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133pp.

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FINANCIAL INFORMATION
DEC. 1938 - DEC. 1940;
JUNE 1941 - NOV. 1942;
APR. - JULY 1943

133 pp.

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IN COLLECTION

all classified
documents in
filed have been
stamped for ACCESS

All Finance Department Officers to read and initial.

Docts 1-4

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| a.g.s. | 20/5 |
| BB | 20/5 |
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SUBJECT:- Financial Information 15AG/7926/CA

Capt. A.J. Shove,
S.C.A.O.,
LAMPEDUSA.

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Reference your memo dated 17 July addressed to Col. Grafftey-Smith enclosing index of circulars in your possession.

Please forward copies of circulars enumerated to this H.Q. for information.

sgd. [illegible] Bernstein
Lt.Col.,
for C.F.O.

AMGOT,
15 Army Group,
B.N.A.F.

22 July 1943.

B/4 28/7 1479

From - Banca d'Italia

IIH

Ind Research
Col Bernstein

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46 - 1/7 - C.S. (Svil) - LOTTERIA IPPICA NAZIONALE DI MERANO - Autorizzazione e norme per la vendita dei biglietti

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48 - 14/7 - O.S. (Org) - CONDIZIONI E NORME PER LE OPERAZIONI ED I SERVIZI DI BANCA - Modificazioni apportate dal Comitato dei Ministri nella seduta del 4/7/1938

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49 - 14/7 - C.A. - ASSICURAZIONE STABILIMENTI INDUSTRIALI, MAGAZZINI, MERCI ECC. Di pertinenza di ditte affidate - accertamenti

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57 - 9/8 - C.A. - DISCIPLINA DELLA PRODUZIONE E DELLA VENDITA

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*Conventional abbreviations used in the Bank and its annexed departments*

52 - 21/7 - O.S. (Org) - SIGLE ED ABBREVIAZIONI CONVENZIONALI delle denominazioni della Banca, delle Sezioni annesse e delle Gestioni speciali

53 - 23/7 - O.S. (Org) - FIDEJUSSIONI RILASCIATE PER ORDINE DI ALTRE DIPENDENZE - Istituzione della voce "Filiali conto fidejussioni"

*Pawn shops.*

54 - 25/7 - O.S. (Svil) - MONTI DI CREDITO SU PEGNO - Legge 10 maggio '38 XVI n.745 - nuova denominazione dei Monti di pegni - coordinamento delle norme inerenti ai Monti di credito su pegno di seconda categoria

55 - 28/7 - C.A. - PAGAMENTO AI CONFERENTI AMMASSI GRANO - Richiamo alle disposizioni del Ministero dell'Agricoltura e Foreste relative al pagamento per contanti

*Financing of corn 1938*

56 - 8/8 - C.A. - FINANZIAMENTO AMMASSI GRANOTURCO 1938 Istruzioni generiche

57 - 9/8 - C.A. - DISCIPLINA DELLA PRODUZIONE E DELLA VENDITA DEI FORMAGGI - R.D.L. 1/5/1938 XVI n.1177

*Rules for production and sale of cheese.*

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Farm credit —

58 - 22/8 - C.A. - CREDITO AGRARIO ED ORDINARIO A FAVORE DELL'AGRICOLTURA - Statistiche bimestrali delle operazioni - mod.350 a)

59 - 23/8 - O.S. (Svil) - SERVIZI DI CASSA DELLE ASSOCIAZIONI SINDACALI E DI ENTI VARI - Segnalazioni statistiche mensili "mod.stat.sv.5"

60 - 24/8 - O.S. (Org) - AGENZIA IN ROMA NEL RECINTO DELLA CITTA' CINEMATOGRAFICA - Inizio del funzionamento

61 - 26/8 - O.S. (Svil) - FILIALE DI LITTORIA - Piazze bancabili
- FILIALE DI GAETA - Piazze bancabili
- BANCA COMMERCIALE ITALIANA - Incassi sulla Sardegna
Collections on Sardinia.

62 - 12/9 - O.S. (Svil) - SERVIZI DI CASSA DELLE ASSOCIAZIONI SINDACALI E DI ENTI VARI
- FEDERAZIONE NAZ.FASC. DELLE CASSE MUTUE DI MALATTIA PER I LAVORATORI DELL'INDUSTRIA
Norme per il pagamento degli assegni famigliari al personale degli Uffici provinciali
- CONFEDERAZIONE FASCISTA DEGLI AGRICOLTORI - Richiamo alle modalità relative ai prelevamenti dai conti correnti postali delle Unioni provinciali - compilazione a macchina del mod.U.R.2 T.D.

63 - 24/9 - C.S. - FINANZIAMENTO DI OPERE ASSUNTE DA ENTI LOCALI
Telegramma circolare 23/8/1938 XVI del Ministero degli Interni relativo al divieto di concessione di mutui per nuove opere - telegramma circolare 2/9/1938 XVI contenente limitazioni al predetto divieto

64 - 26/9 - O.S. (Org) - ARGOMENTI VARI
- LIBRETTI IN BIANCO DI DEPOSITO A RISPARMIO
Apposizione sul frontespizio del timbro di abbonamento al bollo
New type of assegno of denomination
- ASSEGNI CIRCOLARI - Nuovo tipo di assegno del taglio di £.5.000 riservato alla emissione da parte di Corrispondenti
- MOD.S.M.6 - 14 - 15 - 25 - Avviso di distribuzione e norme per la compilazione
- MOD.S.M.16 - Norme per la compilazione
- MOD.S.M.2 - Norme per la compilazione

65 - 27/9 - C.A. - VALUTA SULLE SOMME CORRISPOSTE AI CONFERENTI

59 - 23/8 - C.S. - SERVIZI DI CASSA DELLE ASSOCIAZIONI SINDACALI
(Svil) E DI ENTI VARI - Segnalazioni statistiche mensili "mod.stat.sv.5"

60 - 24/8 - O.S. - AGENZIA IN ROMA NEL RECINTO DELLA CITTA' CINEMATOGRAFICA - Inizio del funzionamento
(Org)

Branches at D

61 - 26/8 - O.S. - FILIALE DI LITTORIA - Piazze bancabili
(Svil) - FILIALE DI GAETA - Piazze bancabili
- BANCA COMMERCIALE ITALIANA - Incassi sulla Sardegna

Collections on Sardinia.

62 - 12/9 - O.S. - SERVIZI DI CASSA DELLE ASSOCIAZIONI SINDACALI E DI ENTI VARI
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- FEDERAZIONE NAZ.FASC. DELLE CASSE MUTUE DI MALATTIA PER I LAVORATORI DELL'INDUSTRIA
Norme per il pagamento degli assegni famigliari al personale degli Uffici provinciali
- CONFEDERAZIONE FASCISTA DEGLI AGRICOLTORI - Richiamo alle modalità relative ai prelevamenti dai conti correnti postali delle Unioni provinciali - compilazione a macchina del mod.U.R.2 T.D.

63 - 24/9 - C.S. - FINANZIAMENTO DI OPERE ASSUNTE DA ENTI LOCALI
Telegramma circolare 23/8/1938 XVI del Ministero degli Interni relativo al divieto di concessione di mutui per nuove opere - telegramma circolare 2/9/1938 XVI contenente limitazioni al predetto divieto

64 - 26/9 - O.S. - ARGOMENTI VARI
(Org) - LIBRETTI IN BIANCO DI DEPOSITO A RISPARMIO
Apposizione sul frontespizio del timbro di abbonamento al bollo

New type of assegno of denomination 5.000

- ASSEGNI CIRCOLARI - Nuovo tipo di assegno del taglio di £.5.000 riservato alla emissione da parte di Corrispondenti
- MOD.S.M.6 - 14 - 15 - 25 - Avviso di distribuzione e norme per la compilazione
- MOD.S.M.16 - Norme per la compilazione
- MOD.S.M.2 - Norme per la compilazione

65 - 27/9 - C.A. - VALUTA SULLE SOMME CORRISPOSTE AI CONFERENTI GRANO ALL'AMMASSO - Lettera dell'Ispettorato del Credito in data 14/9/1938 XVI n.17475, indirizzata al Ministero dell'Agricoltura

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Links between branches. Increase of relations and care of same.

66 - 30/9 - O.S. - COLLEGAMENTO FRA FILIALI - INCREMENTO DELLE
(Svil) RELAZIONI E LORO VIGILANZA - Notifiche alla
Direzione Generale

67 - 10/10 - S.G. - PERSONALE - Frequenza ai corsi premilitari

68 - 18/10 - O.S. - SERVIZI DI TESORERIA E DI CASSA - "Cassa inter-
(Org) confederale prodotti alimentari - Roma" - as-
sunzione del servizio e modalità di esecuzione -
"mod.O.3 S.F."
1473

69 - 22/10 - O.S. - ARGOMENTI VARI
(Org) - ANTICIPAZIONI SU RENDITA 5% - Decreto 9/9/1938
del Ministero delle Finanze
- FINANZIAMENTO AMMASSI - Circolare n.26 del
18/10/1938 della Confederbanc relativa al "Con-
teggio degli interessi attivi e passivi"

70 - 22/10 - C.A. - RIFORMA DELLA NATURA E DELL'ORDINAMENTO DEI
CONSORZI AGRARI - R.D.L.5/9/1938 n.1593 - gazz.
uff. 18/10/1938
- UNIFICAZIONE DEGLI ENTI ECONOMICI PROVINCIALI
NEL CAMPO DELL'AGRICOLTURA - Legge 16/6/1938
n.1008 - gazz.uff. 21/6/1938

71 - 24/10 - O.S. - CHIUSURA DI DIPENDENZE DELLA BANCA - Elenco
(Org) delle dipendenze da chiudersi in esecuzione del-
le decisioni dell'On. Comitato dei Ministri del
4/7/1938 XVI

72 - 26/10 - O.S. - GIORNATA DEL RISPARMIO (31 OTTOBRE XVII)
(Svil) Distribuzione di calendari - propaganda

73 - 29/10 - C.A. - DISPOSIZIONI CONCERNENTI LA VENDITA DEI CRUSCA-
MI DA PARTE DELL'INDUSTRIA MOLITORIA - Decreto
interministeriale 13/10/1938 XVI - gazz.uff.
14/10/1938 XVI

74 - 2/11 - S.G. - ECONOMATO - "Mod.1 Econ." - Richiesta stampati
per il primo semestre 1939 - variazioni (1 no-
vembre 1938) al catalogo degli stampati edi-
zione 1 maggio 1938 XVI

75 - 2/11 - Isp. - SOFFERENZE - Esame delle posizioni da sottopor-
si al Comitato Esecutivo per il passaggio a
perdita

76 - 5/11 - Isp. - SOFFERENZE - Istruzioni complementari alla let-

67 - 10/10 - S.G. - <u>PERSONALE</u> - Frequenza ai corsi premilitari

68 - 18/10 - O.S. (Org) - <u>SERVIZI DI TESORERIA E DI CASSA</u> - "Cassa/inter-confederale prodotti alimentari - Roma" - assunzione del servizio e modalità di esecuzione - "mod.O.3 S.F." 1/7

69 - 22/10 - O.S. (Org) - <u>ARGOMENTI VARI</u>
- <u>ANTICIPAZIONI SU RENDITA 5%</u> - Decreto 9/9/1938 del Ministero delle Finanze
- <u>FINANZIAMENTO AMMASSI</u> - Circolare n.26 del 18/10/1938 della Confederbanc relativa al "<u>Conteggio degli interessi attivi e passivi</u>"

70 - 22/10 - C.A. - <u>RIFORMA DELLA NATURA E DELL'ORDINAMENTO DEI CONSORZI AGRARI</u> - R.D.L.5/9/1938 n.1593 - gazz. uff. 18/10/1938
- <u>UNIFICAZIONE DEGLI ENTI ECONOMICI PROVINCIALI NEL CAMPO DELL'AGRICOLTURA</u> - Legge 16/6/1938 n.1008 - gazz.uff. 21/6/1938

71 - 24/10 - O.S. (Org) - <u>CHIUSURA DI DIPENDENZE DELLA BANCA</u> - Elenco delle dipendenze da chiudersi in esecuzione delle decisioni dell'On. Comitato dei Ministri del 4/7/1938 XVI

72 - 26/10 - O.S. (Svil) - <u>GIORNATA DEL RISPARMIO (31 OTTOBRE XVII)</u> Distribuzione di calendari - propaganda

73 - 29/10 - C.A. - <u>DISPOSIZIONI CONCERNENDI LA VENDITA DEI CRUSCAMI DA PARTE DELL'INDUSTRIA MOLITORIA</u> - Decreto interministeriale 13/10/1938 XVI - gazz.uff. 14/10/1938 XVI

74 - 2/11 - S.G. - <u>ECONOMATO</u> - "Mod.1 Econ." - Richiesta stampati per il primo semestre 1939 - variazioni (1 novembre 1938) al catalogo degli stampati edizione 1 maggio 1938 XVI

75 - 2/11 - Isp. - <u>SOFFERENZE</u> - Esame delle posizioni da sottoporsi al Comitato Esecutivo per il passaggio a perdita

76 - 5/11 - Isp. - <u>SOFFERENZE</u> - Istruzioni complementari alla lettera circolare n.75

77 - 7/11 - O.S. (Org) - <u>ASSEGNI CIRCOLARI DEL CREDITO ITALIANO</u> (on ? by banks) Denuncia di assegno falsificato

Denunciation of counterfeit "assegno".

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78 - 16/11 - O.S. (Svil) - PRESTITO REDIMIBILE 3,50% - Elenco dei premi non ancora riscossi

79 - 17/11 - O.S. (Svil) - LOTTERIA NAZIONALE "E.42" - Autorizzazione e norme per la vendita dei biglietti

Branch at 147: !!

80 - 17/11 - O.S. (Org) - FILIALE DI ADDIS ABEBA
Inizio del funzionamento  Beginning of operations

81 - 24/11 - O.S. (Org) - RACCOLTA DI DEPOSITI MEDIANTE CASSETTE SALVADANAI - Norme e modalità per la distribuzione delle cassette alla clientela

82 - 29/11 - O.S. (Org) - REGOLAMENTO DEI SERVIZI
CAPITOLO "UFFICIO RISCONTRO"
- TITOLO VI - paragrafo "Rifornimento dei libretti di assegni" - Richiamo all'osservanza delle disposizioni
- TITOLO VI - parag. "Ricevute U.R. 5 bis"
Carico e scarico su apposito registro

Loans on merchandise

83 - 2/12 - C.O. - ANTICIPAZIONI SU MERCI - Indicazione degli elementi di giudizio per l'esame delle proposte di fido per anticipazioni su merci

84 - 2/12 - S.G. - ABBONAMENTI PER L'ANNO 1939 - Segnalazione all'Ufficio Studi

85 - 2/12 - O.S. (Svil) - LOTTERIA NAZIONALE "E 42" - Norme integrative alla lettera circolare n.79

86 - 10/12 - S.G. - PERSONALE - Revisione delle liste elettorali politiche

87 - 16/12 - O.S. (Svil) - REALE AUTOMOBILE CLUB D'ITALIA (R.A.C.I.)  collection of taxes on circulation of auto-vehicles
R.D.L. 29/7/1938 XVI relativo alla riscossione delle tasse di circolazione sugli autoveicoli industriali e sui rimorchi

Credit Consortium for Public Works

88 - 17/12 - O.S. (Svil) - CONSORZIO DI CREDITO PER LE OPERE PUBBLICHE
Emissione del prestito obbligazionario Serie Speciale "Città di Roma" - norme per la sottoscrizione
Issue of bonds "City of Rome"

89 - 19/12 - O.S. (Org) - AMMASSI GRANO - Valute da applicare sugli importi pagati ai conferenti grano agli ammassi

90 - 21/12 - C.A. - FINANZIAMENTO CRUSCAMI E CONSORZI AGRARI - Misura dei tassi debitore e creditore

91 - 21/12 - S.G. - PERSONALE - Contributo assistenza invernale per l'anno XVII

92 - 22/12 - O.S. (Org) - CHIUSURA DI DIPENDENZE DELLA BANCA - Agenzie di Pescia e di Corigliano Calabro

93 - 23/12 - S.G. - PERSONALE - Contributo assistenza invernale per l'anno XVII - precisazioni alla lettera circolare n.91 147

Sojourn tax - Service of collection

94 - 24/12 - O.S. (Svil) - IMPOSTA DI SOGGIORNO - Servizio di riscossione unitaria - misura degli aggi di riscossione riservati alle Dipendenze

95 - 31/12 - R.G. - BILANCIO DELL'ESERCIZIO 1938 - Richiamo all'osservanza delle norme in vigore relative alla compilazione
- TERMINI per l'invio dei moduli "a vecchio" e degli allegati contabili e statistici

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1 - 5/1 - C.P. - PERIZIE SU NATANTI - Istruzioni per i periti scelti dalle Dipendenze

2 - 5/1 - S.G. - INQUADRAMENTO SINDACALE - Decreto di S.E. il Ministro delle Corporazioni del 23/10/1937 XV

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4 - 20/1 - S.G. - PERSONALE - Diarie

5 - 2/2 - O.S. (Svil) - FILIALI IN A.O.I. - Elenco delle condizioni da applicarsi nei riguardi della clientela
- SOCIETA' NAZIONALE D'ETIOPIA - ADDIS ABEBA Elenco delle condizioni che regolano i rapporti con la Banca
- ALTRE PIAZZE BANCABILI DELL'IMPERO

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7 - 19/2 - S.G. - PERSONALE - Istituzione di una addizionale a favore degli Enti Comunali di Assistenza R.D.L. 30/11/1937 XVI n.2145

8 - 19/2 - O.S. (Svil) - FEDERAZIONE NAZIONALE FASCISTA ALBERGHI E TURISMO (F.N.F.A.T.) - Servizio pagamento "buoni albergo" - istruzioni e modalità relative

Loans for payment of extraordinary corporation capital tax.

9 - 2/3 - C.S. - OPERAZIONI DI PRESTITO PER IL PAGAMENTO DELL'IMPOSTA STRAORDINARIA SUL CAPITALE DELLE SOCIETA' PER AZIONI - Precisazione della data entro la quale le Società potranno pagare l'intera imposta straordinaria

10 - 7/3 - S.G. - PERSONALE - Trattamento di famiglia - assegno per la moglie - assegni per i figli

11 - 9/3 - U.L. - CESSIONE DI CREDITI - Norme integrative alla circolare n.9 del 15 febbraio 1937

12 - 14/3 - C.P. - ASSICURAZIONE NATANTI - Condizioni praticate dalla Società Reale Mutua di Assicurazione di Torino

13 - 18/3 - S.G. - PERSONALE - Trattamento di famiglia - nuova ristampa del "mod. pers. 13"

14 - 25/3 - Isp. - ASSICURAZIONE FURTO CON ISCASSO - Segnalazione di inizio di lavori murari, di restauro, di trasformazione, di ampliamento e di sistemazio-

4 - 20/1 - S.G. - PERSONALE - Diarie

5 - 2/2 - O.S. (Svil) - FILIALI IN A.O.I. - Elenco delle condizioni da applicarsi nei riguardi della clientela
- SOCIETA' NAZIONALE D'ETIOPIA - ADDIS ABEBA
Elenco delle condizioni che regolano i rapporti con la Banca
- ALTRE PIAZZE BANCABILI DELL'IMPERO

Rules for use of trust certificates for exportation in "Clearing"!

6 - 16/2 - C.O. - MODALITA' DI UTILIZZO DEI FIDI PER L'ESPORTAZIONE IN CLEARING

7 - 19/2 - S.G. - PERSONALE - Istituzione di una addizionale a favore degli Enti Comunali di Assistenza R.D.L. 30/11/1937 XVI n.2145

8 - 19/2 - O.S. (Svil) - FEDERAZIONE NAZIONALE FASCISTA ALBERGHI E TURISMO (F.N.F.A.T.) - Servizio pagamento "buoni albergo" - istruzioni e modalità relative

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14 - 25/3 - Isp. - ASSICURAZIONE FURTO CON ISCASSO - Segnalazione di inizio di lavori murari, di restauro, di trasformazione, di ampliamento e di sistemazione degli uffici delle Dipendenze

15 - 26/3 - C.S. (Svil) - CONDIZIONI PER LE OPERAZIONI DA ESEGUIRSI IN A.O.I.
- SOCIETA' NAZIONALE DI ETIOPIA
- FILIALI IN A.O.I.
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| 16 - 31/3 | - O.S. - (Svil) | | BANCA POPOLARE COOPERATIVA ANONIMA DI NOVARA Condizioni reciproche di incasso Reciprocal collection conditions. |
| 17 - 31/3 | - S.G. - | | PERSONALE - Modificazioni all'elenco dei gradi e qualifiche stabilite nell'art.3 del Regolamento per il personale - assegni annui - riduzione delle aliquote dei contributi della Banca e del personale al Fondo di previdenza 1400 |
| 18 - 2/4 | - C.P. - | | ASSICURAZIONE SU NATANTI - Elenco delle condizioni praticate dall'Amministrazione Ernesto Brichetto "Assicurazioni e riassicurazioni" Viale Manzoni 40, Milano |
| 19 - 4/4 | - Isp. - | | Insurance on air transport. ASSICURAZIONE TRASPORTI A MEZZO AEREO - Condizioni della polizza generale aeronautica numero 13790 Conditions of general policy no. — |
| 20 - 14/4 | - R.G. - | | ASSEGNI CIRCOLARI - Norme integrative alla lettera circolare n.7 del 3/2/1938, per la emissione dell'assegno circolare del taglio fino a L.1.000 - compilazione della distinta di emissione A.C.5 b) |
| 21 - 15/4 | - O.S. - (Svil) | | ENTE NAZIONALE FASCISTA DI PREVIDENZA "UMBERTO I" PER I SALARIATI DELLO STATO - Istruzioni relative al servizio di tesoreria |
| 22 - 19/4 | - S.G. - | | PERSONALE - Abolizione del "Lei" nei rapporti interni e con il pubblico |
| 23 - 28/4 | - S.G. - | | PERSONALE - Norme e limitazioni sull'uso dell'automobile |
| 24 - 10/6 | - U.L. - | | CANCELLAZIONE DI ISCRIZIONI E DI TRASCRIZIONI Precisazioni relative alla richiesta di cancellazione di ipoteche, precetti, privilegi agrari ecc. |
| 25 - 13/6 | - O.S. - (Svil) | | CONDIZIONI E NORME PER LE OPERAZIONI ED I SERVIZI DI BANCA |
| | | - | FEDERAZIONE NAZIONALE FASCISTA ALBERGHI E TURISMO (F.N.F.A.T.) - Condizioni minime da applicarsi per il rimborso "Buoni albergo" |
| 26 - 14/6 | - U.L. - | | CESSIONE DI CREDITI VERSO PIU' AMMINISTRAZIONI STATALI - Richiamo all'osservanza delle dispo- |

Brichetto "Assicurazioni e riassicurazioni"
Viale Manzoni 40, Milano

Insurance on air transport.

19 - 4/4 - Isp. - <u>ASSICURAZIONE TRASPORTI A MEZZO AEREO</u> - Condizioni della polizza generale aeronautica numero 13790 Condition of general policy no.

20 - 14/4 - R.G. - <u>ASSEGNI CIRCOLARI</u> - Norme integrative alla lettera circolare n.7 del 3/2/1938, per la emissione dell'assegno circolare del taglio fino a L.1.000 - compilazione della distinta di emissione A.C.5 b)

21 - 15/4 - O.S. (Svil) - <u>ENTE NAZIONALE FASCISTA DI PREVIDENZA "UMBERTO I" PER I SALARIATI DELLO STATO</u> - Istruzioni relative al servizio di tesoreria

22 - 19/4 - S.G. - <u>PERSONALE</u> - Abolizione del "Lei" nei rapporti interni e con il pubblico

23 - 28/4 - S.G. - <u>PERSONALE</u> - Norme e limitazioni sull'uso dell'automobile

24 - 10/6 - U.L. - <u>CANCELLAZIONE DI ISCRIZIONI E DI TRASCRIZIONI</u> Precisazioni relative alla richiesta di cancellazione di ipoteche, precetti, privilegi agrari ecc.

25 - 13/6 - O.S. (Svil) - <u>CONDIZIONI E NORME PER LE OPERAZIONI ED I SERVIZI DI BANCA</u>
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26 - 14/6 - U.L. - <u>CESSIONE DI CREDITI VERSO PIU' AMMINISTRAZIONI STATALI</u> - Richiamo all'osservanza delle disposizioni di cui all'art.70 della legge sulla contabilità di Stato (R.D. 18/11/1923 n.2440)

27 - 17/6 - S.G. - <u>PERSONALE</u> - Assenze per malattia.

28 - 22/6 - U.L. - <u>AMMASSI GRANARI</u> - Modalità per la notifica dei diritti creditorii sul grano conferito agli ammassi

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| 29 - 22/6 | - O.S. - (Svil) | ASSEGNI CIRCOLARI - Richiamo ad alcuni provvedimenti emanati dai Ministeri delle Forze armate<br>- MINISTERO DELLA GUERRA War<br>- MINISTERO DELLA MARINA Navy<br>- MINISTERO DELLA AERONAUTICA Air<br>- COMANDO MILIZIA NAZIONALE FORESTALE National Forest Militia | |
| 30 - 30/6 | - O.S. - (Svil) | OPERA NAZIONALE DOPOLAVORO (O.N.D.) - Servizi di tesoreria - istruzioni inerenti al provvedimento di S.E. il Segretario del P.N.F. in ordine all'esercizio finanziario dei Dopolavoro provinciali | 1567 |
| 31 - 1/7 | - C.P. - | GARANZIA IPOTECARIA SU NATANTI - Precisazioni in ordine all'efficacia della garanzia | |
| 32 - 1/7 | - C.P. - | PERIZIE SU NATANTI - Norme integrative alla circolare n.1 - criteri di massima cui debbono improntarsi le perizie su natanti<br>- ASSISTENZA CONTINUATIVA E VISITE DI CONTROLLO - Criteri sulla vigilanza dei natanti gravati da ipoteca a favore della Banca | |
| 33 - 2/7 | - S.G. - | ISPETTORATO PER LA DIFESA DEL RISPARMIO E L'ESERCIZIO DEL CREDITO - Orario di sportello e di ufficio dal 4 luglio al 30 settembre 1938 | |
| 34 - 9/7 | - S.G. - | PERSONALE - Orario di lavoro dei commessi | |
| 35 - 14/7 | - S.G. - | PERSONALE - Assegni familiari - esenzione dalla R.M. cat.C/2 | |
| 36 - 15/7 | - S.G. - | PERSONALE - Regolamento per il personale e per il trattamento di previdenza e quiescenza - norme integrative alla circolare n.17 | |
| 37 - 20/7 | - S.G. - | UFFICIO DI ADDIS ABEBA - Istituzione allo scopo di curare la sorveglianza e la liquidazione degli affari in corso | |
| 38 - 30/7 | - O.S. - (Svil) | FEDERAZIONE NAZIONALE FASCISTA INDUSTRIALI MUGNAI, PASTAI, RISIERI E TREBBIATORI (FEDEMUPARITRE) - ROMA - Servizio rifornimento grano ai mulini - istruzioni e modalità relative | |
| 39 - 12/8 | - S.G. - | UFFICIO DI ADDIS ABEBA - Indirizzo della corrispondenza | |

provinciali

31 - 1/7 - C.P. - GARANZIA IPOTECARIA SU NATANTI - Precisazioni in ordine all'efficacia della garanzia

32 - 1/7 - C.P. - PERIZIE SU NATANTI - Norme integrative alla circolare n.1 - criteri di massima cui debbono improntarsi le perizie su natanti
- ASSISTENZA CONTINUATIVA E VISITE DI CONTROLLO - Criteri sulla vigilanza dei natanti gravati da ipoteca a favore della Banca

33 - 2/7 - S.G. - ISPETTORATO PER LA DIFESA DEL RISPARMIO E L'ESERCIZIO DEL CREDITO - Orario di sportello e di ufficio dal 4 luglio al 30 settembre 1938

34 - 9/7 - S.G. - PERSONALE - Orario di lavoro dei commessi

35 - 14/7 - S.G. - PERSONALE - Assegni familiari - esenzione dalla R.M. cat.C/2

36 - 15/7 - S.G. - PERSONALE - Regolamento per il personale e per il trattamento di previdenza e quiescenza - norme integrative alla circolare n.17

37 - 20/7 - S.G. - UFFICIO DI ADDIS ABEBA - Istituzione allo scopo di curare la sorveglianza e la liquidazione degli affari in corso

38 - 30/7 - O.S. (Svil) - FEDERAZIONE NAZIONALE FASCISTA INDUSTRIALI MUGNAI, PASTAI, RISIERI E TREBBIATORI (FEDEMUPARITRE) - ROMA - Servizio rifornimento grano ai mulini - istruzioni e modalità relative

39 - 12/8 - S.G. - UFFICIO DI ADDIS ABEBA - Indirizzo della corrispondenza

40 - 12/8 - S.G. - PERSONALE - Orario di lavoro dei commessi - chiarimenti alle istruzioni diramate con circolare n.34

41 - 17/8 - O.S. (Svil) - ENTE NAZIONALE FASCISTA DI PREVID."UMBERTO I" PER I SALARIATI DELLO STATO -Servizio di cassa - istruzioni complementari alla circolare n.21 - apertura del "conto prestiti"

42 - 7/9 - S.G. - PERSONALE - Abolizione del "Lei" - richiamo all'osservanza delle disposizioni diramate con la circolare n.22

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43 - 21/9 - S.G. - SEZIONE AUTONOMA PER L'ESERCIZIO DEL CREDITO ALBERGHIERO E TURISTICO (S.A.C.A.T.) Costituzione - scopi - modalità per la trattazione e l'istruttoria delle domande di mutuo

Wholesale fish markets - New rules for

44 - 3/10 - C.F. - MERCATI ALL'INGROSSO DEL PESCE - Nuove norme per la disciplina dei mercati (Legge 12/7/38 n.1487) "discipline" of markets 1265

45 - 10/10 - O.S. (Svil) - COMITATO OLIMPICO NAZIONALE ITALIANO (C.O.N.I.) Servizi di tesoreria
- FEDERAZIONE ITALIANA GIOCO CALCIO (F.I.G.C.) Modalità di esecuzione del servizio di tesoreria

46 - 11/10 - S.G. - PERSONALE - Assicurazioni sociali obbligatorie contro la tubercolosi e la disoccupazione

Development of banking activity in the field of hotels + tourism

47 - 12/10 - O.S. (Svil) - SVILUPPO DELL'ATTIVITA' BANCARIA NEL CAMPO ALBERGHIERO E TURISTICO - Direttive in relazione alla costituzione della S.A.C.A.T.

