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10867 Report on Economic Conditions
in German Occupied Italy
March - June 1944

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OFFICE OF STRATEGIC SERVICES
ALLIED ARMIES IN ITALY
APO 777, U.S. ARMY
R & A BRANCH

CR. 1473

1086

2 JUN 1944

SUBJECT: Document

TO : Mr. William L. LAMONT, Director, R & A Washington

1. Herewith "First part of a report on economic conditions in German occupied Italy", 30 May 1944, (Confidential); prepared by 1st Lt. Richard V. BROWN.

Richard V. BROWN
1st Lt. AGO
Act. Econ. Officer

Distribution

- 1 to Mr. Langer for Mr. Stebbins.
 - 1 to Mr. Murray AGO 9-2
 - 1 to Major BROWN, AGO Information Division
 - 1 to Mr. Delaigh, AGO Economic sub-Commission
 - 1 to Mr. Castle, AGO
 - 1 to Major BROWN, Intelligence Chief, AGO HQ.
- Files

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OFFICE OF STRATEGIC SERVICES
ALLIED AIRBORNE IN ITALY
APO 777, U.S. ARMY
R. A. BRANCH

30 May 1944

SUBJECT: First part of a report on economic conditions
in German occupied Italy.

TO : Mr. William L. LAMSON, Director, R.A. Washington

1. Food and Rationing.

As of 20 April, the Ministry of Agriculture and Forestry announced that the daily bread ration of the normal urban consumer would be increased by 50 grams, so that the prevailing rations are as follows:

<u>CONSUMER</u>	<u>DAILY RATION (GRAMS)</u>
Normal Consumer	300
Children 9-15	275
Light Workers	375
Heavy Workers	475
Very Heavy Workers	575

At the same time it was announced that the basic pasta ration would be augmented from 2 to 3 kilograms a month (i.e., 10 grams a day) of pasta or rice.

The ministry made a special concession to farm workers. Instead of receiving a ration card for all feedstuffs, they would be permitted to retain 32 kilograms of wheat for themselves and 25 kilograms for each member of their families for May and June. This would amount, for a family of five, to a daily ration of 440 grams per person.

Obviously the rural population will secure its rations, if not more, but the evidence suggests that in urban centers the rations actually available are considerably less than those officially fixed.

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<u>CITY</u>	<u>MEAT RATION</u>	<u>PASTA/RICE RATION</u>	<u>DATE</u>
Rome	150	Irregularly distributed	May
Pisa	150	No distribution	May
	250		
	300		
Flume	75		May
Casali (Atri)	150		April
Salerno	150		March

Bread rations thus appear to be somewhat less in German-occupied than in liberated Italy, where the city ration is roughly 200 and that permitted farmers about 950 grams.

2. Other Food Rations.

Other foodstuffs--meat, vegetables, sugar--appear to be more generally available on the free markets of urban centers than in the case in Southern Italy. From Bologna it was reported in February that one could buy everything to which one was entitled by the ration card. In March the Germans boasted of having not only supplied Rome with sufficient meat but of having secured a more abundant supply of vegetables that had been available for several years.

It seems likely, of course, that in towns near the fighting zone, distributions of foodstuffs other than bread would have been most irregular. Salerno has had only one ration of meat and only one of sugar. At Ortona, on the other hand, distribution appears to have been regular and severely controlled. Generally speaking, scarce items are those normally imported in quantity from the north. Salt has had to be rationed at 500 grams a person per month, tobacco at 40 grams a week, the latter being sold only to males over 18 years of age. Olive oil and fruit are rare. It goes without saying that, in the country-side, there is a relative abundance of most staple foodstuffs.

3. The Development of Black Market Prices.

The following table is meant to give a general indication of the development, during 1943, of black market prices in that part of Italy now occupied by the Germans and in the Neapolitan area. The comparison can only be tentative, inasmuch as the evidence is very difficult to marshal. The figures for occupied Italy are averages covering the urban cities of that area on a particular day and come from a source interested in presenting the situation in the north in a favorable light. The Neapolitan figures, on the other hand, are monthly averages. The official prices are those for German-controlled Italy. Prices are in lire and, unless otherwise indicated, per kilogram.

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Monthly averages Napoli area 1-44	110 135	130	200 15
Price averages for German occupied Italy 31-1-44	2.12 100/100	55	9
Monthly averages Napoli area VIII-43	27.25	30	55 3
Price averages Italy now in German hands 31-VIII-43	25.25	60.30	7
Monthly averages Napoli area 1-43	15 17	50	30 20
Price averages for Italy now in German hands 31-1-43	18 23	10 45	6
Legal price	2.60 3.10	15.30 24	2
Commodity	Bread Pasta Olive oil (litre) Dry beans Beans Potatoes Raisins		

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The table would indicate that in January 1943, black market prices in what is now German-occupied Italy were somewhat higher than those obtaining in the Naples area, that at the time of the invasion this situation had reversed itself, prices in northern Italy being somewhat lower than those in Naples and that, finally, by the first of this year black market prices in Naples were roughly three times those in German Italy. These conclusions are, of course, born out by the fact that northern and central Italy have remained a part of the European axis economy and had not been subjected to the economic earth policy. Northern Italy, on the other hand, was not only largely cut out of a larger economic whole but to a considerable extent broken down into regional economies.

6. Comparison of black market prices in Naples and Rome.

The statistics available for more recent prices are hardly more satisfactory. Prices at Rome and Naples, the two most difficult alimentary problems on either side of the line, are available only for different time periods. Prices are in lire, and, unless otherwise indicated, per kilogram.

<u>Commodity</u>	<u>Naples</u> Prices as of early 11-44	<u>Rome</u> Prices as of 31- 11-44	<u>Naples</u> Prices as of early 1-44
Bread	132	25-30	120-160
Pasta	238	50-90	200-400
Flour		45-50	180-200
Potatoes	35	18	40-50
Beans	187	40-120	175-250
Meat	190-295	130-250	300-350
Fish		100-200	150-400
Milk (liter)	23	30-40	30
Cheese	350	160-350	
Eggs (each)	20	12-15	15
Olive oil (liter)	190	400	250-280
Fats	306	400	
Dried Fruit		30-40	90-100
Apples	20	250	
Salt		90-140	15-40
Sugar	250	300-400	220-400
Coffee		1200	900-1500

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Thus the black market price level in Rome would appear to be roughly 10-15 per cent less than that at Naples. It should be noted that only for five commodities—milk, olive oil, fats, apples and salt—are the Roman prices higher, and that in the case of bread and pasta they are noticeably lower. The only any prices available for Rome, however, indicate that the price of bread had advanced to 45 lire the kilo and that of olive oil to 750 lire the kilo.

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5. Comparison of prices in Rome with those prevailing elsewhere in occupied Italy.

Price data for German Italy outside Rome are extremely scattered and of varying dates and even cover different types of economic areas. The following table represents an attempt to piece together information from cities, towns, provinces, and regions in order to make possible as broad generalizations as are available, prices from places in southern Italy other than Naples are also indicated. The Roman numeral in parentheses which follows each price indicates the month for which the price was quoted. Prices are in lire and, unless otherwise indicated, per kilo.

