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SUB-COMMISSIONS, MONTHLY REPORTS
MAY, JUNE 1944

SECRET

HEADQUARTERS
ALLIED CONTROL COMMISSION
FINANCE SUB-COMMISSION
APO 394

13071/F

17 June 1944

SUBJECT: Report of the Finance Sub-Commission, HQ ACC -
May 1944.

TO : Air Commodore The Rt. Hon. The Viscount Stansgate,
Vice President,
Administrative Section.

1. Herewith, for your information, copy of the Report
of the Finance Sub-Commission, HQ ACC, for May 1944.

Capt Buchler

for marking of

relevant parcels

19 6 cc,

R. H. Foley
Colonel,
Joint Director, 1838
Finance Sub-Commission.

20 6 cc

please copy
marked
report to
file 5

SECRET

HEADQUARTERS
ALLIED CONTROL COMMISSION
FINANCE SUB-COMMISSION
APO 394

13071/F

10 June 1944

REPORT OF THE FINANCE SUB-COMMISSION HQ ACC

FOR MAY 1944

Col. E.H. Foley, Jr. (A)) Joint Directors, Finance
Col. A.P. Graffley-Smith (B)) Sub-Commission

Lt. (JG) J.P. Hicks, USCGR) Joint Editors (Major B. E. L. Wilson,
Capt. Andrew Kammrok) Editors (Lt. G. H. Willis, USNR,

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- B - Issuance of Government Authorizations to Spend under AMG
Conditions in Cargobase

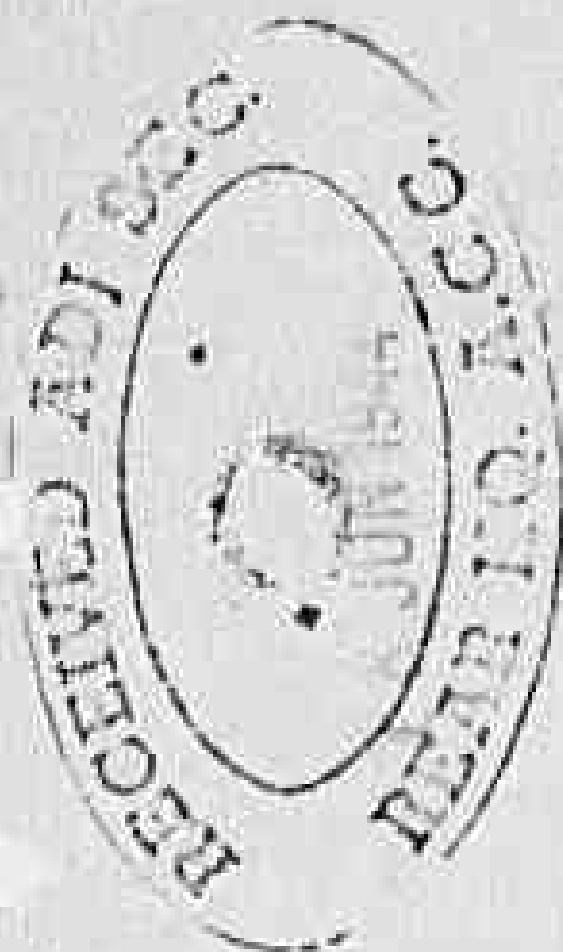


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- B - Issuance of Government Authorizations to Spend under AMG Conditions in Camboasso
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I. ORGANIZATION

4. Appointment of the Allied Anti-Inflation Committee (Italy)

1. On 17 May the Chief Commissioner announced the appointment of a committee to consider the existing financial situation in Italy and to recommend the measures which should be adopted to check the present tendency towards inflation.

2. The committee is composed of the following members:

Chairman - Captain Ellery W. Stone, USAR

Col. A.E. Grinstead-Smith - Joint Director, Finance Sub-Commission
 Col. E.H. Foley, Jr. - Joint Director, Finance Sub-Commission
 Mr. Harold Glasser - Division of Monetary Resources, U.S. Treasury Department
 Mr. E.M.H. Lloyd - Economic Adviser, British Minister of State's Office, Middle East
 Col. G. Upjohn - Director, Legal Sub-Commission
 Col. N.B. Wicks - Deputy Executive Commissioner

Secretary - Lieut-Comdr. J.J. Lawler, USCR - Finance Sub-Commission

3. The Chief Commissioner prescribed broad terms of reference and directed that the Committee report its findings and recommendations to him. The committee has been in almost continuous session since its appointment, with three Sub-Committees designated to prepare sections of the final report and recommendations, namely, (a) Financial Policy, (b) Wage and Price Policy, and (c) Supply Policy. The first two sections of the Report are shortly to be sent to AFHQ for CCS.

II. GOVERNMENT FINANCE

4. The Italian Government Deficit

1. Italian State Account

(a) For the last few months through April, the excess of disbursements on Italian government account over receipts has remained fairly stable at around 3,000 million lire per month. While in March the excess came to 3,100 million lire, in April it dropped to 2,700 million lire. These fluctuations are due: (i) to the character of cash disbursements data as such, which depending on chance happenings, will result in higher or lower payments being made in one month or another and (ii) to the bi-monthly peaks in Italian revenue collections. It is not expected that this stability will continue, however, after the general wage increase last fall, on the whole the lire has been held fairly well. But with the expansion of the liberated areas, some increase in the deficit is to be expected for May and a share increase for June.

3. The Chief Commissioner prescribed broad terms of reference and directed that the Committee report its findings and recommendations to him. The committee has been in almost continuous session since its appointment, with three Sub-Committees designated to prepare sections of the final report and recommendations, namely, (a) Financial Policy, (b) Wage and Price Policy, and (c) Supply Policy. The first two sections of the Report are shortly to be sent to HQ for CCS.

II GOVERNMENT FINANCE

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(b) It must be pointed out that both allied military expenditures and probably the greatest part of the Italian governmental expenditures are not susceptible to reduction. In the latter are included large amounts which serve directly and indirectly the joint war effort against Germany. As a result of this largely incompressible nature of war expenditures, the amount of action which can be taken in this sphere of anti-inflation control is necessarily limited.

(c) The 2,700 million lire "deficit" in the state account during April was financed principally by the Banca d'Italia which supplied over 1,700 million lire and by the sale of almost 800 million lire of government bills (Buoni del Tesoro ordinari). The funds provided by the Banca d'Italia were secured almost entirely through the increase in bankers' deposits at the Banca d'Italia. That is, the government deficit is being largely financed by the in-flow of personal and business savings into the banks, from the banks into the Banca d'Italia and from the Banca d'Italia to the government.

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(a) The total excess of government disbursements over government receipts in Liberated Italy, as shown by the Italian state account at the Banca d'Italia, for the first 10 months of the fiscal year comes to 25,000 million lire. To this must be added an additional 3,000 million lire advanced by the Allied Financial Agency which is not shown on the books of the Banca d'Italia. The total thus becomes 28,000 million lire or an average excess of government disbursements over receipts of 2,800 million lire per month.

The summary of the Italian state account from 1 July to 31 April at the Banca d'Italia is given below. The description of the various items has been given in the preceding monthly reports.

Italian State Account at Banca d'Italia
1 July 1943 through 30 April 1944
(millions of lire)

	Total Italian Gov't, Territory Gov't, Territory	Total Military Gov't, Territory	Grand Total Liberated Italy
--	--	------------------------------------	--------------------------------

a. "Deficit" in State account			
Total payments less payments on account of Buoni del Tesoro ordinari	22,273	6,108	28,381
Total receipts less receipts on account of Buoni del Tesoro ordinari	3,438	1,304	4,742
Excess of disbursements	18,835	5,004	23,839
b. How State "Deficit" was met			
Credit advanced by Banca d'Italia to State	8,527	1,486	10,013
Decrease in balances held by State at Banca d'Italia on 1 July 1943	3,042	1,174	4,216
Advances from R.A. and R.M.	3,150	30	3,180
Funds supplied from Rome	1,921	1,400	3,321
Net receipts in Buoni del Tesoro ordinari account	1,195	329	1,524
Increase in Contabilità Speciali accounts	1,507	579	2,086
Increase in deposits of cash	113	6	119

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count of Ruoni del Tesoro ordinari

Total receipts less receipts on account of Ruoni del Tesoro ordinari	3,418	1,104	4,522
Excess of disbursements	19,455	5,004	24,459
b. How State "Deficit" was met Credit advanced by Banca d'Italia to State	0,527	2,486	10,013
Decreases in balance held by State at Banca d'Italia on 1 July 1943	3,042	1,174	4,216
Advances from R.A. and R.C.	3,150	30	3,180
Funds supplied from Rome	1,921	1,400	3,321
Net receipts in Ruoni del Tesoro ordinari account	1,195	329	1,524
Increase in Contabilita' Speciale accounts	1,507	579	2,086
Increase in deposits of cash guarantees	113	6	119
Total	19,455	5,004	24,459
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2. Government Bonds

(a) In April, for the first time since the liberation of southern Italy, a sizeable portion of the deficit on state account was financed by the sale of government securities. During April, over a fourth of this deficit was met by the net investment, principally by banks, in Treasury bills (Ruoni del Tesoro ordinari). Total purchases of the R.T.C. amounted to 1,423 million lire per value, with a net investment for the month of 779 million lire or almost as much as the total investment for the preceding nine months. This development appears to be linked with the strong upward movement in government bond prices in April and, presumably, was likewise caused by the formation of the new Italian government during the month.

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(b) Since the resumption of trading in government bonds in November there have been three factors which have led to a strong upward movement in prices. The payment of the 15 December 1943 5% bond maturity and the general resumption of public debt service on 1 January 1944 resulted in a recovery of bond prices to levels higher than they had been immediately preceding the Allied invasion. The formation of the new government embodying the six anti-fascist parties in April resulted in a further increase in prices which has been well maintained. One security, the 3.50% Rente of 1936 has been consistently selling above par since the advent of the new government. Government bond prices are remaining above levels prevalent a year ago under the fascist regime.

(c) While these remarks apply particularly to the Naples market, the Banca d'Italia reports that with the resumption of good communications around March the Naples prices are applicable to the rest of southern Italy. (The details of the price movements are given in Appendix C.)

3. Cash Position of Italian Government in May

(a) No advances were made to the central Italian Government in May. Outside of the forward Army AMG areas, finance officers are not authorized to make any advances for Italian governmental purposes without prior authorization from Finance Sub-Commission headquarters. No authorization was granted during the month. The Banca d'Italia which has been given the complete responsibility for taking care of the currency needs of the government was able to meet all governmental demands both in the Italian Government territory and in AMG territory. In addition, the Banca d'Italia provided 500 million lire from its Naples branch and 60 million from its Bari branch during May to take care of any governmental financing which may be necessary in the new areas liberated.

(b) Total AMG advances, which have been classified to 30 April, to Italian governmental organizations are as follows:

	(millions of lire)
To Italian State Treasury, Armed Forces and State Institutions	4,576
To Provinces	492
To Communes	<u>1,183</u>
Total	6,251

B. Revenue

1. Revenue Collections

Collections of Italian State revenues for the month of April were substantially

Finance Sub-Commission Headquarters. No authorization was granted during the month. The Banca d'Italia which has been given the complete responsibility for taking care of the currency needs of the government was able to meet all governmental demands both in the Italian Government territory and in AMG territory. In addition, the Banca d'Italia provided 600 million lire from its Naples branch and 60 million from its Bari branch during May to take care of any governmental financing which may be necessary in the new areas liberated.

(b) Total A.F. advances, which have been classified to 30 April, to Italian governmental organizations are as follows:

	(millions of lire)
To Italian State Treasury, Armed Forces and State Institutions	4,576
To Provinces	492
To Communes	<u>1,183</u>
Total	6,251

E. Revenue

1. Revenue Collections

Collections of Italian State revenues for the month of April were substantially higher than in any other month since Allied occupation and were substantially above those of April 1943. The continuous improvement in the revenue situation is shown in the table below:

Total State Revenues for the 27 Provinces (gross intake less Capo X) (millions of lire)		Per cent this year to previous year	
1942	1943	1943	1944
July through December	July through December	57	51
1943	1944	85	144
January	January	143	77
February	February		
March	March		
April	April		
Total	Total		
2,553	1,460		
400	204		
550	459		
327	472		
<u>515</u>	<u>737</u>		
4,345	3,342		

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The detailed tables below show that this improvement is general throughout the area and throughout all important revenue classifications. April collections were larger than those in April 1943 in all provinces other than Potenza, Naples, and Reggio di Calabria. In 12 provinces revenues for the entire 10 month period are larger than for the comparable period a year ago. Naples, however, which alone produces more revenue than all of Sicily, has reached only 53 per cent for the 10 months period. Other provinces which suffered heavily in the war, Catania, Messina, Trapani, Taranto, Salerno, Cagliari, Catanzaro, and Reggio di Calabria have reached less than 70 per cent. Most of these areas are parts of which the loss of revenues from customs duties represents a substantial part of the total decrease.

Direct taxes are now showing a general increase over last year owing to increased assessments made during the last two years, particularly in the case of the war profits tax.

Total Revenue Receipts (Gross Intake, Less Sape X)

9 months April Total for 9 months April Total Per
to Mar. 43 1943 10 months to Mar. 44 1944 10 months 43/44 t3 42/43

Region I.	9 months to Mar. 43	April 1943	Total for 10 months to Mar. 44	April 1944	Total for 10 months 43/44	Per cent 42/43
Agrianto	37	6	43	34	9	100
Caltanissetta	26	5	31	24	8	103
Catania	292	26	318	99	29	40
Enna	19	4	23	20	6	113
Messina	116	14	130	38	16	92
Palermo	370	40	410	213	82	72
Ragusa	20	4	24	24	7	130
Siracusa	35	6	41	33	11	107
Trapani	134	7	141	40	11	36
Total	1,049	112	1,161	525	179	61

Region II.	9 months to Mar. 43	April 1943	Total for 10 months to Mar. 44	April 1944	Total for 10 months 43/44	Per cent 42/43
Barri	539	82	621	729	198	149
Brindisi	36	8	44	54	12	150
Lecco	60	14	74	80	22	136
Taranto	119	14	133	64	24	66
Matara	19	4	23	19	4	100
Potenza	27	5	32	24	3	84
Total	800	127	927	970	263	137

Region III.	9 months to Mar. 43	April 1943	Total for 10 months to Mar. 44	April 1944	Total for 10 months 43/44	Per cent 42/43
Avellino	36	6	42	29	8	90
Benevento	30	5	35	15	11	74
Napoli	1,199	168	1,367	598	128	53
Salerno	92	17	109	52	17	63
Total	1,357	196	1,553	694	164	58

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9 months April Total for 9 months April Total for Percentage
to Mar. 43 1943 10 months to Mar. 44 1944 10 months 43/44 to 42/43

Region I.		9 months to Mar. 43	April 1943	Total for 10 months to Mar. 44	9 months to Mar. 44	April 1944	Total for 10 months to Mar. 45	Percentage 43/44 to 42/43
Aprigento		37	6	43	34	9	43	100
Caltanissetta		26	5	31	24	8	32	103
Catania		292	26	318	99	29	128	40
Enna		19	4	23	20	6	26	113
Messina		116	14	130	58	16	54	42
Palermo		370	40	410	213	82	295	72
Ragusa		20	4	24	24	7	31	130
Siracusa		35	6	41	33	11	44	107
Trapani		134	7	141	40	11	51	36
Total		1,049	112	1,161	525	179	704	61
Region II.								
Bari		539	82	621	729	198	927	149
Brindisi		36	8	44	34	12	66	150
Lecce		60	14	74	80	22	102	136
Taranto		119	14	133	64	24	88	66
Matera		19	4	23	19	4	23	100
Potenza		27	5	32	24	3	27	84
Total		800	127	927	970	263	1,233	133
Region III.								
Avellino		36	6	42	29	8	37	90
Benevento		30	5	35	15	11	26	74
Napoli		1,199	168	1,367	598	126	726	53
Salerno		92	17	109	52	17	69	63
Total		1,357	196	1,553	694	164	858	55
Region V								
Campotasso		31	6	37	19	6	25	68
Foggia		112	18	130	84	23	107	82
Total		143	24	167	103	29	132	79
Region VI								
Cagliari		204	8	212	101	38	139	66
Nuoro		15	3	18	19	5	24	104
Sassari		36	8	44	61	19	80	182
Total		255	19	274	181	62	243	89
Region VII								
Catanzaro		95	15	110	56	17	73	66
Cosenza		46	9	55	42	15	57	104
Reggio di Calabria		85	13	98	34	8	42	43
Total		226	37	263	132	40	172	65
GRAND TOTAL		3,830	515	4,345	2,605	737	3,342	77

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Total Revenue by Sources

(millions of lire)

	10 months to 30/4/43	10 months to 30/4/44	% 43/44 to 42/43	April- 1943	April- 1944
Capo I Manufacturing Taxes	242	143	59	16	23
Capo II Customs	276	61	22	7	23
Capo III Local Finances	1	2	199		
Capo IV Monopolies	1,534	1,062	69	163	225
Capo V Lottery	143	45	31	9	10
Capo VI Direct Taxes	1,067	1,147	108	225	288
Capo VII State Lands, etc.	5	2	49		1
Capo VIII Indirect Taxes	1,049	954	81	92	156
Capo IX State Supply Office	11	18	161	1	1
Capo XI Ministry of Justice	6	3	50	1	
Capo XVII Ministry of Agriculture	2	1	54		
Others	8	5	67		
Total less Capo X	4,344	3,343	77	514	737

2. Tax revision

During the month the Minister of Finance submitted draft decrees covering the following points:

(a) Income tax (Ricchezza mobile). The draft on this tax multiplies the assessments on businesses by factors varying from 2 to 6 and increases the exemption limit from 2,500 to 10,000 lire. It also eliminates the flat 2, 4, 8, and 9 per cent taxes on various categories of employees, substituting for them progressive rates with differentiation for bachelors, married men, and families with up to 4 and over 4 children. The rates proposed are open to the criticism of being in fact regressive above the income level of 800 lire per week.

(b) Supertax (Imposto complementare). The draft on this tax raises the progressive rates now applied to all types of income combined from their present maximum of 20 per cent to a maximum of 40 per cent. The minimum exception limit is increased from 6,000 to 15,000 lire.

(c) Tax on capital (Patrimoni). The proposal raises the present 1/2 per cent rate to a sliding scale ranging from 1/2 to 2 per cent. This step is thought to be the most practicable method of quickly reaching the profits of large landowners upon whom income taxes have never been satisfactorily imposed.

(d) Land tax (Terreni). The proposal increases the rate of duty from 5 per cent to 10 per cent and, in the case of rents received in kind, also increases the amount assessed by 100 per cent. It will be observed, by comparing this proposal to that in paragraph (1), that when the surtax is also taken into con-

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(c) Tax on capital (Patrimoni). The proposal raises the present $\frac{1}{2}$ per cent rate to a sliding scale ranging from $\frac{1}{4}$ to 2 per cent. This step is thought to be the most practicable method of quickly reaching the profits of large landowners upon whom income taxes have never been satisfactorily imposed.

(d) Land tax (Terreni). The proposal increases the rate of duty from 5 per cent to 10 per cent and, in the case of rents received in kind, also increases the amount assessed by 100 per cent. It will be observed, by comparing this proposal to that in paragraph (i), that when the surtax is also taken into consideration the Minister's proposals increase the rate on rural landowners less than $\frac{1}{2}$ as much as they increase the tax on owner-cultivators.

(e) Special tax on workmen. The drafts propose to abolish this tax (2 per cent on wages in excess of 720 lire per month) inasmuch as all employees will be included in the revised progressive tax on employee income.

(f) Death duties. It is proposed to double the rate in each bracket of the estate tax, making the maximum rate 20 per cent in the highest bracket.

(g) Exceptions. The provision exempting families with more than 7 children from all direct taxes is abolished in the drafts. Children allowances are included in the new income tax on employees.

(n) Bachelor's tax. It is proposed to abolish the bachelor's tax, and to put in the Richezza Mobile tax itself a heavier burden on single as compared to married persons.

(i) Farm profits (reddito agrario). It is proposed to increase the valuations for 1944 5 times, excepting that no increases are to be made with respect to crops certified to have been properly assessed. This proposal, in its present form, amounts to a refusal to tax at all income received from the increases in the legal price of wheat, despite the fact that the increase in the price of wheat has increased the danger of uncontrolled inflation.

3. Appeals commissions. The reconstitution of commissions for appeals from assessments is proceeding slowly. The Ministry has been asked to furnish information on all commissions not yet approved by it.

4. Territorial assessments. Many communes have been found where the current assessments are still based upon valuations of 1823, multiplied by a small factor. The Ministry has agreed to make a general inquiry in order to determine how many such communes there are, and in order to take steps to increase such assessments.

5. Distillery taxes. In order to prevent the leakage of alcohol to the black market, an attempt is being made to close down all "mustroom" distilleries and to concentrate all such production in recognized and established distilleries, many of which are partly idle at present.

6. Monopolies. Some progress is being made toward increasing the amounts of tobacco, salt, and matches on sale. The present weekly production of tobacco is 62 million cigarettes, 22,500 kilos of cigars, and 16,250 kilos of pipe tobacco. The Italian armed forces take 21 million cigarettes, leaving 41 million for approximately 5 million adult males, or about 8 cigarettes per week each.

7. Italian taxation of Allied forces

In response to a request from AFHQ, the Minister of Finance was asked to give assurances as to the implementation of that part of the armistice terms which provides that the Allied Forces shall be immune from Italian taxation. A satisfactory reply was received from the Minister, stating that no taxes, direct or indirect, will be imposed upon the Allied Forces or organizations serving with the Allied Forces, or upon individual members thereof whether acting in an official or unofficial capacity. Specific instructions which have been issued to Italian tax officials by the Ministry were cited in support of these assurances.

C. Budget and Expenditure Control

1. New Italian Government Budget

5. Distillery taxes. In order to prevent the leakage of alcohol to the black market, an attempt is being made to close down all "mushroom" distilleries and to concentrate all such production in recognized and established distilleries, many of which are partly idle at present.

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C. Budget and Expenditure Control

1. New Italian Government Budget

As the next fiscal year for the Italian Government begins on 1 July it is necessary that a new budget be prepared to control expenditures after that date. The Italian government is taking steps to prepare such a budget for the territory under its jurisdiction, and at the Government's request the Italian forms were sent to Military Government territory in order that if and when additional territory is turned over to the Italian government data will be available to make the necessary changes. In Military Government territory there has been distributed a complete set of forms for the preparation of budgets, the operation of such budgets, the control of expenditures, and for reporting such expenditures. Revenue data are also included in these forms. In designing these forms every attempt was made to adhere as closely as possible to normal Italian accounting and fiscal procedures. Fiscal procedure for the State agencies is quite dissimilar to that for local governmental bodies, and two sets of forms were necessary. The operation of the new budget procedure should result in a definite measure of expenditure control.

2. Expenditure control agencies - 8 -

Substantial progress was made during the month in the establishment of those State agencies which are required to maintain control over governmental expenditures. The Commissione Centrale per la Finanza Locale, a body for the control of local government expenditures, was created by Royal Decree during the month. It has been made a part of the Ministry of the Interior as is provided by law, and is expected to function at once. All subventions from the State to local governmental bodies are passed upon by this agency.

Agreement has been reached and instructions are being issued for the establishment of a central office for handling the numerous accounts that are grouped under the heading "Contabilita' Speciale", all of which are separate funds formerly controlled by various State bodies and agencies. The new office will be a part of the Ufficio Collegamento (Central Statistical Office) at the Banca d'Italia, Salerno, and will be controlled by the Treasury Section of the Ministry of Finance.

The Minister of Finance has promised that the Corte dei Conti, the central governmental accounting office for the control of all State government expenditures and fiscal operations, will begin functioning at Salerno on 1 July.

The establishment of these three agencies is a sine qua non of any effective expenditure control.

3. Estimated disbursements for May

Estimates were received from the Ministry of Finance of disbursements to be made in Italian Government territory. These estimates are given in the following table. The sizeable increases noted for the month in the expenditures of the Ministries of Communications, Agriculture, Interior, Finance, War and Navy and the justification thereof could not be investigated for lack of staff. The Italian Government is able to furnish detailed information only on War and Navy expenditures. Further tables show the items accounting for the principal increases in these estimates.

Italian Government Estimates of Cash Disbursements for Liberated Italy
(April - March)
(millions of lire)

Ministry	April	May	Increase of May over April
Finance	138.0	197.0	59.0
Justice	26.0	36.0	10.0
Foreign Affairs	2.5	5.5	3.0
Italian Africa		1.2	1.2
Education	120.0	137.0	17.0
Interior	479.0	574.0	95.0
Public Works	64.0	57.0	-7.0
Communications	528.0	675.0	147.0

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The establishment of these three agencies is a sine qua non of any effective expenditure control.

3. Estimated disbursements for May

Estimates were received from the Ministry of Finance of disbursements to be made in Italian Government territory. These estimates are given in the following table. The sizeable increases noted for the month in the expenditures of the Ministries of Communications, Agriculture, Interior, Finance, War and Navy and the justification thereof could not be investigated for lack of staff. The Italian Government is able to furnish detailed information only on War and Navy expenditures. Further tables show the items accounting for the principal increases in these estimates.

Italian Government Estimates of Cash Disbursements for Liberated Italy
(April - March)
(millions of lire)

<u>Ministry</u>	<u>April</u>	<u>May</u>	<u>Increase of May over April</u>
Finance	136.0	197.0	59.0
Justice	26.0	38.0	12.0
Foreign Affairs	2.5	1.5	-2.0
Italian Africa		1.2	1.2
Education	120.0	137.0	17.0
Interior	479.0	574.0	95.0
Public Works	64.0	57.0	-7.0
Communications	528.0	675.0	147.0
Agriculture	13.0	136.0	123.0
Industry & Commerce	3.5	4.9	1.4
Monopolies	99.0	57.0	-42.0
Public Debt	61.0	68.5	7.5
Lottery	1.1	3.5	2.4
Total -			
Civil Ministries	<u>1,535.1</u>	<u>1,943.6</u>	
<u>Military</u>			
War	646.2	679.8	33.6
Navy	260.8	348.1	87.3
Air Forces	89.0	82.3	-6.7
Merchant Marine	5.5	27.6	22.1
Total -			
Military	<u>1,001.5</u>	<u>1,137.8</u>	
Total Government	<u>2,536.6</u>	<u>3,081.4</u>	

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Ministry of War

Significant Increases in Estimates for May 1944
(millions of lire)

<u>"Capitolo" Designation</u>	<u>April</u>	<u>May</u>	<u>Increases</u>
Non-commissioned officers and soldiers salaries and allowances, re-enlistments and premiums.	140.0	167.0	27.0
Branch of the Royal Carabinieri - non-commissioned officers, etc.	20.1	39.0	18.9
Family allowances to prisoners of war	44.0	62.0	18.0
Convalescence allowances	3.0	4.0	1.0
Temporary pension allowances	5.0	12.5	7.5
Prisoners of war, and soldiers reported dead or missing but still carried on the rolls	1.1	2.8	1.7
Subsistence for troops	85.8	86.4	.6
Sanitary Services and hospital expenditures	19.0	27.9	8.9
Equipment, renovation and maintenance of arms, munitions, etc.	2.5	5.7	3.2
Works of maintenance	1.1	1.9	.8
Total	<u>321.6</u>	<u>409.2</u>	<u>87.6</u>

Note: Since some of the capitoli excluded from the above tabulation show decreases the net total increase is:-

646.2 679.8 33.6

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Ministry of the Navy

Significant Increases in Expenditures for May
(in millions of lire)

<u>"Capitolo" Designation</u>	<u>April</u>	<u>May</u>	<u>Increase</u>
Salaries and wages for non-commissioned officers and personnel of C.R.E.M.	4.2	10.4	6.2
Salaries of labourers	23.1	31.4	8.3
Subsistence of C.R.E.M.	14.1	15.3	1.2
Water rates and rental of premises	-	.5	.5
Arms and war supplies for maritime and coastal defenses	-	5.0	5.0
Acquisition of materials and equipment for military maritime establishments	.5	1.0	.5
Functioning of workshops for naval and mechanic construction	-	1.4	1.4
Materials for construction and repairing of ships	-	2.5	2.5
Maintenance of ships of the Royal Navy marine construction	2.9	6.7	3.8
Maintenance of ships of the Royal Navy marine armament	.2	2.5	2.3
Works and supplies for naval and mechanic construction relative to the war effort	13.6	20.5	1.9
Works, supplies, arms and armament, relation to the war effort - marine armament	9.4	24.1	14.7
Overtime pay and allowances to military personnel	108.0	120.5	12.5
Expenses for food, clothing barracks etc. - marine commissary	27.0	41.8	14.8
Extraordinary allowances for works of marine engineers dependent on the state of war	9.6	12.6	3.0

Subsidies to personnel for housing

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Acquisition of materials and equipment for military maritime establishments	.5	1.0	.5
Functioning of workshops for naval and mechanic construction	-	1.4	1.4
Materials for construction and repairing of ships	-	2.5	2.5
Maintenance of ships of the Royal Navy marine construction	2.9	6.7	3.8
Maintenance of ships of the Royal Navy marine armament	.2	2.5	2.3
Works and supplies for naval and mechanic construction relative to the war effort	13.6	20.5	1.9
Works, supplies, arms and armament relation to the war effort - marine armament	9.4	24.1	14.7
Overtime pay and allowances to military personnel	108.0	120.5	12.5
Expenses for food, clothing barracks etc, - marine commissary	27.0	44.8	14.8
Extraordinary allowances for works of marine engineers dependent on the state of war	9.6	12.6	3.0
Subsidies to personnel for injuries due to enemy action	.2	12.7	12.5
Expenditures dependent on the international situation	-	1.8	1.8
Total	217.8	310.7	92.9

Note: Since some of the Capitoli excluded from the above tabulation show decreases the net total increases is:-

260.8 348.1 87.3

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4. Actual Disbursements for April

(a) The following table shows disbursements for liberated Italy in April as reported by the Banca d'Italia, compared with March disbursements.

Comparison of Cash Disbursements for liberated Italy
March & April

(millions of lire)

Ministry	March	April
Finance	353.5	246.9
Justice	39.0	28.0
Foreign Affairs	1.4	1.8
Italian Africa	4.2	3.6
Education	147.0	128.1
Interior	520.9	239.2
Public Works	60.5	61.4
Communications	218.5	110.1
Agriculture	36.0	10.5
Industry & Commerce	3.0	7.0
Popular Culture	1.5	.2
Total	1,385.5	836.8

Military

War	2,187.4	855.0
Navy	225.6	274.0
Air Forces	189.0	218.5
Total Military	2,602.0	1,347.5

Total Budget Disbursements
Disbursements Outside Budget
Transfer of Funds
Autonomous Administrations
Total

	3,937.5	2,184.3
	715.3	720.0
		600.0
	1,063.2	1,048.1
	5,763.0	4,552.4

Payments in Suspense
Total General Payments
Special accounts
Temporary Cash Deposits
Total

	-1,555.1	395.5
	4,207.9	4,947.9
	2,873.8	2,654.3
	109.9	2.9
	7,191.6	7,605.1

(b) The figures for March in the above table include Naples Province and are therefore to be regarded as more complete than the figures appearing in Table X in the April Report of Finance Sub-Commission.

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Public Works	60.2	
Communications	218.5	110.1
Agriculture	36.0	10.5
Industry & Commerce	3.0	7.0
Popular Culture	1.5	.2
Total	1,385.2	836.8

Military

War	2,187.4	855.0
Navy	225.6	274.0
Air Forces	189.0	218.5
Total Military	2,602.0	1,347.5

Total Budget Disbursements	3,937.5	2,184.3
Disbursements Outside Budget	715.3	720.0
Transfer of Funds		603.0
Autonomous Administrations	1,060.2	1,048.1
Total	5,763.0	4,552.4

Payments in Suspense	-1,555.1	395.5
Total General Payments	4,207.9	4,947.9
Special Accounts	2,873.8	2,654.3
Temporary Cash Deposits	109.9	2.9
Total	7,191.6	7,605.1

(b) The figures for March in the above table include Naples Province and are therefore to be regarded as more complete than the figures appearing in Table X in the April Report of Finance Sub-Commission.

