

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

785017

ACC

10000/109/738

Declassified E.O. 12356 Section 3.3/NND No. 785017

10000/109/738

ECONOMIC INTELLIGENCE
NOV. 1944 - JULY 1945

81

CSD Miss 13-88 for info. interesting report
which summarizes need

ended 26/9

10/

Captain White. Thank you. It seems to have
taken a long time to get here.

~~Final~~
27/9

1168

TO: Executive Commissioner.

Reference verbal inquiry of 31 May by one of your staff officers, as to the status of a decision on the recommendations made by Mr. Braine. Please be advised that the matter is currently under review by the Chief Commissioner and by Mr. Antolini, and that no decision on the points raised has yet been reached. Brigadier Upjohn is discussing the matter with the CC this afternoon.

Recon Sec
Tel: 551
1 June 45

John Montague
J. M. MONTAGUE
Lt Col, AC
PA to A/VP

7859

Cdo

Please note min 57. In reply to my inquiry in accordance with our consultation brought on by min 52 by C.C.

at 7455

th Co

Capt Amosdy

57?

What about #1

L 16

1167

#61

Colo
 Please note min ⁵¹ ~~57~~. In reply to my inquiry in accordance
 with our conversation brought on by min ⁵² ~~53~~ by C.E.
 (Colo 2/6/65)

51 60

Capt Amador

What about #1? ^{57?}

L. 2/6. 1167

51 61

Colo L. Can't state that matter is still under consideration
 as you min. ⁶⁰ ~~57~~ #1. (Colo 2/6/65)

51 62

Walt, following return of Art Gains
 & Brian; who are now up in
 Milan L. 6/6.

TO : C.S.G.

27 MAY 45

For info, brief gist of memorandum of 21 May on "Labor and Employment in North Italy", written by Mr. Braine:

1. Unexpectedly favorable state of industrial establishments, plant, power, trains, etc.
2. Shortage of coal will inevitably increase unemployment.
3. Necessity of providing state relief.
4. Necessity of providing administration and guidance for industries.
5. Necessity of allocating material and transport in an efficient manner.
6. Necessary to make special legal provisions as regards the retention on the payroll of workers for whom there is not sufficient employment.
7. Necessity of making new wage scales and labor regulations.
8. Appointment of works management councils.
9. Payment of bonus to workers and appointment of Commissioners and Vice Commissioners to replace missing or compromised management.
10. Communications in the north is difficult and it is recommended that military dispatch service be made available to collect information and data on unemployment.

[Signature]
A. B. KENOLDY
Captain

12 55

Chief Commissioner

In: not June 1945 - 4A
1166

Ex Com: showed in
Braine: memorandum
of the

9. Payment of bonus to workers and appointment of Commissioners and Vice Commissioners to replace missing or compromised managements.
10. Communications in the north is difficult and it is recommended that military dispatch service be made available to collect information and data on unemployment.

(Signature)

A. B. MONTGOMERY
Captain

#55

Chief Commissioner

I am not sure what is 40
L166

Ex Com. Sheaves in
Brazil: handwritten after
as a result of the evacuation
from of the north. (at 50)

28/8

EC.
He did not. How does this read
EC directly? It makes certain recom-
mendations. What is being done about
them? VP EC. Sec. should be asked
to make recommendations. It doesn't look
like good staff work. JWB cc

Minute 43.

2 June 1945

To: Economic Section

Reference Minute 39 - the subject matter contained in the signal referred to is so far as I know approximately correct. I agree, however, that protest should be made as to the method in which the information was obtained and transmitted onwards.

W. L. Anderson

D. L. ANDERSON

Production Division

33.

To: Executive Commissioner

4 June 1945

1. Attention is invited to Minute 42 above with which I agree.
2. I have considerable background on this particular situation which, if desired, I would like to explain in conference. Its consideration might influence the tone of the proposed message.

W. L. Anderson

E. B. KELLER

Brigadier General, U.S.A.

Deputy Vice President

Supply Division

B. L.

44

Please refer to min 26 thru 41. I reply as per min 42.

In view of Brig Gen Kellery's min 43 a conference and as suggested by him would seem to be desirable before sending the proposed message. If you agree, I shall be glad to inform Gen Kellery when a meeting can be arranged.

W. L. Anderson

1165

W. L. Anderson

2001

W. B. McINTYRE
Brigadier General, U.S.A.
Deputy Vice President
Supply Division

74

Please refer to mem. 36 thru 41. I reply as per mem 42.

the view of my ^{dear} mother's man at 43 a conference such as suggested
by him would seem to be desirable before sending the proposed message
off you agree. I shall be glad to inform you positively when a meeting
can be arranged.

2/6/25

50

Ex Com 2's Conference
on 8/6. See 7/6

57

This appears to have been overlooked. Active

Ben Dickinsey to speak for us. 7/3/80

46.

Pa to Ex Clerk

San McKinley, Bld & Co. has
would speak to him in the U. S. State Sec. Sec.
E. 12/6

9/21/23

25.

Executive Commissioner.

1. At 22 is a report on the economic conditions in the North from AFHQ to AFMAR, which has not been coordinated with Allied Commission. (Vide Para 13).
2. This is just what Col. Evans was talking about the other day as regards overlapping. It would be far better if these reports were coordinated.

23 May 45.

And 1945

H.C.S.O.

36

CSC

This is interesting. Submit drop to e e.

MS/24411

37

Chief Commissioner.

You may wish to take this up with AFHQ. It is interestingly that such a telegram should have been despatched without reference to AFHQ. We cannot carry on if this conduct of affairs is allowed to pass. I do submit that this be raised at the highest level.

MS/24411

39

EC

1164

I will make protest, but desire to be known if E.C. Sec. has any fault

36

CSC

This is in the file. Submit drop to C.C.

MS/24/11

37

Chun Commission

You may want to take this up with AFHQ. It is in the file that such a telegram should be sent to AFHQ without reference to AFHQ. We cannot say on if the conduct of affairs is allowed to pass. I do submit that this be raised at the highest level.

MS/24/11

39

1164

EC

I will make protest, but desire to know if Tech. Sec. has any fault to find with contents of DTIC's msg.

Yours,

40

Capt. H. H. H. / Action as in 35 plan

24/11

24/11/58

Can may want to take this up with ATRQ. It

is in TDRs that such a telegram should be in
been despatched without reference to ATRQ. We cannot
earny on if this conduct of affairs is allowed
to pass. I do submit that this be raised at the highest
level.

MS/24/10/10

39

1164

EC

I will make protest, but desire to
know if Tech. Sec. has any fault
to find with contents of DTTHQ3
msg.

Yard / C

40

Capt Humber

Action at 12.35 p.m.

Gen Section

41

Ex 24/10/10

Please note files 31, 32, 33 & min. 35 then 39. Please inform
me by memo for CC & Ex Com info your reaction & comment & action. (ATQ) 27/10/10

3.

Capt. W. H. R. Sullivan

Ref 2: 4-12-42. See also 100-12-1007.
 plan in Reg. 100-12-1007. See in Western file, also
 Dine - 50 folio 4. 13/11

2

EOS: See see reports on pgs 5-8

WHR 25/11
 call 25/11

17.

OSO: 16-17 interesting reading on American foreign policy trend
 1) Also folios 8 to 14: an article from "Fortune" magazine, which "Argentine
 Conf. by Smith has, no doubt, discussed with Ex. Comm. JCB 19/2

20

Ex Comm

p 14 is very well worth reading

21/12

Thanks. WHR/21/12

28

1163

Eto

Plan no. 27.

WHR 10/12/45

50:4 Folio 16-17 interesting reading on American foreign policy trend
 Also folios 8 to 14: an article from Fortune Magazine, which says
 that the Smith has, no doubt, discussed with the President. JCB 19/2

20

Ex Comm

p 14 is very well worth reading

8/20/42

Thanks. DB/24/2

1163

28

bto

Please see folio 27.

Cato 10/11/42

30

Note: Both cables of 27 & 29 mentioned at Ex Com meeting, 15th May.

17/11/42
 15 May

34

bto

Suppl. p. 33. interesting in this instance. Teller & others industry, supposed. Little
 distinction. These reports had extensive shortage of coal & some raw materials. Sup
 industrial output as a they low level & in some instances at a standard.

10/11/42

HOOK
Ex Camp 55.9
RESEARCH AND ANALYSIS
HEADQUARTERS DETACHMENT
2677TH REGIMENT OSS (PROV)
APO 512 U.S. ARMY

JUL 14 1945

North Italian Special Report No. 1

PRICES AND COST OF LIVING IN THE NORTH

Translation of a report prepared
by Dr. Antonino Occhiuto of the re-
search staff of the Banco d'Italia,
who made it available to this organi-
zation before publication.

PA
mu

1162

(Cap. Amoroso)

See of 57-90
11/23/45

Milan, 28 June 1945

PRICES AND COST OF LIVING IN THE NORTH

The present difference in the food supply and price situation between Italy to the south of the Gothic line and to the north, was accentuated during the period of separation but had its origin in three groups of factors (which have sometimes been in a superimposition, sometimes in contrast):

- (a) factors inherent in the different geographic and economic structures of the regions which, because of the separation due to the stationary battle front and previous to the increasing difficulties of transport, were no longer mitigated and compensated through regional exchanges;
- (b) the varying degree and timing of destruction suffered;
- (c) different policies of the governing Italian authorities as well as of the military occupants.

(a) In normal times the production of food in Italy was not sufficient to satisfy quantitatively the needs of the population, that is to say, the total production expressed in calories. In terms of the economic value, the opposite case may be justified since South Italy exported to the North and to the principal European countries agricultural products such as vegetables, fruits, etc. However, these represented products qualitatively very precious but not of equal value to other foods of prime necessity such as grain and rice. Consequently the southern regions, although having a primarily agricultural

- 2 -

economy with their principal wealth derived from the exportation of agricultural products, are tributaries of other regions (in times of free world trade), drawing from them their supply of essential foodstuffs, particularly grain.

With the political protection afforded by Fascism, especially to the cultivation of cereals, the importation of wheat from abroad was reduced and the most deficient provinces (Naples, Rome, Liguria) were supplied from the surpluses available in Emilia, Lombardy and in Veneto (the exportation of grain from the latter two was possible because of the large consumption of cereals other than grain by the rural population: rice in Lombardy and corn flour in Veneto). The total movements of grain from the North to the South which resulted from the reduction of foreign imports amounted to some millions of quintals and was transported chiefly by rail. Mention should also be made of the movements of wine, oil, and dry fruit from the South to the North (in addition to the movements of fruit and vegetables already noted) and of the movements of industrial products from the North to the South, of special importance at the present time since the industrial wealth of the North essentially provides for the satisfaction of such needs in the South.

Since the most recent data concerning the food supply and the cost of living refer to the city of Rome, it must be mentioned that such a large center (1,500,000 inhabitants) containing no major industry producing goods for direct consumption and with a very poor surrounding territory from both the agricultural and industrial point of view is particularly

- 3 -

sensitive to the vagaries of the transport situation. Finally, with regard to transport, it should not be forgotten that the geographical configuration of the Central-South territory, very elongated and traversed by a mountainous chain, deprived of river communications, has always represented an obstacle to regional exchanges and a not negligible element of cost which has always been reflected in a difference in regional price levels.

Because of the importance of regional exchanges, the effects of the crisis in transport before and after the separation has only made more precarious the situation in the South in comparison to the North with regard to the quantitative availability of feedstuffs in the large centers (Rome and Naples) and consequently the relative prices of the black market.

(b) Also in regard to war damages suffered, the South has been in a less favorable condition since, having become a battle field for many months, its productive activity was upset for a long period, while the entire destruction relative to the original wealth of the country has been more costly.

(c) Finally, in examining the policies of the two different governing authorities, it can be seen that a compensating factor mitigating the factors mentioned above can be found. Depredation at the hands of the Germans existed for a longer period of time in the North where it was also facilitated by the availability of transport. The effects of 1459

- 4 -

actions can be illustrated clearly with an example. The requirements of edible fats in Italy are satisfied in the North chiefly by locally produced butter and pig fats and to a lesser extent by oil imported from the South: the South consumes chiefly oil produced locally and completes its requirements with other fats (butter, lard, seed oil), only partly met from local production. At the present time, for other foodstuffs of prime necessity such as bread, the prices of the black market in the South (Rome) are much higher than in the North, while for fats the situation is reversed. A kilogram of oil costs 550 lire at Rome while a kilogram of butter costs 700 lire at Milan. From the nutritive point of view there is quantitative equivalent between these two fats, and the difference in quality is not such as to justify the difference in price. Moreover, a kilogram of oil costs 1400 lire at Milan and a kilogram of butter costs 800 lire at Rome. Such a price situation contrasts with the degree of self-sufficiency with respect to fats in the two parts of Italy. This is explained by the purchases of butter made by the Germans in North Italy to supply their own country which was deficit in this respect. Another product which the consumers of North Italy have lacked and the price of which has soared in the black market is sugar. The Northern regions produced sufficient sugar to cover adequately total national requirements so that, in this case also, the shortage was the consequence of purchases by the Germans.

In addition, the different policies of financial p58
the legitimate government in the South and the republican

- 5 -

government in the North had eventual repercussions. Disregarding elements of lesser importance and provisions of little effectiveness (e.g. provisions intended to hold back prices), significant differences existed in the policy of currency issue. The amount of currency circulating in the North increased significantly in comparison to that of the South. Making August 1943 = 100, the volume of circulation at the end of April 1945 was 333 for North Italy and 270 for Southern Italy. North Italy has had to finance itself by the circulation of a mass of other means of payment than legal tender (i.e., bank checks valued at around 24 billions), which by law and by necessity have circulated as paper money. That such an increase in the means of payment burdening the market would provoke a rise of prices does not have to be discussed, except to observe that in the North, where it was greater, its influence has been felt on goods of indirect consumption (uniform foreign bond values, gold, etc.) while because of the availability of the principal foodstuffs its effect has not been so important in this respect; in the South, because of the small availability of goods of prime necessity, the increase of currency has brought a greater increase in the prices of these commodities.

The comparative difficulty of food supply in the various regions is reflected in an index of the prices of the black market. This index does not show exactly the general level of prices or the cost of living, since to do this it would be necessary to take account of the quantity distributed with ration cards (such quantities differ from one region to another

- 6 -

(and from one period to another). It does furnish indirectly an indication of the actual availability of the principal foodstuffs in the various regions at the time.

TABLE 1.

INDEX OF BLACK MARKET PRICES FOR THE PRINCIPAL FOODSTUFFS
EXCLUDING FRUITS AND VEGETABLES

<u>Month</u>	<u>December 1943 = 100</u>	
	<u>Milan and Como</u>	<u>Rome</u>
December 1943	100	100
March 1944	126	138
April 1944	158	201
December 1944	262	346
March 1945	366	426
April 1945	406	-
May 1945	400	-

<u>Month</u>	<u>Milan and Como = 100</u>	
	<u>Milan and Como</u>	<u>Rome</u>
December 1943	100	148
March 1944	100	153
April 1944	100	189
December 1944	100	196
March 1945	100	173

Table 1 shows the index values of black market foodstuffs in Rome and Milan. If fruits and vegetables had been included, the situation at Rome would be better than in Milan.

- 7 -

Thus both in Rome and Milan the black market prices quadrupled between December 1943 and the spring of 1945 since the principal causes of such an increase are common to both cities-- difficulties of supplying a large center, devaluation of the lire. In order to hold such factors constant, in the second part of the table the value at Milan at each period was made equal to 100. It is found in this way that in December 1943 the prices of the black market at Rome in comparison to Milan were as 149 to 100. Successively the situation at Rome in contrast to Milan was worsened (March: 163 Rome against 100 Milan; April: 185 Rome against 100 Milan) until in December 1944 Rome had an average black market price level double that of Milan. In the course of 1945 the situation was reversed. Because of the rapid deterioration of the situation at Milan the ratio was lowered (123 for March 1945). At present there has been an increase in the Milan index while the price level at Rome is holding firm if not diminishing. It is probably not far from the truth that, if the situation regarding the availability of principal foodstuffs and the quantity furnished on rations are taken into account, the black market prices are now nearly analogous to those prevailing at the end of 1943.

Official Food Market in the North

As far as quantities distributed on the rations are concerned, the situation in the North has never differed significantly from that in the South. One exception was the

- 8 -

increase in the bread ration from 150 to 200 grams which came in 1943. In regard to other foods, especially to the quantity actually distributed, it is not possible to obtain comparative data for all of Northern Italy since distributions differed not only among the provinces but among communes of the same province. Tables 2 and 3 show the actual quantities distributed per capita in the city of Milan (December 1944) and in the province of Varese (July 1944 - January 1945 - April 1945).

The average quantity for Milan includes besides the supplementary rations the quantity distributed at the collective messes.

TABLE 2

AVERAGE QUANTITY DISTRIBUTED AT MILAN
IN THE MONTH OF DECEMBER 1944 PER CAPITA (922,365 POPULATION)

Bread	7731 gr.
Pasta	65 gr.
Rice	3250 gr.
Flour (grain)	938 gr.
Sugar	223 gr.
Meat	253 gr.
Cheese	515 gr.
Fats	262 gr.

For Varese relative data for the months of July 1944, January 1945 and April 1945 are given (it should be noted that the data for Varese unlike that of Milan do not refer only to the city).

- 9 -

TABLE 3

AVERAGE QUANTITY DISTRIBUTED AT MILAN PER CAPITA

	<u>July 1944</u>	<u>January 1945</u>	<u>April 1945</u>
Bread	8925	3937	7137
Foods for soup	3030	3058	2087
Fats	167	167	166
Sugar	559	110	111
Meat	342	341	141
Soft cheese	100	100	100
Hard cheese	50	50	50

Differences in official prices between North and South have been created during the separation (Table 4). The different prices of bread and pasta have been most significant.

TABLE 4

OFFICIAL PRICES

	<u>Rome</u>		<u>Milan</u>		<u>Varese</u>	
	<u>March 45</u>	<u>July 44</u>	<u>March 45</u>	<u>July 44</u>	<u>March 45</u>	<u>July 44</u>
Bread	18.00	3.85	5.00	2.60	5.00	2.40
Pasta	22.50	7.00	3.80	3.80	5.80	4.30
Rice	-	25.00	7.20	4.00	9.20	4.20
Oil	75.00	30.00	40.00	35.00	54.00	18.30
Butter	-	-	80.00	31.00	77.00	30.00
Lard	-	-	58.00	25.00	60.00	30.00
Sugar	16.50	15.00	27.00	12.60	33.50	12.40
Meat	-	-	52.00	47.00	85.00	36.00
Cheese	112.00	100.00	65.80	36.00	71.20	1538.70

- 10 -

Because of the minor importance of the quantity distributed the official prices do not show a perceptible difference in the total cost of food.

The quantity distributed on rations has not approximated the nutritive requirements. Even in the best supplied city in the most fortunate months the per capita intake has never been over 1300 calories per day while the average calories distributed per capita per day on rations in the North have been about 900. To supplement this low level in the North, people have had to resort principally to the black market. However, food has been made available to factory messes and to some of the public, through the medium of factory kitchens, consumers' cooperatives, local supply committees, etc. There have been distributed significant quantities of food through these means at prices higher than the official prices but reasonably lower than those of the black market.

This has been possible since, rather than a lack of available foodstuffs in the North, there was a lack of transport. Consequently, individual Enti or local committees, having obtained authorization from SEPRA, have provided for the acquisition of food produced in the provinces. They have coped with the transport problem either by their own means or by paying for transportation at a remunerative price. Finally, they have provided for the distribution of the foodstuffs, absorbing the expenses incurred in the price charged.