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PLACE	BREAD	FLOUR	POTATOES	BEANS	BUTTER	MILK	OTHERS
ROME	45(V)	100(IV)	18(III)	40-120(III)	500(III)	30-40(III)	140-350
MILAN	25(III)	40(II)			300(III)		
BOLOGNA	90-95(II)	100-115(II)					250(II)
GENOVA	30-35(I)						60-70(I)
PIUM	400(III)						
TURIN		20-25(II)					
CHIETI	100-140(II)	200(III)					
SILVANO		80-90(III)	16-20(III)	60-100(III)			80(III)
CASALVERONE				17-20(III)			
ABRUZZI	20(III)	30(IV)	13(III)	12(IV)		6-7(IV)	120(III)
NARONE		6-8(III)					800-100
FUSCARI					100(III)	5(III)	30-35(I)
RIULI					100(III)		150(III)
AN SEVERO	30(V)	35(V)	30(V)	40(V)			
BOUR						10-12(V)	140(V)
ALBINO						30(V)	75(V)

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	BUTTER	MILK	CHEESE	EGGS	MEAT	OLIVE OIL	SALT
I)	500(III)	30-40(III)	140-350(III)	12-15(III)	130-300(III)	750(V)	30-140(III)
	300(III)			6-8(II)	100-125(III)	120-30(III)	
			250(II)		200-210(II)		
			60-70(I)		17-14(I)		
					40-50(II)	100-200(II)	
					70-100(IV)	200-300(III)	
II)			80(III)	13(III)	80-120(III)	250-400(III)	150(III)
						270-50(III)	60-100(III)
		6-7(IV)	120(III)	6-15(IV)	70-100(IV)	150-200(III)	90-140(III)
			800-100(III)	3-4(III)	25-30(IV)		
	100(III)	5(III)	38-35(III)		40-50(III)	200(III)	50(IV)
	100(III)		150(III)		80-100(III)		
				13(V)	90(V)	90(V)	
		10-12(V)	140(V)	14-15(V)		30-40(V)	
		30(V)	75(V)	20(V)		140(V)	

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Study of these figures would suggest the conclusion that prices in Bologna and Pistoia and in smaller cities near the front are in the range of the even level. The figures also suggest that prices in other large cities, such as Milan, Genova, and Turin, and in towns yet removed from the fighting, are considerably lower than those in Rome. The price level in Grosseto in March was reported as half that obtaining in Naples. Comparison of SMI 11 foodstuff prices indicates that March prices are roughly $\frac{2}{3}$ times higher than those prevailing in Milan and approximately three times those in the Abruzzi, which later are higher than those prevailing in the Marche. From these last two regions other reports confirm that there is a relative abundance of food, as also appears to be true of Friuli, Istria, and Venice in general.

6. Clothing.

In general, the clothing situation in northern Italy appears to be poor. Textiles are difficult to obtain and progressively worse in quality. Underclothing is rationed and shoes as well as most clothing are unavailable on the free market. Whole suits are not to be had; repairs are made with pieces taken from discarded shoes. Clothing prices as of 31 March were as follows:

<u>COMMODITY</u>	<u>ROME</u>	<u>PARMA</u>	<u>VERONA</u>	<u>MIAN</u>
Raincoats	2000-3000	1200-1300		
Wool suit	5000	2000		
Ordinary suit			5000	
Silk tie	80-100			
Men's socks	30-50			500
Sheer stockings	200-300			
(women's)	1500-2000			
Military shoes	1500-3000		300	
Women's shoes	1500-3000			
Men's shoes	3000			
Re-soleing	300			
Leather (kg)		300		
Linen sheets (meter)	1000	150-400		
Clipped wool (kg.)		300		
Woolen yarn (kg)	1000-1500	250		
Pure Persimmon silk				
(meter)	500-600			
Superfine cloth (meter)	300-250			
Rayon covers (meter)	300-350	150		
Thread bobbin				
(500 yds each)	60-100			

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A report from Turin dated February suggests that clothing prices there are lower, a man's suit costing, at that time, 1000 lire, and a pair of leather shoes 800-1200 lire. Comparable statistics for liberated Italy are unfortunately not available.

7. Food control: German policy.

German policy varies with the military significance of the area concerned. In Rome and the regions close to the front German agricultural

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Study of these figures would suggest the conclusion that prices in Bologna and Pistoia and in smaller cities near the front are in the range of the Roman level. The figures also suggest that prices in other large cities, such as Milan, Genoa, and Turin, and in towns yet removed from the fighting, are considerably lower than those in Rome. The price level in Grosseto in March was reported as half that obtaining in Naples. Comparison of 231 11 foodstuff prices indicates that Roman prices are roughly 1 1/2 times higher than those prevailing in Milan and approximately three times those in the Abruzzi, which later are higher than those prevailing in the Marche. From these last two regions other reports confirm that there is a relative abundance of food, as also appears to be true of Friuli, Istria, and Venice in general.

6. Clothing.

In general, the clothing situation in northern Italy appears to be poor. Textiles are difficult to obtain and progressively worse in quality. Underclothing is rationed and shoes as well as most clothing are unobtainable on the free market. Whole sales are not to be had; repairs are made with pieces taken from discarded shoes. Clothing prices as of 31 March were as follows:

<u>COMMODITY</u>	<u>ROME</u>	<u>NAPOLES</u>	<u>TURIN</u>	<u>MILAN</u>
Raincoats	3000-5000	1200-1300		
Wool suit	5000	2000	5000	
Ordinary suit				500
Silk tie	80-100			
Man's socks	30-50			
Sheer stockings (women's)	200-300		300	
Military shoes	1500-2000			
Women's shoes	1500-3000			
Man's shoes	3000			
Re-soleing	300	300		
Leather (kg)		350-400		
Linen sheets (meter)	1000			
Clipped wool (kg.)		200		
Woolen yarn (kg)	1000-1500	200		
Pure parachute silk (meter)	500-600			
Antarctic cloth (meter)	200-350	150		
Rayon covers (meter)	300-350			
Bread bobbins (500 yds each)	60-100			

A report from Turin dated February suggests that clothing prices there are lower, a man's suit costing, at that time, 1000 lire, and a pair of leather shoes 800-1200 lire. Comparable statistics for liberated Italy are unfortunately not available.

7. Food control; German policy.

German policy varies with the military significance of the area concerned. In Rome and the regions close to the front German agricultural

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officials have been attached to the armed forces and these have complete control over Italian food authorities. It is reported that in these regions supervision of distribution is extremely strict, though this does not prevent the looting of front-line towns, Salerno for example, by the troops. Nevertheless, where the Germans have assumed direct control, the legal rations are regularly available, whereas where food administrations have been left in Italian hands distribution tends to be irregular. This feature is probably more deeply impressed on the public mind than the actual differences would warrant, since the Germans have adopted a policy of hiding behind the Italian authority when the situation is bad and intervening openly when concessions have to be made. Provincial prefects tend to cooperate with the local German commanders and to disregard the orders of the Fascist central government. It does seem to be true that the Germans have brought in small quantities of wheat to relieve critical shortages in the large cities, especially Rome. Up to 31 January 25,000 tons of wheat were brought in and distributed by the German command. The increase in bread rations announced on 20 April by the Ministry of Agriculture and Forestry was officially explained as partly the result of trade agreements with Berlin. That such imports represent a net gain for Fascist Italy is not at all clear, since in the areas north of Rome the Germans are requisitioning grain as well as other foodstuffs. In some places where the troops have not received their rations, they have appropriated wheat and exchanged it with the local populace for other foods. In other places grain is bought by the Germans from the distributing agencies at the legal price and then sold on the black market. In Venice the occupying authorities often require farmers to hand over a certain portion of their livestock on the excuse that the meat is required for the Italian troops interned in Germany.

8. Public Kitchens.

A significant recent development in food distribution has been the establishment of public kitchens in some of the larger cities. Meals are served to the poorer elements on the basis of legal cost - soup in Rome is 2 lire - and apparently a ration card is issued for this purpose. These were in the capital, as of March, 44, such kitchens administered by the National Fascist Organisation for well-being and feeding 16,000 people. This figure apparently does not include kitchens installed in 33 schools which were serving 11,789 meals a day. The idea has also been adopted in Milan and Turin, where communal feeding centers were to be established to provide for the employees of factories too small to have their own kitchens. The families of the workers were also to be fed and the food could be eaten at the center or carried home. This development, while meant in part to deal with the refugee problem, will also contribute to keeping prices down.