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(c) The following table indicates in detail available information on cash disbursements in liberated Italy for April. It purports to indicate that total cash disbursements for all of liberated Italy were approximately 7.6 billion lire. However, as was pointed out last month, the item "Special accounts" includes a large number of suspense accounts into which payments are made from the accounts of the various Ministries and autonomous bodies. It has been impossible to determine how much "double-counting" is included in this item and to what extent the other items in the table are transfers rather than net outpayments. As estimated in Section II of this report, it is probable that total actual cash disbursements were approximately 3.5 billion lire. As stated in last month's report, the Minister of Finance has been requested to provide a detailed explanation of the net decrease of 1.8 billion lire in the item "Payments in Suspense" (pagamenti collettivi), which apparently was transferred to the Ministry of War's account for Berli. No answer has yet been received. The net decrease in "pagamenti collettivi" reflected in the March figures and a net increase is again shown for April. This means that some Governmental payments are once more being charged against an undifferentiated account rather than against the accounts of the appropriate Ministries.

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Cash Disbursements For Liberated Italy
April 1944
(millions of lire)

Ministry	Sardinia	Sicily	Puglia	Lucania	Campania	Calabria	Pompeia	Compasso	Total
Finance	13.6	123.5	26.5	5.9	59.6	10.0	4.0	3.8	246.9
Justice	3.4	11.5	3.0	0.6	7.0	1.9		0.6	26.0
Foreign Affairs	.	.	0.3	.	1.5	.	.	.	1.8
Italian Africa	.	0.3	2.8	0.5					3.6
Education	12.7	29.7	37.7	11.4	34.7	1.3	0.1	0.5	128.1
Interior	11.1	75.5	102.0	1.4	48.2	0.6	0.2	0.2	239.2
Public Works	7.1	29.2	5.5	0.2	18.4	0.6	0.2	0.2	61.4
Communications	1.3	37.0	22.4	.	49.4	.	.	.	110.1
Agriculture	1.8	3.8	1.8	0.1	2.8	0.2	.	.	10.5
Industry & Commerce	0.2	6.1	0.1	.	0.6	.	.	.	7.0
Popular Culture	.	0.1	0.1	.					0.2
Total	51.2	316.7	232.2	20.1	222.2	14.6	4.5	5.3	836.8
Military									
Army	171.8	29.7	650.3	0.2	2.4	0.5	.	0.1	855.0
Navy	19.6	0.9	246.9	.	6.4	.	.	.	274.0
Air Forces	24.3	.	194.2						218.5
Total	215.9	30.6	1091.4	0.2	8.8	0.5	.	0.1	1347.5
Total Budget									
Disbursements	267.1	347.3	1293.6	20.3	231.9	15.1	4.5	5.4	2184.3
Disbursements outside Budget	8.2	440.3	103.0	10.5	121.9	5.7	17.0	12.4	720.0
Transfer of funds						600.0			600.0
Autonomous Administration									
Disbursements	39.8	305.3	404.9	26.5	182.8	71.2	16.6	1.0	1046.3
Total	315.1	1092.9	1801.5	57.3	535.7	693.0	36.1	18.8	4552.4
Payments in									
Suspense	-11.1	37.8	-164.2	30.9	315.7	80.6	47.6	58.2	395.3
Total General									
Payments	304.0	1130.7	1637.3	68.2	851.4	773.6	85.7	77.0	4947.9
Special									
Accounts	435.9	385.5	1258.2	36.6	359.7	136.2	20.0	21.4	2651.3
Temporary Cash									
Deposits	.	2.2	0.5	.	0.2	.	.	.	2.9
Grand Total	739.9	1510.4	2896.0	124.0	1811.3	909.8	106.5	90.4	7605.1

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During the month of May the total of ordinari ed accreditamenti issued by the Italian government is given in the table below. Authorizations for the armed forces account for approximately 70% of the total.

Comparison of accreditamenti issued by the Italian State Government, March and April

(in millions of lire)

Ministry	March	April
Finance	16.3	23.2
Finance State Monopolies	12.0	30.3
Justice	2.3	2.4
Foreign Affairs	0.4	1.0
Italian Africa	.	3.4
Education	32.3	31.4
Interior	5.7	277.4
Public Works	11.3	16.1
Public State Roads	8.2	27.0
Communications:		
State Railways	22.9	32.5
Post and Telegraph	4.2	1.3
Agriculture	0.9	0.3
Industry & Commerce	0.1	.
Popular Culture		
Foreign Exchange		
Total Civil	123.6	496.3
Army	399.3	648.5
Navy	172.3	367.6
Merchant Marine	6.0	15.5
Air Forces	192.3	39.8
Total Military	770.9	1120.3
Total Government	891.5	1617.6

6. Provincial and communal budgets and expenditures

Accurate information regarding the expenditure of provinces and communes is still lacking. No copies of budgets have been received from any part of liberated Italy for the second quarter of 1944. For the first quarter the following numbers of budgets have been received:

Region	Province	Provincial Budgets Received	Communal Budgets Received	Communes in Province
II	Matera	1	32	32
	Potenza	1	91	91
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Communications:

State Railways	22.9	32.5
Post and Telegraph	.	.
Agriculture	4.2	1.3
Industry & Commerce	0.8	0.3
Popular Culture	0.1	.
Foreign Exchange	.	.
Total Civil	125.6	156.8

Army

Navy	359.3	648.5
Merchant Marine	172.3	367.8
Air Forces	6.0	15.5
Total Military	189.3	89.0
	727.9	1123.8

Total Government

351.5	1617.6
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6. Provincial and communal budgets and expenditures

Accurate information regarding the expenditure of provinces and communes is still lacking. No copies of budgets have been received from any part of liberated Italy for the second quarter of 1944. For the first quarter the following numbers of budgets have been received:

Region	Province	Provincial Budgets Received	Communal Budgets Received	Communes in Province
II	Matera	1	32	32
	Potenza	1	2	91
III	Salerno	-	98	145
VII	Cosenza	1	92	136
	Reggio Calabria	1	82	88

No budgets have been received from Region I (Sicily) and Region VI (Sardinia). An analysis of the budgets received confirms the conclusions, previously reported, that while the revenue of communes and provinces has fallen somewhat as compared with the same period of the previous year, expenditures have increased by approximately 70 per cent. It is the general intention of the Ministry of Finance to reduce the expenditure of communes and provinces by limiting the amount of the State contribution. This can only be done, however, after examination by the newly constituted Central Commission for Local Finance of annual budgets previously approved by the Prefect and Provincial Council. A difficulty is already foreseen in this method of control, owing to the fact that practically every local government body is in immediate need of assistance from month to month, and the systematic examination of all budgets will require a considerable period of time to complete. The Minister is

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alive to the difficulties of the situation and to the need for effective control, and steps are being taken which should result in the more expeditious handling of annual budgets.

7. Specific control measures

(a) Office of the State Purchasing Agent. This office, part of the Ministry of Finance, was the object of special study during the month. Its powers include not only procurement, but also supervision of construction and repairs. A recommendation is being made to the Italian Government that this office be used to enforce economies in procurement expenditures.

(b) Appropriation for removal of volcanic ash. A request was made by the Ministry of Public Works to the Ministry of Finance for an appropriation of over 300 million lire for the removal of volcanic ash from roads and streets in Naples and Salerno Provinces. This request was not adequately substantiated, and, after discussion with Public Works Sub-Commission, the Ministry of Finance was advised that no appropriation should be made until adequate supporting information was received.

(c) Maintenance and repair of roads. The previous appropriation of 600 million lire for maintenance and repair of roads essential for military use was amended to include provincial and communal roads in addition to State roads. Roads will be programmed only with the approval of Public Works Sub-Commission.

(d) Residual accounting. The Italian government accounting system includes a system of so-called "residual" accounting, carried out in addition to its "compensanza" accounting. All accounting for items that are current, in the sense that they pertain to the year in operation, are included under "competence", while all items pertaining to prior periods are included under "residual". This system results in much unnecessary work and waste. For instance double accounting must be done in all financial offices, in the central ministerial offices, and in the Banca d'Italia. Preliminary discussions have been held with the Minister of Finance and officials in the Ministry on the possibility of abolishing the residual accounting system.

(e) Unpaid bills. As an anti-inflation measure study is being given to the continuing practicability of postponing the payment of bills contracted by the Italian Government prior to 6 September 1943. It is often difficult to separate current from past obligations. In the estimate of requirements of the Italian Merchant Marine for the month of May there was found an amount of more than 21 million lire for payment of the operational expenses of some 40 requisitioned vessels. Upon investigation it was found that most of these obligations had been incurred prior to 6 September 1943. The Minister of Finance was requested to withhold payment of these sums.

(f) Regional directorates in Sicily. There were originally set up by JRG

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(e) Unpaid bills. As an anti-inflation measure study is being given to the continuing practicability of postponing the payment of bills contracted by the Italian government prior to 30 September 1943. It is often difficult to separate current from past obligations. In the estimate of requirements of the Italian Merchant Marine for the month of May there was found an amount of more than 21 million lire for payment of the operational expenses of some 40 requisitioned vessels. Upon investigation it was found that most of these obligations had been incurred prior to 30 September 1943. The Minister of Finance was requested to withhold payment of these sums.

(f) Regional directorates in Sicily. These were originally set up by AMG as inter-provincial activities and the question of their continuance has been discussed with the Minister of Finance. At present there is, under Italian law, no provision for their existence, and if it is intended to retain them in their present form, a Decree will be necessary to give them legal status and define their functions. Any alteration in the present form of control is a question for discussion with the Ministries and Sub-Commissions concerned. At the suggestion of the Minister of Finance, a financial official in Sicily has been instructed to scrutinize the budgets of each directorate, and, from his intimate local knowledge of the conditions in Sicily, to recommend whether there is an existing need for each office, and, if so, what changes he suggests with particular reference to personnel and salaries. These data will then be discussed with interested parties in order that definite recommendations can be made to the Minister of Finance concerning the disposition to be made of these agencies.

(g) The civil service and pension system. Studies from the point of view of expenditure control are being made of the Italian pension system and the civil service.

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(h) Perestatal agencies, a number of semi-public agencies have taken advantage of the war to request public support for their activities and in some cases have actually received funds from AMG officers. Information is being prepared which will indicate these organizations entitled to receive advances and steps will be taken to prevent further advances. Consideration is being given to the recovery of sums improperly granted.

(i) Included as Appendix B is a description of the procedure used in Campobasso province for the issuance of grants or credits to the various governmental agencies. Under the system generally used in AMG territory, the Intendente di Pisanza has been considered to be the chief representative of the Italian Government. The procedure in Campobasso, which is probably more in accordance with Italian law, provides for approval of authorizations to spend by both the Prefect and the Intendente di Pisanza.

III. BANKING, POSTAL SAVINGS AND OTHER FINANCIAL DEVELOPMENTS

A. Central Banking Developments

1. Central banking credit outstanding continued the decline during April which has lasted since the first of January and which has resulted in the repayment of almost exactly half of the total 2,000 million lire of central bank credit outstanding at the end of 1941. The repayment of a total of 200 million of the credit extensions during the month of April concerns a small increase in advances during the month totaling 41 million lire. These advances took place in Calabria, Sicily and Puglia and presumably are connected with the financing of the marketing of agricultural crops. (See Appendix C for detailed statistics.)

2. Bankers' deposits at the Banca d'Italia increased by 1,700 million lire during April. The total funds which the Banca d'Italia could be called upon to provide to banks reached a total of 12,700 million lire on 30 April while the total funds drawable by others came to 1,900 million lire. The largest single item in the category "Due to Others" consists of 1,100 million lire of non-interest bearing current accounts. This is in the category in which ALA accounts are generally carried by the Banca d'Italia branches and ALA accounts which total almost this amount make up the bulk of this item. Income on securities held in custody is also paid into such accounts while awaiting instructions for the disposition of the income.

The "Residual available on advances" increased during the month even though the preceding table shows that advances also increased. This is accounted for by an increase in securities deposited at the Banca d'Italia, thus increasing the amount of the advances which could be drawn upon by banks and others. The table in Appendix C gives the details of these statistics by regions and categories for the last few months.)

3. The cash position of the Banca d'Italia and the currency policy pursued are intimately related to currency and exchange problems and the operations of the Allied Financial Fund. These subjects are, therefore, covered in a later

1. Central banking credit outstanding contained the following during April which has lasted since the first of January and which has resulted in the repayment of almost exactly half of the total 2,000 million lire of central bank credit outstanding at the end of 1943. The repayment of a total of 200 million of the credit extensions during the month of April condenses a small increase in advances during the month totaling 41 million lire. These advances took place in Calabria, Sicily and Puglia and presumably are connected with the financing of the marketing of agricultural crops. (See Appendix C for detailed statistics.)

2. Bankers' deposits at the Banca d'Italia increased by 1,700 million lire during April. The total funds which the Banca d'Italia would be called upon to provide to banks reached a total of 12,700 million lire on 30 April while the total funds available to others came to 1,900 million lire. The largest single item in the category "Due to Others" consists of 1,100 million lire of non-interest bearing current accounts. This is the category in which A.R. accounts are generally carried by the Banca d'Italia branches and A.R. accounts which total almost this amount make up the bulk of this item. Income on securities held in custody is also paid into such accounts while awaiting instructions for the disposition of the income.

The "Residual available on advances" increased during the month even though the preceding table shows that advances also increased. This is accounted for by an increase in securities deposited at the Banca d'Italia, thus increasing the amount of the advances which could be drawn upon by banks and others. The table in Appendix C gives the details of these statistics by regions and categories for the last few months.)

3. The cash position of the Banca d'Italia and the currency policy pursued are intimately related to currency and exchange problems and the operations of the Allied Financial Agency. These subjects are, therefore, covered in a later section.

4. An employee of the Banca d'Italia, now in the military service, was secured for duty with the Regional Finance Officer of Region IV to work on Banca d'Italia and related banking problems in the newly-liberated areas. Attempts are being made to secure another officer with like qualifications to perform similar duties for the Regional Finance Officer of Region V. As described in fuller detail in other sections of this report, Banca d'Italia personnel and currency from Naples were also provided to assist the 1st Fifth Army Finance Officer.

B. Inspectorate

1. On 6 April 1944 the Italian Government issued a decree giving the Banca d'Italia the powers of the Inspectorate for the Defense of Savings and the Exercise of Credit until such time as the Inspectorate can resume its duties. As the Inspectorate's own staff was restricted to Rome and its functions throughout the country were carried out by the Banca d'Italia, this decree merely gives the Banca d'Italia

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legal power to carry out its duties in connection with credit control.

In order to implement the instructions which have been issued to the branches of the Banca d'Italia to watch credit developments in their area and to discourage credit extensions which would have an inflationary effect, the banks were requested to furnish monthly statements of condition to the Banca d'Italia.

To attempt to make this policy more effective, the branches of the Banca d'Italia have been requested to make an analysis of the balance sheets provided to them and to account for any important movements in credit extensions from month to month.

2. A representative of the Banca d'Italia was appointed to keep in touch with the head office of the Banco di Napoli and another representative with the head office of the Banco di Sicilia. These Inspectorate appointments are to try to insure that these two dominant banks of the South follow anti-inflation credit policies.

The head office of the Banco di Napoli and the branches of the other leading banks in Naples which have been acting as temporary head offices (due to the fact that their head offices have been located in German-occupied territory) were authorized by the Minister of Finance and by the Finance Sub-Commission to assume responsibility for their branches in the newly liberated territory. In cooperation with the Regional Finance Officers of Regions III, IV and V these banks have been given the task of providing personnel, currency, and whatever else is necessary for the early rehabilitation and resumption of banking services in the new areas.

C. Commercial Banking

1. As nearly as can be estimated at this time total banking deposits (other than bankers' deposits) in liberated Italy at the end of April amounted to around 32,000 million lire, probably rather more than less. This estimate is based on the bank reports which have been received plus the figures on bankers' deposits at the Banca d'Italia.

2. The growth in deposits at the banks during March and April appears to have been over 2,500 million lire a month. The total increase in deposits since September 1943 has been around 12,000 million lire or an increase of around 60 per cent. A decrease in deposit growth may be expected due to the seasonal use of funds by farmers. The Regional Finance Officer of Region I reports, in addition, that greater activity in the rebuilding and repair of houses is a factor reducing the surplus of funds available for deposit.

3. In the city of Naples, deposits decreased by 800 million lire during the summer of 1943 prior to our occupation. On the re-opening of the banks in November, deposits increased at the rate of almost 300 million lire per month to the end of February. By the end of January, the withdrawals of the summer had been replaced. In March, deposits increased by 650 million lire and in April by almost 900 million lire making the total 5,600 million lire of deposits in Naples city banks plus non-bankers' deposits at the Banca d'Italia. This represents a more than 100 per cent gain since the re-opening of the banks, which is to be compared

given the task of providing personnel, commissary, and the early rehabilitation and resumption of banking services in the new areas.

C. Commercial Banking

1. As nearly as can be estimated at this time total banking deposits (other than bankers' deposits) in Liberated Italy at the end of April amounted to around 32,000 million lire, probably rather more than less. This estimate is based on the bank reports which have been received plus the figures on bankers' deposits at the Banca d'Italia.
2. The growth in deposits at the banks during March and April appears to have been over 2,500 million lire a month. The total increase in deposits since September 1943 has been around 12,000 million lire or an increase of around 60 per cent. A decrease in deposit growth may be expected due to the seasonal use of funds by farmers. The Regional Finance Officer of Region I reports, in addition, that greater activity in the rebuilding and repair of houses is a factor reducing the surplus of funds available for deposit.
3. In the city of Naples, deposits decreased by 800 million lire during the summer of 1943 prior to our occupation. On the re-opening of the banks in November, deposits increased at the rate of almost 300 million lire per month to the end of February. By the end of January, the withdrawals of the summer had been replaced. In March, deposits increased by 650 million lire and in April by almost 900 million lire making the total 5,600 million lire of deposits in Naples city banks plus non-bankers' deposits at the Banca d'Italia. This represents a more than 100 per cent gain since the re-opening of the banks, which is to be compared with the estimate of a 60 per cent gain in deposits over the whole of Liberated Italy. In view of the leading financial position of Naples in southern Italy, as deposits in Naples have increased much more rapidly than in the rest of the country, a large discrepancy between the figure for Naples and the rest of the country is to be expected.
4. From discussions with various bankers and from the scanty other available information, the following causes for the increase in deposits appear to prevail. Around $\frac{1}{3}$ is due to the re-deposit of money which was withdrawn prior to the Allied landings. Another large part represents the conversion of merchants' and other business' stocks into money. It has been almost impossible to replenish commodities and raw materials which are sold or worked up. As a result, gradually real goods held by business are being replaced by reserves of money held at banks. Some of the money comes from new and old enterprises which have been making large profits by selling trinkets, various other souvenir and other commodities to troops.

While it is reported that the black market operators do most of their financing on a strictly cash basis, some of their savings do come into the banks. Another source is the savings of the agricultural classes some of whom are making large profits by selling their products through the black market. The Banco di Napoli reports that it judges that the bulk of the new money comes from new accounts rather than principally from increases in old accounts. The bank, however, states that it cannot estimate how important the various sources are except that merchants, black market operators and farmers are probably the leading ones. The greater increase in deposits in the Naples area may be accounted for in the following way. The concentration of troop spending has unquestionably been higher in Naples than elsewhere and the sales to Allied troops have been higher here. Naples has been the main military supply port and it is largely from Naples that the black market in Allied commodities is supplied. In consequence of the outflow of funds from Naples, there has been a corresponding inflow of money into Naples. On the other hand, the great disparity of prices between Naples and the other provinces is evidence that the flow of bulky food articles from other provinces into Naples is quite difficult. It is likely, therefore, that the food black market in Naples - where not fed from allied stores - is supplied mainly from the agricultural sections near the city. The purchasing power engendered by Allied expenditures in Naples, then, tends to remain in Campania rather than to spread out over the country.

D. Post Office Financial Services

1. Sales and redemptions of postal savings bonds were resumed in Sicily on 1 April. During this first month, there was an excess of redemptions over sales of 155 million lire. This initial large outflow of money in postal savings must be considered as the concentrated effect in one month of the same trend consistently shown in other regions of net withdrawals from postal savings. The provisional certificates available have not been favorably received by the public and the outflow of funds resulting from savers cashing in their old bonds is not matched by new savings deposited in postal bonds.

Even excluding postal savings bonds, Sicily shows a net decrease in funds held by the postal savings system. From the reopening of the postal savings system in the fall of 1943 to 31 March, the total net outflow of funds in postal savings deposits amounts to 72 million lire, whereas the excess of deposits over withdrawals in current accounts comes only to 10 million lire, giving a net outflow of 62 million lire for these two services. The same is true for Naples; there was a net outflow of funds from the postal savings system of 17 million lire in February, 43 million lire in March and only in April, with the formation of the new government, did the trend reverse with a net inflow of 5 million lire.

2. Sardinia appears to be the bright spot in April with a net investment in postal bonds and deposits of around 20 million lire. Complete data on the current accounts in Sardinia are not available but the increase in current accounts should be considerably greater than that shown for bonds and deposits. (See Appendix C for detailed figures.)

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from allied stores - is supplied mainly from the regional and local economies. The purchasing power engendered by allied expenditures in Naples, then, tends to remain in Campania rather than to spread out over the country.

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3. Complete figures on all of Liberated Italy are not yet available. However, the data on February and March are reasonably complete. These show a net movement on all three types of postal accounts (bonds, deposits, current accounts) of 145 million in during February, and of 82 million out in March. The figures on April are so incomplete that no conclusions can be drawn except for certain areas.

4. As the result of negotiations with Communications Sub-Commission, culminating in a conference of security, postal, and finance interests held on 28 May, Executive Memorandum No. 36 contained in "Instructions for the guidance of Officers of the Commission" has been completely revised and will be published shortly. The principal changes are that whereas formerly it was necessary to obtain approval of Communications Sub-Commission before re-commencing or extending a Service, Provincial Finance Officers may now authorize Postmasters to reopen Post Offices for financial services (as distinct from postal services) provided:

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- (a) that general conditions are suitable
- (b) that an adequate supply of cash is available and can be maintained by the post office's resources,
- (c) that the postmaster has the necessary supplies, records and payment authorities.

5. As a guide to Finance Officers in the forward areas, a memorandum on what Post Office Financial services they can operate immediately, and the conditions under which they can do so, was drawn up and sent to the Regional Finance Officers of Regions IV and V, and to 5th and 8th Armies AMG.

E. Sales of Real Estate

1. While the number of real estate sales reported has decreased slightly in south-eastern Italy (the only area on which we have data), the average value of the real estate transferred has increased somewhat in the last three months to May 1. There were 1,033 transfers in April with an average value of 15,509 lire compared with 1,290 transfers and an average value of 12,923 lire in March. (See Appendix C.)
2. Not enough is known about these statistics to draw any firm conclusions, but it would appear that there is not a great volume of real estate speculative transfer and that there has not been a remarkable increase in prices. It is to be noted that the Italian tax on land transfers is an inhibitory factor. According to the decree of 12 April 1943 the following are the tax rates on real estate transfers:

<u>Value of Property</u>	<u>Tax rate</u>
(lire)	
0 to 5,000	3%
5,001 to 100,000	12%
100,001 to 500,000	20%
500,001 to 5,000,000	25%
5,000,001 and above	30%

Assuming that the tax is reasonably effective, it is obvious that it presents a strong discouragement to any increase in speculative land transactions.

IV. OPERATIONS OF ALLIED FINANCIAL AGENCY, CURRENCY AND EXCHANGE PROBLEMS

A. Currency for Areas in Process of Liberation

1. The manager of the Bari Branch of AFM was recalled to Headquarters and given the task of preparing and moving a shipment of currency forward in a motor convey arranged by the Senior Finance Officer, AMG, 5th Army. He took with him a

2. Not enough is known about these statistics to draw any firm conclusions, but it would appear that there is not a great volume of real estate speculative transfer and that there has not been a remarkable increase in prices. It is to be noted that the Italian tax on land transfers is an inhibitory factor, according to the decree of 12 April 1943 the following are the tax rates on real estate transfers:

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Assuming that the tax is reasonably effective, it is obvious that it presents a strong discouragement to any increase in speculative land transactions.

IV. OPERATIONS OF ALLIED FINANCIAL AGENCY, CURRENCY AND EXCHANGE PROBLEMS

A. Currency for areas in Process of Liberation

1. The manager of the Bari branch of A.F.A. was recalled to Headquarters and given the task of preparing and moving a shipment of currency forward in a motor convoy arranged by the Senior Finance Officer, AMG, 5th Army. He took with him a substantial amount of AM lire, but approximately two thirds of the shipment consisted of 600 million lire metropolitan lire belonging to the Banca d'Italia, and destined for the branches of the Banca d'Italia in Rome, Litteria and Frasimone. In order to reduce the necessity for further shipments of AM lire to a minimum, the A.F.A. representative took with him a letter of credit enabling him to draw on the Rome branch of the Banca d'Italia up to 500 million lire for funds required by the Finance Officers of the 5th and 8th Armies. It is hoped that territory controlled by the Regional Commissioners of Regions IV, V, and VIII will continue to be financed directly by the Banca d'Italia and not by the Allied Financial Agency. In view of the availability of funds belonging to the Banca d'Italia, it may prove to be possible to finance some communes and provinces under AMG 5th and 8th Armies directly through such Banks, and to provide support to the banking system in the form of Metropolitan lire currency, rather than AM lire. The Allied Armed Forces will continue for some time to draw their AM lire from the A.F.A. branches at Naples and Bari.

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2. The Finance Sub-Commission was unable to secure the assignment of even one Allied enlisted man from MCC to the party, apparently because of the extreme shortage of enlisted personnel, and the party consisted of, in addition to one Allied officer, 5 Italian Guards of the Guardia di Finanza, 5 Italian civilian drivers, and three civilian officials designated by the Banca d'Italia. The burden of financial and administrative responsibility placed upon one Allied officer was excessive, and additional enlisted personnel must be assigned as guards and drivers in future movements if such grave risk of the loss of large sums of currency is to be avoided. A recommendation is being made to G-5, ARHQ, that shipments of currency by officers of the Allied Financial Agency be entitled to military guards under AR35-140 of U.S. Army Regulations, which requires the military establishment to detail guards to accompany shipments of currency by U.S. Army Disbursing Officers.

3. Preliminary reports indicate that this shipment of currency has reached Rome, and that the buildings of the Bank of Italy in Rome were found to be in good condition. As Doctor Cigliani, formerly Assistant Director of the Naples branch of the Banca d'Italia, and one of the officials who was taken to Rome, has with him copies of decrees appointing the present Commissioner and Vice-Commissioner to supervise all branches of the bank in liberated Italy, and the necessary authorization to open the Rome branch under their supervision, the branch of the central bank in Rome is in a position to resume operations, provided adequate personnel is available or can be furnished. By means of circular letters, the branches of the Banca d'Italia in other liberated cities and areas, immediately upon reopening, will be furnished instructions to carry out the banking and credit policies now in effect in southern Italy, Sicily and Sardinia.

4. The Royal Treasury section of each branch as soon as it is opened, should be in a position to provide the funds needed by the local governmental bodies, while the currency reserves of the Bank will be available to replenish the funds of the commercial banks in the normal manner. However, should administrative barriers make it difficult for communes to obtain funds from the Royal Treasury Sections of the branches of the Banca d'Italia, the manager of the AR branch in Rome will deliver to the Finance Officer of ARS 5th and 8th Armies, and Regions IV, V and VIII checks or vaglia drawn under his letter of credit on the Rome branch of the Banca d'Italia. In this way unnecessary disbursement of AR lire will be avoided. Insofar as distribution of currency notes throughout the newly-liberated territory is concerned, the general policy of the Finance Sub-Commission is that communes should obtain currency notes from the nearest commercial bank which has surplus reserves, or from the nearest branch of the Banca d'Italia in return for vaglia drawn on the Banca d'Italia.

B. Coverage of AR Accounts by AR Lire

1. In accordance with the policy established, meetings were held with Commandatore Pettinari, Vice-Commissioner of the Banca d'Italia, for the purpose of securing satisfactory undertakings from the bank. The Banca d'Italia agreed to provide 100 per cent coverage in AR lire for some 871 million lire held in the working balances of AR at the end of April. The branch of the Banca d'Italia holding the account will provide the coverage, and will, upon request, balance the account.

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central bank in Rome is in a position to resume operations, provisions adequate personnel is available or can be furnished. By means of circular letters, the branches of the Banca d'Italia in other liberated cities and areas, immediately upon reopening, will be given instructions to carry out the banking and credit policies now in effect in southern Italy, Sicily and Sardinia.

4. The Royal Treasury section of each branch as soon as it is opened, should be in a position to provide the funds needed by the local governmental bodies, while the currency reserves of the Bank will be available to replenish the funds of the commercial banks in the normal manner. However, should administrative barriers make it difficult for communes to obtain funds from the Royal Treasury Sections of the branches of the Banca d'Italia, the manager of the A.R. branch in Rome will deliver to the Finance Officer of the 5th and 6th Divisions, and Regions IV, V and VIII checks or vaglia drawn under his letter of credit on the Rome branch of the Banca d'Italia. In this way unnecessary disturbance of A.R. lire will be avoided. Insofar as distribution of currency notes throughout the newly-liberated territory is concerned, the general policy of the Finance Sub-Commission is that communes should obtain currency notes from the nearest commercial bank which has surplus reserves, or from the nearest branch of the Banca d'Italia in return for vaglia drawn on the Banca d'Italia.

B. Coverage of A.R. Accounts by A.R. Lire

1. In accordance with the policy established, meetings were held with Commandatore Pettinari, Vice-Commissioner of the Banca d'Italia, for the purpose of securing satisfactory undertakings from the bank. The Banca d'Italia agreed to provide 100 per cent coverage in A.R. lire for some 871 million lire held in the working balances of A.R. at the end of April. The branch of the Banca d'Italia holding the account will provide the cover locally, and A.R. will transfer balances periodically to Naples or to Palermo, in order to release cash in the provincial branches, where the proceeds of the sale of imported goods are continually being deposited in the accounts of A.R.

2. More time was required to secure the bank's agreement to a directive that would assure an additional reserve in A.R. lire adequate to cover globally the balance held by A.R. in the No. 2 or "Sterilization" account. The substantial additional sum of 2,500 million lire was paid in to this account on 4 May 1944, for the purpose of withdrawing surplus cash of the banking system in the form of A.R. lire.

3. As the Banca d'Italia had been paying out A.R. lire and retaining Metropolitan lire, the amount of A.R. lire held was scarcely sufficient to cover the balance of 2,100 million lire now standing to the credit of A.R. in this account. Accordingly it was proposed that the Banca d'Italia direct each branch to hold 20 per cent of the branch's total cash in the form of metropolitan lire. A.R. lire would be paid out only when the branch had reduced its holdings of Italian notes below this level.

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Certain minor objections were raised by the bank and the directive was not issued until 4 June 1944, in satisfactory form.

C. Use of Metropolitan Lire in Sardinia

1. On 20 May, the manager of the Sassari branch of A.F. brought cashiers of the Banca d'Italia to Naples, who took delivery of 200 million lire in Metropolitan lire, which was then transported to Sassari for account of the Banca d'Italia. Thus for the first time the local budgetary deficit and the State payments in Sardinia will be financed by the Banca d'Italia, rather than by A.F. The manager reports that the prospect of having to depend upon its own currency in the future may result in the bank's applying a restraining influence on inflationary borrowings of local governments in Sardinia, while the bank also appears to be able to stimulate the return flow of cash to itself, given this incentive. Every effort will be made to avoid further issue of AM lire to finance Italian activities in Sardinia, and it is hoped that few shipments of Metropolitan lire from Naples will be required. Such shipments will be made by Italian Naval vessels in future.

2. As several trained officers have been lost through hospitalization, and as experienced men are needed in Rome, and Northern Italy, it was decided to recall the A.F. manager from Sassari. After this change has been effected, the armed forces in Sardinia will obtain their requirements of AM lire from the Banca d'Italia in Cagliari, but the accounts and records will be transmitted to Naples and taken onto the books of the Naples branch of A.F. The unopened boxes of AM lire will be deposited in custody, and payments to the armed forces ordered by A.F., Naples upon request.

D. Review of the Reserve Position of the Banca d'Italia

1. Total currency holdings of the branches of the Banca d'Italia in Liberated Italy increased by 700 million lire during April, or by roughly the same amount as in March, but 480 millions were acquired for account of the Allied Financial Agency. Campania (Naples and Salerno) was responsible for the bulk of the increase. The doubling of the currency reserves at Reggio during the month deserves mention, however. Most of the other regions have now reached an equilibrium between inflow and outflow of currency. Sardinia and Calabria remain the principal regions still experiencing a net drain and undoubtedly for the same reason: the payment of large bodies of Italian troops.