It seems opportune to state here that when one speaks of the black market in the North, there is no quasi-legal market

1151

- 10 -

Because of the minor importance of the quantity distributed the official prices do not show a perceptible difference in the total cost of food.

The quantity distributed on rations has not approximated the nutritive requirements. Even in the best supplied city in the most fortunate months the per capita intake has never been over 1300 calories per day while the average calories distributed per capita per day on rations in the North have been about 900. To supplement this low level in the North, people have had to resort principally to the black market. However, food has been made available to factory messes and to some of the public, through the medium of factory kitchens, consumers' cooperatives, local supply committees, etc. There have been distributed significant quantities of food through these means at prices higher than the official prices but reasonably lower than those of the black market.

This has been possible since, rather than a lack of available foodstuffs in the North, there was a lack of transport. Consequently, individual Enti or local committees, having obtained authorization from SEPRAL, have provided for the acquisition of food produced in the provinces. They have coped with the transport problem either by their own means or by paying for transportation at a remunerative price. Finally, they have provided for the distribution of the foodstuffs, absorbing the expenses incurred in the price charged.

1151

It seems opportune to state here that when one speaks of the black market in the North, there is no quasi-legal market

- 11 -

such as exists in the South. The publicity and the mobility of products necessary to the formation of a market price (one for each product) is lacking. Sometimes the prices of the black market have been very different in the same city. However, the prices in the small towns of any province in comparison to that of the city have been systematically lower. The differences between the places of production and the places of consumption are well known, differences sometimes due to the unfavorable location of the producing towns. In the provinces on the right bank of the Po the prices of the black market for foodstuffs cannot be unblocked in other zones because of the impossibility of providing for transport; thus wheat flour at Carpi in April 1945 was 15 lire a kilogram while at Como and Milan it cost 60-70 lire. Butter was 300 lire a kilogram as compared to 700 lire at Milan.

A direct contrast between the cost of living in the South and in the North is found by comparing Rome and Milan. The contrast between the two is not completely representative since Rome for the South and Milan for the North represent the worst situation with regard to prices and availability on the black market.

For Rome, a family budget has been constructed by considering the quantity distributed on ration cards as well as that distributed by the large factory messes and assuming that the difference between such quantities and the requirements is acquired in the black market.

1149

For Milan, however, the budget for the entire city

- 12 -

has been considered. The total foods distributed by means of rations and by means of supplemental rations, etc., have been divided among the total population. Although this does not provide an index analogous to that of Rome, the results are thought to be sufficiently alike to be comparable.

In Table 5 are shown the results of the comparison cited as well as the values relative to the province of Varese for the months of July 1944 and April 1945. In the case of Milan and Varese the requirements already adopted at Rome for the corresponding months have been used. It has been assumed that the difference between supplies and requirements is made up by purchases in the black market. Some substitution has been made among equivalent products to take note of the differing availability (between butter and oil, between rice and pasta).

The comparison reveals that the total cost of an average ration at Rome for the month of March is in a ratio of 1.5 to 1 to that of Milan while in December 1944 the ratio was 1.66 to 1; that is, between December and March there was a recovery of the equilibrium between the two.

- 12 -

has been considered. The total foods distributed by means of rations and by means of supplemental messes, etc., have been divided among the total population. Although this does not provide an index analogous to that of Rome, the results are thought to be sufficiently alike to be comparable.

In Table 5 are shown the results of the comparison cited as well as the values relative to the province of Varese for the months of July 1944 and April 1945. In the case of Milan and Varese the requirements already adopted at Rome for the corresponding months have been used. It has been assumed that the difference between supplies and requirements is made up by purchases in the black market. Some substitution has been made among equivalent products to take note of the differing availability (between butter and oil, between rice and pasta).

The comparison reveals that the total cost of an average ration at Rome for the month of March is in a ratio of 1.5 to 1 to that of Milan while in December 1944 the ratio was 1.66 to 1; that is, between December and March there was a recovery of the equilibrium between the two.

- 13 -

TABLE 5

PER CAPITA COST OF LIVING IN ROME, MILAN, AND VARESE
July 1944 - April 1945

	<u>Rome</u>			<u>Milan</u>		
	<u>On</u>	<u>Expenditures</u>		<u>On</u>	<u>Expenditures</u>	
	<u>Rations</u>	<u>Black Market</u>	<u>Total</u>	<u>Rations</u>	<u>Black Market</u>	<u>Total</u>
		<u>and Other</u>			<u>and Other</u>	
April 1945 (74400 calories)	--	--	--	--	--	--
March 1945 (74400 calories)	305.25	3253.85	3559.10	104.59	2229.05	2333.65
Dec. 1944 (74400 calories)	144.65	2596.70	2741.35	107.20	1543.36	1651.56
July 1944 (74400 calories)	64.65	3371.85	3436.50	--	--	--

Varese

April 1945 (74400 calories)	93.87	2735.68	2829.55
March 1945 (74400 calories)	--	--	--
Dec. 1944 (74400 calories)	--	--	--
July 1944 (74400 calories)	60.84	917.55	978.39

1147

- 14 -

From an examination of all which has been put forth here, it can be concluded that the food situation of North Italy in the winter of 1944-1945 reflected the disturbances brought by the war to the system of local transport and in the case of some foodstuffs by German purchases (butter, sugar). With the return to a normal or quasi-normal transport situation the prices on the free or black markets should be more nearly uniform in the various regions and the food situation, if the harvest should be favorable, ought not to create a serious crisis. This statement must be made with reserve, since already a flow of significant quantities of agricultural products toward the South has begun.

The difference between the North and the South is this: in the South there is a real deficiency of foodstuffs (besides the difficulty of transport and the difficulty of supplying the large centers) which has pushed the prices of food products higher than inflation would have in itself; in the North the increase of prices is substantially due to inflation since, if there has been a lack of supplies in some zones, this has been caused essentially by the difficulties of transport rather than an overall lack.

73
NI SI-9/7

Distribution

Intelligence Officer, 2677th Regiment
Ambassador Kirk
Political Advisor, AFHQ
Political Advisor, SMLAF
General Bevans, MAF

Mr. Riegel
U.S. Treasury Representative, Rome
G-2 AFHQ
G-5 AFHQ

LC Rome

GSI, 2 Dist.
R&A. Washington
R&A. London
R&A. Paris
R&A. Germany
R&A. Rome
R&A. Milan
R&A. Salzburg
R&A. Belgrade
JICA.

Distribution

NI SI-9/7 73

Intelligence Officer, 2677th Regiment

Ambassador Kirk

Political Advisor, AFHQ

Political Advisor, SIAEF

General Evens, MIAF

Mr. Riegel

U.S. Treasury Representative, Rome

G-2 AFHQ

G-5 AFHQ

LaC Rome

GSI, 2 Dist.

R&A Washington

R&A London

R&A Paris

R&A Germany

R&A Rome

R&A Milan

R&A Salzburg

R&A Belgrade

JICA

785017

4004

72

FOR ACTION REGIONAL COMMISSIONERS LIGURIA DIA FIRMONT DIA LOBARDIA DIA
VIGILANT AND WILLIS BARRON IN THE INTEREST OF SCAM IV CORPS DIA SCAM D ARMY
DIA SCAM D ARMY

204

20 JUN 45

URGENT

RECEIVED 20

21 JUN 1945

SUBJECT IS INFORMATION ON ARRIVAL OF SCAM IV CORPS DIA

FOR THE FOR ACTION REGIONAL COMMISSIONERS LIGURIA DIA FIRMONT DIA LOBARDIA DIA
VIGILANT AND WILLIS BARRON FOR INFORMATION SCAM IV CORPS DIA SCAM D ARMY DIA
SCAM D ARMY FROM ALCOA CITY AND SCAM DIA

70

URGENT THAT REPORT REFERRED TO IS LATER REFERRED TO SCAM DIA FOR THE DIA
DATED 20 JUN 45 AND GABLE NINE NINE THREE TWO OF FIFTEEN JUNE ARRIVE REPORT
REGIONAL COMMISSIONERS ACTION FORTYSEVEN DIA PO

71

Blu 23/6

RECEIVED 20

415

fa
21/4/45

Note in escape from Sanitex Region
AD 7/5/45
R.C. may be using reports
if not will be useful with
of late (See last)
AD 26/4/45

(11)

FOR ACTION REGIONAL COMMISSIONERS DISTRICTS AND PLANNING AREA INFORMATION AREA
YOUNG AND BRILLIANT FOR FOR INFORMATION ROAD TO CORPS ROAD 5 ARMY ROAD
H ARMY

WETA

15 JUNE 45

PRIORITY

RESTRICTED TO

2 JUN 1945

IN ORDER OF PRECEDENCE (UNLESS OTHERWISE SPECIFIED) ITALY 20

FOR TO FOR ACTION REGIONAL COMMISSIONERS DISTRICTS AND PLANNING AREA INFORMATION AREA

AREA YOUNG AND BRILLIANT FOR FOR INFORMATION ROAD TO CORPS ROAD 5 ARMY ROAD 11A

ROAD 5 ARMY ROAD 11A ROAD 11A ROAD 11A

NO RPT TO REPORTS YET RECEIVED AS REQUESTED BY LETTER 5/25/45 LAC DIAC FOR

AND OTHER INFORMATION TO REPORTS TO ALSO BE RECEIVED TO

70

for 12

1143

Economic Section

4/5

70

—LUNG, 1944

from the Chief Commissioner:

(Sgd) A. C. ANTOLINI
A. C. ANTOLINI
Vice President
Economic Section

COPIES TO:

Industry Sub-Commission
Commerce Sub-Commission
Labour Sub-Commission

Despatched 4 June. 1890

Folio 57 revers

CONFIDENTIALOSMR/IAL/CD 65Copy No: 21

9 JUN 1945

This report contains information on
Economic Conditions in the
City and Province of Fiume
on 11 May 45.

IAL Ref 115 CD.

Note: The information in this report was obtained by a CSDIC/IAL Forward
centre from the local authorities.

A. GENERAL SITUATION

The Germans left Fiume during the night of 1-2 May 45, and Marshal TITO's forces entered the city on the morning of 2 May. Contrary to the statements broadcast by the Yugoslav wireless, there was NO fighting in the streets of the city. The annexation of Fiume by the Federal Government of CROATIA was announced on 2 May 45 and other motorized units arrived in the city on 4 May 45. The Prefecture was occupied immediately by Croat personnel sent by the Federal Government. A Slav named NODILO was appointed head of the GMB, but this organization has been completely superseded by the military authorities, who take whatever measures they think fit and justify their action by emphasizing the existence of a state of emergency. The first measures taken by the Croat authorities were the following:

1. The appointment of commissars, mostly Croats, for all banks, insurance companies and private firms.
2. An inventory was taken of all available stocks of goods. While the inventory was being taken, all shops had to close. In the case of food-stuffs, the inventory was made by the shopkeepers themselves; in the case of medicines, the inventory was made by Commissars appointed by the Prefecture.
3. They ordered all doctors, chemists and technicians of Italian nationality to report to the Prefecture.

During the first few days of the occupation Government decrees were published in Italian and Croat, but subsequently they were published in Croat only. The military authorities arrested and interned all carabinieri and all customs guards who refused to swear allegiance to the new government. During the first few days of the occupation many inhabitants of various political tendencies were killed, and a large number of prominent Italians arrested. An order calling up all men of the 1906-1927 classes was published on 10 May 45, NO matter what their profession or status. These men were ordered to report at the rate

The Germans left Rijeka during the night of 1-2 May 45, and Marshal Tito's forces entered the city on the morning of 2 May. Contrary to the statements broadcast by the Yugoslav press at that time, there was no fighting in the streets of the city. The announcement of Tito by the Federal Government of Yugoslavia was announced on 2 May 45 and other motorized units arrived in the city on 4 May 45. The Prefecture was occupied immediately by Croat personnel sent by the Federal Government. A Slav named Kraljic was appointed head of the GUB, but this organization has been completely superseded by the military authorities, who take whatever measures they think fit and justify their action by appealing the existence of a state of emergency. The first measures taken by the Croat authorities were the following:

1. The appointment of commissars, mostly Croats, for all banks, insurance companies and private firms.
2. An inventory was taken of all available stocks of goods. While the inventory was being taken, all shops had to close. In the case of food-stuffs, the inventory was made by the shopkeepers themselves; in the case of medicines, the inventory was made by Commissars appointed by the Prefecture.
3. They ordered all doctors, chemists and technicians of Italian nationality to report to the Prefecture.

During the first few days of the occupation Government decrees were published in Italian and Croat, but subsequently they were published in Croat only. The military authorities arrested and interned all carabinieri and all customs guards who refused to swear allegiance to the new government. During the first few days of the occupation many inhabitants of various political tendencies were killed, and a large number of prominent Italians arrested. An order calling up all men of the 1903-1927 classes was published on 10 May 45, no matter what their profession or employment. These men were ordered to report at the rate of two classes per day, bringing with them underclothing, mess-tins, etc. They were to leave to join the Yugoslav army on the day they reported.

The "VECHERNA", which is now known as the "VOJNO DEL BORBU" (VOICE OF THE PEOPLE) and is still being published in Italian, published a leading article entitled "MORILLAZIONE", stating among other things that it was necessary to build up a strong and well-organized Yugoslav army in order to be able to defend the new frontiers which have been conquered.

44, NF 4
(Comm. Affair)
(Int. Division)

CONFIDENTIALOSD/C/IAI/CD 623. PUBLIC SERVICES AND COMMUNICATIONS

The water and electric light installations are undamaged and are functioning. There are no restrictions on the use of electric power. The tram service is NOT functioning and the three motor-bus services are at a standstill. The SUSAK bridge is open and transit is unrestricted. The roads are in very good condition. The bridges which had been blown up have been repaired. The ALBANSIA bridge is undamaged. According to information from Yugoslav quarters, the railway line from TRINGIZ to PLUMET was to have been reopened by the end of May 45.

C. FOOD SITUATION

The old ration cards are being withdrawn and new ones written in CROAT are being issued. Bread is distributed fairly regularly. Prices are very high, with a tendency to rise still further. Examples of prices on 11 May 45:

Oil	3,000-4,000 per litre
Flour	250 per kg
Peas	40 "
Potatoes	150 "
Lard	1,000 "
Rice	Unobtainable
Sugar	Distributed against ration cards only.

All shops are shut. There is no meat, and fish is obtainable only at the SUSAK market, which Italians are forbidden to frequent.

D. CONDITION OF THE HARBOUR

The Germans started demolishing the harbour installations on 18 April 45 and demolition continued for the next two days, starting with the petroleum harbour, followed by Porto SAKOS and finally by the main harbour. The charges were very powerful and stones weighing over 20 kilos were blown as far as the BELVIERE district. The Porto SAKOS and main harbour moles are still there, though damaged, and though they cannot be used as moles, they will at least serve as breakwaters. The CACNE mole from the BELVIERE Shipyard to the CAUVETIERE is practically undamaged, as the charges failed to explode. The SAK SAKOS and ALBANSIA moles have been completely wrecked and communication with the shore has been broken. The charges had been laid so that the effect of the explosion should be vertical rather than horizontal, which explains the extent of the damage. There are 10 ships in the harbour at the moment. Only one or two jetties are still serviceable. It is estimated that 50-70% of the port installations have been destroyed or badly damaged.

The old ration cards are being withdrawn and new ones written in CROAT are being issued. Bread is distributed daily regularly. Prices are very high, with a tendency to rise still further. Examples of prices on 11 May 45:

Oil	Five 3000-4000 per litre
Flour	" 250 per kg
Pasta	" 40 "
Peanut oil	" 150 "
Eggs	" 1000 "
Rice	Unobtainable
Sugar	Distributed against ration cards only.

All shops are shut. There is no meat, and fish is obtainable only at the SUBURBAN market, which Italians are forbidden to frequent.

D. CONDITIONS OF THE HARBOUR

The Germans started demolishing the harbour installations on 18 April 45 and demolition continued for the next two days, starting with the petroleum harbour, followed by Porto RADOS and finally by the main harbour. The charges were very powerful and stones weighing over 20 kilos were blown as far as the BENEDETTI district. The Porto RADOS and main harbour piers are still there, though damaged, and though they cannot be used as such, they will at least serve as breakwaters. The CROAT navy shipyard to the CAPOVINE is practically undamaged, as the charges failed to explode. The SAN MARCO and ADMIRALTY piers have been completely wrecked and communication with the shore has been broken. The charges had been laid so that the effect of the explosion should be vertical rather than horizontal, which explains the extent of the damage. There are 10 ships in the harbour at the moment. Only one or two jetties are still serviceable. It is estimated that 50-70% of the port installations have been destroyed or badly damaged.

1140

E. AGRICULTURAL SITUATION

Military and political events have had a serious effect on the agricultural situation. Most of the inhabitants of the country districts have been either called up for military duties or brought to FUME to counterbalance the Italian population of the City, for propaganda purposes. Most of the cattle was stolen during various phases of the Partisan struggle. All the farms buildings in the area between MONTE MACCHIONE and FUME have been destroyed.

F. INDUSTRIAL SITUATION

A large part of the industrial installations has been severely damaged by air raids. The condition of the principal factories is as follows: WHITEHEAD Torpedo Factory and Shipyard: About 75% of the installations have been completely destroyed. The rubble is now being cleared away by forced labour.

CONFIDENTIALCSDIC/LAI/CD 65

-3-

R.O.M.S.A. (oil refinery) : Very badly damaged. The rubble is being cleared away by forced labour.
 COMPTON : Almost completely destroyed.
 RIVOLTA : Partially destroyed.

The managers of the large factories are nearly all being replaced by Croats.

C. LABOUR

The labour situation is very difficult owing to the call-up of all men between the ages of 16 and 45, without any reservations. Employees of the National Health Institute and of the hospitals who cannot speak Croat are being dismissed. 70 wage rates have been fixed for the moment. Workers in the shipyards and telephone operators do not receive any money, but only their food (coffee in the early morning, soup and bread at midday, soup and vegetables at night). Agitators and propagandists, factory commissions and political commissars are being instituted in all the factories.

H. FINANCE

The Lira is still the only currency in circulation. The people are trying, however, to dispose of their Italian notes, and the high prices are a proof of this, as it is rumoured that there will shortly be a change over from the Lira to the Dinar at the rate of 100 Lira to 30 Dinars. There are not many Dinars in circulation. The presence of the Partisans has not made any difference to the currency situation, as they are not allowed to have any money and therefore have not brought any Dinars on to the market. At the moment of occupation, all the banks were closed and a moratorium has been declared.

CSDIC/LAI
 7 Jun 45.


 (R.H. BOOTHBY),
 Captain,
 Italian. Incident to CSDIC.

1134

RIVOLTA

: Almost completely destroyed.
: Partially destroyed.

The managers of the large factories are nearly all being replaced by Croats.

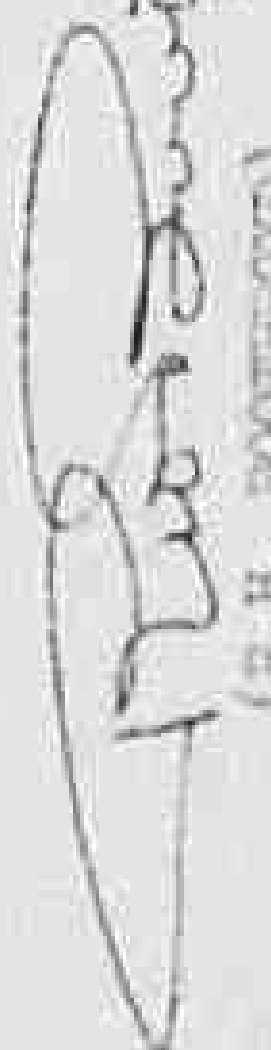
C. LABOUR

The labour situation is very difficult owing to the call-up of all men between the ages of 14 and 45, without any reservations. Employees of the National Health ~~Institutions~~ and of the hospitals who cannot speak Croat are being dismissed. No wage rates have been fixed for the moment. Workers in the shipyards and telephone operators do NOT receive any money, but only their food (coffee in the early morning, soup and bread at midday, soup and vegetables at night). Agitators and propagandists, factory commissions and political committees are being instituted in all the factories.

