



Department SEMINARS

It's not About the Money: new evidence on U.S. reconstruction aid in Italy, 1948-1968

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**WEDNESDAY, 7 MAY 2025
3:00 PM**

Seminar Room Bruguier Pacini, DEM



A B S T R A C T

This paper studies the economic impact of foreign aid on Italian firms. In particular, I study the different effects of three main forms of aid: Export-Import Bank loans, Marshall Plan European Recovery Program (ERP) 'dollars' loans and the Marshall Plan ERP 'lire' loans. In all programmes, the United States sent technologically advanced machinery to allow for a modernization of the technology of Italian firms, but the conditions of such loans differed.

This paper tests how crucial such different features have been for the effectiveness of firm reconstruction aid. By creating a new dataset on recipient firms and linking it to a large comprehensive firm-level dataset (Imita.db), I compare the effects on the performance of firms. I find that the Export-Import Bank loan raised the long-run profitability of firms, but that firms which received more flexible forms of Marshall Plan aid ('ERP-lire') raised their performance much more than Export-Import Bank recipients. Recipients who only received funds provided with long delays ('ERP-dollars') did not benefit from them. This evidence suggests that rather than receiving foreign aid per se, the most crucial features of reconstruction aid in Italy have been obtaining the requested goods on time and adjusting requests to receive the most needed productive goods.

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