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10000/136/422

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10000/136/422

FINANCE, GENERAL
DEC. 1944 – AUG. 1945;
DEC. 1945 – MAR. 1946

0861

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AG01/30

Office of the
Chief Commissioner

=ALLIED COMMISSION=

# LIST OF PAPERS

*File under No.* AG01 FINANCE - GENERAL

From: 02 Dec 44
To: 28 Aug 45

SECRET

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| SERIAL NUMBER | FROM— | DATE | TO— | SYNOPSIS |
|---|---|---|---|---|
| 143 | Cbl AFHQ, MAT-847 | 30 Jul 45 | CCS | Losses of AC/AMG funds. |
| 144 | Cbl AFHQ, MAT-855 | 31 Jul 45 | CCS | Allied tax exemption in Italy. |
| 145 | 13052/F, Grafftey-Smith | 31 Jul 45 | CC | Blocked account of Alvise Bragadin. |
| 146 | Parri, 42080/32487/9.5 | 31 Jul 45 | CC | New bond issue leaflet-dist by air. |
| 146a | Cbl AFHQ, MAT-872 | 8 Aug 45 | CCS | Monthly remittance reports. |
| 146b | Cbl Liguria, 691 | 9 Aug 45 | AC | Disquiet over impl DLL 116 & others. |
| 146c | Cbl Liguria, 692 | 9 Aug 45 | AC | Disquiet over impl DLL 116 & others. |
| 147 | 13065/F, Stone | 11 Aug 45 | Parri | Implementation of DLL 116, 13 Mar 45. |
| 148 | AC Labor LSC/104, Sacha | 10 Aug 45 | VP Econ | Milan strike over impl DLL 116. |
| 148a | Cbl AC Fin, 3505 | 10 Aug 45 | RCs | Implementation of DLL 116, 13 Mar 45. |
| 149 | Cbl AFHQ, MAT-875 | 11 Aug 45 | CCS | Currency agreement under FAN 583. |
| 150 | Cbl AC Fin, 3560 | 11 Aug 45 | RCs | Implementation of DLL 116,13 Mar 45. |
| 151 | Cbl Lomb, 1726 | 11 Aug 45 | AC | Strike over impl DLL 116,in Milan. |
| 152 | Cbl AC Lomb, 1719 | 11 Aug 45 | AC | Milan strike over impl DLL 116. |
| 153 | Cbl AC Lab, 3690 | 14 Aug 45 | Lomb Reg | Milan strike over impl DLL 116. |
| 154 | Cbl AFHQ, MAT-880 | 18 Aug 45 | CCS | Correspondence with Ital colonies. |
| 155 | Cbl MTOUSA, C-13863 | 22 Aug 45 | 5A, AC | Charges assessable against IG. |
| 156 | 13128/F, Menapace | 23 Aug 45 | CC | AMG/AC to pay cost repat Br civilians employed by AC (Case of Miss Evans). |
| 157 | Cbl AFHQ, MAT-887 | 25 Aug 45 | CCS | AFA as a U.S.Depository. |
| 158 | Cbl CCS, TAM-675 | 28 Aug 45 | AFHQ,AC | AFA as a U.S.Depository. |

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

4601/CC

Office of the
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# LIST OF PAPERS

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From: 11 Nov 44
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|---|---|---|---|---|
| 129 | USIS (OWI)News Div | 26 Jun 45 | | Funds for U.S.Army in Italy to aid Nation's economy. |
| 130 | Cbl AFHQ, MAT-792 | 28 Jun 45 | OCS | Appt of Ildo MARCHISIO to manage agencies of Banco di Napoli in NY & Chi. |
| 131 | 13133/F, Stone | 2 Jul 45 | Parri | Payment of Italian taxes by Allied organizations or nationals. |
| 132 | 13012/F, Crawfey-Smith | 3 Jul 45 | CC | "The Vatican and the Lira" |
| + 132a | Cbl OCS, FAN-503 | 3 Jul 45 | AFHQ | New Financial Directive for Italy. |
| 133 | A.Infante, D1710/S.p | 5 Jul 45 | Stone | Payments to Treviso CLN. |
| 134 | 13074/F, Stone | 6 Jul 45 | E.Nogara | Memo on SAMCP(Raibl). (?) |
| 135 | Cbl AFHQ, MAT-817 | 13 Jul 45 | OCS | The Vatican and the Lira. |
| 136 | 13019/F, Stone | 16 Jul 45 | Parri | Cascai as President of Imola Bank. |
| 137 | 13242/F, Stone | 18 Jul 45 | Parri | New Financial Directive for Italy. |
| 138 | Parri, 40854/9.2 | 21 Jul 45 | Stone | Payment of Italian taxes by Allied organizations or nationals. |
| 139 | Parri, 1641/32487.9.5 | 24 Jul 45 | Stone | New bond issue leaflet-dist by air. |
| **139a** | **13065/F, Menapace** | **25 Jul 45** | **Parri** | **Implementation of DLL 116,13 Mar 45.** |
| 140 | 13030/F, Stone | 26 Jul 45 | Parri | New bond issue leaflet-dist by air. |
| 141 | Cbl AFHQ, MAT-843 | 28 Jul 45 | OCS | Remittances to Italy;also persons residing in Italy to draw blocked a/c in US |
| 142 | Cbl AFHQ, MAT-844 | 28 Jul 45 | OCS | Remittances to Italy. |

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1501/CC

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|---|---|---|---|---|
| 114 | 13012/F, Stone | 11 May 45 | Bonomi | Control at frontiers to avoid contraband of lire. |
| 115 | Cbl AC Fin, 7960 | 19 May 45 | 5A, Lombardy | Sitrep on sales New Treasury Bonds. |
| 116 | 13071/F, Menapace | 21 May 45 | CC | Sitrep on sales New Treasury Bonds. |
| 117 | 13255/F, Grafftey-Smith | 23 May 45 | CC | Ingrosso ltr to Bonomi asking MajHall be kept in charge Budget Section, Fin'l. |
| 118 | 36021/34048/9.6, Camera? Chief of Bonomi Cabinet | 25 May 45 | Stone | Control at frontiers to avoid contraband of lire. |
| 119 | 13012/F, Stone | 26 May 45 | Bonomi | Control at frontiers to avoid contraband of lire. |
| 120 | Cbl AFHQ, MAT-719 | 26 May 45 | COS | AC to withdraw Legal Tender status in Italy of AMA pound & US yellow-seal $ |
| 121 | Cbl AFHQ FX-87566 | 4 Jun 45 | SHAEF, AC | French currency conversion. |
| 121a | Bonomi, 37703/6.1 | 9 Jun 45 | Stone | Casoni as Pres of Bank of Imola. |
| 121b | Bonomi, 37354/19.11 | 11 Jun 45 | Stone | Req retention of Major J.R.HALL as Chief Budget officer. |
| 122 | 13085/F, (Talbot) | 13 Jun 45 | Pres Council | Adm of Banks in Trieste, Gorizia, Zara. |
| 123 | Cbl AC Fin, 9687 | 13 Jun 45 | RCs, SCAOs | French franc conversion. |
| 124 | Cbl AFHQ, MAT-756 | 15 Jun 45 | COS | AFA as U.S. Depository - Yellow-seal dollar cover on US deposits against lire |
| 125 | 13255/F, Stone | 15 Jun 45 | Bonomi | Major J.R.H.Hall's retention as Chief Budget Officer, until 31 Jul 45. |
| 126 | Cbl AFHQ, MAT-762 | 17 Jun 45 | COS | Individual remittances to Italy fr US. |
| 127 | 13019/F, Stone | 20 Jun 45 | Bonomi | Casoni as Pres of Bank of Imola. |
| 128 | Ltr, Stearns | 21 Jun 45 | US Consul, Naples | Relations AFA & Naples Consul Gen. |

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| SERIAL NUMBER | FROM— | DATE | TO— | SYNOPSIS |
|---|---|---|---|---|
| 100 | Ltr, Radford, PWB | 27 Mar 45 | CC | PWB help in new internal loan issued by It Govt. |
| 101 | 13065/F, Lawler | 2 Apr 45 | RFO, So.Reg. | Financing of NAVALMECCANICA, other organizations occupied on work of mil imp. |
| 101a | Statement, Soleri | 3 Apr 45 | Press | Issue of 5-year Treasury Bonds. |
| 102 | Cbl AC, Disper, 4714 | 4 Apr 45 | TRIPAREA | Currency conversion 300 repatriates arrived Tripoli. |
| 102a | Cbl AFHQ, MAT-626 | 5 Apr 45 | CCS | Financing in It diplomatic missions. |
| 103 | Cbl Triparea, MAT 1232 | 6 Apr 45 | AC Disper | Currency conversion 300 repatriates arrived Tripoli. |
| 104 | Cbl AFHQ, MAT 636 | 14 Apr 45 | CCS | Currency problem, Bolsano & Trentino. |
| 105 | Cbl Troopers 85348 SE5 | 14 Apr 45 | AFHQ, AC | Remittances to/by British subjects (?) |
| 106 | Cbl AFHQ, MAT 638 | 16 Apr 45 | CCS | Proposed amendments to General License 32A agreed in principle. (?) |
| 107 | Cbl AFHQ, MAT 649 | 22 Apr 45 | CCS | Financing It diplomatic missions. |
| 108 | Cbl AFHQ, MAT 650 | 22 Apr 45 | CCS | Billing recipient govts for civilian supplies. |
| 109 | 4608/66/EC, Rively | 23 Apr 45 | SCM, LS | Post-liberation value of the Lira - proposed SO(M) broadcast. |
| 110 | Memo Quayle | 27 Apr 45 | Fin SC | CC suggests Joint Directors alternate at mtgs of Joint Mil Fin Committee. |
| 111 | Cbl AC Fin, 6752 | 2 May 45 | Venezie Reg | Conflict of Dinar, Lira & Kunas in Venezie Region. |
| 112 | Bonomi, 34263/34048/9.6 | 6 May 45 | Stone | Control of currency to avoid contraband of lire. |
| 113 | 13012/F, Crafftey-Smith | 11 May 45 | CC | Control at frontiers to avoid contraband of lire. |

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4601/CC

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From: 11 Nov 44

| SERIAL NUMBER | FROM— | DATE | TO— | SYNOPSIS |
|---|---|---|---|---|
| 87 | Cbl SAC FX-22344 MAT 523 | 7 Feb 45 | CCAC | AC proposes turn over collection of a/c in respects goods imported into Italy, to IG. |
| 87a | Cbl CCS, COM 32 | 12 Feb 45 | AC(Action)AFHQ(Info | Production of non-mil lire. |
| 88 | Cbl AFHQ, MAT 531 FX-25599 | 12 Feb 45 | CCAC | Currency conversion for refugees |
| 89 | Cbl AFHQ MAT 534 FX-26973 | 14 Feb 45 | CCAC | Currency conversion for Disper. |
| 90 | Memo CraffteySmith | 15 Feb 45 | CC | "It Mission in US making substantial progress..." INS despatch. |
| 91 | Cbl AFHQ FX 27985 MAT 537 | 16 Feb 45 | CCS | Fixing of rates necessary for exchange control & inflation |
| 91a | 13010/F, Fin S/C | 18 Feb 45 | CC | Purchase of US news clippings. |
| 92 | Ltr Stone | 21 Feb 45 | Bonomi | New information indicates it would be better not to repudiate bonds circulating in the North |
| 93 | Ltr 13030/F | 22 Feb 45 | CC | Advice is not to have It Govt repudiate bonds circulating in North |
| 93a | Cbl Dept of State | 23 Feb 45 | US AmbassadorRome | On It econ-fin Mission to US. |
| 94 | CCS, COM-40 WAR 42909 | 24 Feb 45 | AC, AFHQ,UKMS... | Non-military lire currency. |
| 95 | AFHQ, MAT-559 FX-33545 | 25 Feb 45 | CCS | Remittances to Italy;Bank of Italy takes over AFA's present position. |
| 96 | AFHQ, MEDCIV-17 FX-33854 | 26 Feb 45 | CCAC/L, CCAC, AC | Sterling post-liberation accounts. |
| 97 | Ltr, Quayle | 9 Mar 45 | Finance S/C | Purchase of US news clippings by AMG 5th Army. |
| 98 | 13030/F, Stone | 23 Mar 45 | Radford,PWB | PWB help in new internal loan issued by IG |
| 99 | 4615/12/EC,Fiske | 27 Mar 45 | Browning | VPs entertainment allowance. |

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CG/100-1

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| SERIAL NUMBER | FROM— | DATE | TO— | SYNOPSIS |
|---|---|---|---|---|
| 74 | ~~Ltr Finance 13064 23 Nov 44 CC, PRB~~ | | | ~~Banking relations between USSR and Italy.~~ |
| 75 | ~~Ltr Bonnet, 6544/300 23 Nov 44 Gen Bedford~~ | | | ~~Banking relations between USSR and Italy.~~ |
| 76 | Ltr Stone | 2 Dec 44 | Southard | Lawler's memo on Ital financial situation in Washington. |
| 77 | Ltr Finance 13065F | 15 Dec 44 | CC | Control of Expenditures - Govt. |
| 77a | 13081/F, G-Smith | 5 Jan 45 | CC | Advances to Advisory Council(It) |
| 78 | Ltr Lawler 13217/F | 8 Jan 45 | Stone | Ltrs fr Financial Econ Mission |
| 79 | Ltr Finance 13085F | 9 Jan 45 | Stone | Appointment of Einaudi as Gov. |
| 80 | Ltr Finance | 15 Jan 45 | Stone | and Introna as Director-General of Banca d'Italia. |
| 81 | Ltr Office of Pres | 23 Jan 45 | CC | Macmillan views to Halifax & Eden on US proposal extend Mac's New DEAL to cover financial relations w/Italy |
| 82 | 13025/F, Stone | 24 Jan 45 | G-5 Sec AFHQ | Auth. & duties of AC officers dealing with remittances(It Bank) |
| 83 | Cbl AFHQ FX-91892 MAT 504 | 26 Jan 45 | CCS | Extension of remittance territory to Florence-Pisa south of Arno R. |
| 83a | Press Conference | 31 Jan 45 | | Press conference on new banknotes being printed in US, etc. |
| 84 | 13212/F, Stone | 1 Feb 45 | Bonomi | Proposal that Govt refuse to honor supplemental currency issued by Nazis-Fascists in N.Italy. |
| 84a | Cbl CCS, TAM 444. | 1 Feb 45 | AFHQ | Remittances to Italy (from US) |
| 85 | 13115/F, Lawler | 1 Feb 45 | CC, PRB | Financial arrangements for royalties & copyright fees on books. INCL: Ltr AFHQ G-5: 123.7, 29 Jan. |
| x-ref 86 | Ltr Stone | 5 Feb 45 | G-5 Sec AFHQ | IG proposed revision of econ/fin clauses of Armistice Terms. |

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CONFIDENTIAL

W-56179
AMG 28SEPT

F/6922
SEP 0316000

ROUTINE

AGWAR FROM CCS CITE CCAC
ALEXANDER FOR FMEBC INFO LCS

CONFIDENTIAL.