2. Of the total currency holdings of 6,300 million lire on 30 April, A.F. and other AIG accounts accounted for 1,200 million, leaving a free reserve of 5,100 million lire. In the first week of May, a repayment of 1,900 million lire on account of advances was made into a special No. 2 A.F. account (as reported in last month's report). This left the Banca d'Italia with a net free reserve of roughly 3,200 million lire, or a little more than 20 per cent of current liabilities excluding the liability for outstanding notes. (The cash position of the Banca d'Italia by branches and by type of currency, as of 30 April is shown in Appendix C.)

3. The total of AM lire currency held by individual Allied troops, by the

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the AFM manager from Sassari. After this change has been effected, the armed forces in Sardinia will obtain their requirements of AF lire from the Banca d'Italia in Cagliari, but the accounts and records will be transmitted to Naples and taken onto the books of the Naples branch of AF. The unopened boxes of AF lire will be deposited in custody, and payments to the armed forces ordered by AF, Naples upon request.

D. Review of the Reserve Position of the Banca d'Italia

1. Total currency holdings of the branches of the Banca d'Italia in liberated Italy increased by 700 million lire during April, or by roughly the same amount as in March, but 480 millions were acquired for account of the Allied Financial Agency. Campania (Naples and Salerno) was responsible for the bulk of the increase. The doubling of the currency reserves at Reggio during the month deserves mention, however. Most of the other regions have now reached an equilibrium between inflow and outflow of currency. Sardinia and Calabria remain the principal regions still experiencing a net drain and undoubtedly for the same reason: the payment of large bodies of Italian troops.

2. Of the total currency holdings of 6,300 million lire on 30 April, 124 and other AMG accounts accounted for 1,260 million, leaving a free reserve of 5,100 million lire. In the first week of May, a repayment of 1,900 million lire on account of advances was made into a special No. 2 AF account (as reported in last month's report). This left the Banca d'Italia with a net free reserve of roughly 3,200 million lire, or a little more than 20 per cent of current liabilities excluding the liability for outstanding notes. (The cash position of the Banca d'Italia by branches and by type of currency, as of 30 April is shown in Appendix C.)

3. The total of AF lire currency held by individual Allied troops, by the Italian civilian public, and by Italian banks is estimated to have increased by 3,038 million lire in April, as compared with an increase of 3,124 million lire in March, on the basis of revised data from the Allied Paymasters. (Details are given in Appendix D.)

4. As a result of an analysis of the accounts of AF and the latest statistics on the growth of the cash reserves of the Banca d'Italia, it appears that the net inflow of cash into the Banca d'Italia from the commercial banks and the public had dwindled in early May to a small trickle. The deposits of the Allied Financial Agency were then increasing at the rate of about 500 million lire per month, and the provision of coverage for these accounts was reducing the freely disposable reserves of the Banca d'Italia at the rate of about 100 million lire per week in the first weeks of May.

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5. Since that date, various offsetting influences have been at work, which are not as yet reflected in the statistics of the Bank of Italy. Issues of LM lire by the Allied Financial Agency to the Allied armed forces increased from approximately 3 billion lire in April to approximately 4.5 billion lire in May, or by 50 per cent. In addition, some expenditures of LM lire to cover budget deficits in forward areas may be expected. On the other hand, the banks may be faced with a drain of currency to farmers as crops are sold, and the Banca d'Italia is being called upon to cover public deficits in a wider area as a result of the advance of the Allied forces.

6. A part of the currency which returns to the Banca d'Italia is included in its figures as cash reserve, but may not be paid out. Aside from the LM lire currency held by the Banca d'Italia's coverage against the working and special reserve accounts of the Allied Financial Agency, the following categories of notes are redeemed but are not paid out by the banks, under regulations established by the Government or by the bank:

- (a) Perforated unfit currency (annullati).
- (b) Unfit currency not yet perforated.
- (c) Currency printed under decrees of the Mussolini government which were promulgated after 6 September 1943.
- (d) Special series of Italian East African notes.

None of the above are likely to reach large amounts, however, except (c), the German-printed currency.

7. Unless there is some change in the present trend, it appears that the currency available to finance the Allied armed forces will be limited to the supplies of new LM lire here and in Washington, which could last only eight months as a theoretical maximum, at the May rate of disbursements to the Allied armed forces. Larger denominations alone would probably last only six months at the May rate of disbursement, although detailed figures are not as yet available to permit a direct calculation by denominations. The assumption is made in these calculations that no new LM lire is required for any purpose other than the needs of the Allied armed forces. Unless, therefore, the Banca d'Italia is able to accumulate reserves in the future, the Allied forces will not be able to draw appreciable amounts from its reserves until the new Italian currency now in course of preparation becomes available.

8. Remittances from the U.S. and U.K.

1. Additional documents required by two U.S. banks were transmitted to OSS. Remittances were received from some thirty or forty financial institutions in the United States during the month, the cumulative total now reaching some 40,000,000 lire for the Banca di Napoli and about 50,000,000 lire for the Banca di Sicilia.

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(c) Currency printed under decrees of the Mussolini government which were promulgated after 6 September 1943.

(d) Special series of Italian East African notes.

None of the above are likely to reach large amounts, however, except (c), the German-printed currency.

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8. Remittances from the U.S. and U.K.

1. Additional documents required by two U.S. banks were transmitted to CCS. Remittances were received from some thirty or forty financial institutions in the United States during the month, the cumulative total now reaching some 40,000,000 lire for the Banco di Napoli and about 50,000,000 lire for the Banco di Sicilia. In appendix 7 the amounts received by the Banco di Sicilia, cumulated to 30 April, are tabulated. In addition, sterling remittances had been received in the approximate amount of two million lire from the United Kingdom, Canada, Venezuela and various other countries. The proposed addition of the former Italian possessions in Africa to the area from which remittances may be sent was passed forward for review.

2. Refugees leaving Italy for Palestine have deposited substantial funds with the Internees and Displaced Persons Sub-Commission, which is seeking a means of remitting these funds to Palestine. As there is as yet little or no sterling available in the IF accounts, and as CCS has not approved the expenditure of foreign exchange for this purpose, the current procedure results in blocked deposits being held by the Internees and Displaced Persons Sub-Commission, for account of the refugees abroad. The problem has been referred to CCS decision as to policy, with a suggestion that the Jewish relief agencies abroad may desire to obtain lire funds, by purchase of these blocked deposits from the refugees arriving from Italy, if this is not contrary to general policy.

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F. Other Administrative and Research Problems

1. Authority was requested from CCS to open accounts of ASI in Italian banks other than the Banco di Napoli and the Banco di Sicilia. The branches of ASI were directed to collect RM, pounds and yellow Seal dollars from the Banca d'Italia and from other Italian banks. It was agreed, after a conference of the ASI/forgers balances held by ASI branches with commercial banks should be reduced to working minima by transfer to the Banca d'Italia or by expenditures, as soon as is feasible.
2. In order to permit further analysis of the cash expenditures of the armed forces, a request was made that the Royal Navy and the Royal Air Force, as well as the Allied Dominion and Colonial units serving with the British Army, render monthly statistical breakdowns of their expenditures and receipts, in the form now utilized by the British Army. Further details were also requested on a sample basis, of the items included under two categories of the report received from the American armed forces.

G. Currency Accounts

1. The first set of consolidated accounts of ASI on the new basis, showing Receipts and Disbursements instead of Assets and Liabilities, was prepared and distributed. The experience with the new type of statement for the period ending 30 April 1944 having proved to be favorable, it was decided to have the statement form printed and distributed to the branches. A chart of the new set of accounts, together with detailed explanatory data for each Head and Sub-Head, was sent to each branch office of ASI. The set of accounts for the period ending 30 April 1944, is attached as Appendix E.

2. As instructed by CCS in RM Airgram 11, the amount of lire 55,174,450 representing Metropolitan lire notes imported into Italy by the British forces, was recorded on ASI's books.

H. Design for Notes of the Banca d'Italia

As the approval of the Italian Ministry of Finance had been obtained, the designs for notes of the Banca d'Italia in denominations of one, two, five and ten lire, were transmitted to Washington. Completed models of the new designs for the four higher denominations were shown to the Finance Minister and to a senior official of the Banca d'Italia, the approval of both being obtained.

I. Forgery of AM Notes

In the latter part of April a gang of forgers was discovered and arrested in Sicily. All the forgers were seized and the larger portion of the forged notes, amounted to 42 million lire, were recovered. Some notes are unaccounted for and are probably in circulation. The printing presses and plates were also taken in the arrests.

The notes are small and of a size that is not unusual.

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Receipts and Disbursements instead of Assets and Liabilities, was prepared and distributed. The experience with the new type of statement for the period ending 30 April 1944 having proved to be favorable, it was decided to have the statement form printed and distributed to the branches. A chart of the new set of accounts, together with detailed explanatory data for each Head and Sub-Head, was sent to each branch office of AFA. The set of accounts for the period ending 30 April 1944, is attached as Appendix B.

2. As instructed by SCAC in TAM Airgram II, the amount of Lire 65,174,150 representing Metropolitan lire notes imported into Italy by the British Forces, was recorded on AFA's books.

H. Design for Notes of the Banca d'Italia

As the approval of the Italian Ministry of Finance had been obtained, the designs for notes of the Banca d'Italia in denominations of one, two, five and ten lire, were transmitted to Washington. Completed models of the new designs for the four higher denominations were shown to the Finance Minister and to a senior official of the Banca d'Italia, the approval of both being obtained.

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The notes are complete forgeries of the thousand lire denomination. Although they are very good specimens of the thousand lire notes, the paper is slightly thinner than that of the genuine notes and the ink is not of the highest quality leading to fading and blurring of the note in use. The notes are printed in both series of the AM lire notes, 1943 and 1944. That is, some of the notes have only the denomination in numbers while the others have both the number, denomination and the words "one thousand" and "mille lire".

V. INSURANCE

A. Commercial Insurance

1. Insurance Committee

The Italian Government decree for the Insurance Advisory Committee (see February, March, and April Reports of Finance Sub-Commission) has been signed and the opening meeting should take place during the first week in June. Some of the delay has been due to the Ministers of Finance and of Industry, Commerce & Labor not having decided upon their representatives. Arrangements have been made for the Insurance Department of Finance Sub-Commission to be provided with agenda and minutes of each meeting, and representatives have been invited to attend the first meeting.

2. Commissioners for insurance companies in Liberated Italy

(a) Early in the month the new Minister of Industry, Commerce & Labor approved all the appointments listed in the April report of Finance Sub-Commission with the exception of that for "La Fiume" and its subsidiary, "La Terra". This appointment was challenged by another official of these Companies and the dispute is still in course of settlement. All Regions were notified of these appointments and their significance. Not all appointments have yet been published in the Official Gazette but each Commissioner has received a formal notification from the Minister to enable him to exercise his powers.

(b) Approval of the following additional Commissioners has been notified to the Ministry, but letters of appointment have not yet been issued:

- | | | |
|---|---|---|
| (a) Reale Mutua | } | Filippo Filippi, c/o Naples Office of Reale Mutua |
| (b) Savoia | | |
| (c) Cattolica | } | Alfredo Morzocchi, c/o Naples Office |
| (d) Italiana Incendio & Rischio Diversi | | |
| (e) Italiana Vita | } | Giacinto Moricino (who will move from Sicily to Naples) |
| (f) Sicilia 1935 | | |
| Carlo Orlando, of the Palermo Office. | | |

(c) Arrangements are being made for Company Commissioners to report to the Finance Sub-Commission on their operations after about a month's work. Favorable information has already been received from the Commissioners for Unione Adriatica di Sicurtà and Alleanza (Vita). The Commissioner for the Istituto Nazionale della Assicurazione appears to have made a vigorous start in the coordination of the Company's affairs, but has been hampered by the requisitioning of a large part of the Institute's Naples premises.

3. Insurance Plans for Rome

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(4) Approval of the following additional Commissioners has been notified to the Ministry, but letters of appointment have not yet been issued:

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- (b) Savoia }
- (c) Cattolica } Alfredo Marzocchi, c/o Naples Office
- (d) Italiana Incendio & Rischio Diversi } Giacinto Morano (who will move from Sicily to Naples)
- (e) Italiana Vita }
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3. Insurance Plans for Rome

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(a) Rome Head Offices of private insurance companies, of which a list was furnished to the SFO, 143 5th Army will be closed and certain investigations made into the financial position, controlling interests, foreign and reinsurance connections, and other factors likely to require supervision and control by ICC. The decision as to whether and when a Head Office may be allowed to reopen and take charge of its affairs in liberated territory, is reserved to the Finance Sub-Commission. Branch offices will be placed under their respective Commissioners as soon as conditions permit, and will not, in the meantime, engage in any activities necessitating disbursements. Bodies of a technical character, such as the Italian Institute of Actuaries, will be investigated, and if no undesirable influences are disclosed, may be permitted to continue, being placed as soon as possible in contact with the Insurance Advisory Committee.

(b) Particular emphasis has been laid on the necessity for safeguarding whatever remains in Rome of the main offices of the Istituto Nazionale della Assicurazioni. These offices may be regarded as the heart of Italian insurance, certainly of Italian life insurance, and although some evacuation of personnel and records is expected, damage to these premises could have serious consequences.

4. Financial Intelligence

(a) According to an official of the Istituto Nazionale della Assicurazioni, Rome Radio some time ago announced the evacuation of the "Direzione Generale" of the Istituto from Rome to Verona. The informant is acquainted with the Rome offices and considers that this evacuation has probably been confined to the higher officials, as the records of the Institute's 4 million policies, with associated accounting and valuation machinery, are too cumbersome to have permitted wholesale removal under recent transport conditions.

(b) Instructions were given for the dismissal on political grounds of the Naples General Agent of Assicurazioni Generali di Venezia, and of two more local officials of the Istituto Nazionale delle Assicurazioni.

(c) Following location of small amounts of funds belonging to two German companies, a list of known agencies was forwarded to Regions for necessary action.

5. Insurance situation in Regions

(a) The need for central direction and control of insurance companies operating in Liberated Italy was further illustrated during May by the following incidents:

(i) An individual is stated to have been appointed by the Prefect of Reggio Calabria to a post with the Istituto Nazionale delle Assicurazioni.

(ii) Another individual was appointed Commissioner for Calabria for seven companies by the Prefect of Reggio.

(iii) The appointment of local agents as Commissioners of Unione Adriatica di Sicurtà for Bari, and for Sardinia, were reported.

(iv) An agent of the French "Phenix" group obtained an authorization as Commissioner for Sicily.

(v) The appointment of several Commissioners (see para 2 above) by the Government nullified several of these but following representations, the Ministry stated it would instruct all Prefects to make no further such appointments, and to cancel those already made. The existence of numerous locally-appointed officials can do nothing to re-order insurance companies' affairs.

6. Insurance of civilian supply vehicles

The Insurance Department advised the Economic Section on insurance against third-party and fire risks of vehicles chartered for hauling civilian supplies, and some insurance has already been effected. No responsible company will at present accept insurance against theft.

7. Notes on Italian life insurance

(i) An individual is stated to have been appointed by the Prefect of Reggio Calabria to a post with the Istituto Nazionale delle Assicurazioni.

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(iii) The appointment of local agents as Commissioners of Assicurazioni in Sicily, and for Sardinia, were reported.

(iv) An agent of the French "Phoenix" group obtained an authorization as Commissioner for Sicily.

(b) The appointment of several Commissioners (see para. 2 above) by the Government nullified several of these but following representations, the Ministry stated it would instruct all Prefects to make no further such appointments, and to cancel those already made. The existence of numerous locally-appointed officials can do nothing to re-order insurance companies' affairs.

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7. Notes on Italian life insurance

Descriptive material on the pattern of life insurance in Italy, the major companies involved, and their methods of operation has been collated in "Notes on Italian Life Insurance", which appears as Appendix C.

B. Social Insurance

1. Commissioners

(a) In conjunction with Labor Sub-Commission approval was given to the following Commissioners for Liberated Italy of social insurance institutions:

(i) Istituto Nazionale delle Previdenze Sociali

AVV. Vincenzo Romanelli

(ii) Istituto Nazionale per l'Assicurazione contro gli Infortuni sul Lavoro

Avv. Leopoldo Ranucci.

(b) These appointments, which supersede the temporary appointments of Doctor Alberto Rossignoli and Mag. Renato Paselli respectively, have not yet been published in the Official Gazette but when this has been done, their jurisdiction will be extended to AMG territory. Appointment of a Commissioner for the Istituto per l'Assistenza di Malattia ai Lavoratori is under consideration.

2. Dismissal indemnity

Payment by the Istituto Nazionale delle Assicurazioni of these indemnities, which were established by R.D.L. No. 5 of 8 January 1942, had been suspended on severance of communications between the Institute's main offices in Rome and its General Agencies in the Provinces. Following the appointment of a Commissioner for the Institute instructions have been sent to all General Agencies for resumption of payment.

3. Social insurance contributions of employees of contractors working for the Allied Forces.

(a) At a meeting on 10 May 1944, the Wages Committee of HQ A.I. ratified proposed rules for social insurance contributions and wages of employees of contractors working for the Allied armed forces. The contractors will pay employees' contributions to the "Previdenza" and "Malattia" organizations, and employer's contributions to those and to the "Infortuni" organization as well. The contributions will be calculated on the base pay, and overtime if necessary.

(b) The base pay will not exceed the Allied Forces daily maximum for the particular occupation, less a deduction of 40 lire for office workers (impiegati), and 30 lire for all others (operai). There will also be paid

(i) Presence indemnity (Indennita' di Presenza)

(ii) Family allowance (Assegni Familiari)

(iii) Supplementary allowance (Indennita' supplementare)

if the total of these three items is less than the Allied Forces maximum.

4. Family allowances (assegni familiari)

Preliminary agreement was reached on the proposed new scale of family allowances. The present ascending scale of benefits was a foundation-stone of Fascist economic and political policy. The increases will be so graduated as to replace the present scale by a flat allowance per dependent. They will replace the 50% increases authorized for the four Provinces in Furlin by R.D.L. No. 23/3 of 7 December 1943, and will be extended to AMG territory. The effect of the changes is illustrated by the following table, applicable to an industrial worker (operaio):

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	Lire per day	
	Former Scale	New Scale
Wife	3.1	4.5
parent	1.8	4.5
one child	2.0	4.5
each of 2 or 3 children	2.8	4.5
each of 4 or more children	3.6	4.5

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5. State employees

(a) In addition to the above revisions, study has continued on the subject of family allowances (*Aggiunte di Famiglia*) for State employees whose salaries have always been lower than those for private employees, the difference having become accentuated during the war. Proposals have already been communicated by the Ministries of Finance and of Industry, Commerce and Labor, and are being examined. It has become clear that there is need not only for correction of inequities, but also for an immediate simplification of the entire needlessly complex wage structure, a brief description of which is given below.

(b) The pay of a public employee commonly includes the following elements:

- (i) Base pay (*Stipendio base*),
- (ii) Supplement for working time (*Supplemento di Servizio Attivo*) paid only when working,
- (iii) Temporary war allowance (*Assegno Temporaneo di Guerra*),
- (iv) Family allowance (*Aggiunta di Famiglia*),
- (v) Bonus for overtime (*Lavoro Straordinario*)
- (vi) Periodic bonuses (*Gratificazioni Periodiche*), either the bonus for efficiency (*Premio di operosità*) every six months, or a 13th month's pay every year,
- (vii) Bonus for liability to enemy action (*Indennita' di Remuneramenti*) for those in certain areas,
- (viii) "Indennita' di Toga" for Judges, and other payments peculiar to certain appointments (*Compensi vari per Gruppi Speciali*),
- (ix) Allowances for out-of-pocket expenses such as a travel indemnity (*Indennita' di Missione*).

(c) The bonus for overtime (*Lavoro Straordinario*) is not a daily payment, but a monthly one computed by multiplying a rate (2.5 lire to 4.0 lire) by a number of hours not exceeding 75. Originally paid for over-time or particularly intensive effort, it is now being paid largely as a matter of course. Some other payments are complex in their computation (e.g. the "Indennita' di Reperimento" is one-half of the family allowance plus one-third of the travel indemnity adjusted by reference to the temporary war allowance). Such complexities render impossible a uniform interpretation and application of a graduated wages increase, and create disparities which intensify the pressures for wage increases.

6. Pensions (State employees)

- (iii) Temporary war allowance (Assalto Temporaneo di Guerra),
- (iv) Family allowance (Agiunta di Famiglia),
- (v) Bonus for overtime (Lavoro Straordinario)
- (vi) Periodic bonuses (Gratifiche Periodiche), either the bonus for efficiency (Premio di efficienza) every six months, or a 15th month's pay every year,
- (vii) Bonus for liability to enemy action (Indennita' di Rottamamento) for those in certain areas,
- (viii) "Indennita' di Toga" for Judges, and other payments peculiar to certain appointments (Compensi vari per Gruppi Speciali),
- (ix) Allowances for out-of-pocket expenses such as a travel indemnity (Indennita' di Missioni).

(c) The bonus for overtime (Lavoro Straordinario) is not a daily payment, but a monthly one computed by multiplying a rate (2.5 lire to 4.0 lire) by a number of hours not exceeding 75. Originally paid for over-time or particularly intensive effort, it is now being paid largely as a matter of course. Some other payments are complex in their computation (e.g. the "Indennita' di Rottamamento" is one-half of the family allowance plus one-third of the travel indemnity adjusted by reference to the temporary war allowance). Such complexities render impossible a uniform interpretation and application of a graduated wages increase, and create disparities which intensify the pressures for wage increases.

6. Pensions (State employees)

R.D.L. No. 85 of 13 March 1944 (published on 25 March) raised State pensions by graduated increases, but it has not been possible to extend its provisions to AOC territory because of absence of provisions to eliminate beneficiaries of Fascist Party patronage. Appropriate amendments were suggested early in May to the Ministry of Finance, but have not yet been acted upon.

7. Pensions (Fascist Militia)

R.D.L. No. 102 of 27 January 1944 (not published until 19 April, two days before the present Government was formed) was passed without reference to AOC, and provided special benefits and increased pensions to members of the former Fascist Militia (Milizia Volontaria Sicurezza Nazionale) and its branches.

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It provides for

- (a) Relaxation of the age limit for pensions, thus increasing the number of potential claimants,
 - (b) Pensions for non-commissioned officers of the Militia equal to those paid to members of the Regular Army,
 - (c) Special retirement grants for members not able to qualify for pensions under the new broadened regulations,
 - (d) Discharge pay in addition to pensions for all those who have completed six years of service. No provisions were included to rule out the militant Fascist elements which comprise the majority of the M.V.S.M. and the decree has been referred back to the Government for derogation. So far no action has been taken by the Government.
6. Military allowances
- A.D.L. No. 113 of 13 May 1944, published without prior consultation with or approval by Finance Sub-Commission, increased military relief allowances (Soccorso) by 70%, merging the military and general relief authorities, and enabling dependents of Italians in German-occupied territory to claim military relief allowances if in need. The request of the Italian Government that this decree be extended to Military Government territory is under consideration.

9. Insurance of Workmen in Tripolitania and Eritrea

A request was received during the month from the Deputy Director of Claims & Hirings, and for arrangements whereby workmen's compensation (Infortuni organization) could be extended to employees of the Allied Forces in Tripolitania and Eritrea, later expanded to mean all former Italian Africa. Efforts are being made to secure from the Government a letter extending the terms of that addressed by the Head of the Government on 5 November 1943 to the Infortuni organization, covering Allied employees in Italy.

VI. PRICES AND THE COST OF LIVING

4. Agricultural Prices

During the month ACC set the prices to be paid for wheat delivered to the Granai del Popolo at 900 and 1,000 lire per quintal for soft and hard wheat, respectively. It was also decided that all other major pulses and grain crops, other than barley which was included in the existing decree for wheat, would be blocked on the faras, counted, and made subject to compulsory sale to the Granai del Popolo, and that the prices of each would be fixed in relation to the prices agreed upon for 1824

5. The Price of Bread

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B. The Price of Bread

1. In making our recommendations on the price of 1944 wheat, we argued that paying a price in the neighborhood of 1,000 lire per quintal would involve either (1) an increase of some 5 billion lire in the already large Italian Government deficit or (2) an increase to nearly 15 lire in the price of bread. Because we believed that either of these alternatives was highly undesirable, and because we believed that a price of 1,000 lire per quintal was unnecessary either to do justice to the farmers or to ensure the massing of the crop, we recommended that the price be fixed in the neighborhood of 600 to 700 lire per quintal. Inasmuch as it has now been decided to fix the price of wheat at 900 and 1,000 lire per quintal, it is now necessary for us to choose between these undesirable alternatives.

2. We believe that, from the point of view of controlling inflation and of protecting the Allied interests in Italy, it is far more necessary to prevent the price of bread from rising unduly at this time than it is to prevent the Government deficit from increasing.

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(a) If the price of bread is increased enough to cover without subsidy a worst price of 900 and 1,800 lire per quintal, we believe that it will be impossible to prevent substantial wage increases, whether or not the bread ration is increased to 300 grams per day, because:

(i) Regardless of whether the cost of living is in fact higher with a 300 gram ration at 13 lire per kilo than with a 200 gram ration at 3.60 lire per kilo, every worker and every labor leader will insist that it is. We will find in dealing with workers that none will admit to have purchased bread on the black market, and none will admit, therefore, that the total cost of purchasing 300 grams at 13 lire is properly comparable with the cost of purchasing 200 grams at 3.60 lire and 100 grams at the black market price.

(ii) Moreover, it is only in Naples and only at the present time that it is clearly true that the cost of living would be reduced with a 300 gram ration at 13 lire per kilo. Whenever the price of black market bread is less than 32 lire per kilo, people are better off supplying a 200 gram ration with black market purchases than they are buying 300 grams at 13 lire per kilo. In all of the towns smaller than Naples the price of black market bread is much lower than in Naples, and up to a few months ago it was not as high as 30 lire per kilo in most places. After the current harvest, black market prices can be expected to decline considerably, and at that time many workers will in fact be worse off under the proposed conditions than they would be if the ration and the legal price of bread were unchanged.

(iii) Even if it is true that the cost of living will be no higher, or even considerably lower, under proposed conditions, wage demands that cannot be resisted are certain to arise. The present situation of industrial workers is one that they rightly believe to be intolerable. If that situation is legalized and made permanent through an increase in the legal price of bread, wage demands will follow immediately. At the present time, workers can ask for an increase in wages only on the tenuous moral grounds that they should be given enough money to permit them to buy more bread than that provided on the ration on which everyone else is expected to live. If, however, the cost of buying 300 grams on the ration is made anywhere near that of purchasing 300 grams to-day, the same group of workers could present the same wage demand on the firm moral grounds that they should be paid enough to permit them to buy the ration which everyone is supposed to be able to get.

We believe that it is certain that irresistible wage demands would be the result of this situation, and that such increases will call for increases in industrial prices. The latter, in their turn, will necessitate further increases in wages and in other industrial prices, thereby creating an inflationary spiral.

buying 500 grams at 13 lire per kilo. In the past, when the price of black market bread is much lower than in the past, the price of black market bread was not as high as 30 lire per kilo, and up to a few months ago it was not as high as 30 lire per kilo in most places. After the current harvest, black market prices are expected to decline considerably, and at that time many workers will in fact be worse off under the proposed conditions than they would be if the ration and the legal price of bread were unchanged.

(iii) Even if it is true that the cost of living will be no higher, or even considerably lower, under proposed conditions, wage demands that cannot be resisted are out in the open. The present situation of industrial workers is one that they rightly believe to be intolerable. If that situation is legalized and made permanent through an increase in the legal price of bread, wage demands will follow immediately. At the present time, workers can ask for an increase in wages only on the tenuous moral grounds that they should be given enough money to permit them to buy more bread than that provided on the ration on which everyone else is expected to live. If, however, the cost of buying 500 grams on the ration is more anywhere near that of purchasing 500 grams today, the same group of workers could present the same wage demand on the firm moral grounds that they should be paid enough to permit them to buy the ration which everyone is supposed to be able to get.

We believe that it is certain that irresistible wage demands would be the result of this situation, and that such increases will call for increases in industrial prices. The latter, in their turn, will necessitate further increases in wages and in other industrial prices, thereby creating an inflationary spiral.

(b) The second important reason why the price of bread should not be increased is that an increase of almost any amount, and certainly an increase of around 250 per cent such as has been proposed in the price of the principal food of the people will have far-reaching psychological effects. The faith of Italians and others in the possible future value of the lira will be immediately affected; the confidence of South Italians in their Government will be shaken; the respect for the Government of liberated Italy and the Allied Military Government on the part of Italians north of the line will be renewed; the opinions of citizens of occupied countries all over Europe will be seriously affected; and public opinion at home, where it is already believed in some quarters that Allied policy is ruining Italy, will be alienated. Any such changes in opinion will increase our difficulties in the liberation of Europe.

(c) We do not mean to imply that the dangers resulting from an increased Government deficit, pointed out in our original memorandum, no longer concern us. On the contrary, we believe that the increase in the Government deficit that will be caused by the price of bread and the price of bread agreed upon is a very serious problem. Our point is that this

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problem is less serious than that which would confront us if the price of bread were increased to 15 lire. In short, we are eluding the lesser of two evils. In our opinion, the Government deficit problem is less serious for several reasons:

(i) The increase in the deficit that will result from the action in question will take the form of an increase in the incomes of farmers, who, under present conditions, save much of their incomes. The consequences of this particular increase in deficit may thus be somewhat smaller than the magnitude of the increase would indicate.

(ii) The deficit problem will be with us for several months whether or not the price of bread is decreased. For the wheat crop will be paid for during the summer, if harvesting is successful, while the absorption of consumer income to meet the deficit will be spread over most of the year.

(iii) More importantly, the problem created by the deficit admits of a partial solution:

through heavy farmer taxes, through increases in other taxes, and through a more gradual elimination of the bread subsidy as the food situation improves and as the quantity of foods available at legal prices increases,

while the problem created by increasing the price of bread admits of no solution other than inflation. We do not believe that taxation can absorb a large part of the increase in incomes of farmers that will be created by the wheat price, but we are attempting to obtain legislation that will do as much along this line as is possible.

3. Finally, it should be remembered that we have a specific directive from CCS to keep the price of bread down. In its message of 18 April, CCS says:

"In order to continue resistance to inflationary trends and to secure the availability of certain basic commodities to consumers, the prices of such commodities should be held at low levels for the time being, subsidies being paid to producers, as may be considered necessary to maintain production and delivery to the legal market, such subsidies to be charged to the Italian Government."

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 failure to distribute in May); the black market prices of bread and pasta continued to rise, reaching 200 and 400 lire per kilo, respectively; the prices of fruits and

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through increases in other taxes, and through a more radical elimination of the bread subsidy as the food situation improves and as the quantity of foods available at legal prices increases.

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3. Finally, it should be remembered that we have a specific directive from CCS to keep the price of bread down. In its message of 12 April, CCS says:

"In order to continue resistance to inflationary trends and to secure the inavailability of certain basic commodities to consumers, the prices of such commodities should be held at low levels for the time being, subsidies being paid to producers, as may be considered necessary to maintain production and delivery to the legal market, such subsidies to be charged to the Italian Government."

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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

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.

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VII. ACCOUNTING

A. Supply Accounting

1. During the month the condition of the accounts for imported civilian supplies improved somewhat, although there still remains a backlog of work in the Regions which must be handled before the report will be on a current basis. As the result of previous requests for a substantial increase in the Chief Accountant's Headquarters staff, five new officers were assigned and the group began work on supply accounts, one officer in Region I, one in Region IV, one with the Public Health Sub-Commission (to prepare overseas accounts on medical supplies), and two with the Headquarters staff. The availability of these officers for supply accounting has enabled the formulation of plans for putting this phase of accounting on a current basis.

2. The Accounting Sub-Section has received the following supply accounting returns (i.e. statement of stock movements, schedule of imports, and schedule of sales).

Region or Area	From date of Occupation through 31 January 1944	February 1944	March 1944	April 1944
Region I	Yes	-	-	-
Region II	Yes	Yes	Yes	-
Region III	Yes	Yes	Yes	-
Region IV and AMG 5th Army	Yes	Yes	Yes	Yes
Region V and AMG 8th Army	Yes	Yes	Yes	-
Region VI	Yes	Yes	Yes	Yes
Region VII	(c) Incomplete	(a) Incomplete	(a) Incomplete	-

(a) Complete and submitted for all provinces in the Region, except Reggio di Calabria.