48 - 13/10 - S.G. - PERSONALE - Corresponsione dei contributi sindacali obbligatori per l'anno 1938

49 - 14/10 - S.G. - PERSONALE - Tutela del personale femminile durante lo stato di gravidanza e di puerperio

50 - 19/10 - O.S. (Svil) - FEDERAZIONE NAZIONALE FASCISTA DEGLI INDUSTRIALI MUGNAI, PASTAI, RISIERI E TREBBIATORI (FEDEMUPARITRE) - Servizio rifornimento grano ai mugnai - norme integrative alla circolare n.38

51 - 31/10 - S.G. - PERSONALE - Richiamo all'osservanza delle disposizioni regolamentari relative all'obbligo di presentazione per via gerarchica di qualsiasi istanza o reclamo

52 - 31/10 - S.G. - FIRMA DELLA CORRISPONDENZA - Richiamo all'osservanza delle disposizioni regolamentari vigenti circa l'apposizione delle firme

53 - 3/11 - O.S. (Svil) - CONDIZIONI DI INCASSO E DI CORRISPONDENZA PER L'A.O.I. - Elenco delle nuove condizioni relative alle operazioni da svolgersi in A.O.I.
- RAPPORTI TRA FILIALI IN A.O.I. E FILIALI DEL REGNO - Nuovo elenco delle condizioni da applicarsi nei riguardi dei clienti e dei Corrispondenti per operazioni ricevute in Eritrea da e-

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- RAPPORTI CON LA BANCA D'ITALIA - In vigore dal 15 novembre 1938 XVII
- RAPPORTI COL BANCO DI ROMA - Decadimento dei rapporti in corso (ad esclusione delle piazze servite esclusivamente dal Banco di Roma) e nuove condizioni

Italian Securities Institute — Collaboration

54 - 10/11 - O.S. (Svil) - ISTITUTO MOBILIARE ITALIANO - Collaborazione all'attività dell'I.M.I.

with the activities of I.M.I.

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55 - 7/12 - O.S. (Svil) - TARIFFA GENERALE D'INCASSO - Nuova edizione novembre 1938 XVII

56 - 19/12 - S.G. - PERSONALE - Pagamento della tredicesima mensilità

57 - 19/12 - S.G. - PERSONALE - Dichiarazione annuale degli stipendi e assegni soggetti a rivalsa di R.M.

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58 - 19/12 - O.S. (Svil) - IMPOSTA DI SOGGIORNO - Servizio di riscossione unitaria - istruzioni e modalità relative

New charter of the Bank

59 - 23/12 - S.G. - NUOVO STATUTO DELLA BANCA - Pubblicato sulla Gazzetta Ufficiale n.196 del 29/8/1938 XVI

60 - 24/12 - O.S. (Svil) - REALE AUTOMOBILE CLUB D'ITALIA (R.A.C.I.) Norme per la riscossione delle tasse di circolazione sugli autoveicoli industriali e sui rimorchi - R.D.L. 29/7/1938 XVI n.1121 - R.D.L. 24/11/1938 XVII in corso di pubblicazione

Accounts with branches. Interest rates in force Jan. 1/39

61 - 31/12 - R.G. - CONTO CORRENTE FILIALI - Misura del tasso di interesse in vigore dal 1 gennaio 1939 XVII

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Col. Grafftey-Smith (10)

**MOST SECRET.**

1/7/43. 7926



## Statistical note on Italian Postal Savings.

1. Postal savings in Italy increased from 11.7 milliard in 1929 to 37 milliard in 1940 and to an estimated 47 milliard in 1942, divided between bonds and deposits as shown in table 1.

Table 1. Italian Postal Savings: Total and by categories
(in millions lire)

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| Year end | Total | In Bonds | In Deposits. [1] |
|---|---|---|---|
| 1929 | 11,774 | N.A. | N.A. |
| 1932 | 17,026 | N.A. | N.A. |
| 1936 | [illegible] | 13,836 | 7,473 |
| 1938 | 29,233 | 20,665 | 8,568 |
| 1939 | 32,008 | 23,766 | 8,242 |
| 1940 | 37,074 | 28,288 [2] | 8,776 [2] |
| 1942 | 47,000 [2] | 38,000 [2] | 9,000 [2] |

[1] Includes very small judicial and charitable deposits.
[2] Estimated.

For comparison, it may be noted that savings deposits in ordinary banks decreased from a peak of 19 milliard in 1937 to 18.5 milliard in 1939. Later figures are not available.

2. Postal savings in Horrified amount to about 7 per cent of the Italian total. The following table gives statistics and estimates of Horrified postal savings for four recent years. As can be seen, it is estimated that the total savings in 1942 amounted to 3.2 milliard, about 87 per cent of which were in the form of bonds and 13 per cent in the form of book deposts.

Table 2. Horrified Postal Savings: Total and by Categories
(in millions of lire)

| Year end | Deposits on nominative and bearer books [1] | Postal bonds | Total. |
|---|---|---|---|
| 1938 | 472 | 1,527 | 1,999 |
| 1939 | 429 | 1,759 | 2,188 |
| 1940 | 393 [2] | 2,175 [2] | 2,568 [2] |
| 1942 | 416 [2] | 2,784 [2] | 3,200 [2] |

[1] Includes about 4 per cent of judicial and charitable deposits.
[2] Estimated.



3. Postal savings deposits had decreased slightly in 1939, as can be seen in both tables. However, in view of the known and estimated considerable increase in total postal savings during the war years, it seems reasonable to assume that there was a moderate reversal of that downward trend in book deposits. Nevertheless, it should be observed that postal savings in [illegible] increasingly in the form of postal bonds rather

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4. Table 3 gives estimates of the total movement of postal savings in Horrified. It may be noted that the total number of individual transactions ran close to 1 million a year in 1938 and 1939.

Table 3. Horrified Postal Savings: Total movement [1]

| Year | In payments: Number | In payments: Amount | Out payments: Number | Out payments: Amount | Year-end total deposits and bonds. |
|---|---|---|---|---|---|
| | (000) | (000,000) | (000) | (000,000) | (000,000) |
| 1938 | 436 | 626 | 396 | 372 | 1,999 |
| 1939 | 462 | 606 | 413 | 417 | 2,188 |
| 1940 | [2] | 809 | [2] | 429 | 2,568 |
| 1942 | [2] | 1127 | [2] | 495 | 3,200 |

1 All fi[illegible]res are estimates except the yea[illegible] end totals for 1938 and 1939. The estimates are based largely on statistics for Italy as a whole.

2 No estimate made.

5. Postal savings bonds are issued in denominations of lire 100, 500, 1,000, 5,000 and larger. In 1939, for all Italy, the total number of bonds issued and redeemed were distributed among the various denominations in the following percentages:-

| Denominations. Lire. | Issued % | Redeemed. % |
|---|---|---|
| 100 | 18 | 20 |
| 500 | 22 | 23 |
| 1000 | 44 | 44 |
| 5000 and over. | 16 | 13 |
| Total | 100 | 100 |

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There is some evidence indicating that the bonds are sold on a discount basis, but the information is fragmentary

F.A.SOUTHARD, JR.
Lt. U.S.N.R.

Lt. Col Maxwell
Lt. Col Spottod
may care to see
and allocate

C O P Y.

ITALY.

EMIGRATION.

1. Overseas.

Emigration has been one of the main factors in Italian economy since the foundation of the Kingdom and will inevitably be part of the problem of reconstruction. Without natural wealth, the rise of the Italian standard of living, from little above serfdom to a healthy peasant condition and in more recent years to the standard of a partly industrialised country, was largely made possible by the remittances of Italy's emigrant workers as a necessary addition to her foreign income. Even in these war years Italy's chief import, coal, has been paid by the returns from her "human exports". Remittances from Germany were estimated as being received at the annual rate of 2.5 milliard lire in April 1942.

In the peak years of the early twenties, with a favourable rate of exchange, remittances from overseas were nearly double the amount squeezed out of the Germans. In the thirties overseas' remittances dwindled to a few hundred million.

Various artificial causes have determined the variations in the annual value of emigrant remittances, particularly in recent years, but fundamentally the amount varies with the outflow of emigration itself. The rising curve of emigration is roughly followed, at a year's distance, by that of remittances in the early years of the century when both had comparatively free play.

In those thirteen years the numbers of overseas emigrants varied considerably from year to year, but over the whole period they showed an increase from 200,000 in the first years of the century to 560,000 in 1913, or 64% of the total emigration of the world. After the war, overseas emigration was rapidly resumed and reached about 400,000 in the first complete year. It was only checked when the first United States restrictions on immigration were imposed in 1921. These reduced it at once to one quarter of the preceding year but the figure nearly doubled again in 1924, owing to a temporary relaxation of the restrictions. The American Immigration Act of 1924 finally brought it to a standstill; in that year only 100,000 left Italy for overseas countries and in the next few years this figure was halved.

2. Colonial Emigration.

The official Italian figures for emigrants in Italian East Africa at the end of 1938 were 199,382, in which year their remittances were 1.5 milliard lire, 1 milliard less than the preceding year. The number of settlers proceeding to Italian North Africa have been, from the point of view of emigration, negligible.

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## 3. Continental.

The emigration of workers to continental countries, largely seasonal, rose from 150,000 to 300,000 in the first thirteen years of the century. It received some impetus from the American restrictions after the war, touching nearly 250,000 in 1924. Fascist restrictions began to take effect from that date and were only relaxed in the years of economic depression; more than 200,000 workers were permitted to leave the country in 1930 - and in the circumstances it is not surprising that the repatriation figures do not show the usual corresponding rise in the following years but, in fact, continue to decline.

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4. War/

4. War-time Emigration.

The only emigration during the war has been the controlled supply of workers to Germany. On the basis of the figures furnished by the F.O. Research Department giving the number of Italian workers actually in Germany during the years 1938-1942, it is possible to calculate the net exodus from Italy. In the first year 30,000 left the country and in the following years 20,000, 100,000, 150,000 and 100,000. Thus, even under the pressure of German demands and Fascist compliance, the number of migrant Italian workers in Europe was only half of that which was registered under free conditions and less than 75% of the number released from Italy in 1930. The financial return per head of "exports" was, however, greater than under free conditions; about one quarter of the number of emigrant workers remitted about one half of the amount received from those who went overseas in the free years.

5. Post-war.

A considerable accumulation of Italian savings in America is awaiting transfer to Italy. But once the remittance of accumulations has been effected, any continuation of remittances on a helpful scale will depend upon the resumption of emigration. The human material is not likely to be lacking, even if war again has an effect upon Italian birth rate similar to that of the last war, when the rate fell from 30% to 18% in three years, or in actual numbers from 1,109,183 in 1914 to 655,353 in 1917. Nor is it expected that Fascist propaganda and awards will have much effect since even under the most favourable conditions the birth rate fell in spite of them from 31% at the beginning of the regime to 22.4% in 1936.

But Italy will inevitably be reduced to a peasant standard of living for some years after the war, and this will stimulate emigration apart from other factors. How soon the standard of living of the country can be raised even to that of pre-Fascist days will largely depend upon the freedom to exploit the capacity for emigration and the opportunity to restore the tourist industry, another necessary adjunct to whatever foreign income Italy may obtain from other sources.

Bank of England.
Overseas & Foreign Office.
4th June, 1943.

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## OCCUPIED TERRITORY ADMINISTRATION

### Notes for the Guidance of Sub - Accountants.

These notes are issued by way of explanation of some of the terms used in our system of accounts, and to explain briefly and simply a few of the points that may seem strange to those accustomed to the normal double-entry system of accounts.

These notes are in amplification of the publication "Notes on Accounting Procedure" and do not in any way supersede those instructions.

2. The system of accounts operated by O.T.A. is the same as that used throughout the Colonial Service for many years. So far as Sub-Accountants are concerned this system is based on Cash Book entries only, and subsidiary books of account like day books and journals are not kept by Sub-Accountants. The only transactions that are recorded are cash receipts or cash payments. It is obviously, therefore, extremely important that the cash book and supporting vouchers should show as much information as possible regarding each entry of receipt and payment.

3. The following paragraphs give a few definitions of terms generally used, and a few notes on accounting procedure:

(a) A Sub-Accountant is an officer who is entrusted with the receipt, custody and disbursement of public money and who is required to keep a cash book reflecting all receipts and payments and to submit a copy of that with supporting vouchers etc. to Headquarters monthly, so that those transactions can be embodied in the Headquarters accounts.

(b) A Collector of Revenue is an official entrusted with the collection of certain revenue, which he must pay in regularly in full to a Sub-Accountant. He has no authority to make payments and may not make disbursements out of the revenue he has collected.

(c) An Imprest Holder is an officer who is entrusted with a fixed sum of money to make payments for a stated and specific purpose. He may only use that money for the purposes stated and has to account for it to a Sub-Accountant at regular intervals. Unless the Imprest is to be "retired" (i.e. withdrawn) then on production of vouchers to the Sub-Accountant the Imprest will be replenished by cash to the extent of the paid vouchers produced thus bringing the Imprest up to the original amount. Thus an Imprest Holder

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4. Revenue and Expenditure. A Sub-accountant will normally be given a list of the various heads and subheads to which he is to classify all revenue and expenditure; later when the administration of the territory is stabilised, Estimates will be prepared. At the first stages of occupation, however, Sub-Accountants will not be expected to classify all Revenue and Expenditure. It will suffice if they are most careful to ensure that all vouchers and the cash book contain sufficient information to enable anyone at Headquarters who knows nothing about the transaction, to understand exactly what it is and how it should be allocated.

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5. "Below the Line"Accounts. This is the general name used to describe the accounts that reflect cash balances and personal and suspense accounts as distinct from final revenue and expenditure. The title "Below the Line" is derived from the fact that in the final classified statement of all Receipts and Payments, as prepared at Headquarters, a line is drawn across the page after the entries for final revenue and expenditure, all entries below this line representing cash balances and personal and suspense accounts only.

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Every Sub-Accountant must learn to understand the various accounts under this grouping. They are as follows:-

(a) Remittances between Chests. This is the term used to describe all transfers of specie from one Sub-Accountant to another, or from Headquarters to a Sub-Accountant. It includes replenishment of a Sub-Accountant's bank account from Headquarters or remittance of cheques to Headquarters for collection. The idea is that the remittor shows the cash book payment entry and the voucher as "R.B.C.-Payee" and the payee makes out the receipt entry and voucher as "R.B.C. - remitter". Thus if Asmara send cash to Massawa, Asmara will record "R.B.C. - Massawa" while Massawa will show the receipt as "R.B.C. - Asmara". It will be realised that these two entries are connected up in the Headquarters accounts and act as contras to each other.

(b) Deposits. This denotes the suspense account that is opened when money other than normal revenue receipts comes into a sub-accountant's hand for payment to somebody else at a later date or for some special use at a later date. All money received by a Sub-Accountant by virtue of his office must be taken on charge in his cash book; if by the nature of it he cannot allocate it to revenue at once he may credit it to a deposit account. These accounts are usually personal accounts in someone's name. It is important that all subsequent payments from this deposit are classified on the voucher and in the cash book to the same account - "Deposits - so and so". Deposits may be classified under different heads, e.g. "Legal Deposits", being money paid into courts by litigants; "Deposits - such and such a Tribe or Village", being fines levied and collected from a Tribe or Village and held pending instructions for disposal.

(c) Advances. This is the general name of the suspense account used when money is paid out but is due to be recovered at a later date. These accounts, like deposit accounts, are usually in a personal name so as to connect up the contra entry on recovery of the advance.

All payments of advances should be allocated to "Advances - so and so". Recovery when effected later must be credited to the same account. The only variation of this is if the recovery is effected on a later payment voucher in the same month when the first voucher can be endorsed "recovered on voucher No. ". In that

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(b) Deposits. This denotes the suspense account that is opened when money other than normal revenue receipts comes into a sub-accountant's hand for payment to somebody else at a later date or for some special use at a later date. All money received by a Sub-Accountant by virtue of his office must be taken on charge in his cash book; if by the nature of it he cannot allocate it to revenue at once he may credit it to a deposit account. These accounts are usually personal accounts in someone's name. It is important that all subsequent payments from this deposit are classified on the voucher and in the cash book to the same account - "Deposits - so and so". Deposits may be classified under different heads, e.g. "Legal Deposits", being money paid into courts by litigants; "Deposits - such and such a Tribe or Village", being fines levied and collected from a Tribe or Village and held pending instructions for disposal.

(c) Advances. This is the general name of the suspense account used when money is paid out but is due to be recovered at a later date. These accounts, like deposit accounts, are usually in a personal name so as to connect up the contra entry on recovery of the advance.

All payments of advances should be allocated to "Advances - so and so". Recovery when effected later must be credited to the same account. The only variation of this is if the recovery is effected on a later payment voucher in the same month when the first voucher can be endorsed "recovered on voucher No. ". In that case the first voucher can be allocated to the expenditure vote and the net amount on the second voucher, after deduction of the recovery, will be similarly allocated.

If an advance is recovered in a later month the recovery must be shown as a revenue receipt in the cash book and be credited to "Advances".

(d) Drafts. Sometimes merchants or other individuals will pay in Cash to a Sub-Accountant for purchase of a draft that is payable to a specified individual at another district station. Money thus paid will be credited to "Drafts - such and such a station" (such and such being the name of the paying office on which the draft is drawn). The paying office will pay this and charge "Drafts - such and such a station" (this being the name of the station that issued the draft).

It will be seen that these two entries cancel each other in the Headquarters books.

6. Family Allotments. These are allotments made by employees of O.T.A. to their dependants and are recovered from the remitter by deduction on his salary, the deduction being credited to "Deposits - Family Allotments". A pay voucher which reflects such an allotment is allocated as follows: 1459

Dr. Personal Emoluments - gross pay.
Cr. Deposits, F.A. - allotments deducted.

The gross pay is entered in the cash book as a payment and the deduction as a receipt.

A Sub-Accountant paying a family allotment will debit "Deposits - Family Allotments". The Remitter's name must be clearly shown.

7. Personal Emoluments. These comprise all payments of salaries and wages excepting pay of casual labour employed on works or services for which separate provision exists in the Estimates, e.g. Repairs to Buildings, Upkeep of Roads, Street Cleaning etc. In these cases the pay of such labour is charged to the works vote.

8. Other Charges. All expenditure other than "Personal Emoluments" is debited to "Other Charges", which in turn is divided into various sub-heads, e.g. Transport and Travelling Rations, etc.

9. Stores Ledger. A Stores Ledger records the receipt and disposal of all Stores. Payment vouchers for the purchase of stores are endorsed "Certified taken on Stores Ledger Charge".

10. General. These are brief, rather elementary notes merely to help new officers and clerks to understand some of the terms they will come across. In any case of doubt as to procedure or detail, reference can always be made to the D.C.F.A. or Chief Accountant at Headquarters for guidance and instructions.

Controller of Finance & Accounts
OCCUPIED TERRITORY ADMINISTRATION

Political Branch,
GHQ., MEF.

receipt.

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OCCUPIED TERRITORY ADMINISTRATION

Political Branch,
GHQ., MEF.

---------

11th November, 1942

16/Abroad/1226 (F.1.)

Fue 6

THE WAR OFFICE,
LONDON, S.W. 1.
17th March, 1941.

AS AMENDED BY WAR OFFICE LETTER 16/ABD/1226 (F.1) of
25th November, 1941.

Sir,

1. You have been appointed Financial Officer for British Somaliland and Italian East Africa so long and insofar as they are occupied and administered by British forces. Your title will be Controller of Finance and Accounts, O.T.A., East Africa. 1458

2. For reasons of policy the administration of these territories will be a military one, and will be under the direction of the General Officer Commanding in Chief, East Africa, under whom officers will be appointed to carry on the administration.

3. Owing to the fact that this is a Military administration, the financial responsibility to Parliament will rest under the Secretary of State for War on the Permanent Under Secretary of State for War (the Accounting Officer for the War Office) whose representative you will be. The normal channel of communication regarding Italian East Africa and British Somaliland on financial and economic matters will be as heretofore directly with the Permanent Under Secretary of State for War by despatch or telegram to the War Office, but you will normally submit such communications as you make to the Chief Political Officer before despatch for any comments he may see fit to make. The Chief Political Officer will ensure that any communications which may affect G.H.Q. East Africa Command are brought to the attention of the Commander-in-Chief.

4. You will give the Chief Political Officer (representing the Commander-in-Chief) financial advice in connection with the administration of the territories, but such advice will not bind him nor relieve him of responsibility for any administrative action taken by him as the result of such advice. The advice of the Deputy Controllers of Finance and Accounts to the Military Governors in the separate administrations will be given on the same basis and you should inform them accordingly. It is understood that for local and practical reasons the Chief Political Officer has asked you, on personal grounds, to undertake certain administrative duties in the Occupied Territories Administration in addition to the financial duties specifically described in these letters. Your financial duties and responsibilities will nevertheless remain paramount and will not be regarded as restricted by any such local and personal arrangements whether these are temporary or continuing.

5. You will in conjunction with the Chief Political Officer be responsible through the medium of the subordinate finance officers in the separate administrative areas, for securing the revenue, for the general financial control and administration and for the accounting in those areas. Financial matters connected with the troops will fall outside your province.

[illegible] in Chief, East Africa, under whom officers will be appointed to carry on the administration.

3. Owing to the fact that this is a Military administration, the financial responsibility to Parliament will rest under the Secretary of State for War on the Permanent Under Secretary of State for War (the Accounting Officer for the War Office) whose representative you will be. The normal channel of communication regarding Italian East Africa and British Somaliland on financial and economic matters will be as heretofore directly with the Permanent Under Secretary of State for War by despatch or telegram to the War Office, but you will normally submit such communications as you make to the Chief Political Officer before despatch for any comments he may see fit to make. The Chief Political Officer will ensure that any communications which may affect G.H.Q. East Africa Command are brought to the attention of the Commander-in-Chief.

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5. You will in conjunction with the Chief Political Officer be responsible through the medium of the subordinate finance officers in the separate administrative areas, for securing the revenue, for the general financial control and administration and for the accounting in those areas. Financial matters connected with the troops will fall outside your province.

6. The general policy to be followed in the administration of occupied territories will be in accordance with Chapter XLV of the Manual of Military Law, and such further instructions as the Army Council may, from time to time, issue. It is assumed that the

Military/......

Military Governors will retain where possible the machinery of existing administrations and that this will include the collection of taxes, etc., due to the State and the methods of dealing with and accounting for the expenditure on the administration. The position in regard to Ethiopia is of course special and the general administrative policy, and in consequence your financial responsibilities, will be governed by any decision of His Majesty's Government as to the nature of the administration in Ethiopia and on which department the responsibility for carrying out the decisions rests.

1457

7. While it is necessary during such time as the administration is under military control to bring to account in the books of the War Office the net surplus or deficit on the various administrations it is nevertheless desired to keep the finances of the Occupied Territories distinct locally from the ordinary Army Accounts. Your account will not, therefore, be rendered like Army Accounts through the Command Paymaster and Financial Adviser, East Africa.

8. You should consider and work out with the Chief Political Officer an accounting system which will show (1) the whole of the receipts of each administration from all sources - cash, supplies and stores, including cash, stores and services obtained from any source and (2) how these are disposed of. The system should be such that while it will enable a budget for future requirements to be drawn up it will also lend itself to show at any time the financial position of any administration.

9. A report outlining the proposed scheme of financial administration including the proposed framework of the Accounts should be rendered to this office as early as possible. Further reports regarding the working of the scheme and other important financial matters should be sent thereafter on 30th September and at six monthly intervals after that date.

10. There will be no financial adjustment between Army Funds on the one hand and the various Occupied Territory Administrations on the other for issues and services rendered by the one to the other, except that all agency cash payments will be the subject of adjustment (see paragraph 11 below). But it is necessary to know what is the cost of the various Occupied Territory Administrations both in cash and in kind. Records will be maintained of all issues and services rendered by Occupied Territory Administrations to the Army; similarly all issues and services rendered by the Army to the Occupied Territory Administrations should be noted by you. A statement agreed between you and the Director of Military Audit, East Africa Command, should be sent to the War Office quarterly showing in the case of each Occupied Territory Administration the value in each Occupied Administration, the value in sterling (including Departmental expenses and freight) of all issues and services made to that Administration from Army sources and the value of any reciprocal issues and services rendered by the Occupied Territory Administration to the Army. The provisions of this paragraph will also apply to [illegible] Force, and the required statement should be agreed with

count will not, therefore, be rendered like Army Accounts through the Command Paymaster and Financial Adviser, East Africa.

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11./.........

11. The pay etc. of Occupied Territory Administrations personnel, both military and civil, will form a charge against the Occupied Territory Administration concerned. As regards military personnel, (whose pay will continue to be issued under Army arrangements) the War Office will calculate what amounts in respect of pay and allowances of officers and other ranks should be added by the War Office (as additional debits against Occupied Territory Administrations) to the statements rendered under paragraph 10. For this purpose you should forward to the War Office each month, a list showing the numbers of all Army personnel by paid ranks serving in Headquarters Occupied Territory Administration and each of the various administrations separately.

1450

Pay and allowances issued from Army sources to civil personnel will be recovered from the funds of the Occupied Territory Administration concerned. Similarly, any other agency cash payments made by Army Paymasters on behalf of Occupied Territory Administrations, will be subject of recovery from the Administration concerned and vice versa.

12. Any funds which you or the Deputy Controllers of Finance and Accounts require in addition to revenue, should be drawn from the Army Command Paymaster. Similarly, any surplus of revenue over expenditure should be handed over periodically to the Army Command Paymaster. The sums so issued or received by the Army Command Paymaster will be charged or credited to the administration concerned in the War Office books, and will be cleared on receipt of your accounts. You will not render any accounts to the Army Command Paymasters.

13. A monthly cash account should be produced for each administration showing cash receipts brought to account from the various sources (e.g. judicial fines and fees, revenue and sums received from the Army Paymaster) and expenditure brought to account (e.g. payments to Administrative staff, on administration (ordinary and special services) and sums handed over to the Army Paymaster). As stated in paragraph 9, you should submit your proposals for the framework of the account, but no doubt that framework will provide for the credits and charges in this account to be classified according to the department of administrative service concerned, e.g. Law and Justice, Police, Agriculture, etc.

14. The monthly cash accounts of Headquarters Occupied Territory Administration and all separate administrations for which you are the financial officer will be collected by you stated in sterling and set out in a comprehensive statement which you will certify and pass monthly in triplicate to the British Exchequer and Audit Department in Cairo. (The accounts should be converted into sterling at the official rates of exchange agreed with you from time to time). That Department will retain the triplicate copy and pass the original [illegible] to this office where the necessary postings in War

purpose you should forward to the War Office each month, a list showing the numbers of all Army personnel by paid ranks serving in Headquarters Occupied Territory Administration and each of the various administrations separately.

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15. Instructions will be issued, in due course, to the <u>General Officer Commanding-in-Chief, East Africa</u>, regarding the extent of his financial powers in dealing with Occupied Territory Administration expenditure. Proposals involving expenditure beyond his powers will be referred to the War Office for decision.

16/...........

16. As regards currency, rates of exchange, and banking, your attention is drawn to War Office telegram 53860 Cipher (F.1) of 27th February, 1941, in which you are asked to consult the Council in advance unless immediate local action is imperative. The general policy on these matters will be notified to you from time to time by cable.

17. The details of your accounts will be subject to audit by the Exchequer and Audit Department in the Middle East with the head of which you should make contact at an early date and make arrangements to meet his requirements.

18. Copies of the letters dated 17th March 1941 and 25th November 1941, are being sent to the General Officer Commanding-in-Chief, East Africa, for the information of himself and the Chief Political Officer.

I am, Sir,
Your obedient Servant,

(Sgd.) P.J. Grigg.

Note: (1) In accordance with War Office letter of amendment of 25th November, 1941, the words "Occupied Enemy Territory Administration" have been substituted throughout by "Occupied Territory Administration".

(11) All other amendments have been underlined.

To:
Brigadier Lord Rennell of Rodd,
Controller of Finance and Accounts, O.T.A.

12

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ALLIED FORCE HEADQUARTERS

LIAISON SECTION

Bad

HEADQUARTERS
Date 29/
No. 7926
FORCE 141

16 May 1943

1454

MEMORANDUM TO: Colonel Spofford, Force 141

Here is a memorandum which apparently concerns first steps for tiny tots, which arrived out of the blue and unsolicited from Washington.

J. C. HOLMES
Colonel, GSC
Chief, Liaison Section

Not v. well informed. It certainly adds nothing to the BEW report ago 16/5

Lt Col Spofford Smith
Lt Col Bernstein

16/5.

~~accredited unofficial representative Under Sec/Army by TAG/ -------- date --------~~

~~1410~~

P/A 3/6

SECURITY SECRET

WAR DEPARTMENT
OFFICE OF THE CHIEF OF STAFF
CIVIL AFFAIRS DIVISION
WASHINGTON

April 30, 1943

1453

MEMORANDUM FOR COMMANDER IN CHIEF, ALLIED FORCES,
North African Theater of Operations, Algiers, Algeria.
Attention: Colonel Julius Holmes
(Through Assistant Chief of Staff for Operations)

Subject: Economic Conditions in France and Italy.

1. Attached are copies of two of a series of reports on Mediterranean countries prepared by M.I.S., G-2, at the request of this Division, under date of April 29, 1943, regarding economic and financial conditions in France and Italy.

2. BEW is in process of issuing reports on currency and banking problems in Italy and in Spain, copies of which reports we will send you as soon as available. This will probably be within the next few days.

Received. vide and to file ap. 20/V

For the Chief, Civil Affairs Division,

Ray J. Laux
RAY J. LAUX
Lt. Col., AGD,
Executive Officer

1 Incl.

[illegible]

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# ITALY

## Currency.

The standard unit of currency is the lira, of 100 centesimi. The Bank of Italy has in circulation notes of 1000, 500, 100, and 50 lire (10 lire notes recently authorized). These are not convertible into gold or foreign monies.

Small change exists in the form of state notes of 10, 5, 2, and 1 lire (silver 5-lire coins and nickel 2- and 1-lire coins have been withdrawn and replaced by paper currency). There are also alloy coins of less than one lira value.

In December 1937 the currency had only 4,028,000,000 lire gold coverage. By the end of 1940, this was reduced to 2,601,600,000. 1452
At the same time (1940) note circulation was 22,643,900,000 lire.

## Banks and Banking.

1936 was the year it was transformed from a joint stock bank into a public credit institution

All capital is under the direct control of the government, largely through a single bank of issue known as the Bank of Italy, established in 1936. Before the war this system gave Italy a relatively strong financial structure. Its weakness by orthodox economic standards was the small gold reserve (see Currency).

Bank deposits increased during 1941: The Bank of Rome increased its deposits from 5 to 7 billion lire, the Italian Commercial Bank increased 2 billion lire, and other smaller banks showed increases of 1 billion lire each. Most of the small provincial banks showed increases in savings and deposits of around 50% over 1940 figures.

There are about 1400 banks in Italy, all under the Central Bank. Total deposits at the end of 1941 were 146 billion lire. Of this, 100 billion was from small savings.

## Exchange Rates.

The lira is pegged at $.0526, or about 19 to the dollar, but its value fluctuates. A black market is known to exist.

## Policy of Government Regarding Inflation.

The increase in currency circulation, the shortage of consumer goods, and the consequent surplus purchasing power have naturally produced heavy pressure on prices, which the government has made numerous but unsuccessful attempts to relieve. There is a rapidly mounting price level on nearly every commodity. The recent run on certain banks, a movement which spread from bombed areas to other districts, was apparently stemmed by drastic government restrictions on cash withdrawals. Measures have been taken to discourage investments in real property and to compel investment in government securities.

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Taxes for 1940-41 were nearly 25% of the total national income. Increases in taxation have included an excess profits tax and the introduction, for the first time in Italy, of an income tax on a sliding scale.

Public Sentiment.

