Europe* (New York: Penguin, 2008).

<sup>16</sup> Halford J. Mackinder, *Democratic Ideals and Reality: A Study in the Politics of Reconstruction* (Washington, DC: NDU Press, 1996 [1919]), 106. On Mackinder’s geopolitical vision, see Jerry Brotton, *A History of the World in Twelve Maps* (New York: Viking, 2012), 337-371.

and hierarchically organized world areas – an analysis apparently shared both by the Nazi strategists and their enemies. ‘Controlling Europe’, historian Mark Mazower wrote, ‘was what really mattered for the Nazis precisely because they believed it held the pivotal position in the world’s geopolitical system’.<sup>17</sup> Eastern Europe seemed to have an irresistible capacity of attraction for the expansionist ambitions of more powerful neighbors, and its economic and political weaknesses made it an easy target of foreign conquest.

For the same reason, it was recognized as a core area for the postwar reconstruction of Europe. This was the problem that monopolized the thoughts of so many politicians, scholars, diplomats and civil servants from the interwar period on. In 1943, Czech businessman, diplomat, and high-ranking civil servant Antonín Basch, for instance, considered the integration of Central and South-Eastern Europe with the rest of Europe a priority of postwar reconstruction, for ‘balanced economic development might be a very important factor in protecting the backward part of this area against another economic aggression’.<sup>18</sup> Moreover, as British historian and intelligence officers Hugh Seton-Watson argued, the opposite was also true, as protracted underdevelopment and misery would fuel political and military aggression of poor Eastern European countries against Western opulent democracies: ‘The people of Eastern Europe have far better right to call themselves ‘proletarian nations’ than the Germans or Italians’. Divided as they were, they could hardly constitute a threat. But if Western Powers remained deaf to their problems, Seton-Watson concluded, ‘within a

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<sup>17</sup> Mazower, *Hitler’s Empire*, 3.

<sup>18</sup> Antonín Basch, *The Danube Basin and the German Economic Sphere* (New York: Columbia University Press, 1943), p. vii.

generation from the end of this war some discontented Great Power will be found to organize them as a weapon of aggression'.<sup>19</sup>

The political fragility of Central and Eastern European countries had been a constant of their brief experience as independent countries in the interwar years. Characterized by a preponderantly backward agricultural economy and a vast majority of peasant population, these countries proved unable to proceed through a process of political and economic emancipation. The political parties that after the dissolution of the central empires at the end of World War I had had an important role in the implementation of land reforms (except in Poland and Hungary) and democratic reforms, proved eventually unable to consolidate those achievements. Internal weakness, moreover, was compounded by external vulnerability. As one historian put it, 'the geopolitical map of interwar East Central Europe, with its plethora of new, restored, and enlarged *soi-disant* nation-states, was not congruent with the real distribution of power in Europe'.<sup>20</sup> Doreen Warriner, an acute student of agrarian societies

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<sup>19</sup> Hugh Seton-Watson, *Eastern Europe between the Wars, 1918-1941* (Cambridge, UK: Cambridge University Press, 1945), 119.

<sup>20</sup> Joseph Rothschild, *Return to Diversity. A Political History of East Central Europe Since World War II* (New York: Oxford University Press, 1989), 3. See also Joseph Rothschild, *East Central Europe between the Two World Wars* (Seattle: University of Washington Press, 1992); David E. Kaiser, *Economic Diplomacy and the Origins of the Second World War. Germany, Britain, France, and Eastern Europe, 1930-1939* (Princeton: Princeton University Press, 1980); and Iván T. Berend and György Ránki, *Economic Development in East-Central Europe in the 19<sup>th</sup> and 20<sup>th</sup> Centuries* (New York: Columbia University Press, 1974), in particular pp. 171-318.

and a long-term collaborator with Chatham House, offered perhaps the most lucid analysis of the crisis of Eastern Europe in the wake of the demise of central empires. Writing only a few months before the German invasion of Poland in September 1939, Warriner argued:

Now looking back at the history of the post-war period, it seems apparent that the division of Eastern Europe into national States is not likely to secure either the political freedom or the economic progress of these regions . . . Seen from Eastern Europe, the War represented a struggle between German and Slav imperialism, which ended in the defeat of both, and the victory of the oppressed nationalities in Austria-Hungary. Now that German expansion under the guise of Nazism has been resumed, the independent existence of the peasant States is threatened, owing to the weakness of their economic position . . . It is not so much a question of changing the scale of output as of providing the means of growth: and in the present world economic situation the peasant societies have found this a difficult task.<sup>21</sup>

In sum, during the war years, ‘backwardness’ and ‘development’ became the central terms for an analysis that conflated a debate dating back to the interwar period – the structural causes of Central European weakness – with two new questions: the transformation of the European (and specifically Central European) economy under the Nazi regime, and the long-term plans to overcome the European malaise. The wartime study of the backwardness of Central Europe thus stands at the heart of an inter-war debate on the political consequences of the fall of the Central Empires, and a post-war debate that sowed the seeds of a truly global

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<sup>21</sup> Doreen Warriner, *Economics of Peasant Farming*, London: Oxford University Press, 1939, pp. 35 and 42.



development discourse. This crucial episode had a very specific stage in a three-story house located on 10 St. James's Square, S.W.1, in the center of London: the Royal Institute for International Affairs (RIIA), also known as Chatham House.

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Chatham House, as one historian wrote, 'was from its inception, an unashamedly elitist institution', devoted to informing and educating the British political, cultural, and economic elites on matters of international relations.<sup>22</sup> The British (and, from 1925, Royal) Institute of International Affairs had been established in 1920 by a small group of reformist supporters of the Empire who, before World War I, had animated the early years of the Round-Table Group and, after serving in various roles in the war effort (especially in war propaganda activities and the Department of Political Intelligence of the Foreign Office), later assisted the British delegation during the Paris Peace Conference. The peace treaty, and specifically the punitive reparation clauses towards Germany, left them deeply unsatisfied. British foreign

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<sup>22</sup> Donald Cameron Watt 'Foreword', p. i, in Andrea Bosco and Cornelia Navari (eds.), *Chatham House and British Foreign Policy, 1919-1945* (London: Lothian Foundation Press, 1994). On the history of Chatham House, see also Inderjeet Parmar, 'Chatham House and Anglo-American Alliance', *Diplomacy and Statecraft*, Vol. 3, n. 1 (1992); Inderjeet Parmar, 'Anglo-American Elites in the Interwar Years: Idealism and Power in the Intellectual Roots of Chatham House and the Council on Foreign Relations', *International Relations*, Vol. 16, n. 1 (2002); Paul Williams, 'A Commonwealth of Knowledge: Foreign Policy Elites and the Chatham House Project, 1919-1939', REF RIIA pamph. 2002.

policy, in their view, was excessively prone to prejudice and retribution. A very similar criticism was famously advanced by another British delegate to Paris, John M. Keynes. In *The Economic Consequences of the Peace*, Keynes denounced the myopia of the British and French delegations. ‘By excessive concentration on political objects and on the attainment of an illusory security’, Keynes argued, the victorious countries ‘overlooked the economic unity of Europe’.<sup>23</sup> It seemed clear to Keynes that the ‘impossible burden’ that had been placed on Germany would have disastrous consequences for the entire continent. As he put it, ‘If we aim deliberately at the impoverishment of Central Europe, vengeance, I dare predict, will not limp’.<sup>24</sup>

Chatham House was born out of this discontent.<sup>25</sup> Truth be told, even though Chatham House became a prominent think-tank, it did not always show particular acumen in reading the evolution of the international landscape: most notably, top Chatham House representatives

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<sup>23</sup> John M. Keynes, ‘English Text of French Preface’, 1920, p. xix, in John M. Keynes, *The Collected Writings of John Maynard Keynes, Vol. II: The Economic Consequences of the Peace* (London and Basingstoke: Macmillan and St Martin’s Press for the Royal Economic Society, 1971).

<sup>24</sup> John M. Keynes, ‘Preface to the Roumanian Edition’, 1920, p. xxiii, in John M. Keynes, *The Collected Writings of John Maynard Keynes, Vol. II: The Economic Consequences of the Peace* (London and Basingstoke: Macmillan and St Martin’s Press for the Royal Economic Society, 1971); John M. Keynes, *The Economic Consequences of the Peace* (New York: Harcourt, Brace and Howe, 1920), 268.

<sup>25</sup> For an analysis of Chatham House until World War II, see Bosco and Navari (eds.), *Chatham House*.

actively pursued a policy of appeasement with Hitler, believing that Germany's aggressive posture was a reaction to the unfair treatment resulting from the Paris peace conference. With some concessions, they thought, Germany's aggressiveness could have been mitigated. Chatham House was unquestionably late in recognizing Hitler's design, yet this was not an uncommon position in inter-war Britain.<sup>26</sup> What is perhaps worst for a think-tank born out of the discontent for the performance of British diplomacy at the Paris Peace conference is that Chatham House remained stubbornly oblivious to the 'ideological gulf' that separated London and Berlin. As one historian put it, 'The Second World War did not start because of diplomatic misunderstanding or confusion, nor even because of Hitler's deceit or duplicity. Rather it started because – very late in the day – Hitler's opponents realized they were faced with a "clash of two worlds"'.<sup>27</sup> The Kristallnacht pogrom of November 1938 was the last nail in the coffin, confirming beyond any reasonable doubt the fundamental irreconcilability of these two worlds. In December 1938, the French ambassador in Berlin wrote: 'The first part of Mr. Hitler's programme – integration of Germans into the Reich – is completed. Now

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<sup>26</sup> Not unexpectedly, the literature on appeasement is both vast and polarized. For an in-depth discussion of Chatham House and appeasement, see Andrew J. Crozier, 'Chatham House and Appeasement', in Bosco and Navari (eds.), *Chatham House*. For a recent introduction that touches also on the less discussed subject of the role of public opinion for appeasement policies, see Daniel Hucker, *Public Opinion and the End of Appeasement in Britain and France* (Farnham, UK: Ashgate, 2011).

<sup>27</sup> Mark Mazower, *Dark Continent. Europe's Twentieth Century* (New York: Vintage Books, 2000), 74.

the time for Lebensraum has arrived'.<sup>28</sup> Just one month before the German invasion of Poland, Arnold Toynbee, Chatham House's scientific director, admitted that Europe was in the same 'tragically inept situation' it found itself in during the summer of 1914.<sup>29</sup> This diplomatic debacle, and the prospect of a second world war only twenty years after the end of the first carnage, prompted Chatham House to study the conditions for a durable peace.<sup>30</sup> As an internal memo put it, 'This must not be allowed to happen again'.<sup>31</sup>

In a matter of months, Chatham House's activism produced an ambitious research plan with extensive ramifications. The first research group to be established was the Study Group on World Order, soon grown into a Steering Committee on International Order.<sup>32</sup> This body would be the umbrella for a number of study groups focusing on specific aspects of the post-war order.<sup>33</sup> The long-term perspective on a new post-war World Order provided, in

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<sup>28</sup> As quoted in Mazower, *Dark Continent*, 75.