H. FINANCE

The Lira is still the only currency in circulation. The people are trying, however, to dispose of their Italian notes, and the high prices are a proof of this, as it is rumoured that there will shortly be a change over from the Lira to the Dinar at the rate of 100 Lira to 30 Dinars. There are NOT any Dinars in circulation. The presence of the Partisans has NOT made any difference to the currency situation, as they are NOT allowed to have any money and therefore have NOT brought any Dinars on to the market. At the moment of occupation, all the banks were closed and a moratorium has been declared.

CSDIC/LAJ
7 Jun 45.


(R.H. BOOTHROYD),
Captain,
Italian Incumbent to CSDIC.

DISTRIBUTION: see over.

CONFIDENTIALReport No CSDD/LAI/CDDISTRIBUTIONA.F.H.Q.

A.C. of S. C-2
JICA
+ ISLD
Int Sec MAAP
2677 Regt, OSS
C-2 (IOSS) c/o PAC
x SO (I) MED
C-2 (P/W)
++ C-2 (FB)

M.E.

= BCS (I)
x SO (I) LEM

U.K.

M.I. 19
M.I. 3 (c)
FWE
ZAB
END
x MID

C.H.F.

BGS (I) HQ 15 Army Gp
+ I.S. 9 GAF
+ Inter Div AC
SILO SIME
ALB/3
+ No 1 I(U) Sec
+ Int Sec HAF
+ AM HQ RAJALMS
x SO (I) NALES
x SO (I) JWCUNA
x SO (I) LEMDEN
x SO (I) TALENT
CSDD C.H.F.

U.S.A.

CHM Branch

FILE

+ Italian reports only
x Naval reports only
++ Political reports on Northern Italy,
Northern Yugoslavia and Austria.
- Crete and Dodecanese reports only.
o Balkan reports only
+ Balkan reports and reports of interest to
Air Intelligence.

1138

A.C. of S. 0-2

10

T810

Test Sub 11A37

2677 Aust, 0582

[illegible]

1980

$$\frac{1}{2} \left(\frac{1}{2} \right)^{\frac{1}{2}}$$

10

10

1981 (H)

100

W. I. 19

© 2000

2

22

2000

33

Trifluoromethyl

STUDIES

1000

$$3. \quad \mathbb{H}_0 \perp \mathbb{I}(U) \quad \text{EAC}$$

7 Date Recd Paid

As an illustration

CESTAM (I) CS

 x 50 (I) 05

8
 9
 10
 11
 12
 13
 14
 15
 16
 17
 18
 19
 20
 21
 22
 23
 24
 25
 26
 27
 28
 29
 30
 31
 32
 33
 34
 35
 36
 37
 38
 39
 40
 41
 42
 43
 44
 45
 46
 47
 48
 49
 50
 51
 52
 53
 54
 55
 56
 57
 58
 59
 60
 61
 62
 63
 64
 65
 66
 67
 68
 69
 70
 71
 72
 73
 74
 75
 76
 77
 78
 79
 80
 81
 82
 83
 84
 85
 86
 87
 88
 89
 90
 91
 92
 93
 94
 95
 96
 97
 98
 99
 100
 101
 102
 103
 104
 105
 106
 107
 108
 109
 110
 111
 112
 113
 114
 115
 116
 117
 118
 119
 120
 121
 122
 123
 124
 125
 126
 127
 128
 129
 130
 131
 132
 133
 134
 135
 136
 137
 138
 139
 140
 141
 142
 143
 144
 145
 146
 147
 148
 149
 150
 151
 152
 153
 154
 155
 156
 157
 158
 159
 160
 161
 162
 163
 164
 165
 166
 167
 168
 169
 170
 171
 172
 173
 174
 175
 176
 177
 178
 179
 180
 181
 182
 183
 184
 185
 186
 187
 188
 189
 190
 191
 192
 193
 194
 195
 196
 197
 198
 199
 200
 201
 202
 203
 204
 205
 206
 207
 208
 209
 210
 211
 212
 213
 214
 215
 216
 217
 218
 219
 220
 221
 222
 223
 224
 225
 226
 227
 228
 229
 230
 231
 232
 233
 234
 235
 236
 237
 238
 239
 240
 241
 242
 243
 244
 245
 246
 247
 248
 249
 250
 251
 252
 253
 254
 255
 256
 257
 258
 259
 260
 261
 262
 263
 264
 265
 266
 267
 268
 269
 270
 271
 272
 273
 274
 275
 276
 277
 278
 279
 280
 281
 282
 283
 284
 285
 286
 287
 288
 289
 290
 291
 292
 293
 294
 295
 296
 297
 298
 299
 300
 301
 302
 303
 304
 305
 306
 307
 308
 309
 310
 311
 312
 313
 314
 315
 316
 317
 318
 319
 320
 321
 322
 323
 324
 325
 326
 327
 328
 329
 330
 331
 332
 333
 334
 335
 336
 337
 338
 339
 340
 341
 342
 343
 344
 345
 346
 347
 348
 349
 350
 351
 352
 353
 354
 355
 356
 357
 358
 359
 360
 361
 362
 363
 364
 365
 366
 367
 368
 369
 370
 371
 372
 373
 374
 375
 376
 377
 378
 379
 380
 381
 382
 383
 384
 385
 386
 387
 388
 389
 390
 391
 392
 393
 394
 395
 396
 397
 398
 399
 400
 401
 402
 403
 404
 405
 406
 407
 408
 409
 410
 411
 412
 413
 414
 415
 416
 417
 418
 419
 420
 421
 422
 423
 424
 425
 426
 427
 428
 429
 430
 431
 432
 433
 434
 435
 436
 437
 438
 439
 440
 441
 442
 443
 444
 445
 446
 447
 448
 449
 450
 451
 452
 453
 454
 455
 456
 457
 458
 459
 460
 461
 462
 463
 464
 465
 466
 467
 468
 469
 470
 471
 472
 473
 474
 475
 476
 477
 478
 479
 480
 481
 482
 483
 484
 485
 486
 487
 488
 489
 490
 491
 492
 493
 494
 495
 496
 497
 498
 499
 500
 501
 502
 503
 504
 505
 506
 507
 508
 509
 510
 511
 512
 513
 514
 515
 516
 517
 518
 519
 520
 521
 522
 523
 524
 525
 526
 527
 528
 529
 530
 5

$$x \quad 50 \quad (I)$$

OSD/C G.M.S.

U.S. 11

CPA Branch

11

used in reports only

Internet access only

political reports on Northern Italy;

PROPERTY OF VTA/560001

Crata and Dodecamero reports on 01/17/17

Asian reports only

balikan reports and reports of

At Intelligence.

NB Copy of certain CD reports to 2 SAs as required.

1138

CONFIDENTIALCHIC/LAI/CD 64Copy No: 21This report contains information on
conditions at TRIESTE.

8 JUN 1945

LAI Ref 129 CD.

Note: The information in this report has been extracted from Nos 25, 27,
29, 30 & 31 of the newspaper "IL MESTO AVVENIRE".

A. LAOUR ORGANIZATIONS (10 May 45)1. Central Trade Union Committee (Comitato Centrale Sindacati)

NAME Member. Presided at the meeting in the "Casa del Popolo" at
TRIESTE for the nomination of the Provisional District
Committee of the Combined Trade Unions.

2. District Committee of the Combined Trade Unions of Workers, Office
Workers and Intellectuals (Comitato Circondariale Sindacati Unici
Operai, Intelligenti e Intellettuali).

ROBERTO Bruno	President (employee of the U.O.)
DOLENTI Giuseppe	Secretary (Organizer of the underground movement of district workers during the German occupation).
FRANCINI Stanko	Secretary (Member of O.F.)
SPINELLI Emilio	Cashier (U.O.)
TRUSSARDI Francesco	Agitator and propagandist (Secretary of 4 Sector U.O.)
GLORIA	Agitator and propagandist (Member of B.A.I.)
SPICER Matteo	Co-operative Societies (local member of U.O.)
CARIS Pao	Cultural Society (workers)
KRASSER ARSIO	Labour Organization (workers)
FULIAN Aldo	Workers
RAVANZO Nives	Dressmaker

This Committee deals with questions relating to wages, working hours and
discipline.

3. Local and Factory Committees of the U.O. (Comitati rionali ed
aziendali della U.O.)

1137

On 8 May 45 these Committees assembled in the "Casa del Popolo" at

1. Central Trade Union Committee (Comitato Centrale Sindacati)
 President. Presided at the meeting in the "Casa del Popolo" at
 Turin for the formation of the Provisional District
 Committee of the Combined Trade Unions.
2. District Committee of the Combined Trade Unions of Workers, Office
 Workers and Intellectuals (Comitato Circondariale Sindacati Unici
 Operai, Integanti e Intellettuali).
 President (employee of the U.O.)
 Secretary (Organizer of the underground movement
 of district workers during the Roman occupation).
 Secretary (Member of C.F.)
 Cashier (U.O.)
 Agitator and Propagandist (Secretary of 4 Sector U.O.)
 Agitator and Propagandist (Member of P.A.I.)
 Co-operative Societies (Local member of U.O.)
 Cultural Society (workman)
 Labour Organization (workman)
 Workman
 Dreamer.

This Committee deals with questions relating to wages, working hours and
 dismissal.

3. Local and Factory Committees of the U.O. (Comitati riordinati
 aziendali della U.O.)

On 6 May 45 these Committees assembled in the "Casa del Popolo" at
 Turin to appoint the District Committee of the Combined Trade Unions.
 These Committees deal with questions relating to the practical solution of
 the problems of reconstruction by mobilizing the working classes, supporting
 the efforts of the authorities, and defending the interests of the workers.

4. DISTRICT ADVISORY COMMISSION FOR TECHNICAL AND INDUSTRIAL AFFAIRS
 (COMMISSIONE CONSULENTIVA TECNICO-INDUSTRIALE CIRCONDARIALE) (11 May 45)

This Commission is composed of the most prominent technical experts
 from the most important local factories and of representatives of the labour
 organizations, viz:

CONTE	Profession	Birth
PETRONIO	Engineer	ILVA
TALIO	"	"
GRIPPALE	"	Oil Refinery

-/Page 2.....

1137

1137

1137

785017

-2-

CONFIDENTIALOSD/C/141/DP 64

	<u>Profession</u>	<u>Part</u>
SAIN	Technician	THIERS Arsenal
GRANDIS	Engineer	Marine Engine Factory, SAINT-LO
CUDACHA	"	"
ADUTTI	"	SAINT-LO Shipyard
FRICHA	"	"
PERENT	Professor	Electric Power Station SOCIETE' AEROSOL (Fish canning factory) Representative of Trade Unions
DOLEISI Glusoye		Representative of Trade Unions
KLASSNIK ARSOO		Member of the Economic Sub-Commission
FRAN	Doctor	Member of the Economic Sub-Commission
DUGONI	"	Sub-Commission

This Commission, which was formed after the organization of the Combined Trade Unions of Workers, Office Workers and Intellectuals, has studied the following questions:

- The industrial situation in the City and damage suffered by local factories.
- The problem of finding employment for the workers available.
- The problem of obtaining supplies of raw materials.

C. QUESTION OF FACTORIES

1. SAINT-LO Shipyard (15 May 45)

This factory has started working again. It is a very important concern, which built the engines for the liners SAURHA, OURHA and VULCANIA. Some of the buildings have been destroyed by bombs, but most of the machinery has been salvaged and temporarily housed under sheds. A department has been established for the repair of locomotives. The Yugoslav Commander of the city of THIERS visited the factory on 15 May 45 and addressed the workers.

2. SAINT-LO Shipyard (19 May 45)

Will shortly be working again. All workers who wish to resume their jobs, were ordered to present themselves at the shipyard NOT later than 19 May 45, after this date applications would only be accepted from those who could justify by means of documentary evidence their failure to comply with the above

1436

CLASSIFIC 47300

FRAN

DUGONI

Doctor

"

Representative of Trade
Unions
Representative of Trade
Unions
Member of the Economic
Sub-Commission
Member of the Economic
Sub-Commission

This Commission, which was formed after the organization of the Combined Trade Unions of Workers, Office Workers and Intellectuals, has studied the following questions:

- a) The industrial situation in the City and damage suffered by local factories.
- b) The problem of finding employment for the workers available.
- c) The problem of obtaining supplies of raw materials.

C. CONDITION OF FACTORIES

1. SAATCHI-SATCHI, Marine Engine Factory (15 May 45)

This factory has started working again. It is a very important concern, which built the engines for the liners ANTURULA, OLBULA and VULCANIA. Some of the buildings have been destroyed by bombs, but most of the machinery has been salvaged and temporarily housed under sheds. A department has been established for the repair of locomotives. The Yugoslav Commander of the city of TRIESTE visited the factory on 15 May 45 and addressed the workers.

2. SAN GIUSEPPE Shipyard (19 May 45)

Will shortly be working again. All workers who wish to resume their jobs, were ordered to present themselves at the shipyard NOT later than 19 May 45. After this date applications would only be accepted from those who could justify by means of documentary evidence their failure to comply with the above order.

D. MACES (1 May 45)

All factories, commercial concerns, State and para-State organizations, are continuing to pay their workers at the same rates as before the liberation. All workers received full pay for the first week of May, during which no work was done.

CSMIC/lat
6 Jun 45



(R. R. BOOTHBY),
Captain,
Italian Incumbent to CSMIC.

DISTRIBUTION: see over

CONFIDENTIALReport No CSDIC/IAI/CDDISTRIBUTIONA.P.H.Q.

A.C. of S. G-2
JICA
+ ISLD
Int Sec Staff
2677 Regt, CGS
G-2 (IOSS) c/o RMC
x SO (I) MED
++ G-2 (P/W)
G-2 (FB)

M.E.

= HGS (I)
x SO (I) LEM

M.I.

M.I. 19
M.I. 3 (c)
PWE
ZAB
END
x NID

C.M.F.

HGS (I) HQ 15 Army Gp
+ I.S. 9 CMT
+ Infm Div AC
BILLO SITE
ALSSS
+ No 1 I(U) Sec
x Int Sec EAF
x AM HQ BALCANE
x SO (I) NAPLES
x SO (I) ANCONA
x SO (I) LECORNO
x SO (I) TARANTO
x CSDIC C.M.F.

U.S.A.

CRM Branch

FILE

+ Italian reports only
x Naval reports only
++ Political reports on Northern Italy,
Northern Yugoslavia and Austria.
= Crete and Dodecanese reports only.
G Balkan reports only
/ Balkan reports and reports of interest to

1135

HEADQUARTERS ALLIED COMMISSION
APO 394
LABOUR SUB-COMMISSION

WHR/ps

Ext. 204

REF. : 130/403

28 May 1945
MAY 30 1945

SUBJECT : Industrial Establishments in Northern Italy.

TO : Executive Director for Vice President
Economic Section.

1. Further to my report on Labour and Employment in Northern Italy I recommend that Deputy S.C.A.C.'s (or Regional Commissioners) shall report details of industrial establishments where:

- (a) there are Works Management Committees (Consiglio di Gestione Aziendale)
- (b) Commissioners have been appointed otherwise than by AMG;
- (c) Commissioners have been appointed by AMG;
- (d) also particular of establishments where unproductive workers are more than 25% of payrolls, i.e. : worker paid although not actively working.

2. This information would be of interest to Industry Sub-Commission, Commerce S/C, and to Economic Section Generally; also no doubt to Chief Commissioner and to the American and British Embassies. Labour Sub-Commission would be interested because of the effect on labour relations.

3. If this recommendation is adopted, perhaps Executive Director will initiate necessary action.

Copies to:
Industry
Commerce
Lt. Col. Evan Talbot

19/6/45 4 June
Sent to all RCs & SCA's
asking for details.

W. H. BRAINE
Director
Labour Sub-Commission

ES will send follow-up letter

1134 *W. H. BRAINE*

14 15 to 17

HEAD, PIERRE ALLIED COMMISSION
APO 394
LABOR SUB-COMMISSION

WNN/rce

31 May 1945

LABOR AND EMPLOYMENT IN NORTH ITALY

The following memorandum is based upon impressions gathered during a rapid tour of North Italy with a mission from Economic Section of Headquarters, A.C., Italy, which left Rome on 6 May and returned on 19 May, 1945. During this period visits were paid to Bologna, Padova, Venice, Milan, Turin and Genoa.

The main impressions are:

- (i) The unexpectedly favorable state of industrial establishments, plant, power, trains, etc.
- (ii) The optimism on the part of the Italians.
- (iii) The hard fact that owing to the prospects of supply of coal there will inevitably be mass unemployment.
- (iv) The necessity of providing alternative work schemes.
- (v) The necessity equally of providing state relief in cash and in kind, including feeding in popular kitchens, on a scale superior to the present system.
- (vi) The different character and temper of the Italians of the North from those of the South; and the general recognition on the part of Allied Officers in the North that detailed administration and control as in the South is not necessary and would be resented.
- (vii) The fact that however efficient the Italian machinery of administration, there must be formulation of policy and direction from above to guide the machinery; and that the Committee of National Liberation is not in itself able to provide this, although it has assumed a position of authority which rivals or even challenges AMG control.

1133

2.

(viii) The necessity of arranging for the Italian Government to administer relief schemes, public assistance, feeding etc., through the efficient machinery to which Allied officers pay tribute - instead of trying to build up from scratch an Allied administered system. This is without prejudice to any views expressed elsewhere as to the advisability of Allied control, in general or in detail, of Italian industry.

3. The most important step is perhaps to dispel the false optimism which pervades Italian circles. Having seen one miracle, viz., the preservation of their plant, power and equipment from the deliberate destruction which ruined the centre and south, they expect another, viz., the supply of coal and raw material on a scale which will enable them to resume full production.

Italian industry required 1,000,000 tons of coal per month to keep its industries going. It cannot look to Germany, France nor Istria for supplies - its own output in Sardinia is not sufficient for the needs of the centre and south - and it can expect to get coal only from South Africa and America, I understand.

On 16th May I was given to understand that in June and July an average of 26,000 tons per month would be imported and in August 69,000 tons for Italian industry. (Other amounts would be imported for military purposes and for railways in addition). Today 20th May I learn that perhaps 200,000 tons may be imported in the earlier months (per month) rising to 300,000 tons per month by the end of the year.

machinery to which Allied officers pay tribute - instead of trying to build up from scratch an Allied administered system. This is without prejudice to any views expressed elsewhere as to the advisability of Allied control, in general or in detail, of Italian industry.

3. The most important step is perhaps to dispel the false optimism which pervades Italian circles. Having seen one miracle, viz., the preservation of their plant, power and equipment from the deliberate destruction which ruined the centre and south, they expect another, viz., the supply of coal and raw material on a scale which will enable them to resume full production.

Italian industry required 1,000,000 tons of coal per month to keep its industries going. It cannot look to Germany, France nor Istria for supplies - its own output in Sardinia is not sufficient for the needs of the centre and south - and it can expect to get coal only from South Africa and America. I understand.