3. A consolidation of the Regional supply accounting reports through 31 January 1944 was made during the month. This consolidation covers all Italy except the province of Calabria in Region VII. While the accounting for that province is nearing completion under the direct supervision of a representative of this HQ, his report has not yet been submitted. For this reason it has therefore been necessary to exclude Calabria province from the January accounts. The G-5, AMG list of vessels scheduled to arrive through 31 January 1944 reported cargoes amounting to 136,000 tons (exclusive of Regg.). Of this amount vessels carrying 56,000 tons were diverted or in transit at the end of the period, leaving a net of 130,000 tons scheduled to be unloaded during the period according to shipping manifests. The quantity reported as received in AMG/4, of warehouses amounted to 124,000 tons. There was a variation of 124 per cent between the quantities of 6-5 lists and the quantities unloaded. This difference can be accounted for, in part at least, by the

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of sales).

Region or Area	From date of occupation through 31 January 1944	February 1944	March 1944	April 1944
Region I	Yes	-	-	-
Region II	Yes	Yes	Yes	-
Region III	Yes	Yes	Yes	-
Region IV and AMG 5th Army	Yes	Yes	Yes	Yes
Region V and AMG 8th Army	Yes	Yes	Yes	-
Region VI	Yes	Yes	Yes	Yes
Region VII	(a) Incomplete	(a) Incomplete	(a) Incomplete	-

(a) Complete and submitted for all provinces in the Region, except Reggio di Calabria.

3. A consolidation of the Regional supply accounting reports through 31 January 1944 was made during the month. This consolidation covers all Italy except the province of Calabria in Region VII. While the accounting for that province is nearing completion under the direct supervision of a representative of this HQ, his report has not yet been submitted. For this reason it has therefore been necessary to exclude Calabria province from the January accounts. The G-5, with list of vessels scheduled to arrive through 31 January 1944 reported carrying 136,000 tons (exclusive of Reggs.). Of this amount vessels carrying 56,000 tons were diverted or in transit at the end of the period, leaving a net of 130,000 tons scheduled to be unloaded during the period according to ships' manifests. The quantity reported as received in AMG/ACC warehouses amounted to 114,000 tons. There was a variation of 164 per cent between the quantities on G-5 lists and the quantities unloaded. This difference can be accounted for, in part at least, by the fact that some of the vessels were still unloading at the end of the period, and also by the fact that the manifests are frequently inaccurate. Of the total tonnage received approximately 79,000 tons of food and other supplies were sold for 352 million lire.

4. During the month increased attention was directed to strengthening the accounting structure by elimination or curtailment of unnecessary activities and by consultation with Regional supply divisions to ensure that the accounting procedure as prescribed by the AMG Manual is being properly implemented in their operations.

5. To eliminate unnecessary administrative and accounting work in inter-Regional trade, arrangements were made with the Industry and Commerce Sub-Commission for the issuance of an order that exports from one AMG Region to another or to ACC territory should not be purchased and resold by ACC/AMG agencies except in exceptional circumstances. In the future payment is to be made direct by the buyer to the seller through normal bank channels or by purchase of a receipt to be sent to the vendor. Intervention of ACC/AMG in such transactions is thereby rendered

unnecessary, except that their channels of communications are put at the disposal of both parties for delivery of invoices and vaglia.

6. To ensure that the proceeds of sales of supplies and deposits on containers are promptly recorded in ACC/AG accounts, Executive Memorandum No. 35 was issued. Under this instruction both the proceeds of sales and deposits on containers are required to be paid first into the Allied Financial Agency, No. 1 account, with the bank used by the AG Branch in the Region. Only where positive inconvenience is established does the order permit an exception, as for example, where sales are made in locations without banking facilities. In such cases, upon full presentation of the facts, the Chief Accountant may permit supply officers to have intermediate accounts, but no payment can be made out of such accounts, and all funds in the accounts existing at the time of the instruction were required to be closed, except those approved by the Chief Accountant.

7. In February 1944 the Internees and Displaced Persons Sub-Commission, ACC, assumed jurisdiction over camps for internees and displaced persons. Prior to that time such camps were operated by the Prisoners of War Committee. To effect the necessary accounting for issues of stores and supplies by Army units (British) to the Sub-Commission, an agreement was reached with the Assistant Financial Adviser, (B), HQ 441, that his office should prepare an account showing issues to the Displaced Persons camps up to the time such camps were handed over to the Internees and Displaced Persons Sub-Commission. For the period subsequent to the handing over of the camps by the Prisoners of War Committee, the Internees and Displaced Persons Sub-Commission has been notified that it should report all stores and supplies drawn from the British Army to the Regional Supply Officer, Region II. In order to expedite the accounting for these supplies, a representative of this office was assigned temporarily to the Internees and Displaced Persons Sub-Commission. The accounts for such supplies are to be rendered on a monthly basis, beginning with February.

8. Under existing directives the Finance Sub-Commission ACC is required to maintain accounts for subsistence and supplies issued to the Italian armed forces. These accounts are required to be built up from reports of issues by Army service depots, and bulk issues from ships reported by the Army Sub-Commission. Incomplete reports have been received from both sources, from which quantitative records have been established by this office. For U.S. depot issues most of the commodities have been priced or information obtained by this office to allow pricing on the basis cost. For bulk issues the prices are not required to be reported. Instructions received call for use of the latest U.S. Army subsistence price list. This list does not reflect landed costs so as to include transportation expense, nor is the price shown for every commodity issued in bulk. Accordingly, the rates have not been applied to commodities. Further consideration is being given to this problem.

9. The accounting for medical supplies which under existing directives is rendered by the Public Health Sub-Commission to the Chief Accountant has been delayed. Incomplete warehouse and issue records in the early stages and lack of adequate accounting personnel of both officers and OAs has precluded the prompt submission of these accounts. In view of the situation a representative from the Chief Accountant's Office has recently been assigned to obtain the necessary reports and to imple-

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Displaced Persons Sub-Commission. For the period subsequent to the handing over of
the camps by the Prisoners of War Committee, the Internees and Displaced Persons
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1822

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of these accounts. In view of the situation a representative from the Chief Account-
ant's Office has recently been assigned to obtain the necessary reports and to imple-
ment the prescribed accounting procedure for the physical handling of medical sup-
plies. In view of the magnitude of the work it will probably be necessary to make an
additional assignment in the near future to expedite submission of the accounts.

10. Special accounting will be required for coal and petroleum products. For
past and current issues of coal arrangements have been effected whereby the Coal
Section, ACC, will advise the Regional Supply Officers of quantities of coal placed
at their disposal. At the same time that Section will supply the Chief Accountant
with information concerning the rate of the ship, port and date of arrival, quantity,
origin and type of coal. Issues of coal from Army depots will be reported by the
Regional Supply Officer, after which the accounting will follow the established
procedure within the Regions. Plans are now in progress whereby imported coal for
civilian use will be delivered and billed to the Italian State Railways. Under the
proposed arrangement, issues to authorize Italian civil consumers would be made by the
State Railways, which would receive payment therefore at prices to be established
by Headquarters ACC. For petroleum products, as indicated in earlier reports of
Finance Sub-Commission, arrangements were effected whereby the Comitato Italiano
retroli effects distribution of all issues to essential consumers. CIP is to be
billed by this office for all quantities received, upon notification from the

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Petroleum Section, Advanced AMG, CMF. However, prior to the various dates on which CIP took over in the several Regions, an accounting is required for issues by ACC/AMG. In view of the difficulties of such accounting, due to the lack of specific information and inadequate records in the early stages of occupation, it has been deemed advisable to handle the matter at Headquarters level, and at present representatives from this office are working thereon in two Regions.

B. Issues of Supplies by Allied Armies

1. Discussions were held with the Assistant Financial Adviser, HQ AII as to the treatment of issues by the British Army to refugees, co-belligerents, and ACC/AMG. It was agreed, on general lines, that direct issues by the British Army to refugees in camps under Army control, and to Italian military units, should be reported direct to the War Office by the Assistant Financial Adviser, in conformity with normal British Army procedure. All issues made to, or at the request of, ACC will be reported by the Assistant Financial Adviser to the Chief Accountant ACC.

2. Discussions were held with Peninsular Base Section on the question of rendering reports to the Chief Accountant in respect of issues to Italian military units. Peninsular Base Section explained that they had an accumulation of several thousand shipping tickets from American Army depots which they had not been able to process and that the volume of work was so large that it had been impossible to summarize the shipping tickets already processed by commodities; instead, an estimated ration strength of Italian units supplies has been arrived at and the value of the rations required to supply this strength has been calculated and submitted to the Chief Accountant. Other American depots have submitted summaries of issues by commodities.

3. Shipping tickets for bulk imports for the Italian Army have been received from the Military Mission to the Italian Army up to 30 April 1944, but a consolidated account has not yet been received.

C. ACC/AMG Revenue and Expenditure Accounts

1. Cumulative accounts through 31 March 1944 were prepared and submitted to G-5 Section for transmission to the Combined Chiefs of Staff.

2. These accounts showed no material differences in general form from previous accounts, except that "Storage and Handling Charges in respect of Imports, Exports and Local Purchases" were transferred from ACC/AMG Revenue and Expenditure Accounts to AFA's accounts, as it was considered that this expenditure was in the same category as expenditure incurred in the purchase of local supplies for export, and receipts in respect of the sale of imported supplies.

D. Financial Accounting Directives and Instructions

2. Discussions were held with Peninsular Base Section on the question of rendering reports to the Chief Account in respect of issues to Italian military units. Peninsular Base Section explained that they had an accumulation of several thousand shipping tickets from American Army depots which they had not been able to process and that the volume of work was so large that it had been impossible to summarize the shipping tickets already processed by commodities; instead, an estimated ration strength of Italian units supplies has been arrived at and the value of the rations required to supply this strength has been calculated and submitted to the Chief Accountant. Other American depots have submitted summaries of issues by commodities.

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D. Financial Accounting Directives and Instructions

1. A directive (Executive Memorandum No. 59) was issued dealing with the control of bank accounts opened by Sub-accountants and maximum balances to be held by them.

2. A revised version of Office Memorandum No. 3 on the payment of civilian labor was submitted to the HQ Commandant for issuance by him.

3. Recommendations on the accounting procedure for hemp purchases, and for the financing of the hemp industry, were issued.

4. Recommendations as to the treatment of transportation costs in respect of imported supplies were submitted to the Price Committee.

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E. Organization

1. Three officers from Civil Affairs, Middle East, have been working with the Accounting Sub-Section during the past month. The main purpose of their visit has been to acquire experience, but they have at the same time rendered valuable assistance to the Sub-Section.

F. Allied Financial Agency Statement

1. Discussions were held with AF on the new form in which the accounts were submitted for the month of April.

G. Miscellaneous

1. The Chief Accountant had discussions in London with the Deputy Paymaster-in-Chief (British) on the subject of clearing up outstanding accounts between the British Army and AOC/MG in respect of Metropolitan Airs imported into the Theatre and advanced to MG, and other advances made by the Deputy Paymaster-in-Chief to AOC/MG. The procedure for the settlement of these accounts was agreed upon, and has since been put into effect. All accounts between British Paymasters and AOC/MG have now been settled.

W. F. King

Colonel,
Joint Director,
Finance Sub-Commission.

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APPENDIX 'A'

FINANCIAL EFFECTS OF ALLIED OCCUPATION

4. Discussion of the financial effects of the Allied occupation of Italy is usually centered upon four major questions:

1. Does the dollar/pound/lire exchange rate create inflation and exploit Italy?
2. Does the issuance of "unbacked" Alt lire create inflation and exploit the country?
3. Are soldiers' expenditures and the expenditures of the Allied armies creating inflation and draining Italy's wealth?
4. What are we contributing to Italy through imports and taking away through exports, and what effect do these transactions have upon the inflationary situation?

The first two of these questions have been discussed frequently in earlier numbers of the monthly report, particularly in Appendices A and C of the report for March. In these discussions it was concluded that the effect of both the exchange rate and the use of Alt lire depended almost exclusively upon the last two of the questions, the volume of soldier and Allied expenditures and the volume of imports and exports. Statistics on both of these matters, as complete as is at this date possible, are presented below.

B. The relevant data may be summarized approximately as follows:

	through		through
	March	April	April
	(in billions of lire)		
1. Soldiers' expenditures	12.0	2.6	14.6
2. Expenditures of the Forces	1.8	.5	2.3
3. Disbursements for purchase of exports	.3	.1	.4
4. Total	14.1	3.2	17.3
5. Less: Receipts from sales of imported supplies	.6	.5	1.1
6. Total inflationary effect of Allied operations	13.5	2.7	16.2
7. Italian Government deficit from July 1943	23.0	3.0	26.0
8. Total (6 + 7)	36.5	5.7	42.2
9. Percent, inflationary effect of Allied operations to total inflationary effect (6 ÷ 8)	37	47	38

10. Loaded cost of goods imported for civilian

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	(in billions of lire)		
1. Soldiers' expenditures	12.0	2.6	14.6
2. Expenditures of the Forces	1.8	.5	2.3
3. Disbursements for purchase of exports	.2	.1	.3
4. Total	14.1	3.2	17.3
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8. Total (6 + 7)	36.5	5.7	42.2
9. Percent, inflationary effect of Allied operations to total inflationary effect (6 ÷ 8)	37	47	38
10. Landed cost of goods imported for civilian consumption	9.5	4.0	13.5
11. Total "exploitation" effect (4 - 10)	4.6	-.2	4.4
12. AFA advances to the Italian Government and its agencies	5.6	.5	6.1
13. Approximation to increase in currency circulation (6 + 12)	19.1	3.2	22.3
14. AM lire put into circulation (in hands of public and banks including Banca d'Italia)	20.6	3.0	23.6
15. Error (14 - 13)	1.5	-.2	1.3

C. Soldiers' Expenditures and Expenditures of the Allied Forces

The data on Allied expenditure given in the table on the next page are approximate only.

Page 2 of Appendix A
Total Expenditures in Italy of Allied Soldiers and Allied Forces

(in millions of lire)

	Paid to officers and men (1)	Net remittances (2)	Expenditures and salaries (3)	Soldiers' Em- ploy- ment (4)	Employ- ment of local labor (5)	Purchase of local materials (6)	Miscel- laneous expenditures (7)	Expend- itures (8)	Total (4+5+6+7+8) (9)
July and August									
U.S.	634	-	3	631	6	5	-	11	642
British	368	27	60	271	-	-	7	7	278
Total	992	27	63	902	6	5	7	18	920
September									
U.S.	725	459	2	264	8	14	2	24	288
British	475	28	60	387	-	3	5	3	395
Total	1,200	487	62	651	8	17	7	32	683
October									
U.S.	880	466	1	413	15	24	-	39	452
British	980	30	101	814	-	6	24	30	871
Total	1,860	496	102	1,227	15	30	24	69	1,323
November									
U.S.	1,509	720	106	663	40	71	3	113	799
British	1,004	65	118	321	-	20	163	183	1,004
Total	2,513	785	224	1,504	40	91	163	296	1,803
December									
U.S.	1,534	671	93	770	63	93	4	160	930
British	1,080	212	184	682	-	66	42	108	791
Total	2,614	883	277	1,453	63	159	42	268	1,721
January									
U.S.	2,047	959	110	978	91	91	10	192	1,170
British	1,079	71	149	859	-	77	13	92	951
French	510	104	-	206	-	-	-	-	206
Total	3,636	1,134	259	2,043	91	168	23	284	2,527
February									
U.S.	1,850	1,023	104	742	107	101	3	211	943
British	1,324	105	159	1,030	-	93	15	108	1,136
French	287	154	-	132	-	-	30	30	163
Total	3,461	1,282	263	1,895	107	194	48	349	2,244
March									
U.S.	2,190	1,152	201	837	136	104	32	272	1,109
British	1,572	319	298	1,347	-	101	14	185	1,302

Before assessing the importance of any of the figures shown in the table, the following points should be noted:

1. "Paid to officers and men"

(a) U.S. figures are taken from reports from all army units in Italy, and from the naval detachment in Palermo. The Palermo navy figures were reported at 2-month intervals prior to March, and thus cause some irregularity in the data. Other U.S. navy units draw their funds through the army, which reports the receipts of dollar checks given in return for lire under the caption "deposits of cash items for official credit." Since most of this item represents remittances to soldiers from the U.S., it is impossible to segregate navy funds from these reverse remittances. In April, the U.S. Navy drew about 30 million lire in this manner. The figure for "paid to officers and men" should therefore be about 30 million larger, and "net remittances" should be correspondingly larger. This method of measuring navy pay disbursements also assumes that the navy's line balances are neither increased nor decreased, and that the whole of its lire expenditures is for payments to personnel. Members of the U.S. merchant marine draw their pay from the navy disbursing officers. Their expenditures in Italy are therefore included in "soldiers' expenditure."

(b) British figures include all the armed forces of the U.K., the dominions, the colonies, and the Allies other than France. All British figures for the month of April are estimates. British disbursement figures are provided for the U.K. army only. The Royal Navy, the Royal Air Force, and the forces of the dominions, colonies, and allies draw their funds from British paymasters, and the reports received by AFA show only net totals advanced to those units. All of such advances are included in "paid to officers and men". That item, and accordingly, "soldiers' expenditure" is therefore over-estimated to the extent that such units increase their cash holdings or make expenditures for local labour or materials.

(c) French figures are taken from reports of the French disbursing officer. About 1/3 of the total represents an item the nature of which is unclear. It is assumed that all of this item represents cash incomes of French troops. To the extent that it does not, "soldiers' expenditures" are over-estimated.

2. "Net remittances"

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U.S. figures include not only remittances, soldiers' deposits with Finance Officers, and an item reported as "APO and sundry receipts." This item represents dollar checks sold for lire. The bulk of such transactions is accounted for by APO money orders used in making soldier remittances to the United States, but there is also included in the item receipts from the basic wage fee of \$25 per month for every officer in the theatre. The latter part of the item would be better classified under FX sales if its total were known, since it does not represent the accumulation of dollars to the credit of the officers concerned. It does represent, however, a deduction from their pay that cannot be spent locally. From the total of "net remittances", "soldiers' deposits", and "APO and sundry receipts", a large item reported as "deposits of cash items for official credit" has been deducted. Most of this item represents remittances from the U.S. to soldiers, so that it must be subtracted from soldier remittances to the U.S. in order to obtain

(b) British figures include all the armed forces of the U.K., the dominions, the colonies, and the Allies other than France. All British figures for the month of April are estimates. British disbursement figures are provided for the U.K. army only. The Royal Navy, the Royal Air Force, and the forces of the dominions, colonies, and allies draw their funds from British paymasters, and the reports received by AFA show only net totals advanced to these units. All of such advances are included in "paid to officers and men". That item, and accordingly, "soldiers' expenditures" is therefore over-estimated to the extent that such units increase their cash holdings or make expenditures for local labour or materials.

(c) French figures are taken from reports of the French disarming officer. About 1/3 of the total represents an item the nature of which is unclear. It is assumed that all of this item represents cash income of French troops. To the extent that it does not, "soldiers' expenditures" are over-estimated.

2. "Net remittances"

1813

U.S. figures include net PFA remittances, soldiers' deposits with Finance Officers, and an item reported as "APO and sundry receipts." This item represents dollar checks sold for lire. The bulk of such transactions is accounted for by APO money orders used in making soldier remittances to the United States, but there is also included in the item receipts from the basis fees of \$25 per month for every officer in the theatre. The latter part of the item would be better classified under PX sales if its total were known, since it does not represent the accumulation of dollars to the credit of the officers concerned. It does represent, however, a deduction from their pay that cannot be spent locally. From the total of "PFA remittances", "soldier deposits", and "APO and sundry receipts", a large item reported as "deposits of cash items for official credit" has been deducted. Most of this item represents remittances from the U.S. to soldiers, so that it must be subtracted from soldier remittances to the U.S. in order to obtain a net figure. There is also included in this item, however, a substantial sum representing lire provided to other U.S. agencies in return for dollar checks. As mentioned above, about 30 million lire was provided to the U.S. navy in this manner during April. Other groups such as the Red Cross, the State Department, war correspondents, etc., draw local funds by the sale of such checks to the army. Sums provided to civilian agencies totalled about 15 million lire in April. All of such items cause the "soldiers' expenditures" figure to be too large. Similar transactions between the British Army and British agencies are reported under "miscellaneous expenditures."

3. "PX and MAART sales"

These figures do not represent the total sales of these organizations, but the proceeds of sales remitted to their home countries for credit or used for purchases from quartermasters. The balance of the proceeds of sales is used for the hire of local personnel and the purchase of local goods for resale. The balance thus represents soldiers' expenditures for local goods and services through the medium of PX or MAART, and is thus properly reflected in a larger figure of "soldiers' expenditures."

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Appendix A

4. "Soldiers' expenditures"

"Soldiers' expenditures", as estimated in the table, represent lire paid to all Allied officers and men in Italy less remittances and PX and MAFI sales. The figures do not show funds brought into Italy in currency (travelers' checks when cashed would appear in "deposits of dollar funds for official credit"), increases or decreases in cash balances held by soldiers, or funds taken out of Italy in currency. It seems probable that soldiers as a whole are accumulating cash balances and that their expenditures are therefore less than the totals shown. As stated above, the estimates are also too high because they include funds for local expenditures provided to U.S. civilian agencies, expenditures for local labour or supplies made by the U.S. Navy, the Royal Navy, the Royal Air Force, and Dominion, colonial, and Allied armies, and any increase that may have occurred in the cash holdings of these organizations. In general it may be said that the calculation of soldiers' expenditures is almost certainly larger than the true figure.

5. "Employment of local labour" and "Purchase of local materials"

The figures shown for local labour are for the U.S. army only, and those shown for local materials are for the U.S. and U.K. armies only. All the other units probably make expenditures for these purposes, but the APA reports do not distinguish them. To the extent that units other than the U.S. and U.K. armies do make such expenditures, the estimate of soldiers' expenditures is too large.

6. "Miscellaneous expenditures"

This heading contains expenditures of British civilian agencies and other expenditures whose nature is not listed.

7. "Expenditures of foreign"

As explained above, this item is considerably understated (and soldiers' expenditures correspondingly overstated) because only net payment drawings are known for many units operating in Italy. Moreover, it should be remembered that many Allied army purchases in Italy are financed directly by the Italian Government or made through requisitions to be paid later by the Italian Government, and thus their amounts have appeared, or will in the future appear, in the Italian Government expenditures and deficit.

8. "Total"

Most of the errors contained in the figures for "soldiers' expenditures" and "expenditures of foreign" balance out in the "total". An approximate check upon the total figures can be obtained by comparing them with APA payments to finance officers less the increase in (a) cash reserves of finance officers and (b) RFA and Yellow Seal currency held by APA and the Banca d'Italia. This figure is 15.3 billion lire as of 31 March, compared to 13.7 billion lire shown in the table as of that date. The check figure is subject to errors in both directions which

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5. "Employment of local labour" and "purchase of local materials"

The figures shown for local labour are for the U.S. Army only, and those shown for local materials are for the U.S. and U.K. armies only. All the other units probably make expenditures for these purposes, but the AMA reports do not distinguish them. To the extent that units other than the U.S. and U.K. armies do make such expenditures, the estimate of soldiers' expenditures is too large.

6. "Miscellaneous expenditures"

This heading contains expenditures of British civilian agencies and other expenditures whose nature is not known.

7. "Expenditures of forces"

As explained above, this item is considerably understated (and soldiers' expenditures correspondingly overstated) because only net paymaster drawings are known for many units operating in Italy. Moreover, it should be remembered that many Allied Army purchases in Italy are financed directly by the Italian Government or made through requisitions to be paid later by the Italian Government, and thus their amounts have appeared, or will in the future appear, in the Italian Government expenditures and deficit.

8. "Total".

Most of the errors contained in the figures for "soldiers' expenditures" and "expenditures of forces" balance out in the "total". An approximate check upon the total figures can be obtained by comparing them with AMA payments to finance officers less the increase in (a) cash reserves of finance officers and (b) EMA and Yellow Seal currency held by AMA and the Banca d'Italia. This figure is 15.3 billion lire as of 31 March, compared to 13.7 billion lire shown in the table as of that date. The check figure is subject to errors in both directions which may approximately offset each other. In so far as the troops have increased the amount of currency in their pockets, or some finance officers have not reported their AM lire on hand, the check figure will be too large. On the other hand, in so far as EMA pounds and Yellow Seal dollars which have been spent are still in the hands of the public or have passed from troops to paymaster and back to the troops (again, it will be too small.

9. Civilian exports and imports

1. The table overleaf estimates the value of civilian imports and shows the proceeds derived to date from their sale. The second table below compares disbursements made for the purchase of exports with receipts obtained from the sale of imports.

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Imports for Civilian Consumption
and Petroleum Products Diverted to Civilian Use
(through March 1944)

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Appendix A

	Estimated loaded cost per ton (thousands of lbs.)	Through February 1944		March 1944		Total quantity (000 tons)	Total value (millions of lbs.)
		quantity (000 tons)	value (millions of lbs.)	quantity (000 tons)	value (millions of lbs.)		
U.S.	U.S.	U.S.	U.S.	U.S.	U.S.	U.S.	U.S.
Flour	13.2	4.1	160.2	4.6	2,115	16	724
Wheat	11.7	5.6	85.1	1.5	995	8	281
Sour, dehydrated	59.6		16.8		643		578
Sugar	17.5	17.59	11.1	8.9	195	186	80
Milk	30.0	91.0	3.0	.4	89	34	191
Vegetables, dry	16.0		5.2		84		
Cheese	7.8	1.89	.3	.6	2	3	
Stew, M & V	56.0						691
Other food	17.5?		5.1		69		126
Total food			289.6	13.0	4,241	222	119.4
							2,685
Medical	500.0?	1.1	523			1.1	523
Sanitary	500.0?	.2	104			.2	104
Newsprint	17.5	1.3	25	.5		1.9	34
Soap	2.7	3.0	8	3.3		6.3	17
Matches	20.0?	.04	1			.04	1
Seed potatoes	20.0?	13.0	300	12.8		27.8	555
Clothing	700.0?			.9		.9	634
Miscellaneous	150.0?		45	3.3		3.3	510
Total non-food		5.7	15.0	18.9		19.6	2,378
AF oil	.6	?		25.3		25.3	14
Gasoline	.7	?		15.2		15.2	10
Kerosene	.6	?		1.1		4.1	3
Lubricating oil	2.4	?		.7		.7	2
Gear oil	3.2	?		.1		.1	1
Total petroleum				45.4		45.4	29
Grand Total		286.3	31.0	4,915	592	130.3+	4,088
							9,525

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Total food	280.8	16.0	4,211	222	119.4	2,685	416.2	7,118
Medical	500.00	1.1	523				1.1	523
Sanitary	500.00	.2	104				.2	104
Newsprint	17.5	1.3	23		6	11	1.9	34
Soap	2.7	3.0	8		3.3	9	6.3	17
Matches	20.00	.04	1				.04	1
Seed potatoes	20.00	15.0		100	12.8	253	27.8	555
Clothing	300.00				.9	634	.9	634
Miscellaneous	350.00	.1	45		1.3	656	1.4	810
Total non-food		5.7	15.0	704	18.9	1,374	39.6	2,373
					(thousands of bbls)		(thousands of bbls)	
AG oil	.6	?			25.3	14	25.3	14
Gasoline	.7	?			15.2	10	15.2	10
Kerosene	.5	?			6.1	3	4.1	3
Lubricating oil	2.4	?			.7	2	.7	2
Gar oil	3.2	?			.1		.1	
Total petroleum					45.4	29	45.4	29
Grand Total		206.5	31.0	4,915	512	138.3	439.8	9,525

Proceeds of sales
of imported
samples

75

247

9191

659-44

+ [university website](#)

++ Proceeds from sales in April were 452 million lire, making a total of 1,091 million lire through April.

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Appendix AComparison of Receipts for the sale of Imports
and Disbursements for the Purchase of Exports
(in millions of lire)

	Receipts from the sale of imports	Disbursements for purchase of exports	Excess of Imports
through December 1943	126	44	82
January	89	24	65
February	181	103	78
March	243	121	122
April	452	422	230
total through April	1,091	414	677

1. An attempt is made in the table on Page 5 to estimate the landed cost of goods imported into Italy for distribution to civilians. The basic data available is the monthly total of goods for civilian consumption scheduled to arrive in Italy containing items, by quantity only, taken from ships' manifests, and a list of estimates of landed costs for some of the items provided by AMO. It has been necessary to estimate a number of landed costs at this office. The valuations estimated are marked in the table with a question mark. They are subject to a wide margin of error since insufficient data is available to us, and since many of the items, such as "medical supplies", "clothing", and "other food" cannot be satisfactory priced on a per ton basis. It will also be noticed that the landed cost figures provided to us for identical goods on U.S. and on U.K. account differ widely. No explanation of this difference has been received.

2. The landed cost of imported goods, so estimated, 9.5 billion lire, greatly exceeds the total of 640 million lire which had been deposited with the Allied Financial Agency as of 31 March as the proceeds of goods sold to Italian civilians. This difference results primarily from the fact that prices charged to the Italian public for essential cost-of-living items, particularly bread, have been much lower than landed cost. The landed cost of American wheat, for instance, is 1470 lire per quintal, while the price at which bread is sold to the public after meeting costs of transport, milling, baking, and retailing is 360 lire per quintal. Moreover, substantial stock piles of goods have been accumulated. As of 31 March the landed cost value of stocks of imported food was approximately 2.3 billion lire, or almost 1/3 of the total value of foods imported to that date. Other reasons for the large difference between landed cost value and receipts from sale are errors in ships' manifests, losses by theft or enemy action, and delays in reporting receipts. However, in April 490 million lire was deposited in AFA accounts as proceeds of sales of civilian supplies, making the total through April 1,091 million lire.

3. In comparing the values of imports and exports it should be remembered that goods imported from Italy are bought locally by the Economic and Supply

and a list of estimates of landed costs for some of the items provided by IAHQ. It has been necessary to estimate a number of landed costs at this office. The valuations estimated are marked in the table with a question mark. They are subject to a wide margin of error since insufficient data is available to us, and since many of the items, such as "medical supplies", "clothing", and "other food" cannot be satisfactory priced on a per ton basis. It will also be noticed that the landed cost figures provided to us for identical goods on U.S. and on U.K. accounts differ widely. No explanation of this difference has been received.

2. The landed cost of imported goods, so estimated, 9.5 billion lire, greatly exceeds the total of 640 million lire which had been deposited with the Allied Munitions Agency as of 31 March as the proceeds of goods sold to Italian civilians. This difference results primarily from the fact that prices charged to the Italian public for essential cost-of-living items, particularly bread, have been much lower than landed cost. The landed cost of American wheat, for instance, is 1170 lire per quintal, while the price at which bread is sold to the public after meeting costs of transport, milling, baking, and retailing is 360 lire per quintal. Moreover, substantial stock piles of foods have been accumulated. As of 31 March the landed cost value of stocks of imported food was approximately 2.3 billion lire, or almost $\frac{1}{3}$ of the total value of foods imported to that date. Other reasons for the large difference between landed cost value and receipts from sale are errors in ships' manifests, losses by theft or enemy action, and delays in reporting receipts. However, in April 450 million lire was deposited in IAH accounts as proceeds of sales of civilian supplies, making the total through April 1, 1941 1,091 million lire.

3. In comparing the values of imports and exports it should be remembered that goods exported from Italy are bought locally by the Economic and Supply Division at prevailing local prices and sold abroad at prices ruling in the country of sale. The foreign exchange obtained is then held in dollars or sterling in the U.S. or U.K. for later disposition. The values that have been realized from the sale of Italian exports are not known.

E. Conclusions

1. Allied expenditures in Italy have increased steadily from a level of about 500 million lire last summer to over 3 billion lire in April. There is every reason to believe that the figures for May and June will be substantially higher. Currently the Allied contribution to Italian inflation is approximately equal to that contributed by the Italian Government deficit, although the cumulated contribution since last summer is still only about 60 per cent as large as the cumulated Italian Government deficit. It should be remembered, however, that a large but unknown, part of the Italian Government's expenditure is made for Allied purposes.

2. Imports for civilian consumption have also increased greatly, the total for March being over 50 per cent as large as the cumulated total through February.

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Appendix A

The plans in effect called for continued large imports through June with a decline after that date. The landed cost of civilian goods brought in through March off sets, in value, although not in proceeds obtained from sale, 70 per cent of the Allied expenditures made to that date in Italy, and for the month of March the value of imports exceeds Allied expenditures by almost 30 per cent. It is probable that by the end of June the cumulated total of imports will reach 85 per cent of the total of Allied expenditures and decline after that date.