<sup>29</sup> Arnold J. Toynbee, 'First Thoughts on a Peace Settlement', July 26<sup>th</sup>, 1939, pp. 4 and 2, 9/18f, Chatham House Archives [henceforth CHA].

<sup>30</sup> 'Proposal for a Private members' Study Group', July 14<sup>th</sup>, 1939, 9/18a, CHA; H. J. Harvey, 'Memorandum on the Proposal to Initiate a Chatham House Survey of European Problems', August 2<sup>nd</sup>, 1939, 9/18a, CHA.

<sup>31</sup> H. J. H. [Harvey], 'Preliminary Note on The Work of the Chatham House Steering Committee on Problems of a European Settlement', 4<sup>th</sup> January 1940, p. 1, 9/18a, CHA.

<sup>32</sup> Steering Committee on International Order, 'Plan of Work 1940 – 1941', October 16<sup>th</sup>, 1940, 9/19a, CHA.

<sup>33</sup> H. J. H. [Harvey], 'Preliminary Note on the Work of the Chatham House Steering Committee on Problems of a European Settlement', 4<sup>th</sup> January 1940, 9/18a, CHA.

principle, the most ambitious framework for the analyses produced at Chatham House:

Toynbee envisioned a full and permanent political union between Great Britain and France as the only way to avoid a series of ‘first-class disasters at intervals of not more than 20 to 25 years’ and the ultimate loss of sovereignty to a ‘nationalist and pagan-minded Germany’.<sup>34</sup>

Yet, it was the somewhat less grandiose question of how to *transition* to a new world order, and how to reaffirm British hegemony in Europe, that, perhaps not unexpectedly, acquired more traction. Central Europe emerged immediately as a natural area of inquiry for both questions: when, in July 1939, the discussion on post-war transition took off, it focused on the relations between Great Britain and Central Europe, ‘on the assumption that the initiative in any reconstruction and the first contribution towards it [Central Europe] will have to be taken by this country [Britain]’.<sup>35</sup>

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<sup>34</sup> Arnold J. Toynbee, ‘First Thought on a Peace Settlement’, July 27, 1939, 9/18f, CHA.

<sup>35</sup> ‘Proposal for a Private Members’ Study Group’, July 14<sup>th</sup>, 1939, p. 2, 9/18a, CHA. Great Britain’s hegemonic attitude towards Eastern Europe was particularly visible at the 1943 Teheran conference, see for example the Tripartite Political Meeting, December 1, 1943, in *Foreign Relations of the United States. Diplomatic Papers. The Conferences at Cairo and Teheran 1943* (Washington, DC: Government Printing Office, 1961), 596-604. It should be noted that the principle of sovereignty was applied differently to countries at the core or the periphery of Europe. While minority rights in Eastern European countries were under League oversight, the same regime did not apply to other, more important, countries such as Germany. See Mark Mazower, ‘The End of Civilization and the Rise of Human Rights: the Mid-Twentieth-Century Disjuncture’, in Stefan-Ludwig Hoffmann (ed.), *Human Rights in the Twentieth Century* (Cambridge: Cambridge University Press, 2011) 29-44.

Chatham House's study efforts intensified in 1940-41, thanks to the work of its Reconstruction Committee and its sub-section, the Economic Group, initially headed by Barbara Wootton, the renowned progressive social scientist, ideologue of European federalism and, together with William Beveridge, architect of the British welfare state.<sup>36</sup> But the true force behind Chatham House's study soon became a respected but still rather obscure Polish economist, Paul Rosenstein-Rodan, who had studied in Austria and Italy before joining University College London in the early 1930s.<sup>37</sup> Under Rosenstein-Rodan's

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<sup>36</sup> On Barbara Wootton, who raised the ranks of British society up to becoming the first woman to sit in the House of Lords, see Ann Oakley, *A Critical Woman: Barbara Wootton, Social Science and Public Policy in the Twentieth Century* (London: Bloomsbury Academic, 2011).

<sup>37</sup> A Jewish Pole by birth, Paul Rosenstein-Rodan (1902-1985) had studied in Vienna and moved to England in 1931, becoming a British citizen in 1938. The acting head of the Department of Economics at University College, London (temporarily relocated to Aberystwyth, Wales, because of the Blitz), Rosenstein-Rodan had impeccable publications and references, had been a Rockefeller Fellow in Italy, boasted first-hand knowledge of the Danubian States, spoke five or six languages, and studied 'economic reconstruction'. Yet, he did not elicit enthusiasm. He appeared to be much too theoretical for Chatham House, and, most important, he was a foreigner. That Rosenstein-Rodan had indeed acquired UK citizenship did not fully counterbalance the fact that – in the words of the Assistant Director for Research at Chatham House, J. V. Wilson – he had been living in England for 'only eleven years'. However, as Wilson somewhat philosophically added, 'At least he is the bird in the hand', see F. S. Leontinoff to Miss Cleeve, September 7-8, 1941; J. V. Wilson to Miss

chairmanship, the Economic Group at Chatham House became the center of a network of scholars working on postwar economic development. The Economic Group established institutional links with Nuffield College and the Institute of Statistics at Oxford, both of which were focusing on plans for postwar reconstruction in Britain and were collaborating with Beveridge. A number of those Oxford economists, such as Michael Kalecki, Kurt Mandelbaum, E. F. Schumacher, and Thomas Balogh, would later offer important contributions to postwar development economics. For example, it was collaboration with Chatham House that allowed Mandelbaum to prepare a study on *The Industrialisation of Backward Areas* entirely based on the Eastern European case.<sup>38</sup> Perhaps more importantly, Rosenstein-Rodan reached out to a larger cohort of scholars; during the war, London hosted the governments in exile of many European countries. Working for these governments, or simply being in contact with them, were many exiled economists and social scientists eager to contribute as they could to the Allied victory and, ideally, strengthen the foundations of postwar peace.<sup>39</sup>

The research agenda of the Economic Group took shape around the three major questions mentioned earlier: the crisis of the inter-war years, the blue-print of the Nazi empire in

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Cleeve, 24 September, 1941, 9/22a, 'Appointment of Secretary to the Economic Group of the Chatham House Reconstruction Committee', CHA.

<sup>38</sup> Kurt Mandelbaum, *The Industrialisation of Backward Areas* (Oxford: Basil Blackwell, 1945).

<sup>39</sup> 'International Research Centre', 12<sup>th</sup> May 1941; 'Appendix. Notes on conversations with each of the seven research groups', 13<sup>th</sup> May 1941, 9/22a, 'Appointment of Secretary to the Economic Group of the Chatham House Reconstruction Committee', CHA.

Europe, and a study of the causes of agricultural poverty.<sup>40</sup> In principle, the past, present and future of continental Europe were all to be examined, but it was especially on the two last topics that the Economic Group concentrated its energies, and it was here that the contribution of scholars from Central and Eastern Europe was most relevant.<sup>41</sup>

Researchers collaborating with the Economic Group knew all too well Germany's 'thrust toward the East', or *Drang nach Osten*, which had been a slogan of German nationalism since at least the middle of the Nineteenth century and had become a major piece of the Nazi ideology of *Lebensraum*, or 'living space'. In an internal memorandum, they tried to predict how the actual establishment of a German *Grossraum* ('greater area') from France to Rumania and from the Baltic to the Mediterranean Sea would change the European economic landscape. Whereas the future role of Germany as home to the industrial core of Europe, and of the underdeveloped countries of the Mediterranean basin as producers of raw sub-tropical goods, would be a mere continuation of the economic trajectory they had followed until then, Eastern Europe would specialize in the production of consumer goods for the German market. The widespread agrarian overpopulation and a peasant population accustomed – in the words of the Chatham House report – to 'Semi-Chinese standards of life', made Eastern Europe particularly attractive, in the Nazi logic, for the establishment of labor-intensive

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<sup>40</sup> A fourth question, namely the post-war economic collaboration with the United States of America, was also briefly considered, but it became immediately apparent that this was exclusive terrain for the Treasury and the Bank of England.

<sup>41</sup> The first leg of the research was published as *The Economic Lessons of the Nineteen-Thirties*, A report drafted by H. W. Arndt (London: Oxford University Press, 1944).



industrial plants. Moreover, the relatively poor quality of Eastern European soils reinforced the rationale for light industrialization.<sup>42</sup>

In the perspective of the Chatham House Economic Group, the linking of agrarian overpopulation and industrialization was not only the probable fate of Central Europe under Nazi rule, but a viable way to free that region from the low-level equilibrium trap in which it was locked. Although the idea was not new, it was indeed novel to see it endorsed in British quarters. A 1939 Chatham House survey on Hungary, Yugoslavia, Rumania, Bulgaria and Greece, for instance, recognized that ‘the fundamental economic problem of all these five countries is over-population’.<sup>43</sup> Yet, in line with the standard laissez-faire approach opposing the national protectionisms of the 1930s, industrialization was not considered to be a sound remedy: Central European countries did not seem to have a comparative advantage in any industrial production, and should thus focus on the agrarian sector. Thomas Balogh, for example, criticized the ‘artificial interference with the free play of economic forces

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<sup>42</sup> Paul N. Rosenstein-Rodan, ‘Blueprint of the Nazi European Empire’, Economic Group Paper 25, December 5, 1941, 9/22c, CHA. The Chatham House study, however, failed to notice the increasing tension that the takeover of Central and Eastern Europe was building between Germany’s racial plans and its needs for industrial and food production, which would increasingly rely on eastern enslaved workers. This contradiction would explode in full only in 1942. See Mazower, *Hitler’s Empire*; and Adam Tooze, *The Wages of Destruction: The Making and Breaking of the Nazi Economy* (London: Allen Lane, 2006).

<sup>43</sup> Royal Institute of International Affairs, Information Department, in collaboration with The London and Cambridge Economic Service, *South-Eastern Europe. A Political and Economic Survey* (London: The Royal Institute of International Affairs, 1939 [1972 reprint]), 184.

paralysing the mechanism which . . . maintains equilibrium', and concluded with an invocation of unfettered capitalism:

Are we prepared to let the forces of the capitalist system, unhampered by politics and short-sighted egotism, re-establish a working equilibrium, or do we intend to follow that path of political and economic nationalism which has led to where we are now? In the former case we might still be able to stop on the dangerous slope without too much additional suffering. In the latter, the history of the last few years will only constitute the first chapters of a history of decline and fall.<sup>44</sup>

Intensive farming, instead, appeared to be 'a more comprehensive solution' to raise agrarian productivity and thus indirectly deflate the overpopulation problem.<sup>45</sup>

During World War II, the Economic Group approached this problem with a completely different set of lenses. As Joseph Love has argued, Eastern European economists had a well-established tradition of reinterpreting and adapting classic economic analysis, whether liberal or socialist, to the specific conditions of their region. Liberal Rumanian economists, for instance, had historically supported protectionist and import-substituting policies since the second half of the nineteenth century, defining themselves more in opposition to ultra-conservative free-trade agrarian parties than through any actual resemblance to Western European liberalism.<sup>46</sup> Much the same happened to the Eastern European Marxist tradition.