On 16th May I was given to understand that in June and July and average of 20,000 tons per month would be imported and in August 69,000 tons for Italian industry. (Other amounts would be imported for military purposes and for railways in addition). Today 20th May I learn that perhaps 200,000 tons may be imported in the earlier months (per month) rising to 500,000 tons per month by the end of the year. Whichever estimate is true, it is obvious that Italian industry will operate at less than one-third of its capacity and that from four to six million workers will be unemployed. 1.32

4. During the pre-liberation period, Italian industry kept on its books as much labour as possible to save men from being deported to Germany. They paid 75 p.c. of normal wages to those for whom no work could be found. Thus at the moment of liberation it was said that in Milan there was no unemployment. Under Fascist law, and under an ordinance of the C.L.N.A.I. it was forbidden to dismiss any worker without permission. The requirements are of doubtful application now, and I happened to attend a meeting of employers at Turin where the need for factory discipline, power to dismiss or substitute efficient for inefficient workers, etc. was expressed.

Now there is the dangerous situation that there are

workers returning from the mountains where they had taken refuge to avoid deportation to Germany, and those returning from Germany and Austria etc., who receive only 10 or 20 lire per day by way of public assistance, as compared with those who happen to be on the payroll of industrial establishments and who receive 75 p.c. of their normal wage. Already in Genoa and La Spezia there are thousands without sufficient means for maintenance.

5. Large scale work schemes must be prepared and put into effect as soon as possible. The most obvious possibilities are the repair of bridges and roads, railroads, houses and factories, and the diversion of surplus labour from the cities to agriculture. Cement, bricks and steel are required for repair and reconstruction work, and the allocation of coal and material should be made with these necessities in mind. Similarly transport of all descriptions should be allocated for these purposes.

While the Allied Authorities can give advice and guidance on the preparation and operation of such work schemes, and can influence the allocation of transport, coal and material, it is considered that the Italian Government should be responsible for the execution of the programme.

6. Similarly, in the allocation of coal, material and transport that may be supplied by the Allies, one of the factors to be borne in mind is the amount of employment that can be provided in particular districts. It may be advisable to allocate coal to an establishment where the degree of efficiency may not be as high as in others, for the purpose of affording employment in an area where there is little opportunity. Allocation solely on an efficiency basis may concentrate production in certain areas at the expense of others.

7. There is already in operation in North Italy an

Genoa and La Spezia there are thousands without sufficient means for maintenance.

5. Large scale work schemes must be prepared and put into effect as soon as possible. The most obvious possibilities are the repair of bridges and roads, railroads, houses and factories, and the diversion of surplus labor from the cities to agriculture. Cement, bricks and steel are required for repair and reconstruction work, and the allocation of coal and material should be made with these necessities in mind. Similarly transport of all descriptions should be allocated for these purposes.

While the Allied Authorities can give advice and guidance on the preparation and operation of such work schemes, and can influence the allocation of transport, coal and material, it is considered that the Italian Government should be responsible for the execution of the programme.

6. Similarly, in the allocation of coal, material and transport that may be supplied by the Allies, one of the factors to be borne in mind is the amount of employment that can be provided in particular districts. It may be advisable to allocate coal to an establishment where the degree of efficiency may not be as high as in others, for the purpose of affording employment in an area where there is little opportunity. Allocation solely on an efficiency basis may concentrate production in certain areas at the expense of others.

7. There is already in operation in North Italy an efficient system of public restaurants where standard meals are served at fixed prices varying from 20 to 45 lire per meal. These should be encouraged and extended, and the supply of foodstuffs guaranteed, in order to meet the demand that is already growing. Here again the Italian administration can operate without the Allied authorities taking over detailed administration. A system of meal tickets for those without resources will

1131

52NO

4.

probably be necessary in the immediate future.

8. With the abolition of Fascist labour regulation on liberation it is necessary to make special legal provision to meet the situation which has been found on entry to the North as regards the retention on the pay roll of workers for whom there is not sufficient employment. The Committee of National Liberation made an ordinance forbidding the dismissal of surplus staff without the permission of the factory C.N. committee. Apart from the doubtful force of such an ordinance now, there are no sanctions to support it. Arrangements should be made for the regulated release of surplus staff, and for the maximum amount of agreement between employers and workers in the selection of workers to be dismissed.

9. Wage scales were fixed by fascist government orders but are now open to joint negotiation between industry and the workers, subject to ratification by A.I.G. Wage scales were considerably lower than those obtaining in Central and South Italy, even after allowing for the various bonuses and piecework rates by which workers in certain industries obtained more than the minimum rates. For example, in Turin piece workers who would normally earn a bonus on production but who combined with the employers to produce as little as possible for the Germans, were paid a "cortina" or bonus amounting to 41 p.c. of the basis wage (i.e. omitting indemnities and bonuses). Time workers were given an increase amounting to 50 p.c. of that bonus.

Prices are gradually rising - and one factor in increasing them is the influx of repatriated workers and ex-prisoners, and

liberation it is necessary to make special legal provision to meet the situation which has been found on entry to the North as regards the retention on the pay roll of workers for whom there is not sufficient employment. The Committee of National Liberation made an ordinance forbidding the dismissal of surplus staff without the permission of the factory C.N. committee. Apart from the doubtful force of such an ordinance now, there are no sanctions to support it. Arrangements should be made for the regulated release of surplus staff, and for the maximum amount of agreement between employers and workers in the selection of workers to be dismissed.

9. Wage scales were fixed by fascist government orders but are now open to joint negotiation between industry and the workers, subject to ratification by A.S.G. Wage scales were considerably lower than those obtaining in Central and South Italy, even after allowing for the various bonuses and piecework rates by which workers in certain industries obtained more than the minimum rates. For example, in Turin piece workers who would normally earn a bonus on production but who combined with the employers to produce as little as possible for the Germans, were paid a "cotto" or bonus amounting to 41 p.c. of the basic wage (i.e. excluding indemnities and bonuses). Time workers were given an increase amounting to 64.39% of that bonus.

Prices are gradually rising - and one factor in increasing them is the influx of repatriated workers and ex-prisoners, and of refugees, who arrive in the large towns and cities with no possessions other than the clothes they wear. They seem to have funds to make extensive purchases. Consequently there is already a move for the upward revision of wages.

10. On matters of labour regulation, wages etc. the Joint Advisory Committee intended to advise the Allied Regional Commissioners should be of service to advise the Italian administration. The Government, industry and workers had agreed to the establishment of such Committees comprising representatives of the three interests, and they should be put into operation at the earliest date. At the same time it is extremely doubtful whether the machinery of AMG could cope with the detailed administration of private industry and other establishments in this respect and the Italian machinery should continue with guidance and advice from AMG rather than minute control.

5.

11. A public pronouncement should immediately be made regarding

- (a) the appointment of Works Management Councils (consiglio di Gestione Aziendale)
- (b) the payment of liberation bonus to workers, varying from 5,000 lire for adult heads of families to 1,500 lire for others.
- (c) the appointment of Commissioners and Vice-commissioners in replacement of compromised or missing managements.

The first depends upon a so-called decree of the Committee of National Liberation for Upper Italy, dated 14th April 1945, which abolished the Fascist "socialisation" decree but applied, to establishments with capital of one million lire and above which had been liable to socialisation, provisions for managements councils containing 50 p.c. representation of workers.

The second rests upon an alleged agreement between representatives of industry and of workers in the CLN, and required payment of the bonus to industrial workers to be completed by 31st May. It was later extended to employees in commerce, to be paid by 31st August. Any number from four to six million workers would be affected and as the average payment would be in the neighbourhood of 5,500 lire per worker, the inflationary effect and other results would be serious if the payments were made.

1129

The third started as the nomination by local CLNs

regarding

- (a) the appointment of Works Management Councils (consiglio di gestione aziendale)
- (b) the payment of liberation bonus to workers, varying from 5,000 lire for adult heads of families to 1,500 lire for others.
- (c) the appointment of Commissioners and Vice-commissioners in replacement of comprised or missing managements.

The first depends upon a so-called decree of the Committee of National Liberation for Upper Italy, dated 14th April 1945, which abolished the Fascist "socialisation" decree but applied, to establishments with capital of one million lire and above which had been liable to socialisation, provisions for managements councils containing 50 p.c. representation of workers.

The second rests upon an alleged agreement between representatives of industry and of workers in the CLN, and required payment of the bonus to industrial workers to be completed by 31st May. It was later extended to employees in commerce, to be paid by 31st August. Any number from four to six million workers would be affected and as the average payment would be in the neighbourhood of 5,500 lire per worker, the inflationary effect and other results would be serious if the payments were made.

1129

The third started as the nomination by local CLNs of interim managers to keep businesses going when the managers disappeared but has been interpreted as the right to substitute nominees at the instigation of such Committees. The demand is made that a worker should be appointed if capable; otherwise that a worker should be appointed vice-commissioner.

6.

12. In fact, the three questions were not heard of in Bologna, Venezia, Padova, and were not much in evidence in Genoa. They are being developed most in the Milan area and also in Turin. Threats of personal violence are being made in Milan area to enforce payment of the bonus, but even so it has not been generally paid. In the Turin area some employers made the theatrical gesture of offering the keys of their establishments to the workers when they were asked for the bonus, which they said would mean the closing of their businesses.

I gathered the impression in Milan, Turin and Genoa that the workers' representatives in the various Camere del Lavoro were themselves fearful of the consequences of pursuing these issues, with the exception of the Communist secretary of the Camera at Milan. His other two colleagues (Socialist and Christian-democrat) told me that they did not support him but were keeping quiet to avoid an open break which would disrupt the workers' movement.

13. Publicity has been given to these questions and if high policy decides that counter-action should be taken, equal publicity should be given. On the first two issues it is recommended that a decision should be taken to suspend action until the Italian Government has fully considered all the implications. On the third issue it is recommended that commissioners or receivers should be appointed by AGC or the Italian Government, in substitution where advisable, of those appointed by CIRS and that orders should be issued

and also in Turin. Threats of personal violence are being made in Milan area to enforce payment of the bonus, but even so it has not been generally paid. In the Turin area some employers made the theatrical gesture of offering the keys of their establishments to the workers when they were asked for the bonus, which they said would mean the closing of their businesses.

I gathered the impression in Milan, Turin and Genoa that the workers' representatives in the various Camere del Lavoro were themselves fearful of the consequences of pursuing these issues, with the exception of the Communist secretary of the Camera at Milan. His other two colleagues (Socialist and Christian-Democrat) told me that they did not support him but were keeping quiet to avoid an open break which would disrupt the workers' movement.

13. Publicity has been given to these questions and if high policy decides that counter-action should be taken, equal publicity should be given. On the first two issues it is recommended that a decision should be taken to suspend action until the Italian Government has fully considered all the implications. On the third issue it is recommended that commissioners or receivers should be appointed by AAG or the Italian Government, in substitution where advisable, of those appointed by CIMS and that orders should be issued that there should be no arbitrary replacement of existing managements.

1128

14. During the conduct of military operations and the progress of the Allied armies up through southern and central Italy, the Allies gave a considerable amount of employment to Italian civilians. There is an entirely different position in the North. In Genoa, for example, only 2563 civilians are directly employed. Ex-enemy personnel are also available for work in the army areas.

This raises another issue. In the South and in Central Italy, the end of military operations involves the closure or reduction of military establishments with dismissal of civilians. Early consideration should be given to the regulation of such dismissals and to as much advance notice as possible.

7.

15. Communications in the North are difficult. It is recommended that the military despatch service should be made available for the collection of up to date information on the labour and employment position and that Allied representatives in the various provinces should ascertain and report

- (a) actual unemployment; i.e. returning refugees etc and local residents without work.
- (b) potential unemployment; i.e. workers on the payroll who are not in productive employment but who are being paid (> p.c. of wages.
- (c) relief schemes in operation or proposed.
- (d) feeding position in popular restaurants etc.

16. In each centre visited, contact was made with the local Camera del Lavoro (except Venice where it has not been set up) and the joint secretaries in each instance undertook to co-operate to the utmost with the Allied authorities and with industry. Local industrial representatives were also seen and gave similar assurances. The introductions from the General Confederation of Italian Labour and the earlier contacts made in Rome proved exceedingly useful. Representatives of banks, and of local Italian administration including some Prefects, were also met.

Special facilities should be afforded for the representatives of the C.G.I.L. (labour) and of the employers national federation to visit the North. It is also

recommended that the Italian Chamber of Deputies should

made available for the collection of up to date information on the labour and employment position and that Allied representatives in the various provinces should ascertain and report

- (a) actual unemployment, i.e. retaining refugees etc and local residents without work.
- (b) potential unemployment, i.e. workers on the payroll who are not in productive employment but who are being paid 1/5 p.c. of wages.
- (c) relief schemes in operation or proposed.
- (d) feeding position in popular restaurants etc.

16. In each centre visited, contact was made with the local Camera del Lavoro (except Venice where it has not been set up) and the joint secretaries in each instance undertook to co-operate to the utmost with the Allied authorities and with industry. Local industrial representatives were also seen and given similar assurances. The introductions from the General Confederation of Italian Labour and the earlier contacts made in Rome proved exceedingly useful. Representatives of banks, and of local Italian administration including some Prefects, were also met.

Special facilities should be afforded for the representatives of the C.G.I.L. (labour) and of the employers national federation to visit the North. It is also recommended that the "official" labour paper IL LAVORO should be allowed to circulate in the North and should be given special facilities. It should thus replace the former clandestine sheets and would give an open and official air to Italian labour policy.

W.H. Raine

~~2004~~ 43A
BRITISH EMBASSY,
ROME.

242/5/45.C.D.

23rd May 1945.

MAY 25 1945

To: Brigadier E. Lush, Allied Commission,
Rome.

From: Mr. R.L. Somerby, British Embassy,
Rome.

~~31st 12~~
I enclose copy of a short
memorandum on our tour in Northern Italy
which is being sent to the Foreign Office
in London.

~~2004~~

MS L11/6


(R. L. Somerby)


11/6

Economic Conditions in Northern Italy

In drafting their first-aid plans for Italy, the Allied Commission at home had been obliged to work in ignorance of the prime factor in any such study, namely, the condition in which the industrial plants of the northern regions, constituting as they do, 65 or more of the whole country's equipment, would be left after the German withdrawal. They could only base their calculations on the experience gained in the areas already liberated, where less than 50% of the industrial potential remained available, and on reports filtering through the battle lines, which went to show that the Germans had laid elaborate plans for the complete demolition of the factories and hydro-electric plants, once these had ceased to serve the purposes of the German forces. On these grounds the Commission's draft requirements had aimed in the main at finished materials, textiles and shoes, machinery, agricultural equipment and food stuffs. The factories, it was supposed, would have to be reconstructed from the ground up.

Immediately on the German surrender in Northern Italy the Commission sent a small group to make a rapid tour of investigation, visiting Bologna, Ferrara, Padua, Venice, Brescia, Milan, Turin, Lyons and Genoa, and I was able to accompany this delegation. The results of our investigation, rapid as it had to be, were sensational and encouraging. There has been no demolition of plant by the German forces and we learnt of only very minor removals of machinery. In most of the towns, particularly in Milan and Genoa, the destruction done to house property by the Allied bombing was heavy, but the factories have suffered far less than in the south. Against all expectation it has been found that the industrial equipment of Northern Italy is intact. Political and social conditions are uneasy, shootings continue at night, and the young patriots are still carrying arms openly in the streets. Many of the more prominent of the leaders of Italian industry such as Alberto Pirelli, Rocca (Montecatini), and Marinotti (Enia Visconti), are in hiding against warrants for their arrest. Under the stimulus of decrees issued by the Republican Fascist Government and continued in force by the National Committee of Liberation, there has been considerable advance towards the socialization of industry. But the factories and the hydro-electric dams and power plants are safe.

There is no shortage of electric power in the cities; there is even a surplus for export to the south. The tram services, house and street lighting, elevator services, are normal. Most of the bridges over the Po, Arno and Adige have gone and a great number of railway bridges have been demolished, but it is hoped within a month or six weeks, to restore the railway services linking Milan with Rome, Genoa, Turin and Venice. The port of Genoa should be open by the end of June; food is already being landed from lighters. The country's requirements as set out in the Allied Commission's first-aid plan must be satisfied. Italy's urgent requirements are not for finished

785017

reports filtering through the battle lines, which went to show that the Germans had laid elaborate plans for the complete demolition of the factories and hydro-electric plants, once these had ceased to serve the purposes of the German forces. On these premises the Commission's draft requirements had aimed in the main at finished materials, textiles and shoes, machinery, agricultural equipment and food stuffs. The factories, it was supposed, would have to be reconstructed from the ground up.

Immediately on the German surrender in Northern Italy the Commission sent a small group to make a rapid tour of investigation, visiting Bologna, Ferrara, Parma, Venice, Brescia, Milan, Turin, Genoa and Genoa, and I was able to accompany this delegation. The results of our investigation, rapid as it had to be, were sensational and encouraging. There has been no demolition of plant by the German forces and we learnt of only very minor removals of machinery. In most of the towns, particularly in Milan and Genoa, the destruction done to house property by the Allied bombing was heavy, but the factories have suffered far less than in the south. Against all expectation it has been found that the industrial equipment of Northern Italy is intact. Political and social conditions are uneasy, shootings continue at night, and the young patriots are still carrying arms openly in the streets. Many of the more prominent of the leaders of Italian industry such as Alberto Sirelli, Longoni (Montecatini), and Marinotti (Ania Viscosa), are in hiding against warrants for their arrest. Under the stimulus of decrees issued by the Republican Fascist Government and continued in force by the National Committee of Liberation, there has been considerable advance towards the socialisation of industry. But the factories and the hydro-electric dams and power plants are safe.

There is no shortage of electric power in the cities; there is even a surplus for export to the south. The tram services, house and street lighting, elevator services, are normal. Most of the bridges over the Po, Adige and Adige have gone and a great number of railway bridges have been demolished, but it is hoped within a month or six weeks, to restore the railway services linking Milan with Rome, Genoa, Turin and Venice. The port of Genoa should be open by the end of June; food is already being landed from lighters. The country's requirements as set out in the Allied Commission's first-aid plan must be redrafted. Italy's urgent requirements are not for finished goods, but for raw materials and especially coal.

1126

At a meeting at Milan with representatives of the National Committee of Liberation two direct questions were put to the Committee:- First, up to what point are the factories in Northern Italy, if assured of their requisite amounts of coal and raw material, in a position to meet the essential needs of the civilian population of those areas in finished goods, and secondly, up to what point would these factories be in a position to meet the essential wants of Central and Southern Italy as well. To the first the answer was a definite 100%. As to the second, the Committee was still without information on conditions existing south of the Pisa-Rimini line, but the northern factories would have a considerable surplus for shipment south. Their pre-occupation was the raw material position and above all the shortage of coal.

That

785017

- 2 -

That is the crucial factor. Most of the factories hold some limited stocks of raw material, but their supplies of coal are at vanishing point. Before the war Italy normally imported coal to the tune of 12,000,000 tons a year (in 1938, 7 millions from Germany, 2.3 millions from the United Kingdom, 1.6 millions from Poland). Her national resources amount to roughly 2,000,000 tons a year, drawn about equally from the Ladinian mines and from the Arva mines in Istria, but the latter are now occupied by the Yugoslav forces. Unless coal deliveries can be made available from Germany or the United States it is difficult to see from what sources such amounts can be hoped for in any immediate future, and the position was clearly stated to the C.I.N.A.L. at Milan, but it is a matter of first importance if an adequate degree of employment is to be developed in Northern Italy. Presumably it may be said that 35% of the total coal available was taken by the coke and gas plants, 17% by the railways, 10.5% by the iron and steel works, the remainder by other industries, the cement, tile, ceramic and domestic use. This normal consumption could be somewhat reduced under today's conditions, but account must be taken of the loss of the output of the Istrian mines.