9. The Refugee Problem.

The problem of displaced persons has reached serious proportions in German-occupied Italy and contributes greatly to the urgency of the food situation. The problem will grow in proportions as the Allies move northward. The number of refugees is estimated at 800,000, this aside from the fact the large part of the total population of $1\frac{1}{2}$ million is unemployed. The number of refugees may well be augmented if the capital is made an open city. Further immigration has been prohibited and efforts have been made to

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North-bound transportation for civilians. That this is inadequate is shown by the fact that crowds of several thousand persons have collected on the outskirts in an attempt to hitchhike their way north. Fascist sources assert that now for the first time emigration exceeds immigration. Food imports into the city have had to be increased considerably, from 2100 quintals of wheat a day to 3300, not to speak of a daily requirement of 345 head of cattle and 27,000 sheep. The situation is further complicated by the fact that for months there has been a serious shortage of gas, electricity, and water, and that venereal disease is widespread. Special administrative measures have had to be adopted. On 9 May the appointment of a High Commissioner for Rome was announced. The new official will have the cabinet rank of undersecretary in the ministry of the Interior so that the city will be under the direct control of the Fascist government. The police is not peculiar to Rome however. The population of Ostia has increased from 33,000 to 45,000, and the Germans have evacuated the Civitavecchia region and have ordered the civilian population out of Genoa, Rapallo, S. Margherita, Portofino, Genoa, Livorno (as of 20 May) and other places.

10. Police Measures.

Police measures include the closing of all so-called luxury restaurants, the use of heavier penalties against violators, and in one instance at least, surveillance of roads. In late April the Ministry of the Interior ordered that all luxury restaurants, including those connected with hotels of the first class, were to be closed. The measure was apparently dictated in part by political considerations, since the order threatened other establishments with closure of the behaviour of their patrons was not satisfactory to the police. Penalties have become increasingly severe. Five have reached 500,000 lire (Price Commissions of Turin, Genoa, and refugees report farmers shot for illicit slaughtering. At Rome the special military tribunal condemned three men to death for having been concerned in the forgery of 1 million ration cards. At one time contraband transport on the roads to Rome was met by daily raids and the confiscation of merchandise. These, and other goods so acquired, were distributed gratis to the population of the poorer quarters. In March, however, existing imports restriction were modified to permit private individuals to bring foodstuffs into the city by bicycle, cart, and donkey. Since the truck columns which bring in the city's food supply carry only the minimum required for official distribution, this would suggest an effort to create a greater availability of goods on the black market. In this connection, it was reported from Rome in March that the official price of eggs had been raised to a lire each - in contrast with the black market price of 12 lire. The report states that this change caused Rome to be "inundated" with eggs.

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OFFICE OF MILITARY AFFAIRS
ALLIED ARMY IN ITALY
APO 777, U.S. ARMY
A. & A. BUREAU

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V P Administrative
Section
CR. 1453

13 May 1944

SUBJECT : Economic situation in liberated Italy

TO : Mr. William L. LADD, Director, A. & A. Washington

1. Herewith, the economic situation in liberated Italy prepared by Lt. Richard V. BURKE.

Henry L. ROBERTS
Capt. U.S.A.
Executive Officer

Distribution as follows :

- (original) 1 copy to Major BURKE for legend
1 copy to Major LADD for Mr. LADD
1 copy to Major LADD for Mr. Gross Brinton (A. & A. London)
1 copy to Lt. R. L. GALLAGHER for Lt. Col. TOWNSEND
1 copy to Major BURKE, Information Section, AGO
3 copies to file.

7 more copies were made by Info Div. A.C.C., and incorporated in
the Central Reference Library, Ag. A.C.C.

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OFFICE OF STRATEGIC SERVICE
ALLIED ARMS IN ITALY
APO 777, U.S. ARMY
R & A BRANCH

REPORT: The Economic Situation in Liberated Italy

DATE: 14 May 1944

1. Food Rations: The following table gives the rations, calculated on a daily basis, allotted to each individual in the province of Naples as of May, 1944. The table also gives official prices and, for purposes of comparison, the black market prices.

Commodity	Official rations (grams)	Official price (Lira/100)	Black Market price (Lira) (100)
Bread or flour or bread & pasta	200 150 150-40	3.60 10	120-160 160-300 250-400
Tinned meat (with or with- out vegetables).	13+		
Olive oil	06, decaliters	30	230-260
Dried veg- etables.	13+	50	
Soap powder	8+	50	
Tea	6+		
Charcoal	2-3	6	16

In Region III (Naples, Avellino, Benevento) it was decreed in April that, in addition to these rations, heavy and very heavy workers would receive 75 grams of bread per day, 210 grams of dehydrated soup and 700 grams of pasta per week. Farm laborers were not included in the heavy worker category by the decree. The official rations in other provinces are not significantly higher than those in Naples. In official report, made in March,

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shows that the standard ration for the Province of Naples amounted to 645 calories a day, or less than a third of that needed by the body at rest, and under half the calorific value of the ration issued by the Germans during the last period of occupation.

2. Black market food prices: In order to live, therefore, every Neapolitan with the means to do so must have recourse to the black market for the larger part of its food supply. Because of the severe restrictions placed on civilian traffic, black market prices for food vary widely from region to region, reaching their highest levels in urban centers. This situation is illustrated in the following table. Prices are in lire per kilo, except where otherwise indicated.

<u>Quantity</u>	<u>Price</u>	<u>Calories</u>	<u>Per person</u>	<u>Notes</u>
Bread	120-160		30	
Flour	180-200		35	
Pasta	260-400		40	
Meat	300-350		20	
Fish	130-400	250	30	180-200
Olive Oil	230-260	140	90	3-40
Potatoes	43-50		30	
Beans	175-250		40	
Chicken	190-240		60	
Cauliflower	12-15	8		4-5
Baked figs	90-100	60		25-30
Milk (liter)	30	30		10-12
Milk (condensed)	200	75		140
Eggs (each)	15	20	13	14-15
Sugar	220-400			
Salt	15-40			
Wine (liter)	35-50		15	
Coffee	900-1,500			

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It is calculated that the cost of one black market meal for a family of five living in the Province of Naples is about 400 lire.

3. Clothing and Housing: The cost of clothing and housing is also exceedingly high. Nearly all clothing stocks were destroyed in the course of military operations. Prices in the Naples area are as follows:

<u>Quantity</u>	<u>Price in Lire</u>
Suit	4,000 - 6,000
Shirts	1,000
Men's shoes	1,000
Socks	150

Rents have risen less precipitously; rentals in the Naples area, where there is a housing shortage owing to destruction and requisitioning, are as follows:

<u>Apartment</u>	<u>Rent in Lire per month</u>
1 room	200-300
2 rooms	400-500 with bath 800
3 rooms	600-700 with bath 1,000

4. The Rise in the Cost of Living: It is calculated that, in comparison with the pre-war period, the cost of living, as black market purchases are taken into account, has risen 500-1,000 per cent, the higher figure applying to urban centers. Rentals have risen only 200 or 300 per cent over pre-war levels, but clothing costs have jumped 1,000 -1,500 per cent since 1942, and index figures based on the black market prices of eight essential food-stuffs, taking 1 January 1943 as 100, reached 153 by 31 August 1943, 490 by 15 February 1944, and 621 by 31 March. In January 1945 these eight prices represented a 355 per cent increase over the official prices.

5. Wages and Relations: Wages, which are adversely affected by widespread unemployment, have undergone only limited increases. Unskilled workers are paid 50 lire a day, skilled laborers 70-80 lire a day, which represents an increase of 100 per cent in relation to pre-war wages.