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<sup>44</sup> Thomas Balogh, 'Theoretical Aspects of the Central European Credit and Transfer Crisis', *International Affairs*, Vol. 11, n. 3 (1933), 347 and 363.

<sup>45</sup> Royal Institute of International Affairs, *South-Eastern Europe*, 185.

<sup>46</sup> See Love, *Crafting the Third World*, 28-29.

Far from accepting, as Marx famously held, that advanced industrial countries show the image of their own future to the less developed ones, Eastern European Marxists considered the economic backwardness of their region as a syndrome, a distorted condition of a peripheral region subjected to an ‘unequal exchange’ with more advanced industrial countries. Rumanian populist Constantin Stere also shared this view: ‘Our situation is not only backward, which would be bad enough; it is abnormal, which is much worse’.<sup>47</sup>

In short, Paul Rosenstein-Rodan and the network of Eastern European economists working for Chatham House contributed the notion that Eastern European economies were characterized at once by a weak and limited industrial sector and by an over-populated, and under-employed agricultural sector. This notion obviously resonated with the concept of ‘disguised unemployment’, famously discussed only a few years earlier by Cambridge economist Joan Robinson.<sup>48</sup> Yet, whereas Robinson introduced the term to describe the adoption, in times of crisis, of less productive jobs by workers previously employed in higher-productivity industrial sectors, the Chatham House group used it to describe an agrarian workforce whose only professional horizon was a low-productivity, subsistence agriculture. Joan Robinson, in other words, discussed ‘disguised unemployment’ from the Keynesian perspective of the ‘economics of crisis’, whereas the Chatham House group saw it

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<sup>47</sup> As quoted in Love, *Crafting the Third World*, 32.

<sup>48</sup> Joan Robinson, ‘Disguised Unemployment’, *The Economic Journal*, Vol. 46, n. 182 (June 1936).

as a central feature of an ‘economics of backwardness’.<sup>49</sup> The solutions were no less different: increasing effective demand for Joan Robinson; increasing capital equipment or, in other words, actively support industrialization through a massive investments program, for the Chatham House study group.

It is also worth noting that the Chatham House network made it possible to collect and organize an impressive amount of data on a number of sectors of the German and Eastern European economies – such as the engineering and machine industry, mining and heavy industry, paper and timber, textiles, foodstuffs, and transport and communications – which were previously partially missing, if not outright unavailable. This kind of statistical information was of the utmost importance, if we consider that even in an advanced country like Britain, as Keynes lamented, the lack of reliable statistics often reduced economic calculations to nothing more than ‘bold guesses’.<sup>50</sup> Memoranda were prepared on any possible topic about which data were available, such as ‘The development of national income in Eastern Europe 1948-58’, ‘Agricultural surplus population in Eastern Europe’, ‘Consumers’ demand for textiles in Austria and Czechoslovakia’, as well as more synthetic

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<sup>49</sup> According to Love, the first to use ‘disguised unemployment’ in English in the framework of the economics of backwardness was Michal Kalecki in a 1938 review of the German edition of Rumanian economist Mihail Manoilescu’s *Theory of Protectionism*.

<sup>50</sup> John Maynard Keynes in a 11 March 1937 *Times* article, as reported in Robert Skidelsky, *John Maynard Keynes. Vol. III. Fighting for Freedom, 1937-1946* (New York: Viking, 2001), 22.

analyses, such as ‘Small-scale industry in Eastern Europe’, and ‘Problems of industrialisation of Eastern and South-Eastern Europe’.<sup>51</sup>

This last paper, authored by Rosenstein-Rodan and published in 1943 in the *Economic Journal*, summarized some of the main conclusions of the research. More importantly, it set the terms for broader discussions on the development of ‘backward’ areas. Rosenstein-Rodan underscored ‘agrarian excess population’ as one of the major causes of backwardness in Eastern Europe: a condition of ‘disguised unemployment’ made the productivity of the excess population equal or close to zero. On this premise, with neo-Malthusian suggestions and with influences from debates on planning and increasing returns that had raged in England throughout the 1930s, Rosenstein-Rodan built his strategy of industrial development; the agrarian excess population was to be absorbed by a newly established industrial economy, large enough to exploit intersectoral complementarities and external economies. Rosenstein-Rodan’s example was a shoe factory. If isolated in an agrarian landscape, such a factory would quickly die of insufficient demand, because agricultural workers could not afford to buy shoes and the factory would not survive on its own workers’ demand. The bottleneck, however, could be overcome by a concerted industrializing effort:

If, instead, one million unemployed workers were taken from the land and put, not into one industry, but into a whole series of industries which produce the bulk of the goods on which the workers would spend their wages, what was not true in the case of one shoe factory would become true in the case of a whole system of industries: it would create its own additional market . . . The

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<sup>51</sup> See the various papers collected in CHA, 9/22 and 9/23.

industries producing the bulk of the wage goods can therefore be said to be complementary.<sup>52</sup>

From these assumptions, three major subordinates followed. First, the process of industrialization should be comprehensive enough to align private and social incentives. In fact, the context of a backward agrarian economy was actually a powerful disincentive to private entrepreneurial risk, and only an economic actor like the State would be able to launch an economic spurt big enough to create conditions favorable to private economic initiative. Second, a program of industrialization should encompass basic industries, consumer industries, and infrastructures: ‘complementarity’, posited Rosenstein-Rodan, ‘makes to some extent all industries “basic”’.<sup>53</sup> Third, the investment plan should be concentrated in time, to achieve the minimum critical mass for the newly established industrial sector to sustain itself. Although the name was still to come, this was a clear depiction of the concept of ‘Big Push’ industrialization, which would acquire wide currency in the postwar discourse on modernization.

Against the background of the economics debate of those days, Rosenstein-Rodan’s article stood out as a particularly eclectic and iconoclastic exercise. As noted above, it was grounded in the decade-long debate on agrarian excess population in Eastern Europe – not the least because Paul Rosenstein-Rodan himself was from that area, had studied in Vienna, which was arguably the principal destination for Eastern Europeans interested in pursuing

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<sup>52</sup> Paul Rosenstein-Rodan, ‘Problems of Industrialisation of Eastern and South-Eastern Europe’, *Economic Journal*, Vol. 53, n. 210/211 (1943), 206.

<sup>53</sup> *Ibid.*, 208.

economics studies, and was deeply conversant with that scholarly tradition. Yet, that was not the only influence whose traces are recognizable in Rosenstein-Rodan's article.

The increasingly fashionable Keynesian macroeconomic analysis also played a major role, not as much for its specific contents as for having revolutionized the agenda of the economics discourse.<sup>54</sup> As one scholar put it, the major contribution of the Keynesian revolution to the birth of development economics was to break 'the ice of monoeconomics', hence indirectly legitimizing attempts at addressing the problems of less developed regions with a toolbox altogether different from the economic theories used for advanced industrial countries.<sup>55</sup> Yet, Rosenstein-Rodan was no Keynesian. In fact, he was strongly rooted in the Austrian tradition of marginal utility studies, albeit in a particular line of inquiry which studied dynamic processes subject to increasing disequilibria. Although those early studies were fully inscribed within a utilitarian microeconomic framework, they proved later particularly useful to examine vicious circles – a fashionable concept in early development theory – at the macro level.

Finally, a very important influence was the discussion of increasing returns and the inherently unstable nature of economic progress that developed in Great Britain in the interwar years. The influence of Allyn Young's 1928 article on 'Increasing returns and economic growth' is clearly visible in a number of defining issues of Rosenstein-Rodan's approach, such as the

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<sup>54</sup> Paul Rosenstein-Rodan, 'Interview' by R. Oliver, August 14, 1961, The World Bank/IFC Archives, Oral History Program, World Bank Group Archives [henceforth WBGA].

<sup>55</sup> Albert O. Hirschman, 'The Rise and Decline of Development Economics', in Albert O. Hirschman, *Essays in Trespassing. Economics to Politics and Beyond* (Cambridge, MA: Cambridge University Press, 1981), 6.

interrelatedness of the supply and demand of different industries, growth as a self-perpetuating process, the importance of the time factor in economic progress, and the relationship between market size and formation of a new and skilled industrial workforce.<sup>56</sup> Young, however, was not the only influence, and Rosenstein-Rodan was freely absorbing other elements from the same debate, such as elements from the theory of monopoly, and the concept, in those days very fashionable, of ‘rationalisation of industry’.<sup>57</sup>

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<sup>56</sup> Allyn A. Young, ‘Increasing Returns and Economic Progress’, *The Economic Journal*, Vol. 38, n. 152 (1928). On Allyn Young, see Charles P. Blitch, *Allyn Young. The Peripatetic Economist* (Basingstoke: Macmillan, 1995).

<sup>57</sup> Rosenstein-Rodan, ‘Problems of Industrialisation’, 204. See also Piero Sraffa, ‘The Laws of Return under Competitive Conditions’, *The Economic Journal*, Vol. 36, n. 144 (December 1926). On the concept of rationalization of industry, see D. H. MacGregor, ‘Rationalisation of Industry’, *The Economic Journal*, Vol. 37, n. 148 (December 1927). Interestingly, Young’s biographer Charles Blitch does not make any mention to Young’s influence on Rosenstein-Rodan, despite the role that increasing returns have had in Rosenstein-Rodan’s analysis. As a matter of fact, Blitch does not cite Rosenstein-Rodan’s one single time, while acknowledging Young’s influence on other development economists, such as Ragnar Nurkse and Rosenstein-Rodan’s young colleague and research assistant at Chatham House, H. W. Arndt. For a discussion of the influence of Allyn Young on development economics, see Maiju Perälä, “‘Looking at the Other Side of the Coin’: Allyn Young and the Early Development Theory”, *Journal of the History of Economic Thought*, Vol. 28, n. 4 (December 2006).



Rosenstein-Rodan's eclecticism was to become an important feature of development economics in the following years. After all, the question that this discipline in the making was trying to answer was a very practical one – how to kindle and foster self-sustained economic growth in backward regions. Throughout its history, development economics always retained that specific blend of theory and empiricism that was already so prominent in Chatham House's study and the Rosenstein-Rodan article that summarized it.