The second important factor is transport. In the matter of railway stock left by the Germans, the estimate given us by the National Committee of Liberation was: 16,000 out of 50,000; 400 electric locomotives out of 2,000; 800 steam locomotives out of 2,500; all of these in fair condition. Some 23,000 motor trucks are available of which 5,000 are of $\frac{1}{2}$ -ton capacity, the remainder from 1 to 3 tons. Provided the necessary raw materials are forthcoming, the Italian motor industry could produce, over the period June to August, 200 motor trucks of 6 to 8 $\frac{1}{2}$ -tons, and 2,200 of $\frac{1}{2}$ tons; thereafter the possibilities of production would be 1,500 $\frac{1}{2}$ -ton trucks and 500 6 to 8 $\frac{1}{2}$ ton trucks monthly.

Tyres are practically non-existent. The Firelli and Michelin tyre factories, in Milan and Turin respectively, could normally obtain their requirements of synthetic rubber from the Firelli plant (working on the Buna process) at Ferrara, but the latter is near a stand-still through lack of supplies of alcohol. Their alcohol reservoirs were damaged by bombing and they are short of solvents.

In synthetic fertilisers the country requires only the raw material (phosphates). The chemical industry is 70 to 80% efficient.

In cotton and woollen industries, the spinning and weaving plants are estimated at being 95% intact and require only the raw material. Likewise in the leather industry the factories are 95% intact but require imported hides and mineral tanning materials.

From this very brief sketch it can be foreseen that 1425
immediate future the Italians will be anxious to utilise the bulk of their available sterling credits for imports from the sterling area outside the United Kingdom. In the first stages of the country's rehabilitation the

of the loss of the output of the Italian mines.

The second important factor is transport. In the matter of railway stock left by the Germans, the estimate given us by the National Committee of Liberation was: 16,000 out of 80,000; 400 electric locomotives out of 2,000; 600 steam locomotives out of 2,500; all of these in fair condition. Some 23,000 motor trucks are available of which 5,000 are of $\frac{1}{2}$ -ton capacity, the remainder from 1 to 3 tons. Provided the necessary raw materials are forthcoming, the Italian motor industry could produce, over the period June to August, 200 motor trucks of 6 to $\frac{3}{4}$ -ton, and 2,000 of $\frac{1}{2}$ tons; thereafter the possibilities of production would be 1,500 $\frac{1}{2}$ -ton trucks and 500 6 to 8-ton trucks monthly.

Tyres are practically non-existent. The Pirelli and Michelin tyre factories, in Milan and Turin respectively, could normally obtain their requirements of synthetic rubber from the Pirelli plant (working on the Buna process) at Ferrara, but the latter is near a mine-still through lack of supplies of alcohol. Their alcohol reservoirs were damaged by bombing and they are short of molasses.

In synthetic fertilisers the country requires only the raw material (phosphate). The chemical industry is 70 to 80% efficient.

In cotton and woollen industries, the spinning and weaving plants are estimated at being 95% intact and require only the raw material. Likewise in the leather industry the factories are 95% intact but require imported hides and mineral tanning materials.

From this very brief sketch it can be foreseen that **1125** immediate future the Italians will be anxious to utilise the bulk of their available sterling credits for imports from the sterling area outside the United Kingdom. In the first stages of the country's rehabilitation the Foreign Trade Institute (I.C.E.) will be obliged to cut down imports of finished goods to the barest minimum. The re-launching of their factories will mean not only a much smaller drain on shipping and on their foreign exchange resources, but also an essential step to meeting the present acute problem of unemployment. At a moment of intense political excitement work is more important than food.

The levels of prices and wages north of the Pisa-Rimini line are still markedly below those of Central and Southern Italy, but they are already tending to rise and there are certain threatening elements of inflation. At the end of April the industrialists, under pressure from the leftist groups of the National Committee of Liberation, agreed to give to the workers a liberation bonus, varying by categories of operatives but averaging throughout Northern Italy about lire 3,500. With the number of workers in industry in Lombardy alone estimated at 1,000,000, this grant involves a payment in that one region of 3.5 milliards of lire. The bonus purported to be a reward for the devotion shown by the workers in defending their plants against the Germans, but it was obviously a political move, and inevitably the grant

- 3 -

is claimed by workers in commerce and banking and even by the workers returning from forced labor in Germany. The A.M.G. have drawn urgent attention to the inflationary consequences of such a cash payment and have pressed that it should be held in suspense until the position can be reviewed by the Italian Government at home, but most of the companies had already made partial payments and in the case of the banks the employees had received their full bonus.

The currency situation is remarkable. Through fear of seizures of bank of Italy notes by the Germans, hoarding has been proceeding on a grand scale and these notes have almost disappeared from circulation, their place being taken, to an extent estimated in the bank at some 80%, by circular bank drafts (assegni bancari), while even endorsed private cheques are used freely as currency. It has now been possible to obtain a more accurate estimate of the total note circulation in Italy, namely: 284,000 milliards in bank of Italy notes, 60 milliards in A.M.G. notes, and 36 milliards in assegni bancari; the Governor of the Bank of Italy (by despatch 172(2) of the 23rd April) had put his estimate for the 31st December 1944 at between 300 and 350 milliards. The amount of advances made by the Bank of Italy to the German forces of occupation is stated at 133 milliards of lire, whereas made to the Republican Fascist Government at 45 milliards. The Governor of the Bank of Italy, and the Minister of the Treasury, are now in Milan in consultation with the local authorities. The position of the commercial banks in Northern Italy is entirely satisfactory, and public confidence is returning.

A review of so wide an area in two weeks could only be very cursory. The National Committee of Liberation (C.N.L.), established in all the larger populated centres, are progressively co-ordinated and directed by the National Committee of Liberation of Northern Italy (C.N.L.A.I.) at Milan, now the de facto Government in Northern Italy, but inevitably, given the difficulty of communications in what is now known as "the conspiratorial period", the construction is a loose one. To avoid being involved in local differences, the delegation centred on the C.N.L.A.I. at Milan, and the purpose of their visits to the other centres was rather to consult with the local units of A.M.G. and to visit factories and port works, while the actual touring gave a good impression of the conditions of the bridges, the railway beds, and the high roads. We have now for the first time authentic knowledge of the prospects for the economic recovery of the country. No estimates could have any value so long as conditions in that vital industrial area remained entirely unknown. The results show that everything now depends on supplies of coal and raw material. To the extent that these can be found Italy, far from being an economic burden on the Allied Governments, may well come to be utilised as a useful spearhead for the rehabilitation of the Continent.

One of the first acts of the C.N.L.A.I. was to order the unsealing of all decrees issued by the Republican Fascist Government under the German occupation. Inter alia these had aimed at the neutralisation of the

in the Bank of Italy notes, to financial institutions, and to the Bank of Italy (my despatch millions in assets); the Governor of the Bank of Italy (my despatch 172(3) of the 23rd April) had put his estimate for the 31st December 1944 at between 300 and 350 milliards. The amount of advances made by the Bank of Italy to the German forces of occupation is stated at 163 milliards of lire, advances made to the Republican Fascist Government at 45 milliards. The Governor of the Bank of Italy, and the Minister of the Treasury, are now in Milan, in consultation with the local authorities. The position of the commercial banks in Northern Italy is entirely satisfactory, and public confidence is returning.

A review of so wide an area in two weeks could only be very cursory. The National Committee of Liberation (C.N.L.), established in all the larger populated centres, are professedly co-ordinated and directed by the National Committee of Liberation of Northern Italy (C.N.L.I.) at Milan, now the de facto Government in Northern Italy, but inevitably, given the difficulty of communications in what is now known as "the conspiratorial period", the construction is a loose one. To avoid being involved in local differences, the delegation centred on the C.N.L.I. at Milan, and the purposes of their visits to the other centres was rather to consult with the local units of A.N.O. and to visit factories and port works, while the actual touring gave a good impression of the conditions of the bridges, the railway beds, and the high roads. We have now for the first time authentic knowledge of the prospects for the economic recovery of the country. No estimates could have any value so long as conditions in that vital industrial area remained entirely unknown. The results show that everything now depends on supplies of coal and raw material. To the extent that these can be found Italy, far from being an economic burden on the Allied Governments, may well come to be utilized as a useful spearhead for the rehabilitation of the Continent.

One of the first acts of the C.N.L.I. was to order the amendment of all decrees issued by the Republican Fascist Government under the German occupation. Inter alia these had aimed at the socialization of the factories, and the position is now confused and obscure. By a C.N.L. decree of the 17th April, the management of the factories, "pending a general revision by the National Government", was to be entrusted to works management councils (consigli di gestione aziendale) consisting in equal numbers of representatives elected by the shareholders and the operatives, but the decree has been only partially implemented. In some cases a committee approved by the C.N.L. has been appointed in the place of such a council, and, so far as we could ascertain no British companies have been affected at all. In the particular case of the Fiat at Turin things have gone very much further, and the board of management now consists of five workers nominated by the local C.N.L., and not all drawn from the Fiat. In this instance we have a pure Soviet, but we could learn of no other instance of this procedure, and it is to be noted that the communists have always been stronger at Turin than in any other of the large cities of Italy.

The labour position is precarious and highly dangerous. During the Republican Fascist regime the management and the workers in the factories

had

- 4 -

had conspired to keep as many workers as possible on the pay-roll to avoid deportation to Germany. These workers who remained on the pay-roll but could not be employed received 75% of their normal earnings. Following the liberation the C.I.S.A.L. issued an order forbidding the dismissal of workers without the consent of the relative factory committees, but the firms are in no financial position to continue to meet these inflated wage sheets for any length of time while their output continues suspended or heavily reduced through lack of raw materials. Already most of them are having to borrow from the banks. At the same time thousands of workers are now returning home from Germany, there are others who have been in hiding in the mountains to avoid deportation, there are the partisans who are being urged to disarm and to return to civil employment, and we shall shortly have the returning prisoners of war. Some degree of employment must be found for these men. Incidentally, as a further factor contributing to unemployment there are two million of unemployed, those who are fortunate enough to be on the pay-rolls of industrial or commercial firms and to receive 75% of their normal earnings, and those who have not had that good fortune and are entitled only to the unemployment relief rate of 16 to 20 lire a day. Estimates of the extent of unemployment threatening the northern regions of Italy vary from 4 to 6 million workers. The danger of such a position, with a more or stable Government and an active and well-financed communist movement, cannot be exaggerated. The privation of the factories with the coal and the raw materials necessary for their full operation becomes an urgent step not only for the creation of a healthy nucleus on the Continent, but to avoid conditions of social and political disorder likely to endanger the lines of communication of the union of occupation in Central Europe.

DRAFT SIGNAL.

TO : AFHQ for G-5 Section.

I protest most emphatically against despatch of report on economic situation in N. ITALY sent without clearance by my staff. You are in direct telephonic communication with every member of my staff. I had presumed that the Allied Commission was your advisor on economic situation in ITALY. May I ask who has supported it?

Ref memo 46. Brig. De Kinkas Sp. ite
Ltr. Ex. Com. Decided to drop matter.

S. 13/1

See Minutes 29-45

11/4/44

4004

CONFIDENTIAL

Ex. Comm
33

FX 78276
MAY 191557B

E/1556
MAY 2009/50
ROUTINE

From: AFHQ SIGNED MCMAHONEY CITE HADS

To: ACTION AGWAR WASHINGTON FOR BUCKSWELL FOR MINION FOR INFO TO ALCOM, AFLPS
RONE FOR SIBSON

CONFIDENTIAL.

1. Following is an initial report requested your W 77694.

Information obtained from conferences with Central Economic Commission, CENAI, and its subcommittee for textiles and fibers as well as individual members of the subcommittee representing cotton, wool, hemp, jute, silk, and synthetic fibers industries.

2. COTTON. Less than 5% war damage. Machinery ready to operate at estimated 95% prewar (1938) capacity. No ginned cotton on hand or available locally. All processing materials available locally except lubricants and vegetable oils. 33000 tons of coal required per month. No coal on hand. 20% dyeing, and finishing industry can use diesel oil in lieu of coal. No oil on hand.

3. WOOL. War damage insignificant. Machinery in good operating condition. Industry 95% intact. No virgin wool on hand or available in NORTHER ITALY. 5000 tons shoddy on hand. All processing materials available locally except lubricants and oil. 14000 tons of coal required per month. No coal on hand. 10% of industry can use diesel oil in lieu of coal. in NORTHERN ITALY industry does not plan to use Sardinian wool.

4. HEMP. 5% of industry completely destroyed. 10% damage can be reactivated in

CONFIDENTIAL

1121

CONFIDENTIAL

(FX 78276 cont'd)

6 months after repair materials are made available. 85% of machinery and facilities operational. Hemp available locally for full capacity of existing installations. Assessment program critical. Farmers refusing to release hemp. Only 160 tons available in warehouses. Processing materials generally available except small deficiencies in lubricants. 1750 tons of coal required per month. No on hand. Industry now operated 10% capacity and can continue for 20 days with present stocks of materials. Italian officials estimate 30000 tons of raw hemp will be available for export from 1945 crop.

5. JUTE. 35% of spindles and 27% of looms completely destroyed by war damage. 65% of total industry is intact. No jute on hand or available locally. Jute industries have converted to manufacture of hemp products. If jute is made available, reconversion no problem. Processing materials generally available except small deficiencies in lubricants. 800 tons of coal required per month. No on hand.

6. SILK. War damage estimate at 5%. Industry 95% intact. Sufficient cocoons produced locally for full operation of industry. 1945 crop will produce approximately 4000 tons dry cocoons subject to immediate supply of coal for drying cocoons. All processing materials available locally. 8000 tons of coal required per month for drying, spinning and twisting. Industry at standstill for want of coal.

7. SYNTHETIC FIBERS. War damage negligible. Machinery intact. No raw materials on hand or available locally. 15% of cellulose requirements can be produced locally 4 months after materials are made available for repair of cellulose industry. 33000 tons of coal are required per month. Not on hand.

CONFIDENTIAL

CONFIDENTIAL

(EX 78276 cont'd)

8. MANAGEMENT. Top echelon and all subordinate branches of management are generally available.

9. LABOR. Labor at present is being paid by management even while not working in order to retain their services.

10. Coal shortage extremely critical in NORTHERN ITALY. If it were available, lignite could be used for coal at a ratio of about 3 to 1.

11. The larger part of the industry is hydro-electrically powered. Power is available.

12. Transportation in general for all textile industries has been found to be in much better condition than anticipated. Rolling stocks of motor transportation are short, but management expects this situation to improve.

13. Above report is preliminary only and believed to be somewhat over optimistic as to volume and quick results obtainable. It has not been cleared with ALLIED COMMISSION or British. Survey and investigation continuing for purpose of completing report to you by 5 June. Urgent we have information requested para 1 our F 75061 this year.

NOTE

INFO-ACTION: Econ Sec 2

INFO: A/President

Chief Commissioner

Executive Commissioner

Commerce S/C

Industry S/C 2

AFPS

Ta S/C 2

File

1119

CONFIDENTIAL

1617
MAY 122055B

1/522
MAY 130930B
IMPORTANT

15 A QP LIAISON
FILIPOT, ALCON FOR ECON QM

MAY 13 RECD

FOR INFORMATION ONLY

IN CLEAR.

Gen WOOLF as GOC ITALY behind Army areas was responsible for economic mobilisation of ITALY. Had departments 1 development manufacture munitions 2 management of labour 3 production of food. First was concerned with production not only for ordnance but also boots clothing etc had complete records of POT-ENT-TIA- LITER equipment and work for which factories suitable of all principal businesses. Had also record of machines removed for use elsewhere and where now located. Several caches of machines already located this area. 80 road tunnels this area. Officer I/C was Gen LEYERS who it is understood is already prisoner he should be able supply information. Useful for rehabilitation. His records stated to be mainly MILAN his HQ was COMO. Also recommend dispatch Industry officer here to investigate caches machines and to redirect them to where required.

DIET

INFO-ACTION: Econ Sec 2
INFO: A/President
Chief Commissioner
Executive Commissioner
File 2
Float

1118

A. C.

~~RESTRICTED~~

Ex Commr (27)

246
MAY 10 1945

FOR INFORMATION ONLY

E/302
MAY 11 1945
OF PRIORITY

From: AMB VENEZIA REGION FROM ANTOLINI
To: HQ ALCON FOR ADMIRAL STONE

MAY 11 RECD

RESTRICTED.

First report.

Economies of BOLOGNA and VENEZIA functioning smoothly. Values in foodstuffs lower than central south similarly wages. Consumer goods fairly well assorted and apparently in good quantities with low prices. Inflationary pressures apparent but civil administrations keenly aware and endeavouring hold the present levels. Economic boundary road blocks do not exist. Proceeding to MILAN will report in detail Saturday. Signed ANTOLINI.

HEADQUARTERS
11 MAY 1945

DISC

ACTION: Chief Commissioner
INFO: A/President
Chief Commissioner
Executive Commissioner
Recn Sec
File 2
Float

~~RESTRICTED~~

1117

(Sgt Arnoldy) (Sgt)

4604 (1)

HEADQUARTERS ALLIED COMMISSION
APO 394
ECONOMIC SECTION

ES/1.01

3 May 1945

MAY 5 REC'D

SUBJECT: "Ordinances" by Central Economic Commission of the CLN

TO : Distribution Below

1. Attached are translations of Ordinances 1-8 issued by the Central Economic Commission of the Central Committee of Liberation of Northern Italy, which were established in Milano when the city was taken over by the Partisans.

2. These ordinances were published before the arrival of A/C officials and it is not yet known whether they have been rescinded since Allied Military Government was established.

3. They are of interest, however, in that they illustrate the preparedness of the CLN to take control of the economic situation and the line of thought of the CLN on economic controls.

A. G. ASTOLINI
Acting Vice President
Economic Section

Distribution:

Chief Commissioner	(1)
Executive Commissioner	(1)
Brigadier General McKinley	(1)
Brigadier General Anderson	(1)
Colonel Walton	(10)
Director: Commerce S/C	(5)
Industry S/C	(5)
Tra. S/C	(5)
Food S/C	(5)
Agriculture S/C	(5)
PM&U S/C	(5)
Labor S/C	(5)

Joint Directors:

Finance S/C	(5)
-------------	-----

1116

EXCERPTS FROM MONITORING REPORT

April 27, 1945

CONFIDENTIALCONFIDENTIALCentral Economic Commission of Central Committee of Liberation of Northern ItalyOrdinance No. 1

It is ordered that all public officials and employees and all citizens engaged in any activity or employment of a public character (banks, owners and employers of retail shops, doctors, transportation, etc.) continue to observe their hours of work and to do their duty during the period of the state of emergency. In addition to sanctions of an administrative or penal character, those who desert their post will be referred to the Evacuation Commission. Those instructions can only be disregarded on the order of the political authorities and the local Committees of National Liberation.

Ordinance No. 2

All public officials and employees responsible as consignees for goods, archives, grain, etc., will answer for their activities and for steps taken during the emergency period in regard to the material entrusted to them by the local National Liberation Committee, which in the case of omissions, negligence, desertion and lack of initiative will take action against all such persons in relation to the amount of responsibility ascertained.

Ordinance No. 3

As from today, no firm may discharge any member of its personnel; in the case of grave offences, the approval of factory Committees of Liberation must be obtained.

Ordinance No. 4

Art. 1) - All the present orders relating to prices remain provisionally in force until the issue of new instructions.

Art. 2) - The police are charged to see that these orders are obeyed.

Art. 3) - The sanctions for the non-observance of fixed prices are hereby confirmed with the stipulation that the punishments laid down for each crime will be increased in the measure decided upon for crimes committed and taking advantage of circumstances resulting from the state of war.

Art. 4) - The local and outlying Committees of National Liberation are invited to collaborate in order to obtain the observance of the above orders.