3. The foreign exchange accruing to Italy in March amounted to 122 million lire from exports (if it proves true that prices paid for exported goods in Italy are equal to world prices less cost of transport) and 4 million lire from remittances, while the cost of imports shipped to arrive in March was about 4 billion lire. Thus the landed cost of imports appears to be about 30 times as great as currently accruing foreign exchange.

Issuance of Government Authorizations to Spend under AMG Conditions in Campobasso

(The following description was provided by the Regional Finance Officer of Region V on the system of issuing authorizations to spend which is used in Campobasso. It is given here for its informational value to the provincial finance officers in the newly-liberated areas. The procedure generally used in AMG regions has been to utilize the Intendente as the chief provincial Treasury official in the process of approving orders on the provincial Treasury. The system in Campobasso using both the Intendente and the Prefect appears to be more in accord with Italian practice).

In ordinary circumstances, every State provincial administration requested authorizations to spend from the respective central headquarters, ministries, and General Directorates (Direzioni Generali) and according to the various budget categories (capitoli di spesa). The authorizations to spend (ordini di accreditamento or mandati dirotti) were transmitted directly to the Royal Provincial Treasury sections through the General Directorate (Direzione Generale) of the Treasury in Rome in order that the payments be made.

When the communications with the Central Italian government were interrupted in September 1943, it became necessary to organize a system for the provision of funds or credits based on the requests of the highest ~~provincial~~ ^{provincial} in each of the State provincial administrations. There already existed a Government decree, 15 June 1943, No. 488, providing for the possibility of interruption of communications with the central government. This decree states that in case of a province being cut off from the central administration each provincial administration in order to take care of the payments necessary for its respective services, is authorized to obtain an extension of credit from the Royal Provincial Treasury section in favour of the highest official of the administration resident in the province.

Immediately after the Armistice the province of Campobasso found itself cut off from the central Italian government and to be completely autonomous for the time being, so far as any other superior control was concerned.

The Prefect of the Province, availing himself of the powers conferred upon him by his office in virtue of Article 19 of the Code of Communal and Provincial Laws (T.U. della legge Comunale e Provinciale) in which he is defined as the highest official of the State in the province with the duty of coordinating the action of all the public offices, decided to substitute himself for the central administration at Rome.

For this purpose, the Prefect called a meeting of all head financial officials of the Province (Intendente di Finanza, Director of the Treasury, Director of the Banca d'Italia and Controller of the Provincial Treasury). At this meeting, it was pointed out that the Intendente di Finanza like any other State Provincial officer, does not have any control over the service of payments of the other officers and that he provides only for his own special services. The procedure was established that the Prefect would examine, jointly with the Intendente di Finanza, the requests of every responsible head of an agency and would issue the relative

in Rome in order that the payments be made.

When the communications with the Central Italian government were interrupted in September 1943, it became necessary to organize a system for the provision of funds or credits based on the requests of the highest/functional in each of the State provincial administrations. There already existed a government decree, 15 June 1943, No. 468, providing for the possibility of interruption of communications with the central government. This decree states that in case of a province being cut off from the central administration each provincial administration in order to take care of the payments necessary for its respective services, is authorized to obtain an extension of credit from the Royal Provincial Treasury section in favour of the highest official of the administration resident in the province.

Immediately after the Armistice the province of Campobasso found itself cut off from the central Italian government and to be completely autonomous for the time being, so far as any other superior control was concerned.

The Prefect of the Province, availing himself of the powers conferred upon him by his office in virtue of Article 19 of the Code of Communal and Provincial Laws (T.U. della Legge Comunale e Provinciale) in which he is defined as the highest official of the State in the province with the duty of coordinating the action of all the public offices, decided to substitute himself for the central administration at Bene.

For this purpose, the Prefect called a meeting of all head financial officials of the Province (Intendente di Finanza, Director of the Treasury, Director of the Banca d'Italia and Controller of the Provincial Treasury). At this meeting, it was pointed out that the Intendente di Finanza like any other State Provincial officer, does not have any control over the service of payments of the other officers and that he provides only for his own special services. The procedure was established that the Prefect would exercise, jointly with the Intendente di Finanza, the requests of every responsible head of an agency and would issue the relative authorizations for expenditure (ordini di accreditamento) on the Provincial Treasury Section. Such authorizations would be counter-signed by the Intendente di Finanza to make sure that they were technically correct and to fulfill the duty of surveillance which the Provincial office of the Treasury has over the functioning of the Royal Treasury.

The first authorizations to spend were issued by the Prefect on 21 September 1943. With the arrival of the Allied Military Government officials, the approval of the Provincial Finance Officer of AMG was also required on the authorizations to spend. Every authorization to draw on the Banca d'Italia must thus bear the approval of both the Prefect and the Intendente di Finanza and must be counter-signed by the Provincial Finance Officer.

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15 Jan.	n.d.	80	71	80	72	80	72	80
22 Jan.	n.d.	80	72	81	74	81	75	81
29 Jan.	n.d.	81	73	82	75	83	76	82
6 Feb.	n.d.	81	74	83	76	84	77	83
14 Feb.	n.d.	82	75	84	77	85	78	84
21 Feb.	n.d.	83	76	85	78	86	79	85
28 Feb.	n.d.	84	77	86	79	87	80	86
5 Mar.	94	85	78	87	80	88	81	87
12 Mar.	95	86	79	88	81	89	82	88
19 Mar.	96	87	80	89	82	90	83	89
26 Mar.	97	88	81	90	83	91	84	90
2 Apr.	98	89	82	91	84	92	85	91
9 Apr.	99	90	83	92	85	93	86	92
16 Apr.	99	91	84	93	86	94	87	93
23 Apr.	99	92	85	94	87	95	88	94
1 May	99	93	86	95	88	96	89	95
8 May	99	94	87	96	89	97	90	96
15 May	99	95	88	97	90	98	91	97

(Source: Banco di Napoli, Ufficio Contabile Servizi, Istruttoria Circolari)

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Appendix C

Table 2

Number and Value of Real Estate Sales
(other than forced sales)

Reported to Pari Office		Reported to Palermo Office	
Number of sales declared	Total value (Millions of Lire)	Number of sales declared	Total value (Millions of Lire)
Average value (Thousands of Lire)		Average value (Thousands of Lire)	
1942			
October	1,910	15	15
November	2,452	22	19
December	1,861	14	16
1943			
January	2,362	23	23
February	2,460	25	17
March	2,437	26	16
April	2,781	34	22
May	2,049	30	19
June	1,795	23	16
July	1,966	32	9
August	1,477	29	2
September	711	9	1
October	947	6	3
November	767	10	n.d.
December	662	12	n.d.
1944			
January	813	10	n.d.
February	1,309	16	n.d.
March	1,290	17	n.d.
April	1,033	15	n.d.

Source: Italian Government Imposta di Registro.

Table 3

Investment in Buoni del Tesoro Ordinari
(Millions of Lire)

1 July 1943 through	April 1944
30 April 1944	1944
Issued	Issued
Paid	Paid
Investment	Investment

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February	2,450	28	10.1	16	2,039	18	n.d.
March	2,407	26	10.3	22	2,537	22	9.3
April	2,781	34	12.2	19	2,218	19	8.4
May	2,049	30	14.8	16	1,686	16	9.4
June	1,786	23	13.1	9	1,861	9	10.2
July	1,256	32	16.3	2	265	2	8.9
August	1,477	29	15.7	1	207	1	6.4
September	711	9	13.0	3	296	3	8.3
October	517	6	11.8	n.d.	n.d.	n.d.	n.d.
November	707	10	13.3	n.d.	n.d.	n.d.	n.d.
December	862	12	14.1	n.d.	n.d.	n.d.	n.d.

1944							
January	810	10	12.3	n.d.	n.d.	n.d.	n.d.
February	1,309	16	11.9	n.d.	n.d.	n.d.	n.d.
March	1,290	17	12.9	n.d.	n.d.	n.d.	n.d.
April	1,053	16	15.5	n.d.	n.d.	n.d.	n.d.

Source: Italian Government Imposta di Registro.

Table 3

Investment in Buoni del Tesoro Ordinari
(Millions of Lire)

	1 July 1943 through 30 April 1944		April 1944		
	Net		Net		
	Issued	Paid Investment	Issued	Paid Investment	
Salerno	54	64	17	14	3
Lucania	121	162	15	11	4
Calabria	90	76	15	7	8
Puglia (less Foggia)	257	683	156	136	30
Sardinia	154	53	14	4	10
Sicily	2,121	1,131	656	355	301
Campania (less Salerno)	949	530	513	113	400
Foggia	73	61	36	18	18
Campobasso	18	46	18	15	2
Total	4,567	2,893	1,420	642	779

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Appendix D

Table 4

Banca d'Italia Credit Outstanding
Interpreted Italy

	31 December 1942	31 December 1943	29 February 1944	31 March 1944	30 April 1944
Rediscounts	846	604	473	153	243
Advanced	951	1,325	917	736	637
Total	1,797	1,929	1,390	1,222	1,080

Table 5

Current Liabilities of the Banca d'Italia
29 February, 31 March, and 30 April 1944

(in millions of lire)

	By Regions		By State	
	29 Feb.	31 Mar.	30 Apr.	30 Apr.
Salerno	246	293	267	Due to banks
Lucania	236	226	265	Current accounts
Calabria	655	552	533	Non-interest bearing
				Interest bearing
Puglia (less				Regional
Basilicata)	2,113	2,584	3,163	available on
Sardinia	998	1,355	1,253	advances
Sicily	2,927	3,126	3,763	
Total Italian				
Gov't Territory	7,174	8,222	8,361	Sub-total
				12,701

Campania (less
Salerno)

4,202

4,984

Due to Other

Current Accounts

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10,198	12,690	14,600
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Appendix C

Table 6

Postal Savings
April 1944
(thousands of lire)

Province	Postal Savings Funds	Postal Savings Books	Current Accounts	Total
Cosenza	2,499	1,683	1,569	5,451
Brindisi	-1,708	343	10,654	9,294
Lecce	-2,674	45	5,277	2,638
Taranto	-2,413	1,009	6,932	7,504
Salerno	-11,713	-2,163	4,697	-9,779
Agrigento	-20,837	n.d.	n.d.	-20,837
Caltanissetta	-7,762	n.d.	n.d.	-7,762
Catania	-33,016	n.d.	n.d.	-33,016
Pina	-3,660	n.d.	n.d.	-3,660
Messina	-33,521	n.d.	n.d.	-33,521
Palermo	-20,311	n.d.	n.d.	-20,311
Ragusa	-10,944	n.d.	n.d.	-10,944
Siracusa	-16,616	n.d.	n.d.	-16,616
Trapani	-8,326	n.d.	n.d.	-8,326
Cagliari	1,175	5,434	24,837	34,446
Sassari	871	4,899	n.d.	5,770
Nuoro	-738	3,704	n.d.	2,966
Benevento	329	270	n.d.	599
Napoli	-7,004	11,124	1,032	5,152
Total	-175,715	23,429	69,922	-76,368

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Appendix C

Table 7

Postal Savings

March 1944
(Thousands of Lire)

Province	Postal Savings Bonds	Postal Savings Stocks	Current Accounts	Total
Matera	-702	525	n.d.	-177
Potenza	-4,546	2,073	n.d.	-2,473
Catanzaro	-6,166	1,975	-104	-4,295
Cosenza	-5,121	1,177	n.d.	-3,944
Reggio Calabria	-2,504	4,336	-611	-2,679
Bari	-9,699	2,671	-70,699	-77,726
Brindisi	-1,236	678	15,976	15,418
Lecce	-3,435	1,715	-1,661	-3,383
Taranto	-2,145	1,995	8,388	8,240
Salerno	-6,502	-3,135	-281	-11,722
Cagliari	-514	4,751	-2,519	1,698
Nuoro	-1,074	1,851	n.d.	787
Sassari	-775	5,250	25,832	29,307
Agostino	-	-676	10,024	9,348
Caltanissetta	-	-425	3,577	3,152
Catania	-	-	-	-
Enna	-	506	2,011	2,517
Massima	-	-1,084	8,127	7,043
Palermo	-	3,202	-8,436	-6,176
Siracusa & Ragusa	-	-2	1,540	1,538
Trapani	-	254	-1,065	-811
Camotobacco	n.d.	n.d.	n.d.	n.d.
Foggia	n.d.	n.d.	n.d.	n.d.
Avellino	-398	-2,840	198	-3,040
Benevento	-215	-209	n.d.	-420
Napoli	-14,906	5,874	-32,827	-42,859
Total	-68,427	-39,100	-41,172	-82,469

Table 8

Postal Savings

February 1944

(Thousands of Lire)

Province	Postal Savings Bonds	Postal Savings Stocks	Current Accounts	Total
Matera	-2,470	589	n.d.	-382
Potenza	-6,797	2,216	578	-5,903
Catanzaro	-10,046	231	-971	-10,786
Cosenza	-6,941	1,562	n.d.	-5,379
Reggio Calabria	-14,436	1,021	-290	-13,705
Bari	-3,680	7,531	112,788	116,639
Brindisi	-1,495	1,374	16,156	16,035
Lecce	-2,286	2,769	13,597	14,080

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Table 8

Postal Savings
February 1944
(Thousands of lire)

Province	Bonds	Stocks	Current Accounts	Total
Messina	-1,084	588	n.d.	-382
Palermo	-2,252	2,316	578	-3,905
Siracusa & Ragusa	-2	231	-971	-10,786
Trapani	251	1,562	n.d.	-5,372
Campobasso	n.d.	1,021	-200	-13,765
Foggia	n.d.	7,531	112,788	116,619
Avellino	-398	1,374	16,156	16,035
Benevento	-215	3,768	15,937	14,879
Napoli	-11,926	2,010	1,328	1,325
Total	-68,127	637	-374	643
	-68,127	7,008	21,124	31,932
	-68,127	1,500	n.d.	1,500
	-68,127	2,491	12,421	15,341
	-68,127	79	6,216	6,827
	-68,127	-3,269	3,797	528
	-68,127	-3,110	2,125	-985
	-68,127	-844	5,685	4,841
	-68,127	n.d.	647	847
	-68,127	-3,491	4,227	5,264
	-68,127	-4,655	862	-3,834
	-68,127	n.d.	n.d.	n.d.
	-68,127	n.d.	n.d.	n.d.
	-68,127	-1,720	55	-1,665
	-68,127	-457	n.d.	-457
	-68,127	4,782	-7,885	-17,088
	-68,127	-13,311	-121,963	-145,273

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Appendix C

Table 2

Cash Position of the Banca d'Italia
(including M.A. & M.S. accounts)
30 April 1944
(millions of lire)

Branch	Bank notes	State notes	AM Lire	RM Pounds	Dollars	Emergency Italian Currencies	Total
Matera	n.d.	n.d.	n.d.	n.d.	n.d.	n.d.	n.d.
Potenza	n.d.	n.d.	n.d.	n.d.	n.d.	n.d.	n.d.
Total Lucania	124	6	162	23	-	-	213
Catanzaro	58	5	92	5	-	-	160
Cosenza	42	1	58	2	-	-	102
Reggio Calabria	27	2	20	2	-	-	84
Total Calabria	126	8	200	12	-	-	246
Bari	162	23	212	9	-	-	311
Barietta	29	1	26	10	-	-	126
Brindisi	13	-	28	-	-	-	51
Lecco	20	7	11	-	-	-	38
Taranto	40	39	56	7	-	-	142
Total Puglia (less Foggia)	264	75	303	26	-	-	668
Salerno	183	6	179	20	1	-	369
Agigliari	25	-	20	-	-	-	45
Muro	14	1	30	-	-	2	47
Sassari	70	2	145	-	-	16	236
Total Sardegna	107	6	195	-	-	18	326
Agirgento	13	3	115	-	-	-	131
Caltanissetta	71	43	87	-	-	-	221
Catania	128	4	227	2	-	-	361
Enna	25	3	52	-	-	-	80
Massima	140	1	260	-	-	-	401
Palermo	236	8	388	-	-	-	632
Marusa	3	1	51	-	-	-	55
Siracusa	7	1	71	-	-	-	79
Trapani	5	-	157	-	-	-	162
Total Sicily	664	66	1,416	2	-	-	2,118

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Bari	162	23	112	10	-	-	128
Barletta	29	1	86	-	-	-	51
Brunelli	13	-	38	-	-	-	38
Lecco	20	7	11	-	-	-	142
Taranto	40	29	56	7	-	-	-
Total Puglia (less Foggia)	264	75	303	15	-	-	668
Salerno	133	6	179	29	1	-	389
Cagliari	23	-	20	-	-	2	43
Nuoro	14	1	30	-	-	-	47
Sassari	70	3	145	-	-	16	236
Total Sardinia	107	6	195	-	-	18	326
Agirizento	19	3	115	-	-	-	137
Calitatis	71	43	87	-	-	-	201
Catania	128	4	227	2	-	-	361
Enna	25	9	52	-	-	-	82
Massina	140	1	269	-	-	-	409
Palermo	236	8	388	-	-	-	632
Ragusa	3	1	92	-	-	-	95
Siracusa	7	1	71	-	-	-	79
Trapani	5	-	157	-	-	-	162
Total Sicily	634	65	1,436	2	-	-	2,116
Campobasso	66	4	10	7	-	-	87
Foggia	38	2	81	6	-	-	127
Avellino	40	2	50	3	-	-	97
Benevento	42	7	48	3	1	-	108
Caserta	49	-	31	5	-	-	85
Napoli	1,185	-	484	25	8	-	1,702
Total Campania (less Salerno)	1,323	9	613	58	9	-	1,992
Grand Total Liberated Italy	2,865	132	3,159	132	10	18	6,336

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APPENDIX 'D'

VALUE OF AM LIRE IN HANDS OF ITALIAN BANKS AND PUBLIC

(Excluding Deposits of AFA with banks and Cash Funds held by Accounting Officers of AMG/ANG)

	30 April (Revised)	31 March (Revised)
New AM Lire received (after deduction of shortages)	42,589,726.920	42,588,127.520
Less - Lire held by AFA in current cash, reserve cash, provision against credits granted to banks, and current accounts (including mutilated)	12,347,271.367	15,404,554.582
AM Lire Outstanding	<u>29,742,155.553</u>	<u>27,183,572.938</u>
Deduct -		
AM Lire Held by Finance Officers of Armed Forces:		
U.S. Finance Officers:-		
Funded through AFA Palermo - Army	162,028,960	211,181,238
" " " - Navy	53,192,781	34,891,253
" " " - Naples	2,455,573,017	3,085,578,998
" " " - Bari	829,416,314	644,714,073
" " " - Sassari	102,250,563	75,701,959
Total U.S. Finance Officers	<u>3,612,491,635</u>	<u>4,052,067,501</u>
British Paymasters, Italy ++	1,340,771,191	1,155,000,000
French Paymasters	<u>787,170,663</u>	<u>263,123,478</u>
Total Held by Finance Officers of all Allied Armed Forces	<u>5,740,435,509</u>	<u>5,770,190,979</u>
AM Lire Held by Accounting Officers of AMG/ACG in Cash +		
Total Deductions	<u>400,000,000</u>	<u>049,742,056</u>
Total AM Lire in Hands of the Banks and the Public	<u>6,140,433,509</u>	<u>6,619,936,035</u>
AM Lire Held by Bank of Italy, after deduction of AFA's current accounts with Bank of Italy	<u>23,602,022,044</u>	<u>20,563,636,903</u>
	<u>2,289,123,000</u>	<u>2,270,000,000</u>

Total Value of AM Lire in Hands of all Italian Banks and the Public, August 1943 to date.

(Excluding cash deposits of AFA with Italian Banks, and Funds Held by Accounting Officers in the Field in the Form of Cash)

Total

Change During
Previous Month

1812

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AM Lire Held by Finance Officers

of Armed Forces:

U.S. Finance Officers:-

Funded through AFA Palermo - Army
 " " " " Navy
 " " " Naples
 " " " Bari
 " " " Sassari

Total U.S. Finance Officers

British Paymasters, Italy ++

French Paymasters

Total Held by Finance Officers

of all Allied Armed Forces

AM Lire Held by Accounting Officers

of AMG/ACC in Cash +

Total Deductions

Total AM Lire in Hands of the Banks and

the Public

AM Lire Held by Bank of Italy, after

deduction of AFA's current accounts
with Bank of ItalyTotal Value of AM Lire in Hands of all Italian Banks and the Public, August 1943
to date.(Excluding cash deposits of AFA with Italian Banks, and funds Held by Accounting
Officers in the Field in the Form of Cash)

162,028,960
 13,192,784
 2,465,573,017
 829,446,314
 102,250,263
 3,612,491,635
 1,349,771,191
 787,170,683
 5,740,433,599

400,000,000 +
 6,140,433,599

23,602,022,044

2,289,123,000

649,745,056
 6,789,936,035

20,563,636,903

2,270,000,000

Change 1812
 Previous Month

Total

Lire

31 August 1943
 30 September 1943
 31 October 1943
 30 November 1943
 31 December 1943
 31 January 1944
 29 February 1944
 31 March 1944 (revised)
 30 April 1944 (revised)

Lire

1,023,510,401
 1,809,476,121
 1,630,026,403
 3,288,922,330
 3,173,811,131
 3,176,824,081
 3,336,561,412
 3,124,533,024
 3,638,385,141
 23,602,022,044

Estimated

++ Excludes small amount held by R.M., R.A.F., and Empire forces,
estimated at not more than 50 million lire.+ Excludes receipts for funds disbursed but not yet allocated to
expenditure accounts, which included in this item on the
Statement of Receipts and Disbursements.

Page 2 of
Appendix D

Of the total outstanding, it is estimated that 2,269,000,000 lire was held by the Banca d'Italia, in addition to 674 million lire held as cover for AFA's warlike deposits with the Banca d'Italia. That is to say, about 21343 million lire of AI currency was in the hands of the Italian commercial banks and the Italian public as of 30 April. Of the total held by the Bank of Italy 200 million lire was held as reserve against a special account of AFA, into which the Bank of Italy is depositing currency, in the form of AI lire, in order to effect the gradual withdrawal of AI lire currency.

During the month the Bank increased its total cash reserves by 747 million lire to 6366 million lire, a rise equivalent to about 29 percent of the AI lire put into circulation, and about 14 per cent of the total expenditures of the allied forces and the Italian government taken together. However, 478 million lire of this total increase of 747 million lire had to be set aside as reserve against AFA's current accounts with the Bank of Italy, so that the free reserve available to the Bank rose only 269 million lire during the month.

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SECRET

ALLIED FINANCIAL AGENCY

CONSOLIDATED STATEMENT OF RECEIPTS AND DISBURSEMENTS FOR PERIOD TO 30 APRIL 1944

(Expressed in lire)

Item No.	Schedule No.		Total to 31 March 1944	Current month
1	-	CASH ON HAND AND IN BANKS AT BEGINNING OF PERIOD (including circulated and Unfit A.M. Lire Notes)	Nil	15,953,717,941
		RECEIPTS DURING PERIOD		
2	I	NEW A.M. LIRA NOTES RECEIVED	42,588,127,520	1,599,400
3		NEW A.M. STAMP RECEIVED	169,356,000	-
4	II	DEPOSITS BY A.M./A.C.C. DIVISIONS (pending allocation to revenue or other accounts)	294,707,145	310,715,245
5	III	FUNDS OBTAINED FROM BANKS AND OTHERS BY ACCOUNTING OFFICERS IN THE FIELD	15,844,417	(7,912,977)
6	IV	DEPOSITS	57,855,099	19,601,093
7	-	FUNDS PROVIDED TO A.M. BY ITALIAN GOVERNMENT (see Schedule XXVIII).. (5)	200,000,000	-
8	V	PROCEEDS OF SALES IN ITALY BY S.M. (4)	344,739,085	140,799,879
9	VI	RECEIPTS IN RESPECT OF A.M./A.C.C. REVENUE (3)	121,392,396	10,738,977
			43,794,042,142	475,540,720
13	X	CORR. ACCOUNTS (1)	19,348,350	2,075,290
14	-	TOTAL RECEIPTS DURING PERIOD	43,813,390,492	485,416,670
15	-	TOTAL FUNDS AVAILABLE	43,813,390,492	16,139,124,611

1811

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PAGE 1 of APPENDIX E.

ALLIED FINANCIAL AGENCY

P/P 20

STATE SET OF RECEIPTS AND DISBURSEMENTS FOR PERIOD TO 30 APRIL 1944

(Expressed in Lire)

	Total to 31 March 1944	Current Month	Total to 30 April 1944
--	---------------------------	------------------	---------------------------

IN BANKS AT
ON
ted and Unfit

Nil	15,953,717,941	Nil
-----	----------------	-----

RIOD

RECEIVED	42,588,127,520	1,999,400	42,589,726,920
RECEIVED	169,336,000	-	169,336,000

CO DIVISIONS

tion to revenue or

294,707,145	310,715,243	605,422,388
-------------	-------------	-------------

CO BANKS AT

TING OFFICERS IN

15,844,417	(7,912,977)	7,931,440
57,485,079	19,601,098	77,096,177

ATA BY ITALIAN

(Schedule XXVIII).. (5)	200,000,000	-	200,000,000
-------------------------	-------------	---	-------------

IN ITALY OF

344,739,085	140,799,879	485,538,964
-------------	-------------	-------------

CT OF AIC/ROE

124,392,896	10,738,077	135,130,973
-------------	------------	-------------

43,844,642,142	475,540,720	44,270,182,862
----------------	-------------	----------------

19,349,390	9,675,950	29,225,300
------------	-----------	------------

DURIES PERIOD

43,843,990,492	485,416,670	44,299,407,162
----------------	-------------	----------------

43,843,990,492	16,439,134,611	44,299,407,162
----------------	----------------	----------------

1811

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Item No.	Schedule No.	DISBURSEMENTS DURING PERIOD	Total to 31 March 1944	Current Month	
21	XI	FUNDS HELD BY ACCOUNTING OFFICERS IN THE FIELD (pending allocation to expenditures or other accounts) (2)	1,210,363,945	(602,531,041)	
22	XII	A.M. STAMPS ISSUED TO POST OFFICE AND ON HAND	169,336,000	-	
23	XIII	PURCHASES IN ITALY OF SUPPLIES ..	306,917,355	124,230,345	
24	XIV	ADVANCES (no maturity date and no interest rate fixed in advance) (2)	5,816,308,523	444,755,380	6
25	XV	LOANS	54,121,964	(38,861,004)	
27	XVII	PAYMENTS TO PERSONS IN ITALY ON ACCOUNT OF REIMBURSES FROM ALLIED COUNTRIES	-	4,246,000	
28	XVIII	PAYMENTS IN RESPECT OF SUBJECTS OF 3 ALLIED POWERS (2)	4,576,186	1,436,698	
29	XIX	PAYMENTS CHARGEABLE TO ITALIAN STATE IN RESPECT OF ITALIAN REFUGEES, ETC. (2)	48,440	-	
31	XXI	ADVANCES TO ALLIED ARMED FORCES (3)	20,220,693,308	3,085,440,150	23
32	XXII	DISBURSEMENTS IN RESPECT OF AMG/ACC EXPENDITURE (3).....	58,558,480	19,531,616	
			27,840,924,201	3,028,278,314	30
38	XXVII	CONTRA ACCOUNTS.....	19,348,350	9,875,250	
39	-	TOTAL DISBURSEMENTS DURING PERIOD	27,860,272,551	3,038,154,264	30
40	XXVIII	CASH ON HAND AND IN BANKS AT END OF PERIOD.....	15,947,063,937	(2,554,676,103)	13
41	XXVIII	MUTILATED AND UNFIT A.M. LIRA NOTES	6,654,004	1,938,509	
42	-	TOTAL CASH ON HAND AND IN BANKS (including mutilated & unfit A.M. Lira notes).....	15,953,717,941	(2,552,737,594)	13

() = Red figure

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PAGE 2 of APPENDIX A.

PERIOD	Total to 31 March 1944	Current month	Total to 30 April 1944
UNITED STATES OF AMERICA Army allocation (other accounts)(2)	1,219,363,945	(602,531,011)	607,832,904
TO POST OFFICE	169,336,000	-	169,336,000
OF SUPPLIES ..	306,917,355	124,230,545	431,147,900
ity date and no ed in advance)(2)	5,816,308,523	104,755,350	6,261,063,873
	54,121,964	(43,501,004)	5,320,960
IN ITALY ON FORCES PRO. ALLIED	-	4,246,000	4,246,000
OF SUBJECTS OF ..	4,576,186	1,436,608	6,012,884
TO ITALIAN STATE ALIAN REFUGEES, ETC. (2)	43,440	-	43,440
ARMED FORCES (3)	20,220,693,308	3,085,440,150	23,306,103,458
RESPECT OF AM/ACC	58,558,480	19,531,616	78,090,096
	27,840,924,201	3,028,278,314	30,869,202,515
	19,348,350	9,875,950	29,224,300
EVENTS DURING PERIOD	27,860,272,551	3,038,154,264	30,898,426,815
IN BANKS AT END OF	15,947,063,937	(2,554,676,103)	13,392,387,834
IT A.M. LIRA NOTES	6,654,004	1,938,509	8,592,513
ED AND IN BANKS (in- ed & Unfit Am Lira	15,953,717,941	(2,552,737,524)	13,400,980,347

SECRETNOTES

- *There is a lag of at least one month between (i) the time transactions of Accounting Office allocation of such transactions in this Statement; however, advances made by Allied Financial and refunds made by them to Allied Financial Agency are reflected in this account current.
1. The amounts shown as "CURRENT ACCOUNTS" at 31 March 1944 under "RECEIPTS DURING PERIOD" and "PERIOD" appeared in the March 1944 Statement of Assets and Liabilities as "DEPOSITS - For BALANCES WITH BANKS - Foreign Exchange Credits", respectively.
 2. The following items were reclassified from "ADVANCES" as of 31 March 1944:

To Item No. 28	Lire	4,576,186	
do 29		43,140	
do 21		<u>165,000</u>	(Imprint Funds)
From Item No. 24	Lire	<u>4,789,626</u>	
 3. The item "PAYMENTS ON ACCOUNT OF OCCUPATION COSTS" in the 31 March 1944 Statement of Assets broken down and is shown as Items Nos. 9, 31 and 32 in the above Statement of Receipts and
 4. In addition to this amount of sales, there are included in "DEPOSITS BY AIG/ACC DIVISIONS" Schedule No. II "a" and "c") collections totalling Lire 502,043,389, the major portion of "SALES IN ITALY OF SUPPLIES" and will be reclassified accordingly as soon as the individual from the Economic and Supply Division and allocated to the Sub-Heads shown on Schedule V.
 5. These funds represent currency of the Italian Government placed to the credit of Allied Financial program to sterilize surplus currency.

(sgd) H. G. CRAWSHAW,
Colonel,
CHIEF ACCOUNTANT.

(sgd) JAMES H. PENIC
Major,
CHIEF OF AFA.

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NOTES

month between (i) the time transactions of Accounting Officers take place and (ii) the time these are reflected in this Statement; however, advances made by Allied Financial Agency to such officers are reflected in this account currently.

"ACCOUNTS" at 31 March 1944 under "RECEIPTS DURING PERIOD" and "DISBURSEMENTS DURING PERIOD" in the 1944 Statement of Assets and Liabilities as "DEPOSITS - For Remittances" and "OTHER Exchange Credits", respectively.

Reclassified from "ADVANCES" as of 31 March 1944:

Lire	4,576,186	
	43,440	
	<u>165,000</u>	(Imprest Funds)
Lire	<u>4,784,626</u>	

"OCCUPATION COSTS" in the 31 March 1944 Statement of Assets and Liabilities has been reclassified to Nos. 9, 31 and 32 in the above Statement of Receipts and Disbursements.

Also, there are included in "DEPOSITS BY AIG/AOC DIVISIONS" (see Item No. 4 and 5) collections totalling Lire 582,043,389, the major portion of which represent "PROCEEDS OF SALES OF ITALIAN PROPERTY" and will be reclassified accordingly as soon as the individual amounts can be checked with returns from the Italian Government and allocated to the Sub-Heads shown on Schedule V.

Advances of the Italian Government placed to the credit of Allied Financial Agency under an agreed arrangement.

(sgd) JAMES H. PENICK,
Major,
CHIEF OF AFA.

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SECRET

E/T 21
Page No. 4
of Appendix II

ALLIED FINANCIAL AGENCYSCHEDULE TO STATEMENT OF RECEIPTS AND DISBURSEMENTS

FOR THE PERIOD TO 30 APRIL 1944
(expressed in lire)

()-red figure

SCHEDULENo.