Indeed, Rosenstein-Rodan's article established a canon. None of its elements, per se, was particularly original. Yet, the article crystallized in a few pages the intellectual coordinates of the development debate to come. Although this article, and the research upon which it drew, focused on Eastern and South-Eastern Europe, obviously its main points had a much broader relevance. As Rosenstein-Rodan wrote in a follow-up article in 1944, 'five vast international depressed areas, five economically backward areas' existed at the global level, home to approximately 80 to 90 percent of the world's population.<sup>58</sup> They were the Far East, especially India and China; the regions under colonial rule, especially Africa; the Caribbean; the Middle East; and Eastern and South-Eastern Europe. This last one, added Rosenstein-Rodan, was 'in many respects the most fruitful and interesting field of action, because the

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<sup>58</sup> Paul N. Rosenstein-Rodan, 'The International Development of Economically Backward Areas', *International Affairs*, Vol. 20, n. 2 (1944), 159. A very similar point is advanced by Kurt Mandlebaum in *The Industrialization of Backward Areas*, p. 1: 'There are vast and densely crowded areas, such as China, India and Eastern Europe, where almost the whole active population has remained in agriculture . . . Industrial progress has by-passed these territories which between them contain over half the world's population.'

solution of the problem there can be envisaged within the life-time of one generation'.<sup>59</sup>

Eastern Europe, in other words, was becoming a laboratory for the analysis of a problem actually present in all continents, and that involved the vast majority of the world population. A scholar who had witnessed Chatham House's work, and had later moved on to the United Nations Economic Commission for Europe, reflected that although 'there is little point in attempting to set up individual landmarks . . . it seems appropriate to note that many of the basic ideas on these subjects [i.e., backwardness and development policies] made an early appearance in the Chatham House study'.<sup>60</sup> Indeed, whilst much of the material produced at Chatham House remained for internal use only, Rosenstein-Rodan's articles, which summarized that effort, became classic references.

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Reflecting in Cairo in 1943 on the postwar prospects of Great Britain, Hugh Seton-Watson highlighted how, despite their global imperial reach, the British Isles would increasingly gravitate toward the European continent. A new European policy of alliances was thus needed, just like the special relation with the United States was a necessary element of British oceanic interests. As Seton-Watson wrote, 'Britain is no longer truly an island and is no longer so a great Power as she was. Britain now belongs to Europe, and requires peace and

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<sup>59</sup> Rosenstein-Rodan, 'The International Development of Economically Backward Areas', 159.

<sup>60</sup> A.L. Minkes, 'The Economic Development of Eastern Europe: A Review of Materials for Study. Part I', *International Affairs*, Vol. 27, n. 1 (1951), 45-46.

stability in Europe’. Unlike others who individuated the postwar European partner in France, however, the solution Seton-Watson envisioned was a long-term political, military, and economic cooperation between Britain and the Soviet Union – ‘the other “marginal” Great Power, like Britain physically and culturally rooted in Europe yet not belonging wholly to it’. Their shared hegemony on Eastern Europe would foster the development of the region and stabilize Europe once and for all.<sup>61</sup>

By the end of the war, Seton-Watson’s reflections were already obsolete. The principal goal of the war – the victory over Nazi Germany – had been achieved. But the Soviet takeover of the entire Eastern European region disrupted British plans of regional hegemony, and by early 1946 it was clear that Eastern Europe was definitively lost. The work done at Chatham House on the economies of the Eastern European area remained a dead letter, and the Economic Group dissolved.

Some of its affiliates went back to their countries of origin, by then in the Soviet sphere of influence. Others, like many officers from the similarly dissolving imperial bureaucracy, joined the newly born international organizations, such as the United Nations and its regional commissions. The literature on migrant economists offers very valuable information on their diaspora and the reconfiguration of professional networks between the 1930s and the 1960s, and shows also the difficulty in reconstructing the trajectories of all but the most important ones. As for the Chatham House group, we have only fragmentary information. E. L. Minkes, a former assistant to Rosenstein-Rodan, for example, joined the Economic Commission for Europe, chaired by Swedish development economist Gunnar Myrdal, where he worked with economic historian and future prominent development economist Walt Rostow. Antonín

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<sup>61</sup> Seton-Watson, *Eastern Europe*, 422-423.

Basch and Paul Rosenstein-Rodan, among others, joined the World Bank and the International Monetary Fund. Michael Kalecki, who had collaborated with Chatham House as a representative of Oxford University, joined the United Nations headquarters in New York.<sup>62</sup> Strategically for the UK and the Allied powers, and intellectually and personally for many involved in the Chatham House study, this was a point of fracture. And yet, important continuities are also discernible, and whereas the work conducted at Chatham House could not be of immediate application, it remained nonetheless relevant. Like a karstic river, it abruptly disappeared only to reemerge not much later in a different place. Partly, if only in a limited way, it reemerged in the debate on planning that took place in some Central European countries such as Czechoslovakia, Poland, and Yugoslavia. More importantly, however, it

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<sup>62</sup> On the interwar emigration of economists from Germany and Central Europe to the United States, see Earlene Craver, 'The emigration of the Austrian economists', *History of Political Economy*, Vol. 18, n. 1 (1986), and Harald Hagemann (ed.), *Zur deutschsprachigen wirtschaftswissenschaftlichen Emigration nach 1933* (Marburg: Metropolis-Verlag, 1987). On former officers of the Empire joining new UN specialized agencies, see Hodge, *Triumph of the Expert*. On economists in international organizations in the postwar period, see A. W. Coats (ed.), *Economists in International Agencies. An Exploratory Study* (New York: Praeger, 1986); Barend A. de Vries, 'The World Bank as an international player in economic analysis', in A. W. Coats (ed.), *The Post-1945 Internationalization of Economics* (Durham, NC: Duke University Press, 1996); and John Toye and Richard Toye, *The UN and Global Political Economy. Trade, Finance and Development* (Bloomington and Indianapolis: Indiana University Press, 2004).

exerted a deep influence in Western and Southern Europe and in the global development debate.<sup>63</sup>

Italy was a fundamental link in this migratory chain of development ideas in the early postwar years. During the interwar years, Italy had had a strong role in Eastern Europe, but this has nothing to do with why development ideas, initially discussed with reference to Eastern Europe, would later become relevant in Italy. The interwar Italian policy toward Eastern Europe had been the result of Mussolini's hegemonic ambitions for the region – and principally for the eastern shore of the Adriatic – against the diplomatic activity of France and Great Britain.<sup>64</sup> It would be an understatement to claim that, after World War II, Italy's hegemonic ambitions had evaporated. Italy focused, rather, on surviving economically, socially, and politically, by desperately trying to redirect its economic relations away from Eastern Europe towards the dollar area.<sup>65</sup> As will become clear from the discussion below, Italy's major role as a development laboratory was the result of the deeply changed postwar international order.

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<sup>63</sup> On planning in postwar Europe and specifically in Czechoslovakia, and its difference from Soviet-style planning, see Tony Judt, *Postwar* (New York: Penguin, 2005). For an earlier assessment, see Hugh Seton-Watson, *The East European Revolution* (New York: Praeger, 1962 [1951]), 246-255.

<sup>64</sup> Seton-Watson, *Eastern Europe*, 366-378.

<sup>65</sup> Guido Carli, *Cinquant'anni di vita italiana* (Roma-Bari: Laterza, 1996), 72.

At the end of the war, as the Allies recognized, Italy was ‘one of the poorest and most over-populated of the countries of Western Europe’.<sup>66</sup> Moreover, and perhaps more importantly, Italy was politically isolated. Although, after Mussolini’s fall, the armistice signed with the Allies in September 1943 granted Italy the status of ‘co-belligerent’, the country had in fact come dangerously close to the definition that Metternich once contemptuously gave of it: a purely ‘geographic expression’.<sup>67</sup> There were moments when only the Resistance movement in the North kept alive a sense of nationhood; but as a country, Italy was, as one historian put it, ‘running adrift’.<sup>68</sup> Although the Fascist regime had been politically overthrown, only a minority in the Italian society had really opposed it. Too grave was the Fascist past, and too strong the cultural and administrative continuities that characterized the country across political regimes and military alliances, for Italy to be considered a credible counterpart.

After the war ended, the quickly worsening relations between the United States and the Soviet Union, concomitant with the partition of Europe into two spheres of influence, gave the Italian political elite a much needed and unexpected opportunity. In the early months of

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<sup>66</sup> Katharine Duff, ‘Liberated Italy: from September 1943 to February 1947’, in Arnold Toynbee and Veronica Toynbee (eds.), *The Realignment of Europe. Survey of International Affairs, 1939-1946*, vol. 9, the Royal Institute of International Affairs (London: Oxford University Press, 1955), 409.

<sup>67</sup> Tommaso Astarita, *Between Salt Water and Holy Water: A History Of Southern Italy* (New York: Norton, 2005), 264.

<sup>68</sup> Elena Aga Rossi, *Una nazione allo sbando. L'armistizio italiano del settembre 1943 e le sue conseguenze* (Bologna: Il Mulino, 2006).

1947, according to historian Elena Aga-Rossi, Italy was still a marginal actor in the eyes of the US administration. The deteriorating international scenario, however, changed this perception in the matter of months. Sharing a border with Communist Yugoslavia and stretching into the Mediterranean Sea like a natural aircraft carrier, Italy acquired indisputable strategic importance. Economic recovery, despite the huge progress in reconstructing war-torn infrastructures and production facilities, stuttered; the country oscillated between stagnation and inflationary pressures. Unemployment skyrocketed everywhere and most of all in the South, the poorest part of the country. Popular seizures of uncultivated lands became common events in which social unrest blended with political fight. Whereas the Italian Communist party – the largest Communist party in Western Europe – maneuvered to give a political representation to popular protest that was often spontaneous, police repression and mafia ambushes against defenseless civilians caused numerous deaths.<sup>69</sup> Italy, in sum, appeared to be on the verge of economic, social, and political collapse, and the United States could not afford another, potentially much more dangerous, Greek syndrome.

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<sup>69</sup> See Paul Ginsborg, *A History of Contemporary Italy, 1943-1988* (London: Penguin, 1990).

The most famous attack against civilians is probably the 1 May 1947 Portella della Ginestra massacre, in Sicily, when Salvatore Giuliano and his mafia gang killed more than a dozen people and injured approximately thirty. See John Dickie, *Cosa Nostra. A history of the Sicilian Mafia* (London, Coronet, 2004); Giuseppe Casarrubea, *Portella della Ginestra. Microstoria di una strage di Stato* (Milano: Franco Angeli, 2003); see also Francesco Rosi's movie *Salvatore Giuliano* (1962).

1947 is thus when Italy, in the words of Aga-Rossi, turned ‘from a marginal to a key area’.<sup>70</sup>

The Italian political and technocratic elite seized the opportunity generated by the quickly changing international scenario, and only a month after signing the peace treaty in Paris, Italy was accepted as one of the fourteen leading members of the International Monetary Fund and the World Bank, the two multilateral economic institutions born at Bretton Woods. In short, in one fell swoop, Italy’s international standing changed dramatically. When the representatives of forty-four allied countries had convened three years earlier at Bretton Woods, New Hampshire, to establish the institutional framework of the new postwar economic order, Italy had not been allowed to attend – not even as a non-voting guest. By 1947, Italy had a seat in the fourteen-member political directorate of the two Bretton Woods organizations, alongside the representatives of the United States, Great Britain, France, and other allied countries.