Ordinance No. 5

Given the necessity of ensuring the continuity of food supplies and distribution, and safeguarding the present stocks from possible destruction, it is laid down that:

Art. 1) - All persons in possession of quantities of rationed food-stuffs, whether because they have had a part in the production or been entrusted with the warehousing, care or distribution of such material, will be held responsible for its preservation. By rationed goods, we mean: cereals, dried vegetables, potatoes, etc.

the local Committees of National Liberation.

Ordinance No. 2

All public officials and employees responsible as consignees for goods, archives, grain, etc., will answer for their activities and for steps taken during the emergency period in regard to the material entrusted to them by the local National Liberation Committee, which in the case of omissions, negligence, desertion and lack of initiative will take action against all such persons in relation to the amount of responsibility ascertained.

Ordinance No. 3

As from today, no firm may discharge any member of its personnel; in the case of grave offenses, the approval of factory Committees of liberation must be obtained.

Ordinance No. 4

Art. 1) - All the present orders relating to prices remain provisionally in force until the issue of new instructions.

Art. 2) - The police are charged to see that these orders are obeyed.

Art. 3) - The sanctions for the non-observance of fixed prices are hereby confirmed with the stipulation that the punishment laid down for each crime will be increased in the measure decided upon for crimes committed and taking advantage of circumstances resulting from the state of war.

Art. 4) - The local and outlying Committees of National Liberation are invited to collaborate in order to obtain the observance of the above orders.

Ordinance No. 5

Given the necessity of ensuring the continuity of food supplies and distribution, and safeguarding the present stocks from possible destruction, it is laid down that:

Art. 1) - All persons in possession of quantities of rationed food-stuffs, whether because they have had a part in the production or been entrusted with the warehousing, care or distribution of such material, will be held responsible for its preservation. By rationed goods, we mean: cereals, dried vegetables, potatoes, farinaceous foods, pasta and rice, butter, edible oil, edible fats of all kinds, condensed milk, dairy products, cheese, frozen, chilled or other meat including sausages, eggs, sugar, jams and other vegetable preserves.

Art. 2) - No product may be added except by the explicit permission of the competent authorities, in accordance with the present law, which are confirmed until further orders, and that is:

from the Cereals Office, for flour and pasta, and for cereals other than rice and its derivatives;

from the Rice Industry Service, for rice;

from the Central Office for the Supply of Horticultural Products, for potatoes and dried vegetables;

from the Distribution Office, for oil, edible fats and butter;

from the Cheese Control Office, for cheese and condensed milk;

from the Meat Census Office, the Cattle Imports Company and the Provincial Butchers' Union, for meat, frozen meat and sausage meat;

from the Central Egg Office, for eggs;

from the National Sugar Refining Syndicate, for sugar;

from the Distribution Office for sweet preserves, meat and vegetable preserves.

1115

For goods held by wholesale as it is sufficient to obtain a release from the Provincial Distribution Office in so far as it is given in agreement with the regular assignment by the Ministry.

Art. 3) - Until further orders, the laws regulating the commitment of animals for slaughtering remain unchanged.

Art. 4) - All the penal clauses relating to rationing remain in force and are to be applied also in the case of violation of the above orders, except where heavier sentences are liable to be passed.

Art. 5) - All means of transport used to transport supplies which should have been pooled or otherwise subjected to food regulations will be requisitioned.

Committee of National Liberation for Upper Italy, Central Commission for Economy

Ordinance No. 6

1) - Regulations regarding the centralization and distribution of food which are now in force are temporarily re-affirmed.

2) - All the allowances already issued by the proper organizations and not revised upon the date of the present ordinance are cancelled and this is to go into immediate effect. The persons at the head of agencies which affect allowances after the said date in disregard of these dispositions shall be held responsible.

3) - New allowances may be released as of today only in cases of admitted emergency. Exigencies of transport or stoppage of major units of production, delivery of products to stores, compelling need for food until new distribution can be carried out according to rules to be set up by the competent authorities.

4) - Chiefs of the distributing agencies will be held responsible for the proper distribution until the promulgation of new rules which will govern the respective agencies to which these rules will apply.

5) - Chiefs of central and distributing agencies will supply as soon as possible and not later than seven days from today to the Central Economic Commission, Inspectorate Building, a statistical information which will include the stocks of all raw materials and products in question as well as orders cancelled for lack of delivery within the meaning of article No. 2, indicating the next recent possible date to which the situation applies.

6) - The penal sanctions concerning municipalities remain in force.

7) - Local Committees of National Liberation are requested to co-operate in the enforcement of this order.

Ordinance No. 7

1) - All raw materials, finished products, products in the course of transformation of any kind, which are property of public or military administrations, or which belong to firms or persons of German nationality or to public or military administrations of any kind of the former Italian Social Republic, or (any products which are) owed to these authorities, firms or persons as a result of paid instalments, are blocked with the present order. This is to go into effect immediately.

2) - The holders (of the above products) under whatever title - as well as those charged with transport of same - are responsible for the proper keeping of the above products until forthcoming directions are issued.

3) - The holders will also make a declaration of these products within a period not to exceed 15 days from today to the Central Economic Commission, Pal-

2) - All the allowances already issued by the proper organizations and not revised upon the date of the present ordinance are cancelled and this is to go into immediate effect. The persons at the head of agencies which off of allowances after the said date in disregard of these dispositions shall be held responsible.

3) - New allowances may be released as of today only in cases of admission, emergency, assignments of transport or stoppage of major units of production, delivery of products to stores. Impelling need for food until new distribution can be carried out according to rules to be set up by the competent authorities.

4) - Chiefs of the distributive agencies will be held responsible for the proper distribution until the promulgation of new rules which will govern the respective agencies to which these rules will apply.

5) - Chiefs of central and distributing agencies will supply as soon as possible and not later than seven days from today to the Central Economic Commission, Prefecture Building, a statistical information which will include the stocks of all raw materials and products in question as well as orders cancelled for lack of delivery within the meaning of article No. 2, indicating the most recent possible date to which the situation applies.

6) - The penal sanctions concerning municipalities remain in force.

7) - Local Committees of National Liberation are requested to co-operate

in the enforcement of this order.

Ordinance No. 7

1) - All raw materials, finished products, products in the course of transformation of any kind, which are property of public or military administrations, or which belong to firms or persons of German nationality or to public or military administrations of any kind of the former German Reich Republic, or (any products which are) owed to these authorities, firms or persons as a result of paid instruments, are blocked with the present order. This is to go into effect immediately.

2) - The holders (of the above products) under whatever title - as well as those charged with transport of same - are responsible for the proper keeping of the above products until forthcoming directions are issued.

3) - The holders will also make a declaration of these products within a period not to exceed 15 days from today to the Central Economic Commission, Prefecture Building. They will certify the clauses which had been stipulated at the time the contracts for supplies were made.... the nature of the goods which are the object of the contract, the present state of the goods (i.e. in extent they have received manufacture treatment), the amounts collected either in full or as part payment for the supplies proper or the allowances for the raw materials necessary for the completion of said supplies.

4) - Existing contracts for supplies with the Fascist authorities of the persons above named which have not been carried out by delivery of the goods are hereby cancelled. Raw materials consigned for the execution of said contracts are to remain blocked with present holder. Dispositions for liquidation on this matter shall be taken by the proper authorities.

5) - The penal sanctions pertaining to the discipline for the article 2 of consumption remain in force and apply also to violations of the previous ordinance.

6) - Local and outlying Committees of National Liberation are invited to collaborate to obtain proper observance of the above.

Ordinance No. 5.

1) - Law regarding traffic of motor vehicles remain in force as well as the inherent penalties.....

2) - All owners or possessors of motor-vehicles under whatever title will declare them to the provincial office within a period not to exceed 15 days from the date of the present communication of this ordinance.

3) - The commission charged with the issuing of new permits for motor-vehicles used for the transport of goods will deliver copy of the declarationand it will have the value of a permit to travel.

4) - The motor-vehicles which will travel disregarding the present regulations will be confiscated; this not to exclude penal action against the offender.

4004

(23)

Maj Talbot.

The att'd. is passed to you so that
you know these two officers are
here.

I ^{took} ~~passed~~ them to Maj Tooby
who will introduce them to
Econ Sps in which they are
interested.

Sh

23/4

H. D. D.

1113

27/4 PA
4/5

4 00647
CONFIDENTIAL

ALLIED FORCE HEADQUARTERS

Office of the Assistant Chief of Staff, G-2
(Operational Intelligence Section)

GBI/CI(T)/389.860.21

23 April 1945
APR 24 1945

SUBJECT: Collection of Topographical and Engineer Intelligence - ITALY

TO : Chief of Staff, Allied Control Commission, ITALY

Reference AFHQ Directive, Collection of Topographical and Engineer Intelligence (AFHQ/360/331 GBI-2 dated 12 January 1945)

1. Major G. J. Freedberg, U. S. Army, has been attached to this office from Inter Service Topographical Department, OXFOU, with a directive from ISUD to investigate material of Topographical and Engineer Intelligence interest in this theatre. He has been requested to complete the contacts made in Allied Control Commission earlier this year by Jr/Sdr Banbury, A.T.S., of 757D, who was working at Allied Control Commission under a similar directive, and who was able to obtain information of considerable value from certain of your sub-commissions.

2. Major Freedberg wishes especially to assess the extent to which files held by your sub-commissions contain information of long-range Topographical Intelligence interest, and to insure that material of this description is made available to AFHQ G.I. (Topo) for eventual transmission to the archives of ISUD. Major Freedberg has about two weeks at his disposal to complete this mission.

3. Major Freedberg will be accompanied by Captain D. J. Swann of G.I. (Topo), G-2, this headquarters. Captain Swann will assist Major Freedberg as necessary. Captain Swann will also be working on a special project to revise topographical information on Italian railroads. He expects to be working partly with the military railway agencies in ROME, but he is interested primarily in investigating the material held by the Railway sub-division of Allied Control Commission; it is requested that he be given the necessary facilities to work with them.

4. It is requested, in accordance with the directive mentioned at the head of this letter, that you assist the two above officers in their mission, and if you think it necessary, that you provide them with introductory letters to the heads of relevant divisions and sections.

For the A. C. of S., G-2:

Reference: AHC Directive, Collection of Intelligence (12/16/51) dated 12 January 1945

1. Major S. J. Freedberg, U. S. Army, has been attached to this office from Inter Service Topographical Department, GPO, with a directive from ISTD to investigate material of Topographical and Engineer Intelligence interest in this theatre. He has been requested to complete the contacts made in Allied Control Commission earlier this year by Mr. Dunbar, A.T.S., of ISTD, who was working at Allied Control Commission under a similar directive, and who was able to obtain information of considerable value from certain of your sub-commissions.

2. Major Freedberg wishes especially to assess the extent to which files held by your sub-commissions contain information of long-range Topographical Intelligence interest, and to insure that material of this description is made available to AFHQ O.I. (Topo) for eventual transmission to the archives of ISTD. Major Freedberg has about two weeks at his disposal to complete this mission.

3. Major Freedberg will be accompanied by Captain D. J. Swann of O.I. (Topo). O-2, this headquarters. Captain Swann will assist Major Freedberg as necessary. Captain Swann will also be working on a special project to revise topographical information on Italian railroads. He expects to be working partly with the military railway agencies in Rome, but he is interested primarily in investigating the material held by the railway sub-division of Allied Control Commission; it is requested that he be given the necessary facilities to work with them.

4. It is requested, in accordance with the directive mentioned at the head of this letter, that you assist the two above officers in their mission, and if you think it necessary, that you provide them with introductory letters to the heads of relevant divisions and sections.

For the A. C. of S., G-2

H. B. HITCHENS
Col., G-2.

1112

CONFIDENTIAL

Ref: 4004/21/EC.

27 April 1945.

Subject: P.I.A.P. - Turin.

To: VP Economic Section.

Enclosed for information and retention are the original and translation of a report by Sig. MAESTRI FORNASQUINO when he was up in the North.

A second copy of the above report is at the moment in the hands of the Executive Commissioner who will send it up when he has read it.

E. TALBOT

Chief Staff Officer.

11/15

Declassified E.O. 12356 Section 3.3/NND No. 785017

WOLF
MEMO JANTENS ALLIED COMMISSION
AND 394
ECONOMIC SECTION

(18)
HJ:HOW
2/12

Ref: SA/3.20

14 Feb 45

FEB 16 1945

TO: CCG

FROM: Economic Section

1. Attached for your information are two summaries which indicate the trend of foreign economic policy in the United States.

Encls.

R.

22 M. 19.7.20

[Signature]
26/2

Excerpt from Economic Digest, published in Washington.

CONFIDENTIAL

* Basic Commercial Policy and Wartime Trade Controls Approved by 1942

The paper outlining our commercial policy in relation to trade controls cleared the Executive Committee on Economic Foreign Policy and has been approved by the Secretary of State.

In brief, the paper states that the basic elements of U.S. commercial policy include, with the collaboration of other countries:

- (1) the general reduction of tariffs and reduction or elimination of other restrictions on foreign trade;
- (2) the prevention of the imposition of any new restrictions;
- (3) the elimination of discriminatory practices in foreign trade.

The shipping shortage, scarcity of necessary supplies, the inadequacies of commercial procurement and political and economic warfare objectives necessitated the imposition of certain wartime trade controls which are prima facie incompatible with these policy objectives and if continued beyond a necessary period would be inconsistent with the purposes of the Atlantic Charter, Article VII of the mutual aid agreements and, in some cases, the commitments in our commercial treaties and agreements. Although there may be valid reasons in some cases for the continuance of certain controls after the original reasons for their imposition no longer exist, the burden of proof for any such action will have to rest with those who advocate them.

Irrespective of shortages, some controls may be needed to implement policy with respect to national security, to fulfill existing commitments, or to implement the policy approved by the U.S. with respect to neutrals and ex-enemy countries."

Excerpt from Economic Digest, published in Washington.

CONFIDENTIAL

* Basic Commercial Policy and Wartime Trade Controls Approved by ECMT

The paper outlining our commercial policy in relation to trade controls cleared the Executive Committee on Economic Foreign Policy and has been approved by the Secretary of State.

In brief, the paper states that the basic elements of U.S. commercial policy include, with the collaboration of other countries:

- (1) the general reduction of tariffs and reduction or elimination of other restrictions on foreign trade;
- (2) the prevention of the imposition of any new restrictions;
- (3) the elimination of discriminatory practices in foreign trade.

The shipping shortage, scarcity of necessary supplies, the inadequacies of commercial procurement and political and economic warfare objectives necessitated the imposition of certain wartime trade controls which are prima facie incompatible with these policy objectives and if continued beyond a necessary period would be inconsistent with the purposes of the Atlantic Charter, Article VII of the mutual aid agreements and, in some cases, the commitments in our commercial treaties and agreements. Although there may be valid reasons in some cases for the continuance of certain controls after the original reasons for their imposition no longer exist, the burden of proof for any such action will have to rest with those who advocate them.

Irrespective of shortages, some controls may be needed to implement policy with respect to national security, to fulfill existing commitments, or to implement the policy approved by the U.S. with respect to neutrals and ex-enemy countries."

CONFIDENTIAL

ARMED AREA PROGRAMMING

The policy document on future area programming was approved recently by the Executive Committee on Economic Foreign Policy and by the Secretary of State.

The document advocates relaxation of joint area programming as soon as possible but recognizes that the procedure cannot be abrupt or uniform because each area involved presents specific and individual problems. European neutrals and liberated areas are specifically excluded from the following recommendations contained in the document:

1. That the procedure of joint programming by U.S.-U.K. be continued for items in short supply, including the joint designation of sources of supply wherever necessary;

2. That joint programming of items in long supply be discontinued. In certain circumstances and for a limited time, of which the following are the principal examples, a simplified type of joint reporting may be necessary:

(a) A shortage of shipping:

So long as this continues, the shipping authorities will need to secure information for Washington and London as to the probable tonnage requirements for shipping purposes, and to record desired priorities, in order to insure an equity of treatment in the assignment of shipping tonnage as among the various territories.

(b) Temporary governmental disorganizations:

In a few instances the importing governments, because of conditions arising out of the war emergency, may be unable to establish satisfactory import arrangements. Temporarily, data may have to continue to be collected jointly by officers of the U.S. and U.K. governments in some areas for the transition period.

3. That shortages of dollars should not be made a basis for joint programming since this is essentially a separate problem that should be dealt with on its own terms.

785017

4004
RE. JAPANESE ALLIED COMMISSION
APO 394
FINANCE SUB-COMMISSION
TEL: 417

13031/7

7 February 1945

SUBJECT: article from "Fortune" Magazine.
TO : Chief ~~Commissioner~~.

FEB 8 1945

The attached copy of an article from Fortune is of general interest in that it presumably embodies much of Assistant Secretary of State Dean Acheson's thinking (Rostow was for some time his special assistant) and of particular interest because of the discussion of Italy's plight (see p.4).

"(S) ...
CONFIDENTIAL"

Joint Director,
Finance Sub-Commission.

Copy to: Chief of Staff ✓

BELT/rad

1107

THE GREAT TRANSITION

RECONSTRUCTION LIVES, NOW, ON THE JUNCTION OF TWO LONG-UP
AMERICA'S GOLD AND INDUSTRIAL FOR THE RE-ESTABLISHMENT OF INTERNATIONAL TRADE

By Eugene V. Rostow

Eugene V. Rostow is one of the bright young men coming out of Yale university in the class of 1933. He quickly made a name for himself in the Yale law school where he now holds professorial rank. With the outbreak of war he became assistant on lend-lease affairs to the Department of State, working in consultation with many departments of the government.

Our international economic relations are in a state of deepening crisis that threatens the peace. The emergency in our foreign economic policy is as great in scale, and as menacing to American security interests, as the financial emergency that preceded the passage of the Lend-Lease Act. We now lack an adequate program for achieving freedom of the exchanges, and for financing the export of American supplies during the emergency period after German surrender. Although such a program we cannot realistically expect to reach one of the first great goals of our national interest - the restoration of a large volume of international trade, conducted on the basis of free and stable exchanges and lowered trade barriers.

The countries of Europe will end the war in differing economic and financial circumstances. Some, like the Soviet Union, will face fifteen years of rebuilding before the physical destruction of war can be replaced. Greece, Italy, Poland, and Yugoslavia will be in a desperate condition of physical devastation and economic disorganization. Others may have suffered relatively little war damage, but will have to begin again with decentralized industries and finances, and depleted reserves of foreign exchange. For each country of Europe, even including the relatively rich countries like the Netherlands and Belgium, the transition years present serious problems of physical reconstruction before they can afford to re-enter a world based on liberal principles of commerce. The U.S., Canada, and the other countries of this hemisphere have not suffered the physical impact of the war. They alone will have surplus supplies at its conclusion. Assistance in supply and finances must come to Europe primarily from the West.

Yet to date we have no credit arrangements for financing the export of supplies needed for the economic reconstruction of liberated areas. It has no policy beyond the wartime limits of lend-lease for financing the reconstruction needs of Britain, the Soviet Union, and other fighting allies. Although from a strictly legal point of view the Lend-Lease Act might provide a means for dealing with some of the problems of the transition period, no steps have yet been taken to use this powerful and flexible weapon for peacetime purposes. We can deal only with various phases of civilian relief requirements and it is extremely forbidden to undertake reconstruction activities. The situation left remains on the books to block our first of reconstruction. Otherwise, the indefinite power of the

Our international economic relations are in a state of deepening crisis that threatens the peace. The emergency in our foreign economic policy is as great in scale, and as menacing to American security interests, as the financial emergency that preceded the passage of the Lend-Lease Act. It has led to an adequate program for achieving freedom of the exchanges, and for financing the export of American supplies during the emergency period after German surrender. It is such a program we cannot realistically expect to reach one of the first great goals of our national interest - the restoration of a large volume of international trade, conducted on the basis of free and stable exchanges and lowered trade barriers.