Reference TAM 153 this is TAM 675. Subject is AFA as a U.S. Depositary.

1. Approval is given for the discontinuance of cover of U.S. dollars by AFA against depositary accounts. (See MAT 756, para 3). Transmit to a U.S. Army Disbursing Officer all yellow-seal dollars now in possession of or hereafter acquired by AFA, in exchange for the equivalent in lire. Thereupon all deposits with AFA will become payable only in lire.

2. The Treasury Department, on the request of the U.S. Fiscal Director, MTOUSA, will designate the Banco D'Italia or other Italian banks as U.S. Depositary, for the purpose of carrying accounts to the official credit of Navy and Army disburaing officers.

3. AFA should discontinue receiving U.S. unit fund accounts on designation of Italian bank as depositary. Existing unit fund accounts should then be transferred to such designated depositary after making arrangements with the Italian bank and advising the depositor.

DIST

INFO-ACTION: Finance SC
INFO: Chief Commissioner
Econ Sec 2
Commerce SC
File 2
Fleet

CONFIDENTIAL

0868

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

SECRET

FX 38361
AUG 2518252

F/5428
AUG 270500Z

ROUTINE

SIGNED ALEXANDER CITE PHOM

ACTION ALL MAT ADDRESSEES INFO ALCOM HOME

SECRET.

This is MAT 887.

124

May reply be had for MAT 756. AFA holds about 1.7 million dollars in currency which can be released to U.S. finance officer if procedure recommended para 3 is approved.

LIST

INFO-ACTION: Finance SU
INFO: Chief Commissioner
Econ Sec 2
Commerce SC
File 2
Fleet

See 158

SECRET

157

0869

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

C/13863
AUG 222134B

F/4932
AUG 230915B

MTOUSA

ROUTINE

CG 5TH ARMY INFO ALCOM

UNCLASSIFIED.

Reference MTOUSA letter AG 400.3295/618 G-0 dated 17 July 1945, subject "Charges assessable against Italian Government". Request reports. BT in office of Chief Accountant, ALLIED COMMISSION, by 15 September, with copies to this headquarters. The Combined Chiefs of Staff have now confirmed the necessity for these reports.

DIST

INFO-ACTION: Finance SC
INFO: Chief Commissioner
Pcom Sec
File 2
Fleet

7

157

0870

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

FX 36510
AUG 181933B

F/4489
AUG 191600B

ROUTINE

SIGNED ALEXANDER CITE FHGBO

ACTION ALL MAT ADDRESSEES INFO ALCOM ROME

CONFIDENTIAL.

This is MAT 680.

Correspondence with Italian colonies. Italians pressing for permission to open non-transactional banking correspondence with former Italian colonies in AFRICA. Such correspondence is reaching ITALY from those areas. For example, Italian in TRIPOLITANIA can write to Bank in ITALY authorizing payments on his account, but at present no reply permitted from ITALY. Repatriated Italian PW also complain unable to draw against deposits in branch banks in AFRICA because unable produce satisfactory evidence as to title, balance, etc.

Your permission requested to authorize banking and other non-transactional correspondence between Italy and former colonies as defined para 10 of TAM 592 and 593, but withheld from ITALY by TAM 608. Areas are under British administration and hence recognition by Italian Government of proclaimed and statutory lists appears unimportant.

Recognized that in case of banking, correspondence in itself non-transactional may lead to outpayments in ITALY by head offices on basis information thus obtained, with expectation of ultimate adjustment of banking balances between ITALY and former colonies.

DIST
INFO-ACTION: Finance SC
INFO: Chief Commissioner
Ex Commissioner 2
Econ Sec
WMD & IPW SC
File

CONFIDENTIAL

0871

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

LOMBARDIA REGION

3690

14 August 1945 PRIORITY

RESTRICTED TO

PARA ONE TO SUBJECT FOUR SIGNAL ONE SEVEN ONE NINE OF SILVER ACTION REPEATED

STRIKE GOVERNMENT REGULATED TO

PARTY TO ABLE MIA CLOSE LOMBARDIA ROLE FOR NATIONAL LABOR OFFICER FROM

ALCON MG CITE ACLAC PARTY

PARA TWO TO THIS HAS BEEN ANSWERED BY SIGNAL OF FINANCE DISCUSSION THERE

FIVE SIX ZERO OF SAME DATE TO EFFECT THAT ESCHER ONE ONE SIX WILL BE

RETROACTIVE TO ONE MAY TO

LABOR SUBCOMMISSION

416

DATED 8 AUGUST

NICHOLAS PICKERING
CWO USA
Asst. Adjutant

0872

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

RESTRICTED

1719
AUG 11105ZB

F/3761
AUG 13170OZB
ROUTINE

AMG LOMBARDIA REGION LABOR DIVFOR POLETTI SIGNED DI FEDE

ALCOM ROME ACLAB

RESTRICTED

All state workers went on strike on August 10 demanding that decree 116 be retroactive to May 1. Strike is likely to continue and spread until assurance is given that this demand is officially given. Strike involves all of LOMBARDIA. MILAN press blames AC and AMG for the failure to implement decree 116 as of May 1. Most essential services have not been affected so far. Roughly 75,000 workers are on strike.

See 152

Dist

Action - Labour SC
Info - Chief Commissioner
Exec Commr 2
Econ Sec
CA Sec
Finance SC
P Safety SC

File

152

RESTRICTED

0873

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

RESTRICTED

1766
AUG 211630Z

F/3760
AUG 131700Z
ROUTINE

AMG LOMBARDIA REGION LAB DIV FOR POLETTI SIGNED DI FEDE

ALCOM ROME ACLAB

RESTRICTED.

Strike of state employees in LOMBARDIA has been concluded as of 1200 hours on August 11.

Camera del Lavoro of MILANO and Prefect have received telegrams from CGIL and Italian Government that employees requests will be met. Please inform Chief Commissioner.

DIST

ACTION: Labour SC
INFO: Chief Commissioner
Ex Commissioner 2
CA Sec
Econ Sec
P,Safety SC
Finance
File

RESTRICTED

0874

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

AMG LOMBARDIA REGION CMA AMG PIEMONTE REGION CMA AMG VENEZIA GIULIA REGION CMA AMG LIGURIA REGION

3560 11 August 1945 PRIORITY

RESTRICTED FD

PARA ONE FD REF MY THREE FIVE ZERO FIVE OF TEN AUGUST FD LETTER FROM ITALIAN GOVERNMENT REQUESTING IMPLEMENTATION OF DOG LOVE LOVE ONE ONE SIX RETROACTIVE TO ONE MAY HAS NOW BEEN RECEIVED FD ANY ANTICIPI GRANTED SINCE ONE MAY ARE TO BE RECOVERED FD

PARA TWO AMG LOMBARDIA REGION FOR REGIONAL COMMISSIONER CMA AMG PIEMONTE REGION FOR REGIONAL COMMISSIONER CMA AMG VENEZIA GIULIA REGION FOR REGIONAL COMMISSIONER CMA AMG LIGURIA REGION FOR REGIONAL COMMISSIONER. PARA PARA THO FD YOU MAY ANNOUNCE THAT ASLT CHARLIE OBLIQUE ASLT MIKE GEORGE AGREE TO IMPLEMENTATION OF DECREE RETROACTIVE TO ONE MAY AND YOU WILL AUTHORISE DETAILS TO BE WORKED OUT NOW PENDING RECEIPT OFFICIAL INSTRUCTIONS FD

PARA THREE FD IT MAY BE PRESUMED THAT LIBERATION BONUS WILL BE PAID IN ADDITION TO DOG LOVE LOVE ONE ONE SIX BUT NO FURTHER INFORMATION YET AVAILABLE ON DETAILS WHICH HAVE NOT YET BEEN COMPLETED BY ITALIAN GOVERNMENT AND WILL BE COMMUNICATED TO YOU EARLIEST

Finance Sub-commission

Ext 653

NICHOLAS PICCININO
CMO USA
Asst Adjutant

0875

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

FX 34532
AUG 111901

SECRET

F/3648
AUG 122000
ROUTINE

SIGNED ALEXANDER CITE FIELD

AIL MAT ADDRESSED INFO AICOM ROME

SECRET.

(This is MAT 875)

Form of currency agreement under para 14 of EAM 583 is being considered while reply to MAT 836 and delivery of diplomatic notes per para 13 are awaited. Question arises whether technical regulations in theater relating to AM lire should be carried over into agreement. For example, should Italian Government be required to redeem counterfeit notes and exchange four AM lire notes for Chief Allied pay services, destroy defective notes, etc. Presumably Italian Government will prefer own regulations for AM lire and in any case conversion to new currency is scheduled for November. But unless advised to contrary by you, we shall endeavour include in currency agreement such technical regulations as are considered essential to Allied pay services.

DIST

INFO-ACTION FINANCE SO
INFO CHIEF COMMISSIONER
EX COMMISSIONER 2
ECON SEC
COMMERCE SO
FILE

SECRET

0876

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

AMG LOMBARDIA REGION CMA AMG PIEMONTE REGION CMA AMG VENEZIA REGION CMA AMG LIGURIA REGION

3505 10 August 1946 OPERATIONAL PRIORITY

~~TOPSEC~~ Restricted

PARA ONE PT IN VIEW OF REPORTS FROM LOMBARDIA AND LIGURIA REGIONS THAT STATE EMPLOYEES STRIKE IS ATTRIBUTABLE TO LACK OF ACTION BY ABLE MIKE GEORGE IN IMPLEMENTING DOG LOVE LOVE ONE ONE SIX CMA FOLLOWING IS FORWARDED FOR YOUR INFORMATION AND USE PT STATEMENT SHOULD NOT BE HANDED OUT AS PRESS COMMUNIQUE BUT MAY BE USED AT PRESS CONFERENCES OR AS EXPLANATION TO LOCAL OFFICIALS PT

PAREN TO AMG LOMBARDIA REGION FOR REGIONAL COMMISSIONER CMA AMG PIEMONTE REGION FOR REGIONAL COMMISSIONER CMA AMG VENEZIA REGION FOR REGIONAL COMMISSIONER CMA AMG LIGURIA REGION FOR REGIONAL COMMISSIONER FROM HQ ALCOM CITE ACC IV PAREN

PARA TWO PT AT ALLIED COMMISSION MINISTERIAL CONFERENCE ON THIRTEEN JULY MINISTER SOLERI REPRESENTED THAT ITALIAN GOVERNMENT WISHES ABLE MIKE GEORGE TO IMPLEMENT PROVISIONS OF DOG LOVE LOVE ONE ONE SIX OF THIRTEEN MARCH NINETEEN FORTY FIVE WITH EFFECT FROM ONE MAY NINETEEN FORTYFIVE IMPOSING THREE STIPULATIONS CMA VIZ PAREN ABLE PAREN THAT NO LIBERATION BONUS SHALL

Sec 150

14 Sa L

5

0877

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



BE PAID PAREN BAKER PAREN INTERIM PAYMENTS ALREADY MADE WILL BE DEDUCTED PAREN CHARLIE PAREN CIVIL SERVANTS WILL NOT REQUEST ANY FURTHER INCREASE OF PAY WHEN ECONOMIC PRICE OF BREAD IS INSTITUTED FD PROFESSOR PARRI ENDORSED MINISTER SOLERIS REQUEST AND STRESSED NECESSITY OF IMPROVING POSITION OF STATE EMPLOYEES FD THIS WAS FIRST INDICATION TO ALLIED COMMISSION OF ITALIAN GOVERNMENT WISHES FD PARA THREE FD AFTER MEETING SOLERI WAS ASKED INDICATE IN WRITING TO FINANCE SUBCOMMISSION ITALIAN GOVERNMENTS WISHES IN DETAIL FD

PARA FOUR FD PROBABLY DUE TO CIRCUMSTANCES CONNECTED WITH SUBSEQUENT VISIT TO NORTH BY SOLERI AND HIS STATE OF HEALTH NO COMMUNICATION WAS RECEIVED BY FINANCE SUBCOMMISSION FD ITALIAN TREASURY STATED THEY WERE UNABLE TO TAKE ACTION IN MINISTERS ABSENCE FD AFTER FAILURE CONTACT MINISTER SOLERI IN PIEDMONT THROUGH REGIONAL FINANCE OFFICER LOMBARDIA REGION LATTER WAS WRITTEN ON TWENTY FIVE JULY TO PRESIDENT OF THE COUNCIL OF MINISTERS STATING CMA INTER ALIA CMA THAT FINANCE SUBCOMMISSION WOULD QUOTE BE GLAD TO RECEIVE A DEFINITE LETTER MAKING THE PROPOSAL TO ALLIED MILITARY GOVERNMENT WHEREUPON IN ACCORDANCE THEREWITH PROMPT CONSIDERATION WILL BE GIVEN TO THE IMPLEMENTATION DESIRED BY THE GOVERNMENT UNQUOTE FD

148a

0878

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



PARA FIVE PD NO REPLY WAS RECEIVED FROM ITALIAN GOVERNMENT AND SECRETARY TO PRESIDENT OF THE COUNCIL WAS REPEATEDLY TELEPHONED AND REQUESTED EXPEDITE LATTER WHICH HAS NOT SENT PD LIBERATION BONUS PAYMENT TO ALL STATE EMPLOYEES WAS ANNOUNCED IN PRESS THIS MORNING WHICH WILL PROBABLY BE APPROVED BY ABLE MIKE GEORGE PD DETAILS BEING WORKED OUT AT MEETING THIS EVENING WILL BE COMMUNICATED EARLIEST PD THIS MAY BE REASON WHY ITALIAN GOVERNMENT HAS BEEN RELUCTANT TO COMMUNICATE AS REQUESTED WITH FINANCE SUBCOMMISSION ALTHOUGH IT IS NOT CLEAR WHY FINANCE SUBCOMMISSION COULD NOT HAVE BEEN REQUESTED TO MAKE DOG LOVE LOVE ONE ONE SIX RETROACTIVE TO ONE MAY WITHDRAWING PREVIOUS STIPULATION REGARDING NON PAYMENT OF LIBERATION BONUS PD