Membership in the Bretton Woods institutions was both a milestone on Italy’s path toward full reintegration in the international community, and a necessary step to get access to reconstruction funds. It also became evident that Italy’s economy was in need of transformation well beyond the reconstruction of production facilities and infrastructure. A memo of the Italian government insisted that Italy should ‘adopt the vision of the Monnet Plan, which claims that reconstruction and modernization are not mutually opposed; on the

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<sup>70</sup> Elena Aga-Rossi, ‘L’Italia allo scoppio della guerra fredda: fattori nazionali e internazionali’, in Ennio di Nolfo, Roman H. Rainero, and Brunello Vigizzi (eds.), *L’Italia e la Politica di Potenza in Europa, 1945-50* (Settimo Milanese: Marzorati, 1990), 632.



contrary, they drive each other in large measure'.<sup>71</sup> The Fascist policy of autarky had distorted the sectoral development of the Italian economy. But another, longer-term imbalance lay in the dualism that separated the Italian South – the Mezzogiorno – from the North. Southern Italy, according to a Chatham House's publication, was 'the poorest and most remote part of the country . . . and she gave the Allies a first impression of squalor and backwardness'.<sup>72</sup> In the new Cold War scenario, the Mezzogiorno posed a specific treat to the Western camp: 'The Mezzogiorno is the only underdeveloped region of its size in Western Europe . . . An area larger than Benelux and Denmark combined, the most vulnerable point of social stability in Western Europe'.<sup>73</sup> Its economic growth and social pacification became a political priority for both the Italian government and its international interlocutors.

Pasquale Saraceno, one of the architects of Italy's postwar development planning, underscored this in a later interview: 'The only indisputable notion then acquired was that any economic policy should give a preeminent place to the territorial expansion of our

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<sup>71</sup> 'Considerazioni sull'impostazione del prestito da richiedere alla Banca Internazionale per la Ricostruzione e lo Sviluppo', Comitato Interministeriale per la Ricostruzione, n.d., Archivio Storico della Banca d'Italia, Studi, Pratt., n. 376, fasc. 21.

<sup>72</sup> Katharine Duff, 'Liberated Italy: from September 1943 to February 1947', in Arnold Toynbee and Veronica Toynbee (eds.), *The Realignment of Europe. Survey of International Affairs, 1939-1946*, vol. 9, the Royal Institute of International Affairs (London: Oxford University Press, 1955), 414.

<sup>73</sup> 'Italy – Proposed Third Loan', Sidney P. Wheelock, SLC/0/708, September 3, 1954, ITALY – Loan (117IT) Negotiations I, 182606B/N-472-1-02/A1995-173/7, WBGA.

productive apparatus for the purpose of rapidly bridging the gap between North and South'.<sup>74</sup>

The United States and multilateral institutions concurred, and the development of the Mezzogiorno became so relevant that at times it seemed to overshadow supposedly non-negotiable priorities. The Marshall Plan administration, for instance, urged the Italian government to make resources available for investments in the South, even if this may cause a further weakening of the country's already fragile balance of payments. At the same time, the International Bank for Reconstruction and Development considered supporting Italy an obligation that outbid risks of default: 'Italy is . . . in a most difficult position', wrote a senior World Bank officer, 'and it is impossible to conceal the fact that in making a loan at this time the Bank will run considerable risk of default'. Yet, he concluded, 'the Italian situation is just of the kind that the Bank is morally obligated to assist'.<sup>75</sup>

Because of his friendship with prominent Italian economists and representatives, Paul Rosenstein-Rodan became the World Bank's main negotiator and architect of the Bank's loans to Italy. (During a period in Italy as a Fulbright fellow in 1930, Rosenstein-Rodan was mentored by Luigi Einaudi, former governor of the Italian Central Bank and President of the Italian Republic from 1948 to 1955). He also emphasized the strategic role of development

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<sup>74</sup> Pasquale Saraceno, *Intervista sulla Ricostruzione* (Roma: Laterza, 1977), 139.

<sup>75</sup> 'Bank mission's reports on Italy', A.S.G. Hoar to Mr. Iliff, September 17, 1948, Central Files 1946-1971, Operational Correspondence, Italy, Italy Negotiations (50 It) Vol. II, WBGA.

policies to defuse social and political tensions: ‘the main danger to political stability would be the absence of a large economic development program’.<sup>76</sup>

Like a few years earlier at Chatham House, Rosenstein-Rodan was able to rely on the knowledge and expertise of local scholars, mainly from the Italian Central Bank and from Svimez, an independent think-tank with strong ties to government circles that was conducting innovative research on the Mezzogiorno.<sup>77</sup> This collaboration produced an analysis that resembled the Chatham House study on Central Europe in many crucial respects. The huge demographic growth that had characterized the southern agrarian sector, combined with widespread latifundia, or large agricultural estates, had locked the Mezzogiorno in a low-productivity and low-income equilibrium. The village of Cutro, in Calabria, epitomized this phenomenon: Cutro’s 1,500 families cultivated 4,000 hectares divided into 9,000 disconnected parcels (the remaining 2,500 hectares of the Cutro territory belonged to fewer than 80 families). On average, wrote Manlio Rossi-Doria, an agrarian economist, that meant about two and a half hectares or six disconnected parcels for each family, though the very unequal distribution of wealth among families meant that, in reality, many families lived on much less than that. ‘On a technical level’, Rossi-Doria concluded, ‘this means an absurd

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<sup>76</sup> Paul N. Rosenstein-Rodan, ‘Preliminary Report on the Development program of Southern Italy’, July 7, 1950, No. E 98, International Bank for Reconstruction and Development, WBGA.

<sup>77</sup> Svimez’s full name is Association for the Development of Industry in the Mezzogiorno (Associazione per lo sviluppo dell’industria nel Mezzogiorno). On Svimez, see Vera Negri Zamagni and Mario Sanfilippo (eds.), *Nuovo meridionalismo e intervento straordinario. La SVIMEZ dal 1946 al 1950* (Bologna: Il Mulino, 1988).

agricultural organization, without the possibility of crop rotations, without systematization of terrain, without a developed plan of seasonal cultivation. On an economic level, this means the impossibility of business, exclusive monoculture, and acute seasonal unemployment. On a social level, it means everyone against everyone else, the most stupidly exasperated individualism'.<sup>78</sup> Two economists who had intensively studied Eastern European agriculture for Chatham House had used very similar words about ten years earlier: 'It is no exaggeration to reckon the strip system as the biggest single curse afflicting European farming to-day'.<sup>79</sup> Seton-Watson also highlighted 'the hopelessly uneconomic nature of the dwarf properties [of Eastern Europe] . . . A holding of a few acres may consist of as many as forty small strips, separated from each other by several miles'.<sup>80</sup>

The overpopulation crisis had alarmed the Italian government so much that plans for forced emigration, as Herculean as they were impractical, were outlined.<sup>81</sup> But whereas moving peasants to 'virgin' lands overseas – the Fascist imperial solution – was by then obviously

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<sup>78</sup> Manlio Rossi-Doria, 'Il primo anno della riforma' [1951], in Manlio Rossi-Doria, *Dieci anni di politica agraria* (Bari: Laterza, 1958), 179. For demographic analyses, see Giuseppe Barone, 'Stato e Mezzogiorno (1943–60). Il "primo tempo" dell'intervento straordinario', in Francesco Barbagallo (ed.) *Storia dell'Italia repubblicana. Vol. I. La costruzione della democrazia. Dalla caduta del fascismo agli anni cinquanta* (Torino: Einaudi, 1994).

<sup>79</sup> Paul Lamartine Yates and Doreen Warriner, *Food and Farming in Post-War Europe* (New York: Oxford University Press, 1943), 70.

<sup>80</sup> Seton-Watson, *Eastern Europe*, 81.

<sup>81</sup> 'World Bank Credits to Finance Italian Emigration', February 3, 1947, Central Files 1946–1971, Operational Correspondence, Italy, Box 4, Italy – Immigration Project, WBGA.

unfeasible, another solution acquired prominence: industrial development. As Rosenstein-Rodan had put it in his article on Eastern Europe, ‘labour must either be transported towards capital (emigration), or capital must be transported towards labour (industrialisation)’.<sup>82</sup> In the postwar period, the international migratory valve that had characterized the early years of the century was no longer available. Capital, i.e. industrialization, should thus go to the laborers. As in the plan for Central Europe, the rationale was that industrialization would act on two fronts, first, by creating new, high-productivity jobs in the industrial sector; and second, by reducing the population pressure in the agrarian sector, thus laying the bases for a rise of productivity in agriculture.

Rosenstein-Rodan’s analysis was in tune with an Italian autochthonous tradition rooted in pre-World War I and inter-war debates. Land reform and agricultural productivity had been important themes of Fascist agrarian policies and rhetoric, best embodied in the work of Arrigo Serpieri, an agrarian economist who had conceived the ‘bonifica integrale’ (a comprehensive reclamation scheme). Industrialization in the South had been most prominently advocated by the Radical politician Francesco Saverio Nitti at the beginning of the twentieth century, by the Socialist economist Rodolfo Morandi in the 1930s, by the Institute for Industrial Reconstruction (Istituto per la Ricostruzione Industriale; IRI) in the late 1930s and early 1940s, and, immediately after World War II, in the studies of the Economic Commission for the Constituent Assembly, whose task was to write and eventually approve Italy’s new republican constitution.<sup>83</sup> Svimez took it upon itself to continue this

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<sup>82</sup> Rosenstein-Rodan, ‘Problems of Industrialisation’, 202.

<sup>83</sup> Francesco S. Nitti, *Scritti sulla questione meridionale* (Roma: Laterza, 1958); Rodolfo Morandi, *Storia della grande industria in Italia* (Bari: Laterza, 1931). For a broader analysis

research tradition, and managed to build around it the solid consensus that had been previously missing. Orthodox liberalism had historically highlighted agricultural produce as the Mezzogiorno's supposedly comparative advantage in international markets. At the same time, it dismissed industrialization plans as expensive, inefficient, and doomed to fail. Despite its efforts on land reclamation plans, the Fascist regime did not make any substantial effort to develop the southern economy. In fact, it approached the issue from a possibly even more reductionist perspective, as autarkic policies turned the South into the granary of Italy, privileging monoculture and extensive agricultural techniques characterized by very low productivity ratios. It was only after World War II that, for the first time, this apparently ineluctable destiny was reversed, due principally to the collaboration between a new generation of students of the Southern Question, many of whom had previously worked for IRI, and international organizations such as the World Bank. An early salvo was the chapter that Giuseppe Cenzato and Salvatore Guidotti, two leading figures of Svimez, wrote in the multi-volume report of the Economic Commission for the Constituent Assembly. 'The Industrial Problem of the Mezzogiorno' depicted theories of 'natural' agrarian development of the South as without basis, and discussed instead the industrial prospects of the South through the analysis of dynamic elements such as industrial 'agglomerative factors'.<sup>84</sup>

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of these discussions, see Michele Alacevich, 'Postwar Development in the Italian Mezzogiorno. Analyses and Policies', *Journal of Modern Italian Studies*, Vol. 18, n. 1 (2013).

<sup>84</sup> Giuseppe Cenzato and Salvatore Guidotti, 'Il problema industriale del Mezzogiorno', in Ministero per la Costituente, *Rapporto della Commissione Economica Presentato all'Assemblea Costituente, Vol. II, Industria, I. Relazione, Libro 2* (Roma: Istituto Poligrafico dello Stato, 1947).