It is not believed that the financial structure will collapse even with the removal of the present government, unless it is overthrown by a violent revolution. While it is true that there have been runs on some of the city banks, these were due principally to bombing of the cities in which the banks were situated. The resulting exodus of the population to other areas was naturally accompanied by withdrawal of funds. Bond-selling campaigns are meeting with decreasing success, and indications point to the government's having passed its peak in capacity to finance the war through popular subscriptions. 1451

Securities Market.

Since November 1942 all purchases of industrial and commercial securities must be coupled with an equal purchase of special 3% Treasury Bonds.

There is a special tax of 60% on profits arising from the sale of real estate and securities.

Budget.

Budgetary deficits, which were 12,686,000,000 lire in 1935-36, rose to 80,000,000,000 lire in 1941-42. They are estimated at 94,600,000,000 for 1942-43.

Labor.

Done more called back

Supply of labor is adequate. It is sufficient to permit the export of more than 300,000 laborers to Germany.

The wage level is low in comparison to U.S. standards. The Government, however, has increased wages in all categories. In 1939 wages for agriculture were increased from 6.5 to 8 per cent; industry, 8 to 10 per cent; commerce 6 to 10%; credit and insurance 6, 7, 8 and 10 percent; and State employees 6 to 8 per cent.

In 1940 the wage level for common labor was 15¢ per hour. Recently a bonus was given to all labor: 1 week for all industrial workers and 15 days for salaried employees.

Transportation.

The Italian railway position is at present believed to be stronger than that of Germany. Italy has a highly efficient electric rail system on her main lines, with modern electric equipment.





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The shortage of freight cars is the principal weakness in Italian rail transportation. The locomotive situation was adequate in June 1940, but may have suffered since from German requisitions, deterioration from lack of proper lubricants, and fuel shortage (in the case of railcars). The deficiency of rolling stock is mainly the result of Germany's policy of taking the best cars from Italy on northward hauls and not returning ~~it~~ them on hauls to Italy.

Food and Supplies.

Practically all food is rationed. 1450

| | |
|---|---|
| Bread | 24 lbs. per month |
| Meat | 1.5 " " " |
| Cheese | 1.5 " " " |
| Fats | 1 " " " |
| Sugar | 1¼ " " " |
| Potatoes | 4.63 " " " |
| Beans and Lentils | 2 lbs. per month |
| Alimentary Paste and Rice | 5.29 lbs. per month |
| Eggs | 1 per week |
| Milk | 15 qts. per month. |

All fruits and vegetables are plentiful, with large quantities for export. Coffee is not a necessity. Wine is used as a substitute.

Unlike some of the European countries there is no starvation in Italy, and the diet is so far ample enough to prevent malnutrition.

In 1942 crops for wheat, corn, rice, olive oil, fruits and rice were excellent. There was a normal surplus in rice, potatoes, tomatoes, fresh vegetables, fruits, wine, nuts and cheese.

General Comments.

While Italy is short of liquid capital she has nevertheless tried to maintain, by barter agreements, principally, a fairly well-stabilized international balance. Internally, the Government has been able to maintain confidence in its transactions. It is not believed that financial panic will take place unless a revolution disintegrates the intimate economic and political controls of the corporative State.

Labor has not created internal dissension. Under the Charter of Labor all contracts are regulated, and the Government has been beneficent toward the worker. Wages have been increased but not on a level with the increase in prices.

Food and supplies are practically all rationed. Black markets exist and all kinds of food can be procured at high prices which the poor cannot afford. So far there is no malnutrition or suffering.

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By Authority A. C. of S. G-2
Date APR 29 1943 870
Initials

April 29, 1943.

MEMORANDUM FOR THE DEPUTY CHIEF OF CIVIL AFFAIRS DIVISION:
(Attention: Colonel Haskell)

Subject: Financial Information on France.

The following information is submitted as requested. 1449

1. Currency.—a. French.—Paper notes are issued by the Bank of France in the following denominations: 5,000 (practically suspended), 1,000 francs, 500 francs, 100, 50 and 20 francs. These notes are practically fiat money backed by Vichy authority such as it is. They are not even considered as being backed by gold but rather by the nation's capacity to produce. In October, 1942, it was estimated that all Bank of France gold, except $83,000,000 was outside Metropolitan France. The $83,000,000 unaccounted for, and if in Metropolitan France in November 1942, may be presumed either to have been seized by the Germans or to have been surreptitiously shipped out of the country, possibly to Switzerland. Reports from the Bank of France state that the gold coverage of the notes in circulation was as follows: December 31, 1941 - 23.40%; November 6, 1942 - 20.37%; December 31, 1942 - 19.66%. Circulation figures are as follows:

June 1940 - 160,000,000,000
December 1940 - 123,000,000,000
December 1941 - 270,144,000,000
November 6, 1942 - 353,109,000,000
December 1942 - 382,774,000,000
January 1943 - 385,000,000,000.

What happened [illegible] deposits?

This increase is due to an abundance of funds existing because of the business stagnation.

b. German.—Paper notes for use of the German Army and civil officials are issued by the Reichskreditkasse, a special bank of issue, which are legal tender in France only at the rate of 20 francs to the Reichsmark. These notes are backed by German force.

2. Exchange rates.—

| Date | Official | Black Market |
|---|---|---|
| 1939 | $0.025 | |
| May 1942 (Free zone) | 0.023 | $0.0067 |
| May 1942 (Occupied zone) | 0.02 | - |
| November 1942 | - | 0.0075 |
| December 1942 | - | 0.0072 |

~~This copy only [illegible] accredited unofficial researchers under Sec/Army by TAG/ [illegible] date [illegible]~~

~~[illegible] 1410~~

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c.

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a. Reports on black market prices have varied considerably from \$0.005 to \$0.009 in 1942 or from 200 francs for the dollar to approximately 110 francs. The average price in 1942 was probably 140 francs per dollar on the black market. It has been reported (unconfirmed) that since November 1942, black market quotations on the dollar and pound sterling in France have risen 35%.

b. The franc was formerly pegged to the dollar. It is not known whether or not it is pegged to the mark at present.

3. Policy of the Government regarding inflation.—a. Immediately after the armistice, the Vichy government undertook strong measures to attempt to control price levels. The standard for prices and wages is that prevailing in 1939. Rises in prices are possible only with the permission of the price control board. The government pursues a policy of agricultural subsidies to keep grain prices down. Workers' demands for increases in wages have met with government opposition. Transactions in real estate are limited and possible with official permission only. Prices of securities and exchange activities are subject to government regulation. The government compels private banks to invest the overwhelming part of their available cash in state securities. 1448

b. The policies of the Vichy government have been unsuccessful in controlling the inflationary trend although they have resulted to some extent in limiting the price increase. Based on an index of 100 in 1939, the following schedule reflects the trend in prices and the cost of living:

| | Wholesale | Retail | Cost of living* |
|---|---|---|---|
| 1939 August | 100 | 100 | 100 |
| December | 127 | 110 | 111 |
| 1940 June | 136 | 120 | 118 |
| December | 157 | 132 | 130 |
| 1941 June | 167 | 143 | 142 |
| December | 190 | 151 | 154 |
| 1942 June | 201 | 160 | 164 |
| August | 208 | 165 | 167 |

* Black market prices are up to 2½ times official prices.

c. Taxes were increased greatly in 1942. Further increases for 1943 are contemplated. Dividend tax has been increased from 30% to 35%; salary taxes from 13% to 16%; production taxes on wines and spirits from 9% to 25%; luxury taxes have been reintroduced. Increased revenue of 22,000,000,000 is expected in 1943 over 1942.

4. Public sentiment.—There is no real confidence in France today. There is a growing public fear of inflation which began in 1941 and which has continued through 1942. Real estate values have advanced rapidly. Stock exchange equities have advanced despite numerous restrictions on trading. The average Frenchman uses every effort to turn his money into tangible assets. There has been considerable hoarding of such assets and a great increase in black market trading. It has been reported that on the black market peasants have been demanding



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payment in goods or gold rather than in paper francs. Lack of willing capital and lack of raw materials for business has brought the country to an economic standstill. Rising saving and bank deposits all go into the purchase of government securities.

5. Securities market.--a. The volume of stock exchange transactions for recent years is not available. Due to the black market and extra legal sales as well as foreclosures, any figures even if available would be wholly incomplete. German interests have purchased considerable blocks of French securities in the open market, at forced bank foreclosures and otherwise. Prices of equities have advanced considerably despite drastic governmental control. Variable revenue securities advanced (on an average index basis) from 229 in 1939, to 281 in 1940, 532 in March 1941, 797 in December 1941 and 1202 in September 1942. Fixed revenue securities rose from 83.90 in 1939 to 84.70 in 1940, 98.50 in March 1941, 100.80 in December 1941 and 99.8 in September 1942. Even these prices are not reflective of actual value since they have been limited by drastic control. In June 1942, the Bank for International Settlements stated that quotations on the stock exchange were merely registrations of "nominal quotations covering ineffected transaction". Demands are far in excess of offers. T447

b. French securities markets are in no sense free markets. The array of governmental restrictions on the transfer of securities is formidable. Limitations in prices are in effect. At certain times all rises in stock values are arbitrarily forbidden. Profits are subject to special taxes. Trading is completely artificial. Severe penalties are imposed for violations including the confiscation of securities legally purchased.

c. The properties of Jews, deGaullists and Giraudists have been subject to confiscation. Forced bank foreclosures have taken place. Methods used by German interests to acquire control of French securities, even when owned by non-Jews and non-dissidents, may be considered as practically confiscatory.

6. Budget. (1943 estimates)

| | |
|---|---|
| Revenue | 102,000,000,000 francs |
| Appropriation | 129,000,000,000 francs |
| Deficit | 27,000,000,000 francs |

The above appropriations are exclusive of occupation expenses which in 1942 were estimated at 130,000,000,000.

7. Labor.--a. The presence of over 1,000,000 prisoners of war in Germany has limited the available labor supply. The integration of French industry in German economy has decreased unemployment from 1,059,000 in October 1940 to 98,000 in July 1942. With the tremendous pressure for the transfer of French workmen to Germany, it may be assumed that no unemployment presently exists.

b. Wages have been completely under government control.





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Labor and employer organizations have ceased to function. After the Armistice wages were frozen and in its attempt to control inflation, the government severely limited wage increases. Nevertheless, as the cost of living rose it became necessary to grant such increases. By the middle of 1942 the lower wage category had risen from 50% to 100% over 1939 and for the remaining ones from 20% to 30%. These increases varied according to the region in which the worker was situated and the number of dependents he had. Actually, considering the increased cost of living, the real wages were not increased. This disproportionate 1446
wage increase was used as a means of pressure for the migration of French labor to Germany where higher wages and more attractive conditions were offered.

8. Transportation.--German requisitioning, British bombing, and general deterioration caused by overloading, inadequate repairs and shortage of lubricants, have reduced the rolling-stock of French railroads to less than two-fifths of the pre-war figure of 20,815 locomotives, 555,235 freight cars of all types and 44,870 passenger and baggage cars. The precise figure is impossible to determine because of the continual interchange of stock between France and Germany as traffic demands. An estimated 37 per cent of skilled railroad personnel has been requisitioned by the Germans.

9. Food supplies.--Even in normal times Continental France was dependent upon its colonies and other outside sources, now cut off, for nearly half of its food supplies, and since the Armistice the Axis forces have systematically drained everything possible from the country, regardless of consequences. Shortages of seeds, fertilizer and labor, deterioration of farm equipment, and a disinclination on the part of the peasantry to produce crops destined for confiscation by the enemy or the state, have considerably decreased normal production. Food animals have been slaughtered to meet Axis and local demands and to prevent their starving from lack of fodder. Transportation failures and administrative inefficiencies have prevented the farmer obtaining equipment, seeds, fertilizer and other necessities and have hindered getting his produce to markets where it was badly needed. Everything available from the 1942 crops, with the exception of small amounts of non-perishables illegally hidden on individual farms, has been exported by the Axis or allocated by the Vichy government. Under heavy pressure from both the German and Vichy regimes, and with considerable official aid, plantings for the 1943 crops have been extensive and conditions point to a normal yield, but little except fresh vegetables will be available before late summer.

10. Banks and banking.--a. The Banque de France, a private institution under government direction is the bank of currency issue for France. It acts as a depository for the French Treasury and keeps the occupation accounts with the Axis.

b. Although actually there is little or no commercial banking in France, the principal private banks are as follows: Credit Lyonnais, Societe Generale, Comptoire d'Escompte, Credit Industriel,

SECRET

Caisse Nationale d'Epargne, Banque de Worms.

c. French banking doctrine calls for the installation of a separate bank for each geographic locality served. Thus we have many French banks with main offices in France serving distinct European, American and Asiatic areas. In addition there is a system of French colonial banks along the line just mentioned. Close liaison has been maintained with Swiss international banking concerns.

d. Banking practices (loan and deposit lines) have generally been conservative. The tendency of bank officers and directors to 1445
dabble in national politics, local promotions and international intrigues has been frequently the cause of political and banking crisis. A system of closely-knit interlocking directorates has spread the web of banking control to vital industries, other banks and public utilities both at home and abroad.

e. In general, French banking with its main interests in French metropole and Axis-occupied countries has been pliant and non-resistant to the Axis and to some extent collaborationist. Those with interests abroad not so. The first group, like Darlan, would be only too glad to change at the right time.

For the Chief, Intelligence Group:

H. E. MAGUIRE,
Colonel, G. S. C.,
Chief, Eur-African Unit, MIS.



SECRET

Prepared by Bank of England

ITALY

cff

Balance of Payments.

1. 1925-1928. (Lowest and Highest Rates - £ = 150 to 92)

In 1925 Italy's adverse balance of trade was 8.3 milliard lire. Reduction of imports in the next two years, in spite of lower exports, brought the balance down to 5.2 milliard for 1927. Invisible exports, as officially estimated about that time, provided a net surplus as follows -

(In millions of lire)

| 1444 | Imports | Exports |
|---|---|---|
| 1927 (£ = 92.38) | | |
| Foreign Trade | 20,479 | 15,326 |
| Shipping earnings | | 1,000 |
| Emigrants' remittances | | 2,900 |
| Tourist Industry | | 2,800 |
| Estimated Surplus | 1,547 | |
| | 22,026 | 22,026 |

In the following year, 1928, imports rose by approximately 1,500 million lire (the amount of the estimated surplus in the balance of payments for the previous year), while exports were lower by 600 million lire, making an adverse balance of trade of 7.5 milliard. The invisible exports listed above were at that time still increasing, but probably not sufficiently to maintain equilibrium.

2. 1929-1930 (£ = 92 to 93)

The reduction of Italian exports from 1928-1930 was proportional with that of world exports; the reduction of her imports was more considerable; the trade deficit for 1930 was again nearly down to 5 milliard. American remittances, however, had begun to fall off seriously. Tourist traffic also declined.

There was a decrease of 1.4 milliard lire in the gold reserves of the Bank of Italy in these two years.

3. 1931-1933 (£ = 93 to 59)

State intervention in commerce assumed a decisive role in this period. Drastic curtailment of imports was effected by a customs super-tax and other means, and the adverse trade balance for these three successive years was reduced to about 1.6 milliard lire a year. Allowing for the alteration in the sterling value of the lira in 1931, this would be about 2.4

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Italy had a favourable balance of trade with the United Kingdom of about 100 million lire in 1931; in 1933 there was an adverse balance of 38 million. Italy's adverse trade balance with the U.S.A., 280 million in 1931, was more than doubled in 1933.

P.T.O.

4. 1934-1936 (£ = 57 to 93)

Official efforts were directed to the promotion of exports, which nevertheless fell by 800 million lire in 1934. A small increase of imports brought the year's adverse trade balance up to 2.6 milliard lire.

Wrong. It was in existence many years before 1935

Exchange control was introduced in 1935 and in July the obligation to hold a gold and foreign exchange reserve of 40% against the Bank's note issue was suspended. Three months later Italy attacked Abyssinia. A further decrease of exports was mainly responsible for raising the adverse trade balance for 1935 to 3.2 milliard.

In 1936 exports dropped another half-milliard; but, "owing to an energetic contraction of imports" during the first half of that year (the period of Sanctions) the trade deficit was reduced to the 2 milliard mark. The lira had been "advantageously re-aligned" with other currencies in October of that year, depreciating its gold value by about 41%.

5. 1937 (£ = 95)

Mussolini, in the previous autumn, had said that by the spring of 1937, apart from debts still outstanding on account of the past year's wheat imports, there was a prospect that the balance of payments would be in equilibrium that year. The prospect faded in face of another foreign adventure. Mussolini's policy called for an extraordinary increase in the importation of raw materials of war. The trade deficit rose again to 5.7 milliard.

Improvement in American remittances and a better tourist season helped to tide the country over this bad year. An unusually plentiful harvest brought some further relief.

6. 1938 (£ = 68.3)

Further restriction of imports imposed during 1938 brought the adverse trade balance down to about 3 milliard lire. The operations of this year can be roughly summarised as follows from various official estimates:

(In millions of lire)

| | Imports | Exports |
|---|---|---|
| Foreign Trade | 11,062 | 8,007 |
| Colonial foreign trade adverse balance | 400 | |
| Dividends etc. | 100 | |
| Remittances and tourist industry | | 2,000 |

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(In millions of lire)

| | Imports | Exports |
|---|---|---|
| Foreign Trade | 11,062 | 8,007 |
| Colonial foreign trade adverse balance | 400 | |
| Dividends etc. | 100 | |
| Remittances and tourist industry | | 2,000 |
| Shipping earnings | | 500 |
| Estimated deficit | | 1,055* |
| | 11,562 | 11,562 |

* Of which Lit 200 million was covered by the sale of gold and foreign exchange by the Bank of Italy.

Other gold from private sources, estimated at not less than 500 million lire, did not pass through the Bank.

/7. 1939...

7. 1939 (£ = 78 to 71.25 nom.)

The adverse trade balance for the first seven months of 1939 was 1.2 milliard lire, but during the rest of the year conditions were favourable to Italy. Emigrant remittances dwindled, however, and the tourist industry became negligible. The Central Bank had lost gold and foreign exchange for about 700 million lire by the end of the year.

As the prospect of war came nearer, "prodigious efforts" were made to reduce Italy's sterling holdings and, with less success, her much larger holdings of francs against which France had been unable to make delivery of the required goods.

8. Postscript.

The Bank of Italy's gold and foreign exchange assets were further reduced by 850 million lire by the end of 1940, leaving the Bank with a domestic gold reserve of 2,282 million lire. These are the latest figures published. 1443

Beyond this there is little dependable information regarding Italy's situation in the limited sphere of Axis economy. Germany, before the war, was already taking about one-fifth of Italy's exports and supplying about one-quarter of her imports. In 1938 these approximated respectively 2 and 3 milliard lire. In 1941, according to semi-official information, the trade turnover between the two countries had risen to about 15 milliard lire, with a balance against Italy which, it was stated, would be met by the remittances of Italian workers from Germany, estimated at 2.7 milliard lire.

Overseas & Foreign Office,
21st April 1943.

ITALY

## The Bank of Italy

### 1. Origin

The Bank was founded in 1893 to take over the Banca Nazionale del Regno and the Banca Toscana di Credito, and to supervise the liquidation of the Banca Romana. In 1926 the Bank took over the note-issue rights of the Banco di Napoli and the Banco di Sicilia, due to expire in 1930, extending to them certain privileges until the latter date. The Bank assumed a liability of 3.8 milliard lire in respect of the other banks' notes in circulation, the total bank note circulation at the time being 18.3 milliard. Against this, assets valued at 310.9 mn.lire (in gold, silver and British Treasury Bills) and certain credits with the Italian Treasury and elsewhere, were acquired by the Bank.

1442

At the same time, the Bank assumed a liability of 2.5 milliard lire for Treasury notes in circulation, against transfer of a Treasury credit of $90 mn. in New York.

In the following year, 1927, the Bank was authorised to exercise a limited supervision over the banking and credit system and to acquire the capital of the National Institute of Exchange, formerly shared with the other two banks of issue.

### 2. Reconstitution.

In 1936 the Bank, hitherto a private limited company, was reorganised as a "Public Law" institution under Government control and with a radical change in the ownership of the Bank. Its private shareholders, numbering about 10,000, were paid off at a book valuation of their holdings; and in place of the half-million shares of 1,000 lire, 60% paid up, fully paid up shares were registered, known as quotes, amounting to 300 mn. lire, to be held exclusively by other banks and specified credit and insurance institutions. The shares were (and probably still are) distributed as follows: 88 savings banks, 185.056 million; 11 public law banks and credit institutions, 68.444 million; 1 institute of social security, 15 million; 9 insurance institutions, 31.5 million.

Disposal of the Bank's profits was strictly defined under its new charter. A dividend of not more than 6% can be paid to shareholders; 20% can be carried to ordinary reserve and a further 20% to a special reserve with the consent of the Finance Minister; annuities for institutions still in process of liquidation by the Bank are provided; any eventual balance accrues to the State.

Other regulations constituted the Bank strictly a "banker's bank"; its discount operations were restricted to re-discounting for other banks and credit institutions specified by decree; advances to individuals against securities, however, were still permitted. It has retained its large network of branches for control purposes rather than banking operations.

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3. The Note Issue.

In 1936 a new arrangement was also made with the Treasury for the regulation of the note issue and for the services and remuneration of the Bank as Treasury agent.

In the period 1926 to 1936, a yearly tax of 1.5 per thousand had been payable on the average note issue, after deduction of gold and equivalent reserves and Treasury advances. If the reserves fell below 40% of the note issue, the Bank paid a tax on the uncovered portion at the official rate of discount, with an additional 1/10th of the tax on any further 10% increase of the uncovered portion. The Treasury further received 1½% interest on any surplus of balance over 50 mn. lire in its account with the Bank and was similarly charged on amounts drawn below that level. For its Treasury services the Bank received an annual fee of 21.9 mn. lire.

/The new...

The new Law fixed a tax of 1/10th of the official discount rate (with a minimum of ½%) on the whole current note issue, whatever the amount, after deduction of the amount of gold and equivalent reserves and Treasury advances, the Bank accepting the higher tax in order to be relieved from the risk of having to pay an excessive tax if reserves fell far below the 40% level. The conditions regarding the balance in the Treasury account were abolished. The yearly fee to the Bank for Treasury services was raised to 30 mn. lire. The limit of Treasury advances, previously 450 mn. lire, was extended to 1,000 mn., with further "exceptional" advances, against ordinary Treasury Bills, permitted.

4. The Inspectorate.

The creation of the "Inspectorate for the Defence of Savings and Administration of Credit", part of the general Fascist policy of centralisation, relieved the Bank from conditions under which its inspectorial duties had not been performed without inconvenience. The Law of 1926, which was the first to deal with the subject specifically in Italy, divided the responsibilities of inspection between the Bank of Italy and the Ministers of Finance and Agriculture. The Law of 1936 (amended in 1937) brought all their inspectorial duties within the scope of a single authority. The new inspectorate operates under a Committee of Ministers presided over by the Head of the State; the Governor of the Bank is a member of the Committee and chief executive of the Inspectorate.

5. The Foreign Exchange Institute.

The Foreign Exchange Institute, reorganised in 1927 under the Bank of Italy, was converted into a government department in 1936, financed by the Bank, with the Governor of the Bank as a member of the Board of Directors, presided over by the Under-Secretary for Foreign Exchange of the Finance Ministry, later Exchange Minister.

The original purpose of the Institute had been to conduct the Government's foreign exchange business; its scope was enlarged in 1934 to the control of all foreign exchange operations, the Finance Minister having been provided with powers to extend the authority of the Institute since 1931. The laws of 1934 were designed to give the Institute complete control; those of 1935 and 1936 went further and restricted all exchange operations to the Institute, acting through the Bank of Italy and its authorised agents: Banco di Napoli, Banco di Sicilia, Banca Commerciale Italiana, Credito Italiano, Banco di Roma, Banca Nazionale del Lavoro, Instituto di San Paolo di Torino, Banco d'America e d'Italia and Monte dei Paschi di Siena.

6. Recent History.

No account of recent operations is available, nor any annual statement since that of 31st December 1939. A summarised statement

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6. **Recent History.**

No account of recent operations is available, nor any annual statement since that of 31st December 1939. A summarised statement for 1940 has been constructed from essential items published in the B.I.S. Report. There is no information about 1941 and the press version of Azzolini's Report for 1942 contained none, excepting that Profits were Lit.173.4 million and the usual dividend of 6% would be paid.

Overseas & Foreign Office,
29th April 1943.

**BANCA D'ITALIA**

**Position as on 31st December 1928, 1938, 1939**

In Millions of Lire

| | Liabilities | | | | |
|---|---|---|---|---|---|
| Dec. 31 | 1928 | 1938 | 1939 | 1940 | 1941 |
| Bank Rate | 5½ | 4½ | 4½ | 4½ | |
| Capital | 240 | 300 | 300 | 300 | |
| Reserves | 141 | 116 | 185 | 185† | 1441 |
| Notes | 17,295 | 18,955 | 24,432 | 31,306 | |
| Ct. Accts. & St. Dfts. | 716 | 1,721 | 2,486 | 5,239 | |
| Treasury Deposits | 1,125 | 850 | 475 | 2,152† | |
| Other Deposits | 1,596 | 340 | 491 | | |
| Sundries | 1,030 | 1,317 | 1,248 | | |
| | 22,143 | 23,599 | 29,617 | 39,182 | |

† Distribution of the total of these items is estimated.

| | Assets | | | | |
|---|---|---|---|---|---|
| Gold in Italy | 5,052 | 3,674 | 2,738 | 2,282 | |
| Gold abroad | 1,836 | 1,773 | 1,773 | 1,773 | |
| Foreign Balances | 4,383 | 152 | 393 | - | |
| Foreign Treas. Bills. | 1,636 | - | - | - | |
| Internal Portfolio | 3,720 | 3,704 | 4,833 | 4,833 | |
| State Securities | 1,080 | 769 | 777 | - | |
| I.R.I. | 1,437 | 4,708 | 4,708 | 4,708 | |
| Treas. Advances | - | 3,000 | 9,000 | 16,000 | |
| Other Advances | 1,762 | 3,687 | 2,991 | 3,442 | |
| Other items | 1,237 | 2,132 | 2,404 | 6,144* | |

| | | | | | |
|---|---|---|---|---|---|
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* Including Foreign Balances and State Securities.

ITALY

## BANKING AND CREDIT SYSTEM

The present centralised control of credit and other banking business was reached in two stages. The first special legislation dealing with the subject dates from 1926. The second period opens with the decree-laws of ten years later.

Laws of 1926

1440

The main provisions of the legislation of 1926 required:

(1) The registration of all banks and credit institutions at the Ministry of Finance;

(2) The submission of annual statements to the Inspectorate Department of the Bank of Italy, and

(3) Permission of the Ministry of Finance for the opening of new banks or credit institutions or new branches of existing ones, for amalgamations, or for the alteration of capital issues.

Other regulations dealt with the proportion of credit allowable to customers, the relation of capital to deposits, and the accumulation of reserves.

The authority provided by these Laws was shared jointly and severally by the Ministries of Finance, Corporations and Agriculture, and exercised through the Inspectorate of the Central Bank. By these means it was intended that the Bank of Italy should apply the credit policy of the Government to the whole banking system and particularly should regulate for the first time in a concrete manner the regional tendencies of Italian banking. In practice the Bank acquired a large measure of control but it was hampered by difficulties arising from the divided source of its authority. To remove these difficulties was one of the main purposes of the fundamental reform of the Banking Laws in 1936.

Laws of 1936.

Under the new legislation the constitution and functions of the Bank of Italy were altered (See Note on Bank of Italy). Its authority was extended although formally the Inspectorate no longer came directly under the Bank, the department in question being abolished. The Inspectorate was put under a Committee of Ministers but with the Governor of the Bank as chief executive.

The Inspectorate, as the main instrument of authority under the Council of Ministers presided over by the Head of the Government, controls the use of all accumulated savings and bank deposits, directing them to Governmental purposes or to whatever branches of national activity the Government policy requires, for which purpose it acts in consultation with the Central Committee of the Corporations.

The National Institute of Exchange, the Exchange Control, had also been effectively under the management of the Bank of Italy, acting banks or credit institutions or new branches of existing ones, for amalgamations, or for the alteration of capital issues.

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The National Institute of Exchange, the Exchange Control, had also been effectively under the management of the Bank of Italy, acting on behalf of the Ministry of Finance. Under the new laws of exchange, transactions were reserved to the Bank and its agents. The control was later transferred to a special Ministry of Exchange and in 1939 the Institute was authorised to open its own branch offices apart from those of the Bank of Italy.

Classification of Banks.

The innovation of the Laws of 1936 which most widely affected the system was a classification of all banking institutions and the definition of their respective functions and discipline. The Bank of Italy was put in a separate category, virtually nationalised although its shares were nominally assigned to other banks. In the next category were placed the five banks authorised to act as agents of the Central Bank for the purposes of exchange control. These, together with the Bank of

/Italy...

Italy itself, are defined as "public law" institutions whose purpose is not private profit. They are the Banco di Napoli, the Banco di Sicilia, the National Labour Bank, the Institute of St. Paul of Turin, and the Monte dei Paschi di Siena.

The three leading commercial banks (Banca Commerciale Italiana, the Credito Italiano and the Banco di Roma) were classified separately as "banks of national interest". These, together with the public law banks, are subject to Government control. Their statutes and any alteration of them require approval by decree of the Head of the State; foreign shareholders are not permitted to vote at meetings.

Both these categories were brought into the general classification as banks accepting short-term deposits, which includes the ordinary banks, savings banks, co-operative and rural banks and pledge banks.

For all these "short-term savings" banks the Law requires registration and the authorisation of the Inspectorate for the opening of new branches and the submission of periodical as well as annual statements to the Inspectorate, with Minutes of all meetings. In addition to existing regulations the Laws of 1936 further required these banks to take instructions from the Inspectorate regarding rates of interest allowed and charged, investments, proportionate capital reserves, and many details of management and procedure.

The "long and medium term savings" category includes all mortgage and agricultural credit institutions and the long term credit institutes created for special purposes by the State whose affairs are regulated by special laws.

The various categories of banks and credit institutions in operation on the Register in 1936 and 1938 were as follows:-

| | 1936 | 1938 |
|---|---|---|
| Public Law and National Interest Banks | 9 | 9 |
| Ordinary Banks | 191 | 183 |
| Co-operative and People's Banks | 358 | 294 |
| Rural Banks | 1,262 | 1,078 |
| Regional Agricultural Credit Institutions | 3 | 3 |
| Savings and Pledge Banks | 121 | 118 |
| Private Banks | 155 | 164 |
| | 2,099 | 1,849 |

In addition, there were 815 banks in liquidation in 1936 and 773 in 1938.

Statements of Accounts

Complete statements of accounts for the 30th June 1939 of all the

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Statements of Accounts

Complete statements of accounts for the 30th June 1939 of all the ordinary, co-operative, rural and savings banks are published in the report of the Inspectorate for that period.