PARA SIX PD EMBASSY ASSURED THAT LIBERATION BONUS WILL BE PAID IN ADDITION TO IMPLEMENTATION OF DOG LOVE LOVE ONE ONE SIX TO ONE MAY BUT NO RPT NO REQUEST IN WRITING HAS BEEN RECEIVED EVEN SON FOR IMPLEMENTATION OF DOG LOVE LOVE ONE ONE SIX AS OF ONE MAY PD YOU WILL THEREFORE TAKE NO ACTION IN THIS MATTER UNTIL FURTHER NOTIFIED PD

PARA SEVEN PD FROM FOREGOING YOU WILL REALISE THAT ITALIAN MINISTER OF LABOUR BARBARESCHI HAD NO REPEAT NO RIGHT TO STATE THAT DOG LOVE LOVE ONE ONE SIX WOULD

HAD

0879

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



BE ANTICIPATED TO ONE WAY AS ABLE MIKE GEORGE HAD NOT BEEN OFFICIALLY APPROACHED FD STEPS WILL BE TAKEN HERE TO PREVENT RECURRENCE OF SIMILAR UNAUTHORISED STATEMENTS CMA WHICH HAVE HAD RESULT OF CAUSING DISAFFECTION FD

Finance Sub-commission

Ext 503

(H&a)

NICHOLAS PIOMBINO
CWO USA

0880

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

Rec'd Communications

HEADQUARTERS ALLIED COMMISSION
APO 394
LABOR SUB-COMMISSION

DCS/rmw

10 August 1945

TEL : Ext. 416

REF : LSC/704

SUBJECT: Strike of Public Employees, Milan

TO : Acting Vice-President
Economic Section

1. It has been reported that the strike of Government employees over the question of the retroactive date on wage increase Decree, No. 116, was terminated today at 1800 hours.

2. It is understood that the strike was terminated upon representations that this Decree would, in fact, be made retroactive to 1 May 1945.

DAVID C. SACHS
Deputy Director
Labor Sub-Commission

Copies to:

Chief Commissioner
Executive Commissioner
Finance Sub-Commission

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13065/F

11 August 1945

My dear Mr. Prime Minister:

In view of reports from the northern Regions that the strike of state employees is being attributed locally to lack of action by Allied Military Government in failing to implement DLL 116 as from 1 May 1945, I consider that it is most necessary to review the history ofthis case with the object of demonstrating that such criticisms are unfounded.

You will remember that at the Allied Commission conference with the Ministers which you attended on 13 July, 1945, Minister Soleri represented that the Italian Government wished Allied Military Government to implement in the north the provisions of DLL 116 of 13 March, 1945, with effect from 1 May, 1945. In his presentation the Minister imposed three stipulations:

(a) That no liberation bonus should be paid;

(b) Interim payments already made should be deducted;

(c) Civil Servants should not request any further increase of pay when the economic price of bread was instituted.

You will recall that in your closing remarks at the end of the morning session you endorsed Minister Soleri's request and stressed the necessity of improving the position of state employees. This was the first indication to the Allied Commission of the Italian Government's wishes in this matter; and after the meeting it was intimated to Minister Soleri that he should submit the Italian Government's proposals in detail.

Shortly after the meeting Minister Soleri left for the north of Italy in connection with the bond issue campaign; and as a result of his absence and his deplorable state of health no approach was made to the Allied Commission. The Italian Treasury stated that they were unable to take action in the absence of the Minister. Strenuous but vain efforts were made to make contact with Minister Soleri in Piemonte; and on 25 July a letter, of which a copy is attached, was written to the President of the Council of Ministers. You will see from the third paragraph that the invitation to make an official approach was renewed.

No reply was however received from the Italian Government and your secretary was telephoned on three occasions and requested to expedite the letter which has not been received up to the time of writing. The announcement made yesterday regarding the payment of the liberation bonus to all state

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employees may be the reason why the Italian Government was reluctant to communicate their wishes as requested. But it is not clear why the request was not made to make DLL 116 retroactive to 1 May, 1945, withdrawing the previous stipulation regarding the non-payment of the liberation bonus. I wish to urge most strongly that the Allied Commission be informed immediately of

(a) the Italian Government's wishes regarding the implementation of DLL 116 with any required stipulations;

(b) the details of the liberation bonus payment;

(c) whether you wish DLL 116 to be made retroactive in the north to 1 May, 1945, in addition to the payment of the liberation bonus.

Finally, it is reported from the northern Regions that Minister of Labour Barbareschi had stated repeatedly that DLL 116 was to be made retroactive to 1 May, 1945. You will observe from the foregoing that Allied Commission/Allied Military Government have not been officially approached in this matter and I should be grateful if you will take the necessary steps to prevent the recurrence of similar unauthorized statements which effect the result of causing disaffection.

Yours very truly,

/s/ Ellery W. Stone

ELLERY W. STONE
Rear Admiral, USNR
Chief Commissioner

Professor Ferruccio Parri,
The President of the Council of Ministers,
Italian Government,
R o m e.

Hq ACC Chief Commissioner
DISPATCHED
Date/time AUG 11/1025
Pfc. Bonanno
Initials
to Lt. Montanari

0883

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CONFIDENTIAL

692
AUG 091640B

F/3244
AUG 091930B
PRIORITY

AMG LIGURIA REGION
HQ ALCOM

CONFIDENTIAL

1. When the Italian Minister of Labor, Signor BARBARESCHI, was at LA SPEZIA about a fortnight ago he told the Prefect that the new decree relative to pay would be antidated to 1st May. This included decree number 116 which we have authority to pay only from 1st August. This declaration which the Prefect has made public has caused striken and a lot of disatisfaction amongst the people in LA SPEZIA who blame AMG for the non payment of the back money.

2. If in fact the Minister did say this and referred to decree 116 it is considered most reprehensible and dangereus, and steps should be taken to prevent a recurrence.

3. It is also recommended that the whole question of pay be taken up urgently with Finance SC in order to secure a solution to the present unsatisfactory situation. End signed JORDAN for CARR.

Dist

Action - Finance SC
Info - Chief Commissioner
Exec Comm 2
Econ Sec
CA Sec
P Safety
File 2
Float

1462

CONFIDENTIAL

0884

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

CONFIDENTIAL

692
AUG 091640B

P/3244
AUG 091930B
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AMG LIGURIA REGION
HQ ALCOM

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2. If in fact the Minister did say this and referred to decree 116 it is considered most reprehensible and dangerous, and steps should be taken to prevent a recurrence.

3. It is also recommended that the whole question of pay be taken up urgently with Finance SC in order to secure a solution to the present unsatisfactory situation. End signed JORDAN for CARR.

Dist

Action - Finance SC
Info - Chief Commissioner
Exec Commr 2
Econ Sec
CA Sec
P Safety
File 2
Float

1460

CONFIDENTIAL

0885

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

CONFIDENTIAL

691

AUG 091500B

F/ 3243
AUG 091930B
IMPORTANT

AMG LIGURIA REGION

HQ ALGOM CITE PUBLIC SAFETY SC INFO 60 SUB AREA

CONFIDENTIAL

1. A state of disquiet exists in the Province of LA SPEZIA over the question of wages and a quasi general strike is in force by state and parastatal workers. It is alleged that the Italian Minister of Labor, Signor BARBARESCHI, on a recent visit stated that all decrees including number 116 would be antidated to May 1st.

2. This information was made known publicly by the Prefect. Notices have been displayed in LA SPEZIA that the strike will continue until this decree is implemented with effect from 1st May not 1st August as authorised by AMG.

3. Much inconvenience is being caused but no actual disorder has occurred. End signed JORDAN for CARR.

Dist

Action - P Safety SC
Info - Chief Commissioner
Exec Commr 2
CA Sect
Econ Sec
Labor SC
Finance SC
File 2
Float

1466

CONFIDENTIAL

0886

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SECRET

FX 33204
AUG 081316B

2/3182
AUG 091345
ROUTINE

SIGNED ALEXANDER CITE FHOEG
ALL MAT ADDRESSES INFO ALCOM ROME

SECRET.

This is MAT 872.

Accordance TAN 248 monthly schedules of status sterling dollar remittances are forwarded to you for U.S. and U.K. treasuries. Extension remittance traffic to additional Italian Banks envisaged MAT 844 and General License 32A as amended will greatly increase amount work involved in preparing schedules and delay in forwarding. Also relaxation controls per FAN 583 would appear to make reports unnecessary since remitting banks in U.S. and U.K. have full information. Consequently request permission discontinue preparation monthly remittence schedules.

DIST

INFO-ACTION FINANCE SC
INFO CHIEF COMMISSIONER
ECON SEC
FILE 2
FLOAT

SECRET

0887

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Translation

The President of the Council of Ministers
n. 42060/32187/9.5

Rome, 31 July 1940

Dear Admiral,

I received your kind letter of July 26th, in which you tell me you obtained the allotment of the fuel required for the throwing of propaganda pamphlets in North Italy, as foreseen, to increase the subscription to the national loan which is being made there, and I thank you for the kind interest you showed for this matter.

I remain,

Yours truly,

s. Ferruccio Parri

Admiral Ellery W. Stone
Chief Commissioner of the Allied Commission
R o m e

trans. e/c

0888

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AUG 1 RECD

HEADQUARTERS ALLIED COMMISSION
APO 394
FINANCE SUB-COMMISSION

13052/F

31 July 1945

SUBJECT: Blocking of the Account of Alvise BRAGADIN.

TO : Chief Commissioner,
Allied Commission.

1. Reference your attached inquiry.

2. Quoted below is a report received from the Regional Finance Officer, Liguria Region:

"Account was blocked on instructions of Intendente as representative of High Commissioner for Epuration.
The reasons for blocking based on information given by Guardia di Finanza are:
Was in close personal contact with late Count Ciano in Leghorn and is known to have donated large sums to the Fascist Party, San Remo. Also associated with Margani, Federal Secretary of party at San Remo. Between 1938 and 1942 bought 13 properties in San Remo, has other large interests in Northern Italy. Purchased a theatre in Bordighera for 2½ million lire paying partly in cash and partly in titoli. Bought a shipbuilding yard at Alassio for 9 million lire."

3. In view of the fact that the account was blocked by an Italian official under the "Sanctions against Fascism" program, and in view of the early handover of the Northern Regions, I recommend we take no action.

A.P. Bradley-Smith
Brig

Joint Director,
Finance Sub-Commission.

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TO THE ALLIED COMMISSION - ROME.

Alvise Brugnolo and wife
Aida Gonter in Brugnolo.

As a subject of Italian extraction who obtained the full American citizenship on June 15th,1925,(certificate of naturalization n.2134159, District Court of the U.S.,Southern District of New York), and thereafter, having temporarily left the States (March 1930) on a round trip to Italy, was compelled to remain over here by subsequent strong adverse events, including the long period of unrest and wars fought by and in Italy from 1935 to date, I beg to submit to your attention the following facts:

On August 1944, while residing with my wife in San Remo, Imperia, I was arrested by the German SS, on the charge of supporting financially the Italian partisans gathered in the nearby mountains. In fact, since June 1944, I had met several times in San Romolo (on the Appennine hilltops back of San Remo) the head of a band of faithful soldiers, loyal to monarchy. I gladly offered to him (Dr.Rubini, a lieutenant in the Alpine regular troops) all possible help, being his band in pressing need of assistance on account of differences with the other bands of that section, all Communist. Soon after Dr.Rubini was called somewhere else and his band was dissolved; I put then substantial funds at disposition of two organizers of food and clothes supplies for partisans: Carlo Benza, a lawyer, and Mario Squartini, a manager of the bank Credito Italiano, all from San Remo.

These facts, reported somehow to the Germans, were under examination during my detention at the SS headquarters in San Remo, when from the inquiry came out the information that my wife possessed by herself, at that time, a substantial estate, not only in land properties, but also in cash money, bonds, industrial stocks, dresses, furs, and jewels, mostly brought over from the U.S.

When it was known that, after my arrest, my wife had taken all these valuables up to a villa we own in the mountains of San Romolo, the commander of the German SS decided to let me free in San Remo late at night of August 19th,1944, and personally arrested my wife, up in San Romolo, at the break of the following day August 20th, taking away, with her, all her jewels, furs, dresses, ready money, bank books to bearer, keys to bank safe deposit boxes, all articles of clothing belonging to myself, and an important stock of reserve food supplies, stored for any event up in the mountains.

Under the charge of being a Russian citizen of Jewish extraction, my wife was submitted to a very hard prison treatment, in strict isolation, vexed

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Under the charge of being a Russian citizen of Jewish extraction, my wife was submitted to a very hard prison treatment, in strict isolation, vexed by continous threats of corporal punishment, left with no food for several days, and very scarce maintainance thereafter, no other sleeping and personal accomodation being allowed than a wooden board or some straw full of vermins. Her physical and mental conditions became rapidly so bad that she had to be transfered from San Remo to Marassi, the ill-famed jail of Genoa, where she was put among common law offenders, in no better material and moral surroundings.

As soon as I knew the charges contrived against my wife, I worked day and night for her rescue. As the Germans maintained for their purposes that our marriage in Italy was void of any effect, I secured authentic papers proving that we had married in Milan before the City officials under a regular permit issued by the Ministry of Interior according to Italian regulations. As to the Jewish extraction, the Russian pope living in San Remo attested

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that her father and mother, known to him, were aryan orthodox, only a distant second cousin being of Jewish blood.

But, notwithstanding such proofs, my wife continued to be detained in jail; the high value of the goods taken from her representing the real purpose of her imprisonment. In fact she was actually ordered to be transfered to the Bolzano concentration camp (which meant her loss), when I succeeded at the very last moment to obtain her release through the offices of a German SS Colonel, unknown to me but interested in the case by Albino Ansio, a resident of San Remo, Villino Nosedo, who presented the Colonel with a Jewel for which I paid 450.000 lire (end of September 1944).