Cenzato and Guidotti's report effectively moved the South's industrial question to the top of the policy agenda.

Similar to the development plan for Central Europe, the Italian plan was organized as a comprehensive effort led by a regional development agency, Cassa per il Mezzogiorno. And while the plan initially targeted *infrastructural* development – mainly because of the Italian government's insistence, against the opinion of both Rosenstein-Rodan and Svimez – *industrial* development was nonetheless relevant from the very first loan, and by the mid-1950s it became the plan's major focus. The International Bank disbursed its first loan for the development of the Italian Mezzogiorno in 1951. Seven additional loans followed in the period to the early 1960s, making Italy the Bank's most important European client, both in terms of continuity and funding received. For the first and, unfortunately, last time since unification, the Italian South experienced a process of economic convergence with the northern regions. As a recent study shows, between 1951 and 1971 per capita GDP in the Mezzogiorno increased on average 5.8 percent annually, thanks to steadily increasing productivity but also to huge national and international migratory flows that shrank the southern population. At any rate, the gap in per capita output with the rest of Italy narrowed from slightly more than 50 percent in the early 1950s to approximately 35 percent in the early 1970s.<sup>85</sup>

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<sup>85</sup> Figures change slightly from a study to another, but the trend is uncontested. See, for a synthesis, Giovanni Iuzzolino, Guido Pellegrino, and Gianfranco Viesti, 'Convergence among Italian Regions, 1861-2011', *Economic History Working Papers Series*, Banca d'Italia, n. 22 (October 2011), 33 and 34.

It is now common knowledge that the development initiatives for Southern Italy were ultimately unsuccessful. The Mezzogiorno remains one of the least developed areas not only in Italy, but on the whole European continent. When the Italian economic boom of the 1950s and early 1960s came to an abrupt halt, the Mezzogiorno relapsed back into poverty.

The migratory pattern had proved stronger than state-led industrialization plans, and many workers left the Mezzogiorno for northern Europe or the cities of the so-called Italian industrial triangle: Turin, Milan, and Genoa. Labor had moved towards capital, instead of the other way around, and industrialization in the South had not taken place. Furthermore, the capital that had moved to the South – primarily via the establishment of large new plants owned by northern companies – did not induce any additional local economic activity. Those huge investments did not foster any local manufacturing chains, and the Mezzogiorno, unlike other regions of the country, remained unable to supply the exploding demand of the so-called ‘economic miracle’.<sup>86</sup> This new capital, in other words, remained almost completely disconnected from the territory. As a frustrated Rosenstein-Rodan noted in 1963, ‘The dynamo may be there, but the transmission belt does not function’.<sup>87</sup>

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<sup>86</sup> Iuzzolino, Pellegrino, and Viesti, ‘Convergence’, 35. See also, Josselyn Hennessy, Vera Lutz, and Giuseppe Scimone, *Economic ‘Miracles’. Studies in the resurgence of the French, German and Italian economies since the Second World War* (London: Andre Deutsch for The Institute of Economic Affairs, 1964).

<sup>87</sup> Paul Rosenstein-Rodan, ‘Reflections on regional development’, C/63-25, 31 July 1963, Center for International Studies, Massachusetts Institute of Technology.



Before the crisis of the mid-1960s, the Italian Mezzogiorno was considered by development scholars an important laboratory of development policies, both because of its long-term history of backwardness, and the process of development and convergence that had seemingly set in. Indeed, the list of scholars who visited the Mezzogiorno forms a veritable *Who's Who* of postwar development studies. Anthropologists usually focused more on the characteristics of its historical 'backwardness'. Donald Pitkin, one of the pioneers of U.S. anthropological fieldwork in Southern Italy, has often elaborated on the profound influence that Carlo Levi's 1948 book, *Christ Stopped at Eboli*, had on his own scholarly work. Notably, Levi described the Mezzogiorno as a region out of time, locked in an immutable backwardness.<sup>88</sup> Another pioneer of anthropological field studies in southern Italy, Fredrick Friedmann, visited the Mezzogiorno in 1950, 1952 and 1953 thanks to the support of the Fulbright program, the Rockefeller Foundation, and the MIT Center for International Studies. Friedmann also was interested in the poverty and social backwardness of the region, focusing especially on the South's poor educational and literacy levels.<sup>89</sup>

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<sup>88</sup> See Donald S. Pitkin, 'Land tenure and family organization in an Italian village' (Ph.D. thesis, Harvard University, 1954). See also Donald Pitkin interviewed by Allen Babb, April 20<sup>th</sup>, 2001, DVD, Friends of the Amherst College Library, and Donald Pitkin, *The House that Giacomo Built. History of an Italian Family, 1898-1978* (Cambridge: Cambridge University Press, 1985), p. xi.

<sup>89</sup> Fredrick G. Friedmann, *The Hoe and the Book: An Italian Experiment in Community Development* (Ithaca, NY: Cornell University Press, 1960).

Perhaps the most notable example of the strong international anthropological interest in Southern Italy is the political scientist-turned-ethnologist Edward Banfield's study *The Moral Basis of a Backward Society*, based on field work in the small village of Chiaromonte (called Montegrano in the book). Banfield explained the 'extreme poverty and backwardness' of Montegrano with 'the inability of the villagers to act together for their common good or, indeed, for any end transcending the immediate, material interest of the nuclear family'.<sup>90</sup> This attitude, according to Banfield and his wife Laura Fasano, nurtured the ethos of 'amoral familism'. Although Banfield and Fasano cautioned the reader to consider their 'theory' as 'highly tentative', they nonetheless claimed it was a fairly 'typical' condition of Southern Italy. Banfield and Fasano's thesis stirred a heated debate, which involved Italian and American scholars alike.<sup>91</sup> The expression, at any rate, acquired immense popularity and soon crossed the geographical borders of Southern Italy as well as the disciplinary borders of ethnography. The concept of 'amoral familism', born out of the observation of a specific village in a specific region, became an ideal-typical characterization of backwardness.

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<sup>90</sup> Edward C. Banfield with the assistance of Laura Fasano Banfield, *The Moral Basis of a Backward Society* (New York: The Free Press, 1958), 9-10.

<sup>91</sup> See, among others, Alessandro Pizzorno, 'Amoral Familism and Historical Marginality', *International Review of Community Development*, n. 15-16 (1966); Sydel F. Silverman, 'Agricultural Organization, Social Structure, and Values in Italy: Amoral Familism Reconsidered', *American Anthropologist*, Vol. 70, n. 1 (1968), 1-20; John Davis, 'Morals and Backwardness', *Comparative Studies in Society and History*, Vol. 12, n. 3 (1970); Edward Banfield, 'Reply to Davis', *Comparative Studies in Society and History*, Vol. 12, n. 3 (1970); N. S. Peabody, 'Toward an Understanding of Backwardness and Change: a Critique of the Banfield Hypothesis', *Journal of Developing Areas*, Vol. 4, n. 3 (1970).

‘Amoral familism’ is now not only a common entry of social science dictionaries (see, for example, the 2015 version of the *Oxford Dictionary of Sociology*) but has entered into common parlance.<sup>92</sup>

Whereas ethnographers were mainly interested in the former term of the backwardness/development dichotomy, economists took the opposite stance, using Southern Italy as a case study in the dynamics of economic development. When, in the early 1950s, MIT established the Center for International Studies (Cenis), arguably the most influential think-tank on development matters in the 1950s and early 1960s, it hired as its most prominent economist Paul Rosenstein-Rodan, who by then had more than ten years’ experience on development issues, first at Chatham House, and then at the World Bank. The Center’s long-term research plan was organized around three main projects, commonly known to Cenis scholars as the three I’s: India, Indonesia, and Italy.

The two most successful projects, Italy and India (both chaired in succession by Rosenstein-Rodan), would prove foundational in Cenis’ elaboration of its trademark model of modernization. Because of the activism of Cenis’ leading figures, Max Millikan and Walt W. Rostow, its proximity to rising political stars in Washington, DC – most prominently, Senator John F. Kennedy – and its signature blend of theoretical analysis applied to practical questions, the Center became a powerhouse of development thinking in the early postwar decades, and a breeding ground of development experts acknowledged globally.<sup>93</sup>

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<sup>92</sup> ‘Amoral familism’, in John Scott (ed.), *Oxford Dictionary of Sociology*, 4<sup>rd</sup> Revised Edition (New York: Oxford University Press, 2015), 20.

<sup>93</sup> On Cenis, see George Rosen, *Western Economists and Eastern Societies: Agents of Change in South Asia, 1960-1970* (Baltimore: Johns Hopkins University Press, and Delhi:

In particular, the Italian development plan was a case study for analyses on the complementarities, indivisibilities, and external economies in the process of economic growth that would quickly become ubiquitous in the global development discourse. To be sure, external economies had already appeared half a century before in the works of Alfred Marshall and Arthur C. Pigou. Yet, as Rosenstein-Rodan lamented, they would remain a ‘platonic, unused part of economic theory’.<sup>94</sup> In sharp contrast with orthodox economics, which presupposes a perfect divisibility of economic elements and undisturbed continuity in the process of economic growth, in the 1950s development economics took shape as an economics of discontinuities and indivisibilities. Whereas Marshall had opened his 1890 *Principles of Economics* with the dictum ‘Natura non facit saltum’, Rosenstein-Rodan

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Oxford University Press, 1986); Donald L.M. Blackmer, *The MIT Center for International Studies. The Founding Years, 1951-1969* (Cambridge, Mass: The MIT Center for International Studies, 2002); David Engerman, ‘West Meets East: The Center for International Studies and Indian Economic Development’, in David C. Engerman *et al.* (eds.), *Staging Growth. Modernization, Development, and the Global Cold War* (Amherst and Boston: University of Massachusetts Press, 2003); and Nils Gilman, *Mandarins of the Future. Modernization Theory in Cold War America* (Baltimore: The Johns Hopkins University Press, 2003).

<sup>94</sup> Paul Rosenstein-Rodan, ‘La Teoria dello Sviluppo Economico’, in *Atti del Convegno di Studi su ‘L’Organizzazione Internazionale e lo Sviluppo delle Economie Arretrate’* (Roma, Palazzetto di Venezia, 25-27 maggio 1953, Padova: Cedam, 1954), 31.

claimed that, in fact, ‘Natura facit saltum’.<sup>95</sup> His writings and work as policy advisor were grounded on this perspective, and it is on these premises that other development scholars grounded their theories. Columbia economist Ragnar Nurkse, for example, based his analysis of the circular mechanism of the low-productivity trap on the indivisibilities and complementarities that characterize a backward economy; whereas investments are limited by the size of the market, which is in turn determined by the general level of productivity, productivity depends on the use of capital, which in turn is inhibited by the small size of the market. As Rosenstein-Rodan had shown with the example of a shoe factory, the market could only be expanded by taking its indivisibilities into account, that is, by establishing not one but many complementary industries. Nurkse, elaborating on Rosenstein-Rodan’s work, wrote: ‘The difficulty is not present . . . in the case of a more or less synchronized application of capital to a wide range of different industries. Here the result is an overall enlargement of the market and hence an escape from the deadlock’.<sup>96</sup> On this basic complementarity rested the case of what would become known as a ‘balanced growth’ approach. Many others followed in Rosenstein-Rodan’s and Nurkse’s steps, and in a few years this analysis became

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<sup>95</sup> Alfred Marshall, *Principles of Economics* (London: Macmillan, 1920 [1890]); Paul Rosenstein-Rodan, ‘La Teoria dello Sviluppo Economico’, in *Atti del Convegno di Studi su ‘L’Organizzazione Internazionale e lo Sviluppo delle Economie Arretrate’* (Roma, Palazzetto di Venezia, 25-27 maggio 1953, Padova: Cedam, 1954), 31; see also Paul Rosenstein-Rodan, ‘Natura Facit Saltum: Analysis of the Disequilibrium Growth Process’, in Gerald M. Meier and Dudley Seers (eds.), *Pioneers in Development* (New York: Oxford University Press, 1984).