CURRENT MONTH TOTAL TO DATE

I NEW A.M. LIRA NOTES RECEIVED

As Notified to Washington	-	42,589,728,000
Shortages Revealed on Opening Boxes	1,529,400	(1,000)
	1,529,400	42,589,728,920
	---	---
Line		

II DEPOSITS BY AMG/ACC DIVISIONS

(a) Economic and Supply Division	305,808,113	557,069,071
(b) Economic and Supply Divisions - Deposits on Returnable Containers	(5,755,587)	17,914,290
(c) Public Health Division	8,265,977	24,974,318
(d) Legal Division	2,369,040	5,437,000
(e) Other Divisions	27,700	27,700
	---	---
Line	310,715,243	605,422,388

III FUNDS OBTAINED FROM BANKS AND OTHERS BY ACCOUNTING OFFICERS IN THE FIELD

(a) From Banks	(15,000)	182,800
(b) " Post Offices	(6,579,173)	-
(c) " British Paymasters	-	6,430,000
(d) " Others	(1,218,804)	1,318,640
	---	---
Line	(7,912,977)	7,931,440

IV DEPOSITS

(a) By Controller of Property.
(1) Psychological Warfare

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(a) Economic and Supply Division	305,806,413	557,069,071
(b) Economic and Supply Divisions - Deposits on Returnable Containers	(5,755,587)	17,914,299
(c) Public Health Division	8,265,977	24,974,313
(d) Legal Division	2,369,040	5,437,000
(e) Other Divisions	27,700	27,700
Live	<u>219,712,243</u>	<u>605,422,388</u>

III FUNDS OBTAINED FROM BANKS AND OTHERS BY ACCOUNTING OFFICERS IN THE FIELD

(a) From Banks	(15,000)	182,800
(b) " Post Offices	(6,679,173)	-
(c) " British Paymasters	-	6,430,000
(d) " Others	(1,218,804)	1,318,640
Live	<u>(7,912,977)</u>	<u>7,931,440</u>

IV DEPOSITS

(a) By Controller of Property		
(1) Psychological Warfare	916,103	916,103
Beard-Film Section	-	10,000,000
(2) A.G.I.P.	117,219	117,219
(3) Moharwas & Son	-	108,714
(4) Changimal Co.	-	8,46,500
(5) Goods Ex German Steamers	-	2,400,000
(6) Unione Militare	168,582	455,023
(7) Miscellaneous		
C/F	<u>1,201,904</u>	<u>14,843,559</u>
Live		

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SECRETSCHEDULE
No

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Page No 2
of Appendix E

	CURRENT MONTH	TOTAL TO DATE
(b) By U.S. Army Units	1,201,904	14,843,559
(c) By Others	19,364,569	60,744,602
(1) "A" Force	460,000	960,000
(2) Command Paymaster No8 Com'd Pay Office, OMF	(170,525)	283,305
(3) Pasquale Esposito	-	108,600
(4) Various	(1,254,850)	155,911
Line	10,601,099	77,696,177

PROCEEDS OF SALES IN ITALY
OF SUPPLIES

(a) Economic and Supply Division
(1) Supplies Imported or Drawn from Armies 131,319,486 470,325,638
(2) Supplies Purchased Locally 5,260 4,981,228

(b) Public Health Division
(1) Supplies Imported or Drawn from Armies 9,042,133 9,799,898

(c) Agriculture Division
(1) Supplies Imported or Drawn from Armies 432,900 432,900

Line 140,799,872 485,518,964

RECEIPTS IN RESPECT OF AMG/ACC
REVENUE

(a) APA Revenue
Interest Received from Banks 105,466 3,091,650
Miscellaneous Receipts 105,466 545

(b) AMG Revenue) to close of 3,092,195
(c) ACC Revenue) previous mth 124,820,840
(d) AMG/ACC Revenue received by APA direct in current month 7,163,372

Line 54,566 54,566

Line 10,738,677 132,130,973

CONTRA ACCOUNTS

(a) Economic and Supply Division

(1) Supplies Imported or Drawn from Armies	131,310,486	472,325,838
(2) Supplies Purchased Locally	6,260	4,981,228
(b) Public Health Division		
(1) Supplies Imported or Drawn from Armies	9,042,133	9,799,898
(c) Agriculture Division		
(1) Supplies Imported or Drawn from Armies	432,000	432,000
Line	140,799,879	485,538,964
RECEIPTS IN RESPECT OF AMG/ACC REVENUE		

VI

(a) APA Revenue

Interest Received from Banks	105,466	3,091,650
Miscellaneous Receipts	-	245
(b) AMG Revenue) to close of	105,466	3,092,195
(c) ACC Revenue) previous month	7,511,916	124,620,848
(d) AMG/ACC Revenue received by ATA direct in current month	3,666,129	7,163,372
Line	54,566	54,566
	10,738,977	135,130,973

X

CONTRA ACCOUNTS

DEBITS FOR REMITTANCES

(1) U.S. Dollars (\$ 292.143)	9,065,950	29,214,300
(2) Sterlings (£25)	10,000	10,000
Line	2,875,250	29,224,300

XII

A.M. STAMPS ISSUED TO POST OFFICE AND ON HAND

(a) A.M. Stamps issued to Post Office	-	21,254,000
(b) Balance on Hand	-	143,082,000
Line	-	164,336,000

SECRET

SCHEDULE

Nº

XIII PURCHASES IN ITALY OF
SUPPLIES

(a) For Export to:

- (1) United States of America
- (2) Great Britain
- (3) North Africa
- (4) Corsica
- (5) Malta

(b) For Re-sale in Italy

Lire

ADVANCES

(a) To Italian State

Treasury, Armed Forces
and State Institutions

(b) To Provinces

(c) To Communes

(d) To Others

- (1) Items included in Sub-
Accountants' Reports
not yet allocated
pending receipt of
proper vouchers or
more complete infor-
mation
- (2) Advisory Council for
Italy (pending account
of disbursements by
Council)
- (3) Library of Congress for
purchase of books
- (4) Società Acquedotto -
Napoli
- (5) Sanotoda Caputa

T/F 21
Page NC 6

CURRENT MONTH TOTAL TO DATE

7,606,758	35,385,989
91,250,321	268,929,544
710,033	22,863,520
297,475	365,875
22,310,274	86,730,222
122,174,861	414,295,150
2,055,684	16,852,750
124,230,545	431,147,900

297,047,766	4,575,905,376
45,686,327	492,429,665
121,239,566	1,182,808,593
463,973,659	6,251,143,634

(19,724,200) 3,388,837

650,000 650,000

54,573 211,134

- 3,000,000

- 1,000,000

XIV

ADVANCES

(a) To Italian State Treasury, Armed Forces and State Institutions	297,047,766	4,575,905,376
(b) To Provinces	45,686,327	492,429,665
(c) To Communes	121,239,566	1,182,808,593
(d) To Others	463,972,659	6,251,143,634
(1) Items included in Sub- Accountants' Reports not yet allocated pending receipt of proper vouchers or more complete inform- ation	(19,724,200)	3,388,637
(2) Advisory Council for Italy (pending account of disbursements by Council)	650,000	650,000
(3) Library of Congress for purchase of books	64,573	211,134
(4) Società Acquedotto - Napoli	-	3,000,000
(5) Sanotoda Caputa	-	1,000,000
(6) Expenditure in connect- ion with Refugee Camps (pending allocation)	178,315	213,647
(7) Villa Rosa Mental Hospital	-	1,000,000
(8) Casa della Madre e del Bambino "Principes- sa Maria Gabriella" - Ischia	-	100,000
(9) Miscellaneous Advances under Lire 100,000 each (386,937)	-	356,621
Lire	444,755,350	6,261,063,873

- (1) U.S. Nationals
- (2) British Nationals
- (3) Greek Nationals
- (4) Yugoslav Nationals
- (5) Montenegrin Nationals
- (6) French Nationals
- (7) Polish Nationals
- (8) Canadian Nationals
- (9) Czechoslovak Nationals
- (10) Belgian Nationals
- (11) Paraguayan Nationals
- (12) Russian Nationals
- (13) Columbian Nationals
- (14) Brazilian Nationals
- (15) Peruvian Nationals
- (16) Swedish Nationals
- (17) Norwegian Nationals
- (18) Netherlands Nationals
- (19) Iceland Nationals
- (20) Swiss Nationals
- (21) Egyptian Nationals
- (22) Albanian Nationals

2,258,820
1,152,550
49,300
172,105
2,400
97,860
98,675
8,000
27,535
17,930
4,500
11,200
1,800
18,000
2,000
1,200
3,000
9,700
7,100
600
1,200
16,833

4,245,000

4,246,000

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

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SUBJECTS OF ALLIED NATIONS

(a) Emergency Financial Assistance to:-

(1) U.S. Nationals	679,550	2,258,620
(2) British Nationals	350,500	1,152,550
(3) Greek Nationals	-	49,300
(4) Yugoslav Nationals	-	172,105
(5) Montenegrin Nationals	-	2,400
(6) French Nationals	-	97,650
(7) Polish Nationals	3,000	98,675
(8) Canadian Nationals	8,000	8,000
(9) Czechoslovak Nationals	-	27,535
(10) Belgian Nationals	-	17,930
(11) Paraguayan Nationals	-	4,500
(12) Russian Nationals	-	11,200
(13) Columbian Nationals	-	1,800
(14) Brazilian Nationals	-	18,000
(15) Peruvian Nationals	-	2,000
(16) Swedish Nationals	-	1,200
(17) Norwegian Nationals	-	3,000
(18) Netherlands Nationals	-	9,700
(19) Iceland Nationals	-	7,100
(20) Swiss Nationals	-	600
(21) Egyptian Nationals	-	1,200
(22) Albanian Nationals	-	16,833
(23) Latvian Nationals	-	5,700
(24) Italian Nationals ex Yugoslavia	-	4,000
(25) German Jewish	-	19,320
(26) Austrian Jewish	-	18,248
(27) Jewish	-	10,000
(28) Stateless	-	19,400
(29) Unknown	8,000	24,680
	<u>1,649,050</u>	<u>4,962,613</u>

C/F

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

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Schedule
No.

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of 4 pages

	CURRENT MONTH	TOTAL TO DATE
(b) Expenses in connection with Refugee camps	Brought Forward 1,049,050	1,052,513
(c) Payments to Allied Nations Missions	228,648	247,271
(1) Czechoslovak Military Mission	50,000	150,000
(2) Norwegian Military Mission	24,000	76,000
(3) Royal Yugoslav Military Mission	-	400,000
(4) Belgian Military Mission	5,000	8,000
(5) Netherlands Mission	60,000	115,000
(6) Polish Military Mission	20,000	354,000
	159,000	1,703,000
Lire	1,436,693	5,012,884

XXI

ADVANCES TO ALLIED ARMED FORCES

(a) To American Army		
(1) Paid in Lire	839,760,000	11,740,808,000
(2) Paid in Yellow Seal Dollars (\$ 1,505,300)		
Total to date)	-	150,530,000
(b) To American Navy		
(1) Paid in Lire	34,744,000	190,766,000
(2) Paid in Yellow Seal Dollars (\$ 212,000)		
Total to Date	10,400,000	21,200,000
(c) To British Army		
(1) Paid in Lire	1,276,308,000	7,923,651,830
(2) Paid in P.M.		

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(6) Polish Military

Mission	26,000	354,000
	159,000	1,703,000
Liire	1,436,698	6,012,884

XXI ADVANCES TO ALLIED ARMED FORCES

(a) To American Army		
(1) Paid in Liire	839,760,000	11,740,808,000
(2) Paid in Yellow Seal Dollars (\$ 1,505,300)		
Total to date)	-	150,530,000
(b) To American Navy		
(1) Paid in Liire	34,744,000	190,766,000
(2) Paid in Yellow Seal Dollars (\$ 212,000)		
Total to Date	10,400,000	21,200,000
(c) To British Army		
(1) Paid in Liire	1,276,308,000	7,923,651,830
(2) Paid in B.M.A. pounds (£1,902,600-15-6)		
Total to Date)	200,000,000	761,040,310
(d) To British Navy		
(1) Paid in Liire	-	14,832,800
(2) Paid in Francs (Fcs 15,915)		
Total to Date)	-	31,830
(e) To Royal Air Force		
(1) Paid in Liire	3,535,000	14,035,000
(2) Paid in Francs (Fcs 1,319,844)		
Total to Date)	215,150	2,632,688
Carried Forward	2,364,962,150	20,819,535,458

SECRET

SCHEDULE
No.

7/F 24
Page No. 9.
of Appendix
TOTAL TO DATE
CURRENT MONTH
Brought Forward 2,364,902,150 20,819,535,458

(f) To French Armed Forces
(1) Paid in Lire 728,448,000 2,485,568,000
Lire 3,085,410,150 23,306,103,458

XXII DISBURSEMENTS IN RESPECT OF

AMC/ACC EXPENDITURE

(a) AFA Expenditure

Emoluments of Civilian

Personnel

Motor Transport

Maintenance of

Vehicles

1,000 107,386

760

Other Administrative

Expenses

Printing and

Stationery

Maintenance of Offices

Maintenance of Office

Equipment

Sundries

Total Other Administra-

tive Expenditure

Special Expenditure

Purchase of Office

Furniture and

Equipment

Reconditioning of

Total Offices

Special

Expenditure

Financial Expenditure

Interest Paid to Banks

Bank Service Charges

Total Financial Expenditure

Total AFA Expenditure

1,482 35,496

- 4,410

- 1,905

- 1,224

- 43,095

1,482 94,799

15,700 51,530

15,700 146,389

- 4,555,087

- 408,333

681 4,963,420

- 5,261,050

18,893

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Motor Transport -		760
Maintenance of		
Vehicles		
Other Administrative		
Expenses		
Printing and		
Stationery	1,482	25,406
Maintenance of Offices	-	4,410
Maintenance of Office	-	
Equipment	-	1,905
Sundries	-	1,284
Total Other Administrative	1,482	43,095
Special Expenditure		
Purchase of Office		
Furniture and		
Equipment		94,799
Reconditioning of		
Offices	15,700	51,590
Total Special	15,700	146,359
Expenditure		
Financial Expenditure		
Interest Paid to Banks	681	4,555,087
Bank Service Charges	-	408,333
Total Financial Expenditure	681	4,963,420
Total AFA Expenditure	18,863	5,261,050
(b) AMG Expenditure) to close	5,568,858	47,229,972
(c) ACC Expenditure) of previous	month	23,055,242
(d) AMG/ACC Disbursements made	13,391,034	
by AFA direct in previous		
month, allocated in		
current month	(1,980,971)	- 18
(e) AMG/ACC Disbursements made by		
AFA direct in current month	2,533,832	2,533,832
Line	19,531,616	78,090,096

SECRET
SCHEDULE
No

XXVII

CONTRA ACCOUNTS

Foreign Exchange Credits

(1) US Dollars (\$292,143)	9,865,950	29,214,300
(2) Sterling (£ 25)	10,000	10,000
Lire	3,875,950	29,224,300
	727,736	883,233

XXVIII

CASH ON HAND AND IN BANKS

(a) Current Cash - Lire	727,736	883,233
(b) Reserve Cash - AM Lire		
(c) Bank Current Accounts	(2,949,472,000)	11,415,320,000
- Lire	389,522,540	1,422,475,621
Total Lire Funds	(2,559,221,724)	12,838,678,854

(d) Foreign Currency on

Hand and in Banks

(1) Yellow Seal Dollars (\$1,411,598.93)	58,249,991	141,169,893
(2) EMA Pounds (£379,138.16.0)	(73,072,879)	151,655,521
(3) Maltese Pounds (£140.2.5)	25,900	56,050
(4) Tripolitania Lire (14,500)	-	12,064
(5) Francs (Fcs 35,425)	(22,280)	70,850
Total Foreign Currency	(14,818,948)	292,954,378

(e) Other Balances with Banks

(1) Bank of Italy No.2 account (see item No.7)	-	200,000,000
(2) Funds Deposited by US Army Units	19,364,569	80,744,602
Total Other Balances with Banks	19,364,569	260,744,602
Cash on Hand and in Banks at end of period	(2,554,676,103)	13,392,387,814

MUTILATED AND UNFIT AM LIRE NOTES

Hand and in Banks

(1) Yellow Seal Dollars (\$1,411,692.93)	58,242,991	141,169,693
(2) EMA Pounds (£379,138.16.0)	(73,072,879)	151,555,521
(3) Maltese Pounds (£140.2.6)	26,900	56,050
(4) Tripolitania Lire (14,500)	-	12,064
(5) Francs (Fcs 35,425)	(22,960)	70,850
Total Foreign Currency	(14,818,928)	292,964,378

(e) Other Balances with Banks

(1) Bank of Italy No. 2 account (see item No. 7)	-	200,000,000
(2) Funds Deposited by US Army Units	19,364,569	60,744,602
Total Other Balances with Banks	19,364,569	260,744,602
Cash on Hand and in Banks at end of period	(2,554,676,103)	43,392,387,834

MUTILATED AND UNFIT AM LIRE NOTES ON HAND

Total Cash on Hand and in Banks (including Mutilated and Unfit AM Lira notes on Hand)	1,938,509	0,592,513
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Total Cash on Hand and in Banks (including Mutilated and Unfit AM Lira notes on Hand)	(2,552,737,594)	13,400,980,347
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APPENDIX 'B'

REMITTANCE LISTS SUBMITTED TO THE BANCO DI SICILIA
UP TO 30 APRIL 1944

DOLLAR REMITTANCE LISTS

Bank

Amount No. of items

(a) items for which credit has been received
in an 'A/P' account.

American Express Company, New York	\$100,353.50	2054
Amalgamated Bank of New York, New York	145.50	7
Bank of America, San Francisco	26,495.-	440
Bank of Manhattan Company, New York	508.-	17
Central National Bank in Chicago, Chicago	11,490.50	654
Chase National Bank of the City of New York	3,736.50	67
" " A/c Apostolic Delegate	25,365.50	2
Continental Illinois Nat. Bk & Trust Co., Chicago	1,884.-	65
Corn Exchange Bank & Trust Co., New York	2,240.-	64
Corn Exchange Nat. Bk & Trust Co., Philadelphia	100.-	1
First National Bank of Boston, Boston	4,690.50	121
First National Bank of Chicago, Chicago	4,431.-	138
Irving Trust Company, New York	3,068.-	55
Liberty Title & Trust Company, Philadelphia	4,104.-	105
Manufacturers Nat. Bank of Detroit, Detroit	817.-	15
Manufacturers Trust Company, New York	66,198.-	1748
Marine Midland Trust Company, New York	2,647.-	61
Marchants Bank of New York, New York	615.-	16
National Bank of Detroit, Detroit	4,743.-	104
National Shawmut Bank of Boston, Boston	2,880.-	44
Pan American Trust Company, New York	3,596.-	154
Parsons Company, New York	2,704.50	73
Philadelphia National Bank, Philadelphia	1,725.-	42
Public Nat. Bank & Trust Co., New York	3,630.50	135
Stable Bank & Trust Co., Boston	6,906.50	260
Sterling Nat. Bank & Trust Co., New York	5,298.50	173
Whitney Nat. Bank of New Orleans, New Orleans	850.-	13
	292,143.-	7536

(b) items for which credit will be given
upon receipt of advice of payment:

Irving Trust Company, New York	1,925.-	54
National City Bank of New York	39,764.20	865
	\$132,032.50	8457

STANDING REMITTANCE LISTS

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First National Bank of Boston, Boston	4,090.50	121
First National Bank of Chicago, Chicago	4,431.-	138
Irving Trust Company, New York	3,068.-	65
Liberty Title & Trust Company, Philadelphia	4,104.-	105
Manufacturers Nat. Bank of Detroit, Detroit	817.-	15
Manufacturers Trust Company, New York	66,198.-	1748
Marine Midland Trust Company, New York	2,647.-	61
Mercantile Bank of New York, New York	615.-	16
National Bank of Detroit, Detroit	4,743.-	104
National Shawmut Bank of Boston, Boston	2,880.-	44
Pan American Trust Company, New York	3,896.-	154
Perpet Company, New York	2,704.50	73
Philadelphia National Bank, Philadelphia	1,725.-	42
Public Nat. Bank & Trust Co., New York	3,650.50	135
Stetile Bank & Trust Co., Boston	6,906.50	260
Sterling Nat. Bank & Trust Co., New York	5,298.50	173
Whitney Nat. Bank of New Orleans, New Orleans	850.-	13
	292,143.-	7338

(b) items for which credit will be given
upon receipt of advice of payment:

Irving Trust Company, New York	1,925.-	54
National City Bank of New York	39,764.50	865
	<u>\$39,689.50</u>	<u>919</u>

Bank of England

STERLING REMITTANCE LISTS

£ 25

REMITTANCES FROM U.S. TO SICILY

1806

1. Cumulated total of beneficiaries of remittances who have been referred to the U.S. Consular Office for determination of nationality	8
2. Cumulated total of those certified as nationals	3
3. Cumulated total of those definitely rejected	
4. Cumulated total of those still pending	5

APPENDIX 'G'Notes on Life Insurance in Italy

A. Background

1. Prior to 1912, life insurance was being conducted by a number of Italian insurance companies, chiefly by the two largest and well-established companies, Assicurazioni Generali di Venezia, and Riunione Adriatica di Sicurtà, both with Head Offices in Trieste, and each with nearly a century of underwriting experience in many European countries.

2. In 1912 there was established in Rome the Istituto Nazionale delle Assicurazioni (National Insurance Institute) as a State monopoly of all forms of insurances dependent on human life. Policies and funds of the Institute were guaranteed by the State, which received a half of the Institute's net yearly surplus. Although organized as a life insurance company, the Institute was and remains an institution guaranteed, owned, and operated by the Italian Government.

3. The Institute's monopoly ended in April 1923, when private companies were permitted to re-enter the life insurance field. This re-entry did not, however, greatly impair the dominating position attained by the Institute during its eleven years of undisturbed monopoly. In fact, its position was confirmed as private companies were compelled to cede to the Institute a proportion of every risk assumed. This compulsory reinsurance quota, termed "cessione legale" was on a sliding scale of from 10% to 40% according to the experience of the ceding company. This arrangement continues at the present time, and means that the Institute holds technical records of every life policy issued by private companies.

B. Present Position

1. Although companies were readmitted to life insurance in 1923, not many seem to have taken advantage of this permission, probably due to the complexity of life insurance and the technical difficulties that small companies experience. Of some eighty - odd Italian insurance companies operating in 1940, only fifteen were transacting life insurance. Of these, the contribution of thirteen was very small, only Assicurazioni Generali di Venezia and Riunione Adriatica di Sicurtà having life portfolios of any size.

2. The relative position of the Institute and the private companies is illustrated by the following figures for 1940/41 of yearly premium income and policy reserves:

(millions of lire)

5. The Institute's monopoly ended in April 1923, when private companies were permitted to re-enter the life insurance field. This re-entry did not, however, greatly impair the dominating position attained by the Institute during its eleven years of undisturbed monopoly. In fact, its position was confirmed as private companies were compelled to cede to the Institute a proportion of every risk assumed. This compulsory reinsurance quota, termed "cessione legale" was on a sliding scale of from 10% to 40% according to the experience of the ceding company. This arrangement continues at the present time, and means that the Institute holds technical records of every life policy issued by private companies.

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2. The relative position of the Institute and the private companies is illustrated by the following figures for 1940/41 of yearly premium income and policy reserves:

	(millions of lire)	
	Premium Income	Policy Reserves
Institute (1941)	1149	6699
Two companies (1940) (a)	532	3821
Eleven other companies (1940) (b)	85	366
	<u>1766</u>	<u>10886</u>
		1805

(a) Assicurazioni Generali and Riunione Adriatica. Net of reinsurances with the Institute.

(b) Net of reinsurances. Figures for two minor companies not available.

3. In 1941 the Institute declared a total of over 4½ million policies in force for total sums insured of nearly 25,000 million lire. The number of policies is closely approximates the total number of persons insured with the Institute and the private companies together, while in proportion to the reserve figures, total sums insured for all Italy would be about 40,500 million lire.

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Appendix C

4. The Institutes total includes 12,500 annuities, and 1,500,000 "Fondos" policies (a small policy with monthly premiums collected by stamps). 3,700,000 were insurances effected direct with the public, and the balance were the "cessioni legali" from the companies.

5. With 60% of all policy reserves, 65% of all premium income, and a share in every life insurance contract in Italy, the importance of the Institute is apparent, quite apart from any other factors connected with its functions as a State concern. Moreover, although the Institute itself only conducts life insurance, it owns several general insurance companies, notably Assicurazioni d'Italia (usually known as "Assitalia"), Invevidertia, and la Fiume. Through them, and other companies, domestic and foreign, in which it has holdings, it thus also holds a strong position in Italian insurance other than life.

C. Organization of the Istituto Nazionale delle Assicurazioni

1. No considerable information is yet available regarding the internal organization of the Head Offices in Rome. It is known, however, that very few powers are decentralized to agencies, where absence of records of policy status makes administration from a point outside the Head Office (as in liberated territory up to now) a matter of great difficulty.

2. All technical records are maintained in Rome. All bank accounts were under the control of Rome, all policies are issued there, and premium collections accomplished by the issuance to agencies of premium receipts in advance of due dates. The Hollerith system is used for the yearly valuations of the reserves of its four million policies, necessitating bulky and easily disorganized records and machinery, while the appearance of the Institute's policies and premium receipts indicates a high degree of mechanization in other departments.

3. The Istituto is represented throughout Italy (and in some places abroad) by about a hundred "General Agents" employed under contract, and distributed about one to each Province. These General Agents are not officials of the Institute, but producing or soliciting agents. They also, however, act as forwarding agents for transactions on existing policies. They employ their own clerical staffs and local commission agents (who are not, therefore, State employees), and their remuneration is dependent on the extent to which they develop their territories. Certain limited powers were conferred on them by the Head Office of the Institute in July 1943 to meet invasion conditions, including powers of acceptance for new proposals, and partial disbursing authority for certain claims, surrenders, etc. These powers, however, visualized only a very temporary interruption of communications, and the extended period over which this interruption has lasted is producing complications not visualized when the instructions were formulated. These powers are now in course of abrogation by the Institute's Commission for Liberated Italy, who, in substitution for the management, is establishing a temporary central direction in Naples.

4. Over the General Agents are Inspectors, one for each "Compartimento", whose supervision of the General Agents does not extend to financial matters. Inspectors are the highest salaried officials likely to be encountered outside the

powers are decentralized to agencies, where amounts of territory up to now) a matter of great difficulty.

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4. Over the General Agents are Inspectors, one for each "Compartimento", whose supervision of the General Agents does not extend to financial matters. Inspectors are the highest salaried officials likely to be encountered outside the Head Office, and experience is that they are competent men.

5. Reference was made above to the "Post Office" functions of General Agents. These have reference to acceptance of new proposals, collection of premiums, and payment of loans, claims and maturities.

(a) New proposals were formerly sent to Head Office for acceptance. Rome issued the policy, set up the necessary technical records, and sent the policy to the General Agent for delivery. The pre-invasion instructions referred to above gave General Agents limited powers of acceptance, and authority to issue a cover note. In view of the long period of interruption of communications, the absence of, and inability to set up, technical records, is becoming a matter of concern, and unless the Head Offices in Rome are found in reasonably good condition, a stoppage of new acceptances may become necessary.

(b) Collection of premiums was formerly effected by preparing premium receipts by machinery in Rome, in advance of the due date, and despatching them to General Agents, who were responsible for the equivalent in cash or unpaid receipts, the latter being returned to Rome for recording change in policy status.

Continued severance from Rome has rendered this procedure impossible, with the result that General Agents have had to base their collections on their records of receipts a year ago (this is causing complications by reason of these records not containing any change in policy status). Collections were formerly deposited in bank accounts under control of Rome, but the Commissioner is at present engaged in centralizing local funds accumulated over the past few months, in order himself to retain control of disbursement and investment.

(a) Policy payments were formerly made by Rome by bank draft payable at any bank. Some disbursing powers were given to General Agents in their pre-emption instructions, but all powers of payment are now being concentrated in the Commissioner, who is using the best available officials to calculate policy payments from the scanty local receipts available. The same applies to annuity instalments.

D. Political Influences in the Institute

1. Definite conclusions on political influence in the administration of the Institute must await examination of the Head Office. It is generally believed, however, that the funds of the Institute were utilized for purposes not usually financed by life insurance institutions. More than half the total 1944 funds of 8604 million lire were direct obligations of the Italian State, and no data is published on the valuation of policy reserves to enable an opinion to be formed as to the soundness of the liability calculations.

2. The General Agents of the Institute should, however, be viewed with caution. A General Agent's contract is a valuable one, and given the General Agent complete charge over his subordi-ates. There are good grounds for belief that political colour entered largely into the securing of General Agents' contracts, and several such agents have already been removed on political grounds.

E. Organization of the Companies

1. What has been said above regarding the Institute applies with little modification to the companies transacting life insurance. In the case of Assicurazioni Generali di Venezia and Riforma Adriatica di Sicurtà, the delay in reaching their main offices in North Italy will be more prolonged than in the case of the Institute. The problems facing the Commissioners will accordingly become more complex, especially as they may have to take charge of more local agencies as occupation of the Italian peninsula proceeds. These companies' Commissioners have also to consider their other insurances, but as centralization is not so complete in general insurance, their problems here are simpler. The Commissioners of the smaller life companies are similarly placed, but due to the smaller agencies and absence of skilled staff, will probably find a statistician on all transactions but premium collections their only source of action.

F. Political Influence in the Companies

1. The system of employing agents with exclusive area contracts seems to be a common one in Italian insurance, and undoubtedly leaves the door open for

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financed by life insurance companies. The 1934-35 report published by the Italian State, and no data is published on the valuation of policy reserves to enable an opinion to be formed as to the soundness of the liability calculations.

2. The General Agents of the Institute should, however, be viewed with caution. A General Agent's contract is a valuable one, and gives the General Agent complete charge over his sub-agent's assets. There are good grounds for belief that political colour entered largely into the securing of General Agents' contracts, and several such agents have already been removed on political grounds.

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F. Political Influence in the Companies

1. The system of employing agents with exclusive area contracts seems to be a common one in Italian insurance, and undoubtedly leaves the door open for abuse. No detailed information is available on the infiltration of political influences into the companies except that a number of higher officials have undesirable political histories. Assicurazioni Generali di Venezia in particular has been reported as having been greatly penetrated by such influences, so much so, that its good pre-fascist name in Continental insurance has suffered. Non-technical posts, such as Commissioner and General Agents, are in ideal fields for minor party officials.

2. Mention may be made of the various political bodies for insurance agents and staffs (not exclusively life insurance). The chief ones were:

- (a) Federazione Nazionale Fascista delle Imprese Assicuratrici
- (b) Federazione Nazionale Fascista degli Agenti di Assicurazione e di Credito
- (c) Federazione Nazionale Fascista dei Dirigenti dello Aziende del Credito e dell'Assicurazione

with numerous ramifications of "Confederazioni" and "Sindacati". A recommendation

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Appendix G

has been made to the Legal Sub-Commission, AGO, that these Federations be abolished.

3. There are, however, technical difficulties for life insurance in which political influence is probably subordinated to technical functions, such as the Italian Institute of Actuaries, Consultative Medical Committee, and the Consorzio for the Life Insurance of Sub-standard Risks, all located in Rome. These will be investigated.

G. The Insurance Advisory Committee

1. An Insurance Advisory Committee was set up by the third Badoglio Government specially to consider problems relevant to insurance. It consists of three Government representatives, and six company commissioners, including those for the Istituto and the two largest companies. If qualified personnel are found in Rome - for example, in the Italian Institute of Actuaries - these will undoubtedly be added.

2. The Committee will consider whether the available resources and life records in liberated territory are sufficient to warrant resumption of all normal payments, and by what agencies, whether temporary Government assistance is necessary, and whether acceptance of new life insurances is possible or advisable. It will also formulate plans for tying local offices and the Commissioners' organizations to the appropriate main offices when these are reached.

REAR HEADQUARTERS
ALLIED CONTROL COMMISSION
AFG 394

CONSOLIDATED MONTHLY REPORT - MAY - ADMINISTRATIVE SECTION.

INTERIOR

Local Govt.

The Royal Decree restoring Local Government in Italy is being made applicable to Military Governed Territory.

Operations.

Prefects and Sindaci who acted under German occupation and who have not fled, will be relieved of their appointments. Pools of Local Government Officers of various grades are being constituted as a reserve for use where no suitable persons to replace the relieved officials can be found locally in recovered territory. Teams of officials have been sent forward to re-organise the devastated Provinces and Littoria Provinces.