My wife came out of jail in extremely pitiful conditions, with insect bitings and contusions all over her body, interior diseases and above all a terrible nervous break down which was giving much appreension for her health. As to the goods taken from her, only jewels, bank books and keys to safe deposit boxes were reluctantly given back complete. Cash money, dresses and furs were only partially returned. Other articles, including my clothes and all foodstuffs, were retained.

Stories over the capture,and return,of my wife's jewels, furs,etc.,- well known in San Remo - went around for many months in that small town, so that, in order to avoid any painful remebrance and even the sight of places and Germans so repulsive to her, I took her to Moltrasio, on the lake of Como, ther still very quiet, where she could recuperate from the dreadful trial she had gone through.

In the meantime I had already taken away from our residence in San Remo (villa Aida, Solaro 19), and I had put in well hidden storage places, all movable equipment existing in that property owned by my wife (furniture of high value, household goods, tapestries, carpets, lighting fixtures, works of art, paintings, potteries, vases of all makings, silver-plate, china and glass works, house linen clothes of all kinds, rare books, family's old documents, a concert grand piano, many radiolas, 4 large frigidaires, 4 new bicycles, the remainder of my wife's wardrobe and all my personal clothing outfits). Our home, villa Aida, was since then left and never taken back by us, as it was continously occupied, from August 1944 to date, by many German military units, by bombardment damaged peoples, and later again by a German command, until it was taken over by an American mission, which still is living there.

[illegible] were stored and closed up (end of September 1944), [illegible] two contiguous

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glass works, house liner clothes of all kinds, rare books, family's old docu-
ments, a concert grand piano, many radiolas, 4 large frigidaires, 4 new bicy-
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as it was continously occupied, from August 1944 to date, by many German mi-
litary units, by bombardment damaged peoples, and later again by a German
command, until it was taken over by an American mission, which still is li-
ving there.

All said articles were stored and closed up (end of September 1944),
under protection of solide stone walls, in the basements of two contiguous
villas, one named villa Evelina, Corso Inglesi 115, owned in equal parts by
my wife and myself, and the other one named villa Roverizio, via Roccastero-
ne 4, owned by the heirs of a young lady who had died in July 1944, soon af-
ter her marriage. Said heirs being away, and being the property entrusted
to me until the inheritance division, I put in the same storages a large quan
tity of furniture, similar household equipment, and numerous trunks of perso-
nal effects belonging to said heirs, among which there was a very large and
complete new trousseau of dresses, furs, lingery, house linen, etc., of the
highest value, left by the late lady.

(145)

The estimated value of all joint articles deposited in said storages
amounted to well over 12-14 million lires, but the major part of said arti-

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also could not be duplicated today at any cost.

The packing-up, the transportation, and the storing in safety of all equipment and goods above said was done by two of my dependents, a chauffeur-valet, named Natale Carcheri of Imperia, and a chief guardian of villa Aida, Giuseppe Fornaroli of San Remo. These two men were in fact very well acquainted with the consistency, the quality, and therefore the high value, of all articles stored. They were very highly paid and well treated by me, as it is my long standing custom to do with all my dependents, in the house, in the office, in the works. These two were particularly favored and most intimately entrusted with all my private affairs. They lately revealed to be: one an active socialist and the other a fervent communist, working together (with the knowledge and under direction of their parties), before under cover, and later in the open, against my personal safety and the safety of whatever we have, my wife and myself. One, Carcheri, is the guiding brain, working behind all schemes tried against me; the other, Fornaroli, is the executor directing all actions on the ground.

At the beginning of February 1945, I thought advisable, on account of the rapid turn the war events were taking, to have all members of my family back home, in order to be all present there at the moment of liberation. Therefore, the health of my wife having satisfactorily improved during the four months elapsed, I took her back from Moltrasio to Alassio, where I have some property and a rented villa, and where my son and his family live, near the shipyard we managed in Andora (6km west of Alassio).

The chauffeur-valet Carcheri, always respectful and solicitous on the surface, took the office of steward, in our house in Alassio, in charge of all servants. The guardian Fornaroli was still at his place in San Remo, in charge of villa Aida, then occupied by a German command, for whose account he had taken up several paid positions, while his wife was serving them as a maid. Under similar arrangement he was obtaining many advantages from the Germans, while he enjoyed those secured from myself (a high salary, the gratuitous use of a furnished house, and the full disposition at his pleasure of all produce grown up in the place).

Things went along with no disturbance until the first days of April 1945, when unexpectedly a faithful personal chambermaid we had had with us for over ten years was convinced by Carcheri to leave our house with a pretext of having to return to the native village. I found soon after that she had taken instead a new position right in Alassio, secured to her by Carcheri. I found also that for many days no new personnel sent by the local e-

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

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(145) But still more we had to learn on April 13th, 1945, when one of my lawyers, Secondo Anfossi of Taggia, near Imperia, himself an old socialist leader quite averse to using violence in politics, having come to Alassio visiting us, informed my wife of reports he had received concerning some action

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

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But still more we had to learn on April 13th, 1945, when one of my lawyers, Secondo Anfossi of Taggia, near Imperia, himself an old socialist leader quite averse to using violence in politics, having come to Alassio visiting us, informed my wife of reports he had received concerning some action

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(not specified) to be taken by the extremists against me on the very first days of liberation, before the arrival of the Allied troops. Said Anfossi confirmed also to me that Natale Carcheri was a "declared enemy" of mine, that he (Carcheri) was a dependent of the extremist organisation, in continous contact with the heads of it. Finally Anfossi suggested that my wife and myself should go right away to his house in Taggia, taking with us all our valuables on hand. He could guarantee that no disturbance would have harmed us if we had stayed there, and he assured me to be in position to secure for me a "salvacondotto" from the new prefetto of Imperia as soon as the provincial Liberation Committee, entered in power, would have named this authority. (In fact Anfossi was later on proposed as prefetto; but the actual nomination went to another lawyer from Imperia, Viale, now in charge of that office, where on the role of prefetto's chauffeur and confidential man, intriguing among personnel and bureaux, can be found nothing else then the above said Natale Carcheri, exponent of the socialist party, directly represented in the local Liberation Committee by his own brother).

If the Anfossi's warnings could not be disregarded on account of his political position, nevertheless I could not accept his offer for many reasond, the most important one laying in the fact that I had nothing to fear on account of previous political activities, which, as to myself, were nil, having always attended exclusively to my very exacting business enterprises. If lately (June 1944) I had been interested in a party, this one was the democratic-christian party, to which I contributed with a difficult liaison service, from September 1944 to April 1945, when all kind of communications were entirely destroyed between San Remo and Genoa, and people travelling by their own means were strictly checked up, even if in possession of permit.

However I thought advisable to consult on this matter a high man who had organized all work for the demo-christian party in Western Liguria, with whom I had had since a year close relations on account of what I was doing myself for the same cause. This man was Don Luigi Roccadoro, apostolic delegate for the diocese of Ventimiglia and rector of San Siro Cathedral in San Remo. I saw him on April 15th, 1945. When he heard the report of Anfossi's warnings, he immediately exclaimed: "That's the work of communists", and took upon himself to speak to a recognized strong leader and organiser of that party, a man called Farina, an undertaker, residing in San Remo.

Farina, when questioned by Don Roccadoro, felt so powerful and free from any hindrence against his wishes, that he had no embarrassment to confirm the existence of a plan by which certain already picked citizens, as

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Farina, when questioned by Don Boccadoro, felt so powerful and free from any hindrance against his wishes, that he had no embarassement to confirm the existence of a plan by which certain already picked citizens, as soon as the Germans would abandon the town, should be deprived of all their movable property by the communist town forces expressly organized and instituted for that purpose. He added that this general despoiling plan had no political aim, but it had been studied on account of the urgency of obtaining ready cash money or valuables promptly convertible in money, during the first days of liberation, in order to cover the communist party local expenses, as such as establishment of headquarters and sections through out the city, salaries for office and propaganda workers, press and publicity costs, etc.

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Finally Farina admitted that the first to receive such treatment and to be "reduced to zero" by his party would have been the undersigned Brugadin, in as much as it was known that he and his wife possessed a large quantity of goods, at that time hidden, already subject of interest by the Ger-

mens, which could be taken with the less efforts and the largest results.

When such situation was examined in consultation between Don Boccadoro and myself (April 17th,1945), it was made clear to me the behaviour of my ex-dependent Carcheri, who evidently had been instructed to keep me and my wife under his control, so that at the right time we could promptly be taken in Alassio, with everything we had there (and Carcheri knew all about it), while in San Remo whatever else was there would be peacefully robbed by other coworkers. If the danger of an inside work by Carcheri had been removed by his dismissal, nevertheless it appeared now as worth of attention the prophesy, reported to me and by me disdainfully disregarded, that Carcheri had made, a few days before, speaking to the wife of my property manager in Alassio, Piero Delora ( via Cristoforo Colombo 36), and saying, with reference to me and my wife, "the Count can be considered right now "as non-existent, the Countess can be accounted for at 90% as I will try "to save her, but all their riches will certainly be ours".

As a result of our consultation, it was decided by Don Boccadoro and myself that we should go immediately to Genoa in order to put the case before the central Liberation Committee for Liguria, still in the conspiration period, being out of question any appeal to the local committee in San Remo, which was then (as it is still now) completely in the hands of said Parina. (It is a fact that communists, socialists, and garibaldini representatives work strictly together, with bawling boldness, in the C.L. of San Remo, supporting anything Parina may decide to do, while the other parties, or are absent from representation, or are indifferent, or are powerless against whatever is imposed on them).

Don Boccadoro and myself started for Genoa on the following day (April 18th,1945), being understood that on our return, in a few days, I would have removed all goods stored in the basements of ville Evelina & ville Roveridio. But unfortunately my car broke down on the way to Genoa and we had to postpone the trip until the morning of April 23rd,1945, arriving to Genoa late in the afternoon, when no sign was yet in evidence of a sudden change. In fact we made normal appointments for the next morning, but overnight the government of the city and surrounding region passed unexpectedly to the CLN for Liguria, which entered immediately in power (April 24th,1945). However, on account of stubborn fighting going on in different sections of the city, we were not able to see, on that day, the members of the Committee we wanted to meet, while, under the circumstances developed and the warnings so clearly received I was very anxious to return right back to Alassio, where I had left my wife and my relatives.

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Don Boccadoro and myself started for Genoa on the following day (April 16th,1945), being indersteod that on our return, in a few days, I would have removed all goods stored in the basements of ville Eveline & ville Roverizio. But unfortunately my car broke down on the way to Genoa and we had to postpone the trip until the morning of April 23rd,1945, arriving to Genoa late in the afternoon, when no sign was yet in evidence of a sudden change. In fact no made normal appointments for the next morning, but overnight the government of the city and surrounding region passed unexpectedly to the CLN for Liguria, which entered immediately in power (April 24th,1945). However, on account of stubborn fighting going on in different sections of the city, we were not able to see, on that day, the members of the Committee we wanted to meet, while, under the circumstances developed and the warnings so clearly received I was very anxious to return right back to Alassio, where I had left my wife and my relatives.

Therefore, after having met the representative of the Cardinal and Archbishop of Genoa, from whom we received an official letter mentioning me as "praiseworthy for the good cause", we went with Padre Ottonello, rector of the Istituto Arecco (where I used to go on my periodical visits to Genoa), to see two members of the C.L.N.for Liguria, representing in it the demo-christian party: Dr.Antonio Loi, regional secretary, and avv.Raimondo, preside for the province of Genoa. Informed on the case, they readily gave me the following certificate, litterally translated:

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"PARTY OF CHRISTIAN DEMOCRACY - Regional Secretary's Office.

"We declare that Count Alvise Bregadin of San Remo has made himself "highly well meritorious for the cause of the national antifascist libera-

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"tion.= Consequently we invite the partisan forces, the SAP organizations, and
"the C.L. of all localities in the provinces of Savona and Imperia to take
"due notice of what is above stated.
"Genoa, April 26th, 1945.
"On behalf of the Regional Secretary's Office: (signed) Antonio Ivaldi, member
"of the C.L.N. for Liguria."

With these documents we started back on April 27th, 1945, but on account of serious and frequent interruptions left on the road by the Germans before leaving, we arrived to Alassio only at noon of April 28th, 1945. There it was ready, waiting for me, an armed squad of the local SAP with the order of my arrest. That squad had been accompanied and directed to my house by the above named Natale Carcheri, my ex-chauffeur and steward, who presented himself as a member of the C.L.N. of Imperia.

From April 28th to May 5th, 1945, I was kept in prison in Alassio with no regular charge filed against me. Nor was I questioned by an inquiring body under regular proceedings; only vague stories of my pretended intimacy with high fascist officials were asked from me by single men, to which I did not even answer to. Later I found out that such ridiculous tales had been sent around by the ever present Natale Carcheri.

In the meantime some killing had been done and was still in progress during the first days of my imprisonment. In the middle of night some armed squads used to enter with much uproar into my prison calling loudly my name, and to my answer they replied to keep ready because they will have again called for me later. It was evident the purpose of such malicious play which did not impress me at all; but unfortunately similar methods succeeded with my wife, who was not allowed to see me or even to communicate with me for many days, while she was instead informed by several people, including Natale Carcheri, that I was in a dangerous position and that there was the possibility of a grave verdict being issued against me.

In such state of mind, while she was frantically trying to obtain my release, ready to do anything for it, Dr. Robutti, a socialist, head of the local Liberation Committee, obtained from her the payment of one million lire towards a fund alleged to be raised for the benefit of the garibaldini. After such payment was executed, my wife was finally allowed to see me. When I heard of the payment made, I could help to highly disapprove it, although understanding the circumstances and appreciating the motives which had resolved my wife on such a move. But I could foresee how people, not knowing the full facts, would have ascribed such large payment to some offence I wanted to be cancelled, while instead I was tetragon to any suspicion or accusation that [illegible] as it happened, that

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a member of the C.L.N. of Imperia.