A summary of the deposits at that date of all banks (excluding the Bank of Italy) having deposits of more than 5 million lire follows:

(In millions of lire)

| | | |
|---|---|---|
| Public Law Banks: | Sight | 6,450 |
| | Time | 3,080 |
| | C/Fwd. | 9,530 |

| | | | (In millions of lire) |
|---|---|---|---|
| | | B/Fwd. | 9,530 |
| National Banks: | Sight | | 11,593 |
| | Time | | 2,992 |
| Ordinary and Co-operative: | Sight | | 9,349 |
| | Time | | 4,622 |
| Savings and Pledge Banks: | Sight | | 12,400 |
| | Time | | 6,098 |
| | | | 56,584 |

In 1936 the total deposits were 39,634 million lire, with which may be compared the outstanding credits at 31st August of that year, the 1939 latest figures available:-

| | (In millions of lire) |
|---|---|
| Public Law Banks | 6,465 |
| National Banks | 3,468 |
| Ordinary Banks | 5,213 |
| People's Banks | 3,145 |
| Savings and Pledge Banks | 8,774 |
| | 27,065 |

The purposes for which these credits were allowed can be summarised:

| | (In millions of lire) |
|---|---|
| Private purposes | 3,261 |
| Public institutions | 5,710 |
| Financial and insurance | 3,607 |
| Public utilities | 957 |
| Hotels and theatres | 220 |
| Building | 3,405 |
| Agriculture | 3,144 |
| Food, wholesale | 1,294 |
| Food, retail | 267 |
| Other retail | 378 |
| Wood and Metals industries | 2,449 |
| Chemical | 307 |
| Paper and skins | 581 |
| Textiles | 1,171 |
| Other purposes | 314 |
| | 27,065 |

| | |
|---|---|
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| | 27,065 |

Commercial Credit.

Legal recognition of the separate functions of commercial banking and the financing of industrial enterprise dates from the economic depression of 1929 to 1931. Commercial credit is furnished by the ordinary banks, the national, co-operative and private banks and the public law institutions, and long term credit by the special institutions.

The Government supported the larger banks by various means in order to enable them to weather the economic storm. Especially they were assisted in taking over the liabilities of other banks which were unable to survive it. The Institute of St. Paul of Turin, for instance, took over 301 branches of the Italian Agricultural Bank in 1931, closing two-thirds of them; the Banco di Napoli took over 177 of its branches, closing 98; the National Labour Bank took 118, closing 74.

/The National...

The National Labour Bank, which was substantively the bank of the Labour Syndicates also took over the affairs of several other banks in that period and thereby rose to a position of importance, which was recognised by the Laws of 1936. In the same period the B.C.I., the Banco di Napoli and the Banco di Roma also absorbed various other institutions. These amalgamations were considerably responsible for the large increases in the business of the banks in question from 1930 to 1936. In that period their discounts rose by 23.9%, their current account balances by 142.4% and their securities by 126.5%.

Government assistance to the banks, however, was not in itself sufficient to tide the country over the critical years. It was found necessary also to establish several credit institutions of a semi-official (parastatal) character for the provision of long-term credit. Chief among these were the Instituto Mobiliare Italiano (IMI) set up in 1931, and the Institute for the Reconstruction of Industry, established in 1933. The former institute was at first subordinated to the latter, but later was reorganised as a separate agency to take over the long-term credit functions of other parastatal institutes.

Industrial Credits

IRI operates in two separate departments, one for the liquidation or salvaging of enterprises in difficulties, the other for the provision of long-term credit up to a period of 20 years. But it is not only in this way that industrial enterprise as a whole has come under the control of IRI. No new factories, for instance, can be started without the sanction of its sub-committee set up for the purpose of such control, on which the Labour Syndicates as well as those of the employers are represented in order that every application can be considered (at least in theory) on its sociological as well as commercial merits. Existing enterprise, including commercial banking, is controlled by IRI also as majority shareholder in many of the banks and companies themselves, holding the shares either for itself or on behalf of the State.

In its first three years of operation, IRI received application for credits amounting to 2,745 million lire of which it granted 1,209 million, distributed as follows: Public works 322 mn.; Electrical industry 183 mn.; Telephones 400 mn.; Metallurgical industry 65 mn.; Other industries 239 mn.

Three other credit institutions of national importance must be mentioned. The Consorzio which provides long-term credit for public works was organised in 1919, the Public Utilities Institute in 1924, and the Institute for Naval Credit in 1928. Outstanding credits in 1936 furnished by these institutes amounted to 6,435 million lire, in respect of which bonds of an approximately similar amount were held by investors.

Foreign Banks.

The Italian branches of six foreign banks were included in the Registry list of 1939: two Hungarian banks at Fiume (combined turnover for the year, 21 million lire), the Nuevo Banco Italiano - Buenos Aires (turnover, 54 mn.), the Credit Commerciale de France in Milan (turnover, 32 mn.), the Banco di Italia y Rio de la Plata, Milan, (turnover, 149 mn.), and the National City Bank of New York, Milan, (turnover, 176 mn.).

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(Barclays Bank S.A.I. was also there at that time.)

Overseas & Foreign Office,
28th April 1943.

ITALY

## CURRENCY

The following denominations of notes issued by the Bank of Italy, and coin by the Treasury, were in use before Italy entered the War.

| | |
|---|---|
| Notes | Lit.1,000, 500, 100, 50. |
| Silver Coin | Lit.10, 5. |
| Nickel Coin | Lit.2, 1, and 50 and 20 centisimi. |
| Copper Coin | 10 and 5 centisimi. |

The silver and nickel have been replaced by paper.

In 1940, 10 and 5 lire notes were issued to replace the silver coins which ceased to be legal tender in June 1942, after which date they were withdrawn at 5.30 and 2.65 lire respectively. Later in 1940 the nickel coinage was also withdrawn and notes for 1 and 2 lire were issued, the issue being increased by 40% in respect of the 1-lira notes and 50% of the 2-lire notes in October 1941. Further issues of 10 lire notes up to 50 million lire and 5 lire notes for 500 million were authorised in October 1941. In December 1941, new issues of 10, 2 and 1 lire notes amounting in all to 650 million lire were authorised. 1438

Aol.

East African lire were declared legal tender in Italy in November 1942 and considerable sums were taken to Italy by the repatriates. Italian currency was made legal tender in the annexed Provinces of Liubliana and Dalmatia in June 1941, and in Montenegro in October 1941.

The amount of currency in circulation at the end of 1942 was estimated at 60 milliard lire. It consisted of notes for 1,000, 500, 100, 50, 10, 5, 2 and 1 lire, and copper-bronze coins for 10 and 5 centisimi. Hoarding had by then greatly increased, encouraged by the air raids and evacuations. Various measures were adopted to offset it, including an increase of interest rates on deposits.

In February 1943 there were many complaints of a shortage of currency and the public was exhorted to make more use of the circular drafts (assegni circolari) issued by the Bank of Italy and the Banks of Naples, Sicily and Rome. Of these drafts a total of 69,074 million lire were issued in 1939, an increase of about 50% over 1938. The total of drafts outstanding at the end of 1939 was 1,442 million lire.

Overseas & Foreign Office,
3rd May 1943.

Italy - Occupation Currency

Various currency policies have been adopted by the Italians for the areas occupied by them and expected to be occupied by them.

France

In their occupation of the south eastern corner of France, the Italians trusted to their own stock of francs and to subsequent loans from the French, until indemnity payments were arranged toward the end of 1942.

Yugoslavia

In the areas of Yugoslavia regarded as annexed the lira was introduced.

1437.

Greece

Lire were also put into circulation in Occupied Greece in the first days, but later an organisation known as the "Cassa Mediterranea di Credito per la Grecia" began to issue notes in drachma printed with the text in Italian and Greek. These were valid only in the Italian-occupied districts of Greece and not elsewhere.

Ionian Islands

All drachma have been withdrawn and been replaced by a special currency called "Ionian lirette" issued by the Italian Treasury, the rate of exchange being 14 dr. = 1 liretta as against 8 dr. = 1 lira on the mainland.

Egypt

The same "Cassa Mediterranea" was intended as the bank of issue for currencies to be used in the occupation of Egyptian territory. The rate of exchange for the £ sterling in Egypt was to be 71 lire or 9.36 RM. "While these rates give a cross-rate of 1 RM. = 7.60 lire, which is the official rate, they both slightly undervalue the £ as compared with the official German and Italian rates (£1 = 9.90 RM. or 75.28 lire). The rate fixed for the Egyptian £ is the slightly better one of 73 lire, though this also is below the official rate, which is £E = 75.28 lire, identical with the £ sterling.

The same note states that payments in Egypt not exceeding £100 will until further notice be made in £'s sterling (i.e. not in Cassa Mediterranea notes). This suggests that the Italians had sufficient sterling notes to make small payments until Cassa Mediterranea notes or Egyptian currency were available. The Italian Embassy in Istanbul was a black market buyer of Egyptian notes at a considerable premium until the end of August, 1942, but the available supply was small. It appears that, had the Italians been able to acquire sufficient quantities of notes in this way, they would not

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M.E.W. summarises the chief differences between German and Italian currency technique in occupied territories as follows:-

(a) There is no uniform Italian technique e.g. that used in France differs entirely from that in Greece, while the Germans invariably use the Reichskreditkasse organisation.

(b) The Italians appear to prefer to use stocks of local currency, previously bought up on the black market if necessary, while the Germans use local currency only when they have gained control of the bank of issue.

/(c) Where...

(c) Where the Cassa Mediterranea organisation is used, it differs from the Reichskreditkasse method in that:

(i) Special notes are issued for each country separately, whereas the RKK notes used everywhere are the same.

(ii) The Cassa Mediterranea is definitely a "soldier's bank" in the narrowest sense. It apparently does not maintain branches, but works through the army paymasters. Its notes are intended solely for soldier's pay, requisition payments, etc., and it does not grant credits to public utilities etc. as do the Reichskreditkassen.

(iii) As far as is known, there are no provisions regarding cover for the notes issued, or for their ultimate withdrawal, as is the case with RKK notes.

Is there any quotation as to the black market value of these say at Istanbul? or Zurich? We asked London to ascertain this.

Overseas & Foreign Office,
28th April 1943.

NB Ask CAG on arrival to explain the RKK system

Declassified E.O. 12356 Section 3.3/NND No. 785015

**ITALY**

(In lire, per quintal except where otherwise stated)

## PRICES

**Wholesale Prices (Foodstuffs)**

(Official statistics unless otherwise stated).

| | 1938 | 1940 | 1942 | 1943 |
|---|---|---|---|---|
| Wheat (price to farmers): North | 135 | 150 | 225* | 245* |
| -do- South | 150 | 165 | 251* | 300* |
| Maize | 90 | 98 | 137* | 160* |
| Rice | 95 | 105 | 146* | 180* |
| Wheat flour (average) | 178 | 197 | | |
| Rye | | | 166* | 200* 1435 |
| Pasta (Naples) | 250 | 272 | | |
| Maize flour (average) | 108 | 145 | | |
| Potatoes: North (average) | 46 | 90 | | |
| -do- South -do- | 9 | 72 | | |
| Tomato Paste (Naples) | 291 | 433 | | |
| Olive Oil (Bari) | 687 | 835 | | |
| Wine (Rome: per hectolitre) | 170 | 207 | | |
| -do- (Catania: -do- ) | 145 | 165 | | |
| Milk (Rome: -do- ) | 109 | 132 | | |
| Butter (average: per kg.) | 11 | 17 | | |
| Cheese (average) | 8 | 11 | | |
| Eggs (Rome: per dozen) | 5.50 | 8.26 | | |
| Veal (Rome: per kg.) | 4.76 | 6.56 | | |
| Beef -do- | 4.11 | 5.69 | | |
| Cow meat | 3.66 | 5.08 | | |
| Pigs (Milan: liveweight) | 5.49 | 7.55 | | |
| Lamb (Rome: deadweight) | 8.16 | 9.32 | | |
| Lard and Suet (average) | 7.0 | 9.0 | | |

**Wholesale Prices (Other Commodities)**

| | 1938 | 1940 |
|---|---|---|
| Steel | 13.68/ 37.97 | 16.0/ 50.50 |
| Copper (per kg.) | 475 | 834 |
| Tin -do- | 20.65 | 31.17 |
| Lead | 280 | 315 |
| Zinc | 250 | 287 |
| Aluminium (per kg.) | 11 | 11.85 |
| Coal (German: per ton at frontier) | 227 | 291 |
| -do- (Italian: -do- at Genoa) | 133 | 213 |
| Anthracite (German) | 312 | 436 |
| Petrol | 466 | 719 |
| Paraffin | 380 | 580 |
| Diesel Oil (for motor) | 138 | 294 |
| -do- (for fuel) | 37 | 55 |
| Lubricating Oil (for Diesel motors) | 540 | 784 |
| Soap (standard type) | 215 | 312 |
| Silk | 141 | 205 |

[illegible] Prices (average of all Provincial capitals) (per kg.)

| | | | |
|---|---|---|---|
| [illegible] | 250 | 272 | |
| Maize flour (average) | 103 | 145 | |
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| Soap (standard type) | 215 | 312 | |
| Silk | 141 | 205 | |

**Retail Prices** (average of all Provincial capitals) (per kg.)

| | | | |
|---|---|---|---|
| Bread | 1.85 | 2.22 | |
| Wheat flour | 1.95 | 2.51 | |
| Maize flour | 1.24 | 1.68 | |
| Rice | 1.96 | 2.39 | |
| Pasta | 2.70 | 3.12 | |
| Potatoes | 0.57 | 0.95 | 1.95≠ |
| Beef | 9.67 | 11.11 | |
| Pork | 11.28 | 12.42 | |
| Salame | 17.56 | 20.49 | |
| Stock fish | 4.36 | 5.98 | |
| Lard | 9.37 | 11.24 | |
| Butter | 14.59 | 21.42 | |
| Olive Oil | 7.68 | 9.68 | |
| Sugar | 6.64 | 7.27 | 7.80≠ |
| Eggs (per dozen) | 6.05 | 8.38 | |
| Lemons | | | 4.10≠ |

x Estimate (M.E.W.)  ≠ Control prices, Milan.

Declassified E.O. 12356 Section 3.3/NND No. 785015

RETAIL PRICES (Official statistics)

| | Bread per kg. | | Rice per kg. | | Pasta per kg. | | Potatoes per kg. | | Beef per kg. | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 1938 | 1940 | 1938 | 1940 | 1938 | 1940 | 1938 | 1940 | 1938 | 1940 |
| Bari | 1.83 | 2.04 | 1.97 | 2.28 | 2.31 | 2.49 | 0.68 | 1.03 | 11.46 | 12.67 |
| Cagliari | 2.05 | 2.22 | 2.20 | 2.69 | 2.68 | 2.90 | 0.70 | 1.37 | 12.46 | 14.05 |
| Genoa | 2.10 | 2.34 | 1.94 | 2.29 | 2.91 | 3.25 | 0.49 | 0.88 | 12.80 | 13.35 |
| Naples | 1.90 | 2.09 | 1.96 | 2.23 | 2.75 | 3.04 | 0.46 | 0.86 | 12.78 | 14.45 |
| Palermo | 2.00 | 2.19 | 1.95 | 2.41 | 2.41 | 2.69 | 0.55 | 1.13 | 15.21 * | 16.83 |
| Rome | 2.20 | 2.39 | 2.01 | 2.29 | 2.53 | 3.09 | 0.65 | 1.14 | 13.12 | 16.88 |

* Highest pr

stics)

| Rice per kg. | | Pasta per kg. | | Potatoes per kg. | | Beef per kg. | | Butter per kg. | | Eggs per doz. | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| 1938 | 1940 | 1938 | 1940 | 1938 | 1940 | 1938 | 1940 | 1938 | 1940 | 1938 | 1940 |
| 1.97 | 2.28 | 2.31 | 2.49 | 0.68 | 1.03 | 11.46 | 12.67 | 16.78 | 24.67 | 6.44 | 8.56 |
| 2.20 | 2.69 | 2.68 | 2.90 | 0.70 | 1.57 | 12.46 | 14.05 | 15.58 | 22.92 | 5.85 | 9.10 |
| 1.94 | 2.29 | 2.91 | 3.25 | 0.49 | 0.88 | 12.80 | 13.35 | 14.92 | 21.13 | 6.70 | 9.78 |
| 1.96 | 2.23 | 2.75 | 3.04 | 0.46 | 0.86 | 12.78 | 14.45 | 15.03 | 21.00 | 6.78 | 10.63 |
| 1.95 | 2.41 | 2.41 | 2.69 | 0.55 | 1.13 | 15.21 * | 16.83 | 17.75 * | 23.69 | 6.90 | 9.97 |
| 2.01 | 2.29 | 2.53 | 3.09 | 0.65 | 1.14 | 13.12 | 16.88 | 13.86 | 20.77 | 6.25 | 8.45 |

* Highest prices during 1938

Declassified E.O. 12356 Section 3.3/NND No. 785015

__Building Costs__ (per cubic metre)

| | __1938__ | __1940__ |
|---|---|---|
| Turin (working class) | 106 | 132 |
| -do- (middle class) | 170 | 210 |
| Genoa (working class) | 100 | 135 |
| -do- (middle class) | 150 | 185 |

Property sale values in Rome and Turin during the same period rose by about 10% for modern buildings, <u>and in Milan by about 50%</u>. In the South there appears to have been no change in sale values.

__Price Indices__ (1928 = 100)

| | __1938__ | __1940__ |
|---|---|---|
| Cost of Living: | | |
| Genoa | 95.07 | 115.5 |
| Milan | 104.80 | 128.18 |
| Rome | 102.64 | 125.37 |
| Naples | 96.77 | 115.36 |
| Palermo | 98.89 | 116.21 |
| Cagliari | 90.49 | 107.19 |
| National Index | 91.12 | 120.79 |

Overseas & Foreign Office,
1st May 1943.

## The Budget.

| 1941-42 | Final Statement |
|---|---|
| Expenditure | Lit.47,251,342,404 |
| Revenue | 41,223,816,235 |
| Deficit | 6,027,526,169 |
| War Expenditure | 71,318,015,363 |
| Total Deficit | 77,345,541,532 |
| By Capital Account | 45,625,124,800 |
| Residual Deficit | Lit.31,720,416,732 |

| 1942-43 | Revised Estimates |
|---|---|
| Expenditure | Lit.43,825,544,111 |
| Revenue | 35,424,600,000 |
| Estimated Deficit | 8,400,944,111 |
| Reduction of Expenditure | 841,800,000 |
| Deficit | 7,559,144,111 |
| Estimated War Expenditure | 70,000,000,000 |
| Estimated Deficit | Lit.77,559,144,111 |

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70KMK

File in "Finance Reform"

Bernard Bernstein

7926.

# Summary

## of

## Government Finance of the Kingdom of Italy

### National Government

#### Revenues

The ordinary revenues of the Italian national government for the fiscal year ending June 30, 1940 were estimated at 32.4 billion lire. For the most recent year for which detailed figures are available, that ending June 30, 1937, out of 31.3 billion lire of total ordinary revenues, direct taxes provided 5.1 billion, taxes on business transactions 4.6 billion, indirect taxes on consumption 5.3 billion, fiscal monopolies and the national lottery 3.5 billion and miscellaneous duties, fees, and receipts 5.6 billion. 1432

The direct taxes are those on farm lands and on income from buildings, the general income tax, the complementary income tax on bachelors, the additional tax on income at progressive rates, the tax on capital and those on agricultural income, on improved lands and on land reserved for hunting. Probably shooting ([illegible])

Taxes on business transactions include the important three: registration fees, stamp duties, and the turnover or sales tax. All others are unimportant individually though appreciable in total since they are so numerous.

Taxes are imposed upon the manufacture of sugar, spirits, beer, as well as on gas, electricity, and a number of other commodities. Besides specific customs duties on nearly all imports, a general duty of 15 percent of the value is imposed. Export duties are levied on a small number of commodities, primarily minerals of specified groups, and further Customs Office charges are imposed upon all imports and exports.

Fiscal monopolies in tobacco, salt, and matches and lighting appliances provide revenue classified by the Italian Government as tax receipts. The same classification is used for the receipts from the national lottery.

The main non-tax revenues are derived as profits from the operation of state-owned enterprises and from the fiscal monopolies.

The tax system does not comply with the ability to pay principle; war changes in taxes have been inadequate to meet the rising costs; reforms have been under consideration.

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Prepared by Mr. S. D. Southworth, Division of Monetary Research, Treasury Department, March 22, 1943.

The tax administration is directed and supervised by the Minister of Finance.

Taxes are sometimes allocated to specific purposes. Some taxes are levied upon the same base.

Expenditures 1431

Italian budgetary deficits have been large since 1930. Large amounts have been spent for programs of development as well as for the Ethiopian war, the Spanish Civil War, and the present war. Expenditures for the fifteen Departments or Ministries totalled 40.9 billion lire in 1937 and are estimated perhaps unreliably at 29.3 billion in 1940. War costs from June 30, 1940 to June 30, 1942 are estimated at 130.9 billion lire.

Financial administration is the responsibility of the Ministry of Finance. An office of this Ministry prepares the budget.

The national government is not restricted in fiscal affairs by the powers of provinces and communes.

Public Indebtedness

The total liabilities of the Italian Government have increased from 126 billion lire on June 30, 1935 to 210 billion lire by June 30, 1940 and to an estimated 350 billion lire on June 30, 1942.

The Italian Government has purposely withheld or jumbled the figures for recent increases in short-term debt. At the end of the calendar year 1941, the outstanding direct and guaranteed bonds amounted to 184.6 billion lire.

Interest on the public debt rose from 6.9 billion lire in fiscal year 1939 to 8.8 billion in 1940, and probably 10.1 billion in 1942.

The total debt as estimated for the close of 1943 will be equal to some 2½ years' national income.

Foreign-owned issues are now in default. Interest rates are high on outstanding debt and the government's credit position is definitely inferior.

Provincial Governments

Provinces are governed largely by the Minister of the Interior through Prefects who are checked only by the power of the Prefecture Council to approve or disapprove the budget.

Provincial revenues and expenditures are merged in the national budget and are not published separately. The autonomy of provinces is shown to be negligible by the fact that they have no debts.

1430

Cities and Other Local Governmental Units

Communal councils dominate the municipal fiscal system. The mayor or syndic is leader of the council, but is also subject to the orders of the provincial prefect. Uniform national decrees apply to the cities. Some 22 taxes are imposed by Communal Offices. Local taxes of twenty of the largest cities amounted to 1,320 million lire in 1937.

Government Owned Enterprises

Patrimonial revenues declined from 596 million lire in 1937 to 273 million in 1940. There are numerous state-owned and municipal-owned enterprises in addition to the fiscal monopolies.

SIW/efs - 3/23/43

## GOVERNMENT FINANCE OF THE KINGDOM OF ITALY

a. National Government

(1) Revenues:

(a) Taxes

The ordinary revenues of the Italian National Government which were 18.8 billion lire in the fiscal year ending June 30, 1935, increased at an average rate of slightly less than 3 billion lire per 1429
year to 32.4 billion lire for the fiscal year 1939-40. The budgetary estimates of revenues for the latter year which were 31.3 billion lire indicate that it was expected that taxes would bring in 18.4 billion lire, that non-tax revenues would be 6.1 billion lire, and that receipts from capital transactions would amount to 6.7 billion lire. While the tax estimates of fiscal 1940 may be accepted as reasonably reliable, the latest available detailed reports for individual taxes are those for fiscal 1937. The following table shows all tax receipts (by major groups) of the Italian national government for the fiscal years ending in 1936 and 1937:

ITALY
Tax Revenues
(Fiscal years ending June 30)

| | 1937 (Thousands of lire) | 1936 (Thousands of lire) |
|---|---|---|
| Direct taxes | | |
| Tax on farm lands | 150,800 | 151,000 |
| Tax on buildings | 338,200 | 335,000 |
| Income tax | 3,392,800 | 3,155,400 |
| Tax on bachelors | 218,400 | 193,500 |
| Additional tax on income | 370,200 | 355,300 |
| Tax on capital | 281,500 | 318,900 |
| Miscellaneous direct taxes | 393,200 | 116,700 |
| Total | 5,145,100 | 4,625,800 |

Prepared by Mr. S. Donald Southworth
Division of Monetary Research, Treasury Department March 22, 1943

hf



Division of Monetary Research

| | 1937 (Thousands of lire) | 1936 (Thousands of lire) |
|---|---|---|
| **Taxes on business transactions** | | |
| Succession and mortmain fees | 188,800 | 164,000 |
| Registration fees | 779,600 | 822,000 |
| Stamp duties | 762,800 | 720,000 |
| Taxes in lieu of registration and stamp fees | 341,700 | 292,000 |
| Mortgage tax | 133,100 | 137,000 |
| Tax on government concessions | 198,200 | 202,000 |
| Turnover tax | 1,551,800 | 1,311,000 |
| Tax on bicycles, automobiles, etc. | 154,600 | 142,000 |
| Stamp duties on theatre tickets | 66,700 | 55,000 |
| Stamp tax on transportation | 250,400 | 153,000 |
| Tax on playing cards | 8,200 | 8,000 |
| Miscellaneous taxes | 60,800 | 54,000 |
| Tax on radio | 88,300 | 76,000 |
| Total | 4,585,000 | 4,136,000 |
| **Indirect taxes on consumption** | | |
| Sugar tax | 1,121,400 | 1,081,300 |
| Tax on spirits | 191,800 | 165,800 |
| Beer tax | 33,400 | 29,700 |
| Miscellaneous consumption taxes | 1,081,500 | 799,400 |
| Customs duties and harbor dues | 1,635,400 | 1,506,000 |
| Tax on coffee | 411,600 | 391,000 |
| Tax on imported minerals oils | 777,500 | 1,138,000 |
| Total | 5,252,600 | 5,111,000 |
| **Monopolies and lottery** | | |
| Tobacco, etc. | 2,662,100 | 2,521,000 |
| Salt | 324,400 | 319,000 |
| Lighters | 104,500 | 121,000 |
| Lottery | 426,000 | 395,000 |
| Total | 3,517,000 | 3,356,000 |
| **Miscellaneous** | | |
| Estate duties | 889,000 | 522,000 |
| Miscellaneous receipts | 4,473,000 | 1,679,000 |
| Miscellaneous fees | 201,000 | 179,000 |
| Total | 5,563,000 | 2,380,000 |
| Total national taxes | 24,062,700 | 19,608,800 |

1428

In 1937, the Italian national government used various direct taxes from which the estimated total receipts were 5,185.1 million lire. The income tax, with receipts of 3,392.8 million lire, was the most important of this group. A brief discussion of each of the direct taxes, in the order in which they appear in the preceding table, follows (As of 1937; later changes have been minor.):

(i) Tax on farm lands. This tax is levied upon the assessed rental value of farm land expressed in gold lire. The State imposes a tax of 10 percent in currency upon the assessed value. 1427 In addition taxes are imposed on the same base by the Communes and Provinces. The tax is assessed by the Central Assessment Commission, and by Communal and Provincial Assessment Commissions. The receipts shown in the national budget were 150.8 million in 1937.

(ii) Tax on income from buildings. A tax of 10 percent in addition to Communal and Provincial levies is imposed upon the net income from buildings after deducting ordinary expenses, as for water, gas and lights, and an arbitrary allowance of 1/3 of the gross income for upkeep and partial depreciation. The tax is assessed by the District Office of Direct Taxation. In 1937 the receipts were 336.2 million lire.

(iii) A general income tax. For the purposes of this tax, incomes are divided into six classes:

Class A: Interest on loans, except agricultural loans, is taxed as gross income at the rate of 20 percent.

Class BI: Net incomes of enterprises are taxed at the flat rate of 14 percent on all incomes above 2,500 lire. Incomes between 2,000 and 2,100 lire are allowed an exemption of 1,000 lire. The allowed exemption declines by steps until it reaches zero for incomes of 2,500 lire or more.

Class BII: Incomes from agricultural loans, less the same exemptions as for Class B, are taxed at the rate of 7 percent.

Class CI: Incomes from the practice of the professions, less the same exemptions as for Class BI, are taxed at the rate of 12 percent.

(f)



Class C II: Stipends and salaries of persons holding positions of trust in private employment, less the same exemptions as for Class B, are taxed at the rate of 9 percent.

Class D (a): Stipends, pensions, and wages paid by the State to its employees are taxed in their entirety at the source at the rate of 8 percent.

(b) Wages of employees of Provinces, Communes, organizations having functions parallel to the State, societies, railroads, etc., less the same exemptions as for Class B are taxed at the rate of 8 percent. 1426

Wages of temporary or permanent laborers in the employ of the State are taxed in their entirety at the source at the rate of 4 percent.

Wages of laborers in the employ of Provinces, Communes, societies, railroads, etc., (as in Class D (b) above) are taxed at the rate of 4 percent on the basis of total wages for the period, provided on a yearly basis the wages would exceed 2,000 lire. This tax is not collected at source.

Aggregate receipts from the general income tax on all four classes were 3,392.8 million lire in 1937.

(iv) Tax on bachelors. A fixed rate of tax on an age basis for unmarried men between the ages of 25 and 65 years plus 50 percent of the complementary tax is levied. The 1937 receipts were 218.4 million lire.

(v) Additional tax on income. Also called complementary tax on income. A progressive rate of tax rising from 1 percent to 10 percent is imposed on total family income after an exemption of 6,000 lire. The 1937 receipts were 370.2 million lire.

(vi) Tax on capital. This tax is described as a surtax on the patrimony of citizens and wealth of foreigners held in the country on January 1, 1920. This was a tax imposed once for all as of the basic date, but the payments on real estate were spread over a 20 years period and those on personal property over 10 years. After exemptions of 50,000 lire, progressive rates were applied to the remainder of the patrimony, ranging from 4.50 percent for the smallest to 50 percent for those above 100 million lire. This tax yielded 281.5 million lire in 1937. It presumably expired on January 1, 1940.

(vii) <u>Miscellaneous direct taxes.</u>

Tax on agricultural income. A tax of 2.5 percent is imposed upon the net income of colonial landlords and 5 percent upon that of other landlords, after allowing certain deductions and exemptions. 1425

Tax on improved lands. On lands which have been improved, have been exempted from taxation for 20 years, and have not been entered in the new cadastral estimates, a tax of 2 lire per hectare is imposed.

Tax on land reserved for hunting. A tax of .50 lire to 1.50 lire depending upon the area is imposed upon all lands reserved for hunting.

Aggregate receipts from these miscellaneous direct taxes were 393.2 million lire in 1937.

The total receipts from taxes on business transactions amounted to 4,585 million lire in 1937 and were derived from a wide variety of individual levies. Only the more important of these merit discussion.

(i) <u>Registration fees.</u> Registration fees are imposed upon deeds and contracts, transfers, leases, settlements, etc. The fees vary with the type of instrument and are graduated in some instances according to values and other criteria. Receipts from this source were 779.6 million lire in 1937.

(ii) <u>Stamp duties.</u> These are taxes upon documents of civil, commercial, judicial and other types. The yield in 1937 was 762.8 million lire.

(iii) <u>Turnover tax or sales tax.</u> A tax is imposed at the rate of 2.5 percent of the price of all goods sold either at wholesale or retail except for certain exempt transactions and goods of which the most important are food products of primary necessity. Receipts from this tax were more than double those from any other tax in this group and amounted to 1,551.8 million lire in 1937.

All taxes on business transactions other than the three discussed above provided only 1,490.8 million lire of receipts in 1937.

Specific taxes are imposed upon the manufacture of several important commodities. These taxes are assessed by the Technical division of the Fiscal Offices and collected directly by the Fiscal Offices.

(i) Sugar tax. The tax on the manufacture of beet-sugar is at the rate of 400 lire per quintal for sugar more than 94 percent pure and 364 lire per quintal for sugar less than 94 percent pure. The yield was 1,121.4 million lire in 1937. 1424

(ii) Tax on spirits. The rate of this tax on the manufacture of beverage alcohol is 1,950 lire per barrel and the yield was 191.8 million lire in 1937.