<sup>96</sup> Ragnar Nurkse, ‘Some International Aspects of the Problem of Economic Development’, *American Economic Review*, Vol. 42, n. 2 (1952), 572.

a new orthodoxy, even generating its own opposition, namely, the thesis of ‘unbalanced growth’.<sup>97</sup> The ‘balanced-’ vs. ‘unbalanced-growth’ controversy was, in the words of one commentator, ‘the most prominent of all in the development literature of the 1950s’.<sup>98</sup>

Notably, this controversy developed on very theoretical bases. Scholars made very sparse use of specific case studies, and when they did, it was only in order better to articulate specifically theoretical points. Obviously, the interest in the development plans for Eastern Europe had long been forgotten (except perhaps for scholars interested in the quickly expanding field of Soviet Studies), and certainly nobody was any longer interested in a Western-framed development plan for that area. And yet Rosenstein-Rodan’s 1943 article and Mandelbaum’s 1945 study were still considered the main references in the controversy. No longer applicable to the problems of industrialization in Eastern and South-Eastern

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<sup>97</sup> Analyses supporting a balanced growth approach are, among others, Rosenstein-Rodan, ‘Problems of Industrialisation’; Nurkse, ‘Some International Aspects’; Ragnar Nurkse, *Problems of Capital Formation in Underdeveloped Countries* (Oxford: Basil Blackwell, 1953); S.K. Nath, ‘The Theory of Balanced Growth’, *Oxford Economic Papers*, N.S., Vol. 14, n. 2, (1962); and Jose Maria Dagnino-Pastore, ‘Balanced Growth: An Interpretation’, *Oxford Economic Papers*, N.S., Vol. 15, n. 2 (1963). Analyses in favor of unbalanced growth are Albert O. Hirschman, *The Strategy of Economic Development* (New Haven: Yale University Press, 1958); and Paul P. Streeten, ‘Unbalanced Growth’, *Oxford Economic Papers*, N.S., Vol. 11, n. 2 (1959).

<sup>98</sup> Ian M.D. Little, *Economic Development. Theory, Policy, and International Relations* (New York: Basic Books, 1982), 44. See also Hollis Chenery and T.N. Srinivasan (eds.), *Handbook of Development Economics*, Vol. 1 (Amsterdam: North-Holland, 1988).

Europe, Rosenstein-Rodan's 1943 article nonetheless remained a seminal reflection on external economies in the process of development. The same applied to Mandelbaum's book.<sup>99</sup>

The role of external economies for the development process was discussed at length in Italy. First by Italian scholars such as Cenzato and Guidotti, who analyzed how 'agglomerative factors' could foster a process of industrialization in the Italian Mezzogiorno. Later by Rosenstein-Rodan and other development economists who collaborated with international aid organizations in Italy and fundamentally contributed to turn Italy in a development laboratory, where theory grew in constant dialogue with actual policies (we will see in a moment the case of another development pioneer: Hollis B. Chenery). Then by a broader group of development scholars, who knew and cited Italy as an early instance of regional economic dualism and a natural for the implementation and analysis of external economies, but who were at the same time projected on a truly global dimension.

Gunnar Myrdal, for instance, discussed 'circular and cumulative causation' as an explanatory theory of persistent underdevelopment, irrespective of the geographical region. Albert Hirschman, based on his experience as a development economist in an altogether different

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<sup>99</sup> Interestingly, writing later than Rosenstein-Rodan and having witnessed the Red Army's occupation of Eastern European States, Mandelbaum soft-pedalled on the specific Eastern-European focus of his study: despite the fact that four fifths of the book were actually devoted to discussing industrialization in South-Eastern Europe, he nonetheless declared that the region served merely as a 'model', Mandelbaum, *Industrialisation of Backward Areas*, 2. By the 1950s, regional specificity had been almost completely removed from the debate, which retained instead a peculiarly stylized flavor.

continent, namely, South America, waged a harshly polemical attack against Rosenstein-Rodan's 1943 article.<sup>100</sup> Eventually, Cenzato and Guidotti's and Rosenstein-Rodan's work on Italy was so well digested by development scholars that their specific regional analysis disappeared altogether from the increasingly stylized analyses of ever more varied case studies in vogue in the following decades. What instead survived of those works, and especially of Rosenstein-Rodan's synthesis, was the theoretical precipitate of their analyses. After an eclipse of several decades, external economies and increasing returns reappeared in the 1980s and 1990s as central elements of the new – and highly mathematically formalized – economic geography, for which Paul Krugman was awarded the Nobel Prize in Economics in 2008.<sup>101</sup> These few examples depict clearly enough, I hope, the path from a specific, regional analysis of highly contextualized development processes, to a world-encompassing development theory and a global debate.

The list of developing economists using Italy as a case study in the postwar period could be easily made longer. Hollis Chenery, for example, another pioneer and leader of the newborn discipline of development economics (he was the first chief economist and vice president of the World Bank in a crucial decade, between 1972 and 1982, and edited what is arguably the most important handbook and standard reference in development economics), considered

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<sup>100</sup> Gunnar Myrdal, *Economic Theory and Under-Developed Regions* (London: G. Duckworth, 1957); Hirschman, *Strategy*.

<sup>101</sup> See, for example, Paul Krugman, 'Increasing Returns and Economic Geography', *The Journal of Political Economy*, Vol. 99, n. 3 (1991), which has references to both Myrdal's 1957 and Hirschman's 1958 books.



Italy one of the very few interesting cases to evaluate postwar development policies.<sup>102</sup>

Summing up studies he had conducted throughout the 1950s, Chenery wrote in 1962:

Despite the current popularity of policies for promoting development, there has been little systematic study of the effects of such policies on the actual course of economic growth. This situation is due in large part to the relatively short period over which most development programs have been in operation. Only a handful of countries has followed a fairly consistent policy for a period of as long as ten years, which is perhaps the minimum required for even a preliminary judgment of the effectiveness of a particular approach. Within this small group, Southern Italy is of considerable interest because there the Italian government has attempted to carry out the theoretically attractive procedure of developing external economies by a massive dose of public works while leaving the direct investment in commodity production to private individuals.<sup>103</sup>

Here again it is possible to observe the recurring theme of external economies and massive investments that had been central in the analysis of Rosenstein-Rodan with regard to Eastern Europe and that, as Chenery confirms, was later applied to Italy.

But again, what is worth emphasizing here is the shift from a local to a general dimension.

Although Chenery did not fail to notice the differences between Southern Italy and other

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<sup>102</sup> Hollis Chenery and T.N. Srinivasan (eds.), *Handbook of development economics*, Voll. 1 and 2 (Amsterdam and New York: North-Holland, 1988).

<sup>103</sup> Hollis Chenery, 'Development Policies for Southern Italy', *Quarterly Journal of Economics*, Vol. 76, n. 4 (November 1962), 515.

underdeveloped countries (among which the fact that Southern Italy was an underdeveloped region in a more advanced national economy), he nonetheless underscored the centrality of the Southern Italian case in the global development discourse: ‘Since the program got under way in 1951, Southern Italy has had . . . one of the highest levels of external assistance in the world’.<sup>104</sup>

As we mentioned, external assistance, that is, technical and financial aid, had quickly become one of the principal tools of Cold War foreign policy. In economic terms, external assistance was also the foreign policy answer to what was, arguably, *the* single most important question in the development field for the entire postwar period, the question of domestic capital investments in less developed countries.

In the 1950s, the savings and investment question was everywhere in the development debate. As W. Arthur Lewis put it in 1954,

The central problem in the theory of economic development is to understand the process by which a community which was previously saving and investing 4 or 5 per cent of its national income or less, converts itself into an economy where voluntary saving is running at about 12 to 15 per cent of national income or more.<sup>105</sup>

Walt W. Rostow, a colleague of Rosenstein-Rodan at MIT-Cenis, likewise regarded as a necessary condition for the economic take-off of a country that ‘the proportion of net

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<sup>104</sup> Ibid.

<sup>105</sup> W. Arthur Lewis, ‘Economic Development with Unlimited Supply of Labour’, *The Manchester School*, May 1954, reprinted in A. N. Agarwala and S. P. Singh (eds.), *The Economics of Underdevelopment* (Delhi: Oxford University Press, 1958), 416.

investment to national income (or net national product) rises from, say, 5% to over 10%'.<sup>106</sup>

When domestic savings, as it often happened, became insufficient to increase investments up to the rates envisioned by development economists, foreign aid would cover this 'financing gap'. Aid organizations soon adopted a simple formula, the Harrod-Domar model, as the mathematical basis of the investments-growth relationship. Even though the Harrod-Domar model had originally been elaborated to study short-term recessions and not long-term growth, and despite the fact that its creators never considered it fit to address growth questions in less developed countries, apparently it continues to be today 'the most widely applied growth model in economic history'.<sup>107</sup>

Here again it is worth noticing that the work of Chatham House and the Oxford Institute of Statistics on a plan of investments in Central and Eastern Europe had a path-breaking role in this regard. Both the Chatham House Economic Group and Oxford's Institute of Statistics focused on the saving ratio of Eastern European countries to gauge their ability to invest. Mandelbaum, based in Oxford, anticipated Lewis's conclusions almost verbatim when he wrote that the industrialization plan for Eastern Europe required that the net capital investment absorb at least 15 percent of the national income, as opposed to a pre-war (and pre-plan) rate of saving of 4 percent.<sup>108</sup> Rosenstein-Rodan was among the first economists to insist on the need for international financial institutions to increase manifold their volume of

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<sup>106</sup> Rostow, *Stages*, 37.

<sup>107</sup> William Easterly, *The Elusive Quest for Growth* (Cambridge, Mass.: The MIT Press, 2001), 28.