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In fact, as soon as the news went out of our payment of one million lire to Alassio, the C.L. of San Remo requested my removal and delivery in their hands. One of its members came to get me over there, where I arrived on May 5th, 1945. I was immediately introduced before the Committee, apparently waiting for me. The secretary, Bucchi, a socialist, spoke for all, stating that they did not know yet what charges could be brought against me, that the Commission of Justice would xxxxxxxxxxx look into it, that on the other

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hand a decree issued by the Liberation Committee for North Italy, having force of law, allowed the local Committees to impose a special taxation on wealthy people in proportion of their estates, that the Finance Commission would investigate about it with reference to my case, and that for the time being I was requested to pay two million lire, but, considering what we had already paid in Alassio, I should have to pay at once to the C.L. of San Remo another sum of one million lire, as a contribution to funds to be distributed to the garibaldini.

I protested over the legality of such proceedings, and at any rate - making every ample reserve - as I declared that I could do nothing before I had consulted my bank and had looked into the state of my affairs. Thereupon I was given some time for a definite answer and was allowed to take rooms at the Hotel Europe in San Remo.

Soon after my checking in there, my property manager in San Remo, Attilio Pedemonte, Via Vittorio 4, came to see me. He had very bad news for me. From April 28th to May 2nd, 1945, just a few days before, a band of armed men of the SAP organization, all communists, guided by my gardener Fornaroli, above mentioned, also a communist, had taken away all goods and equipment belonging to ville Aida and to some other people toward which I am responsible for any loss. This action had been forcedly executed by Fornaroli and his company, pointing their arms against the watchmen kept on the storages, Giovanni Semeria & Angelo Gandolfo, both of San Remo, who were intimated to keep themselves far away if they wanted to save their lives. Said manager Pedemonte, promptly informed, had secured on the morning of April 27th a written order from the C.L. of San Remo, signed by one of its members, enjoining anyone concerned to stop the above said operations, just started at that time, but Fornaroli and his followers, when shown by Pedemonte with such an order, put him aside with the usual heavy manners and threats, told him that they had other orders to comply with, and concluded mocking him as a representative of a man (myself) who by that time counted for nothing and probably did not exist any more.

The transportation of all goods to be taken away lasted several days. Besides Fornaroli, two other men organized it: Palagi, a cabinet-maker, communist, and Zoppa, a dealer in ice, also a communist. Two trucks were used for the work, driven by Lanteri Pietro, dealer in foodstuffs, and Bensa Mario, coal dealer, this latter president of a local sub-committee, all followers of Farina, the head man of the communist party. Many smaller articles were carried away on carriages and hand-carts. This job was taken up by an

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rooms at the Hotel Europe in San Remo.

Soon after my checking in there, my property manager in San Remo, Attilio Pedemonte, Via Vittorio 6, came to see me. He had very bad news for me. From April 26th to May 2nd, 1945, just a few days before, a band of armed men of the SAP organization, all communists, guided by my gardener Fornaroli, above mentioned, also a communist, had taken away all goods and equipment belonging to villa Aida and to some other people toward which I am responsible for any loss. This action had been forcedly executed by Fornaroli and his company, pointing their arms against the watchmen kept on the storages, Giovanni Semeria & Angelo Gendolfo, both of San Remo, who were intimated to keep themselves far away if they wanted to save their lives. Said manager Pedemonte, promptly informed, had secured on the morning of April 27th a written order from the C.L. of San Remo, signed by one of its members, enjoining anyone concerned to stop the above said operations. Just started at that time, but Fornaroli and his followers, when shown by Pedemonte with such an order, put him aside with the usual heavy manners and threats, told him that they had other orders to comply with, and concluded mocking him as a representative of a man (myself) who by that time counted for nothing and probably did not exist any more.

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red into two other stores in via Cunesse 2 and 6, taken over by the communist party. Only 15 woollen mattresses, two bicycles, a radio, and few other items, were taken by a brigade of garibaldini, under a regular written requisition and a full receipt issued by the brigade, now in my possession.

The sale of the goods stolen started for some articles right on the spot of crime, where many onlookers had gathered to see with amazement what was going on. Of course every buyer knew that the goods did not belong to the sellers, but these latter reassured the others saying that everything was done under orders from the C.L. (meaning Parina), that they would better buy right away at less price rather than buying the next day at the auction (never held) to be open on a public square in San Remo. A large lot of furniture was taken by a dealer in such goods, Vaccondio Angelo, Corso Inglesi 19, who still has some pieces in his place of business, while the rest has been resold to different private buyers, all known and located. But the most important part that has been sold was disposed of right on the stores of the communist party, by an especially designated keeper, Novetta Emanuele, employee at the party headquarters. In fact the sale still continues, now secretly, while many other articles and boxes are still hidden at the headquarters of the party, or in the house of Formaroli's relatives, or even in personal care of some prominent communist.

I was just considering the very grave consequences of what had been reported to me, when in the same afternoon of that strenous day, May 5th, 1945, the commander of the local garibaldini division, Guglielmo Vittorio, known as "Vittò" or "Ivano", came to see me, saying that I was requested by the chief of police (Questore) in Imperia, a man called "Curto", well known in that section as superior commander of a group of communist divisions. Vittò invited me to go with him to see this man. When we reached Imperia, Vittò entered alone into the office of Curto with a small leather case supposed to contain the proofs of my guiltiness. I was left waiting in the anteroom for nearly two hours, when Vittò reappeared with his papers telling me to follow him. We went down to the cellars of the building where a strict confinement prison was kept; there I was shown over the place and was requested to give my name and other personal data to the jailer, but as this latter began to write Vittò changed his mind and asked me to go with him back to San Remo. Rather puzzled, trying to understand what was going on, I entered Vittò's car.

Vittò sat near me, and saying that he appraised the way I had behaved myself and the words I had spoken in the morning before the C.L., he asked me to understand his urgent need of money for maintainance of his garibaldini and for allowances to be paid to the boys going home. I made clear that I was willing to help the boys who had merited a reward for their conduct, but I wanted to answer first to the charges which seemed to be in store for me,

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was willing to help the boys who had merited a reward for their conduct, but
I wanted to answer first to the charges which seemed to be in store for me,
thus making my position plain and sound in front of anybody. He answered
that I should have more comprehension for the methods used by the new bodies
in command, adding that I should forget this matter of charges, etc.

When we arrived to San Remo, he invited me at the headquarters of his
division, where, being alone in his office, he asked me to pay in his hands
the sum of one million lire for distribution among the boys to be dismissed
from service. I consented to do so, pointing out however the great harm done
to me by the robbery organized under orders from the communist party. Althou
a communist himself, he answered that he considered that action nothing else

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than a "furto" (theft), that his division of garibaldini had nothing to do with such a crime, and that he would see to it that the 15 mattresses and other things now used by his men under a regular requisition receipt in my possession would be returned to me as soon as possible. On leaving, as he gave orders to his chauffeur to take me back to the hotel, I showed him the leather case left in the car with my incriminating documents. He laughed and told me to take it with me and to consider the incident closed. On the way back to the hotel I saw that the case contained some private letters and other papers taken in my studio in Alassio, which had been searched several times during my detention. None of these papers had whatsoever relation to any eventual offence which could possibly be made up against me.

At this point, I ingenuously thought that no more disturbances would break therefrom the peace of my house, and that the only thing left for me to do was to recuperate all our goods stolen and to comply with the request of the garibaldini division commander, believing in his sincerity and appreciating his rude but apparently frank manners. In this sense I reassured my wife who in the meantime had reached San Remo, much anxious over my sort.

The next day, May 6th, 1945, we met at the hotel Major Jack Bartesh, A-d-C to the Commanding General of the American 5th Army. He was the first American ~~army~~ or Allied officer to reach San Remo. We found that he knew some of our good London friends, Mr. Duncan Sandys, Minister of the Cabinet, and his wife Diana Churchill, the Prime Minister's daughter, who had been in Italy for some time as our guests before the war broke out, and with whom we had maintained congenial contacts until the hostilities made impossible further communications.

When Major Bartesh learned of the troubles we had gone through, he called Dr. Cristel, president of the C.L. San Remo, and, asking me in his presence not to give out any more money under forced requests, he told said official to make sure that nothing should happen against me until the expected American troops ~~would~~ would arrive and the Allied Military Government would ~~be~~ be established.

In fact these two reassuring events materialized on May 8th, 1945. Just a few hours before, during the last night of uncontrolled license, a ruthless run-about had been carried out, taking away several people from their homes, mocking and scorning and beating them and finally putting them in jail, while others had been more expeditiously killed. A message had been sent to me late in the afternoon of the 7th by Anfossi, advising me to leave the hotel at once on account of some actions in view for the following night. I went to the house of some friends, where commander Vitth sent ~~at once~~ two of his men for our protection. However nobody called at the ho- ~~the~~ timed warning given by Major Bartesh

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tel for me, probably on account of the timed warning given by Major Bertesh
to Dr.Cristel (~~e~~ known also by Vittò).

When Vittò came to visit us in the evening of the same May 8th,1945,
I paid to him 500.000 lire, which he had solicited from me, although the
banks had been closed by the Allied Command. I had to borrow money from
friends in order to make up the sum. Vittò, or Ivano, gave me his receipt
for the money, which I now have in my possession. Later on I knew, however,
by complaints of the garibaldini, that no money whatsoever was paid to them
out of the sum given by me, the general assumption being that my money had
been retained and divided up among the chiefs of the organization. This in-

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cident and some other facts in which Vitti had later an important part ope-
ned my eyes in regard to his true character, changing my first impression
on his sincerity.

As soon as the A.M.G. representative in San Remo took office, I tried to see him, but unfortunately he could not give any audience in the first days of his entry.

In the meantime my wife, as owner of most of the goods stolen, laid a complaint before the Police Commissariat of San Remo, not knowing then that such important body was entirely in the hands of the communist party, which meant of Farina. In fact, having been specified in said complaint all facts above related, the agent who happened to receive the document, new to the policy of the office, arrested Fornaroli in the afternoon of that day, May 10th; but early the next morning Fornaroli was let free by order of the Committee (Farina), as the Chief of Police later admitted. On the books of the prisoners' camp, where Fornaroli had been taken, he was discharged with the following words: "Released by the American Command", which of course was a false entry. Thereafter the agent who arrested Fornaroli was promptly dismissed from service.

The file of ~~the~~ my wife's complaint arose the anger of Farina and his communists. Since then a strong effort has been continously made by these men, with ~~all~~ possible means, including an eventual physical suppression, in order to stop me from uncovering their crimes.

They started right away, on May 11th, 1945, instructing the local C.L. to write to me an official letter requesting my appearance before the Committee for payment of the "contribute agreed". I did not go there because the President himself, Dr. Cristel (a so-called independent working with the extremists) had called in advance at my hotel, soliciting the payment of at least one million lire, as a part of 22.000.000 lire (!) which - as they had in mind - I was supposed to pay. I answered that I would not make any payment before the banks reopened and before I had seen the A.M.G. officer then in charge. Besides I remembered to Dr. Cristel the complaint filed by my wife and personally delivered to him also, in copy, the day before. He declined flatly, in the name of the Committee, any responsability for what had happened, trying to put the blame on some unknown youngsters out of the control of the Committee. Finally I informed him that, as my contribution was supposed to furnish funds for the garibaldini, I had advanced 300.000 lire to the division commander Vitti just for that purpose.

I thought that the news should satisfy him; instead he went in a [illegible] to him, and went away

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I thought that the news should satisfy him; instead he went in a fierce rage screaming that all the money should be paid to him, and went away uttering menaces of all sort of measures against me.

**Imaaaaa** On the next morning, May 12th,1945,being out of town the A.M.G.officer, I though advisable to see, with my wife, the American higher officer present, Major Paul Woodward, in command of a battalion from the 5th Army. When he heard all the circumstances of the case and received a copy of the complaint filed by my wife, he ordered that Dr.Cristel, Vitti, the chief of Police named Bianchi, and ourselves, should appear before him the next morning for a hearing and his consequent decisions.

But just at the same time (morning of May 12th), the Committee called by dr.Cristel, substained by Parini, had ordered the arrest of myself,

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of my wife and my son, with no charge showing what crime, all three together, we had committed. Vittò, who assisted to the Committee meeting and consented to the arrest, came to the hotel advising us to pay immediately the"one million lire" requested by the Committee, adding that we should leave out of the case the American or Allied Authorities if we wanted to live in peace. This was the last time I spoke to Vittò, being our relations entirely broken up ~~after~~ thereafter. Of course I did not even lessen to his proposal.

While we were finishing such a talk, a squad of the local SAP (police organization) came in with the expected order of arrest signed by a young police agent, named Calleri Gino, a student, hitherto dressed up as a seminarist, but since a very short time transformed in a partisan, looking for an ambitious political career up in the ranks of the communist party. He would do anything in order to ingratiate himself in the eyes of Ferino, in whose ~~hands~~ hands he acts as a blind instrument.

When commander Vittò, the order of arrest of my entire family, he went to see Calleri and returned with the same order from which my wife's name had been struck out. He asked me to follow the SAP men as there was nothing else to do.

I was taken to the Police Commissariat (Villa Ellcine), where Calleri told me to wait because an American officer wanted to question me. Such officer never appeared, and I found later on that no officer whatever had made such request to Calleri. In fact, the opposite happened, in as much as, my wife having promptly informed Major Woodward of my arrest, this gentleman sent an officer (Capt. Carlson) for investigation. He ordered my return to the hotel and called there Dr. Cristel, Bianchi and Calleri, asking them under what charge I had been arrested. For some time they limited themselves to vague accusations, like my inscription to the Fascist party and a contribution made by me and my wife to a subscription for firing arms promoted some time before by the Fascist party, to which practically everybody in high position in San Remo had been requested to send their already established quota. Finally Calleri, after having hinted the existence of very secret documents that would have caused an "explosion" when they would arrive to Rome, drew out of his pocket a denounce, charging me of collaborationism with Germans, signed by my gardener, the well known Giuseppe Fornaroli, and supported by another communist, Roberto Lardera, who had forcedly occupied for some time, with his family, our residence in San Remo, villa Aida, as a needy party damaged by bombardments, and had formed since that time a private partnership with Fornaroli for their personal and exclusive use of

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When the Army interpeter who accompanied Capt Carlson read said paper he could not help to exclaim: "This is a joke". However, confronted with the ~~and~~ insistence of Calleri, Capt Carlson agreed on my being confined in the hotel under an American guard, as there strong suspicion that the police wanted to get hold of me for some purpose which may have ended with the usual unexpected "incident". (Just in those days some prisoners waiting trial had been taken at night from the concentration camp and killed. Besides another crime had made shiver the population of San Remo: two young brothers, Bertrand, undertakers, only competitors of Perino, had

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been forcedly taken from their homes at night, brought up in the hills and shot. The next morning their merchandise was requisitioned by order of the C.L. and taken over to the Farina's establishment. The authors of both actions, all well known, were yet undisturbed and are still walking freely about town).