(iii) Beer tax. The rate of this tax on the manufacture of beer is 5.20 lire per hectolitre for beer of 10 to 16 percent alcoholic content. The tax yielded 33.4 million lire in 1937.

(iv) Miscellaneous consumption taxes. Taxes are imposed upon the manufacture of gas, electricity, coffee substitutes, electric lamps, glucose, maltose, seed oils, explosives, and acetic acid, all on the basis of physical units of output. The yield of these taxes was 1,061.5 million lire in 1937.

(v) Customs duties and harbor dues. The tax on imports is imposed on practically all imports at specific rates according to weight in most cases but in other cases according to volume, measure, surface, or units. A penalty duty of 50 percent of the usual duty may be imposed on goods imported from countries placing special barriers to the import of Italian goods. Duties are reduced for imports from countries having special trade agreements with Italy. Besides the specific duties a general ad valorem tax of 15 percent is imposed.

Export duties are collected on exports of minerals, metal pyrites of iron, pyrites of zinc, crude bones, calcium tartrate, rags, crude tartar, dregs of wine, and beet root.

There are also other Customs Office charges on all imports and exports per unit of merchandise, on goods temporarily stored in customs storehouses and on goods shipped from one customs house to another.

The aggregate return from all of these taxes and charges collected through the Customs Offices in 1937 was 1,635.4 million lire.

(vi) Tax on coffee. The tax imposed upon the consumption of coffee yielded 411.6 million lire in 1937.

(vii) Tax on imported mineral oils. This tax yielded 777.5 million lire in 1937.



The State maintains fiscal monopolies in tobacco, salt, and matches and lighting appliances. These fiscal monopolies burden the poorer classes and are incompatible with a proper regard for national welfare. The use of public lotteries as a device for obtaining public revenue is also to be condemned on the ground that it encourages an undesirable acquisitiveness in place of stressing gain through productivity.

The following table indicates that part of the receipts which is regarded as tax revenues by the Italian government from the fiscal monopolies and the profit from the State lottery for the year 1937:

Receipts in 1937
(Millions of lire)

| | |
|---|---|
| Monopolies: | |
| Tobacco | 2,662.1 |
| Salt | 324.4 |
| Matches and lighting appliances | 104.5 |
| Lottery | 426.0 |
| Total | 3,517.0 |

Estate duties, miscellaneous receipts and miscellaneous fees yielded the sizable return of 5,563 million lire in 1937. At least 19 or 20 different kinds of receipts ranging from deductions for pensions of State employees to the annual profits of the postal savings bank are included. The data available does not permit adequate discussion of each of these sources.

(b) Non-tax revenues:

While taxes provide the Italian national government with 75 to 80 percent of its ordinary revenues, the receipts from other sources are appreciable. The source from which the detailed figures for taxes in 1936 and 1937 were obtained does not give the figures for non-tax revenues. The following table places non-tax revenues together in the lower half of the table. It presents, on a comparative basis, the revenue receipts for the five year period from June 30, 1936 to June 30, 1940. The unreliability and incompleteness of the data have increased greatly in the later years though the estimates of revenues may be assumed to be much more reliable than the published estimates of expenditures for the same years.

1422

Revenues of Italian Government
Millions of Lire

| Fiscal years ending June 30: | 1940 (Estimate) | 1939 (Estimate) | 1938 (Actual) | 1937 (Actual) | 1936 (Actual) |
|---|---|---|---|---|---|
| Ordinary | | | | | |
| Taxes: | | | | | |
| Direct | 6,816 | 7,611 | 5,954 | 5,136 | 4,626 |
| On business transactions | 6,112 | 6,162 | 5,494 | 4,539 | 4,101 |
| Indirect on consumption | 5,487 | 5,395 | 5,622 | 5,252 | 5,111 |
| State monopolies | 3,550 | 3,294 | 3,380 | 3,091 | 2,961 |
| Lotteries | 505 | 455 | 407 | 426 | 395 |
| On revenues of the public transports conceded to private enterprises | - | 9 | 15 | 14 | 13 |
| Administered by the foreign offices | - | 25 | 31 | 25 | 19 |
| State Property | 232 | 192 | 276 | 293 | 140 |
| Net Revenues from railways, post office, telegraph and telephone, and monopoly | 273 | 255 | 355 | 596 | 301 |
| Receipts from minor public services | 197 | 185 | 221 | 200 | 179 |
| Refunds & Participations | 644 | 622 | 630 | 594 | 719 |
| Miscellaneous revenues | 475 | 535 | 1,848 | 1,096 | 781 |
| Extraordinary revenues | 268 | 330 | 2,932 | 3,436 | 945 |
| Total | 24,561 | 25,072 | 27,468 | 24,702 | 20,371 |
| Movement of capital | 6,736 | 1,940 | 3,630 | 12,710 | 40,431 |
| Grand Total | 31,297 | 27,012 | 31,098 | 37,412 | 60,802 |

State-owned enterprises in mining, waterworks, lands, factories, public beaches, canals, forests, etc., and interest and dividends on state contributions to the capital of various businesses yielded a return of 293 million lire in 1937. For fiscal 1940 the estimated returns were 232 million lire. The net profits of the fiscal monopolies or state monopolies in tobacco, salt, etc., (from which the larger part of the government receipts are classified as taxes as shown above) along with the net revenue from the railways, the post office and the telephone and telegraph system amounted to 596 million lire in 1937. By 1940 the estimated revenue from this source had declined to 273 million lire. 1421

Receipts from minor public services include such varying elements as prison fees, public education taxes, fees for admission to museums and galleries, passport charges, etc. These receipts amounted to 200 million lire in 1937.

Refunds and participations include as their most important element (about 60 percent of the total) the reimbursement by the railroads of the State for interest paid by the State on mutual obligations. Other State enterprises and institutions make somewhat similar reimbursements and contributions. These receipts sometimes called, Reimbursements, etc., amounted to 594 million lire in 1937.

The headings "extraordinary revenues" and "movement of capital" are not adequately explained in available sources. It is known, however that under the latter heading in both revenue and expenditure accounts, capital transactions for development and enterprises of the State as well as transactions in the issuance and retirement of the public debt are included. The tremendous size of the latter item, 60,431 million lire in 1936 was obviously largely, if not entirely, a reflection of the borrowing necessitated by the Ethiopian war (ending May 5, 1936)

(c) Major features of the tax system.

The discussion of individual taxes as they existed in 1937 was presented in (1) (a) above. As to the principles followed, the Italian tax system represents the present stage of a slowly evolving arrangement for financing the government rather than the application of modern clear-cut principles of taxation. The collection of only slightly more than a fifth of its revenues in direct taxes indicates, on the face of it, a rather complete neglect of the principle of ability to pay. As far as any rules can be said to have been followed, the system appears to be based upon the rule that an old tax is a good tax, the related rule that the best taxes are those that cause the least complaint, and the basic necessity of getting revenue by any means possible.

Special taxes introduced since Italy's entrance into the war (1940) include the following:

A special tax on war profits, which, as modified in June 1942 levies a graduated rate on the amounts of income which exceed the 1938 assessment after exemption of incomes below 15,000 lire and excess profits of 5,000 lire. The rates rise from 20 percent on amounts of excess profits not exceeding one fifth of the ordinary income by stages of 30 and 40 percent to 60 percent on amounts exceeding 100 percent of the ordinary income. 1420

An income tax graduated on a sliding scale. This tax is superimposed upon the scheduled income tax, with its flat rates on various classes of income as follows:

| | Percent |
|---|---|
| Income from capital only | 20 |
| Profits from industry and commerce | 14 |
| Income from professional work | 12 |
| Salaries, including State salaries and pensions | 8 |
| Wages | 4 |

The surtax on a sliding scale is calculated at 25 percent on the above taxes for incomes between 10,000 and 30,000 lire, 50 percent for incomes between 30,000 and 175,000 lire, 75 percent for incomes between 175,000 and 465,000 lire, and 100 percent on incomes above 465,000 lire.

On September 27, 1941, the registration tax on real estate sales was increased from 4 to 8 percent and the exemption basis for the 60 percent tax on profits from real estate sales was reduced from 300,000 lire to 50,000 lire, at the same time a flat rate tax of 30 percent, instead of the previous graduated rate, was imposed on profits from stock sales.

In 1942, a special graduated tax of 1 to 10 percent of the aggregate amount of bequests in excess of 50,000 lire was imposed.

These changes brought about in order to prevent profiteering and to demonstrate the necessity for universality of sacrifice were made in the first years of the war. Additional taxation, however, accounts for a conspicuously small portion of the funds necessary for prosecution of the war.

Revision of land appraisals was instituted in April 1939 and should be approaching completion. The arbitrary allowable deduction

from the income of houses of one third of the gross income for expenses is regarded as inequitable and a change has been under consideration. A Unified Tax Payers' Register has been established to assist the Inland Revenue Department in assessment and control of certain taxes. There is appearing a tendency to base the assessment of income taxes, not upon a return of actual income, but upon presumptive income received under ordinary normal conditions as determined periodically by the Inland Revenue Department. While something may be said from the viewpoint of equity in favor of taxing 1419
annual income on a basis which distinguishes between recurring annual receipts and those which are unusual and unlikely to recur year by year, it appears that a distrust of the accuracy of returns of annual income is the motive for the suggested change in Italian taxing procedure.

(d) <u>Tax organization and administration.</u>

The Minister of Finance directs and supervises all the revenue offices of the State. Besides the various Directions of the Finance Ministry itself, the principal offices are the District Offices of Direct Taxation, Registration Offices, the Administrations of the State Monopolies, and the Customs Bureau.

The Minister of Finance is a political official appointed by the King on recommendation of the Head of the Government. The personnel of the various fiscal offices is appointed on the basis of scholastic or university attainments and special examinations; they enjoy permanent tenure.

Import and export duties and navigation taxes are assessed by the Customs Bureau; real estate taxes, by the appropriate central and local commissions; succession and stamp taxes, by officials of the Registration Offices; income taxes and surtaxes and taxes on real estate, by the District Offices of Direct Taxation.

Disputes affecting income taxes may be appealed to provincial commissions on questions of fact; on questions of law the dispute may be appealed to a central commission. Contested valuations arising out of the administration of customs duties are submitted to special Economic Councils operating under the Ministry of Finance. If the Registration Office refuses to accept the taxpayer's declaration in the case of succession taxes, a judicial assessment may be secured.

Customs duties and navigation taxes are collected through the Customs Bureau; taxes and surtaxes on real estate and income taxes are collected through the District Offices of Direct Taxation; succession taxes, stamp taxes of various sorts and sales taxes are collected through the Registration Offices.

(e) Taxes allocated to specific purposes.

Though there is a law prohibiting the assignment of revenues for specific purposes, frequent exceptions are made. A part of the profit from the tobacco monopoly is assigned to the Debt Sinking Fund. 180 million lire per year of the revenue collected from automobile taxes have been assigned to the Autonomous Road Fund. Revenues obtained from taxes on amusements and entertainments are assigned to the Italian Society of Authors. The major portion of the Bachelor's Tax is assigned for the National Maternity and Infant Welfare Work. 1418

(f) Grants-in-aid or subsidies from other governmental units and

(g) Taxes shared between two or more levels of government.

In general, revenues from taxation go to the central treasury. Within limits fixed by law and the central administrative authorities, local units of governments may add to the general rates levied upon real property; they may also levy a family tax and a tax on the occupation of public lands.

(2) Expenditures;

(a) Annual statistics

Since 1930, Italian budgets have consistently shown deficits and in recent years the actual deficits have been greatly in excess of those indicated by the budgets since the war costs which are known to have been very great, even prior to Italy's entry into the world conflict in June 1940, are not fully included in the budgetary estimates.

Prior to the outbreak of the war, the Italian Government undertook extensive programs of development involving outlays estimated at 33,634 million lire during the period since 1922, exclusive of expenditures for land reclamation. While much of these outlays represented expenses of these programs, no small part constituted capital investment which might be expected to yield income to the State. The State promoted the mining of coal, metals and minerals, oil hydrogenation, civil aviation, the silk industry, the fashion industry, sulphur production and sale, the cinema industry, industrial reconstruction in general, the hotel and tourist trade, land reclamation, prospecting in Albania and various enterprises in Africa and Ethiopia.

Heavy expenditures on military, naval, and air forces were made in the conquest of Ethiopia, in the Spanish Civil War, and in preparing for further military activities. While the greater part of the expense incurred in Spain is said to have been funded later by the Spanish Government by means of long-term bonds, Italian expenditures and debts were necessarily increased.

ITALIAN NATIONAL
EXPENDITURES BY DEPARTMENTS
(Millions of lire)

1417

| Fiscal year ending June 30: | 1940 (Estimate) | 1939 (Estimate) | 1938 (Actual) | 1937 (Actual) | 1936 (Actual) |
|---|---|---|---|---|---|
| Departments | | | | | |
| Finance | 11,821 | 10,997 | 11,923 | 10,454 | 10,191 |
| Justice | 527 | 504 | 541 | 500 | 470 |
| Foreign affairs | 277 | 265 | 369 | 338 | 247 |
| Italian Africa | 1,096 | 1,785 | 5,775 | 7,182 | 4,137 |
| National education | 2,026 | 1,965 | 1,960 | 1,763 | 1,666 |
| Interior | 847 | 831 | 1,469 | 1,356 | 1,134 |
| Public works | 1,458 | 1,244 | 1,336 | 1,153 | 1,127 |
| Communications | 793 | 618 | 649 | 710 | 717 |
| War | 3,406 | 2,591 | 6,229 | 9,439 | 7,452 |
| Navy | 2,703 | 1,943 | 2,975 | 3,425 | 2,852 |
| Aeronautics | 2,165 | 1,265 | 4,066 | 3,708 | 2,310 |
| Agriculture and forests | 976 | 779 | 759 | 664 | 605 |
| Corporations | 203 | 131 | 280 | 168 | 139 |
| Special internal education | 108 | 91 | 107 | 66 | - |
| Trade and international payments. | 26 | 23 | - | - | - |
| 1/ Total | 29,317 | 25,035 | 38,642 | 40,932 | 33,057 |
| Movement of capital | 7,214 | 1,879 | 1,990 | 7,133 | 33,866 |
| Grand Total | 36,530 | 26,914 | 40,632 | 48,065 | 66,923 |

1/ Including extraordinary expenditures.

Outlays for interest on the public debt are included in the expenditures of the Finance Department and account for the disproportionate size of that item.

The following table gives a general picture of revenues and expenditures in the period 1934 to 1943 which is of interest in regard to war costs and to the increase in public debt through continual growth of deficits:

Italian Budget Accounts and Estimates
1934-35 to 1942-43
(In billions of lire)

1416

| Year Ending June 30 | Expenditure: Military | Expenditure: Other | Expenditure: Total | Ordinary Revenue | Deficit |
|---|---|---|---|---|---|
| 1934-35 | 5.2 | 15.6 | 20.8 | 18.8 | 2.0 |
| 1935-36 | 12.6 | 20.4 | 33.1 | 20.4 | 12.7 |
| 1936-37 | 16.6 | 24.4 | 40.9 | 24.7 | 16.2 |
| 1937-38 | 13.3 | 25.4 | 38.6 | 27.5 | 11.2 |
| 1938-39 | 15.0 | 24.8 | 39.9 | 27.6 | 12.3 |
| 1939-40 | 27.7 | 32.7 | 60.4 | 32.4 | 28.0 |
| 1940-41e | - | - | 94.9 | 29.0 | 65.9 |
| 1941-42e | - | - | 96.0 | 31.1 | 64.9 |
| 1942-43e | - | - | 108.8 | 35.4 | 73.4 |

e - estimate

On November 2, 1941, the cost to Italy of the European war for the period from July 1, 1940 to October 8, 1941 was officially stated to have been 76,000 million lire. For the three year period ending June 30, 1939, expenditures of the Italian Government averaged approximately 40 billion lire per year including approximately 15 billion lire per year of military expenditures. Since annual military expenditures had increased from 5 billion lire in 1934-35 to 15 billion in the immediate pre-war period, 10 billion of the pre-war 40 billion budget may reasonably be considered as the annual cost of war-preparedness. If, therefore, it is assumed that all costs above 30 billion lire, an amount apparently sufficient to meet non-war costs, may be regarded as war costs, then the cost of the war during the two fiscal years from July 1, 1940 to June 30, 1942 would appear to have been:

| | (Billions of lire) |
|---|---|
| Total expenditures | 190.9 |
| Less non-war costs | 60.0 |
| War costs | 130.9 |

(b) Financial organization and administration.

The responsibility for financial administration rests almost entirely with the Ministry of Finance. An office, known as the "Ragioneria Generale dello Stato", attached to the Ministry of Finance, prepares the budget and exercises other budgetary functions. A representative of this office attached to each department compiles estimates based on departmental requirements and revises these in accordance with the general fiscal program. Each Minister then approves the revised budget for his department. These departmental budgets are collected and reviewed by the Finance Minister. 1415
Ministerial disputes are settled in conference and the final estimates are prepared by the Finance Minister.

(c) Financial control exercised by other units of government.

The national government is not restricted in its control of national fiscal affairs by any powers of the Provinces and Communes which have only limited fiscal autonomy. Control over the local finances, on the other hand, is exercised by the Commissione Centrale per la Finanza Locale, the Central Commission for Local Finance.

(3) Public Indebtedness

(a) Amount of outstanding public debt.

The Italian public debt has increased very rapidly in recent years. The figures for the war years are disclosed, if at all, only in approximate figures, and no reliable and detailed figures are available since 1940 at the latest. Disregarding the nature of the indebtedness, the following table indicates the growth of total liabilities since 1934.

Total Liabilities of the Italian Government

| Fiscal years ending June 30 | Billions of lire |
|---|---|
| 1935 | 126 |
| 1936 | 133 |
| 1937 | 154 |
| 1938 | 163 |
| 1939 | 175 |
| 1940 | 210 |
| 1941 | 277 (Estimated) |
| 1942 | 350 " |
| 1943 | 450 ( Possible) |

Presumably seeking to conceal the publicly recognized signs of weakness of government credit and inflationary types of borrowing, the government has concealed or jumbled the figures for the expansion of bank note issues and the short-term debt of the government, but more definite figures on bond issues are available. At or near the end of the calendar year, 1941, Italian national government bonds bearing the indicated rates of interest were outstanding.

Internal Issues Italian National Government Bonds 1941 1414.

| Direct Obligations Interest Rates (percent) | Outstanding (In millions of lire) | |
|---|---|---|
| 3 | 922.4 | |
| 3½ | 69,080.5 | (Including some con- |
| 4 | 8,892.7 | verted into 5 s of |
| 4½ | 714.9 | 1935) |
| 5 | 98,498.9 | |
| Various | 2,500.0 | (Estimated) |
| Total direct | 180,629.4 | |
| Guaranteed | 4,000.0 | (Approximate) |
| Grand Total | 184,629.4 | |

The Italian government announcement of November 2, 1941 of war-costs of 76 billion lire from July 1, 1940 to October 8, 1941 stated that these expenditures were financed largely from the following sources:

| | (Billions of lire) |
|---|---|
| Nine-year Treasury bonds | 34.0 |
| Ordinary Treasury bills | 21.0 |
| Current accounts of Treasury with various "bodies and institutes" | 10.3 |
| Special Treasury bonds as collateral for advances by Bank of Italy | 7.4 |
| Total | 72.7 |

Interest service on the public debt amounted to 6.9 billion lire in fiscal 1939, 8.8 billion in 1940, and probably 10.1 billion in 1942. It is estimated that it will rise to 13.9 billion in fiscal 1943.

An Autonomous Sinking Fund Institute was established in August 1927 for the amortization by purchases in the open market of all government securities. Sums at the disposal of the Institute are devoted entirely to the purchase and cancellation of the bonded debt. By June 30, 1935, the Institute had retired securities to the amount of 1,516.9 million lire.

(b) The general fiscal position of the government.

A recent estimate of Italian national income for the year 1941 1413
as 125 billion lire can hardly be accepted as very significant in view of the fact that the same source of information suggests that the Government's annual total outlay exceeds the national income. If, as may be doubted, 125 billion lire was the national income figure with a 60 to 65 billion lire deficit in 1941, then with a deficit of perhaps an additional 40 billion lire, the national income would be nearer 165 billion than 125 billion. Under these assumptions, the total debt, 450 billion, of 1943 would be equal to some 2½ years' national income.

Though it has been indefault on its war-debt payments to the United States government since June 15, 1933, the present Kingdom of Italy had not defaulted on any of its publicly held obligations, either external or internal, prior to July 1, 1940, when interest and sinking fund payments were suspended on an issue of Sterling 5 percent bonds due in 1959 of which £ 1,119,340 are outstanding and on the External Sinking Fund 7 s, payable in U. S. (gold) dollars, of which $66,174,400 are outstanding. Payments in U.S. legal tender were accepted after April 1933 until June 1, 1940 when all payments were suspended. These two issues are the only external issues of direct obligations. Payments have not been made on some £ 1,292 thousands of guaranteed obligations since July 1, 1940.

War Debts on July 1, 1931. The aggregate amount of debts due to Italy over a period of years, from Germany, Austria, and others was $4,057 millions. On June 30, 1942 the total war debt of Italy to the United States Government amounted to $2,037 million. No payments were made to the United States Government after Dec. 15, 1933.

The Italian 3½ percent Consols sold at prices which gave yields ranging between 4.08 percent and 4.44 percent during the first 7 months of 1942. The 5 percent Bonds sold on a 5.20 percent to 5.41 percent basis during the same period. In July 1942 the yields were 4.08 percent and 5.25 percent respectively for the two issues.

The nine-year Treasury bonds bear interest at 5 percent and were offered for subscription at 97.5. The bonds also carry privileges of semi-annual prize drawing amounting to 4.8 million lire for each billion lire of issue. Including the amortization of the 2.5 percent discount over the nine-year period, prizes, and interest, the total annual cost of the borrowing is roughly 5.9 percent.

The Italian government's credit position is very definitely inferior to that of other European governments. The high rates of interest which it is obligated to pay and its inability to raise a larger part of its war-costs by taxation are related phenomena and reflect a much weaker control of the public by the government than would be expected from the loud claims of Fascism as to the supremacy of the State. When the Council of Ministers announced on May2, 1942 that excess profits arising from the war were to be "unavailable" and that they must be invested in a special type of bond of the State, the measure had to be regarded more as a procedure for financing the war than one in quest of equity or to prevent inflation. 1412

## B. Provincial governments

The Italian system of local government is highly centralised under the supervision of the Minister of the Interior. The country is divided into ninety-four provinces. The head official of each province is a prefect. Prefects are shifted from one province to another and are ordinarily kept in the government service for long periods, though they may be transferred or dismissed for political reasons. Obedience rather than competence is the successful prefect's prime quality. The prefect of a province is both the executive head of the province and the local agent of the national government. He takes an active part in politics. In the performance of his official duties, he is assisted by the Provincial Administration Board which constitutes an informal provincial cabinet. He presides over the Provincial Board of the Corporations and the Prefecture Council.

The Prefecture Council or giunta is elected by the citizens of the province. To this council the prefect submits each year a budget of proposed expenditures and the budget is passed with such changes as the council may decide to make. The appropriations, after they are made, are controlled entirely by the prefect rather than the council. On various matters the council may pass resolutions, but it does not have the power to enact legislation or to levy taxes. The prefect and his assistants are not directly amenable to control by the provincial council which cannot eject them from office. They are responsible to their superiors in the national government at Rome. Nevertheless, the prefect is unable to ignore the wishes of the council since it controls the appropriation of funds which are necessary to carry on the provincial government. The provinces receive revenue from taxes on the annual rental value of farm lands and on the income from buildings, using the same assessments for these taxes as those used by the national government and the communes. In regard to the first of these taxes, the national tax of 10 percent on the rental value of farm lands, the tax is increased by additional percentages (<u>centimes additionnels</u>) levied in favor of the provinces. The normal rate of these additional centimes is 50 centimes per lira of the basic tax, but the rate may be 1411 increased to 100 centimes per lira, that is, the provincial tax varies between 50 percent and 100 percent of the national tax, or between 5 percent and 10 percent of the assessed rental value. In the case of the national 10 percent tax on the income from buildings, the additional centimes for the provinces are normally 50 per lira, but may be increased to 75. The decision of the Prefecture Council as to the size of annual appropriations determines the actual rate between the upper and lower limits of these taxes, though the taxes are levied by the national government rather than by the provincial authorities.

c. <u>Cities and other local governmental units.</u>

There are three classes of local governmental units; namely, arrondissements, cantons, and communes. Of these only the communes have appreciable importance in the realm of public finance, since the arrondissements are merely administrative subdivisions of the provinces under the control of subprefects, while the cantons are merely judicial districts. The 7,343 Communes, on the other hand, are the main instrumentalities for local government. Communes include the largest cities as well as the smallest villages without legal distinction. All are governed under the same municipal code and in the same way, though larger communes have larger councils or boards.

The communal councils, which are elective, are the dominating factor in the municipal system. These councils fix tax rates, and vote the money for local governmental activities over the chief of which they have full supervision. From its own members, the council elects a mayor (for a 3 year term) or syndic and selects a commission to assist him. The syndic is the leader of the council but on the other hand he is subject to instructions from the provincial prefect. Actually little scope is given for the exercise of local initiative since nearly all important decisions are made by the national authorities and extended to the local units by uniform decrees and regulations. General control over local finances is exercised by the Central Committee for Local Finance.

Some 22 different taxes are imposed by the Communal Offices, including taxes on the rental value of houses, taxes on consumables, taxes on domestic animals, and numerous other taxes and license fees.

1410

Total local taxes of 20 cities having populations in excess of 100,000 inhabitants amounted to 1,320 million lire in 1937 and 1,309 million lire in fiscal 1936:

Local taxes of 20 cities

| | 1937 | 1936 |
|---|---|---|
| Consumption taxes | 817,800 | 847,900 |
| Supplements to the house and land tax | 193,100 | 206,600 |
| Tax on business, industry, arts and professions | 122,800 | 125,000 |
| Miscellaneous taxes | 186,300 | 129,500 |
| Total local taxes | 1,320,000 | 1,309,000 |

The total ordinary revenues and expenditures of certain cities for the calendar year 1937 were as follows:

(in thousand Lire)

| | Revenues | Expenditures |
|---|---|---|
| Bologna | 77,325 | 75,345 |
| Florence | 99,313 | 94,950 |
| Genoa | 199,201 | 208,689 |
| Leghorn | 29,843 | 30,487 |
| Milan | 469,370 | 475,707 |
| Naples | 161,866 | 175,080 |
| Rome | 422,725 | 321,786 |
| Trieste | 66,727 | 75,183 |
| Turin | 189,275 | 180,036 |
| Venice | 62,660 | 62,781 |

(1) 1936

e. <u>Government owned enterprises</u>

The revenues of the national government derived from the ownership and operation of the fiscal monopolies and other enterprises were listed above under the heading of non-tax revenues. Besides these nationally-owned enterprises, there are many enterprises owned by communes or municipalities. The city of Bologna, for example, held publicly-owned property valued at 118.5 million lire on December 31, 1938, including electric plants valued at 20 million lire, street railways at 22 million, waterworks at 73.5 million

and gas works at 3 million; the receipts from these were 5.9 million lire.
In many, if not all, of the larger cities of Italy, the electric plants,
street railways, gas works and waterworks are municipally owned and operated.
The City of Rome received 77.8 million lire from publicly-owned property and
enterprises in 1936, the City of Leghorn 24.7 million in 1938, the City of
Genoa 35.8 million in 1937, the City of Milan 139.3 million in 1937, and the
City of Trieste 10.1 million in 1936. In most cases the reported annual
expenditures for these enterprises are slightly less than the receipts, but
Turin had expenditures of only 19.5 million and receipts of 37.6 million 1409
lire in 1938. It is not to be concluded, however, that Italian municipal
enterprises are generally operated at a profit since it is not probable that
the costs of operation are adequately indicated by the annual expenditures.
It is a notorious defect in governmental bookkeeping in most countries, that
little or no attention is given to the cost which results from the depreciation
in the value of capital investments in government enterprises and to the cost
of the services rendered to these enterprises by other branches or depart-
ments of the Government. The published figures of property-and-enterprise
revenue of these Italian cities include, moreover, the income from other
property of the cities besides that used by the enterprises which the cities
operate.

SDS:bh 3-23-43

# ITALY

**Notes on Local Finances.**

1. Reform of local finances 1931 - 1936 - Main points were:-

(i) Assumption by the Central Treasury of burdens formerly placed on local authorities with regard to Education and Public works.

(ii) Revision of expenditure by local authorities including borrowing. Loans can now only be contracted when:-

(a) They are necessary for carrying out public works,
(b) necessary for buying buildings needed by the Public Service,
(c) necessary for repayment of overdue debts.

A guarantee must be given for the interest and ~~authorisation~~ amortization of the debt. Local authorities are also forbidden to contract further loans when their interest charges exceed one quarter of their ordinary revenue.

(iii) Reform of system of local taxes, including abolition of Octroi (Dazio).

Eighteen items of provincial and nineteen items of communal expenditure were transferred to the State, the total amount calculated in 1930 estimates being more than 500 millions. 430 millions for the Communes and 117 millions for the provinces. On the other hand local bodies were deprived of certain participation in National taxes, the net relief being 268 and 57 millions respectively for Communes and Provinces.

Finances were placed under stricter central control in order to avoid inequalities in financial burdens, and no local body may now impose any tax without the previous consent of the Ministry of Finance. A central Commission on Local Finances was established with wide powers of revision of local Budgets.

The Istituto Nazionale Gestione imposte di Consumo was created in 1936: a new organ for assuming the contract for the collection of consumption taxes and eventually of other local taxes. The Ministry of Finance also formed a new inspectorate (1936) of local Finances.

2. The income of local bodies (Provinces and Communes) is now mainly constituted as follows:-

A. Communes

(i) Income from property owned by the Commune,
(ii) Income from undertakings run by the Communes,
(iii) Income from local taxes.
(iv) Income from participation in National Taxes,

(i) and (ii) need no further comment.

(iii) is constituted as follows:-

(a) Surtax on State income tax from land and buildings,
(b) Consumption taxes on (i) alcoholic beverages (except beer), (ii) Meat, (iii) Preserved fish, (iv) sweets, (v) Cheese and

(iii) Reform of system of local taxes, including abolition of Octroi (Dazio).

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(i) and (ii) need no further comment.

(iii) is constituted as follows:-

(a) Surtax on State income tax from land and buildings,
(b) Consumption taxes on (i) alcoholic beverages (except beer), (ii) Meat, (iii) Preserved fish, (iv) sweets, (v) Cheese and Milk products, (vi) Soaps and perfumes, (vii) building materials (viii) gas-light and electricity, (ix) furniture, (x) furs.
(c) Taxes on income derived from Industry, Commerce, Arts and Professions, and "Patente" tax.
(d) Taxes on rents of dwellings or family tax.
(e) License duties on (i) carriages and servants, (ii) Cattle, sheep and goats, (iii) Dogs, (iv) Shop signs, (v) Pianos and billiard tables, (vi) Licenses premises.
(f) Tax on improvement values due to public works.
(g) Visitors tax,
(h) Road user tax.

(iv) Consists chiefly of:-

(a) Participation in State taxes on entertainments, slaughtering of cattle, horsedrawn vehicles and bicycles.
(b) Refund of expenditure in connection with collection of income tax on personal property.