<sup>108</sup> Mandelbaum, *Industrialisation of Backward Areas*, 7-8.

lending.<sup>109</sup> Indeed, both Chatham House and the Institute of Statistics at Oxford recognized the domestic limits to an increase in the investment rate. Foreign loans appeared thus prominently in their analyses. Chatham House proposed the establishment of an Eastern European Industrial Trust (E.E.I.T.) that would collect domestic and international financial resources on an unprecedented scale, while the Institute of Statistics at Oxford speculated on how debtor and creditor nations would be able to cooperate in intergovernmental agencies such as ‘a World Bank’, which was being discussed among allied countries between 1943 and 1944.<sup>110</sup>

The issue of foreign aid raised the correlated issue of how to maintain in equilibrium the balance of payments of recipient countries. International monetary relations, which had been at the top of the international diplomatic agenda (and economic warfare) of the previous two decades, also informed the post-World War II period, especially through the widespread manifestation of the so-called dollar shortage. When plans were conceived and then applied not only for reconstruction but for specific development purposes, the effects of those plans

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<sup>109</sup> See Rosenstein-Rodan’s discussions about the capacity of borrowing countries to absorb new capitals and repay the interests on previous debts – their so-called ‘absorptive capacity’ – against a narrower focus on their ‘creditworthiness’, considered in a more conventional and conservative perspective as their ability to repay interests *and* capital.

<sup>110</sup> Rosenstein-Rodan, ‘Problems of Industrialisation’ discusses at length the crucial role of foreign aid for the development of backward areas. This will remain a constant theme throughout Rosenstein-Rodan’s career. As for the Oxford Institute’s reference to the role of intergovernmental agencies in managing foreign aid, see Mandelbaum, *Industrialisation of Backward Areas*, 9-11.

on the balance of payments of recipient countries became a widely discussed subject. Italy was under the spotlight in this regard, as it became the first recipient of a new World Bank loan instrument that was called 'impact loan', aimed at counteracting the impact that a domestic development plan would have on a country's balance of payments through increasing imports or decreasing exports. Although the World Bank soon discontinued the disbursement of impact loans, the Italian case remained an important reference for the discussion that continued in other quarters about the relationship between development loans and monetary policies. When between 1957 and 1958 India faced a major deterioration in its balance of payments, the MIT-Cenis consultants referred to the case of the Italian impact loans as an effective example of balance of payments support. In the early 1960s, Rosenstein-Rodan, then coordinator of the Cenis activities in India, acted as intermediary between Indian and Italian officers on development and monetary issues.<sup>111</sup>

Finally, the implementation of development plans and the issue of the balance of payments raised the related issue of how to establish and manage regional development banks. Whereas in 1950, the Italian regional development bank, the Cassa per il Mezzogiorno, was still one of the few operating regional development organizations, by the late 1950s they had proliferated

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<sup>111</sup> I am grateful to David Engerman for having discussed his research for his project 'Planning for Plenty: The Economic Cold War in India'. Discussions about the relationship between development plans and the balance of payments of less developed countries were considered important enough to make the agenda of the Board of Governors of the Federal Reserve of the United States, see Board of Governors of the Federal Reserve System, 'The Lending Policies of the International Bank Re-examined', May 11, 1950, Leonard Rist Files, WBGA.

around the world.<sup>112</sup> Stefan H. Robock, of the United Nations Technical Assistance Administration, regarded the Italian Cassa per il Mezzogiorno as a major example of regional development administration on which to base the administrative machinery for the development of Brazil's most underdeveloped region, the Nordeste.<sup>113</sup>

As one can easily imagine, rivers of ink have flowed on the aid-for-investment debate. At the same time, clearly the development discourse of the 1940s and 1950s cannot be reduced to the one-size-fits-all misuse of the Harrod-Domar model mentioned above. The intellectual genealogy of the main postwar development framework should by now be apparent and it should no longer be a surprise that even in the late twentieth century Rosenstein-Rodan's article was still considered the starting point for cutting edge economic research. At the turn of the century, development economist Jagdish Bhagwati defined that article as 'the most beautiful piece of creative writing on development'.<sup>114</sup>

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<sup>112</sup> William Diamond, *Development Banks* (Baltimore, Johns Hopkins University Press, 1957).

<sup>113</sup> Stefan H. Robock, *Economic Development in North-East Brazil*, Prepared for the Government of Brazil (New York: United Nations Technical Assistance Programme), 7 February 1957, Ch. 2. The regional development bank for Brazil's North-East, SUDENE, was finally established in 1959. Its first general director was Celso Furtado, one of the most prominent development economists in Brazil.

<sup>114</sup> Kevin M. Murphy, Andrei Shleifer and Robert W. Vishny, 'Industrialization and the Big Push', *Journal of Political Economy*, Vol. 97, n. 5 (1989); Jagdish N. Bhagwati, *The Wind of the Hundred Days: How Washington Mismanaged Globalization* (Cambridge, Mass.: MIT Press, 2000), 38.

In conclusion, the ideas that took center stage in the development field in the late 1940s and throughout the 1950s, which had evolved from an eclectic set of studies applied to a European periphery, became the backbone of a thriving new discipline committed to finding a solution to global backwardness: in Rostow's words, as we have seen, 'the most important single item on the Western agenda'. Central elements of the global development discourse had forerunners in the research on Central Europe undertaken by Chatham House, and later became widespread via the experience of the development plan for the Italian Mezzogiorno. The history of the postwar development discourse, and especially of its early phase, can thus be told as a peripatetic story – starting from Chatham House during World War II, when it discussed the future of Central Europe, to the Italian Mezzogiorno in the early postwar years, to the global development stage. Obviously, Europe was not the only laboratory of postwar development planning; the development question, in fact, was becoming a fundamental policy issue all over the world at more or less the same time. India would soon become a major case study, and development plans were also under discussion in a number of Southern and Central American countries, such as Brazil, Chile, Columbia, and Nicaragua.<sup>115</sup> Yet, Europe is crucial in the evolution of development thinking, because of the prominence of the

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<sup>115</sup> See Michele Alacevich, 'The World Bank and the politics of productivity: the debate on economic growth, poverty, and living standards in the 1950s', *Journal of Global History*, Vol. 6, n. 1 (2011).

people and institutions involved, and because several ideas initially conceived in and for Europe shaped the subsequent global debate.<sup>116</sup>

It is also worth emphasizing that discontinuities and changes in theoretical thinking and in the broader political and ideological framework are an integral part of the intellectual filiation discussed in these pages. As we have seen above, for example, the concept of disguised unemployment underwent a major theoretical shift from the Keynesian perspective of ‘advanced’ economies disrupted by the 1929 crisis, to the nascent development perspective of ‘backward’ countries. At a broader level, the inter-war central European development debate was inscribed within the political framework of the consequences of the fall of the Central Empires, while the post-war debate took shape in the Cold War global scenario. These discontinuities came often in the form of exogenous shocks, and scholars adapted ideas and used former experiences as the situation required. In other words, no conscious intellectual program was being implemented, despite ex post reconstructions of some of the protagonists of those debates. Rather, much work on development issues had an improvised quality, changes in expectations were frequent, and theoretical generalizations would often undergo thorough reformulations to adhere to new environments (in the best case scenarios) or, in unfortunately too many cases, would be misapplied to quite different conditions without the necessary adaptations.

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<sup>116</sup> Mark Mazower has recently mentioned this point, albeit in passing and with some exaggeration: ‘The story of development and modernization theory can only be told as a story that starts in Europe and then ramifies around the world’, Mark Mazower, ‘End of Eurocentrism’, 311.



Two final comments can be made about the story told in these pages. First, this story transcends common periodizations. Although the development discourse was shaped by the Cold War in important ways, many of its constitutive elements, as we have seen, saw the light already during World War II. Moreover, the development discourse, albeit transformed, remains very much alive today, almost twenty-five years after the end of the Cold War. In other words, although the history of development cannot disregard the Cold War, it must also be able to look beyond it. Second, this story reminds us that the history of postwar development is not confined to countries outside Europe. In fact, the postwar development vision was nurtured by European debates on backwardness and poverty that would later offer essential elements to the global development debate. As observed above, this may be considered as an important yet forgotten intellectual origin of the ‘one-size-fits-all’ approaches that have characterized the global development discourse in subsequent decades.<sup>117</sup> The United States, too, played a fundamental role in the postwar development debate, but the European roots remained very much evident, if only in the first generation of so-called development scholars. As one anecdote goes, a number of prominent development economists was invited in the 1950s or 1960s by the US State Department to discuss foreign aid policies. During a pause, when the State Department officer left the room, one economist visibly relaxed: ‘At last!’ he said, ‘we can finally speak German!’<sup>118</sup> As mentioned above, the international migration of European scholars, discussed here only in passing, played an important role in the globalization of the European development experience.

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<sup>117</sup> See also Helleiner, *Forgotten Foundations*, who discusses, albeit briefly, the Chatham House experience.

<sup>118</sup> Earlene Craver and Axel Leijonhufvud, personal communication to the author.

The European case, however, had at least one important difference from development plans in other areas of the world in the 1950s and 1960s. In its European version, the development vision was rooted in the quest for a new social and economic compact that sheltered liberal capitalism from authoritarian drifts. Southern agrarian populations – poor, marginalized, and outright devoid of political rights – were for the first time to be included in a national or continental process of development. Other options were unavailable, for expulsion through migration had been ruled out as unfeasible. In Hirschmanian terms, if Exit (migration) was unfeasible, and Voice (protests and revolution) threatening, Loyalty via development was the road to be taken. Inclusive, democratic, and economically developed societies would erect stronger walls against totalitarian threats: Nazism for Central Europe, and Communism for Italy and Western Europe.<sup>119</sup> This vision was palpably diluted in its passage from the European to the global stage. In many peripheries of the world, the development challenge has often been interpreted as a seemingly ‘technical’ and non-political endeavor; in many instances, development plans were implemented in countries run by illiberal rulers, and international development institutions mostly overlooked the political structure and regimes of the countries where they operated. This apparently apolitical and technical approach barely hides very specific political interests. What Charles Maier labelled as the ‘apolitical politics of productivity’ to describe the US policies to defuse domestic social conflict also applies to the policies of bilateral and multilateral aid organizations in less developed countries.<sup>120</sup> In

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<sup>119</sup> Albert O. Hirschman, *Exit, Voice and Loyalty. Responses to Decline in Firms, Organizations, and States* (Cambridge, Mass.: Harvard University Press, 1970).

<sup>120</sup> Charles S. Maier, ‘The Politics of Productivity: Foundations of American International Economic Policy after World War II’, *International Organization*, Vol. 31, n. 4, Between Power and Plenty: Foreign Economic Policies of Advanced Industrial States (1977), 613.

fact, a supposedly apolitical stance has often proven particularly effective to reinforce US objectives of international security and political hegemony under the umbrella of technical assistance.<sup>121</sup> In contrast, early European development vision had among its primary goals the objective of including strata of the population that had thus far remained at the margins of political life. Although the purely ‘technical’ dimension of development policies was obviously present, the deeply political nature of those early endeavors was recognized by all.

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<sup>121</sup> For a recent discussion of the literature on development history in this perspective, see David Engerman, ‘The Anti-Politics of Inequality: Reflections on a Special Issue’, *Journal of Global History*, Vol. 6, n. 1 (2011).