But the solution proposed by Capt Carlson did not satisfied Colleri and Cristel, who were reclaiming my entering the prisoners' concentration camp, although there was no warrant of arrest against me issued in due form. The wish of Colleri was finally met, and I was accompanied to the camp by Capt Carlson who made the commander of the camp personally responsible for any harm would have come to me.

The next day, ~~May~~ 13th,1945, Major Woodward held the hearing that he had ordered the previous morning. My wife was present in my behalf; also Cristel, Vitte, Colleri and Bianchi. The Major gave to these people three days time in order to submit proofs and documents which would substantiate an accusation by which I should be kept in prison. At the same time Major Woodward ordered a through investigation of my case by the different organs of the American police, which investigation was carefully carried out during the folloing two weeks.

I remained under detention at the prisoners' concentration camp of San Remo from May 12th to May 27th,1945, while Colleri was fretfully searching for documents and proofs that never substantiated. In fact, the American investigation having been closed on May 27th, I was sent free on that day by order of the American Military Command, then held by Lt.Col.Greyer, 135th Regiment, Major Woodward having left San Remo with his battalion about ten days before. The A.M.G. officer, Capt Tocten, had followed the case, coming to see me at the prisoners' camp after having received the information on my real position.

Naturally this conclusion did not satisfy Farina, and with him his followers Cristel, Bianchi, Colleri and other accolytes. In fact they started soon, anew, a campaign of threats (we were informed every day, by different people, of our imminent arrest; several boys came to warn me relating that Colleri had given instructions to other boys, one known as "Tempesta", to shoot me at sight at the first favorable occasion). At the same time a fresh study was carried out looking for way and means intended to put me in confinment, in as much as they always feared my action in prosecuting them at law, or their executors, like Fornaroli and company, thus proving the bad work of their party.

May 28th,1945,

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It is a fact that, on the following day of my release, May 28th, 1945, I had already submitted my own complaint against Formaroli and others direct to the King's Prosecutor attached to the ordinary Tribunal in charge of common crimes. Another original of said complaint I had delivered to the Captain of Carabinieri, just arrived in town with his men. Proceedings on such complaint started however only on June 11th, 1945, when the King's Prosecutor ordered the seizure of all goods stolen wherever they could be found; and on the days of June 15th, 16th, and 17th, 1945, a considerable part of furniture, some carpets and boxes were found, part in the store of Vaccondio, part in the houses of people who had bought from him, the rest in the stores of the communist party. However no other act has been taken up to know, nearly two months after the filing of the complaint, by the Authorities who received it; no inquiry has been even ordered nor executed with hearings of suspected men and wit-

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Nessea, while the goods still in the hands of the robbers are shifted to other hiding places, or are sent to other cities, as Turin (specially lady dresses, furs and lingery), or are carried away by the same authors of the robbery, like Formaroli who has gone with his wife and trunks to Sondrio, near the Austrian border.

At the same time the buyers of articles stolen do not want to return what they have bought unless their money is paid back to them by the sellers or by me. The situation has become so critical for the communist party, openly responsible for the robbery, that, under suggestion of a lawyer, Giulio Pirro, himself a buyer of stolen furniture, that party is trying to shift such responsibility on the shoulders of the garibaldini. The assumption is that these boys, in the first days of liberation, acted as combatant who could satisfy in any manner their wants, without incurring the charge of common crime. But, without commenting the scheme, it is a well known fact that these boys arrived in San Remo on the afternoon of April 26th, while all Germans and other fascist troops had evacuated the place since April 24th.

Working however on such assumption, a series of manipulated documents has been issued under the signature of the Liberation Committee of San Remo, dated nothing less than April 25rd and April 27th. According to these startling documents the Committee would have consented that the garibaldini division, under orders of commander Vitto or Ivano, took possession of all our belongings, sold everything right away and used the money for their own needs.

These fabricated papers have been accompanied by a declaration, dated June 10th, 1945, signed by the same Vitto, who on May 5th told me that what had happened was nothing less than a "furto" (theft). He now declares to have ordered, under his own responsability, that the goods stored in the deposits of villa Eveline (belonging to my wife) and of villa Roverizio (belonging to the heirs of a lady not even our relative) be taken away by his men, be sold on the spot, and be immediately converted in cash in order to meet the urgent needs of his division. With another declaration, dated June 22nd 1945, the supposed Liberation Committee, whose president is Dr. Cristel who always declined any responsability for the robbery, confirms everything commander Vitto has said, and issued certified copies of all papers to the lawyer Pirro, who files them with the King's Prosecutor. This done, Pirro requests the Prosecutor to revoke all seizures ordered by the Carabinieri to date, and the trick seems to have worked according to plans.

However there are hundreds facts to prove that all is just another crime of false in public acts, which the Italian law punish severely. It is suf-

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However there are hundreds facts to prove that all is just another crime of false in public acts, which the Italian law punish severely. It is sufficient to say that no member of the Committee knows of such deliberations taken in April or June; that the man who held the presidency of the C.L. at the end of April (Cristel entered office on May 3rd), avv. Nino Robba, refuses any knowledge or responsability of such acts. Two men who were close to the Committee on those first days, avv. Carlo Renna, now Prosecutor before the Court, and avv. P. Manuel Gismondi, now vice-prefetto of Imperia, relate that no deliberation of the kind was ever taken by the Committee, and that in fact my name was made for the first time by the Committee only after the news had come of my wife's contribution in Alassio for one million lire (May 2nd, known in San Remo one or two days later).

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But notwithstending these and other established facts, the Prosecutor has practically stopped the proceedings on the filing of the false documents, instructing in the same sense the Carabinieri, and alleging to me the oppor-

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nity to go slow, taking in consideration the feelings going around on such case, the men we have to contend with, and finally having in mind my own safety for which he shows much fear. On the same line my recent meetings with the Carabinieri were concluded, although, as I know, this body is well acquainted, through personal investigations, with the real standing of facts, interests and relations.

On top of all these unpleasant circumstances, two more facts have recently developed which have made necessary for me to lay my case before your high Authority.

On June 19th,1945, new charges against me have been presented by the communist police agent Calleri to the chief of police of Imperia, Curto, above mentioned, who immediately requested my arrest and extradition to Imperia, which measures however were not consented to, not by the higher Italian police Authorities, nor by the A.M.G.officer in San Remo. Thereafter, the file containing the supposed charges and proofs against me was sent to the Prosecutor before the Extraordinary Court in San Remo judging fascist crimes. To date no accusation has been brought against me by said Prosecutor, and from what I understand the matter is staying in abeyance waiting for more conclusive documents promised by Calleri but never presented.

On June 21st,1945, probably as a result of the same undiscriminated activities against me, the bank accounts and the safe deposit boxes belonging to me and to my wife have been blocked by order of the Finance officer, A.M.G.Imperia. Until today I have been unable to know the motives which caused such a measure, so grave and harmful to us, nor I have been in position therefore to prove our innocence, and consequently to ask that said order be revoked. I understand only that such measure should probably have been ordered by an Authority sitting in Rome. Inquiries made at the High Commissariat for sanctions against fascism show that no such order has been given or requested from there.

I hope that the lenght of this note will be excused in consideration of the intricate facts in the case and the necessity of relating them in all details in order to avoid further confusion and misguidance.

Concluding my exposition of facts, I beg to submit to your consideration my following demands:

1°- that the possibility be granted to me of showing why the order relative to the block of accounts and safe deposit boxes belonging to me

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Concluding my exposition of facts, I beg to submit to your consideration my following demands:

1°- that the possibility be granted to me of showing why the order relative to the block of accounts and safe deposit boxes belonging to me and to my wife should be revoked;

2°- that instructions be given, through the proper channels, in order to expedite action and to close with definite resolutions, inspired only to justice, the proceedings still open, one against me before the Prosecutor for the extraordinary Court, and the other against Fornaroli etc before the King's Prosecutor for common crimes;

(14) 3°- that a strict investigation be made by independent bodies into the activities of those men above named (Cercheri, Farina, Colleri, Bianchi, Guglielmo Vittorio known as Ivano, Lardera, Pirro and others) who with malicious actions, well known to the population, have disturbed and still disturb the regular course of justice, and therefore the peace of the people, remaining, this notwithstanding, unpunished in their position where

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they continue to misuse influence and power.

As to myself, I beg to submit a memo of my life attainments, attached hereto, and the following references:

Rome: - Avv. Giuseppe Spataro, Undersecretary for Interior Affairs;
Admiral Italian Royal Navy Alberto Lais, via Vittoria Colonna,n.1.

Genoa: - Rev. Padre Ottonello, rector Istituto Arecco, via Arecco;
Dr. Antonio Loi, member of the C.L.N. Liguria;

San Remo: - Avv. P. Manuel Giamondi, vice-prefetto of Imperia;
Don Luigi Boccadoro, prevosto of San Siro Cathedral;

London: - Mr. Duncan Sandys, M.P., 79 Chester Square, S.W.1, and his wife Mrs. Diana Churchill - Sandys;
Sir Thomas Moore, M.P.; 1, Hanover Terrace, Regent's Park, N.W.1;
Mr. Alister MacDonald, I.N.A., 29 Avenue Road, Regent's Park, NW. 8.

I beg to remain,

Respectfully

Alvise Bragadin,

Rome - Grand Hotel,
San Remo, Corso Inglesi, n.1.

Rome, July 16th, 1945.

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N. H. ALVISE BRAGADIN di Giovanni, PATRIZIO VENETO.

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1882 - Born from a very old Venetian family, one of the twelve which founded Venice and retained full control of that Government for over a thousand years.

1900 - Graduated from classic high school.

1903 - Graduated from the Naval Academy at Leghorn, as General Staff Officer in the Italian Royal Navy.

1904 - Appointed Ensign in the active list.

1905 - 1914 - Commanded to the Navy Department in Rome, where he was entrusted with special offices; lately as head of the "Ufficio Leggi e Decreti", and Secretary to the "Consiglio Superiore della Marina Mercantile". = Author of many technical publications, among others the "Italian Navy List" and "Diritto marittimo in tempo di guerra".

1915 - Secretary to the Italian Prize Court, and Secretary to the Italian Shipping Control Commission.

1916 - Expert and Executive Officer to the Conference of British and Italian Ministers at Pallanza (transportation, shipping and finance).

1916-1917 - Italian representative in the Interallied Committees for Shipping and Raw materials, with office in London (Italian Commercial Delegation).

1917 - Attached to the Italian Embassy at Washington; member of the Italian War Mission to the U.S.;

1917-18 - In charge of the Italian Shipping and Transportation Office in New York.

1919 - Passed to the Navy Reserve List; called to the office of General Representative in the U.S. of the Banca Italiana di Sconto; organizer of the new American bank "Italian Discount & Trust Company", later on merged with the Guaranty Trust Company.

1920 - Applied for American citizenship papers, fully obtained in 1925.

1920-21 - VicePresident of several American companies, connected with the "Società Navigazione Italo-Americana", SNIA, of Turin, and with the Fiat interests. Said American companies owned and operated several motorships for general transportation, shipyards in Pascagoula, Miss., and Galveston, Texas, lumber mills in Houston, Texas, coal mines in West Virginia, a

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1922-27 - When a full strike in all American coal mines was declared stopping all activities, he retired to Florida in order to recuperate his health worn out after many years of strenous work. Interested in real estate properties in Florida, developing country farms and town residential sections.

1927-30 - Returned to N.Y., taking interest in an Italo-American organization, proposing to reconstruct the center of Milan. Prepared in New York all

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technical and financial plans necessary for that work and secured the cooperation of American interests (Paramount Corporation, Lawrence & Stern banking house, and large contractors as Fuller Co. and Hegemann-Harris Corporation).

1930- Having come to Milan for inspection of the Italian company established there (Societa Costruzioni Italo-Americana, SCIA), found that the Director in charge of it had largely misused the financial resources already transfered to Italy. This fact made necessary to change plans of an organization, and obliged Bragadin to stay in Milan in order to take over the management of said Italian company and fully reorganised it.

1930-42- Executed the reconstruction program above said in accord with the City of Milan. Under said program a large residential area close to piazza del Duomo - where very old, unhealthy, and ill-famed blocks of small houses were still inhabited - was fully redeemed; 2500 families were transfered from there to new quarters on the outskirts of Milan; the entire zone was razed to ground and then reconstructed under a special zoning plan with high class modern tall buildings, built on the American plan for office and apartment house operation. Said work was stopped in 1942 by order of the Federazione Fascista of Milan. In fact, without considering the public utility work done for 12 years, the property interests already acquired on the sites, the very expensive foundation work already laid down in the ground for the last construction project consisting in an imposing 16-story building and a large cinema theatre to be operated by American film production companies, the local Fascio ordered that the site be reserved for their own use and therefore stopped all work in progress.

1942-43- Having seen destroyed the full accomplishment of his project for which he had hardly laboured for 15 years, Bragadin sold all interests he had in Milan and retired to San Remo.

Oct.43- Acquired a shipyard for construction of wooden motorships in Andora (Alassio), and operated since then under a strict policy of building ship for owners' account without launching them. He is now working on finishing said ships and putting them at sea.

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A detailed memo of all activities undertaken by Alvise Bragadin is attached hereto. Said memo has been confirmed in all its parts by a full investigations of Bragadin's position made recently by the American special service in San Remo and other localities of Northern Italy.

- - - - - - - - - - - - - -

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

del Duomo - where very old, dangerous, and [illegible]
houses were still inhabited - was fully redeemed; 2500 families were transfered from there to new quarters on the outskirts of Milan; the entire zone was razed to ground and then reconstructed under a special zoning plan with high class modern tall buildings, built on the American plan for office and apartment house operation. Said work was stopped in 1942 by order of the Federazione Fedciste of Milan. In fact, without considering the public utility work done for 12 years, the property interests already acquired on the sites, the very expensive foundation work already laid down in the ground for the last construction project consisting in an imposing 18-story building and a large cinema theatre to be operated by American film production companies, the local Fascio ordered that the site be reserved for their own use and therefore stopped all work in progress.