Unemployed workers entitle to unemployment compensation under Italian law receive benefits at the pre-invasion rates. The newly reformed labor organizations have sought to augment wages but have met with stiff opposition from Italian authorities, who consider that if wages start upward, any chance of stopping the inflationary

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tide will have been lost. The agricultural is better paid than the industrial worker, owing partly to a scarcity of workers in some areas. In Campania and Apulia farm workers receive 100-150 lire a day. The basic pay of Italian soldiers, sailors, and waiters was increased in March almost five-fold; the basic rate for a private is now 5 instead of 1.05 lire a day. Salaries appear to have shown an even greater inelasticity. The monthly stipends in lire received by the employees of an electric company and a bank are shown below. Those of the electric company include allowances for a family composed of a wife and 3 children.

Type of employee	Societa' Nazionale Raffinerie	Enso di Napoli
Directors	6,200	
Employees, 1st category	5,496	4,450
Employees, 2nd category	3,543	2,650
Employees, 3rd category	2,629	2,079
or	2,183	1,000
Total		700

In November 1943 authorized an increase in the wages of government employees on a graduated basis amounting to 70 per cent on the first 1,000 lire per month, 60 per cent on the second 1,000, 30 per cent on the third, 20 per cent on the fourth, and 10 per cent on the fifth. Private employees were authorized to increase wages on the basis of this formula, and apparently many have done so.

6. Consequences of the disparity between income and the cost of living: The effects of the disparity revealed in the preceding paragraphs vary with the social class involved. In general, the lower and middle classes of the urban centers are most severely affected. The poorest class of the population of Naples is not far from starvation. This situation is somewhat alleviated by the fact that the Allied armies are the largest employers of manual and industrial labor and that their civilian help is generally given some kind of hot meal at noon. The average middle class family is somewhat better off, though their fixed incomes are generally insufficient to satisfy the essential requirements in housing and clothing even if sufficient for food. Of the city population, only the wealthy have a satisfactory diet. On the other hand the rural population, which constitutes 70 per cent of the total, fares much better, as illustrated by the black market prices listed in paragraph 2. The peasantry is always able to hold on to a minimum food supply. In the provinces the chief sufferings are refugees from the north, especially where relief organizations have not functioned well.

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7. ASG and the Black Market: The upward spiral of prices remains unbroken. While undergoing a steady rise during the first eight months of 1943, prices have mounted with much greater rapidity since the Allied occupation. Obviously the basic cause of this situation is the scarcity of consumers' goods. Months of blockade, declining harvests, the ravages of war, the breakdown of regional interdependence by the separation of northern from northern Italy, and the difficult transportation situation in liberated territory have reduced consumers' goods production below the minimum requirements of the population.

The means at the disposal of ASG for coping with the situation are slender. The most important is the importation of the necessary goods. It is a fact that all the flour, sugar, jam, and canned foods now distributed in Region III, together with all gasoline and coal available in liberated Italy for civilian use, have been imported. Without these imports, collapse would be imminent. At the same time, imports are not sufficient in quantity to arrest the inflationary movement.

In addition to imports, ASG continues its efforts to control prices by police measures. Price ceilings, orders for the affixing of price tags to all articles offered for sale, the placing of shops which overcharge Allied personnel out of bounds, the establishment of special markets for the sale of fish, and the formation of volunteer citizen squads for reporting violations of all these regulations are some of the more important measures which ASG has taken. It is doubtful if they will have effective results so long as the population must have recourse to the black market in order to live. It should be added that the sale of large quantities of goods to black marketers by American troops, especially negro elements and the corruption prevailing among Italian law enforcement authorities there are some 200,000 forged ration cards in the city of Naples alone - all factors against the success of ASG's efforts.

8. Currency: The currency situation has also contributed importantly to the inflationary tendency. The circulation in liberated Italy of notes issued by the Bank of Italy is 300% greater than in the pre-war period and has reached according to an Italian source, a total of 30 billion lire. Superimposed on this is an unknown but very sizeable issue of 4½ lire, a pure fiat currency. Gold and dollars and 300 pounds, issued during the first stage of the invasion, are being replaced with 4½ lire. Less important are American dollars and British pounds which are sought chiefly as a means of investment. 4½ lire are expended through several channels. Allied personnel are paid in this currency and as of 30 November 1943 had received 6.6 billion lire. The purchasing power of Allied troops is relatively enormous, and is subject to few limitations. Expressed in lire, the pay of an American private is equal to that of a better-paid Italian civil-service employee. It is significant that in Cardano, where there is no army of occupation, the price level is less than half that prevailing elsewhere in occupied Italy. Another portion of the military expenditure of 4½ lire is attributed to the hire of local labor. There were also the advances made to communal and

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provincial governments to get the Italian administrative mechanism moving once again. Furthermore such expenses are continuing. Most of the local government units normally had deficits which were financed by the national government, which at present is unable to assure this burden. Tax collections were disturbed to such an extent that it was estimated that in April they were about 50 per cent of normal. The central government itself has a monthly deficit of about 30 per cent of normal. The central government itself has a monthly deficit of about 1 billion lire which is advanced by the Allied authorities. In contrast, the currency receipts of the occupying authorities, from commodities imported for civilian consumption and as the result of the deposits of Italian banks with ANSA, are negligible. Some fraction of the huge volume of currency thus put in circulation has been and will be channeled off by the reopening of the banks, the resumption of the payments of interest on the national debt and the issuance of new bonds, the rehabilitation of the taxation system, and efforts at price control. But these measures are only palliatives.

Other factors working for inflation are the formation of new currents of demand with the development of groups especially favored by inflation, the weakening of the stimulus to save by the constant decline in the value of money, and the want of reasonable investment opportunities.

9. The Dollar Value of the Lira: There is also the inflationary effect of the exchange rate of 100 lire to the dollar and 400 lire to the pound. There was no free exchange in the lira at the time of the invasion, though the black market in dollars was getting American kindred dollars at 130-140 lire. To the country at large the rate of 100 lire to the dollar came as a surprise and shock, resulting, in the popular estimation, the value of the lira by 1/4 and thus undermining confidence in the lira. It is pointed out that if the dollar value of the lira were increased, the enemy war forces would still be able to obtain the same goods and services with considerably less inflationistic effect, and that the change effected in North Africa in the official rate of exchange had a salutary effect. The Italian government has in fact maintained that the present exchange rate is the principal cause of inflation and has officially requested that the dollar value of the lira be increased. The request was refused, on the grounds that the Italian government deficit was the true cause of the inflationary movement. 3000

10. Outlooks as to the Future of the Lira: There is a widespread feeling that the lira is already ruined, that still further inflation is inevitable, and that only Allied financial assistance can save Italian currency from collapse. These fears have additional justification in the fact that the Germans have the Italian presses, together with ample stocks of paper and are putting them to full use, so that the territory yet to be occupied may well be flooded with Italian lire.

11. Financing: Financial operations are lethargic. Banking is limited to some activity in current accounts and occasional speculative ventures in the stock market. There is a marked and continuing rise in deposits, owing to industrial stagnation together with the profits of black market activities.

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The stock market is inactive, though in late April and early May the price of state bonds rose somewhat. The black market in gold and foreign currency has achieved some importance, though quotations have dropped since the occupation of Rome became less imminent and after the arrival of 50 kg. of gold from Sicily. Prices are in lire.

Commodity	1-10-44	12-2-44	21-3-44
Sterling	480	800	500-520
Dollars	138	310	165-175
Gold the ounce	300	620	550

The quantity of gold in private hands in liberated Italy amounts to 5-60 million lire.