Notes/

**Notes.** (iii) a - The imposab[illegible] surtax on income from land and buildings (centimes additionali) was increased subject to certain conditions. Under the new system the normal limit was raised from 100 to 200 per lira on land though the limit of 50 on buildings was retained, and these limits could only be exceeded provided that the communes either imposed certain local taxes or raised the rate of existing taxes. Communes who have applied the third limit as well as increasing other taxes are placed under the surveillance of the Central Commission for local finances which has the power to amalgamate Communes and impose new taxes on consumption and to reduce optional expenditure. The Second limit is 400 for land and 100 for buildings, the third limit 500 for land and 125 for buildings,

(iii) b. - About 40% of the yield of consumption taxes is derived from taxes on wines and spirits. These taxes are levied as follows:- On fresh meat when the animal is slaughtered: on gas and electricity on bills to consumers: on building materials when work is finished: on furniture and furs by applying bill stamps to the invoice when the article is sold to the consumer: on other commodities when the sale is made to the retailer.

(iii) d. - The tax on rents is slightly progressive with reliefs of 5% for each child under 20 years of age. The family tax is applicable only to communes with under 30,000 inhabitants and is optional as an alternative to the rent Tax with the consent of the Guinta Provinciale.

(iii) f and (iii) g - see notes to next paragraph.

**B.** <u>Provinces.</u>

(i) income from property owned by the Provinces,
(ii) income from undertakings run by the Provinces.
(iii) Surtax on income tax on Land and Buildings,
(iv) Surtax on communal taxes on incomes derived from Commerce, Industry, Arts and Professions.
(v) Improvement tax.
(vi) Road Tax.

**Notes.** (v) The tax on improvement values consists of a specific tax levied by the communes which may not exceed 30% of the public works expenditure incurred and 15% of the plus value acquired, and a specific tax levied by the Provinces and limited to extra urban properties.

(vi) The Road Tax consists of two portions (a) a tassa di circolazione which is collected by the Provincial Administrations, the yield being divided between the Provinces and Communes in proportion to their expenditure, and (b) A Super tax on road user applied to entities and undertakings which own vehicles, which entail special wear and tear of the roads: the yield is divided between the Provinces, the Communes and the State road regie (Azienda Autonoma Statale della Strada).

3. The effect of these reforms on local finances may be seen from the following tables:- showing the revenue and expenditure of the Communes,

<u>Table 1.</u>

| | 1928 | 1935 | |
|---|---|---|---|
| | (millions). | | |
| **Revenue:** | | | |
| Ordinary | 5011 | 5046 | The significant fact here is the growth of |
| Extraordinaire | 299 | 2[illegible] | obligatory expenditure since 1925 when |
| Total | 5310 | 5292 | ordinary obligatory expenditure amounted |

(iii) f and (iii) g - see notes to next paragraph.

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| **Revenue:** | | |
| Ordinary | 5011 | 5046 |
| Extraordinaire | 299 | 2[illegible] |
| Total | 5310 | 5292 |
| **Expenditure:** | | |
| Obligatory ordinary | 3712 | 3860 |
| " extra-ordinary | 1933 | 1760 |
| Optional | 689 | 337 |
| Total | 6334 | 5957 |
| Diff. | -1024 | - 665 |
| Total surpluses | 169 | 167 |
| " deficits | 453 | 319 |

The significant fact here is the growth of obligatory expenditure since 1925 when ordinary obligatory expenditure amounted only to 2.836 millions and obligatory extraordinary expenditure to 1.501: total increase between 1925 and 1928 being 1038 millions as compared with an increase of only 79 millions in optional expenditure.

Table II

Total Revenues of Communes

| | 1928 | 1935 |
|---|---|---|
| Income from Property | 482.4 | 512.6 |
| Taxes | 3888.3 | 4008.0 |
| Miscellaneous | 640.6 | 525.7 |
| Total ordinary - | 5011.3 | 5046.3 |
| Extraordinary | 298.3 | 245.9 |
| Grand total | 5309.6 | 5292.3 |

Comparing 1928 with 1935 the effect of the reforms is seen clearly in the reduction of expenditure on Police, Health etc., Public works and especially Education (379 millions). On the other hand Welfare expenditure shows a very large increase of almost exactly the same amount.

The reduction in optional expenditure has been effected partly by limiting optional expenditure to 10% of ordinary revenue for Communes who have passed the 2nd limit of centimes additionels and 5% for those who have exceeded the 3rd limit and partly by the transformation of certain items of optional expenditure into obligatory expenditure.

The Capital movements of the Communal Budgets are shown as under:-

Table V.

| | 1925 | 1928 | 1935 |
|---|---|---|---|
| Sale of property | - | 213.2 | 193.2 |
| Repayment of Advances | - | 762.8 | 599.4 |
| Borrowings | - | 2038.9 | 1807.3 |
| Total Capital receipts | 1786.6 | 3014.9 | 2599.9 |
| Acquisition of Property | - | 734.9 | 321.0 |
| Extraction of debt | - | 529.3 | 881.7 |
| Advances | | 443.4 | 580.8 |
| Total Capital expenditure | 892.4 | 1707.6 | 1783.3 |
| Difference between receipts and expenditure | +894.3 | +1307.4 | + 816.7 |

The increase in Communal debts between 1925 and 1935 rose from 5607 millions to 12,562 millions. Debt ~~since~~ have increased in the same period.

Interest from 398 to 529 millions
Amortization from 595 to 882 millions.

The situation of the Provinces was in every respect similar to that of the Communes but here the improvement has been even more marked as is shown in the following Table.

Table VI.

| Revenue:- | 1925 | 1928 | 1935 |
|---|---|---|---|
| Ordinary | 787.3 | 1116.0 | 1067.8 |
| Extraordinary | 104.6 | 110.4 | 74.3 |
| Total | 891.9 | 1226.4 | 1142.1 |
| Expenditure:- | | | |
| Obligatory ordinary | 69[illegible].6 | 894.0 | 899.9 |
| " extraordinary | 220.0 | 304.5 | 164.2 |
| Optional | 67.7 | 76.1 | 65.0 |
| Total | 982.3 | 1274.6 | 1129.1 |
| Difference | - 90.4 | - 48.2 | + 13.0 |

| | | | |
|---|---|---|---|
| Sale of Property | - | 213.2 | 193.2 |
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| Total | 982.3 | 1274.6 | 1129.1 |
| Difference | - 90.4 | - 48.2 | + 13.0 |

The composition of Provincial revenue is shown in the following table:-

Table VII.

| | | 1928 | 1935 |
|---|---|---|---|
| 1. | Income from Property | 23.0 | 36.6 |
| 2. | Grants in aid from State and other bodies | 219.5 | 70.5 |
| 3. | Other miscellaneous receipts | 29.1 | 60.5 |
| 4. | Super tax on income from land | 410.2 | 423.6 |
| | " " " " " buildings | 236.1 | 288.0 |
| 5. | Super tax on local taxes on industry | 141,0 | 142.4 |
| | Road taxes | 140.1 | 40.0 |
| | Improvement tax | 0.6 | 0.3 |
| | Other taxes and dues | 16.4 | 5.9 |

| | 1928 | 1935 |
|---|---|---|
| Total | 1116.0 | 1067.8 |

Table III.

| | | 1928 | 1935 |
|---|---|---|---|
| 1. | Octroi and consumption taxes | 1765.5 | 1828.7 |
| 2. | Super taxes on income from land and buildings | 913.6 | 966.7 |
| 3. | Taxes on industry and commerce | 318.1 | 302.6 |
| 4. | Tax on rentable values and family tax | 199.9 | 351.5 |
| 5. | Carriages and servants | 21.3 | 27.3 |
| 6. | Animals | 217.3 | 100.4 |
| 7. | Dogs | 29.7 | 28.6 |
| 8. | Advertisements | 6.3 | 17.1 |
| 9. | Tourist tax | 20.8 | 8.0 |
| 10. | Pianos and Billiard tables | 8.8 | 13.2 |
| 11. | Improvement tax | 19.1 | 11.3 |
| 12. | Road taxes | 26.0 | 35.7 |
| 13. | Other taxes including super tax or reclaimed land | 341.8 | 316.9 |
| | Total | 3888.3 | 4008.0 |

1407

Increase in (2) above is due to tax on buildings the rate of which has been raised, average tax having risen from 9.49% to 10.49% of total income. The rate on land slightly decreased from 42.66 of taxable income to 41.18%.

Expenditure of the Communes is shown in the following Table.

Table IV.

| | | 1928 | 1935 |
|---|---|---|---|
| | | millions of lire. | |
| | Ordinary obligatory expenditure. | | |
| 1. | Patrimonial charges ( Interest | 398.2 | 595.4 |
| | ( Other | 117.2 | 122.6 |
| 2. | General expenditure (incl Agriculture in 1928) | 936.8 | 1048.6 |
| 3. | Police health Sanitary Services | 883.8 | 847.8 |
| 4. | Public Security and Justice | 43.1 | 42.2 |
| 5. | Public Works | 455.3 | 421.7 |
| 7. | National education | 605.8 | 226.6 |
| 8. | Agriculture | - | 7.6 |
| 10. | Welfare and public assistance | 260.2 | 541.3 |
| 11. | Workshops | 6.5 | 5.8 |
| | Total ordinary obligatory expenditure | 3711.9 | 3859.6 |
| 12. | Extraordinary obligatory expenditure | 1932.5 | 1760.4 |

| | | | |
|---|---|---|---|
| 11. | Improvement tax | 19.1 | 11.3 |
| 12. | Road taxes | 26.0 | 35.7 |
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| Table IV. | | 1928 | 1935 |
|---|---|---|---|
| | | millions of lire. | |
| Ordinary obligatory expenditure. | | | |
| 1. | Patrimonial charges ( Interest | 398.2 | 595.4 |
| | ( Other | 117.2 | 122.6 |
| 2. | General expenditure (incl Agriculture in 1928) | 936.8 | 1048.6 |
| 3. | Police health Sanitary Services | 883.8 | 847.8 |
| 4. | Public Security and Justice | 43.1 | 42.2 |
| 5. | Public Works | 455.3 | 421.7 |
| 7. | National education | 605.8 | 226.6 |
| 8. | Agriculture | - | 7.6 |
| 10. | Welfare and public assistance | 260.2 | 541.3 |
| 11. | Workshops | 6.5 | 5.8 |
| | Total ordinary obligatory expenditure | 3711.9 | 3859.6 |
| 12. | Extraordinary obligatory expenditure | 1932.5 | 1760.4 |
| 13. | Optional expenditure | 689.2 | 337.3 |
| | Grand Total | 6333.6 | 5957.3 |

If we compare the 1925 figures the significant feature of the development 1925-3 is

Increase of ~~[illegible]~~ debt charge from 205 to 398 millions
of general expenses from 773 to 936 "
Police, health and sanitation from 693 to 884 "
Public works from 337 to 455 "
Education from 467 to 605 "
Welfare etc. from 203 to 260 "

/Comparing

The diminution in item (2) is due to the cessation of the State Grant for the upkeep of 1st class roads (c70 millions) the provinces being relieved simultaneously of their contribution to the autonomous road régie and also to the abolition of the provincial participation in the yield of the turnover tax.

Note in 1936 the State still owed the provinces some 18 millions. The provinces like the Communes are subjected to the limitation of the surtax on incomes from land and buildings, the proportion of which now accruing to the local authorities as compared with the Central Treasury is very large. In 1935 of the total proceeds of 1,195 millions from the tax on income from land only 151 millions went to the State, 424 millions going to the provinces and 620 millions to the Communes. The corresponding figures for the tax on income from buildings were: total 965 millions of which the State took 330, the Provinces 288 and the Communes 346.

The development of the expenditure side of the provincial budgets as shown in Table VIII.

Table VIII.

| | | 1928 | 1935 |
|---|---|---|---|
| 1. | Interest on debt | 56.8 | 91.4 |
| 2. | Other Patrimonial Charges | 24.5 | 26.9 |
| 3. | General Expenses | 121.7 | 143.5 |
| 4. | Health and Hygiene | 32.3 | 63.3 |
| 5. | Public Security and Justice | 35.4 | 26.6 |
| 6. | Public works | 569.4 | 322.6 |
| 7. | National Education | 39.6 | 29.2 |
| 8. | Agriculture | 21.2 | 8.0 |
| 9. | Relief and Welfare | 297.6 | 352.6 |
| | TOTAL | 1198.5 | 1064.0 |

Note. This table does not include optional expenditure.

This increase in (3) is chiefly due to higher salaries and in (4) charges in connection with ~~being~~ illegitimate children and tuberculosis.

Decrease in (3) due to transfer to the State of the obligation to provide living accommodation for provincial officials and police and the reduction in the rents of the Carabinian barracks, and in (6) besides the transference of the road charge to the removal of the contribution for land reclamation and the transfer to the State of expenditure in connection with civil aerodromes. That of (7) and (8) by the transfer to the State of contributions to Education and Agriculture.

The Capital movements of the provincial budgets are shown as under:-

Table X

| | 1925 | 1928 | 1935 |
|---|---|---|---|
| Capital receipts:- | | | |
| Sale of property | - | 2.6 | 10.5 |
| Repayment of loans | - | 45.1 | 40.1 |
| Proceeds of Borrowing | - | 163.6 | 88.4 |
| Total Capital receipts | 240.1 | 211.3 | 139.0 |

Table VIII.

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| Total Capital receipts | 240.1 | 211.3 | 139.0 |
| Capital Expenditure :- | | | |
| Acquisition of property | - | 83.3 | 38.3 |
| Advances made | - | 37.6 | 44.3 |
| Extinction of debt | - | 55.4 | 92.4 |
| Total Capital expenditure | 170.6 | 176.3 | 175.0 |
| Difference | + 69.5 | + 34.9 | - 36.0 |

Provincial indebtedness increased from 953 millions at 31.12.25 to 1,917 millions on 1.1.35.

Copy of documents received from Bank of England.

ITALY

Col Gyftopoulos ... 2.

## The State Finances

In the Italian State Accounts the gross amount of the National Debt is carried to the Balance Sheet as part of the State liabilities which are offset to the extent of the State's assets of various kinds. The deficit, on balance, and not the Debt itself, is regarded as the net liability of the State.

### 1. The National Debt (Gross)

When Mussolini took office in 1922, the gross National Debt stood at 92.6 milliard lire, and in 1928 was 97.1. On the eve of his foreign adventures, in 1935, the Debt was 107.3 milliard. The Fascists boasted of having achieved their reforms of these 7 years so cheaply, with no more than a 10% increase of the Debt. In the same period, however, the wholesale price index fell from 100 to 68.

From this point, 1935, at an accelerating pace which averaged an increase of 40 milliard per year over the next 7 years, the Debt rose to 378.4 on 30th June 1942. In the first 6 years of this period, the wholesale price index rose from 68 to 131; the national income rose from 80 to 130 milliard lire. 1405

The nature of the Debt in 1935 and the last three years is shown in milliards of lire in the following table:-

| (End June) | Foreign | Domestic Floating | Domestic Funded | Total |
|---|---|---|---|---|
| 1935 | 1.6 | 11.9 | 93.8 | 107.3 |
| 1940 | 1.4 | 17.3 | 258.3 | 277.0 |
| 1941 | 1.4 | 15.7 | 297.1 | 314.2 |
| 1942 | 1.4 | 30.4 | 346.6 | 378.4 |

The Foreign Debt consists of loans at interest rates from 3% to 7% maturing between 1947 and 1985; the outstanding portions amount to $6.7 mn. and £111.6 mn., of which, however, the greater part had been repatriated before the war. Further details of the Foreign Debt are given on a later page. (not included)

About one-half of the Funded Debt is redeemable and includes the following maturities:-

| | | | | |
|---|---|---|---|---|
| 4% | (1934) | 8.9 | milliard | 1943 |
| 5% | (1940) | 28.0 | " | 1949 |
| 5% | (1941) | 38.8 | " | 1950 |
| 5% | (1942) | 24.5 | " | 1951 |
| 5% | (1937) | 5.4 | " | 1962 |
| 3½% | (1934) | 61.1 | " | 1978 |
| 3% | (1885) | .8 | " | 1985 |

The cost of service of the Debt (which is part of the Finance Department ... in the Budget Account) has increased as follows:-

increase of 40 milliard per year over the next 7 years, the Debt rose to 378.4 on 30th June 1942. In the first 6 years of this period, the wholesale price index rose from 68 to 131; the national income rose from 80 to 130 milliard lire.

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| 3½% | (1934) | 61.1 " | 1978 |
| 3% | (1885) | .8 " | 1985 |

The cost of service of the Debt (which is part of the Finance Department vote in the Budget Account) has increased as follows:-

| | | |
|---|---|---|
| Year ending 30th June | 1935 | 4.5 milliard lire |
| do. | 1940 | 6.9 do. |
| do. | 1941 | 8.8 do. |
| do. | 1942 | 10.1 do. |

In percentages of the Debt, the cost has come down from 4.2% in 1935 to a little over 3% during the last three years. Comment in the Sole of 24.9.42 suggests that the percentage is now higher again, in spite of the reduction from 5% to 4% for medium-term borrowing.

At the same time the Sole gave an official-sounding estimate of 13.9 milliard lire as the amount of interest payable for the current financial year; at this figure, together with the estimated service cost of 3%, the probable total of the National Debt, on 30th June 1943, works out at about 450 milliard lire. (The same result is reached by adding the expected budget deficit to the previous year's Debt:- 378.4 + 77.6 = 456 milliard)

## 2. The National Assets.

The income from State property is included in the Budget revenue. The assets which are brought into the National Balance Sheet consist of property and goods which are classified as realisable or non-realisable. The former comprise most of the real estate and industrial property of the State, excluding however the autonomously conducted businesses such as the railways. The non-realisable assets include military property, supplies for State purposes and the scientific and artistic possessions of the nation.

In 1935 these assets appeared in the Balance Sheet at 89.3 milliard lire; in 1941, at 145.5 milliard. The increase is partly accountable to the growing participation of the State in industry.

Disregarding some minor items, at the end of that financial year, 1941, the gross National Debt stood at 314.2 milliard. The State assets (about half "realisable" and half "non-realisable") were, as noted, 145.5 milliard. The State Accounts therefore show a book deficit of 314.2 - 145.5 = 168.7 milliard. In 1935 the comparable figure was 29.3 milliard.

But the railways (valued at 57.5 milliard) and other autonomous enterprises (7.5 milliard) are not included in the Accounts. So by Italian reckoning these assets, also, must be deducted, making the total net liabilities of the Italian State: 168.7 - 65 = 103.7 milliard.

## 3. The State Accounts

The specimen summary of the State Accounts attached has been somewhat Anglicised in presentation.

The Budget and Capital Accounts are both included in order to show the relation between them and their relation with the Balance Sheet. The residuary deficit of 301 million lire charged to Residues Account in the Budget Account is not visible in the Residues Account statement, being part of the composite item "To Authorised Accounts". All the items in the Residues Budget Account are composed of the various operations in connection with Budget Accounts which were still open or were closed in that year.

The Capital Account records new borrowing effected by means of medium or long-term bond issues, the repayment of loans, sales of State property and the issue of coins or other State currency. The balance of the Capital Account is available for transfer to the Budget Account, and it has been the usual practice to close the Capital Account each year in this way.

The assets in the Balance Sheet consist entirely of the properties already mentioned. The liabilities are: the funded Debt, the balance of the Treasury Account carried forward as Floating Debt, the balance of the Residues Account, and State currency in circulation.

(in millions of lire)

ITALY

## SPECIMEN STATE ACCOUNTS

(1935, Summarised)

### BUDGET ACCOUNT

| | | | |
|---|---|---|---|
| To Expenditure | 20,847 | By Revenue | 18,817 |
| | | Capital A/c | 1,729 |
| | | Balance, Residues A/c | 301 |
| | 20,847 | | 20,847 |

1404

### CAPITAL ACCOUNT

| | | | |
|---|---|---|---|
| To Debt Redemption | 464 | By New Borrowing | 2,249 |
| Credit Extension | 236 | Treasury refunds | 184 |
| Contra | 248 | Sale of property | 31 |
| Various | 76 | Contra | 247 |
| Budget Account | 1,729 | Coins issued | 2 |
| | | Various | 40 |
| | 2,753 | | 2,753 |

### BALANCE SHEET

| Liabilities | | Assets | |
|---|---|---|---|
| Funded Debt | 95,535 | Realisable Assets: | |
| Treasury Account: | | Property & Credit | 16,914 |
| (Floating Debt) | 13,708* | Industrial | 29,312 |
| Residues Account | 2,632 | Non-realisable Assets: | |
| Coins in circulation | 2,150 | Military Property | 24,166 |
| Sundry Creditors | 3,381 | State Supplies | 4,794 |
| Other Items | 1,239 | Science & Art | 14,111 |
| | | Previous State Deficit: 30,420 | |
| | | Less Surplus 1,072 | 29,348 |
| | 118,645 | | 118,645 |

* Treasury Account

| | | | |
|---|---|---|---|
| To Floating Debt (Bills) | 11,883 | By Current Accounts | 2,125 |
| Current Accounts | 3,438 | Advances | 612 |
| | | Other Credits | 118 |

1404

## CAPITAL ACCOUNT

| | | | |
|---|---|---|---|
| To Debt Redemption | 464 | By New Borrowing | 2,249 |
| Credit Extension | 236 | Treasury refunds | 184 |
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| | | Deficit: 30,420 | |
| | | Less Surplus 1,072 | 29,348 |
| | 118,645 | | 118,645 |

### * Treasury Account

| | | | |
|---|---|---|---|
| To Floating Debt (Bills) | 11,883 | By Current Accounts | 2,125 |
| Current Accounts | 3,438 | Advances | 612 |
| Payments in transit | 416 | Other Credits | 118 |
| Other items | 1,075 | Cash | 249 |
| | | Balance Sheet | 13,708 |
| | 16,812 | | 16,812 |

### ø Residues Account

| | | | |
|---|---|---|---|
| To Authorised Accounts | 3,991 | By Authorised Accounts | 2,061 |
| Closing Accounts | 2,875 | Closing Accounts | 1,725 |
| | | Suspense Items | 448 |
| | | Balance Sheet | 2,632 |
| | 6,866 | | 6,866 |

ITALY

## The Budget

1. The financial year runs from 1st July to 30th June. The estimates are presented four or five months before the beginning of the financial year. At the same time, revised estimates for the current year and the final results of the previous year are published.

2. Since 1934 war expenditure has been dealt with apart from the departmental estimates and statements, and is only brought into budget account as a global sum in the final statement of results.

1403

3. The spreading of certain departmental payments over a very elastic number of years had long been a part of the Italian financial system when Italy entered the war. A plan was then devised for treating in a similar manner part of the extra-budget expenditure of the military administration (Army, Navy and Air Force), based, however, on more limited periods of postponement. Under a decree of 13th January 1941 the payment of current contracts of more than 5 million lire, and of new contracts of more than 20 million lire, can be spread over periods not exceeding 10 years, with interest payable on them at ½% above bank rate. Special certificates issued by the department concerned can be rediscounted at the Consortium for Industrial Securities, a department of the Istituto Mobiliare. A further ½% is payable on certificates which are retained by the contractor, thus giving him, to-day, 5½% while purchasers of war bonds (9-year issue, September 1942) receive only 4%. The departmental budget is not affected by these outstanding liabilities, which form part of the extra-budget war expenditure.

Bank rate 4½%

at 50% see overleaf

4. 1934-1940.

### Budget Accounts

(Lire milliards)

| | Expenditure | | | Ordinary Revenue | Deficit |
|---|---|---|---|---|---|
| | Military | Other | Total | | |
| 1934-35 | 5.2 | 15.6 | 20.8 | 18.8 | 2.0 |
| 1935-36 | 12.6 | 20.4 | 33.1 | 20.4 | 12.7 |
| 1936-37 | 16.6 | 24.4 | 40.9 | 24.7 | 16.2 |
| 1937-38 | 13.3 | 25.4 | 38.6 | 27.5 | 11.2 |
| 1938-39 | 15.0 | 24.8 | 39.9 | 27.6 | 12.3 |
| 1939-40 | 27.7 | 32.7 | 60.4 | 32.4 | 28.0 |
| Totals | 90.4 | 143.3 | 233.7 | 151.4 | 82.4 |

3. The spreading of certain departmental payments over a very elastic number of years had long been a part of the Italian financial system when Italy entered the war. A plan was then devised for treating in a similar manner part of the extra-budget expenditure of the military administration (Army, Navy and Air Force), based, however, on more limited periods of postponement. Under a decree of 13th January 1941 the payment of current contracts of more than 5 million lire, and of new contracts of more than 20 million lire, can be spread over periods not exceeding 10 years, with interest payable on them at ½% above bank rate. Special certificates issued by the department concerned can be rediscounted at the Consortium for Industrial Securities, a department of the Istituto Mobiliare. A further ½% is payable on certificates which are retained by the contractor, thus giving him, to-day, 5½% while purchasers of war bonds (9-year issue, September 1942) receive only 4%. The departmental budget is not affected by these outstanding liabilities, which form part of the extra-budget war expenditure.

4. 1934-1940.

**Budget Accounts**

(Lire milliards)

| | Expenditure | | | Ordinary Revenue | Deficit |
|---|---|---|---|---|---|
| | Military | Other | Total | | |
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| 1935-36 | 12.6 | 20.4 | 33.1 | 20.4 | 12.7 |
| 1936-37 | 16.6 | 24.4 | 40.9 | 24.7 | 16.2 |
| 1937-38 | 13.3 | 25.4 | 38.6 | 27.5 | 11.2 |
| 1938-39 | 15.0 | 24.8 | 39.9 | 27.6 | 12.3 |
| 1939-40 | 27.7 | 32.7 | 60.4 | 32.4 | 28.0 |
| Totals | 90.4 ✝ | 143.3 | 233.7 | 151.4 | 82.4 |

✝ Of this amount about 65 milliard was on "extraordinary" account and the balance on departmental account.

As shown in the above table, the aggregate deficit incurred in this period was 82.4 milliard lire. The proceeds of long and middle term issues amounted to 39.8 milliard, while 26 milliard was raised by short term borrowing, together making 65.8 milliards. Azzolini gives these particulars in an article in Bank-Arkiv (B.I.S. Review, 1.2.42), and adds that "the residue of 16.6 milliards for the greater part corresponds to the rise in unpaid liabilities which had risen from 2.6 milliard in 1939 (1935?) to 16 milliard in the middle of 1940."

5. 1940-1941.

A deficit of 65.9 milliard was shown in the final statement of results for the financial year 1940-41. During that period new

/medium..

medium term credit of 28.8 milliard was obtained, and Central Bank advances were 7.4 milliard. There is no information as to how the balance of 29.7 milliard was met.

6. 1941-1942.

The final statement of results of the 1941-42 budget showed a deficit of 77.3 milliard, including war expenditure of 71.3 milliard.

On this occasion a statement was made regarding the deficit. Against the 77.3 milliard had been transferred a sum of 45.6 milliard, described as surplus credit on the year's "capital account". We do not know the composition of the "capital account" but the net proceeds of medium term borrowing in that period were said to be 44.7 milliard.

No further indication has been given of the part which certificated unpaid liabilities take in offsetting the deficit since the reference made to them by Azzolini.

7. 1942-1943.

The revised estimates of the departmental budget for the financial year 1942-43, published in January 1943, anticipated a deficit of 7.6 milliard. A footnote in the B.I.S. annual Report of 1942 estimated war expenditure for this period at about 60 milliard; the total is more likely to be 70, making a deficit of 77.6 milliard. Sales of 4% nine-year bonds brought in 25 milliard (net, the newspapers imply) in the first half of the financial year.

8. 1943-1944.

The estimates for 1943-1944 anticipate a deficit of 6 milliard in the departmental budget. Additional war expenditure of 71 milliard has been officially estimated, making a total expected deficit of 77 milliard.

9. Conclusion

Summing up the current situation, then, the Italian Government has to find 77.6 plus 77 = 154.6 milliard lire between 1st July 1942 and the 30th June 1944, and to this must be added 8.9 milliard for 4% Treasury Bonds maturing in 1943, making a total of 163.5 milliard.

How it is proposed to make ends meet can only be a matter of conjecture. Assuming that the annual rate of medium term borrowing remains at about 50 milliard, 63.5 milliard would remain to be offset by other means before 30th June 1944. It seems probable, therefore, that the Treasury, during these two financial years, will increasingly have resort to the postponement of payments to war contractors. This might do well enough to fill the last gap after all other sources had been called upon, ...

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7. <u>1942-1943.</u>

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8. <u>1943-1944.</u>

The estimates for 1943-1944 anticipate a deficit of 6 milliard in the departmental budget. Additional war expenditure of 71 milliard has been officially estimated, making a total expected deficit of 77 milliard.

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How it is proposed to make ends meet can only be a matter of conjecture. Assuming that the annual rate of medium term borrowing remains at about 50 milliard, 63.5 milliard would remain to be offset by other means before 30th June 1944. It seems probable, therefore, that the Treasury, during these two financial years, will increasingly have resort to the postponement of payments to war contractors. This might do well enough to fill the last gap after all other sources had been called upon, were the contractors' certificates in effect 1-10 year 5% Bills, and no more. But the work for which they are issued has to be financed and for this purpose the contractors go to the banks, or to the Credit Consortium, where the certificates can be discounted up to 50% of the contracted sums. The other banks rediscount the certificates at the Bank of Italy, and "to a large extent" the Consortium also does so, although it can go just a little further in acting as a buffer, by issuing its own 4-months (renewable) Bills. The device can thus ease the weight of each successive deficit and postpone the day of settlement, but, in doing so, it is an inflational agent to the extent of the discounted certificates, and so appears to be no more than an expensive palliative.

Can contractors discount with the banks?

Overseas & Foreign Office,
22nd April 1943.

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CONFIDENTIAL

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BOARD OF ECONOMIC WARFARE
Blockade and Supply Branch
Reoccupation Division

1402

# CURRENCY AND BANKING PROBLEMS OF OCCUPATION IN ITALY

CONFIDENTIAL



April 1943

## Foreword

The monetary and banking problems which would confront Allied forces occupying Italy will be far more complex than those encountered in French North Africa. Advance planning and close supervision over the local banking structure by the occupation authorities will be necessary to meet the following major problems:

1. If occupation of Italy is gradual, the occupied parts of the country will be cut off from the financial center of Rome for an indefinite period of time. Partial control of the territory will make it necessary for the occupation authorities to initiate and supervise a reorganization of the existing monetary and banking system. 1401

2. After total occupation, extensive supervision will have to be exercised over all credit institutions and their personnel until Fascist and other anti-democratic elements have been eliminated or brought under control.

3. The impact of the war on Italy's financial system has been so far-reaching that continued operation of the credit institutions will require active intervention and assistance on the part of the occupation authorities, or of Allied governments.

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Summary of Recommendations

I. CURRENCY

In order to provide for the currency requirements of an expeditionary force in Italy, to assure adequate supplies of currency for the local civilian population, and to guard against enemy sabotage, the following recommendations are made:

1. Prepare in advance adequate quantities of dollar notes for the immediate requirements of the expeditionary force. Such dollar notes should be clearly distinguishable from notes circulating in the United States, and from those circulating in North Africa. They should be declared full legal tender in the occupied Italian area together with all lira notes. It should be made clear immediately that no dollars except those disbursed in Italy will be acceptable to the banking authorities in Italy, and that conversion of, or transactions in, other dollars will be subject to strict limitations and control. 1398

2. Prepare in advance a new lira issue to supplement (or replace) present Italian currency in the event that the note printing facilities in Rome remain in the hands of the enemy for a considerable period of time.