The countries of Europe will end the war in differing economic and financial circumstances. Some, like the Soviet Union, will face fifteen years of rebuilding before the physical destruction of war can be replaced. Greece, Italy, Poland, and Yugoslavia will be in a desperate condition of physical devastation and economic disorganization. Others may have suffered relatively little war damage, but will have to begin again with demoralized industries and finances, and depleted reserves of foreign exchange. For each country of Europe, even including the relatively rich countries like the Netherlands and Belgium, the transition from present various problems of physical reconstruction before they can afford to re-enter a world based on liberal principles of commerce. The U.S., Canada, and the other countries of this hemisphere have not suffered the physical impact of the war. They alone will have surplus supplies at its conclusion. Unaidance in supply and finances must come to Europe primarily from the U.S.

Yet to date we have no credit arrangements for financing the export of supplies needed for the economic reconstruction of liberated areas. We have no policy beyond the wartime limits of Lend-Lease for financing the reconstruction needs of Britain, the Soviet Union, and other fighting allies. Although from a strictly legal point of view the Lend-Lease Act might provide a means for dealing with some of the problems of the transition period, no steps have yet been taken to use this powerful and flexible weapon for peacetime purposes. We must deal only with various phases of civilian relief requirements and it is expressly forbidden to undertake reconstruction activities. The Johnson Act remains on the books to block one type of reconstruction financing; the inadequate power of the Export-Import Bank blocks another. Finally, while much should be made of the constructive measures proposed at Bretton Woods (August, September, 1944), we must also recall their plain limitations. The proposed monetary fund is not intended to provide facilities for relief and reconstruction or to deal with international indebtedness arising out of the war. Its resources cannot be used to finance the unfinancing of currencies. The proposed Bank for Reconstruction and Development is equipped to deal with only one phase of the reconstruction problem and is hedged about with many limitations. Moreover, the Bretton Woods proposals have not met with powerful opposition among those internationally minded Republicans who so far have supported the administration on every critical phase of its foreign policy. And fund and bank cannot possibly come into operation before May 1, 1945.

than our ability to cope with the exigencies of the day, the existing, and even the years just about, is sorely limited. We shall need, as this article will go on to show, banks of use in our policy all along the line. In our own interest we must create emergency credit facilities adequate to the job. Our economic policy during the next five years can cement the reconciliation of the United Nations, or it can destroy any real hope of security and stability in their political and military arrangements. We can help to strengthen the forces of progressive and democratic government in Europe or we can let popular government in Europe go down without our support before the forces of extremism and reaction. We have a good chance to bring about the re-establishment of a system, generally speaking, of free exchanges and multilateral trade for the capitalist part of the world. That system would be the best possible foundation for a world order and our safety as a nation. It would also constitute the best and most profitable basis on which our close and friendly relations with the Soviet Union can be maintained and developed.

Should the U.S. fail to adopt adequate emergency credit facilities, there is grave danger that the world will drift into economic blocs and groups, bilateral trade arrangements not exist. If they continue, they will split the capitalist part of the world from the middle. Our security is too much of the German forcing the Tunes to exchange dollars for German harmonious to confuse bilateral trade methods with economic progress. Politically their effect is even more serious. Bilateral trade methods require numerous domestic controls. They make every economic transaction a direct political responsibility of government. They increase the instability of economic life, and multiply the opportunities for political friction and blistering among friendly peoples. It would be hard to conceive a plan more directly designed to divide the United Nations than to translate all trade among them from the commercial to the political and governmental plane.

Yet this is the kind of world we are apt to get unless we devise a new financial policy for the transition. Consider what we face in a few typical instances beginning with Britain. The importance of our trade relations with Britain cannot be over-emphasized. For they will largely determine how we trade with France, the other countries of western and central Europe, Australia and New Zealand, Africa and the Middle East. In differing degrees, they all suffer from the same prospect of a temporary but acute shortage of dollars that is plaguing the British. And their political associations, in the absence of a positive American policy, will lead them to economic coalition.

MAINTAINING STERLING

At the present time, Britain is operating in the world markets under a far-reaching and effective system of exchange control. Sterling is blocked, and most of the current dollar accounts of the native sterling area are in effect sold to the British Treasury for sterling, to be available for war purposes. Then if an Australian exporter sells some steel, for example, to a U.S. manufacturing corporation for dollars, he is finally paid in Australian pounds, the Australian Treasury receives British pounds, and the British Treasury holds the purchase price in dollars. The British Treasury makes dollars available to the participants in this pool as the occasion may require. Its interest, of course, is to keep

785017

Let this be the kind of world we are apt to get unless we devise a new financial policy for the transition. Consider that we have in a few specific instances beginning with Britain. The importance of our trade relations with Britain cannot be over-emphasized. For they will largely determine how we trade with France, the other countries of western and central Europe, Australia and New Zealand, Africa and the Middle East. In differing degrees, they all suffer from the same prospect of a temporary but acute shortage of dollars that is plaguing the British. And their political associations, in the absence of a positive American policy, will lead them to economic coalition.

MAINTAINING THE

At the present time, Britain is operating in the world markets under a far-reaching and effective system of exchange control. Sterling is hoarded, and most of the current dollar earnings of the entire sterling area are in effect sold to the British Treasury for sterling, to be available for our purposes. Thus if an Australian exporter sells some zinc, for example, to a U.S. commercial corporation for dollars, he is finally paid in Australian pounds, the Australian Treasury receives British pounds, and the British Treasury holds the purchase price in dollars. The British Treasury makes dollars available to the participants in this pool as the occasion may require. The interest, of course, is to keep dollar expenditures to a minimum.

The virtues of this system as a war measure have been fully proved in practice. Its success in peacetime is equally apparent, as we move from a period of short supplies, distributed by governmental license and allocation, to one of ample supplies, distributed by the ordinary process of sale on the market. Picture an American exporter after the war, freed of all controls, trying to sell a car or a typewriter in Australia or the Belgian Congo. During the war, of course, the rule has been that American supplies would be sought only if the minimal approved need could not be met from a sterling source. Suppose the need arises, or an adaptation of it, were to apply in peace as a measure for conserving dollars, the one commodity of which all Europeans will be short for some time after the war.

The exporter will tell the exporter politely that he would of course much prefer the American car or typewriter, but that his Treasury has unfortunately turned down his application for a license to pay dollars **105**. He has therefore sadly placed his order for a machine of British, French, Belgian or American manufacture. The American exporter, in a rage, will appeal to the American Consul, to the State Department, the Treasury, and finally to his Congressman or to the Chicago Tribune. Long before the mysteries of foreign exchange can be explained to the

...public

- 3 -

Dublin at large, there will be a hue and cry against the wicked and ungrateful British, who will be on the side of outsmarting our diplomats again, after we have won the war for them.

The prospects of international bickering, bitterness, and political reaction implicit in the enforcement of these controls are endless. Yet the plain fact is that if the war ended tomorrow, Britain could not afford to unblock sterling, even for current transactions, or to give up her other controls of foreign exchange and imports, and no British politician could today take responsibility for proposing to do so. It is common knowledge that the course of the war has borne heavily on British finances. She has lost overseas investments. She has lost shipping. And she has spent lavishly in India, the Middle East, and elsewhere for the prosecution of the war, thus building up a short-term sterling debt that may reach \$12 billion at the end of this year.

Maybe the British are over-obsessed with the difficulty of their position. But certainly they have plenty to worry about. Their concern is all the greater because they are committed to a policy of high employment, social security, and economic progress at home. Such a program will require a high level of imports, both in food and in raw materials, and it will tend to make British exports expensive by keeping domestic prices high. Yet the British know that they must regain and enlarge their present export trade if they are to begin to meet their commitments to their own people and to the outside world.

THE CHINESE POSITION

This is the concrete setting for the debate now raging in Britain over postwar policy. The lines are already drawn. On the one side are those who believe that Britain should pursue her social objectives within the framework of a policy designed to restore free exchanges and multilateral trade (with the frozen sterling balances freed or released for gradual liquidation). On this side stand the Prime Minister, many in the Foreign Office, and some of the best minds in the British Treasury. But over and against this official position is a noisy and powerful opposition that wants to continue export and import controls not as wartime necessities but as weapons of permanent economic policy. They are men from both right and left and their preference for a statist approach is both practical and ideological. Sometimes Lord Beaverbrook seems to argue in this direction. The influential economist, once the voice of postwar reconstruction, has recently turned away from its great tradition. Finally, there are many indiscriminate planners who do not see that the continuance of wartime trade controls may not represent economic progress but only old autarky, mercantilism, and reaction, writ largely in a new and dangerous form.

Actually, and on any long view, a policy of stagnation in Britain's post war would be a disaster for both her and ourselves. The world would tend to split up into Schachtelian currency and trade areas that might easily become rival and complementary to each other. Her is such a result necessary. Multilateral trade and policies aimed at high employment are by no means conflicting. Acting in concert, using their combined power to increase the flow of investment at home and abroad, and to raise the organization of business more rather than less competitive, Britain and the U.S. can together achieve

both in food and in raw materials, and it will tend to make British exports expensive by keeping domestic prices high. Yet the British know that they must regain and enlarge their premier export trade if they are to begin to meet their commitments to their own people and to the outside world.

THE ECONOMIC SITUATION

This is the concrete setting for the debate now raging in Britain over postwar policy. The lines are already drawn. In the one side are those who believe that Britain should pursue her social objectives within the framework of a policy designed to restore free exchanges and multilateral trade (with the frozen sterling balances frozen or released for gradual liquidation). In this side stand the Prime Minister, many in the Foreign Office, and some of the best minds in the British Treasury. But over and against this official position is a motley and powerful opposition that wants to continue export and import controls not as wartime necessities but as weapons of permanent economic policy. They are men from both right and left and their preferences for a statist approach is both practical and ideological. Sometimes Lord Beaverbrook seems to argue in this direction. The influential economist, says the voice of present mainstream liberalism, has recently turned away from its great tradition. Finally, there are many individual planners who do not see that the continuance of wartime trade controls may not represent economic programs but only old autarky, mercantilism, and reaction, writ largely in a new and dangerous form.

Actually, and on any less view, a policy of statism on Britain's part would be a disaster for both her and ourselves. The world would tend to split up into Bohemian currency and trade areas that might easily become rival not complementary to each other. Nor is such a result necessary. Multilateral trade and policies aimed at high employment are by no means conflicting. Acting in concert, using their combined power to increase the flow of investment at home and abroad, and to make the organization of business more rather than less competitive, Britain and the U.S. can together achieve a democratic program of high employment while all the time working toward the re-establishment of liberal trade policies. But to do so means true collaboration, the acceptance of the spirit of the Atlantic Charter, and above all taking seriously the promise of Article VII of the Lend-Lease Act.

That document is the best guide for the future. Substantially it calls for a lend-lease settlement whose terms and conditions will not burden ourselves but actively promote an expansion of production, employment, and trade, the elimination of "all forms of discriminatory treatment in international commerce", and the reduction of tariff and other trade barriers. Of this article the President has said, "If the promise of the peace is to be fulfilled, a large volume of production and trade among nations must be restored and sustained. This trade must be solidly founded on stable exchange relationships and liberal principles of commerce. The lend-lease settlement will rest on a specific and detailed program for achieving these ends, which are, as Article VII of the Lend-Lease Act, Britain, China, India, and Russia points out, 'the essential foundation of the liberty and welfare of all peoples.'"

5 Fifth Report of the President to the Congress on Lend-Lease Operations, June 11, 1942, page 24, chapter 3.

Clearly, the long-range agreements look to a liberal and multilateral, and not a restrictionist, approach to the solution of world economic problems. But they are based on the principle of reciprocity. They require that each country should give as much as it receives. The action on our part needs to carry out the policy of these agreements in as much larger scale and a much broader front than has so far been publicly indicated to be likely. It cannot be repeated too often that our financial arrangements must not be put in jeopardy by a basic lack of balance in our trade. We need to provide emergency credits in order to tide over the acute period of readjustment immediately after the war. And these emergency credits will be wasted unless we undertake at the same time to correct the fundamental error of our economic foreign policy since 1921 - that we have been stubbornly, insistently, and vehemently trying to sell without buying.

The British have held their system of imperial preference in reserve in all discussions of postwar economic policy, from the time of the Atlantic Charter until the present. Imperial preferences, it is perfectly clear, are to be the British card up in bargaining about the future level of our tariffs. With a bargain well made a fair use for us. The conversion of our currency to pounds sterling purposes will be an extensive process, requiring many adjustments. While we are making radical shifts in population and resources, we might just as well include in the process the long-delayed adjustment of our own business to a changed tariff environment. Indeed, the reconversion period may be our only opportunity to make a pendulum out in our tariff levels without causing serious dislocations to business.

THE CASE OF ITALY

The case of Britain is enough to suggest that the re-establishment of multilateral trade will be no easy task. It will call for a large measure of give and take on both sides. The case is true of other western European nations - France, Belgium, and the Netherlands, who even now are divesting their holdings of gold and dollar exchange for the purchase of relief and hence will be under great pressure to maintain exchange controls after the fixing ceases. But to round out the picture suppose we turn to make a different and still more difficult type of case - Italy.

The economic situation of Italy is an object lesson in the inadequacy of our policy for dealing with the economic problems of the transition period. In countries that have been pillaged and scorched by the Germans, and fought over by the armies, Italy has suffered terribly war damage, and her industrial base is gravely weakened. She has no reserves of foreign exchange, and practically no current sources of exchange. For the best possible political reasons, we want to help and support the Italian people and the democratic groups among them that are trying to create a progressive Italian Government.

Yet what we are doing is not enough, either in conception or in fact, to meet the needs of the situation. We are importing comparatively large amounts of foodstuffs and other consumer goods in Italy as military relief. By the end of 1944, the civilian supply program in Italy will have cost \$200 million.

In the process the large-delayed adjustment of American business to a changed tariff environment. Indeed, the reconversion period may be our only opportunity to make a genuine end in our tariff system without causing serious damage to business.

THE UNITED STATES

The case of Britain is enough to suggest that the re-establishment of multilateral trade will be no easy task. It will call for a large measure of give and take on both sides. The case is true of other western European nations - France, Belgium, and the Netherlands, who even now are drawing down their holdings of gold and dollar exchange for the purchase of relief and business will be under great pressure to maintain exchange controls after the firing ceases. But to round out the picture suppose we turn to what is a different and still more difficult type of case - Italy.

The economic situation of Italy is an object lesson in the importance of our policy for dealing with the economic problems of the transition period in countries that have been pillaged and scorched by the Germans, and brought even by the armies. Italy has suffered terrible war damage, and her industrial plant is gravely weakened. She has no reserves of foreign exchange, and practically no current sources of exchange. For the best possible political reasons, we want to help and support the Italian people and the democratic groups among them that are trying to create a progressive Italian Government.

Yet what we are doing is not enough, either in conception or in fact, to meet the needs of the situation. We are importing comparatively large amounts of foodstuffs and other consumer goods in Italy as military relief. By the end of 1944, the civilian supply program in Italy will have cost \$200 million.

The principle on which the military-relief program is based has been set to prosper the enemy, i.e., to give what is required to prevent food rioting and pestilence along the lines of communication, and so on. These programs do far too little toward restoring production and employment in Italy.

The Italians are supposed to pay for what they receive from the enemy. So far it is expected that the Italians will pay for the military-relief program with funds credited to them against the local currency required for the pay of our troops in Italy, together with accounts from remittances, exports, and shipping. These devices are not providing sufficient even as a matter of bookkeeping. There are not enough American troops in Italy, nor enough Italian ships entering there are not enough American troops in Italy, nor enough Italian ships entering there, to pay for the supplies being brought in. Our supplies are going into Italy as a matter of military necessity. In fact they are going in on a credit whose terms may not be discussed until a treaty of peace is negotiated. Let us have as yet no alternative way to support the program of Italian reconstruction we want and need, and will have none unless we change our lend-lease policy, until the American people bank is established and Italy is allowed to become a member.

1103

785017

- 5 -

Under its original rules, UNRRA funds could not be used in enemy territory. This policy was modified at the recent UNRRA meeting in Montreal to allow \$50 million to be spent in Italy for three specified purposes - the relief of children, nursing and expectant mothers, and displaced persons. But this will do nothing to relieve the crisis in Italy. Fifty million for children, mothers, and refugees does not begin to measure Italian needs. Italy needs industrial supplies that UNRRA is expressly forbidden to provide. Without such supplies there can be no end to the process of relief, no beginning of normal employment, creative, and growth. In the second place, UNRRA has enough funds in contemplation only to meet the estimated relief needs of China, Greece, Poland, Czechoslovakia, and Yugoslavia, countries in which substantial supply operations are planned. It may be expected, therefore, that putting any large part of the burden even of Italian relief on UNRRA will be strongly resisted.

The Italians are asking for lend-lease aid. Although some lend-lease funds might be used to advantage during the period of hostilities, lend-lease would not in any sense provide an adequate solution to the Italian problem under its present limitations of policy. Lend-lease is now regarded exclusively as a war supply mechanism. The prevailing legislative and administrative development of policies under the act would greatly limit the practical usefulness of any lend-lease to lend-lease in the present situation in Italy or other liberated areas. Lend-lease supplies are, of course, being used in some liberated territories - in the Soviet Union, for example - to facilitate local war production and other measures of economic mobilization for carrying on the war, and to sustain the civilian economy on a wartime basis. The time has passed, however, when as a general matter one can say that the larger part of the economic needs of Italy are required in order to win the war.

We have thus arrived in Italy at a point of utter bankruptcy of policy. We are sending in a badly planned assortment of minimal civilian relief supplies, without any clear and workable plan for financing their importation or continuing to do so when hostilities cease. We have no policy that would permit us to assist promptly in the reconstruction of Italy, or any other liberated territory, and there is little or no chance that new legislation will be drafted, considered, or approved before the middle of 1945, at the very earliest.

EMERGENCY LEND-LEASE

Thus an emergency policy is urgently needed, if the liberation of Europe and the tapering-off of present lend-lease war programs are not to produce economic chaos. Time is short, and bold measures must be considered. What can and should be done?

The first step to be taken, beyond the most rapid possible accomplishment of the Bretton Woods Fund and Bank, is to inaugurate an entirely new program of emergency reconstruction loan agreements under the broad authority of the act to increase the defense of the United States, commonly, but misleadingly, called the "Lend-lease act." These agreements could legally be undertaken without new legislation, although full and advanced consultation of the appropriate committees of the House and Senate would be desirable and normal constitutional practice.

supply mechanism. The prevailing legislative and administrative development policies under the act would greatly limit the practical usefulness of any recourse to lend-lease in the present situation in Italy or other liberated areas. Lend-lease supplies are, of course, being used in some liberated territories - in the Soviet Union, for example - to facilitate local war production and other essential economic activities for carrying on the war, and to maintain the civilian economy on a war-time basis. The time has passed, however, when as a practical matter any act that the larger part of the economic needs of Italy are required in order to win the war.

We have thus arrived in Italy at a point of utter bankruptcy of policy. We are sending in a badly planned assortment of minimal civilian relief supplies, without any clear and workable plan for financing their transportation or continuing to do so when hostilities cease. We have no policy that would permit us to assist promptly in the reconstruction of Italy, or any other liberated territory, and there is little or no chance that new legislation will be drafted, considered, or approved before the middle of 1945, at the very earliest.

EMERGENCY LEND-LEASE

Thus an emergency policy is urgently needed, if the liberation of Europe and the tapering-off of present lend-lease war programs are not to produce economic chaos. There is, of course, and bold measures must be considered. What can and should be done?