12. Railways: German depredations, together with the military necessities of the Allied armies, have reduced civilian transportation to an irregular trickle. The retreating Germans blew up bridges, tunnels, substations, and power plants, whereas Allied air attacks badly disorganized the freight yards. The military railway service had repaired all essential military lines by 22 April, except the privately owned railway between Genoa and Genoa-Sestri and between Avellino and Sorrento, and except for one break in the west coast line north of Reggio Calabria which it was planned to have repaired by 15 May. Present traffic is almost exclusively military. Rolling stock is in a dilapidated condition and traffic is very heavy. In the first week of February more than 2,600 convoys were run over the Apulia railway system, an all time record. Some civilian passenger traffic is permitted, and recently vital civilian freight began to be loaded on military trains. The sub-urban railways serving Naples and vicinity have begun to operate during such hours.

13. Roads: In this case also the Germans destroyed most of the critical bridges. The Allied forces have put up substitute bridges so that most of the main highways are now open. Much has had to be done in the way of improvement. In Sicily the roads had no maintenance whatever for two or three years before the invasion. As of March, a total of 3500-4000 km. of highway in liberated Italy had been improved and 22 contracts having a total value of \$2 million lire had been let. A further 11 projects are under consideration in the Army zones.

But the great difficulty is the scarcity of trucks, passenger cars, and draft animals available for civilian use. The Germans removed many vehicles, most of those which remained were requisitioned by the Allied forces, and part of the remainder appeared on the black market in the shape of parts. The government of occupation has made available 550 2 1/2 - 3 ton trucks to Italian haulage companies, and the 1001 General Transport Coy (Italian) is operating, under British control, in the forward areas. In the Province of Salerno the royal government has blocked all trucks capable of carrying 10 quintals or more and placed them at the disposal of the local food section for 10 days of each month.

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It seems doubtful that such measures will materially alter the situation. Until recently truck owners commanded a price of 7-8 lire the quintal per km., while passengers paid 600-700 lire for a trip of 250-300 km. Early in May Region III AG established a list of maximum tariff rates for truck transport.

14. Coastal Shipping:

Coastal shipping was a vital factor in Italian transportation prior to the war. Most vessels were sunk as the result of military operations. Of the remainder, all of 500 tons or more have been requisitioned by the Allied Forces. Some small boats are available, but there is a shortage of sail cloth and fishermen are in need of help. The salvage of sunken ships has been made a responsibility of the Public Works Ministry, and work is to be begun on the raising of two salvage craft in the gulf harbor.

15. Effects of the Transportation Situation: The difficulties confronting civilian transportation constitute one of the major causes of the inflationary movement. In fact, the economy of liberated Italy has been fragmented into a number of individual regional economies. Localities with a specialized agricultural production find themselves with an accumulation of these products, while in other centers these same commodities command high prices on the black market, prices which cannot constitute an incentive to increased production. Accumulations exist in Puglia for wheat, Apulia for olive oil and wine, Sicily for wine and citrus fruits, Sardinia for milk products, and Bari for salt. The works at Margherita di Stabia, near Sorrento, have a stock of 150,000 tons of salt, enough to cover the consumption requirements of liberated Italy for a year. The situation is graphically illustrated by the fact that the peasants from the Puglia area carry 20-25 kg. of wheat on their backs to Naples, 160 km. distant, in order to sell it on the black market there.

16. Communications: As of 28 April, civilian telephone service had been restored to approximately 10% of its original capacity. Postal service was officially restored on 20 March. Domestic telegraph service was opened for all of liberated Italy except front line areas on 22 April. During recent weeks the opportunity has been opened to Italians in America or Americans of Italian extraction to send regular remittances to friends and relatives, beginning at the first with Sicily, and now for most of liberated Italy.

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17. War Damage to Agriculture: Plant tings were reduced in the areas of greatest military activity by 40 to 60%, while in some areas vineyards and olive groves have been so damaged as to reduce their output by an estimated 20-30 per cent. It is calculated that in Sardinia 20 per cent of rural buildings have been damaged, and in parts of Sicily and the Abruzzi the percentage is also substantial. In some regions the destruction of irrigation and drainage works has been serious. The crippling of processing plants closes an outlet for important farm products. The forest resources of the country are being depleted by the requirements of the Allied troops for fuel and timber for bridge and other construction.

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18. Fertilizer deficiencies: There is almost a complete dearth of fertilizer, chemical as well as organic, and of insecticides. Such stocks as existed were looted by the enemy during the invasion. Recently, fertilizers have been quoted at 5,000-5,500 lire the quintal, lead arsenate at 25,000, and sulphur at 1,500. The minimum requirements for the province of Salina alone are 250,000 quintals of superphosphates, 300,000 quintals of sodium sulphate, 100,000 quintals of nitrate, 40,000 quintals of potassic fertilizers, 50,000 quintals of copper sulphate, and 75,000 quintals of sulphur. In several times local industry covered a part of these requirements but these plants, after repair and reconstruction work is completed, will be able to produce only 25-30 % of their output.

19. Seed deficiencies: There is a marked deficiency of selected seeds of all kinds. All seed stocks have been listed and AGO intends to assist seed farmers in order that they may fit their production program into future world needs. About 50,000 tons of imported seed potatoes were distributed in March. Of this amount it is feared that only from one third to one half were actually used for planting, the remainder reaching the black market.

20. Livestock deficiencies: There has been a notable decline in the number of livestock, both as the result of German depredations and of illicit slaughter for black market sale. Meat on the hoof commands 150-200 lire the kg. on the black market. In some regions the decline is as much as 50 per cent of the pre-occupation stock of cattle, pigs, and horses.

21. Administrative disorganization: The virtual collapse of the national system has also affected agriculture adversely. The failure of central control, the difficulties of transport, the wide gap between the prices offered by the national and those available on the black market resulted in the delivery of only a small proportion of output to the national. In 1943 under Fascism, the proportion of the total crop consigned was 16 per cent in Sicily, 27 per cent in the territory south of Salerno, and 8 per cent in Campania. Recently a series of decrees replaced the national with a new and simpler system of collection, officially called Il Grano di Fronte. The producers will be represented on the advisory committee set up to collaborate with the public officials responsible for the collection of grain and a higher price for grain will be established. It is hoped that the new machinery will be able to collect 45 per cent of the total production. 3305

22. Harvest prospects: An estimate, made by an Italian source at the end of March, predicted that the harvests would be 50-60% below normal. In Calabria planting was late and in Apulia, except for Taranto where reports are very favorable, the rains made necessary a second planting which could not be effected for want of seed. The head of the Economic Subcommission of the AGO declared at the beginning of May that 100,000 tons of wheat had been brought in each month, and that these imports would have to be continued in May and June, after which the harvest would provide for the needs of the area, during the remainder of the year. In addition to flour, it was intended to import 257,353 tons of other foodstuffs in the first six months of 1944. It should be added that night fishing has commenced in southern Italy and on the west and southern third of the east coasts of Sardinia.

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Fishing in Sicilian waters has been permitted for some time.

23. Exports: During the month of March shipment of agricultural products to the United Kingdom comprised 4,561 tons of citrus fruits and derivatives, 3,003 tons of olive oil, and 47 tons of mustard seed. There were no exports of agricultural products to other countries.

24. War damage in industry: With the exceptions of the establishments along the Adriatic coast and those of Bari and Brindisi, the industry of southern Italy has been seriously damaged, partly as the result of aerial attacks, but mainly through systematic destruction by the Germans. Additional equipment has been damaged by the occupying troops, who have removed critical machines and parts irreplaceable under present circumstances. It is estimated that the capacity of the industry of the Neapolitan area has been reduced by 60 or 70 per cent and that of Palermo to perhaps an even greater extent.

25. Electric power: The condition of the power plants and substations of the Italian peninsula is shown in the following table at the end of February:

<u>Condition</u>	<u>Power stations</u>	<u>Substations</u>
Out of action	2	4
Partially destroyed but operating to a limited extent	3	1
Working at full capacity	$\frac{1}{6}$	$\frac{1}{9}$

Power lines were either again in operation or being repaired. A royal decree of 3 April limited the use of electricity for industrial, public, and private illumination to 50 per cent of the monthly consumption of 1942, forbade the use of electricity for the illumination of signs and for household purposes, except cooking in cases where gas was not available, and limited consumption by theatres and movies for purposes other than illumination to 75 per cent of the monthly consumption in 1942.