LEGAL

The successive passing of increased responsibility to Italian Courts is proceeding with the object of freeing officers for more forward areas.

The consolidation of proclamations and orders and the issue of the booklet of "Consolidated Instructions for Allied Military Courts" have proved valuable both as helps and as a simplification.

Fascists are being dealt with in two ways. Under the Decree of Defascistisation of 28 Dec and under the recent Decree of Epuration. The former is a purely purging decree and provides the machinery for removing fascists from office and the machinery is not yet properly at work. The latter is a penal decree and provides the machinery for punishing those who have been guilty of "crimes". This Decree has only just been passed. No action under it has yet been possible. The progress of both classes is a matter of special care and interest.

Close contacts with officials of the Italian Ministry of Justice has been maintained and proper legislation discussed.

Some improvement has been shown as to the number of cases awaiting trial and the prison situation but constant watchfulness is necessary if it is hoped to get Italian Courts to deal with cases with reasonable expedition.

SAFETY

Operations.

The employment of Carabinieri in forward areas has proved very happy.

Their appearance is welcome to the refugees as a sign of their freedom and of hope of a return to stability. To the Carabinieri it has also been helpful. They feel they are assisting in the release of their country and are of real use to their people. Their own morale has been improved by

proceeding with the object of freeing prisoners. The consolidated instructions and orders and the issue of the booklet of "Consolidated Instructions for Allied Military Courts" have proved valuable both as helps and as a simplification.

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Maintenance of Order.

The co-operation between Provost and Public Safety Officers is becoming closer. Public Safety Officers have been asked to lecture at MP Training Centres. The practice of having joint patrols of Allied and Italian Police is being extended.

Crime.

An important case of counterfeiting was uncovered at Palermo where excellent counterfeit 1,000 L notes were in circulation. 39 persons were arrested, the plant and materials together with counterfeit notes to the value of 42 million Lira have been seized.

Prisons.

The question of overcrowding is still of importance but the seriousness of the position is now realized by all and the position is improving.

Control of Movement.

The additional restrictions have caused a great deal of additional work but have proved of great value in checking the activities of enemy agents.

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PUBLIC HEALTH.Operations.

The Italian Government has been most co-operative in finding doctors to go forward to recently recovered territory.

Disease.

Smallpox. No further cases have occurred in Taranto, the disease in Naples is of a mild form. At 31 May 161 cases had been reported. There are no deaths.

Veneral. The decline of the VD rate continues. 2,000 hospital beds for infected prostitutes have now been provided in Italian Govt Territory. The Italian Govt. doctors and officials are co-operating well.

Malaria. AAI has made a considerable amount of Paris Green available for Regions. DDT powder which proved of such value in Typhus control is now proving of value in anti-malarial work, mixed with oil it is an effective larvicide, and mixed with kerosene or talc it is an effective destroyer of adult mosquito.

Veterinary.

Hog-cholera. 2,500 swine have been lost in Region V from Swine Fever/Hog Cholera. The production of vaccine for this disease and of other biologicals is proceeding satisfactorily.

PROPERT CONTROL.

A Decree has been passed revoking measures previously taken against the property of allied - French nationals. Local officials have accordingly been instructed by the Min of Finance to revoke orders for sequestration and to re-assign property to the owner or the Property Control Officer for the owner. Banks which had been acting as managers of sequestered properties will continue to manage them for their owner. The Bank management is proving very satisfactory.

MONUMENTS & FINE ARTS.Operations.

AAA officers have been well forward and have entered captured positions with, or shortly after the capturing troops. The MAF is granting every facility for co-operation to avoid inadvertent damage and to enable damage committed to be tabulated.

The following lists of protected monuments have been issued.

- 1 Sardinia and Sicily.
- 2 Apulia, Calabria, Campania & Lucania.
- 3 Abruzzi & Lazio.
- 4 Le Marche, Tuscany & Umbria.

A booklet on the preservation of Works of Art with a foreword by the C. in C. Mediterranean Theatre has been distributed to the troops.

EDUCATION.

Defascistisation is not proceeding in Italian Territory as rapidly as is desired, but some improvement has been manifest recently. There have been a number of student disturbances mainly of a more or less good humoured nature to do with

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Text book printing is now complete. If text books are to be ready for next year a million will have to be printed during the next few months. The work is in preparation.

The development of various educational channels for infants, for recreation for youths (including scouts), for adults, for extension classes, for the teaching of arts and crafts and science and for technical education are all proceeding.

12 JUN 1944

STANISLAW,
VP Adm Sec.

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Declassified E.O. 12356 Section 3.3/NND No. 785016

HEADQUARTERS
ALLIED CONTROL COMMISSION
INTERIOR SUB COMMISSION
APO 394

Lh
AM

ACC/27/B/Int

5 June 1944

SUBJECT: Report of Activities for Month of May, 1944.

TO : Vice President, Administrative Section

1. LOCAL GOVERNMENT

(a) Surveys - Region II. Captain R. E. Temple of this Sub-Commission made a tour of Bari and Brindisi (15-23 May) for the purpose of surveying local government organization and administration, securing data of local officials and consulting with Regional and Provincial staffs.

A report has been completed and matters in which action and supervision is advised are being forwarded to the R. C.

Captain C. G. R. Williams visited the Provinces of Matera and Potenza (5-11 May) for a similar purpose; a report having been made and the necessary observations sent to the R.C. for his attention.

Information regarding Italian Officials was obtained and this has been "Carded".

(b) Royal Decree Reconstituting Local Government. The provisions of this Decree have been applied to Military Government Territory, but progress is slow in many Provinces.

2. ROME

(a) Italian Liaison Officials. The Ministry of Interior, Italian Government, has suggested that so soon as the Capital is liberated it would be advisable to send a limited number of trustworthy officials who have a knowledge of the personnel that may be found there, and of the Services. The Ministry has been informed that their proposals has been approved and have been asked to supply names. The proper channels were duly observed in this connection.

(b) City Administration. Following upon a request by the USA 5th Army, information in connection with the Chief Administrative Officials expected to be found in Rome has been collected; names have been supplied of officials who might be considered for the senior appointments. The comments of the Italian Government were (also) obtained and supplied in regard to all senior present incumbents. Much relevant information has also been supplied.

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3. Provinces in the Forward Areas. In view of the occupation of Italian and Provinces, arrangements have been made for the provision and organization of the necessary Italian Provincial Administration by arranging teams of senior officials.

The same arrangements are being made for Rome Province.

4. Pool of Sindaci. Experience having shown that at times the Sindaci of certain communes in the forward areas have proved incapable of dealing adequately with the problems of local administration under war conditions, the Italian Government have been approached with the view of forming a small pool of men who could be available at short notice to take over the duties of Sindaci under the control of A.M.G.

The Ministry of Interior has supplied the first six names and these are being "screened".

5. Church Affairs. The question has been raised of increasing the subsidy paid to the Clergy by the same percentages as have been applied to wages and salaries. A Royal Decree of 24 January 1944 granted temporary increases in Italian Government Territory, with effect from 1 November 1943. Steps are being taken to have the Decree implemented in Military Government Territory.

6. Prefect of Caserta. After considerable correspondence and meetings with the Minister of Interior, a Prefect was appointed for Caserta on 15 May 1944.

7. Italian Mail. It has been necessary to remind the Italian Government of the arrangement for effecting delivery of Mail in Military Government Territory, and also for the issuing of Orders direct to Prefect in Region I, instead of "through" the High Commissioner, there. As a consequence the Minister of Interior has addressed a further circular to all Ministries impressing upon them the necessity for conforming to the arrangement originally made.

8. Salary of Sindaci. The question as to whether Sindaci should be paid a salary, irrespective of financial position or location is at present the subject of correspondence with the Minister of Interior. While he agrees so far as Prefetti, he does not in regard to Sindaci, and in the latter he is, in my opinion, correct.

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9. Arms and Explosives Under Italian Law. Instructions have been issued by the Chief Commissioner that the law relating to the carrying of firearms by Italian civilians in Italian Government Territory is to be strictly enforced, and that full use is to be made of the existing powers in this respect. An Order has been made and the Minister of Interior has been asked that all Prefects be directed to publish it. The Order draws attention to the provisions of the Italian Penal Code.

10. Accommodation of Refugees. The Italian Government asked that the ban on certain Areas be lifted. As the restriction on the Areas designated is for the time being enforced by the Army for Army purposes, the Minister has been so informed.

11. Local Government Course. The third course took place between 2 and 9 May. Officers from Regions I, II, IV, V, VI, and VII, and from 8th Army attended; eleven in all. The class was in the Director's opinion, the most intelligent of any yet assembled.

All the preparatory work for the fourth course had been completed; it has had to be cancelled; a revised date will be notified, if and when circumstances permit.

12. Giunta Consultiva, Sicily. This problem is still under discussion by the Italian Government.

13. Conferences. In addition to routine Conferences the Director attended the Regional Commissioner's Conference at Naples (30/31 May).

14. Transfers and Promotions of Prefects and Vice-Prefects. There have been many appointments, promotions, and transfers. The Minister of Interior interviewed the Director on more than one occasion in this connection. All Regions concerned were consulted and the Vice-President's decisions were conveyed to the Minister who showed throughout a most co-operative spirit.

15. PERSONNEL

The following is the personnel as at 31 May 1944:-

(a) Military - Officers

(1) Colonel R. G. E. Spicer

Director

(B)

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(ii) Captain R. E. Temple	Executive Officer	(A)
(iii) Captain C. C. R. Sullivan	Ass't. Executive O.	(B)
(iv) Lieut. W. V. M. Lewis	Staff Officer	(B)
(v) Captain T. C. Shanks	Adjutant	(B)

(b) Military - GS/SH.

(1) S/Sgt P. G. Wright	Chief Clerk	(B)
(ii) Tech/Sgt J. G. Gregory	Stenographer	(A)

(c) Civilians.

(i) Marchesiello, Salvatore	Typist (Italian)
(ii) Bendheim, Dr. Martin	Typist (Swiss)

16. GENERAL.

The foregoing incorporates the main items of the work done by this Sub-Commission during the month, and it would be redundancy to add to it.

R. O. B. SPICER

R. O. B. SPICER
Colonel
Director
Interior Sub-Commission

REMS/jgt

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HEAD HEADQUARTERS
ALLIED CONTROL COMMISSION
Legal Subcommittee
APO 394

Lh
RRC

ACC/4043/L

10 June 1944

SUBJECT: Legal Subcommittee, Monthly Report for May 1944.

TO : Chief Commissioner, A.C.C.

1. The work of this Subcommittee during the month of May 1944, *in addition to advisory and legislative work* has been primarily aimed:

(a) at enabling the legal officers in the field to undertake their duties at the newly conquered areas with efficiency and despatch; and

(b) at relieving the legal officers in rear areas of as much work as possible, so as to free them for more important duties. With this object, close cooperation has been established with the new Minister of Justice, who was pressed to secure that the Italian Courts in Italian Government Territory are brought up to date with their own work and to arrange that they take over, to an increasing extent, cases which have hitherto come before A.M. courts.

GENERAL:

2. The four consolidated proclamations, prepared in April to replace the previous 15 proclamations, were circulated to the armies before the recent advance and will henceforward constitute the basis of Allied Military Government in newly conquered areas. A great simplification has thereby been achieved.

3. The work of consolidating the General Orders so as to conform to the new proclamations has been put in hand, and General Orders Nos. 1 and 2 consolidating all previous General Orders with respect to Finance have been completed. A number of new General Orders have been discussed and agreed with Sub-Commissions.

4. Much time has been spent in considering the question of the ~~proposed~~ ~~General Order regarding~~ Defascistisation particularly in Military Government Territory.

5. In response to a request from R.C. Region IV, a thorough investigation has been made into the powers of requisition.

ITALIAN FRANCE

6. As mentioned above, satisfactory cooperation was achieved with the new Minister of Justice. 1797

Among the more important matters discussed with him or his representatives have been the following:-

- a. Temporary simplifying amendments to the Code of Penal Procedure.
- b. Dissolution of fascist organizations.

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- c. Penal cases for "muzzings" offences.
- d. Opening of the Court of Cassation at Salerno.
- e. Pool of judicial officials for service at Rome.
- f. Allocation of cases concerning offences against Allied interests between Italian Civil and Military Courts.
- g. Furnishing of general statements as to sentences imposed by Allied Courts Martial against Italians.
- h. The question of applying the Italian Amnesty decree in AMG territories as regards preoccupation offences.

In particular much discussion has taken place regarding the decrees for defascistization and epuration, which have since been officially approved. The epuration decree has been published.

7. A number of draft decrees were submitted by other Sub-Commissions for perusal. Amongst these were : decrees for collecting wheat and barley; decrees enacting the law dissolving fascist militia; registration of aliens; proposed decree on labor matters; decree on rationing of electric power, etc..

8. This month has witnessed a special effort to bring back the Italian legal system in rear areas to full efficiency. Visits were paid by the Chief Legal Officer to regions 2 and 7 and by the Deputy Chief Legal Officer to Region 5, and difficulties of accommodation and personnel were investigated with Italian judicial officials on the spot. In Sardinia a further improvement has been effected in the prison and court situation. The general position is now considered reasonably satisfactory, except at Bari, where a special investigation has been undertaken.

9. A large number of appointments and re-allocations of Italian judicial personnel has been agreed with the Minister; and arrangements are under discussion for providing additional judges from among the POWs interned in North Africa.

10. Arrangements have been made to improve the working of the Italian Military Courts, and a legal officer has been designated to deal exclusively with this problem.

11. Discussions have continued as regards handing over of work to Italian Courts in A.M.G. Territory. The arrangements so far made extend to certain offences such as curfew violations, speeding offences and prostitution. A comparative study of AMG prosecution provisions and analogous Italian penal laws has been completed and transfers of other types of cases are contemplated in the near future.

ALLIED MILITARY COURTS.

12. Opinions have been reviewed which show that the new "Consolidated Instructions for Allied Military Courts" have met a real need.

13. Many cases have been submitted with a view to the appointment of an Allied Military Court for the trial of persons in Italian Government Territory for offences against Allied personnel or property. In view of the policy laid down by the Chief Commissioner one of such cases was authorized in Region I

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(murder of British seaman) and two in Region II (Allied mail theft and espionage and fascist conspiracy).

14. In Military Government Territory Allied Military Courts continue to function satisfactorily, though efforts are still being made by this Sub-Commission to ensure a greater uniformity of sentences.

It has been proposed that
15. Region III's Regional Order No. 18 (dealing with Prostitution) has been revoked for the purpose of having Italian courts deal with these cases under Italian law.

16. In espionage cases seven death sentences were confirmed and one conviction, with death sentence, was quashed.

17. The new system of reviewing cases has been working satisfactorily. A large number of cases still come to this HQ for review owing to the number of Superior Military Courts sitting in Naples. Efforts are being made to raise the standard of court records and notes which at present in many cases leave much to be desired.

Richard H. Warner
Col LAC

For

G. R. UPSON,
Colonel,
Chief Legal Officer.

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REAR HEADQUARTERS
ALLIED CONTROL COMMISSION
Public Safety Sub-Commission

6 June 1944.

ACC/14027/PS

SUBJECT: Summary of Monthly Report for May 1944.

TO : Vice President, Administrative Section.

The plans for moving Carabinieri into new territory as the Allies advance have worked smoothly. It has been reported on all sides that the Carabinieri have proved of the greatest assistance to Allied Forces in dealing with all civilian problems. It is interesting to note that the appearance of Carabinieri with the advancing troops has been enthusiastically welcomed by civilians.

Much closer relationship has been established between Provost and Public Safety Officers, with the object of maintaining direct contact between Allied Military Police and the Italian Police. Courses of lectures by Public Safety Officers are being given at Military Police Training Centres. The system of joint patrols by Allied and Italian Police is being extended.

The most serious case of counterfeiting yet reported was discovered at Palermo, where forged L. 1,000 Allied Military notes were being circulated. The printing press, tools and materials have been seized. 39 persons arrested and L. 42,000,000 recovered.

The problem of overcrowding in civil prisons has been energetically tackled and it can be said that the crisis has passed. All persons concerned now have a lively appreciation of the problem. The new Director of Prisons at the Ministry of Justice is forming a competent staff and a body of Inspectors.

The Military Security Services have reported that the additional restrictions imposed on the movement of civilians (which have thrown a good deal of work on ACC officers in the field) have proved of great value in checking the activities of enemy agents.

A. E. YOUNG, Colonel,
Deputy Chief, Public
Safety Sub-Commission.

FAV/t

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REAR HEADQUARTERS
ALLIED CONTROL COMMISSION
APO 394
Public Health Sub-Commission

ACC/3016/PH

8 June 1944

SUBJECT: - Public Health Sub-Commission
Report for Month of May, 1944.

THRU : - Adm Sec.

TO : - Chief of Staff.

1. PERSONNEL:

(a) Early in May, Colonel D. Gordon Cheyne, CBE, MC, MD, was made Brigadier and appointed DDMS, XIII Corps. Brigadier Cheyne was the Director of Public Health and Welfare in AMGOT and it was under his aegis that all the plans for the original AMGOT medical organization for the invasion of Sicily was prepared. His work in this sphere was of outstanding quality and HQ, XIII Corps has undoubtedly gained a DDMS of great ability.

(b) Owing to increased military activities and the demand for medical and other specialist officers in the forward areas, the rear Regions are, according to ACC policy, being cut to the bone. Region I, II, and VII are operating with only one medical officer. The RHQ, Regions III and VI have been warned to delegate increasing responsibility to the Italian officials so that Allied officers may be released when required.

(c) Lt. Col. Walter H. Miles, (A) MC reported for duty with the Sub-Commission on 26 May and has been assigned to Region III in order to familiarize himself with AMG/ACC problems.

(d) 1st Lt. Imogene Yarborough and 2nd Lt. Maria Milano of the U.S. Army Nurses Corps reported for temporary duty with the Sub-Commission on 17 May. They have been attached to HQ and are already initiating a study of Italian nursing services.

2. POLITICAL:

(a) Majors Bizzozero and Frizelle visited Palermo for the purpose of attending a meeting of Italian Medici Provinciali. This meeting was held to discuss the desirability of obtaining Government sanction for the formation of an Italian Ministry of Health.

(b) At the conclusion of the meeting, the Italian doctors withdrew to another room where, after a brief conference, they spontaneously issued an "order of the day" asking for the institution of a National Ministry of Health.

(c) The Italian Government has appointed a VD Control Officer whose functions have been outlined in previous reports.

(d) The Italian Government has also appointed a Chief Pharmacist, whose duties will be to supervise the production of drugs in Italian Government Territory and also to assist and advise the various Italian agencies in their problems of distribution of medical supplies after they have been received from ACC.

(e) Daily conversations took place with the Chief Medical Officer of the Italian Government, who has been very helpful in supplying Italian doctors to send forward to areas where they are most needed. Within 24 hours of the request having been received, a Medico Provinciale was on his way to reorganize the province of Littorio.

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ACC/3016/PH - May Report, Public Health Sub-Commission (Continued).

3. ITALIAN RED CROSS:

The Director of the Sub-Commission has had several conferences with the Secretary General of the Italian Red Cross, the Marquis Theodoli. The Marquis has outlined his proposals for the re-organization of the Society in Italy and has already circulated every province with a questionnaire regarding local conditions. He is, however, at present working under the joint difficulties of shortage of funds and shortage of staff.

4. FIELD TRIPS:

It is sometimes felt that a headquarters staff does not get in direct touch with problems arising in the field. Such an impression can or cannot be refuted by figures as the case may be. As far as the HQ of this Sub-Commission is concerned, May brought a new record in field trips, the total being 165 days.

5. PUBLIC HEALTH BRANCH:

(a) Smallpox.

- (i) Since last month's report no further cases have been reported from the Taranto area. Systematic vaccination is taking place over all Southern Italy.
- (ii) The Naples epidemic continues and the figures up until the last day of the month are 161 cases and 145,813 vaccinations. Individual vaccinations are done in the homes of contacts and mass vaccinations are done in dispensaries, hospitals and ricoveri. Ample quantities - over half a million doses - of calf lymph are available, and Palermo is in addition, still producing further vaccine on a large scale. The disease in Naples has occurred in a mild form and there have been no deaths.

(b) Veneral Disease.

- (i) The VD Control Officer's report for May is much more encouraging than the April report. There is a decline in VD rates among military personnel throughout the whole Italian Government Territory. This has been maintained progressively over a period of several months.
- (ii) New hospitals for the treatment of infected prostitutes have been opened in Bari and Foggia. In Italian Government Territory there are now nineteen such hospitals with a total of over 2000 beds. On an average, 1800 beds are constantly in use and the monthly turnover is approximately 3500.
- (iii) It is considered that while these gratifying results reflect great credit on Major Lewis's energy and initiative, the contribution of the Italian Government and the Italian doctors must not be forgotten. Much difficulty has been experienced in opening these hospitals, obtaining the necessary beds, blankets, sheets, knives, forks and so forth, and the success achieved has chiefly been due to the efforts of the Italian officials themselves.

(c) Veterinary.

- (i) Major Ashmore, together with a representative of the Italian Veterinary Service, spent a large part of the month at Foggia and Campobasso, dealing with the Hog Cholera epidemic. Approximately 2500 swine have been lost in both Foggia and Campobasso Provinces with a very slight loss (50-100) in Chieti Province. The extension of the disease is not considered abnormal in view of the contagiousness of the condition.
- (ii) In order to immunize large numbers of swine, a considerable quantity of vaccine is required. The newly repaired Zooprophyllactic Laboratory at Foggia is to be congratulated on turning out 8,000 doses of vaccine and is producing 500 doses daily. To supplement this, large quantities of vaccine have been ordered from the U.S.A., and are expected to arrive during the first ten days in June. Suitable decrees have been issued, making vaccination compulsory.

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★ ACC/3016/PH - Jy Report, Public Health Sub-Commission (Continued)

- (iii) Instructions for the control of both Rabies and Epizootic Lymphangitis have been issued in Military Government and Italian Government Territory.
- (iv) The production of veterinary biological preparations at Portici is proceeding in a very satisfactory manner.
- (v) Proposals for the revision of livestock marketing and slaughtering regulations are being discussed with the Agriculture Sub-Commission.

6. MALARIA CONTROL BRANCH:

(a) Due to the efforts of Colonel Russell, AAI has agreed to release a considerable quantity of Paris Green for distribution to all Regions. This will be used for larviciding purposes in addition to the oil already on hand. As Paris Green is a cheaper larvicide than oil and is, in addition, the agent with which Italian malaria control workers are accustomed to work, this release should have a most stimulating effect upon civilian control agencies.

(b) The powder, DDT, which has proved of such value in Typhus control work, has been found to have a new sphere of usefulness in malaria control. Mixed with oil it proves to be a very efficient larvicide and when this mixture is put into specially prepared tanks slung below an aeroplane, large areas of water can be oiled from the air in a very short space of time. A number of demonstrations of aeroplane spraying have been held this month over a field demonstration area south of the Volturno River. These demonstrations were attended by many high ranking officers of all Services.

(c) It has also been found that DDT mixed either with kerosene or with talc powder will kill adult mosquitoes and flies. As mosquitoes rest during the day on the walls of houses, barns or stables, they can be killed by applying DDT to the walls on which they rest. Up till now it has been found that one application is effective for fourteen days. A number of field experiments have been carried out during the month regarding the most advantageous methods of employing DDT mixed either in kerosene or powder for such a purpose and Colonel Russell has issued a memorandum on the type of sprayer and the concentration which give the best results.

(d) A number of conferences on malaria control have been held with representatives of MATOUSA, AAI, 5th and 8th Armies, AAF, PBS and the Italian Government.

7. MEDICAL SUPPLY BRANCH:

(a) The distribution of medical supplies to 5th and 8th Armies has been discussed. Arrangements have been made for Region IV to set up a supply depot on which 5th and 8th Armies can draw as long as these units are still within Region IV territory.

(b) The medical supply situation in Region VI is much improved. This is considered largely due to the excellent work done by Lt. Col. Dobos.

(c) Ample supplies of smallpox vaccine are now available and 400,000 doses will be turned over to the Italian Government to enable the compulsory vaccination program to be carried out. It is reported that Palermo is preparing 1 million doses for use, if required, in the forward areas.

(d) A system of distribution of medical supplies has been set up in the newly formed Region VII.

8. WELFARE BRANCH:

(a) Executive Memorandum No. 58 was issued through AG & IG Section. This memorandum outlined the duties of Welfare Officers, established Provincial Welfare Departments in AMG Territory and clarified the functions of Sub-Commissions whose activities touch upon welfare.

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ACC/3016/PH - May Report, Public Health Sub-Commission (Continued)

(b) Conferences have been held with Prof. Quarierello of Naples University concerning the determination of a minimum cost of food for a family.

(c) The Italian Government has issued two decrees concerning welfare activities. The first decree increases allowances to needy dependents of Italian soldiers and places this relief work under the ECA Committee. The second decree removes the possibility of Fascist organizations being represented on ECA governing committees and permits each committee to elect its own chairman.

(d) A meeting of Regional Welfare Officers was held at Salerno on 26-27 May. The High Commissioner for Italian Refugees and the Director General of the Civil Administration Section of the Ministry of Interior attended. The latter presented his views on the re-organization of Italian welfare legislation. He stated that any substantial change should have to be postponed until all Italy was liberated. Until that time, it is the intention of the Ministry of Interior to make only temporary changes.

SUMMARY:

- (I) All front areas are being reinforced by officers withdrawn from rear areas.
- (II) The Italian Government has appointed a Chief Inspector for Venereal Disease and a Chief Pharmacist.
- (III) The Italian Government is very helpful in providing doctors to be sent to the forward areas.
- (IV) The Naples smallpox epidemic, while still continuing, is of a mild nature and is not causing undue anxiety. There have been no deaths.
- (V) Large scale vaccinations are being introduced throughout Southern Italy and there is an ample supply of calf lymph.
- (VI) VD rates among troops are showing a progressive decrease. More hospitals for infected prostitutes have been opened.
- (VII) Energetic steps have been taken to combat the Hog Cholera epidemic.
- (VIII) Very important research work on the use of DDT in malaria control has been undertaken.
- (IX) Arrangements have been made for the furnishing of medical supplies to the advancing AMG 5th and 8th Armies.
- (X) The Italian Government is considering the eventual re-organization of its welfare agencies.

G S Parkinson

G. S. PARKINSON, Brigadier
Director, Public Health Sub-Commission.

PH/GHE/ja

DISTRIBUTION:

- HQ, AAI (2)
- DDMS, XIII Corps (1)
- RCs all Regions for RPHOs (1)
- Dr. Vezzoso, c/o Italian Ministry of Interior. (1)
- HQ, AMG 5th Army (1)
- HQ, AMG 8th Army (1)
- Heads of Branches, P.H. Sub-Commission (1)
- Public Relations Officer, ACC. (1)

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Declassified E.O. 12356 Section 3.3/NND No. 785016

REAR HEADQUARTERS
ALLIED CONTROL COMMISSION
PROPERTY CONTROL SUB-COMMISSION
APO 394

100/705/12

5 June 1944

Subject: Admin. Section Report.

To : VP ADM Sec.

1. Herewith paragraph for inclusion in VP's report;

The Italian Cabinet has approved a decree delegating the application of the war law of 1938 to property pertaining to governments and nationals of the United Nations and "Axis".

2. The taking into custody of Allied and French properties in the Regio area is nearing completion. 256 real properties have been taken into custody, and 46 business concerns, of which 19 are American, 13 British, and 6 French.

C. H. Harris

C. H. HARRIS,
Major-General,
Director of Property Control.

1791

-6 JUN 1944
JST

REPORT OF DIRECTOR OF PROPERTY CONTROL FOR MAY 19441. Negotiations with the Italian Government.

The Italian Cabinet have approved a decree revoking the measures taken under the War Law of 1938 against the property of Governments and nationals of the United Nations and France. The Minister of Finance has given instructions to all Prefects and Intendenze di Finanza in Italian Government territory to revoke decrees of sequestration, and to confirm the action taken by Property Controllers during the period of military Government by revoking decrees of sequestration and formally reconsigning properties to the owners, if present, and if absent, to the local Property Control Officer. The banks which formerly acted as managers of the sequestered real properties on behalf of IGELI (the Italian Enemy Property Department) will continue to manage these properties as the agent of the DPC. It has been found so far that the banks (Banca di Sicilia and Banco di Napoli) have performed this service in a very satisfactory manner, and the above mentioned arrangement should prove the simplest and most efficient way of dealing with the problem.

Owing to the rent restriction acts, which are being kept in force as part of the anti-inflation programme, a considerable number of properties are in deficit, and the Ministry of Finance has agreed to advance any sums which may be required for their maintenance. The fees payable to the banks for the management of properties will also be advanced by the Italian Government, such advances to be placed in a separate account in order that their ultimate liquidation may be determined by the Peace Treaty. The Ministry of Finance has also agreed to advance any sums which may be necessary for urgent repairs, etc, required to protect war damaged properties from further deterioration. These advances will also be placed in a separate account, and their liquidation will be determined by the Peace Treaty.

2. Personnel.

Lt.Col. A. Leadley (B) reported to this HQ from U.K. Major G. H. Mauro reported to this HQ for duty, and was assigned ACP Region III. Major A. C. Newell was appointed RCP of Region V, vice Capt. H.C. MacDaniel re-assigned. Major Hamilton was relieved assignment as ACP Region III, and assigned ACP Region IV (Rome City). Capt. O.P. Lee relieved assignment ACP Region III, and re-assigned. 2/Lt. I. Manek relieved assignment Region V and assigned Region IV (Rome City). Major Gard, RCP Region III, promoted Lt. Col. Capt. Cavenaugh, RCP Region II, promoted Major. Lt. Beeson, ACP Region I, promoted Captain. 2/Lt. Shaine, ACP Region I, promoted 1st Lieut. Major Bennett of Region III went into hospital, and was then ordered to U.K. Capt. Beeson of Region I also in hospital and afterwards ordered to U.K. Lt. Col. Carroll and Major King made tour of inspection of Region I, from 22 May to 2 June. Lt. Col. Leadley began 10 day tour of inspection of Region III on the 30 May. Major King made a tour of inspection of Region III from 5 May to 11 May.

Region I3. Real Estate.

40 Allied and 2 Greek properties were taken into custody during the month, 17 1944, there being all small properties in the province of Messina, presumed to belong to U.S. citizens. The process of taking United Nations real properties into custody is now approaching completion.

2. Personnel.

Lt.Col. A. Leadley (B) reported to this HQ from U.K. Major G. H. Munro reported to this HQ for duty, and was assigned ACP Region III. Major A. C. Newell was appointed RCP of Region V, vice Capt.H.C.MacDaniel re-assigned. Major Hamilton was relieved assignment as ACP Region III, and assigned ACP Region IV (Rome City). Capt.O.P.Lee relieved assignment ACP Region III, and re-assigned. 2/Lt.I.Maneck relieved assignment Region V and assigned Region IV (Rome City). Major Gard, RCP Region III, promoted Lt. Col. Capt.Cavonaugh, RCP Region II, promoted Major, Lt.Beeson, ACP Region I, promoted Captain. 2/Lt.Shaine, ACP Region I, promoted 1st Lieut. Major Bennett of Region III went into hospital, and was then ordered to U.K. Capt.Beeson of Region I also in hospital and afterwards ordered to U.K. Lt.Col.Carroll and Major King made tour of inspection of Region I, from 22 May to 2 June. Lt.Col.Leadley began 10 day tour of inspection of Region III on the 30 May. Major King made a tour of inspection of Region III from 5 May to 11 May.

Region I

3. Real Estate.

40 Allied and 2 Greek properties were taken into custody during the month, ^{17 1943} never being all small properties in the province of Messina, presumed to belong to U.S. citizens. The process of taking United Nations real properties into custody is now approaching completion.

Bronte Estate.

Owing to lack of transport it has not been possible to market the whole of the orange crop.

Marshall Estate, Francoforte.

Great difficulties have been experienced in finding a tenant for this remote property, but a candidate has at last appeared. If he is found to be satisfactory the property will be let to him.

The formal restitution to the Italian Government of a number of government buildings, of which custody was taken by AMG, took place during the month. This virtually completes the restitution of Italian State property.

- 2 -

4. Allied Concerns.

Commercial and Industrial Concerns.

(i) Reclusa Asphalt Mines.

Output continues satisfactorily. Accounts for March-April received by RCP, but have not yet been transmitted to this HQ.

(ii) Pitta Bordo.

No sales were made during the month.

(iii) Pitta Eyraud, the French firm, Lipari, and the S.A. Industrie Meridionali Agricoltori, Avola, are under investigation with a view to taking custody.