The first step to be taken, beyond the most rapid possible expansion of the Bretton Woods Fund and bank, is to inaugurate an entirely new program of emergency reconstruction loan agreements under the broad authority of the act to transfer the defense of the United States, generally, but misleadingly, called the Lend-lease act. These agreements could legally be undertaken without new legislation, although full and advanced consultation of the appropriate committees of the House and Senate would be desirable and normal constitutional practice.

The Lend-lease act was passed before we were at war, and lend-lease funds have been used in South America, the Middle East, and other areas of vital interest for purposes of political stabilization, economic warfare, and other urgent defense purposes. The Lend-lease act itself provides for transfer, to the government of any country whose defense the President deems vital to the defense of the U.S., of defense articles, services, and information, then the President seems such transfers to be "in the interest of national defense". It does not require extended argument to prove that vital defense and security interests of the U.S. would be furthered by the prevention of economic chaos; by the restoration and maintenance in Europe of essential economic activities on a military basis; and by the prompt beginnings of economic reconstruction, during the emergency period before the Bretton Woods plans can go into full effect. The act statute is a sufficient legal foundation for a program of emergency reconstruction loans.

- 6 -

But programs of reconstruction should be completely and sharply distinguished from existing lend-lease programs. They should not be handled under the lend-lease Master Agreements, but under new and special loan agreements. I drafted for the purpose. The President, the Foreign Affairs and Foreign Relations Committee of the Congress, and various Administration spokesmen have in a long series of statements hammered out a totally sound line of policy about obligations for war aid under the lend-lease Master Agreements. These statements have finally clarified the nature of the lend-lease relationship that has developed with reference to supplies utilized for war purposes. As the Senate Committee on Foreign Affairs has said:

"The security of the United States is benefited under our lend-lease program first and principally by the use of lend-lease supplies in the war which the Axis has undertaken to wage against us. That we sent to our allies for their use in war is part of our own war effort.

"The purpose of weapons, and the materials from which they are made, is to inflict harm upon the enemy. When we send these materials to our allies, as when we send them to our own troops and factories, the benefit we seek and receive is their use against the enemy. This is not a commercial transaction. It is a military move.

"There is no adequate way to value such military moves in dollars, pounds, or rubbles. There is no way to compare the price of an American tank with the life of its Russian, British or Australian crew. Our supplies which go to the war are paid for on the battlefield in the damage they do our enemies." *

It is thus clear that no one can use any money for lend-lease supplies used in the course of the war. Unless we want to apply the same rule to lend-lease supplies used for reconstruction, it would simply cause confusion to spend lend-lease funds for such purposes under the present master agreements. We should instead make new and distinct agreements to cover the reconstruction program. Actually a different rule seems appropriate and should be specified in advance, through favorable but specific interest and repayment provisions. The reconstruction of the European economy is an act of productive activity, and should justify the charge of low interest rates - perhaps slightly above the average carrying charge on our national debt. After all, the famous "war debt" on which the plans so conspicuously paid their interest was not a war debt at all - Finland was a debtor of the Russian Empire during the last war - but a reconstruction loan. The use of lend-lease procedures of U.S. Government procurement would give us every opportunity to be sure that we were supporting economically justifiable reconstruction programs. We could thus prevent the rebuilding of unproductive or heavily subsidized industries, and assure ourselves that our loans would earn their interest through their contribution to greater productivity.

REPEAL THE JOHNSON ACT

Such a program of emergency reconstruction loans should be accompanied by the repeal of the Johnson Act and a clarification and enlargement of the powers of the Export-Import Bank, or some other appropriate lending agency. The Johnson Act should be interpreted without comment or trace, and the war-aims loans

"There is no adequate way to value such military moves in dollars, pounds, or rubles. There is no way to compare the price of an American tank with the life of its Russian, British or Australian crew. Our supplies which go to the war are paid for on the battlefield in the damage they do our enemies." *

It is time clear that no one sees us any money for lend-lease supplies used in the course of the war. Unless we want to apply the same rule to lend-lease supplies used for reconstruction, it would simply cause confusion to spend lend-lease funds for such purposes under the present master agreements. We should instead make new and distinct agreements to cover the reconstruction program. Actually a different rule seems appropriate and should be specified in advance, through favorable but specific interest or repayment provisions. The reconstruction of the European economy is on net a productive activity, and should justify the charge of low interest rates - perhaps slightly above the average carrying charge on our national debt. After all, the famous "war debt" on which the firms so conspicuously paid their interest was not a war debt at all - Finland was a duchy of the Russian Empire during the last war - but a reconstruction loan. The use of lend-lease procedures of U.S. Government procedures would give us every opportunity to be sure that we were supporting economically justifiable reconstruction program. We could thus prevent the rebuilding of unexpanded or heavily subsidized industries, and assure ourselves that our loans would earn their interest through their contribution to greater productivity.

REPEAL THE JOHNSON ACT

Such a program of emergency reconstruction loans should be accompanied by the repeal of the Johnson Act and a clarification and enlargement of the powers of the Export-Import Bank, or some other appropriate lending agency. The Johnson Act should be interred without comment or trace, and the war-debts issue of the first world war decently forgotten. Unless this is done, we are likely to find that the Government will emerge with exclusive legal authority to lend money to most of our allies. Such a development would constitute an unnecessary and undesirable measure of financial monopoly. Private financing, as well as Government financing, will be needed in the reconstruction period and thereafter. The legal barriers to its function should be removed. The Government must, of course, have ample power to act in cases that should be outside the scope of lend-lease procedure. Such power should be assured by an enlargement of the authority and of the lending power of the Export-Import Bank, which now labors under the legal handicaps of the Johnson Act.

Credits alone may not be sufficient to facilitate the resumption of international economic life on the scale and with the momentum we want to see. The case of Britain represents a class of financial problems that may require still another procedure. The British are reluctant to incur new debts to add to those that have piled up in the course of the war. The measure of the British problem is different from that of Italy, Greece, Poland, or perhaps France. The British lack gold and available dollars sufficient to act as a monetary reserve during the period of readjustment while their imports and exports reach a new equilibrium with British domestic economic policy and with the changed position.

* Report to accompany S. 813, 78th Congress, 1st Session, No. 99, March 10, 1943, page 9.

position of Britain in world trade. If the British had a large monetary reserve, sterling could be unfrozen immediately at the end of the war, certainly for current transactions. The transfer of sterling funds into dollars could probably not be great if stronger reserves fortified confidence in sterling as a currency. It is a common experience in banking that the larger the reserve, the less the danger of a run.

USE OUR GOLD

A practical remedy is at hand. During the war we have made certain specific loans of silver to meet essential war needs, and to combat inflation, under special contract calling for the return of the amount of silver loaned, in ounces, at a given time after the war. Comparable loans of a few tons of gold, calling for the return of the same amount of gold after a period of perhaps thirty-five to fifty years, might put our excessive gold reserves to work with dramatic, even magical effect. With or without changes in our bank regulations, we could have ample excess reserves in gold to undertake such a program without restricting the liquidity of money available in the U.S. These transactions in gold would be effected by stabilization loans, without interest, and their terms might be broadly adapted to the particular financial circumstances of the countries involved. Stabilization arrangements along these lines may be the simplest and most practical way to secure an immediate freeing of exchanges after the war, and a consequent beginning of the process of internal and international readjustment to changed economic factors. They might well be handled so as to initiate the trends on the basis of which the Bretton Woods plans could make their maximum contribution to order and progress.

This emergency program for the transition period then has four aspects: (1) reconstruction loans to finance the flow of American supplies required in the first period after hostilities cease; (2) opening private channels of finance; (3) enlarging the government's power to make other loans that may be needed; and (4) stabilization loans of gold as a commodity, to permit the immediate freeing of exchanges. Such a program would give the U.S. resources with which to secure the basic economic goals of its foreign policy. Reconstruction loans would not burden the American taxpayers, for they should and can be used to finance economically justifiable projects, on which repayment could be expected. Reconstruction is a matter of banking, not of philanthropy, and banking, after all, has always been regarded as a profitable business. Such a program would contribute to the enlargement of employment at home, and to the orderly reconversion of American industry.

Its basic merit, however, is in the field of political and military security. We speak of the coming months and years as a transition period. It is not at all certain, however, that we are going to move in the direction we want. Our goals in the field of international economic policy are perfectly clear and altogether feasible. But they can be reached only by aggressive action. Without flexible and resourceful economic diplomacy on our part, the likelihood is that the transition ahead will be one toward bilateral trade and restriction, with all the menace they imply to peace and economic welfare. A well-handled flow of American credits is required to make the next period in world economic development one of transition to liberalism, and not to anarchy and reaction. In terms of our national interests, that goal would be worth pursuing even if it cost a good

arrangements along these lines may be the cheapest and most practical way to secure an immediate freeing of exchanges after the war, and a consequent beginning of the process of internal and international readjustment to changed economic factors. They might well be handled so as to initiate the trends on the basis of which the Bretton Woods plan could take their maximum contribution to order and progress.

This emergency program for the transition period then has four aspects:

- (1) reconstruction loans to finance the flow of American supplies required in the first period after hostilities cease; (2) opening private channels of finance; (3) enlarging the government's power to make other loans that may be needed; and (4) stabilization loans of gold as a security, to permit the immediate freeing of exchanges. Such a program would give the U.S. resources with which to secure the basic economic goals of its foreign policy. Reconstruction loans would not burden the American taxpayers, for they should and can be used to finance externally justifiable projects, on which repayment could be expected. Reconstruction is a matter of banking, not of philanthropy, and banking, after all, has always been regarded as a profitable business. Such a program would contribute to the enlargement of employment at home, and to the orderly reconversion of American industry.

Its basic merit, however, is in the field of political and military security. We speak of the coming months and years as a transition period. It is not at all certain, however, that we are going to move in the direction we want. Our goals in the field of international economic policy are perfectly clear and altogether feasible. But they can be reached only by aggressive action. Without flexible and resourceful economic diplomacy on our part, the likelihood is that the transition ahead will be one toward bilateral trade and restriction, with all the menace they imply to peace and economic welfare. A well-hatched flow of American credits is required to make the next period in world economic development one of transition to liberalism, and not to autarky and reaction. In terms of our national interests, that goal would be worth pursuing even if it cost a good deal of money.

LS/15/94

26th November 1944.

Subject: Grain Production in Piemonte

To: Chief of Staff's Office, A.C.
Col. Densmore, Economic Section, A.C.
Political Section, A.C.
Regional Commissioner, Piemonte.

From: Major Tulloch,
No. 1 Special Force,
att. Patriots Branch, A.C.

27 NOV Recd
33rd AGN 28

I enclose herewith a statement showing the state of the grain production in the province of TURIN, which has been received from our B.L.O. in that district.

His comments in submitting this statement are as follows:-

"The unsatisfactory nature of this document is due to:

1. The arrest of the compilers and the only source of information available.
2. The lack of supervision by Fascist authorities this year of harvest returns. It is probable that production figures could be increased by at least 25%. Any figures you receive of food conditions will be incorrect, as there is a universal Black Market, which will need very strong suppression by A.M.G. when they arrive.

1099

No. 1 Special Force,
att. Patriots Branch, A.C.

I enclose herewith a statement showing the state of the grain production in the province of TURIN, which has been received from our B.L.O. in that district.

His comments in submitting this statement are as follows:-

"The unsatisfactory nature of this document is due to:

1. The arrest of the compilers and the only source of information available.
2. The lack of supervision by Fascist authorities this year of harvest returns. It is probable that production figures could be increased by at least 25%. Any figures you receive of food conditions will be incorrect, as there is a universal Black Market, which will need very strong suppression by A.M.G. when they arrive.

1099

Inconsiderable quantities have so far been removed by the Germans from Piemonte? They prefer to take them from provinces which are richer and nearer Germany.

It is regretted that this does not fully answer your questionnaire, but I think it unlikely that you can hope for more. Stocks held are, of course, quite impossible to state."

W. J. J.
Major.

5

L.N. CORPO VOLONTARI DELLA LIBERTA
Divisione Autonoma Val Sangone
"Saggio de Vitis"

dd. 8.11.44

Subject: Status of the Grain Production in the
Province of TURIN.

The following is the situation as at 15th October,
and is therefore incomplete as threshing has not been
finished.

The production of grain in the Province for the
year 1943 - 44 has been verified at a total of

1,075,042 quintals

whereas the quantity taken over (i.e. blocked) in bulk,
a quantity exceeding the annual needs for the producers
in the production Communes, plus the quantity necessary
for sowing was:

563,446 quintals.

The quantity produced is not sufficient for the
civilian population of the Province; the necessary
quantity is imported normally from the VENETIAN zone.

Although the situation is as outlined, the move-
ment of supplies between Communes is generally internal,
and not outside the boundaries of the Province.

The state of production up to date as at 15th
October 1944, which has been obtained from facts com-
piled by the relevant Ministry, reaches a total of

314,657 quintals.

This figure is liable to be increased by about
25% as certain Communes (to be found on the attached
statement) which have not finished their threshing, do
not yet know their totals, and some are as yet incomplete.

Also, the quantity taken over in bulk, totalling 1098
140,385 quintals

finished.

The production of grain in the Province for the year 1943 - 44 has been verified at a total of

1,075,042 quintals

whereas the quantity taken over (i.e. blocked) in bulk, a quantity exceeding the annual needs for the producers in the production Communes, plus the quantity necessary for sowing was:

563,446 quintals.

The quantity produced is not sufficient for the civilian population of the Province; the necessary quantity is imported normally from the VENETIAN zone.

Although the situation is as outlined, the movement of supplies between Communes is generally internal, and not outside the boundaries of the Province.

The state of production up to date as at 15th October 1944, which has been obtained from facts compiled by the relevant Ministry, reaches a total of

314,657 quintals.

This figure is liable to be increased by about 25% as certain Communes (to be found on the attached statement) which have not finished their threshing, do not yet know their totals, and some are as yet incomplete.

Also, the quantity taken over in bulk, totalling 1098

140,325 quintals

is liable to a similar increase.

The Communes marked with an asterisk, namely: Carignano; Carmagnola; Chieri; Chivasso; Pancalieri; Poirino; Pralorno; Riva presso Chieri; Santena; Settimo Torinese; Verolengo; Vigone; Villafranca Sabaude; are blocked to be brought to the bulk supply, to meet needs for the six months (September - February) namely:

161,000 quintals.

Therefore the above Communes do not cover the whole quantity necessary; imports are therefore necessary, and the Venetian region should be given preference.

Office of the Chief of Staff

Tel: 735

Military Information - General.

1001/1/008

Economic Section.

13 Nov 44

The attached copy of letter from Adv AAI HQ, reference 20/1011/BSI(a) dated 9 Nov 44, is forwarded for your information.

WNR
for Chief Staff Officer,
To the Chief of Staff.

Copy to: File 510/008

1097

4004
 C O P Y
 SUBJECT: Military Int. Station, General
 Office Affairs Sec,
 Main Bldg.,
 C.S.O.

2
 AIR HEAD, STORM
 ALLIED ARMY: IN ITALY
 Tel: 21101/ADV 76
 21/1011/CSI (a)
 9 Nov 41

12 NOV Recd

Following are reports received of German evacuation of agricultural resources from Italy on the ~~VERONA~~ route from VERONA area:

- (1) Between Oct 1st and 4th, 51 rail tracks with cattle.
- (2) Between Oct 9th and 15th, 104 rail tracks with cattle, 51 rail tracks with grain.

C. Curran ident
 for ~~VERONA~~
 B.C.S. (T)

see Serial 3

per
C.S.O.

See 4

col Unifort brought Nov 41

4004-14
SUBJECT: MILAN Information

TO: Chief of Staff, AC

DOCAO.

Economic Section (3)

Regional Commissioner, Emilia.

VENETIA.

PIEMONTE.

LIGURIA.

LOMBARDIA.

Civil Affairs Section,
HQ Allied Armies in Italy

Tel: 1.1.207 Ext 35.

DOCAO/11/6.1

7 November 44.

9 NOV Recd

The following, extracted from a CSDIC Report is forwarded for your information.

1. Agriculture

a. EMILIA (Sep 44 - Source 391)

In the provinces of PARMA and CREMONA the average production of wheat per hectare was 30-32 quintals. Production of butter was higher than in previous years, but it has all been requisitioned by the Germans. The production of grapes was poor.

In June a census of cattle was taken and in early Sep all owners in the province of PARMA were ordered to hold half their animals ready for transfer to the province of CREMONA as soon as orders to that effect are issued.

b. GORIZIA (Jul 44 - Source 377)

Sowing was normal and the harvest has been good. The Germans have ordered all corn to be delivered to the pools. The Partisans forbade farmers to thresh the corn, threatening to destroy their threshing machines if they did so. The threat was actually carried out in several cases. In regions completely under German control, a large part of the crops (especially fruit, cherries, wine and corn) has been requisitioned and taken away to Germany.

The Italian "Economic Police" under German control, exercise very strict supervision over the importation of foodstuffs into the city of GORIZIA, the object being to put a brake on the black market, which is functioning on a large scale and at relatively cheap prices. Food conditions are difficult in the towns, but good in the country. There is very little salt and a shortage of oil, but there are sufficient supplies of butter and fat to make up for the latter.

2. Prices

a. MILAN and TURIN (Aug 44 - Source 367)

In both these cities "Communal Restaurants" have been opened to which anybody may go without formalities. The fixed price in such restaurants for a meal consisting of soup, meat and vegetables, and fruit is Lire 15. Wine is extra and costs Lire 90 per litro. In ordinary restaurants a good meal costs Lire 120 in TURIN and Lire 300 in MILAN.

b. PARMA (20 Sep 44 - Source 365).

Official Prices

Bread Lire 2.50 per kg.

Pasta

Black Market Prices 1095

Lire 15-20 per kg
" 12-15 "

In June a census of cattle was taken and in early Sep all owners in the province of PARMA were ordered to hold half their animals ready for transfer to the province of CREMONA as soon as orders to that effect are issued.

b GORIZIA (Jul 44 - Source 377)

Sowing was normal and the harvest has been good. The Germans have ordered all corn to be delivered to the pools. The Partisans forbade farmers to thresh the corn, threatening to destroy their threshing machines if they did so. The threat was actually carried out in several cases. In regions completely under German control, a large part of the crops (especially fruit, cherries, wine and corn) has been requisitioned and taken away to Germany.

The Italian "Economic Police" under German control, exercise very strict supervision over the importation of foodstuffs into the city of GORIZIA, the object being to put a brake on the black market, which is functioning on a large scale and at relatively cheap prices. Food conditions are difficult in the towns, but good in the country. There is very little salt and a shortage of oil, but there are sufficient supplies of butter and fat to make up for the latter.

2 Prices

a MILAN and TURIN (Aug 44 - Source 367)

In both these cities "Communal Restaurants" have been opened to which anybody may go without formalities. The fixed price in such restaurants for a meal consisting of soup, meat and vegetables, and fruit is Lire 15. Wine is extra and costs Lire 90 per litre. In ordinary restaurants a good meal costs Lire 120 in TURIN and Lire 300 in MILAN.

b PARMA (20 Sep 44 - Source 385).

Official Prices

Bread	Lire 2.50 per kg.
Pasta	"
Rice	" 3.50
Meat	" 15.-
Butter	" 30.-
Lard	" 25.-
Sugar	" 12.-
Salt	" 2.50
Cheese	" 25.-
Oil	"

Cigarettes.

Nazionali	" 5.- per packet.
AOI	" 10.-
Popolari	" 5.-
Sorreglio	"

Black Market Prices 1096

Lire 15-20 per kg.	"
" 12-15	"
" 35-40	"
" 70-80	"
" 300	"
" 250	"
" 70-100	"
" 100-110	"
" 300	"
" 600-700	" Litre

" 35-40 per packet	"
" 100	"
" 25-30	"
" 130-140	"

Dr. J. BRUCE THOMPSON Lt Col RA
for DOCAO.

1196