26. Difficulties of reactivating industry: The difficulties in the way of any considerable industrial revival are formidable. Many of the factories which are in condition to operate house Allied troops. Many of the machines and parts must be imported from the United States or Britain. In March the ARS, with a view to repair work, made requisitions which required the shipment of 465,000 long tons. 333

The iron works of Anagni and Toros (Anagni) have been so badly damaged that the production of steel in any quantity during the war appears impossible, though certain subsidiary installations have been put into operation. Coal must be imported, in part to cover the loss of electric power. This loss is due not only to damage to plants in liberated territory, but also to the fact that about 50 per cent of the power requirements of liberated Italy is normally supplied by plants still in German hands. Basic raw materials must also be brought in. Cement production has been

begun at Salerno, Taranto, Barietta, and Naples on Allied account and with fuel mostly supplied by the Allies. The continental plants for the production of fertilizers and commercial acids at Brindisi, Barietta, and Taranto are virtually shut down for want of raw materials, which have to be imported. Textile factories at Genoa, Milan, Alessandria, Naples, Barietta and Anagni, are working on Italian stocks which will be exhausted by mid-summer. Dressing factories are, producing jeans for the occupying troops with sugar supplied by the Allies. The tanning industry is seriously handicapped by a shortage of heavy leather and of tanning materials. Work in the Sardinian mines which employ some 7,000 workers, has continued, but want of explosives and pit props has resulted in decreased production. Heavy output on the other hand, increased during March by a total of 1,470 tons. The production of binder twine is inadequate to meet the rising demand.

With industry, as with agriculture, the essential requirement is the execution of a policy of selective rehabilitation. Unless the country is given the means to restore its own production of vital commodities, the imports now necessary to prevent widespread starvation will have to be continued and even increased. Greater emphasis on the importation of capital goods and raw materials would appear to be a pressing Allied interest.

The Cost of Living for April

1. Naples.

(a) The black market prices of bread continues to rise in Naples. It was approximately 150 lire per kilogram throughout April and over 160 in the first week of May. It is believed that the situation is largely seasonal and reflects the exhaustion of black market supplies of local wheat from the 1943 harvest. This explanation is evidenced by the great rise in black market bread prices that has occurred recently in country towns and by the almost complete substitution of white bread made from stolen American flour for country bread on the Naples black market.

(b) Black market prices of potatoes and meat also rose during the month to 45 and 500 lire, respectively, per kilogram. However, the black market prices of three very important items have declined: Olive oil declined from about 250 to 240 lire per litre, largely as a result of two small issues of rationed olive oil at the end of March and the end of April; fish declined very sharply, from 250 to 125 lire per kilogram, largely, it is believed, as a result of the fish marketing programme developed by the Fisheries Division of ASC; and vegetables declined owing to the appearance of spring crops.

(c) During March and April a total of .4 litres of olive oil, 500 grams of sugar, 130 grams of cheese, 800 grams of dried vegetables, 400 grams of canned stew, and a small quantity of dehydrated soup were distributed in Naples in addition to the regular bread ration of 200 grams.

(d) The result of these black market price changes and increased official food distribution has been that the cost of living in Naples has been kept in control, and at the end of April it was lower than at any time since last February. Cost of living figures, in lire per person per week, comparable to those presented in earlier numbers of the monthly report, are given below. Those for March are slightly lower than the preliminary figures published last month, since at that time complete information on official distribution was not available.

The cost of living in Naples.
(per person per week)

7 March	343 lire
15 March	362
23 March	352
30 March	373
7 April	385
15 April	387
23 April	331
30 April	335

(c) During March and April a total of .4 litres of olive oil, 500 grams of sugar, 130 grams of cheese, 803 grams of dried vegetables, 400 grams of canned stew, and a small quantity of dehydrated soup were distributed in Naples in addition to the regular bread ration of 200 grams.

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The cost of living in Naples.

(per person per week) 333

7 March	345 lire
15 March	362
23 March	352
30 March	373
7 April	385
15 April	357
23 April	331
30 April	335

2. Lucania and Calabria.

(a) An excellent study of the cost of living in Matera, Potenza, Cassano and Cosenza on 15 April has been made by Region II, using a budget basis of calculation approximately the same as that used in the studies of this Headquarters. Making a few changes in their calculations to make their April figures strictly comparable with those prepared by this Headquarters for earlier dates gives the following comparison:

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	December 1943	January 1944	April 1944
	(lire per person per week)		
Catanzaro	95	120	160
Cosenza	100	140	130
Matera	50	75	100
Potenza	90	100	150
Naples	300	350	335

- (b) The changes in these figures relative to each other result principally from the current seasonal shortage of local supplies of black market bread, a situation that favours (relatively) cities like Naples in which American flour is more readily obtainable through illicit channels, and that handicaps (relatively) cities like Matera that are in the midst of the grain growing areas. All available evidence indicates that the price of black market bread is rising rapidly in all the smaller towns in Southern Italy.

The foregoing is a reproduction from the Finance Sub-Commission Report from April 1944, Para. E pgs. 4 & top of 5.

J. J. Lawler
 J. J. LAWLER
 Lt. Col. U.S.C.G.S.
 Finance Sub. Commission

JUL/ef

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HEADQUARTERS
ALLIED CONTROL COMMISSION
Finance Sub-Commission
A.P.C. HQ



Subject: Cost of Living Index.

To: Vice-President, Admin. Section,
Director of Administrative Sub-Commission.

12 May 1944

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1. The Finance Sub-Commission has maintained a cost of living index since November 1943. The original indices in Italy and Puglia are not exactly comparable to the index which has been maintained since January 1944 due to the change in geographical base and to an improvement in statistical base. In consequence only the figures from Finance Sub-Commission reports of January, February and March are presented below. When reference is made to figures from the earlier index, or to the Italian index, which was kept before the invasion, appropriate corrections have been made. April figures will be available in a few days and will be circulated.

2. Caution should be used in employing this index for any other than its original purpose. The index was devised to provide an indication of trends in food prices and cost of living. While adequate for that purpose, it may not be adequate for other purposes, such as providing an exact standard of cost of living which could be used as an exact yardstick for wage legislation.

A. Italian Prices and the Cost of Living to Jan. 31, 1944.

The collection of information on price movements was continued during the month. Sufficient returns on food prices have now been received from the provinces of southern Italy to provide an indication of current developments in food prices and the cost of living. These returns have been received in response to a request made last November by this Sub-Commission to each regional headquarters asking that they provide, for each of the provincial capitals in their regions, weekly reports on legal and black market prices of 12 commodities and an estimate of the quantities of each that were available at legal prices.

The data are as yet incomplete and not entirely reliable. For the period 20 November to 15 January, 175 reports were due, but only 81 have been received. Furthermore, on the reports received, over 25% of the price data requested is missing and information on quantities available is very sparse. The reliability of the data is open to question because of the usual difficulties of determining representative retail prices, especially under the black market conditions, because of numerous definition problems, and because the scarcity of data on quantities available at legal prices, makes it difficult to assess the relative importance of the legal and black market.

and change in geographical base and to an improvement in statistical base. In consequence only the figures from Finance Sub-Commission reports of January, February and March are presented below. When reference is made to figures from the earlier index, or to the Italian index, which was kept before the invasion, appropriate corrections have been made. April figures will be available in a few days and will be circulated.

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A. Retail Prices and the Cost of Living to Jan. 31, 1944.