(iv) Investigation is proceeding into the Belgian interest in the Catania Tramway Co. This company is registered in Belgium, and at one time represented a Belgian interest, but I am informed that the ownership of the concern had passed into Italian hands some time before the outbreak of war.

5. Italian Concerns.

(i) Unione Militare.

Transfer of assets both at Palermo and Messina to the Italian Army, Col. Guido Pinto, were completed during the month.

(ii) Corniere di Sicilia.

Negotiations are in train with the Italian High Commissioner for Sicily, Sig. Masotto, and with P.M.B., for the transfer to them of the printing press of the Corniere di Sicilia, which was acquired by the Fascist party some years before the war. The newspaper itself is the property of P.M.B., which in the occupation of Catania revived a defunct periodical bearing this name. It is considered undesirable on general principles that P.M.B. should own a newspaper in Italian Government territory, and arrangements are being made for the sale of the printing press by a liquidator appointed through recommendation of Sig. Masotto, to newspaper interests favorable to the Allied cause.

Region II

6. Affairs in this Region are progressing in a satisfactory manner. It is only necessary to mention Teramo Tramways & Electric Supply Co. (S.R.). This company was sequestrated by decree of the Ministry of Corporations on 21 December 40. On the arrival of Allied troops in April 1943 the Prefect of Teramo, at the request of Col. Middleton, issued a decree cancelling the sequestration. The effect of this decree, concerning the validity of which I am not qualified to judge, was to restore to the creditors of the company the right of preferring claims against it. As these claims amount to over two million lire, and the available resources of the company are far below that sum, I presume the only solution will be to put it into liquidation. I have therefore suggested that a receiver be appointed in the person of Avv. S. di Alessandro, who would operate the company until such time as it is possible to come to an equitable settlement with its creditors.

(ii) Corriere di Sicilia.

Negotiations are in train with the Italian High Commissioner for Sicily, Sig. Musotto, and with P.W.B., for the transfer to them of the printing press of the Corriere di Sicilia, which was acquired by the Fascist Party some years before the war. The newspaper itself is the property of P.W.B., which in the occupation of Catania revived a defunct periodical bearing this name. It is considered undesirable on general principles that P.W.B. should own a newspaper in Italian Government territory, and arrangements are being made for the sale of the printing press by a liquidator appointed through recommendation of Sig. Musotto, to newspaper interests favourable to the Allied cause.

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6. Affairs in this Region are progressing in a satisfactory manner. It is only necessary to mention Terento Tramways & Electric Supply Co. (B.V.). This company was sequestrated by decree of the Ministry of Cooperations on 21 December 40. On the arrival of Allied troops in Apulia in 1943 the Prefect of Terento, at the request of Col. Middleton, issued a decree cancelling the sequestration. The effect of this decree, concerning the validity of which I am not qualified to judge, was to restore to the creditors of the company the right of preferring claims against it. As these claims amount to over two million lire, and the available resources of the company are far below that sum, I presume the only solution will be to put it into liquidation. I have therefore suggested that a receiver be appointed in the person of Mr. Bari Alessandro, who would operate the company until such time as it is possible to come to an equitable settlement with its creditors.

Region III

7. Real Estate.

Declarations of Custody were made in respect of properties of 36 United Nations nationals, involving a total of 75 separate parcels. The total of declarations with respect to real estate is no. 116, covering 356 parcels.

8. Allied Concerns.

(a) Summary.

Out of 87 business concerns investigated in Region III, 46 were taken into custody up to 31 May 44. Analysed as to nationality, these are as follows: American 19, British 13, French 6, Greek 6, Belgian 1, unallocated 1. Two American concerns have been released. Of the remaining 41 concerns investigated there are only one or two which may yet have to be taken into custody.

(b) Declarations of Custody during month.

During the month of May 44 the following concerns were taken into custody:

- 3 -

(1) Compagnia Singer per Macchine da Cucire (SAI), 3N3683A

This American owned company, whose head office is in Milan, was sequestered on 26 June 40, probably because it was believed to be British owned. However, the appointment of the sequester, Luigi Benotti, was delayed until 3 Feb 42. On 25 Jan 43 there appears to have been a change in the administration of the company. The Societa Nebiolo di Torino was appointed at that time to administer the business, and on 17 Mar 43 three experts were appointed to place a valuation on the company for the purpose of sale. It is understood that one of these experts, who visited the Naples branch on 18 June 43, indicated to the branch manager that the business had been sold for approximately L.120,000,000, and that this sum would be deposited with the Cassa Depositi e Prestiti. Whether the business has in fact changed hands or was in process of changing hands is not clear from the branch records. It was decided to take custody of all the assets of this company which were located in Region III. Other branch offices in Allied-occupied Italy are as follows:

- (a) Bari, Via Argiro 8.
- (b) Catanzaro, Corso Vittorio Emanuele, Palazzo Pazzani.
- (c) Cagliari, Piazza del Carmine 9.
- (d) Palermo, Via Roma 325.

Seized by requisitions of its building, motor equipment and furniture, the Naples branch of this company is still carrying on the business.

(2) H. N. Maffei (SAI), 3N3715A.

This is a small company wholly owned by Pastore & Co., New York City. The complete destruction of its merchandise and furniture has converted the company's capital into a deficit. It has an office in Rome which appears, however, to be only a legal address.

(3) Film Producers, Allocations 3N3691A to 3698A inclusive.

Custody forms have been prepared for eight American film producing companies, and separate bank accounts for each. Funds were transferred from the unallocated film group account to the respective producers in accordance with a statement of income and expense submitted by P.W.B. as of 9 Mar 44. There are still to be transferred funds received after 9 Mar 44, including funds belonging to OWI, MOI, and British film producers. The unallocated film group account also contains some funds presumably belonging to American, British and French producers, such funds having been collected by P.W.B. on the basis of 60%, a provisional rate, on rentals on expired rental contracts. The authority and accuracy of these latter collections can be determined only upon examination of the contracts with Italian distributors, which contracts are believed to be in Rome. Expenses incurred by P.W.B. in the distribution of films have been somewhat less than 10% of collections. This expense is being borne by each company in proportion to the rental collections credited to them.

(c) SIA & SIFPIC, 3N3511A and 3N3511A.

Allied interests in SIA and SIFPIC appear to have been at the outbreak of war 48% and 46% respectively. At 1 Jan 38 the books of SIA showed that this company had made

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- (c) Cagliari, Piazza del Carmine 71.
- (d) Palermo, Via Roma 325.

Handicapped by requisitions of its building, motor equipment and furniture, the Naples branch of this company is still carrying on the business.

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- (c) SIA & SIPPIC, 3N3513A and 3N3514A.

Allied interests in SIA and SIPPIC appear to have been at the outbreak of war 48% and 46% respectively. At 1 Jan 38 the books of SIA showed that this company had made allowances totalling L.701,981.80 to another company, known as SNIA Viscosa, a company manufacturing artificial silk at Milan and Rome. It is understood that the same Allied shareholders own a similar proportion of shares in this latter company also. Both the Allied and Italian shareholders have loaned large sums to SIA, and since the outbreak of war the proportion of the Allied interest was reduced by issuing additional stock to Italian interests, effected by means of transfers from the Italian loan account. The result was to reduce the American interest to 40% and 34% respectively. Furthermore, these bookkeeping transfers were made at figures much below their true value. To carry out this plan, fictitious liabilities were created and valuations of fixed assets reduced, as evidenced by a statement previously presented by the company's engineer, fixing the value of the fixed assets at approximately 50% above its then book value. That these valuations were grossly understated and their true value well known to the Italian interests is brought out by the fact that the Italian interest had changed hands at that time, and that the new Italian owners, who had caused these undervaluations to be recorded, paid a price for their interest which was at least three times greater than the book value before the undervaluations were recorded. An instance is noted where auto equipment costing L.371,082.17 had a reserve for depreciation of L.726,531.57, resulting in a valuation of L.355,449.40 less than zero. This equipment is still in operation. The loss to the American interests due to this transaction was roughly

(d) Balance Sheets at date of custody.

An analysis of the 46 concerns under custody is as follows:

Carrying on	24
Care and maintenance	10
Fully liquidated	6
Minority interests	4
Released	2

No verification of balance sheets is being made in the case of minority interests. In the first two classes the verification of the balance sheets of 12 concerns have been almost completed. Attempts will be made to complete the verification of all balance sheets during the month of June 44.

(e) Monthly statements by business concerns.

Of the 34 concerns under custody which are doing business or are on a care and maintenance basis, 21 are branches of concerns whose main office or activity is outside Sicily. In these cases only a summarized cash account is being requested monthly. In addition to a statement of sales activity. For the remaining 13 concerns, a complete trial balance and total monthly activity of each account, as well as a detailed analysis of expenses, is being requested. In cases where inventories of merchandise are available, balance sheets and profit and loss statements are to be prepared.

9. Miscellaneous, securities, bank accounts, etc.

Included in the 3,207 cases in respect of which declarations of custody have been completed, are 2,969 relating to bank accounts in my name. There are also 161 cases where securities have been placed at my disposal.

10. Capri and Ischia.

The work of taking custody on the Islands of Capri, Ischia and Procida has been practically completed. During the month Major Hamilton has visited Procida, where 21 cases have been investigated, and Capt. S. de la has completed the work at Ischia.

11. Salerno Province.(a) Real Estate.

The thirteen properties belonging to Allied nationals have been located in Salerno Province, but have not as yet been taken into formal custody, although the three large villas at Ravello - Villa Cimbrone, Villa Remolina and Villa Rufolo - are in fact under control, as well as the property of Mrs. Kate Blaker at Positano. Completion of formal custody has been delayed pending the publishing of the decree of sequestration heretofore mentioned (para 1). Villa Cimbrone has inspected during the month, and found to require some repair to prevent deterioration, due to water leakage through the roof and a faulty water pipe.

(b) Commercial Concerns.

No commercial concerns have been located other than St. Emerico Export Preserving Co., in which custody of the British shareholders' interest has been taken, and a

from III. In these cases only a summarized cash account is being requested monthly, in addition to a statement of sales activity. For the remaining 13 concerns, a complete trial balance and total monthly activity of each account, as well as a detailed analysis of expenses, is being requested. In cases where inventories of merchandise are available, balance sheets and profit and loss statements are to be prepared.

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(a) Real Estate.

The thirteen properties belonging to Allied nationals have been located in Salerno Province, but have not as yet been taken into formal custody, although the three large villas at Ravello - Villa Cimbrone, Villa Pignatelli and Villa Rufolo - are in fact under control, as well as the property of Mrs. Kate Blaker at Positano. Completion of formal custody has been delayed pending the publishing of the decree of de-sequestration heretofore mentioned (para 1). Villa Cimbrone has inspected during the month, and found to require some repair to prevent deterioration, due to water leakage through the roof and a faulty water pipe.

(b) Commercial Concerns.

No commercial concerns have been located other than St. Erasmo Export Preserving Co., in which custody of the British shareholders' interest has been taken, and a watching brief is being maintained.

(c) Securities, Bank Balances, etc.

Formal custody has not been taken pending the publication of the decree mentioned above, but three lots of securities have been thoroughly examined and checked in preparation, and lists of bank balances are available.

12. German Properties.

During the month there have been a further thirteen cases in which the appointment of a curator has been recommended.

13. Fascist Organizations.

The Fascist Organizations may be divided in each Province under the main headings,

- A. Party Associations.
- B. Unions of Workers and Unions of Employers.

- 5 -

A. In the province of Naples, in addition to the party head office in Via Medina, Naples, there are 25 gruppi regionali in the City of Naples and 137 Fasci in the country areas - one for each comune. In each province these associations are being liquidated by the Intendenza di Finanze, the distribution of assets being under the supervision of RCP. In addition to the above mentioned groups, the following sixteen Fascist associations are being liquidated in a similar manner:

1. Federazione Gioventu Universitaria Fascista (GUF)
2. Tipografie del GUF
3. Libreria Editoriale del GUF
4. Gabinetto di Patologia
5. Fasci Femminili
6. Laboratorio di Via Pignatelli
7. Deposito di Via S. Bartolomeo
8. Policlinica Infantile di Via Novara
9. do. do. di Posillipo
10. Posto di ristoro Stazione Ferroviaria
11. Mercato massale rurali
12. Cinematografo sperimentale del GUF
13. Teatro del GUF
14. Campo di Pallacanestro
15. Centro servizi del Lavoro
16. Spacci viveri Aziendali.

B. The following ten unions of workers and employers are being liquidated by the Italian Labour Office, all records being available to the Allied Military Government Regional Labour Section. The distribution of the assets is under the supervision of the RCP.

1. Unione Fascista degli Industriali
2. " Lavoratori dell'Industria
3. " dei Commercianti
4. " dei Lavoratori del Commercio
5. " Aziende del Credito e della Assicurazione
6. " degli Agricoltori
7. " dei Lavoratori dell'Agricoltura
8. " dei Professionisti ed Artisti
9. Federazione Provinciale degli Artigiani
10. " degli Armatori.

In each comune there is a branch office of these unions. In addition to these two main groups, there are the following three organizations, whose special liquidation has been or are being appointed to work under the direction of the RCP.

1. La GIL (Gioventu Italiana del Littorio).
2. Dopolavoro
3. Famiglie Numerose

In connection with the first two of these, the RCP is working in conjunction with the Regional Public Welfare Section and the Regional Education Section.

1788

11. Mercatino massale rurali
12. Cinematografo sperimentale del GUP
13. Teatro del GUP
14. Campo di Pallacanestro
15. Centro servizi del Lavoro
16. Spacci viveri Aziendali.

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2. Dopolavoro
3. Famiglie Numerose

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In connection with the first two of these, the RCP is working in conjunction with the Regional Public Welfare Section and the Regional Education Section.

Region IV

14. No formal report was filed. This was occasioned by the fact that this region was being moved forward to assume active duties at the time when a report would otherwise have been in course of preparation. It should be stated, however, that organization and operation had been brought to a high state of perfection.

Region V

15. No report has previously been made with respect to this Region. On 26 Apr 44 Major A. C. Newell was appointed acting RCP, vice Capt. H. C. MacDaniel, who was relieved from duty. To and including the month of May, the real estate of 9 comune (23 parishes) has been taken into custody in Campobasso province. The properties consist of small farms or dwellings of little importance. On 25 May and 31 May 44 respectively, the provinces of Campobasso and Foggia were requested to post proclamation No. 6, which had not previously been done. Further investigations as to United Nations and French properties are being made.

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Region VI

16. Brigadier Carr has informed me that he intends to commit responsibility for Property Control in his Region to Captain Copeland, Finance Officer for Nuoro Province, who will attend to these duties in addition to his work as Finance Officer. There have been no new developments in Region VI. Affairs there are progressing in a very satisfactory manner.

Region VII

17. 2/Lt. W. T. Mayo was appointed RCF for this Region, and reported to Regional HQ on 6 May 44. Since then he has made numerous trips of inspection to properties requiring attention. In Cosenza Province all properties have been taken into custody, and custody will soon be taken of properties in the other provinces.

18. Enemy State Property.

Now administered by the Italian Government.

19. Property of Fascist Organizations.

Now administered by the Italian Government.

20. Property of other Enemy States and Nationals thereof.

No action taken in respect of such properties.

21. Abandoned Property.

None.

22. Church Property.

Investigation has not revealed any such properties.

23. Blocked Accounts.

These funds and securities were transferred to the Bank of Italy for the account of Isteambi. A list of such accounts will be prepared.

24. Industrial and Commercial Undertakings.

The firm of M. Andros & Forbus, of Corigliano Calabro, is technically neither industrial or commercial. It was engaged in the processing, baling and shipping to the United States of liquorice root. No finished goods were produced, and nothing sold in Italy. The manager of this firm was William S. Gall, an English citizen and stockholder in the company. The property is in good condition, and the firm has ample cash on hand for the payment of necessary expenses. Financial statement as of 15 May has been received. An excess war profits tax in the sum of L.1,379,033, together with a fine of L.459,577 for failure to declare, was assessed against this firm. This tax,

19. Property of Italian Government.
Now administered by the Italian Government.
20. Property of other Enemy States and Nationals thereof.
No action taken in respect of such properties.
21. Abandoned property.
None.
22. French property.
Investigation has not revealed any such properties.
23. Blocked accounts.
These funds and securities were transferred to the Bank of Italy for the account of Istecambi. A list of such accounts will be prepared.

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10 June 1944

Final decision 10/6/44
C. R. S. HARRIS,
Lieut-Colonel,
Director of Property Control.

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Declassified E.O. 12356 Section 3.3/NND No. 785016

HEADQUARTERS
ALLIED CONTROL COMMISSION
APO 394

Subcommission for Monuments Fine Arts and Archives

Lt. Col.
HEDW/vr

20340/MFAA

9 June 1944

Subject: Seventh Monthly Report, for May 1944.

To : Chief Commissioner.

PERSONNEL

1. a. Capt. Deane Keller (A) left 20 May 44 on assignment for HQ. AMG, 5 Army (Field).
- b. Capt. Basil Marriott (B) was assigned to the Subcommission on 22 May 44.
- c. Capt. F.H.J. Maxse (B) returned on 22 May 44 from an extended inspection tour of projects and conditions in Sicily.
- d. Lt. (s.g.) P.B. Cott, USMR (A) left 23 May 44 on assignment for HQ. AMG, 5 Army (CAS).
- e. Capt. T.H. Brooke (B) left 26 May 44 on assignment for HQ. AMG, 5 Army (CAS).
- f. Capt. Roger H. Ellis (B), having reported for duty with this Subcommission 16 May 44, was assigned 31 May 44 to HQ. AMG, 8 Army as an additional MFAA officer in the field as per special request of SOAO, AMG, 8 Army.

REPORTS

2. Regional.

- a. Region 1. (Submitted by Capt. Maxse after his tour of inspection.)

Apart from Palermo nearly all the work authorized on Monuments has been or is being completed. There is still much to be done at Palermo, which will be covered by sums due the Genio Civile and the Superintendent of Monuments. 787

The famous fresco of the "Triumph of Death, removed from the walls of the damaged Palazzo Solafani, is to be set up in the Palazzo Comunale, where also will be exhibited the works of art which the Allied Government allowed to be restored.

A conference of all the Superintendents of Monuments in Sicily was held on 12 May 44 at Palermo.

(1) The Regional Commissioner reported to the Executive Commissioner 3 May 44 that all American troops had been vacated from the Royal Palace, Palermo.

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

b. Region 3. Tours of inspection made to Cumae, Caserta, Benevento, Nocera Superiore, Salerno, Pompeii, and Capua.

For the month of May Lire 7,874,000 were authorized to be placed at the disposal of the Superintendents of Monuments and Antiquities for purely protective projects on 29 monuments.

Conferences and inspection trips with Superintendents of Monuments; innumerable conferences with the Deputy Directorate of Works in connection with work being carried out at the Royal Palace at Naples by the British Army.

3. AMEG, Armies.

a. 8 Army.

The following localities were visited by Major Newton for inspection of war damage: Vasto, Termoli, Larino, Fossacesia, Lanciano, Chieti, Sulmona, Castel di Sangro, Alfedena, Foggia, Lucera, Troia, Siponto, Monte Sant'Angelo, and San Leonardo. Recommendations for appropriate action were submitted where necessary. Montecassino was visited by Major Newton a few hours after the Germans had withdrawn from the Abbey and preliminary reports submitted.

Capt. Ellis, who has only recently been operating with 8 Army, visited and reported on: Castrocielo, Casamari, Arpino, Casa Ferrari, and Castel di Sangro.

Lieut R.S. Jenkinson, 1st Bn. Scots Guards, sent in on his own an interesting report of findings at Castel di Sangro.

b. 5 Army.

Capt. Keller, operating with AMEG, 5 Army (Field) submitted reports on the condition of monuments in: Gaeta, Formia, Fossanova, Priverno, Sezze, Fondi, Itri, Cori, Terracina, Ninfa, Norma, Sarnoneta, Velletri, Valmontone, and Palestrina.

4. The Director submitted a report on Montecassino made after a personal inspection. He recommended placing the Abbey out of bounds to all troops, which recommendation has since been put into effect.

LIAISON WITH MAAF

5. The Director of this Subcommission visited the Director of Operations, MAAF to discuss certain revisions in the listing of cities susceptible to bombing from the air and to establish a liaison between MAAF and the Subcommission for MFAA. The Director of Operations was extremely cooperative, requested any helpful information this Subcommission could give, and offered to supply photos and stereos of sites bombed with MAAF for study of damage sustained. Lt. Hartt of this Subcommission was appointed as liaison officer with the Air Forces. He subsequently went to San Severo to study photographs of air-damage, drew up a comprehensive report, and has begun an index which will contain all air-damage information for monuments in enemy-occupied Italy. This work will be particularly useful in controlling later enemy claims

of damage to monuments by Allied Air Forces. Several false enemy claims have already been discovered.

It is important to note that the air-photos of Italian cities prepared by S/Ldr P. Shimmie on which the location of Historic Monuments are especially indicated are being used in the briefing rooms of MAF.

LIAISON WITH ITALIAN GOVERNMENT

6. Fortnightly meetings with the members of the Ministry of Education who are connected with Monuments and Fine Arts have been initiated. Plans for action in the program of protection of Monuments are discussed. The Lists of Protected Monuments issued by this Subcommittee are submitted before printing to the various Italian Superintendents for checking.

PUBLICATIONS

7. Lists of Protected Monuments - Italy, Sections 1 (Sardinia & Sicily), 2 (Apulia, Calabria, Campania, Lucania), 3 (Abruzzi & Lazio), 4 (Le Marche, Toscana, Umbria) have been issued during the past month. Section 3 was distributed to 5 and 8 Armies in time for the offensive, and Section 4 is being distributed to them now.

8. A booklet on the "Preservation of Works of Art in Italy," originally intended as a publication of AFCA for British troops and edited by Major Ward Perkins, was issued for the use of all Allied troops by order of, and with a foreword by, the Supreme Commander of the Allied Forces, Mediterranean Theatre.

9. A Guide to the Royal Palace, Naples, was prepared by Capt. Croft-Murray of this Subcommittee and issued for the use of troops visiting the NAAPF-MFI Rest Centre at the Royal Palace.

PRESS

10. Through cooperation with Public Relations Branch, arrangements were made with Union Jack, Stars and Stripes, Parade, and Yank to publish from time to time photographs and short articles on various monuments and places of historic importance along the line of march of Allied troops in Italy. These are now appearing at regular intervals and serve to stimulate the interest of the troops.

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Ernest T. DeWald
ERNEST T. DE WALD
Major, Spec. Res.
Director.

REAR HEADQUARTERS
ALLIED CONTROL COMMISSION
Education Subcommittee

MONTHLY REPORT - MAY, 1944

1. BIRD'S EYE VIEW OF THE MONTH

The emphasis of the month of May has been upon the implementation of previous policies rather than upon new ventures.

a) Careful study in two provinces (Avellino and Benevento) of what intensive cultivation can do to provide school quarters, increase attendance, inspire officials, improve teaching morale, and in general to improve the will to improvement.

b) Extension of experiments already begun in Naples in the field of extra-curricular activities in the name of education: youth activities, adult programs, Rotary Clubs and such services in the schools as hot lunches.

c) Comprehensive visits in all the regions by headquarters staff, and the energizing of the educational survey upon which both the Ministry and the Subcommittee set stead.

d) Deepening of collaboration with the Ministry in the larger problems against the wider foreground now opening before us.

2. CONFERENCES WITH MINISTER

The Director has been in continuous contact with the Minister of Public Instruction, as have technical members of the staff in conference with a growing group of technicians in the Ministry. Relations have continued collaborative. The Subcommittee has both in its ACC and AMG side backed the Minister fully in his efforts to raise standards, and has stood consistently behind him in the disturbances among students in many places. The Minister attended and participated in one session of the Subcommittee's monthly conference with all educational personnel.

We have sought jointly to assure full collaboration in advance. The only point of serious tension has been over defascistization. The Subcommittee has urged that uniform completion of the work so well begun by AMG should serve as prelude to full collaboration in future AMG operations. The Ministry cannot legally dismiss outright, and is reluctant to suspend by categories. Moreover, such action is impeded by the difference in AMG and Italian categories. The Ministry has, however, under our continuous prompting, suspended more than one hundred of the cases recommended by us for dismissal, and is proceeding rapidly to take similar action against such of our recommendations as fall clearly within Italian categories. Since the Minister can hardly be expected, and certainly cannot be budged, to act in excess of his own law, we must accept this discrepancy and continue to work for a more uniform procedure between the two governments.

Among other topics discussed with the Ministry during May are the following:

Defascistization, with new decrees in formation; continuity of policy between Allied and Italian educational authorities; new laws to fill vacancies

as we move Northward; experimental school in Sicily; procedures for transfer of teachers and officials; student strikes and examinations; inspectors and transportation; the opening of a new school in the Eolie Islands.

3. MEETIN WITH REGIONAL OFFICERS

Following the May meeting of Regional Commissioners, the Education Sub-commission held a two-day conference (June 2-3) with all the educational forces. There was airing of problems, sharing of experience, correction of mistakes, projection of new policies, joint revision of directives and procedures, and an emphatic effort made to explore new ways of helping the Italian school system function within its present framework. There were also discussions of what could with reason be recommended to the Ministry for improvements in the system itself, in a time of great educational change the world over. The Minister himself attended one of these sessions. Radical readjustments of personnel were also agreed upon, to make the incidence of our efforts fit into the tensions of changing events in the fortune of the war in Italy. These agreements will appear as orders presently.

4. TEXTBOOKS

The onerous textbook printings were completed, and the distribution of more than 200,000 all but consumated. Quaderni from waste paper were also distributed in large quantities at cost to meet a crying need for writing material and to lower by competition the exorbitant cost of such as were already on the market. Plans were made for the heavy printings required this summer and autumn if the supply of textbooks for next year is to approximate the demand. Plans call for more than a million output this summer. Paper has been requisitioned from the United States, and a better grade than we had dared ask has been volunteered. Arrangements have been made for the concentration of the time of one officer upon this task when it matures. The thorny question of praising the King in the textbooks, as is customary, has been superseded by marching events.

5. PERSONNEL

In order to reduce Subcommittee Personnel to the new ceiling of 11, three officers had to be designated for release. Request was made for their release to be delayed until there was actual need for them elsewhere. New demands arose by the advance Northward just as we were feeling the pinch of depletion. As testimonial to the good relations existing with the Ministry and the developing Italian competence, all Italian territory is hereafter to be served by one Allied Education Officer, Major KOOPMAN has therefore been released from Region I and attached to Headquarters to act as inspector general and adviser for Regions I, II, and VII. Captain VESSELO is recalled from Region II to Headquarters to take charge of the educational survey and of the textbook program. Captain GREGORY is recalled from Region VII and assigned to Region IV. Other assignments remain firm until new regions north are actually in operation. Plans are already drawn to meet all foreseeable future developments. Meantime, Lieutenant VELLA has become liaison officer with the Italian Ministry. 1785

6. VISITS TO REGIONS

The Director with Captain PRATT visited Regions I and VII. The Deputy

Director visited Region VI. Captain PRATT visited Region II. Altogether making every provincial capital, we looked in on actual classes, inspected buildings, advised Provveditori cultivating their goodwill for the Ministry as well as for us, and in particular sought to bring our defascistization records up to date and to facilitate progress in a comprehensive survey we are making of the schools now under our guidance and control.

7. SURVEY OF SCHOOLS

After the schedules completed last month has been perfected, it was thought wise to distribute them to Provveditori in person. Trips were made to each province in every region to explain the forms and to solicit the interested and cooperation of all Italian school officials. These forms call for statistical information of every available sort, and encourage the officials to express themselves freely thereafter as to what more is required of schools for the new Italy. These schedules are already beginning to come in and arrangement is made for the compilation of the statistical material in a framework historical and philosophical. A spirit of cooperation was the rule among Italian officials, and the need is universally recognized for up-to-date information on the schools. The survey will mark the completion of our first phase, educationally speaking; and will furnish background for the second and larger phase from Rome.

8. AN EXPERIMENTAL SCHOOL IN SICILY

The Minister's interest was solicited and engaged for an educational experiment in Sicily. An Italian woman of wealth, interested in making a demonstration to Italians of American school ideas, has volunteered to donate a modern school building in her village and to help organize it as an experimental center for Italian education. It is thought that an American educational foundation might support the venture for a number of years, and that the experiment, while serving a local need, might enable students of education in Italy to decide for themselves what is good, what bad, in the educational system of one democratic country -- and what of this foreign good might be available for domestic consumption. The Minister has requested a more complete report as prelude to full State recognition. It is further thought that with the Minister's abrogation of laws against foreign professors, such a center might induce American students interested in Italian to share their skills while themselves acquiring new knowledge and a wider outlook. The forthrightness of such a procedure compensates for its immodesty; and altogether the venture, if it fully materializes will constitute an honest effort at stimulation and emulation.

9. YOUTH COMMISSION

The experimental program with youth of the several ages in Naples has continued unevenly. The decision of the Church to start a competing Boy Scout organization, while not effecting the principle of the work, has ~~some~~ ¹⁷⁵ what dampened enthusiasm by a division of energies. Other aspects of the youth program have made progress. Summer playgrounds are on the way in Naples in cooperation with the Youth Commission. The Provincial Authorities have arranged for three sites. Education Officer in Region III has been able also to arrange for the use of the Stadium and the playing field at Bagnoli to be placed at the disposal of the Societa Sportiva di Napoli. This association

is primarily adult but not without reference to the youth movement.

10. LUNCH PROGRAM IN REGION III

In cooperation with the Subcommittee and of significance for its future work, the lunch program for the Scuole Materne of Naples got under way the first of May after much preliminary planning during April. This program is now in satisfactory progress in 19 Scuole Materne and in the Scuola all' Aperto "Tenente ORSI", where dried soups and canned milk are being provided. The success of this enterprise promises well for further work of the sort in other regions.

11. DOPOLAVORO

Lieutenant John P. SIMONI has made a study and written a report for the Commission upon the "Opera Nazionale Dopolavoro" in the City of Naples. It had 91 active units functioning within the metropolitan area. The quarters occupied by the associations were rented by the individual units. But the Headquarters building and theatre were the property of the Dopolavoro. Of the 91 units only 9 were neither bombed nor sacked. They are now occupied by troops, but some of them offer excellent premises, when unoccupied, for adult education and recreation. Time permitting and personnel available this is a field which offers substantial returns for educational and recreational effort.

12. ROYAL UNIVERSITY OF NAPLES

Most of the premises have been derequisitioned and, because of the efforts made by this Subcommittee, the entire university will be freed within a few days.

The administrative council has been reorganized and with the economies made, a students' relief fund has been formed. Fifty fellowships were granted to destitute students; it is hoped to raise the number of these fellowships to two hundred by the end of this year.

Some teachers who have been dismissed for racial reasons, have been reinstated and those who could not be promoted as they were not members of the Fascist Party, have obtained their promotion.

The strike promoted by nine professors of the Faculty of Veterinary Medicine, strike which followed the decision taken by the Senatus Academicus to shift the Faculty of Veterinary Medicine from Naples to Portici, was settled satisfactorily by this Subcommittee and the teachers resumed their duties pending a decision.

No disturbances took place in the University as a result of the order given to the students to seat for a written examination.

13. ORIENTAL INSTITUTE

We have set up an administrative council, have modified the statute and the curriculum of studies, and reorganized the whole staff. Four members of the administrative staff were suspended having presented false documents.

14. NAVAL INSTITUTE

We have obtained from the Italian Government the funds due to the

Institute for the previous year and have assured the good functioning of the administration of the Institute.

15. ROYAL CONSERVATORY OF MUSIC

We have continued our examination of the competence of the personnel and some cases were brought before the Council of Higher Education for decision.

We are reviewing the classical programme of studies of the Conservatory. With the cooperation of the "Genio Civile" some necessary repairs to the premises of the Conservatory have been initiated.

16. ROYAL ACADEMY OF FINE ARTS

We are still examining the competence of the personnel and reorganizing the administrative system.

Help was given to the President to recover the belongings of the Academy scattered in different places.

17. COUNCIL OF HIGHER EDUCATION

A second meeting took place and cases of teachers who stated that they had been denied a job at the University for political reasons were examined.

All teachers concerned have been proved to be Fascist and their appeal has been rejected.

The Italian Minister of Public Instruction has asked this Subcommission to submit to the Council set up by us, questions concerning his territory. Permission was gladly granted.

18. The month of May comes midway between the bloom and the fruit. Perils are behind us, difficulties are in front, but the harvest is ever present in hope.
Avanti!

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