3. The new lira notes should be placed in circulation in occupied territory.

4. The occupation forces should begin to use lira currency for their own disbursement requirements as soon as the offices of the Bank of Italy have been reopened in occupied territory.

5. In case of an occupation of Italy which is partial and protracted, all lira notes of 100 lire and above should be recalled in order to guard against enemy sabotage. Excessive note holdings should be curbed.

II. EXCHANGE RATE

In order to permit the conversion of dollars into lira by Allied forces in a manner which minimizes disturbance of economic and social conditions, it is recommended that:

Immediately upon entry into Italy, the occupation authorities establish by proclamation, an initial official exchange rate within the range of 30-50 lire to the dollar. This rate should be rigidly enforced for all foreign and domestic transactions. It should be revised upon the establishment of military government and the resumption of day-to-day economic activity.

III. CONTROL OVER CREDIT INSTITUTIONS

In order to provide control over all banking and credit institutions during the period of occupation, and temporarily to replace, or supplement Italian government agencies in the occupied areas, the following recommendations are made:

1. Establish a Bank Control Board to decide upon all matters of banking and credit policy, and to insure cooperation between Italian institutions and occupation authorities.

2. The Bank Control Board should be composed of competent Allied personnel and should include a Commissioner in charge of the Inspectorate for Savings and Credit, a Commissioner attached to the Bank of Italy, and a finance officer from the armies of occupation. The Board would seek the advice of local Italian banking and other economic interests.

3. All powers formerly exercised by the Italian Interministerial Committee over the Inspectorate for Savings and Credit and by the Italian Government over the Bank of Italy should be delegated to the Bank Control Board.

4. The control functions formerly exercised by the Inspectorate should continue to be carried on by the same body, subject to supervision by the Allied Commissioner. In the performance of these functions, the Commissioner would have at his disposal the facilities of the Bank of Italy which is the organization actually in charge of carrying out the technical operations of the Inspectorate.

IV. CENTRAL BANK

In order to assure an immediate resumption of monetary and banking operations in Italy and the establishment of cooperation between occupation and local authorities, it is recommended that the following measures be adopted with regard to the Bank of Italy:

1. Administration

a. The occupation authorities should, immediately upon occupation, assume full control over the Bank of Italy, and delegate authority over the latter to the Bank Control Board; the Board would exercise this authority through members who would be attached to the Bank of Italy as Commissioners.

b. The Commissioner should reopen the branches of the Bank of Italy as soon as they have come under Allied control.

c. As soon as a chief office of the Bank has come under Allied control, that office should be made responsible for the operation of all branches in the occupied area. 1397

d. When two or more chief offices have come under Allied control, a temporary Council should be formed to assume the policy making functions of the Board of Directors of the Bank of Italy. Administrative functions of the Central Administration in Rome should be delegated to the chief offices.

e. Reestablishment of the Central Administration of the Bank of Italy, under supervision of the occupation authorities, should take place after occupation of Rome or after the most important chief offices of the Bank have come under Allied control.

2. Operations

The local establishments of the Bank of Italy in occupied territory should resume operations, subject to the following conditions:

a. All accounts originating before the date of occupation should be blocked.

b. Provision should be made for the granting of extraordinary credit facilities to commercial banks.

c. The Bank of Italy should make advances to the occupation authorities against promissory notes which would be subject to future settlement.

d. Before confirmation in office a close examination should be made of the political reliability of all executive officers of the Bank of managerial rank and above, and all members of the Board of Regents and the Committee of Counselors.

V. CREDIT INSTITUTIONS

In order to assure satisfactory operation of the banking system, to provide credit assistance for productive enterprise, and to maintain facilities for savings, the following recommendations are made:

1. The Commissioner attached to the Inspectorate should reopen banks and designate temporary head offices.

2. In cases of urgent need, the banks should be permitted to borrow from the Bank of Italy on the security of assets not now eligible for advances and rediscount.

3. The banks should suspend payments and transfers on all enemy accounts, and furnish the Inspectorate with complete details of such accounts.

4. Withdrawals from bank accounts should be restricted, if this is necessary to check inflationary trends, or if a bank is not in a sufficiently liquid position to meet withdrawals.

5. All assets acquired by banks and credit institutions since 1935, as a result of occupation or penetration of non-Italian territory, should be blocked pending subsequent settlement of claims and counter-claims.

6. A provisional moratorium should be declared on all outstanding credits secured on war orders of the Italian Government.

7. A new central administration should be established to take charge of all local offices of the Postal Savings Bank in the occupied area. In order to enable it to meet withdrawals on a limited scale, the Bank of Italy should grant to this central administration a loan against claims of the Postal Savings Bank in enemy-occupied territory.

8. The Bank Control Board should suspend the operations of all public and quasi-public special lending agencies, and designate the Bank of Italy as trustee. Special intermediate and long term projects undertaken for account of the occupation forces should be financed by a consortium of banks, headed by the Bank of Italy.

VI. FOREIGN EXCHANGE CONTROL

In order to sever all financial connections with the enemy, to prevent a flight of capital from Italy, and to regulate trade and other transactions between Italy and Allied or neutral territories, it is recommended that:

1. The occupation authorities vest the Bank Control Board with the right to issue directives with respect to foreign exchange regulations.

2. The Bank Control Board direct the Bank of Italy to resume the administration of foreign exchange control. The Allied Commissioner attached to the Bank should be vested with supervision over all such operations. 1396

3. All transactions with enemy or enemy-occupied territories be prohibited; transactions with Allied or neutral territories be made subject to previous authorization.

VII. SICILY AND SARDINIA

Additional or special recommendations regarding the islands of Sicily and Sardinia are given in Appendices E and F.

I. CURRENCY

## A. Present Conditions

The lira, (symbol Lit.), subdivided into 100 centesimi,
is the monetary unit of Italy and of all Italian possessions.
Currency now in circulation in metropolitan Italy consists
of (a) bank notes (biglietti di banca) in denominations of
50, 100, 500, and 1,000 lire issued by the Bank of Italy;
(b) special notes originally issued by the Bank of Italy for
Italian East Africa of the same denominations as the ordinary 1395
bank notes; (c) state notes (biglietti di stato) in denomi-
nations of 1, 2, 5, and 10 lire issued by the Italian Ministry
of Finance; and (d) coins (possibly also state notes) in de-
nominations of 5, 10, 20, and 50 centesimi also issued by the
Ministry of Finance. All notes and coins are printed or minted
in Italy, in establishments situated in Rome, Florence, and
Turin.

As of December 31, 1940 the total bank note circulation amounted to 31,306 million lire, while state notes and coins amounted to over 5,000 million lire. The estimated note circulation for the end of 1942 is 50 - 60 billion lire. No breakdown by denominations is available.

## B. Problems Faced by An Expeditionary Force

The three major currency problems which would confront an expeditionary force in Italy are:

1. How to secure sufficient currency to satisfy the disbursement requirements of the Army Service Forces (formerly the Services of Supply), the members of the expeditionary forces, and of the occupation authorities.

2. How to provide adequate currency to meet the requirements of the local population, during a period of prolonged partial occupation of the territory. In case of partial occupation it must be expected that the sources of supply for local currency will remain in enemy territory. Shortages of local currency may arise from:

   a. normal replacement demands caused by the deterioration of paper notes;

   b. increased currency demands due to rising prices; and

c. increased hoarding of currency on the part of the local population owing to military, political and economic uncertainties.

3. How to guard against economic sabotage in case the sources of supply of local currency remain in enemy territory for a considerable period of time. If the note printing facilities remain in the hands of the enemy, it would be easy for the enemy to finance sabotage, and to flood Allied-occupied areas with bona fide currency.

## C. Recommendations

1. Advance preparation. The following recommendations require advance preparation:

a. Dollar notes.

A special dollar issue clearly distinguishable from the dollars circulating in the United States and those introduced in North Africa, should be prepared in advance for use by the expeditionary forces. Such a distinct issue is necessary in order to facilitate the enforcement of foreign exchange regulations, control capital movements, and to prevent the enemy from utilizing stocks of other dollars.

b. Lira notes

An attempt should be made to find out whether the lira notes withdrawn by the British authorities in Italian East Africa and in Libya are still available, and what proportion is in good enough condition for further use. These notes should be placed at the disposal of the occupation authorities for use in disbursements or in meeting the currency requirements of the local population in occupied areas.

New lira notes in denominations of 100 and above should be prepared by Allied authorities to supply the currency requirements of the occupation forces and the local population in case of a prolonged partial occupation of Italy. These notes should be clearly distinguishable from lira notes now circulating in Italy, and should be produced throught the photo-offset process.

2. Occupation Measures

a. Phase of military operations

During the initial period of occupation, an American expeditionary force would use dollar notes, identified by a special mark distinguishing them from notes circulating in the United States as well as in North Africa.

The occupation authorities should immediately issue a proclamation declaring the specially marked dollar notes full legal tender in the occupied territory, and sharply defining their areas of circulation.

Dollar currency should not be used for large-scale purchases of supplies, which should be effected by promissory notes payable in local currency as soon as the banking system 1393 has been reconstituted.

b. Period of occupation

Instructions should be issued to the local banks by the occupation authorities to retain only a minimum cash reserve, and to deposit their excess currency with local offices of the Bank of Italy. This measure would provide a special source of currency to meet any new or additional requirements by the civilian population. Maximum allowable cash holdings of the banks should be defined in relation to their "free" deposits, i.e., total deposits minus blocked accounts (see V, B, 1).

As soon as banking operations are resumed in occupied areas, the new lira notes which have been prepared in advance would be furnished to the Bank of Italy in occupied territory.

The occupation authorities would obtain the required amounts of lira currency from the Bank of Italy against promissory notes subject to future settlement.

c. Prolonged partial occupation

In case of a prolonged partial occupation, during which the printing facilities for lira notes remain in enemy territory, notes of 100 lire and above should be replaced by new lira notes. This measure would render it more difficult for the enemy to use the lire printing facilities at his disposal to finance economic sabotage in Allied-occupied territory. Such sabotage is likely to be financed by notes of high denominations. An alternative measure--overstamping of existing notes--requires equipment and personnel facilities which are not likely to be readily at hand.

The exchange of notes should be supervised by the Bank Control Board, as the Allied supervising agency over all monetary and banking matters in occupied territories (see III, B), and should be carried out by the branches of the Bank of Italy and other banks which have reopened under surveillance of the occupation authorities.

Short time limits should be set for the exchange of notes in cities, and somewhat longer periods for rural areas. After expiration of such time limits, old notes should lose their legal tender status. If it is desired to avoid hardships caused by the shortness of the time limits, expired notes may be declared as acceptable during a short period at offices of the Bank of Italy against a blocked deposit; deposits could be unblocked when adequate proof has been provided that no enemy interests are involved.

In order to counteract inflationary tendencies, no individual should be allowed to exchange more than a given limited amount of old currency into new currency. The currency holdings not exchanged should be credited into bank accounts, which would become subject to the same withdrawal limitations as have been applied to all ordinary bank accounts by the Bank Control Board.

## II. EXCHANGE RATE

### A. Present Conditions

The Italian lira has a nominal gold content of 46.77 milligrams of fine gold, established by monetary law of October 5, 1936, and an official dollar parity of 19 lire to the dollar (lira = $0.0526). Prior to June 14, 1941 (last official quotation of the Italian lira in the New York market), official buying and selling rates for dollars, for transactions authorized by the National Foreign Exchange Institute, ranged from 19.80 to 25.25 lire, the discounts from the nominal parity 1394
ranging from 5 to 20 percent. Italian bank notes in the New York market were quoted in 1941 at around 30 lire to the dollar, or at about 40 percent below the nominal parity; it should be noted, however, that the export and import of Italian bank notes were and continue to be strictly prohibited.

The British authorities have established in Italian East Africa a rate of 480 lire to one East African pound, and, therefore, to pound sterling, for small change lire. The same rate of 480 lire to the pound sterling has been established in Libya for the exchange of all lira notes against British Military Authority currency. This would give a cross rate of 120 lire to the dollar.

### B. Problems of Occupation

Establishing an accurate exchange rate is a very difficult problem even under normal conditions; the numerous and complicated factors which have to be taken into account range from the prices of the goods entering into foreign trade to differences in the yield and safety of investment capital as between various financial centers. Under the impact of war the problem becomes practically insoluble for three obvious reasons. First, war leads to a rupture of trade relations, and this, in turn, destroys the major bases of comparison necessary for a correct computation of exchange rates. Secondly, differences in the rate of inflation as between countries render practically useless old bases of comparison. Finally, the necessities of war bring about a change in the fundamental economic structure of a country and, therefore, in its role in world commerce. Thus, a country may emerge from the war as a potential exporter of foods it formerly imported; or the needs of converting its wartime economy to a peacetime basis may make for an abnormal and temporary schedule of import requirements and for a limited and purely provisional range of export capacities.

The fixing of an appropriate exchange rate for the initial period of occupation of a country by American or Allied forces presents additional difficulties because the relevant factors which have to be taken into account differ radically from those which prevail when normal economic activity is resumed. While an area is in the zone of combat, or is in the immediate zone of supply of the armed forces, ordinary commercial considerations are of little significance in determining economic life. Military necessity is the dominant factor, and influences directly the amount and channels of the supply of goods coming into, or leaving, a country. Considerations of military necessity are likewise responsible for the distribution within the area of goods and services as between civilians and the Army Service Forces (formerly designated as Services of Supply.) In the initial period of occupation, therefore, the rate of exchange, or modifications in it, can have little or no bearing on the volume and flow of imports and exports, or on the internal distribution and prices of commodities entering foreign trade. The fixing of the initial exchange rate should consequently be guided, not by ordinary commercial criteria, but by more relevant factors.

During the initial period of occupation an exchange rate serves mainly two ends: a) to convert the currency of the occupying forces into local money for the purpose of paying for goods and services rendered by local inhabitants to the Army Service Forces; and b) to convert part of the monthly pay of the troops for the purpose of enabling them to make purchases in local markets. To meet these ends, the initial rate of exchange has to meet three simple criteria:

1. The rate must be convenient, i.e., it must be in round numbers, or easily divisible, for purposes of conversion by soldiers and civilians alike.

2. The rate must be acceptable to, or must not arouse the hostility of, the local population. In view of the role of the American and Allied armies as liberating forces, this consideration is of utmost importance. It excludes the fixing of rates which are suggestive to the local population of "exchange profiteering", a method usually resorted to by the Axis in its systematic exploitation of conquered lands. The rate adopted should, therefore, be one which appears, or can easily be explained as, fair; this should be done even if the rate adopted should involve an "undervaluation" of the currency of the occupying forces.

3. The exchange rate must be such as to have the least disturbing effects on local monetary conditions. At the time of liberation most enemy-occupied territories are likely to be in the grip of inflation. Precaution must be taken against

aggravating seriously inflationary conditions through fixing an exchange rate which boosts the pay of the troops in terms of local currency and, thereby, their expenditures in local markets.

The exchange rate determined in conformity with the last two considerations may make for relatively heavier outlays in terms of the currency of the occupying forces. This will make no difference in the case of enemy territory because the whole outlay may be borne through an eventual occupation levy. In the case of friendly areas, on the other hand, the extra outlay will be more than outweighed by its beneficial psychological as well as monetary repercussions. 1392

C. Recommendations

1. The considerations set forth in the preceding section militate against the establishment in metropolitan Italy of an exchange rate derived from the rate fixed by the British in Italian East Africa and in Libya. The specific reasons why the rate of 480 lire to the pound sterling, or 120 lire to the dollar, would be inappropriate in Italy are the following:

a. This rate originally fixed in Italian East Africa, constitutes a penalty rate. Together with the provisions restricting the legal tender status of the lira it was designed to drive lira currency out of circulation.

b. In establishing the rate in East Africa, the British authorities took into account the black market rate in Addis Abeba in the spring of 1939--350 lire to the pound sterling. This black market rate was a purely speculative rate, and bore little or no relation to economic factors and purchasing power parities. The official price indices for Italian East Africa indicate a rise of about 70 percent during 1940--the year preceeding the British occupation--as against an appreciation of the pound sterling of 530 percent imposed by the British authorities.

c. The position of metropolitan Italy differs from that of East Africa and Libya. Ethiopia was scheduled to return to its former political status; the political future of Libya is still unsettled. In both cases the status of the lira as a currency medium was uncertain, whereas this is not true of Italy. Furthermore, price inflation in metropolitan Italy has not progressed as far as it had in East Africa and Libya, nor is it likely to do so within the foreseeable future owing to stringent controls. Wholesale price and cost of living indices based on official figures for Italy rose by only about

30 to 40 percent between 1939 and 1941, and, by the beginning of 1943, they may have reached a level upward of 70 percent above the pre-war standard.

2. The initial exchange rate for the lira in Italy should be within the range of 30 to 50 lire to the dollar (3.3 to 2 cents per lira). The exact choice within this range would depend on exchange, monetary, and other developments between now (April 1943) and the invasion of Italy. In view of prevailing conditions a rate of 30 lire to the dollar, involving a 36.7 percent devaluation of the lira, would not be inappropriate now. The outer limit of 50 lire to the dollar would make the lira equal to the present value of the French franc.

3. The exchange rate should be announced in a proclamation as soon as dollar currency is introduced into Italy. Any transactions at different rates should be declared illegal. Provisions should be made for free exchange by local banks of dollar into lira notes at the official rate.

4. The Bank Control Board (see III, B) should be charged with the supervision of all domestic exchange transactions.

5. When military government has been established, day-to-day economic activity resumed, and American and Allied forces are in position to resort to lira currency, then the inital exchange rate should be revised in accordance with ordinary commercial criteria and on the basis of the full economic data which will have then become available.

## III. STATE CONTROL OVER CREDIT INSTITUTIONS

### A. Present Organization

The control of the Italian Government over all credit institutions is extremely strict and far reaching. This control is exercised by the Inspectorate for the Defense of Savings and the Granting of Credit Facilities (Ispettorate per la Difesa del Risparmio e l'Esercizio del Credito) hereinafter referred to as "Inspectorate", established by Royal Decree - Law of March 12, 1936, No. 375, as amended by Royal Decree Law of July 17, 1937, No. 1400. The Inspectorate is a government body, operating under the directions of an Interministerial Committee consisting of the Prime Minister and the Ministers of Finance, Corporations, and Agriculture, with the participation of the Governor of the Bank of Italy. The Governor is ex-officio head of the Inspectorate. 1391

The Inspectorate exercises its functions primarily through the branch organizations and personnel of the Bank of Italy. It has only a small central staff in Rome.

The authority vested in the Inspectorate applies to all credit institutions engaged in the collection of savings, and in the extension of short, medium, and long term credit, and applies as well to stock exchanges and brokers. On the other hand, the Bank of Italy, the Postal Savings Bank (see V,A.) and the Institute for Industrial Reconstruction (see Appendix D) are not subject to the control of the Inspectorate.

The major functions of the Inspectorate are:

1. To authorize the use of the words bank, savings bank, credit, savings, and the like, in the titles of credit institutions under its jurisdictions.

2. To keep a register of all institutions engaged in the collection of savings and granting of credit facilities.

3. To license the incorporation and opening of credit institutions and regulate the distribution of their offices and branches.

4. To supervise and direct all activities and operations of credit institutions, with special regard to (a) the issue of securities of any kind; (b) the maximum and minimum rates of interest on deposits, loans and advances, and conditions for deposit and current account operations; (c) the

commissions charged for various banking services; (d) the distribution between the various categories of credits and investments; (e) the ratio between the aggregate capital and reserves and the investments in real estate and shares; (f) the ratio between the aggregate capital and reserves and the other liabilities, and the possible forms of employment of deposits received in excess of the amount corresponding to the said ratio; (g) the line of credit extended to any individual borrower; (h) the special bonds deposited in the form of a blocked account at the Banca d'Italia by managers of credit institutions; (i) the technical forms in which the balance sheets and periodic reports of the credit institutions are to be drawn up, and the dates and rules prescribed for the presentation of these reports to the Inspectorate.

5. To supervise the amalgamation and liquidation of credit institutions.

6. In case of serious irregularities in the management of a credit institution, to suspend the administrative organs and assume direct control by appointing one or more commissioners and nominating a supervisory committee..

7. To undertake examinations and investigations and apply fines and penalties, including the suspension of higher officials and managers.

8. To authorize the issue of securities of any kind and regulate their admission to, and transactions on, Italian stock exchanges.

B. Recommendations

The following recommendations are based on two assumptions: a) that the occupation of Italy will be gradual and that occupied parts of Italy will be cut off from the financial center of Rome for an indeterminate period of time; and b) that the occupation authorities will wish to make use of the existing legal and technical framework of control.

1. It is recommended that the occupation authorities establish a Bank Control Board (Comitato per il Controllo Bancario) to assume functions formerly exercised by the Interministerial Committee with regard to banks and credit institutions, and to ensure full cooperation between local credit institutions and the occupation authorities. In addition, the Control Board should assume the powers exercised by the Italian government over the Bank of Italy.

2. This Board would be composed of a Commissioner in charge of the Inspectorate, a Commissioner ~~attached~~ attached to the Bank of Italy, and a finance officer from the Civil Affairs Section of the armies of occupation. The managers of the chief offices of the Bank of Italy in the occupied area would be attached to the Board in an advisory capacity. The advice of the representatives of local economic interests (e.g., banking, agriculture, commerce, industry, and labor) would be sought by the Board with regard to specific problems. 1390

3. The Board should issue directives of policy to be executed by the Commissioners attached to the Inspectorate and to the Bank of Italy. It should have authority to veto any measure taken, or decision adopted by the Inspectorate and the Bank of Italy, especially with regard to the investigation and confirmation of bank officials, the reopening of banks, and the approval or refusal of loans by the Bank of Italy to other banks.

4. The Commissioner in charge of the Inspectorate should be vested with the right to supervise all banks and credit institutions other than the Bank of Italy, control their internal administration, and coordinate their policies. His activities should be directed toward assuring close cooperation between credit institutions and the occupation authorities. He should direct and authorize the reopening of bank offices, approve the establishment of temporary head offices, have power to discharge the manager and personnel of banks, and supervise all banking operations, including foreign exchange matters in accordance with the orders issued by the Bank Control Board. In the performance of his duties, the commissioner would make use of the technical and personnel facilities of the Bank of Italy.

5. The functions of the Commissioner attached to the Bank of Italy are discussed in section IV, B,1.

IV. CENTRAL BANK

A. Present Conditions

1. Legal Status. The Bank of Italy (Banca d' Italia) is the central bank and sole bank of issue in Italy. By decree law of June 11, 1936, No. 1067, it was transformed from a privately owned joint-stock bank into a "public law" credit institution (Istituto di Diritto Pubblico), subject to special legislation. It has a capital of 300 million lire in registered shares held by public and private banks--the credit institutions of public law, banks of "national interest", savings banks (see V)--and public and private insurance institutions.

The Bank of Italy was originally created as a result of the merger of the several banks of issue which existed in the various Italian states prior to the unification of the country. During the past fifty years the Bank has, on the whole, escaped control by special interest groups. It has become largely a technical institution, autonomously managed, and dominated by bureaucratic elements who, generally speaking, served the Government that was in power, and tried to avoid active participation in controversial political issues. Government interference in the internal administration of the Bank has been on the whole, rather small. The Bank of Italy has continued to recruit its personnel directly, i.e., outside the State Civil Service and the Fascist Workers Syndicate. Its higher officers have, as a rule, been recruited from among the ranks.

2. Administration. The organization of the Bank of Italy is centralized in one Central Administration (Amministrazione Centrale) in Rome. This controls a network of 13 chief offices (Sedi), 71 branches (Succursali), and 44 agencies (Agenzie).

a. The Central Administration does not conduct banking operations but directly controls the activities of the chief offices and branches. It is administered by a Board of Directors and three executive officers. The Board of Directors (Consiglio Superiore) consists of 15 members; 12 members are elected by the shareholders, and the remaining three are appointed by the Insurance and Credit Corporation, a compulsory Fascist organization of all insurance and credit institutions. The shareholders are required to register their shares with the chief offices of the bank nearest their corporate seat. They elect one director for each chief office, the shareholders of the chief offices of Florence and Leghorn together electing only one director.

The Board of Directors decides all matters of general policy, appoints officers, and deals with matters falling outside the ordinary operations of the Bank.

The executive officers of the Central Administration 1389
are the Governor (Governatore), the General Manager (Direttore Generale) and the Deputy General Manager (Vice Direttore Generale), they are appointed and dismissed by the Board of Directors, subject to confirmation by royal decree which is submitted by the Prime Minister and the Minister of Finance, with the advice of the Cabinet. The Governor is the official and legal head of the Bank. The General Manager is in charge of all ordinary operations of the Bank. He performs the functions of the Governor in the latter's absence or incapacity.

The Central Administration has at its immediate disposal about 1,000 employees, out of a total personnel of about 7,000 for the whole Bank.

b. The <u>13 chief offices</u> are situated in the most important Italian cities (Ancona, Bari, Bologna, Florence, Genoa, Leghorn, Milan, Naples, Palermo, Rome, Turin, Trieste, and Venice). Their administration lies in the hands of Boards of Regents (Consiglio di Reggenza), whose members are appointed by the Board of Directors of the Central Administration.

However, the members of the Board of Directors of the Central Administration elected by the shareholders of chief offices are ex-officio members of the Board of Regents of the chief offices themselves.

c. The <u>branches</u> of the Bank are situated in the administrative centers of the various Italian provinces, the one in Rome acting as the operating department of the Central Administration. The branches are administered by Committees of Counselors (Consigliere) appointed by the Board of Directors of the Central Administration.

There is little difference between chief offices and branches in the actual conduct of business. Both types of establishments conduct the same operations under the strict control of the Central Administration, to which they are required to submit all important transactions for approval and to report regularly with regard to their internal position. Regents and counselors assist the manager of the office in decisions pertaining to credit operations, and in supervising the execution of directives and instructions issued by the Central Administration. In addition, it is the duty of the regents and counselors to take direct charge of the office in case of absence of the manager and assistant manager.

d. The agencies are subsidiary offices of the Bank which are directly controlled by chief offices or branches, and are usually situated in towns of minor economic importance.

3. Operations. The Bank of Italy does not conduct commercial banking operations. It is entrusted with the exclusive privilege of note issue in all Italian territories, and with general central banking functions. In addition, the Bank of Italy has the following special duties:

a. It acts as agent for, and conducts operations for the account of, the Institute for Industrial Reconstruction (Istituto di Ricostruzione Industriale), the Institute for Industrial Advances (Istituto Mobiliare Italiano), and other quasi-public agencies for intermediate and long term lending (see V and Appendix D).

b. It supervises and controls credit institutions in accordance with the existing legislation and with the directives issued by the Inspectorate for the Defense of Savings and Granting of Credit Facilities (Ispettorato per la Difesa del Risparmio e l'Esercizio del Credito) (see III).

c. It serves as the executive representative of the National Foreign Exchange Institute (Istituto Nazionale per Cambi con l'Estero) and the Inspectorate for Foreign Exchange operations (Ispettorato per le Operazioni in Cambi e Divise) (see VI).

B. Recommendations

The important banking and credit control functions performed by the Bank of Italy, make it urgent to reopen at the earliest possible moment the offices of the Bank situated in territory occupied by the Allies. Reopenings should not be deferred until the Central Administration in Rome has come under Allied control.

The following recommendations are designed to make it possible for the occupation authorities to open local offices of the Bank of Italy, and to ensure that their operations will proceed in accordance with Allied policies and interests.

1. <u>Administration</u>

a. Immediately upon occupation, the Allied authorities should take control over the offices of the Bank of Italy in occupied territory, and assume all prerogatives and powers previously exercised by the Italian Government with regard to the Bank. The administration of such control should be delegated to the Bank Control Board, one of whose members would be attached to the Bank of Italy as Commissioner for 1388
the purpose of representing the occupation authorities and supervising all important operations.

b. The Commissioner and his staff should take control over all establishments of the Bank of Italy in occupied territory. He should be made responsible for the administration of the Bank in accordance with the directives issued by the Bank Control Board.

c. As soon as one or several branches, but no chief office, of the Bank have come under Allied control, these as well as all agencies in that area should be reopened under the supervision of the Commissioner.

The Commissioner, or his representative, should immediately obtain a list of the executive personnel of the branches, and discharge such persons as he deems unreliable.

The Commissioner or his representative should have all powers and functions of the Committees of Counselors until the reliability of the members of these committees has been ascertained. He should issue detailed instructions for the operations of the branches. All large transactions should be subject to the approval of the Commissioner or his representative; the definition of such transactions will vary with the average transactions of the particular branch.

d. If only one chief office of the Bank comes under Allied control, it should be vested with all the administrative powers and responsibilities exercised by the Central Administration in Rome. The Commissioner or his representative should have all powers and functions of the Board of Regents until the political and financial trustworthiness of the members of the board has been established. The Commissioner should direct the manager and assistant manager of the chief office, after checking their reliability, to act temporarily in lieu of the general manager and deputy general manager of the Central Administration of the Bank. Branches and agencies in the occupied area should be placed under control of the chief office.

e. After two or more chief offices have come under Allied control, coordination of their central bank operations will become necessary. As the Board of Directors of the Central Administration will be unable to exercise its proper functions and authority in Allied-occupied territory, it is recommended that a temporary Council (Consiglio) be established in its stead with authority over all offices in the occupied area.

Such a Council would be composed of one representative from the Board of Regents of each chief office. It should meet regularly to discuss, and decide upon, matters of general policy and common interest. The Commissioner or his representative should be present at all such meetings; he should present the directives of the Bank Control Board, and have authority to veto decisions.

The Council should assume all policy making functions exercised by the Board of Directors, especially with regard to the note issue and the Bank's relation with the occupation authorities. The Council should delegate to the chief offices the administrative functions of the Central Administration with specific reference to banking and credit operations. The manager and assistant manager of a chief office should act as general manager and deputy general manager of the Central Administration with regard to the chief office itself and the nearest branches.

f. The Council should be continued until such time as the occupation of Rome, or the control over the most important chief offices, or the organization of a new Italian government will permit the reestablishment, under Allied control, of a central administration and the appointment of a new governor of the Bank of Italy. The central administration should then take over direct control of all chief offices and branches and assume the responsibility for all their acts and operations performed in accordance with the directives issued by the occupation authorities.

2. <u>Banking Operations</u>.

a. The credit and debit balances due to and from an establishment of the Bank of Italy as of the date of occupation should be "blocked" and kept separate from new "free" accounts arising out of transactions performed by the Bank of Italy under the control of the Allied occupation authorities. This blocking operation will be necessary in order to make possible a close scrutiny of all accounts in which the Fascist Government, or its agencies, have any interest. The Bank of Italy itself should furnish the Commissioner with a complete statement as to source and ownership of these accounts. The release or transfer of any balance from a blocked account should be subject to previous authorization from the Commissioner.

b. The Bank of Italy should continue to perform the same rediscount and credit operations as before the occupation. To the extent that it is necessary to replenish the cash reserves of the local banks, the Bank should also grant 1387
credits on government bonds and bills and high-grade private securities which have fallen due but, by reason of the occupation, have not been redeemed, or against claims on local bank branches or their head offices in enemy-held territory.