The collection of information on price movements was continued during the month. Sufficient returns on food prices have now been received from the provinces of southern Italy to provide an indication of current developments in food prices and the cost of living. These returns have been received in response to a request made last November by this Sub-Commission to each regional headquarters asking that they provide, for each of the provincial capitals in their regions, weekly reports on legal and black market prices of 12 commodities and an estimate of the quantities of each that were available at legal prices.

The data are as yet incomplete and not entirely reliable. For the period 30 November to 18 January, 175 reports were due, but only 81 have been received. Furthermore, on the reports received, over 25% of the price data requested is missing and information on quantities available is very sparse. The reliability of the data is open to question because of the usual difficulties of determining representative retail prices, especially under the black market conditions, because of numerous definition problems, and because the scarcity of data on quantities available at legal prices, makes it difficult to assess the relative importance of the legal and black market.

Sufficient data on bread and olive oil prices are available for 13 of the 26 provinces, on cheese for 12 provinces, on sugar and meat for 11 provinces, on potatoes and pasta for 16 provinces, and for milk and fish for 9 provinces.

1. Bread.

The price of bread is by far the most important factor in the cost of living in this area. It is believed that in Naples expenditure on bread accounts for over 10% of food expenditures, while potatoes and olive oil account for about 20% and 15% respectively.

The price of black market bread in Naples was about 18 lire per kilo in January 1943. It rose to 25 lire in July, and then rose rapidly to 30, 50, 80, 110 and 180 lire in successive months from August 1943 to January 1944.

The difference in bread prices from province to province is very great. In December prices varied from 15 lire per kilo in Matera to 130 in Salerno. In the Italian heel and inner ruling prices were between 15 and 25, and in Sardinia about 30. In Sicily and across the Straits in Reggio the price was

from 80 to 90; and in Naples and Salerno 110 and 120 respectively.

In all of the provinces for which comparative data are available except Salerno, the price of bread rose sharply from December to January. In the heel and hinter the rise averaged 60% and was generally the same in each of the provinces of that area. In Trapani and Reggio the rise was 20%, and in Naples and Salerno 25 and 30 per cent. In general, provinces in which the price was lowest in December reported the greatest per cent increase from December to January. In January the price in the heel and hinter varied from 20 to 45 lire; it was 60 and 75 in Reggio and Trapani, and 100 and 110 in Naples and Salerno.

Local prices of bread also vary widely from province to province, and unlike black market prices, do not reflect differences in the difficulty of transportation. The lowest legal price is 2 lire in Salerno, and the highest is 4 lire in its neighbor, Potenza. The most common price is 3.50. This is the price in Naples, in Sicily other than Reggio, in Reggio and Varese. Genoa has a legal price of 3.50 for bread made from imported wheat and 2.50 from that made from local wheat.

Bread rations are 160 grams per person per day in most of the provinces. In Naples it is 180 grams and in Salerno 100, a circumstance that makes the much higher black market price in those two cities an even higher average price for any reasonable budget of bread consumption. (It was announced early in February that the bread ration was being increased to 200 grams throughout liberated Italy.)

2. Potatoes.

Under present conditions potatoes are the second most important item of food expenditure in Naples, although they are of much less importance in Sicily and Sardinia. The rise in potato prices has been even greater than that in bread prices. Indeed the rise has not been so great in most provinces during the last years that potatoes are probably no longer considered a satisfactory substitute for bread.

In Naples the black market of potatoes was about 8 lire per kilo in January 1943, it fell subsequently, as the crop came in, to 3 lire in June and to 2 lire in August. Thereafter it rose to 5, 7, 17, 21, and 38 lire in the months from September 1943 to January 1944. Then while the price of bread rose 100% from August to January, the price of potatoes rose 60%.

The price of potatoes in Salerno is about the same as in Naples. In December the price was 6 lire in Salerno and about 10 lire in the other provinces of the heel and hinter. In Catanzaro and Reggio in the toe the price was considerably higher. Recent reports, however, indicate a great rise in the prices of the hinter and the heel. By mid-January the price had reached 10 lire in Brindisi, 15 in Genoa, and 41 in Salerno.

3. Olive Oil.

Price developments in olive oil are quite different from those of other

Bread rations are 150 grams per person per day in most of the provinces. In Naples it is 120 grams and in Salerno 100, a circumstance that makes the much higher black market price in these two cities an even higher average price for any reasonable budget of bread consumption. (It was announced early in February that the bread ration was being increased to 200 grams throughout liberated Italy.)

E. Potatoes.

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In Naples the black market of potatoes are about 2 lire per kilo in January 1944. It fell subsequently, as the crop came in, to 1 lire in June and to 1/2 lire in August. Thereafter it rose to 5, 7, 17, 23, and 33 lire in the months from September 1943 to January 1944. Thus while the price of bread rose 100% from August to January, the price of potatoes rose 50%.

The price of potatoes in Salerno is about the same as in Naples. In December the price was 6 lire in Salerno and about 12 lire in the other provinces of the heel and Lucania. In Catanzaro and Reggio in the toe the price was considerably higher. Recent reports, however, indicate a great rise in the prices of the Lucania and the heel. By mid-January the price had reached 20 lire in Brindisi, 22 in Coronea, and 41 in Salerno.

F. Olive Oil.

Price developments in olive oil are quite different from those of other foods. In the areas where olive production is very small the price of olive oil has been very high for sometime and has risen only moderately. In Naples, for instance, the price was already 30 lire in January 1943. By September it had reached 120, and by January 1944, 233. The rise from August to January was only 65%, in contrast to 100% for bread and 80% for potatoes. In the other areas of low production, Cosentino, Potenza and Salerno, prices were 70, 80, and 170 lire in December and did not rise in January. However, in the areas of high production the heel and the extreme toe, the price was around 30 lire in December, and in each of the provinces of this area the price rose sharply from December to January. The rise was over 100% in Bari, about 80% in Reggio, and about 65% in Taranto. In Bari, an area of high production, is an exception to these statements. The Tripartite prices were high in December, 30 lire, and rose 50% in January.

Legal prices of olive oil varied in December from about 15 lire in Sardinia, Cosentino, and Potenza, to 35 lire in Sicily. In the Royal Provinces the price was about 30 lire in December, and was raised to about 25 in January. In other provinces for which data are available there has been little change.

A ration of olive oil is distributed in each of the provinces from which reports have been received. In Naples the ration is 1/2 liter per person per month, but it has not been distributed every month.

4. Pasta.

In Naples the black market price of pasta was 30 lire in January 1943 and 35 lire in July. By September it was 80 lire and then 100, 145 and 150 lire in the months from October to January 1944. The increase from September 1943 to January 1944 was 175%.

In the other provinces January prices were from 20 to 35 in the instep, from 40 to 50 in the heel, 100 in Frosini, and 115 in Reggio. In these provinces have been available even in the black market for several months. The increase of prices from December to January was over 70% in 4 of the 5 provinces for which data are available.

Legal prices vary from 2 to 3 lire. Some pasta is reported to be available at legal prices in Calabria, Campania, and 3 of the Royal Provinces.

5. Meat, Fish and Cheese.

Naples black market prices of these commodities have increased as follows:

	Jan. 1943	July 1943	Dec. 1943	Jan. 1944
		(in lire per kg.)		
Meat	30	50	100	170
Fish	14	22	140	180
Cheese	30	55	170	300

In Naples at present fish is about half and cheese about 2/3 of the price of meat. In most of the other provinces the price of fish is about equal to that of meat, and the price of cheese 2 and 2 1/2 times as high. In the instep provinces, meat is approximately 80, fish 70, and cheese 150 to 180 lire. In the heel and toe, meat ranges from 100 to 140 lire, fish is about 100 lire and cheese from 120 to 275 lire.

With very few exceptions the reported data indicate a sharp increase in meat, fish, and cheese prices in all provinces from December to January, but there does not seem to be any particular pattern between the provinces nor any particular relationship between the increase for the three commodities.