1942-43- Having seen destroyed the full accomplishment of his project for which he had hardly laboured for 15 years, Bregadin sold all interests he had in Milan and retired to San Remo.

Oct.43- Acquired a shipyard for construction of wooden motorships in Andora (Alessio), and operated since then under a strict policy of building ship for owners' account without launching them. He is now working on finishing said ships and putting them at sea.

- - - - - - - - - - - -

A detailed memo of all activities undertaken by Alvise Bregadin is attached hereto. Said memo has been confirmed in all its parts by a full investigations of Bregadin's position made recently by the American special service in San Remo and other localities of Northern Italy.

- - - - - - - - - - - -

Alvise Bregadin has a son, Marc'Antonio, born in 1905, also graduated from the Naval Academy in Leghorn and appointed Staff Officer in the Italian R. Navy, where he has attained the rank of "Capitano di corvetta", now on the complement list. This son, being commanded to the Office fo the Chief of Staff until the armistice, was dismissed from active service in October 1943. Thereafter he took the position of Director of the above mentioned shipyard, where he is still working in charge of all technical management. He is also a member of the "Comitato di Liberazione Nazionale" of Andora (Alessio).

(12)

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

0925

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

Brig. Gen. Crafftey
Smith —

Why were his
accounts blocked?

Yes
CC

28
7

0926

Rome, July 24th, 1945.

Rear Admiral E.M.Stone,
Chief Commissioner,
Allied Commission,
Rome.

Sir:-

With reference to the audience you were so kind to grant me yesterday, I beg to submit to your high Authority the following points:

1°- As to my U.S.citizenship:- I left the States only for a few weeks on a round trip to Italy inspecting an Italo-American company established in Milan, organized for carrying out a large reconstruction work. Very serious circumstances, developed on my arrival, compelled me to stay over here and to take by myself the direct management of said company finishing the work it was committed to. While such work was in progress international difficulties continually arose, year after year, by which it became impossible for me to secure a new passport to the States, having elapsed the validity of the one under which I had left New York. Since the end of this war, I have applied in San Remo and here for the reinstatement of my citizenship by the State Depart.

2°- As to several actions undertaken against me and my wife by the communist party in San Remo at the end of April and thereafter:
It has been openly stated by the local responsible heads of that party that said actions (appropriation of goods and money) had been ordered for the purpose of securing what these necessary to the large establishment of their organization and to their propaganda work. In spite of efforts by the local A.M.G.Authorities, well acquainted with all facts, it has been impossible up to now to secure the judgement of the parties incriminated, already identified, and to reinstate the rights of peaceful citizens, on account of interference with the local organs of justice and of indirect intimidation and strong influence exercised upon them by the local communist party. A sensible betterment of such situation could be obtained, with positive advantages for the general welfare of that section, if said organs of justice would proceed in their duty irrespective of the political standing of people responsible for the committed crimes.

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

...said company finishing the work we had ... was in progress international difficulties continually arose, year after year, by which it became impossible for us to secure a new passport to the States, having elapsed the validity of the one under which I had left New York. Since the end of this war, I have applied to Gen Reno and here for the reinstatement of my citizenship by the State Depart.

2°. As to several actions undertaken against me and my wife by the communist party in San Remo at the end of April and thereafter:

it has been openly stated by the local responsible heads of that party that said actions (appropriation of goods and money) had been prepared for the purpose of securing quick funds necessary to the large establishment of their organization and to their propaganda work. In spite of efforts by the local A.M.G.Authorities,well acquainted with all facts, it has been impossible up to now to secure the judgement of the parties implicated, already identified, and to reinstate the rights of peaceful citizens, on account of interference with the local organs of justice and of indirect intimidation and strong influence exercised upon them by the local communist party. A sensible betterment of such situation could be obtained, with positive advantage for the general welfare of that section, if said organs of justice would proceed in their duty irrespective of the political standing of people responsible for the committed crimes.

I hope that a normal conditions would materialize as soon as possible so that work could be resumed with confidence and energy in all shops,as in the shipyard I am interested in at Ancona (Almaric) where several motorships are approaching their launching at sea.

Thanking you for your kind interest in the case, I beg to remain

Respectfully,

Alvise Bragadin.

Grand Hotel - Rome.

4/10/45

No reply necessary.
per Maj. Stearns.
E. 4/9/45

(42)

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

0928

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

CONFIDENTIAL

FX 30346
JULY 311457B

F/2138
AUG 011050
ROUTINE

ALEXANDER CITE FHGHG
ALL MAT ADDRESSES INFO HQ ALCOM

CONFIDENTIAL.

MAT 855.

Allied tax exemption in ITALY. On 2 July ALLIED COMMISSION invited attention of Italian Prime Minister to Italian Governments undertaking to grant exemption from taxation of Allied organizations and to individual member of Allied forces. Letter recognized that full tax exemption is very difficult if not impossible to arrange administratively but made clear allies reserve right for reimbursement for any taxes paid. On 21 July Prime Minister confirmed pledge of tax aexemption, acknowledged reservation to ask for reimbursement, and said he had directed Minister of Finance to order his department to observe exemption. Above for your information. Full text of letters will be forwarded by airgram if desired.

DIST

INFO+ACTION FINANCE SC
INFO CHIEF COMMISSIONER
ECON SEC
COMMERCE SC
FILE 2
FLOAT

CONFIDENTIAL

0929

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

CONFIDENTIAL

EX 29844
July 30/1430B

R/2004
JULY 31/1100B
ROUTINE

AMHQ SIGNED ALEXANDER CITE EHGDG

ACTION: ALL MAT ADDRESSEES INFO: ALOCM POWER

CONFIDENTIAL.

This is MAT 847. Losses of AC/AMC funds.

In case of loss of funds of ALLIED COMMISSION, it is necessary to take steps in accordance with British or US procedure as case may require. WAR DEPARTMENT does not consider AFA funds to be WAR DEPARTMENT Funds.

Under British Military Law in case of finding of wrongful act or negligence occasioning any loss, court martial or authority having power under Sec 47 of the Army Act may award stoppage ofpay. Otherwise no recovery possible against officer in whose custody such funds were placed. If facts are in doubt practice is to hold court of inquiry.

American procedure provides for board of officers to report on facts and for disciplinary action in appropriate cases. American procedure does not permit any stoppage of pay to effect restitution whether or not negligence is established.

Assured you consider the above procedures to be adequate and do not desire to take further action

DEPT
INFO-ACTION : FINANCE SC
INFO : CHIEF COMMISSIONER
ECON SEC
COMMERCE SC
FILE (2)
FLOAT

143

CONFIDENTIAL

0930

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

SECRET

FX 29447
JUL 282031Z

7/1809
JUL 2916202
ROUTINE

GIBRALTAR ALEXANDER CITE RHGIB
ACTION ALL MAT ADDRESSEES INFO MR ALDOM

SECRET.

This is MAT 844, refer TAM 590, MAT 744 and CIVMED 22. Remittances to ITALY.

Italian Government still has not issued general license to cover outgoing mail. But foreign exchange control adequately reconstituted, civilian postal channels open between U.K., U.S. and ITALY, and decree soon being issued transferring dollar/sterling balances in U.S. and U.K. banks to account of Banca D'ITALIA as they accrue.

Consequently consider no objection to banks in U.K. and U.S. communicating directly through civilian postal channels with head offices of all commercial banks in ITALY, with exception VENEZIA GIULIA.

Please advise whether sterling remittances to expanded area per CIVMED 22 will be channeled only through Banca D'ITALIA or also through head offices commercial banks as above.

Also confirm whether general license 32A has been amended as proposed TAM 590 and concurred MAT 744 and whether dollar remittances to rest of ITALY (except VENEZIA GIULIA will be effected through head offices Italian commercial banks and Banca D'ITALIA.

SECRET

DEPT

INFO-ACTION: Finance
INFO: Chief Commissioner
Dx Commissioner 2
Room Sec
Commerce
Communications SC
File 2
Fleet

0931

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

RESTRICTED

FX 29345
JULY 2818252

F/1807
JULY 291605
ROUTINE

ALEXANDER CITE FWENG MAT 843
ALL MAT ADDRESSEE INFO HQ ALCOM

RESTRICTED.

ALLIED COMMISSION request official confirmation of press reports that U.S. Treasury has increased maximum of support remittances to 1000 dollars per month per person. Also please state whether press reports are correct that persons residing in ITALY may draw against blocked accounts in U.S.

DIST

INFORMATION FINANCE SC
INFO CIVIL COMMISSIONER
ECON SEC
COMMERCE SC
COMMUNICATION SC
FILE 2
FLOAT

RESTRICTED

14

0932

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

13030/P

26 July 1945

My dear Mr. Prime Minister:

I write in reply to your letter 1641/32487.9.5 of 24 July, 1945, regarding the distribution by air of publicity material in north Italy for the new bond issue.

I am glad to inform you that we have now obtained from the petroleum authorities an allotment of aviation fuel which will permit the leaflet distribution to be carried out according to your original plan.

Very truly yours,

/Sgd/ ELLERY W. STONE
Rear Admiral, USNR
Chief Commissioner

Professor Ferruccio Parri
President of the Council of Ministers
Italian Government
Rome

1126
1140
1409

0933

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

HEADQUARTERS ALLIED COMMISSION
APO 394
FINANCE SUB-COMMISSION

25 July 1945

13065/F

SUBJECT: Effective Date of DLL 13 March 1945, No. 116.

TO : Professor Ferruccio Parri,
President of the Council of Ministers.

1. It was represented at the Allied Commission - Ministerial conference on 13 July that the Italian Government wishes to implement the provisions of DLL 13 March 1945, No. 116, with effect from 1st May 1945, imposing three conditions, namely:-

(i) That no liberation bonus shall be paid;

(ii) Interim payments already made will be deducted;

(iii) Civil Servants will not request any further increase when the economic price of bread is instituted.

2. It was expected that Minister Scelri would communicate the Government's wishes in detail to this Sub-Commission following that meeting, but probably owing to circumstances connected with his state of health and his trip north, this was not done.

3. We shall be glad to receive a definite letter making the above proposal to Allied Military Government whereupon in accordance therewith prompt consideration will be given to the implementation desired by the Government.

4. Referring to the three conditions (i), (ii) and (iii) mentioned in paragraph 1 above, would it be the wish of the Government that a statement embodying these conditions be issued by Allied Military Government to the Prefects and Intendenti di Finanza of the various provinces? If so it will be appreciated if you will recommend a draft of such a statement.

(Sgd) ROBERT D. MENAPACE,
Colonel,
Joint Director,
Finance Sub-Commission

Sec 147

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0934

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

Translation

The President of the Council of Ministers
n. 1641/32487.9.5.

Rome, 24 July 1945

Dear Admiral,

Among the various forms of propaganda which we thought of using to facilitate the subscription, to the five years Buoni del Tesoro 5% 1945, which is now taking place in Northern Italy, there is also the throwing of leaflets by a plane.

To this end, the Ministry of Treasury and the Bank of Italy asked the Finance Sub-Commission (Lt. Col. E.P. Waters) the necessary authorization which depended on the approval of the Air-force SubCommission and the five Regional Commissioners of Northern Italy.

On July 18 h, Lt. Col. N.T. Beard, of the Finance Sub-Commission, informed the delegate of the Bank of Italy that the leaflets could be printed at once, for the 5 Regional Commissioners had given their agreement, and the Air Force Subcommission gave its authorization on general principles, and said that the leaflets prepared in packs of 5000 were to be transported to the Centocelle Airport, before 8 a.m. on Monday July 23rd.

According to these precise statements, the Bank of Italy took the necessary action to have 2 million leaflets printed at once, thus spending about one million lire.

But, on July 21st, when the leaflets were already printed, the Finance Sub-Commission informed the Bank of Italy that it was not possible to have the leaflets thrown, for A.F.H.Q. had not allowed the necessary fuel to be allotted, for the Command considered the flight of the planes wasn't one of the cases of urgent necessity for which an allotment could be made.

I hope that considering the circumstances which I have explained to you, you will kindly intervene to obtain the allotment of the fuel required for the flight. I take the liberty of asking you to have this allotment made without delay, for a further postponement, even of a few days only, would destroy all the propaganda effect which the throwing of the leaflets might have, and have a negative influence on the results of the loanwhich is so important for the economy of our country.

Thanking you for whatever action you will decide to take and waiting for your answer, I remain,

Truly yours,

a. Ferruccio Parri

Admiral Stone
Chief Commissioner
Allied Commission
Rome

trans e/e

0935

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

CC

CC/430

Translation

The President of the Council of Ministers

n. 40854/9.2

Rome, 21 July 1945

131

Dear Admiral,

I refer to your communication of July 2nd, in which you drew my attention on the fact that the men who belong to the Allied Army Forces, though entitled - because of the pledge assumed by the Italian Government - to full tax exemption, have nevertheless to bear the burden of some taxes, such as taxes on public shows, sale tax, and tax for the fund of national solidarity.

You certainly noticed that this depends entirely on the system for the collection of indirect taxes, which weigh on the product objectively, independently of the person of the consumer.

In any case, I am quite willing to confirm the pledge taken by the Italian Government to exempt the members of the Allied Army Forces from every form of taxation, while I acknowledge the reservation of the Allied Governments to ask for the payment of all sums paid by the above mentioned soldiers to the Italian State and to the organizations which depend from it.

I have contacted the Minister of Finance who will order the depending organizations to observe the exemption.

I remain,

Yours sincerely,

s. Ferruccio Parri

See 144

Admiral Ellery W. Stone
Chief Commissioner
Allied Commission
R.O.M.E

E.C. DIST - 23 July 45
4608/EC

ACTION: ECONOMIC SEC
for FINANCE S/C (2)
INFO: CHIEF COMMR
EXEC COMMR.

a/a

138

0 9 3 6

HEADQUARTERS ALLIED COMMISSION

Office of the Chief Commissioner

APO 394

13242/P

18 July 1945

My dear Mr. Prime Minister:

1. I write with reference to the Aide-Memoire of 24 February, 1945, which was communicated by the Acting President and the Chief Commissioner of the Allied Commission to the President of the Council of Ministers, outlining certain steps taken by the Allied Governments to hand over an increasing measure of control to Italian administration.