The Bank should also be required to undertake directly, or to extend to other banks, any credits needed for the financing of projects deemed essential by the occupation authorities.

3. Note Issue. The terms under which new lira notes should be issued during the period of partial occupation have been discussed under I. C, 2. The Bank of Italy should assume full responsibility for all lire currency outstanding in occupied territories, and for all issues of new lira notes sanctioned by the occupation forces. The following items will be available as cover against such liability:

a. Assets of the Bank of Italy in occupied areas,

b. Promissory notes issued by the occupation authorities for currency obtained from the Bank to finance their lira outlays in occupied territory.

c. Any gold or foreign exchange held by the Bank of Italy in the occupied area.

4. Control over Credit Institutions. The Bank of Italy should continue to exercise all functions of supervision over credit institutions in accordance with the regulations issued by the Inspectorate, under the general direction of the Bank Control Board.

5. Management of Public Lending Agencies. The Bank of Italy should be directed to act as trustee for the funds, accounts, properties, and rights of the Institute for Industrial Reconstruction, the Institute for Industrial Advances, and other long term and intermediate lending agencies (see V. A, 2, and Appendix D).

6. <u>Control of Foreign Exchange Operations</u>. The Bank of Italy may be required also to perform directly all technical operations and activities connected with foreign exchange and foreign funds control, in accordance with the regulations issued by the Inspectorate for Foreign Exchange Operations and the directives issued by the Bank Control Board (see VI).

7. <u>Relation to Occupation Authorities</u>. The Bank of Italy should be required to make advances to the occupation authorities to cover the latter's outlays in lira currency. Such advances should be made against promissory notes which should be held by the Bank as a reserve against note issue. These promissory notes should contain a promise to repay the same sum of lire as received - the terms, conditions, and currency (lire or dollars) of repayment to be subject to future settlement. When a new Central Administration has been set up in Rome, it should be required to take responsibility for the notes issued by the various chief offices and branches. The assets, particularly the promissory notes acquired by the chief offices in connection with their advances to the occupation authorities, should also be transferred to the Central Administration.

8. <u>Appointment and Scrutiny of Personnel</u>. The regents and counselors and the managers and assistant managers of the chief offices and branches of the Bank of Italy should be subjected to close political and financial investigation by the Bank Control Board, and their continuance in office should be made subject to the Board's confirmation.

All vacancies in the Board of Regents and the Committee of Counselors should be filled by new appointments made by the Bank Control Board from among persons with knowledge and experience in banking and general economic conditions of the area. New appointments of executive officials should be made by the Board of Regents subject to the approval of the Bank Control Board.

Membership in the Fascist party is practically universal, and is a legal prerequisite for any professional work. Special political activities and sympathies are more frequently indicated by leading positions in the party and party organizations, membership in the Fascist militia (which is not a legal requirement for civilian life) and by personal or business connections.

V. CREDIT INSTITUTIONS

A. Structure of the Italian Credit System

1. Banking institutions. The Italian banking system comprises a great variety of institutions engaged in commercial savings, and specialized banking business. These institutions differ in their legal setup and in the specific functions exercised by them. Broadly speaking, Italian 1385
banks may be grouped into two major categories; the "eight big" banks, and the numerous smaller establishments.

a. The "eight big" banks include two groups of institutions: one group is classified as "Credit Institutions of Public Law" (Istituti di Credito di Diritto Pubblico), and the other as "Banks of National Interest" (Banche di Interesse Nazionale).

There are five Credit Institutions of Public Law: the Banco di Napoli, the Banco di Sicilia, the Banca Nazionale del Lavoro, the Istituto di San Paolo di Torino, and the Monte dei Paschi di Siena. All five are non-profit banks whose capital funds were provided by the Government and from other public sources. Each institution is subject to a special law, setting forth its specific functions for the development of the national economy. (Details for each bank, especially the location of their head offices, the major types of business in which they are engaged, and their political and economic affiliations are given in Appendix A.)

The three Banks of National Interest are the largest commercial banks of Italy: the Banca Commerciale Italiana, the Credito Italiano, the Banco di Roma. They are joint stock companies. Their capital is divided into nominal shares which may be held only by individuals or institutions of Italian nationality. Their statutes must be approved by decree issued by the Prime Minister. They are required to maintain branches in more than 30 out of a total of 98 provinces in Italy. (Detailed descriptions regarding each of these banks will be found in Appendix B.)

b. The group of smaller banking institutes includes some 1,800 institutions. Among these are ordinary joint-stock banks which perform all types of banking business; people's cooperative banks which are concentrated in Northern Italy and engage primarily in the financing of agriculture, middle-sized trade, and middle-sized industry; private banking firms dealing in stock market and exchange operations; and savings banks and small local credit societies. All of these institutions are of regional, as distinct from national importance. (A fuller description of this category of credit institutions will be found in Appendix C.)

Then over to #

The Postal Savings Bank (Cassa di Risparmio Postale) is not part of the banking system. It is a Government institution which collects savings and makes money transfers through the post offices of the country. It holds an important part of the savings of Italy. Funds of the system are invested in Government bonds or other public obligations by the Cassa Depositi e Prestiti (Deposit and Loan Bureau), an organ of the Ministry of Finance.

The Italian banking system has never been characterized by monopolistic tendencies or by excessive centralization. Since 1927, and more particularly after 1936, government policy has favored the absorption of small local establishments by regional or national institutions. Yet, at the end of 1939, banking institutions having capital and reserves totaling between 100 and 1,000 million lire held 70 percent of the aggregate capital and reserves of all Italian banks. #

Approximately 3,000 localities in Italy are served by about 2,000 banks with 7,000-7,500 offices.

The relative importance of the various credit institutions is illustrated in the following table which shows the share of the deposits of each type of credit institution in aggregate deposits in 1937.

Deposit Holdings as Percentage of
Aggregate Deposits

| | |
|---|---|
| 1.) Credit Institutions of Public Law and Banks of National Interest: Total, | 31 |
| Of which: | |
| Banca Commerciale Italiana | 10.0 |
| Credito Italiano | 8.5 |
| Banco di Napoli | 3.0 |
| Banca Nazionale del Lavoro | 2.5 |
| Banco di Roma | 2.0 |
| Monte dei Paschi di Siena | 2.0 |
| Banco di Sicilia | 1.5 |
| Istituto di San Paolo di Torino | 1.5 |
| 2.) Other Banking Institutions: Total | 37 |
| Of which: | |
| 92 Savings banks | 23.0 |

T22.0

122

| | |
|---|---|
| 612 Joint stock companies, people's banks, banking firms, rural societies | 14.0 |
| 3.) Postal Savings Bank | 32 |
| | 168. |

168
54
11
385
100%

2. Long Term Lending Agencies. Medium and long term lending operations are carried out by quasi-public lending agencies as well as by special departments of the Public Law Credit Institutions and of the savings banks. The public lending agencies (enti parastatali) have functions similar to such bodies as the Reconstruction Finance Corporation and the Farm Credit Administration of the United States. They act as central intermediaries between the private and institutional savings market and the agricultural and industrial enterprises. These agencies obtain their funds chiefly through debentures secured by mortgages and/or by state guarantee. Capital funds and revolving credits are provided by public as well as private funds. These agencies operate on a nationwide basis and are subject to strict supervision by the Ministry of Finance which controls a majority of their voting stock.

By far the most important government lending agencies are the Institute for Industrial Reconstruction (Istituto di Ricostruzione Industriale), referred to as I.R.I., and the Institute for Industrial Advances (Istituto Mobiliare Italiano), referred to as I.M.I. The I.R.I. is a Government holding company, directly subject to control by the Head of the Government, with the assistance of the Ministers of Finance and Corporations. Since 1936, the I.R.I. has played a very important role in planning, directing, and financing autarchic industries. The I.M.I. is the most important organization providing working capital for industries. It conducts its operations through the central and local offices of the Bank of Italy.

Other long term lending agencies include the Credit Institute for Public Utilities, the Credit Consortium for Public Works, the National Consortium for Agricultural Improvement Credit, the National Institute for Building Credit, and the National Credit Institute for Italian Work Abroad.

A more detailed description of each one of the above agencies will be found in Appendix D.

## B. Recommendations

### 1. Banking Institutions

a. Reopening of Banks. In order to provide the necessary banking facilities for the local population as well as for the occupation authorities, the Commissioner in charge of the Inspectorate should initiate the opening of the most improtant banks or their offices in the occupied areas, in accordance with the directives issued by the Bank Control Board. The banks, or their offices, might be enabled to resume operations by a) credit facilities specially provided by the Bank of Italy, and b) when necessary, by the limitation on withdrawals of deposits to be ordered by the Bank Control Board.

All banks should be required to submit to the Commissioner a detailed account of their asset and liability condition as of the date of occupation. The Commissioner should institute check-audits to ensure the observance of all regulations by the various local offices of the banks.

b. Designation of Head Offices of Banks. In order to facilitate banking operations until the head offices of the various banks are brought under Allied control, the Commissioner should designate as temporary head offices the most important branches in occupied territory. The temporary head offices should be entrusted with full responsibility for the operations of branches and agencies in occupied areas. The management personnel of the temporary head offices should be entrusted, by the Commissioner with all functions and duties of the central administration.

c. Relation to the Bank of Italy. In case of urgent need for cash, the banks should be permitted to borrow from the Bank of Italy on the security of assets not now eligible for advances or rediscount. In case of refusal of the loan application by the Bank of Italy, the applicant should have the right to appeal to the Bank Control Board, which would have the authority to advise the Central bank to revise its decision.

d. Freezing of Enemy Accounts. The banks should be required to suspend payments and transfers of all enemy accounts. The definition of enemy should include residents of enemy or enemy-held territories, as well as enemy agents and representatives of enemy interests in areas occupied by the Allies. Full responsibility for the carrying out of this provision would rest with the temporary head offices of each bank. The Bank Control Board should decree severe fines and other penalties for infractions of this provision.

The banks should be required to furnish the Bank Control Board with a detailed list of all enemy accounts.

All assets held at the time of occupation, or liabilities incurred towards individuals or institutions, in territories annexed or dominated by Italy as a result of military or political penetration (e.g. participations acquired in Albania, Dalmatia, Greece and Ethiopia), should be placed in special blocked accounts pending settlement at or following armistice or peace negotiations. This freezing is essential to protect the occupation authorities against possible future claims, and to permit an equitable settlement of all claims and counter claims. 1384

e. Limitations on Withdrawals. Withdrawals from bank accounts on the part of the local population should be restricted by decree, under the following circumstances: a) if the measure is deemed advisable in order to check inflation, or b) if the banks are not in sufficiently liquid position to meet withdrawals without recourse to substantial central bank credits.

All custody accounts should be frozen until the cessation of hostilities. In exceptional cases of hardship, application for partial or total unfreezing by the deposit holder to the Allied Commissioner through the Inspectorate should be permitted.

f. New Accounts. To encourage a rapid resumption of normal banking activities and to discourage hoarding of bank notes, it is recommended that no restrictions be placed on new accounts arising out of deposits following occupation.

g. Restrictions on Bank Credit. In view of the fact that inflationary tendencies will inevitably prevail during the early phases of occupation, the banks should be directed to restrict their loans to enterprises considered productive or essential by the occupation authorities. Existing restrictions on loans for speculative and non-essential purposes should be maintained. All banks, in particular savings banks, should be required to make advances on crops, and the corresponding paper should continue to be rediscountable at the Bank of Italy.

h. Moratorium. A provisional moratorium should be declared on credit secured by war orders of the Italian Government which are not declared essential by the occupation authorities.

1. Reopening of the Postal Savings Bank. It will be particularly important to reestablish the savings and money transfer facilities of the Postal Savings Bank.

The assets of the system are held by the Deposit and Loan Bureau in Rome. It will therefore probably be impossible for postal savings offices in territory occupied by the Allies to meet withdrawals during the early period of occupation. It is recommended that a new central administration of these offices be established, subject to control and supervision by the Bank Control Board. All local offices should then be reopened in accordance with directives issued by the Board.

In order to enable the Postal Savings Bank to meet withdrawals on a limited scale, the new central administration should be granted a loan from the Bank of Italy against claims on the Deposit and Loan Bureau in Rome.

2. Long-Term Lending Agencies. In view of the centralization of the activities of these agencies in Rome, and their close connection with the Fascist Government and authorities, it is recommended that the Bank Control Board suspend their operations, and designate the Bank of Italy as trustee.

The Bank of Italy should collect interest and amortization payments or repayments due to such agencies. Such funds should be held in their names in blocked accounts. A provisional moratorium should be declared on loans incurred for projects which have been halted by reason of the Allied occupation.

Special intermediate and long term projects undertaken for the account, or at the initiative, of the occupation forces should be financed preferably by a consortium of banks headed by the Bank of Italy. Such a consortium would undertake the functions, and adopt the procedure of the Istituto Mobiliare Italiano and the Consorzio per Sovvenzioni su Valori Industriali. (See Appendix D.)

1383

## VI. FOREIGN EXCHANGE CONTROL

### A. Administration

Authority to regulate foreign exchange transactions was conferred upon the Ministry of Finance by Royal Decree Law of September 29, 1931, No. 1207, but it was only after the Royal Decree Law of May 26, 1938, No. 804, that the present exchange control system came into being. On May 20, 1935, powers relating to control over operations in foreign currencies were transferred (Royal Decree Law No. 654) from the Ministry of Finance to a new cabinet office, the Supervisory Office of Currency Exchange, (Sovraintendenza allo Scambio delle Valute) which was successively reorganized as an Under-Secretariat on November 29, 1935 (Royal Decree Law No. 2186) and as the Ministry of Trade and Exchanges on November 20, 1937 (Royal Decree No. 1928). Under a series of decree laws issued mainly between 1937 and 1939, this Ministry was entrusted with the sole and absolute jurisdiction over all foreign exchange transactions.

Foreign exchange control is administered by the National Fascist Institute for Foreign Trade, a trade organization, and two special organs: the National Foreign Exchange Institute (Istituto Nazionale per i Cambi con l'Estero)--usually referred to as Istcambi--and the Inspectorate for Foreign Exchange Operations (Ispettorato per le Operazioni in Cambi e Divise). All three bodies are subject to ultimate control and supervision by the Ministry of Trade and Exchanges.

The capital of the Istcambi, subscribed in 1927 by the Bank of Italy, was transferred to the Italian State in 1937. The Inspectorate for Foreign Exchange Operations, originally set up as a department of the Bank of Italy was placed under the control of the Istcambi in 1938. This inter-relationship between the Bank of Italy, the Istcambi and the Inspectorate of Foreign Exchange Operations is very close; in fact, the administration and all important operations of exchange control are handled by the central and branch organizations of the Bank of Italy.

### B. Controlled Transactions

Under the system of foreign exchange control now in force, foreign exchange proceeds of all exports must be turned over to the Istcambi, which in turn pays the exporter in lira.

All importations are subject to import license to be obtained from the National Fascist Institute for Foreign Trade; exchange for payment of imports, on the other hand, is rigidly allocated by the Istcambi. The largest part of Italy's trade with the European continent is conducted on the basis of clearing agreements, which provide also for the settlement of tourist expenditures, emigrants' remittances and certain financial items such as interest on long term obligations. 1382
All clearing accounts are held by the Istcambi. Italian citizens, if residents of Italy, are required to declare and offer for sale to the Istcambi all their foreign balances, foreign securities and foreign credits in general, to be paid for in lire. The Istcambi has also a monopoly of gold exports and imports and controls all domestic gold transactions.

Operations in foreign exchange can be conducted only by the Bank of Italy and by specially-designated banks, which act as agents for the Bank of Italy. The group of agent banks is made up of the "eight big" banks, the Banca d'America e d'Italia and the Banca Popolare Cooperative Anonima di Novara.

C. Recommendations

Although exchange control is centralized in Rome, the administration is carried out through the widespread network of branches of the Bank of Italy. It is recommended, therefore, that the following measures be adopted by the occupation authorities:

1. The occupation authorities should vest in the Allied Bank Control Board the authority and functions formerly exercised by the Ministry for Trade and Exchanges.

2. The Bank Control Board might direct the Bank of Italy to take over all the technical functions of the National Foreign Exchange Institute and the Inspectorate for Foreign Exchange Operations. The Bank of Italy would perform all necessary operations under the immediate supervision of the Commissioner attached to the Bank.

3. All transactions involving financial, commercial, and trade intercourse directly or indirectly with enemy or enemy-occupied territories should be prohibited.

All transactions with Allied or neutral territories should be made subject to license by the Commissioner attached to the Bank of Italy or by persons designated by him.

APPENDIX A. CREDIT INSTITUTIONS OF PUBLIC LAW

The five Credit Institutions of Public Law are non-profit making banks whose capital has been provided out of public funds. The operations of each institution and its specific functions in the development of the national economy are laid down in a special law.

The Banco di Napoli is the oldest Italian bank, having been organized in 1539. Its head office is in Naples, and it maintains 192 branches, situated mainly in southern Italy. It operates as a general commercial and savings institution, accepting deposits on current and fixed account and granting short term advances and long term loans. The bank has been particularly interested in the agriculture of southern Italy, and in shipping and overseas trade. It is the principal institution for the transfer of emigrants' remittances from the Western Hemisphere. Although its two subsidiaries in New York and Chicago were closed in December 1941, its branch office in Buenos Aires remains open.

not mentioned here but speak of no Capital Shareholders

dep. lir. 1.806.000.000

During the past decade the bank has played an important role in the political field through its president and general director, Mr. Giuseppe Frignani, who is the head of the Fascist Corporation of Insurance and Credit.

This may mean that most surplus funds have been taken in some form or other by the Govt.

The bank has established a subsidiary in Albania and opened numerous offices in the annexed territories of Dalmatia, Montenegro, and Corfu.

The Banco di Sicilia, organized in 1843, has its head office in Palermo, Sicily, and 80 branch offices, situated mainly in Sicily. Although the bank conducts commercial banking operations as its main line of business, its savings department and its loans to Sicilian agriculture and mining represent about one-third of its balance sheet. In 1936 its subsidiary in New York was taken over by the Banco di Napoli.

dep. 680.000.000

Both the Banco di Napoli and the Banco di Sicilia had the right of note issue until 1927 when the Bank of Italy became sole bank of issue.

The Banca Nazionale del Lavoro, with head offices in Rome, was organized in 1913. After 1927 it was used by the government as the medium for the enforced liquidation of small and middle-sized banks, particularly those banks controlled by Catholic interest. The bank has in

dep. 607.000.000.

Yes, but by personal capability of the Headman.

consequence expanded rapidly. By 1939 it had 75 branches, distributed mainly in northern and central Italy. The bank maintains close ties with the upper hierarchy of the Fascist party, through whose influence it has obtained a quasi-monopoly in the fields of mortgage credit for low-cost housing, the financing of the motion picture industry, the hotel and tourist trade, and the provision of credit facilities for fisheries. The bank also holds the funds and manages accounts of Fascist party organizations.

Lost all this

The Institute di San Paolo di Torino, with head offices in Turin, was established in 1563 as a pawnshop and savings institution. It was reorganized in 1936, and at present conducts a commercial banking business and maintains an autonomous Land Credit Department, financed chiefly by the issuance of mortgage bonds. Its 98 branches are concentrated in the Piedmont and Liguria regions.

The Monte dei Paschi di Siena, established in 1625 in Siena, closed its savings department in 1936, and was reorganized as a commercial banking institution. Its 217 branches cover the entire region of Tuscany.

1.400.000.000 Dep

APPENDIX B. BANKS OF NATIONAL INTEREST

The three Banks of National Interest are joint-stock companies. Their capital is divided into nominal shares which may be held only by individuals or institutions of Italian nationality. Their statutes must be approved by decree issued by the Prime Minister. They must maintain branches in more than 30 out of a total of 98 provinces in Italy.

The Banca Commerciale Italiana, with head office in Milan and 108 branches in Italy, is the leading Italian commercial bank. Through its extensive network of foreign subsidiaries, it covers all important centers in Europe, the Near East, and the Western Hemisphere. (Its branch office in New York was closed in December 1941.) Traditionally, the bank has been connected with large industry, particularly heavy industry, in Italy and with international commercial interests. In 1938, it was reorganized for the purpose of eliminating its predominantly Jewish management and ownership. During the past twenty years, the bank has played an important role in the cooperation between high finance, heavy industry and Fascist policy. A wholly Fascist group is now probably in complete control of the bank.

7.663.000.000

I doubt this

The Credito Italiano has administrative headquarters in Genoa, managing head office in Milan, and 234 branches situated mainly in the regions of Liguria, Lombardy and Sardinia. The Credito is the principal financial agent of the large commercial interests of northern Italy. Its participation in industrial ventures has been slight and limited almost entirely to the sugar industry in Genoa. The Credito controls four minor subsidiaries in Latin America, Tunisia, China and Dalmatia. It has tried to be neutral in politics, avoiding too close a tie with Fascist elements.

6.100.000.000

The Banco di Roma, with head office in Rome, 111 branches spread all over Italy, and a subsidiary in France, has been the financial instrument of Italian political penetration in the eastern Mediterranean and the Red Sea areas, especially under the Fascist regime. It played an important role in the Italian occupation of Libya in 1911. In 1936 it was granted a banking monopoly for the newly created Italian empire in Ethiopia; this monopoly ceased in 1938, when the Banca Nazionale del Lavoro also received permission to open branches in that area. In 1941, the Banco di Roma served as "Army Bank" during the Italian invasion of Greece.

5.000.000.000

APPENDIX C. SMALLER BANKING INSTITUTIONS

The Joint Stock Companies for Ordinary Credit (Societa per Azioni di Credito Ordinario) are commercial banks which perform all ordinary banking business, and are organized in accordance with the general requirements of the code of commerce and of the company laws. At the end of 1937 they numbered 177, with 1,760 branch offices. This number included some of the influential banks owned by Catholic circles in northern Italy, such as the Banco Ambrosiano in Lombardy and the Banca Cattolica del Veneto in the Venice regions, as well as some private banks, such as the Banca d'America e d'Italia in the Liguria and Compania regions. The capital of the Banca d'America e d'Italia is controlled by the Bank of America and the Giannini financial group of San Francisco, California.

The People's Cooperative Banks (Banche Cooperative Popolari) are cooperative savings and credit societies, regulated by special laws and engaged in the financing of agriculture, middle-sized trade, and small and middle-sized industry. At the end of 1937 they numbered 306, with 1,165 branch offices concentrated almost entirely in northern Italy. The most important institution in this group is the Banca Popolare Cooperativa Anonima di Novara, in Piedmont. A number of other people's banks are controlled by Catholic interests.

The Private Banking Firms (Ditte Bancarie) numbered 129 at the end of 1937, and had 175 offices. They generally engage in stock market and exchange operations, and play a small role in the Italian economy.

The Savings Banks and Pawnshops of First Category (Casse di Risparmio e Monti di Pegni di Prima Categoria) are municipal, provincial or regional savings institutions, provided with capital funds from public sources, and subject to special laws. These institutions collect savings chiefly from the middle and lower classes, and issue long term obligations. They finance building societies, make long term loans to agriculture, and grant advances against movable property as security. At the end of 1937 there were 98 institutions of this type, which maintained 160 offices; although their area of operations is restricted, these banks usually play an important role locally and fill real economic needs.

APPENDIX D. LONG TERM LENDING AGENCIES

The Institute for Industrial Reconstruction (Istituto di Ricostruzione Industriale) was originally organized in 1931 to take over the "bad" industrial assets of the Banca Commerciale Italiana. It is now a State holding company, which controls government investments in, and financing of, industrial undertakings of national and strategic importance. It has a capital fund of 1,000 million lire. The I.R.I. is authorized to enter into arrangements for long-term financing with concerns in which it holds stock, or with public and quasi-official corporations; to issue long term debentures, registered or bearer, including special series secured by specific stock holdings to be managed separately on behalf of the debentures' holders; to secure loans on industrial securities and advances on government bonds from banks, including the Bank of Italy; and to discount bills and warehouse certificates and transact other financial operations. The I.R.I. is subject directly to the control of the Head of the Government, assisted by the Ministers of Finance and of Corporations. Since 1936 it has played a predominant role in planning, directing and financing "autarchic" industries.

The Institute for Middle-term Industrial Advances (Istituto Mobiliare Italiano) is the most important body for providing working capital to industries. The I.M.I. grants middle term loans (up to twenty years) to industries directly and obtains its funds through the issue, in the market, of mortgage-type bonds. In addition, the I.M.I. administers, as an autonomous section, the Consortium for Advances against Industrial Securities (Consorzio per Sovvenzioni su Valori Industriali) which makes short and middle term advances (up to five years) on securities, and discounts paper secured by government contracts. It obtains its funds through rediscounts at the Bank of Italy. The Consortium is authorized to finance private industrial companies directly and also to operate through an intermediate agency, the Industrial Finance Corporation (Ente Finanziamenti Industriali). The latter was organized by private interests in 1940 for the purpose of purchasing war credits due from the government to industries and discounting them with the Consortium. Both the I.M.I. and the Consortium are presided over by the Governor of the Bank of Italy and conduct their operations through the facilities of the Bank of Italy.

The Rural Credit Societies (Casse Rurali) are small local mutual credit and savings associations. Although they number 1,129, with 1,131 offices, the volume and value of their business is entirely insignificant.

1379

The Credit Institute for Public Utilities (Istituto di Credito per le Imprese di Pubblica Utilita) makes loans to private concerns engaged in the exploitation and development of public utilities (such as hydroelectric and telephone enterprises).

The Credit Consortium for Public Works (Consorzio di Credito per le Opere Pubbliche) is authorized to make loans to provincial and local administrations and to other public organs undertaking public works.



The National Consortium for Agricultural Improvement Credit (Consorzio Nazionale per il Credito Agrario di Miglioramento) supplements the activities of local mortgage and agricultural credit agencies. Besides financing farm improvement work, it has played an important role in the funding of farm indebtedness.

The National Institute for Building Credit (Istituto Nazionale di Credito Edilizio) is the central credit organ for corporations and cooperative societies engaged in real estate credit operations.

The National Credit Institute for Italian Work Abroad (Istituto Nazionale di Credito per il Lavoro Italiano all Estero) is entrusted with the financing of Italian enterprises in foreign and colonial territories. It also engages in domestic resettlement plans.

APPENDIX E. NOTES ON CURRENCY AND BANKING IN SICILY

The following notes, giving specific data concerning banking conditions in Sicily, are designed to supplement the preceding recommendations for reoccupation measures in Italy.

## 1. Currency

The currency in circulation in Sicily is the ordinary Italian lira. No printing and engraving facilities are available on the island.

## 2. Bank of Italy

The Bank of Italy maintains a chief office in Palermo; six branches in Agrigento, Caltenissetta, Catania, Messina, Syracuse and Trapani; and three agencies in Enna, Marsala and Ragusa.

Local operations of the Bank should be resumed as soon as one of the branches is placed under Allied control. As soon as the occupation has been extended to a sufficiently large area, including Palermo, the authorities in charge of civil affairs of the expeditionary forces should direct the board of regents and management of the chief office to assume all functions and responsibility of the Central Administration of the Bank with regard to the chief office itself and to undertake the issue of new lira notes, if shortages of currency arise. These directives may be extended to cover all branches and agencies in occupied territory, if the invasion of Italy proceeds principally or exclusively from or through Sicily. An Allied Commissioner should be attached to the chief office in Palermo, the Commissioner in charge of the Inspectorate should also make his headquarters in the same city.

## 3. Credit Institutions

a. The leading local banking institution is the Banco di Sicilia. Its branches and agencies are distributed over 70 different places in Sicily. Its management has never been noted for outstanding efficiency.

The bank maintains close ties with the local economy, both by collecting savings and by financing agriculture and mining. Its importance may be gauged by the fact that it holds about 50 percent of all bank deposits in the island.

The reopening of this institution, under the safeguards specified in section V above, is a prerequisite for establishing normal economic conditions in Sicily.

b. Of the other "big" banks, only the following maintain offices in Sicily: the Banco di Roma has one branch in Catania (this being a port of transit for trade to and from the eastern Mediterranean); and the Banca Nazionale del Lavoro, the Banca Commerciale Italiana and the Credito Italiano have branches in some of the most important centers (Palermo, Messina, Catania, Syracuse, 1377 Trapani, Acireale).

These banks engage in the financing of large scale commerce--principally trade with Italy and foreign countries and industry. Their activities are centered in Palermo, and outside of that city they play a rather insignificant role in the economic life of the island. The reopening of these banks would not be an urgent matter; their branches in Palermo, however, should be directed to resume operations so that their technical experience in the financing of industrial activities can be utilized by the occupation authorities. These banks might also serve as a reservoir for technical personnel, required to fill possible vacancies in the staff of the Bank of Italy and the Banco di Sicilia.

These branches should be subject to Allied control, and should sever their relations with the central administration and other offices, if these should be under enemy control, and should freeze all accounts of enemy nationals.

c. Small banks are unimportant in Sicily as regards the volume and value of their business. The largest in this group is the Banca del Sud, which is controlled by the Banco di Napoli; this bank has its head office in Messina and maintains 19 branches in the island. Some of these local institutions fill a real need for the peculiar requirements of their communities, particularly in the field of smaller commercial credit.

The small banking institutions should be reopened gradually, after their accounts have been examined by the Inspectorate under the supervision of the Allied Commissioner.

## APPENDIX F. NOTES ON CURRENCY AND BANKING IN SARDINIA

The following notes, giving specific data concerning banking conditions in Sardinia, are designed to supplement the preceding recommendations for reoccupation measures in Italy.

### 1. Currency

The currency in circulation in Sardinia is the ordinary Italian lira. No printing and engraving facilities are available in the island.

### 2. Bank of Italy

The Bank of Italy maintains one branch in southern Sardinia, at Cagliari; one branch in northern Sardinia, at Sassari; and one branch in the interior, at Nuoro. There is no chief office of the Bank in Sardinia.

Local operations of the Bank should be resumed as soon as one of the branches is placed under Allied control. The Commissioner attached to the Bank, or his representative, should assume all powers and functions of the Committee of Counselors until the reliability of the members of the committee has been ascertained. If Palermo or Naples are occupied, the chief office of the Bank in either one of these cities could assume control over the Sardinian branches, until such time as a Central Administration in Rome resumes operations under Allied control.

### 3. Credit Institutions

There are no important local banking institutions in Sardinia. The only local bank worth mentioning is the Banca Popolare Cooperative Anonima di Sassari (capital one million lire), a people's cooperative institution operating in the province of Sassari.

Commercial banking service is provided largely by the Credito Italiano which maintains branches in Cagliari, Sassari, Nuoro, Iglesias, Bosa, and Oristano. In addition, there are the Banco di Napoli (at Sassari, Nuoro, and Oristano), the Banca Commerciale Italiana (at Cagliari and Sassari); and the Banca Nazionale di Lavoro and the Banco di Roma (at Cagliari).

The reopening of the Credito Italiano, under the safeguards provided in Section V, would greatly assist the resumption of normal economic conditions of the island. Of the other banks, the Banca Commerciale Italiana and the Banco di Napoli should also be directed to resume operations as sonn as conditions permit so that their technical experience in financing commercial and mining activities can be utilized by the occupation authorities. These banks might also serve as a reservoir for technical personnel if they are required to fill vacancies in the staff of the Bank of Italy.

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