6. Milk.

In Naples the black market price of milk is about 84 lire per liter. The same price is reported from Lecce and Taranto, almost twice the December price for these provinces. In Calabria the price varies from 10 to 16 lire, representing from 6% to 80% over December.

In the four Royal Provinces, of Puglia the legal price is 10 lire, but no milk is reported to be available at this price. In Salerno the legal price is 15 lire and in Naples and the heel of Calabria it is 10 lire.

Neapolitan black market prices of these commodities have increased as follows:

Jan. 1943	July 1943	Sept. 1943	Jan. 1944
(in lire per kg.)			

Meat	50	50	250	270
Fish	24	24	140	140
Cheese	30	30	170	330

In Naples at present fish is about half and cheese about $\frac{1}{3}$ of the price of meat. In most of the other provinces the price of fish is about equal to that of meat, and the price of cheese is and is times as high. In the Naples provinces, meat is approximately 50, fish 70, and cheese 150 to 180 lire. In the heel and toe, meat ranges from 100 to 130 lire, fish is about 130 lire and cheese from 120 to 175 lire.

With very few exceptions the reported data indicate a sharp increase in meat, fish, and cheese prices in all provinces from December to January, but there does not seem to be any particular pattern between the provinces nor any particular relationship between the increase for the three commodities.

6. Milk.

In Naples the black market price of milk is about 34 lire per ^{3.70} liter. The same price is reported from Lecce and Taranto, almost twice the December price for these provinces. In Catania the price varies from 10 to 16 lire, representing from 0% to 50% over December.

In the four Royal Provinces, of Puglia the legal price is 10 lire, but no milk is reported to be available at this price. In Salerno the legal price is 12 and in Naples and the rest of Region II it is 7 and 8 lire with small quantities available.

7. Sugar.

In Naples the black market price of sugar was 16 lire in January 1943. In July it was still 16, but thereafter it rose sharply to 40 in September and 240 in January 1944. The rise from September to January was 500%.

In the heel the price of sugar is from 100 to 180 lire, in the instep from 300 to 550 lire and in Salerno 300 lire.

Legal sugar prices are about 9 lire in most of the provinces, but 16 lire in Naples, Reggio, and Catania. In most places no sugar is available at legal prices.

8. The Cost of Living.

The prices used in the foregoing discussion have been combined into a composite picture for each province by calculating the cost of purchasing a basket of

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Food, using legal prices to the extent that rations are available and black market prices for the remainder. The budget used was determined through personal interviews with 20 Naples working class families in January 1944. The budget (for one person for one week) contains 2.00 kilo of bread, 0.10 kilo of pasta, 1.60 kilo of potatoes, 0.20 liter of olive oil, 3.00 kilo of vegetables, 1.00 kilo of fruits, and very small quantities of meat, cheese, fish and milk.

The results indicate that the cost of living in Naples rose during the year from Jan. 1943 to June 1944 at about \$6 per month. Thereafter, it rose very rapidly as follows:-

(Lire per person per week)

July	48
August	63
September	120
October	211
November	265
December	211
January	545

The results by provinces are approximately as follows:-

	December 7	January 7
Insider	60 - 60	80 - 120
Real	70 - 110	100 - 180
Scardinia	120 - 110	no data
Ros	100 - 120	140 - 180
Giully	130 - 170	180
Ulin	200	500 - 550

B. Price and Cost of Living Developments in February, 1944.

1. Increase in bread ration.

The most important development in price and the cost of living during February was an increase in the bread ration to 300 grams per person announced for all of occupied Italy beginning 7 February. Previously the ration was 120 grams in Naples and 150 grams in most of the other provinces. It is not yet known whether this ration is in fact being distributed in provinces other than Naples.

2. The Cost of Living.

In Naples the effect of the increase in the bread ration was to reduce the weekly expenditure necessary for the purchase of 2 kilos of bread nearly 50%, from about 180 lire in the first week of February to about 80 lire after the

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The results by provinces are approximately as follows:-

	1 lire per person per week)	January 7
October	80 - 90	80 - 100
November	70 - 110	140 - 180
December	100 - 110	no data
January	100 - 130	140 - 180
	130 - 170	180
	500	200 - 550

A. Prices and Cost of Living Developments in February, 1944

1. Increase in bread ration.

The most important development in prices and the cost of living during February was an increase in the bread ration to 200 grams per person. It is not yet known whether this ration is in fact being distributed in provinces other than Naples.

2. The Cost of Living.

In Naples the effect of the increase in the bread ration was to reduce the weekly expenditure necessary for the purchase of 2 kilos of bread nearly 50%, from about 180 lire in the first week of February to about 80 lire after the increase. Increase in the price of other foods over the January average have partially offset this gain, but the cost of purchasing the representative food budget for one person for one week ending 18 February. Comparable figures for other recent dates are as follows:

Week ending	Cost of January
30 January	548
7 February	302
14 February	500
21 February	318
28 February	334
	342

3. Bread prices.

The price of black market bread in Naples rose sharply during January and the first week of February, reaching 180 lire per kilo. After the increase in the ration the price fell to 130 lire on 15 February and rose again to 180 lire, the current price. Since the price has not declined appreciably it is probable that civilians have continued to spend the bulk of their income for black market bread in order to increase their total bread consumption.

TEN MINUTE STRIKE FAILURE BRINGS ON NEW STEPS

The Communist and Socialist members of the so-called Committee of Liberation in Naples announced that a strike of ten minutes would be observed Saturday as a protest against Churchill's statement with regard to the support to be afforded by the Allied authorities to the Badoglio Government and to King Victor Emmanuel. Having had word of the project, the Anglo-Americans asked for details and, according to "Reuters", the Communist and Socialist representatives gave their assurance that the demonstration was only of a token character.

The decisive steps taken by General Mac Farlane prevented the strike from taking place. So as to atone for the failure of their plan, the leaders of the movement have announced that a general meeting of all workers will be held on March 12th, in order that signatures may be inscribed on a message of protest.

Axis Monitoring Report
PWB Naples
2-3-44 PBS
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WAGE ADJUSTMENT APPROVED FOR PUBLIC SERVICE WORKERS

SALERNO, May 18 - Following a meeting here between Marshal Badoglio and several members of his Cabinet, at which General Sir Noel Mason MacFarlane, Chief Allied Control Commissioner, was present, it was announced that the ACC has approved the adjustment of wages affecting public Service employees. (UNN)

UN-News Service
PWB Naples
19 May 1944
1086

MINISTERS TO DISCUSS WITH ACC QUESTION OF HIGHER WAGES

SALERNO, June 1 - The Government's Council of Ministers today decided to discuss again with the Allied Control Commission the question of higher wage levels for workers and civil servants.

"These categories, living upon fixed incomes, are placed in a most difficult position when the gradual increase in the cost of living is noted," the Government's announcement pointed out. (PWB 8)

UN-News Service
PWB Naples
2 June 1944
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C. The Cost of living.

The cost of living in Naples reached its highest level yet attained in May. The reasons for the increase, in order of approximate importance, were: only a very small ration of dried beans was distributed during the month; no olive oil was distributed during the month (a ration was issued early in June to make up for the failure to distribute in May); the black market prices of bread and pasta continued to rise, reaching 200 and 300 lire per kilo, respectively; the prices of fruits and vegetables rose somewhat.

The cost of living in lire per person per week for the city of Naples, comparable to earlier figures published in this report, was as follows:

April	7	347	(revised)
	15	317	(revised)
	23	311	(revised)
	30	314	(revised)

May	7	365
	15	403
	23	413
	30	404

3250

The revisions in the April figures result from changing the substitution factor of rationed dried beans for black market potatoes in order to give proper weight to the greater caloric value of beans per unit of weight.