2. In order to implement further the declaration of 26 September, 1944, by the President of the United States and the Prime Minister of Great Britain regarding Italy, I am now directed by the Combined Chiefs of Staff to inform your Government that the intervention of the Allied Commission in Italian fiscal matters and other internal financial affairs will in future be confined to cases involving Allied military necessity. The Allied Commission will assist or advise your Government on financial matters in territory under your jurisdiction only when your Government specifically requests such advice or assistance, which will be given at a high level between the senior officers of this Commission and appropriate officials of your Government.

3. I am further directed by the Combined Chiefs of Staff to inform your Government that, subject to certain exceptions and conditions which are indicated below, it is no longer necessary to obtain the approval of the Allied Commission prior to the execution of Italian external financial transactions.

4. The exceptions to this general rule are as follows:

(a) the Italian Government is requested to consult with the Allied Commission before authorizing the use of Italian external assets for the purpose of paying claims arising prior to 8 September, 1943. Thus all questions relating to the settlement of Italian clearing accounts should be discussed with this Commission before any action is taken.

(b) the Italian Government is requested to direct its exchange control and other appropriate authorities to consult with the Allied Commission before authorizing any external financial transactions undertaken by Italian insurance companies or involving the foreign branches or subsidiaries of such companies.

5. The Combined Chiefs of Staff have stated that as a condition of the relaxation [illegible] Italian external financial transactions, the Italian Govern-

SEE [illegible] 460

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

that the intervention of the Allied Commission will in future be confined to cases involving Allied internal financial affairs will in future be confined to cases involving Allied military necessity. The Allied Commission will assist or advise your Government on financial matters in territory under your jurisdiction only when your Government specifically requests such advice or assistance, which will be given at a high level between the senior officers of this Commission and appropriate officials of your Government.

3. I am further directed by the Combined Chiefs of Staff to inform your Government that, subject to certain exceptions and conditions which are indicated below, it is no longer necessary to obtain the approval of the Allied Commission prior to the execution of Italian external financial transactions.

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(a) the Italian Government is requested to consult with the Allied Commission before authorising the use of Italian external assets for the purpose of paying claims arising prior to 8 September, 1943. Thus all questions relating to the settlement of Italian clearing accounts should be discussed with this Commission before any action is taken.

(b) the Italian Government is requested to direct its exchange control and other appropriate authorities to consult with the Allied Commission before authorising any external financial transactions undertaken by Italian insurance companies or involving the foreign branches or subsidiaries of such companies.

5. The Combined Chiefs of Staff have stated that as a condition of the relaxation of Allied control over Italian external financial transactions, the Italian Government is required to keep the Allied Commission fully informed as to the status of Italian external assets and of Italian external financial transactions. It is therefore requested that your Government:

(a) keep the Allied Commission fully advised as to the policies that may be adopted by the Italian Government, or any agency or committee thereof (including the Banca d'Italia), regarding the utilisation and control of Italian external assets. You may find it desirable to consult with the Allied Commission before authorising new policies or types of transactions, in order that no conditions may arise that might be prejudicial to the interests of the United Nations.

(b) submit fortnightly reports in triplicate to the Allied Commission listing all external financial transactions permitted or undertaken by the Italian Government during the period covered by the report, indicating the names of all parties to the transactions, a detailed statement of the nature and purpose of the transaction, the amount thereof, the currencies involved, the rates of exchange utilised, and any other relevant information.

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See 161 for reply.

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

6. In conjunction with the relaxation of control indicated in this letter, the Combined Chiefs of Staff have directed me to inform your Government that it will be expected to take the following steps:

(a) to establish and maintain an effective foreign exchange control agency.

(b) to adopt measures in support of the economic warfare objectives of the Allied Governments.

The details of the economic warfare programme are to be communicated to your Government in the near future by the British and American Embassies in Rome, and it is expected that representatives of your Government will work with the two Embassies in the development and implementation of this programme. I am further directed to inform your Government that failure to take the steps specified in (a) and (b) of this paragraph within a reasonable period of time will result in the reimposition of prior control of Italian external transactions by the Allied Governments through the instrumentality of the Allied Commission. I should be grateful if you would keep me as closely informed as possible of your progress in the development of the programme requested by the Allied Governments.

7. I would also request that you give assurances that you assume responsibility for ensuring that remittance payments are not made to undesirable persons in Italy.

8. The Combined Chiefs of Staff have also instructed that remittances to Italy from neutral countries are to continue to be channelled through banks in the U.S. and U.K. until the measures in support of the economic warfare objectives of the Allied Governments are taken.

9. The Allied Commission has, as part of the general suspension outlined in the third paragraph of this letter, suspended the supervision and control of arrangements concluded by the Italian Government with Allied and neutral countries concerning the financing of foreign trade, except that your Government is required to ensure that the proceeds of export sales will be made available for the purpose of making essential payments arising from import needs of Italy, Italian diplomatic, consular, or military expenditures, maintenance of the Italian merchant marine, and similar expenditure.

10. Finally, I am directed to state that the relaxation of control of Italian external assets is not to be construed as affecting the rights of the Allied Governments under the Armistice Terms with respect to Italian foreign assets, nor to prejudice or affect the status of Italian property in Allied countries which has been subjected to exceptional war measures, such as sequestration, vesting, and freezing.

11. Our supplementary financial directive from the Combined Chiefs of Staff deals with certain other matters [illegible]

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

7. I would also request that you give assurances that you assume [illegible] for ensuring that remittance payments are not made to undesirable persons in Italy.

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10. Finally, I am directed to state that the relaxation of control of Italian external assets is not to be construed as affecting the rights of the Allied Governments under the Armistice Terms with respect to Italian foreign assets, nor to prejudice or affect the status of Italian property in Allied countries which has been subjected to exceptional war measures, such as concentration, vesting, and freezing.

11. Our supplementary financial directive from the Combined Chiefs of Staff deals with certain other matters relating to Allied Military Lire currency and other Allied financial operations in Italy. Clarification of certain points is awaited and I shall communicate with you further as soon as possible.

Yours very truly,

/s/ Mllery . Stone
Major General, USA
Rear Admiral, USN
Chief Commissioner

Professor Ferruccio Parri,
The President of the Council of Ministers,
Italian Government,
Rome.

Distribution:
Hon. Alexander Kirk, American Embassy, Rome
Sir Noel Charles, British Embassy, Rome
Executive Commissioner
Political Adviser (A)
Political Adviser (B)
Acting Vice President, Loan Section
C-5 Section (Financial Adv., APO).

0 9 3 9 1

Declassified E.O. 12356 Section 3.3/NND No. 735015

0940

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

13012/F

16 July 1945

171a

My dear Mr. Prime Minister:

I write with reference to letter 37703/6.1 of 9 June, 1945, from the President of the Council of Ministers.

We have communicated with our Regional Finance Officer, Bologna, and he has replied that he has no objection to Avv. Del Monte Cesari and Dr. Marioni being appointed President and Vice President respectively of the Savings Bank of Imola.

Yours very truly,

[illegible]

ELLERY W. STONE
Rear Admiral, USNR
Chief Commissioner

Professor Ferruccio Parri
President of the Council of Ministers
Italian Government
Rome.

WJB/EWS/rmd

136

11 Aug 45

0941

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

SECRET

FX 21458
JUL 1310458

E/9532
JUL 1319008
ROUTINE

AFHQ SIGNED ALEXANDER CITE FHGEG

ACTION ALLMAT ADDRESSEES INFO ALCOM ROME

SECRET.

MAT 817.

There follows paraphrase of memo submitted to ALLIED COMMISSION by Administrazione Speiele of the HOLY SEE:

The geogrephical and economic situetion of the VATICAN STATE, although in theory it has a currency of its own, has forced it to do its transactions in Italian Lire with the consequence that large amounts of Lire are held by the VATICAN administrations. The power of the VATICAN to accomplish its educational, welfare and religious duties is hampered by the loss of purchasing power resulting from the depreciation of the Italian currency. The VATICAN administrations should not beer at the moment of stabilization of the Italian currency at a new level the monetary burden of a war for which they are charged with no responsibility whatever and, in order that the Italian Lire owned by the VATICAN should be dealt with seperately, this fact should not be overlooked by the International Commission in whose charge will be the responsibility of preparing the stabilization of the Italian currency.

DIST

INFO-ACTION: Finance SC
INFO: Chief Commissioner
Econ Sec
File 2
Float

133

Confidential
SECRET

0942

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

13074/F

6 July 1945

Dear Ing. Nogara:

I wish to thank you for your memorandum of 27 June, regarding the Societa Anonima Miniere Cave Predil (Raibl).

The Property Control Division of the Finance Sub-Commission is fully aware of the Company's situation and has recently transmitted a report on the Company through the British Embassy to Messrs. Berwick, Moreing & Co., London.

Yours very truly,

/s/ Ellery W. Stone

ELLERY W. STONE
Rear Admiral, USNR
Chief Commissioner

Ing. Bernardino Nogara
Special Administration of the Holy See
Vatican City

(134)

0943

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

CC 1020

**Translation**

n. D1710/5.p

Rome, 5 Juillet 1945

Dear Admiral Stone,

The Treviso C.L.N. sent two of his representatives to Rome to obtain from the Royal Government that a certain sum be unblocked in favour of the Prefecture in this town, sum destined to pay and give subsidies to the Partisans of the Treviso province, to help them to go back to civilian life. The Government approves and will intervene with A.C. to obtain what is being asked.

To enable you to know with precision the terms of the problem, I want to introduce to you one of the above mentioned representatives, Lt. Colonel dr. Cesio Pegoraro (P.A.S.) whom you might send to the competent Financial Sub-Commission; he will hand over to you the memorandum drafted by the Treviso C.L.N. on this matter.

Thanking you for whatever you may be able to do, I remain, my dear Admiral,

s. Gen. A. Infante

Admiral Hilary M. Stone
Chief Commissioner - A.C.
Rome

DIST
Action: Finance
Info: EX Comm
CC files

o/o

122

Seen by CC + sent to Brig Broadbridge with

SECRET

Copy No: 45....

Paraphrase of FAC 583 of
3 July, 1945

1. In order to implement further the Joint declaration of the Prime Minister and the President (of 26 September, 1944) in respect of Italy, action should be taken by you as rapidly as possible in conformity with the following paras. These paras supplement the Directive contained in FAC 487.

CONTROL OF ITALIAN EXTERNAL TRANSACTIONS AND EXTERNAL ASSETS

2. The requirement will be suspended that the AC approve Italian external financial transactions prior to their execution. The Italian Government, as a condition to the relaxation of such control, will be required to keep the Allied Commission informed currently, in detail such as the Commission shall find necessary, of the status of Italian external financial transactions, and of external assets. In conjunction with this action, you will inform the Italian Government that it will be expected to take the following steps:

A. To establish and maintain an effective foreign exchange control agency;

B. To adopt measures in support of the economic warfare objectives of the Allied Governments.

For the development of the necessary measures a program shall be worked out with the British and American Embassies in Rome by the Italian Government. All possible assistance will be furnished to the two Embassies in this connection by the Allied Commission.

The Italian Government will be further informed by you that failure to take the steps specified above within a reasonable period of time will result in the reimposition of prior control through the instrumentality of the Allied Commission by the Allied Governments.

3. The Italian Government will be requested by you, to consult with the AC before authorizing the use of Italian external assets for the purpose of paying claims arising prior to 8 September 1943. The AC should be referred to for guidance on all questions of this nature.

4. The AC's supervision will be suspended over the budgets of Italian diplomatic missions in neutral countries (See FAC 576).

5. As soon as assurance has been given by the Italian Government that

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

0945

c. To establish and maintain an effective foreign exchange control agency;

d. To adopt measures in support of the economic warfare objectives of the Allied Governments.

For the development of the necessary measures a program shall be worked out with the British and American Missions in Rome by the Italian Government. All possible assistance will be furnished to the two missions in this connection by the Allied Commission.

The Italian Government will be further informed by you that failure to take the steps specified above within a reasonable period of time will result in the reimposition of prior control through the instrumentality of the Allied Commission by the Allied Governments.

3. The Italian Government will be requested by you, to consult with the AC before authorizing the use of Italian external assets for the purpose of paying claims arising prior to 8 September 1943. The AC should be referred to for guidance on all questions of this nature.

4. The AC's supervision will be suspended over the budgets of Italian diplomatic missions in neutral countries (Ref T.H. 576).

5. As soon as assurance has been given by the Italian Government that irresponsibility is assumed for ensuring that payments will NOT be made to undesirable persons, control and surveillance by AC of outgoing and remittances from foreign countries will be suspended. Remittances from neutral countries to Italy should continue to be channeled through US or UK banks until the referred measures (Para 2d) are taken by the Italian Government.

6. Supervision and approval will be suspended by AC of arrangements concluded by the Italian Government with neutral or Allied countries concerning the financing of foreign trade, except that it may be required to ensure that proceeds of export sales will, for the purposes specified in T.H. 136, be available and also for meeting other essential Italian expenditures. (See also para 3 above). The policies laid down in T.H. 456 with respect to Italian export trade are not to be construed as altered by this directive.

7. A report will be made to ACC by the AC and [illegible] the Embassies of the UK and US will be kept informed concerning any external financial transaction permitted or undertaken by the Italian Government, or the existence of any conditions or policies respecting Italian external finances, which are deemed prejudicial to the United Nations interest, together with AC's recommendations for remedial measures. In any such case, such action may be taken by you as you deem necessary in order that the interests of the United Nations may be protected. Any action taken by you in this regard should be reported to COSC. The AC should be consulted by you before reimposition is ordered of any prior controls over Italian external transactions.

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

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

SECRET



8. The relaxation of controls over Italian external assets is NOT to be construed to be prejudicial to the rights of the Allied Governments under the terms of the armistice with respect to Italian foreign assets NOR to affect or prejudice the status of Italian property in Allied countries which has been subjected to war measures which are recognized, such as vesting, freezing, and sequestration.

RESPONSIBILITIES OF ITALIAN GOVERNMENT AND ALLIED COMMISSION FOR INTERNAL FINANCES

9. The intervention in Italian fiscal matters and other internal financial affairs by the AC will be confined to cases involving Allied military necessity. The Italian Government should be assisted and advised by the Allied Commission on matters of finance in respect of Italian government territory only when the Italian government so requests and this assistance and advice should be done at high levels.

10. A. There will be made available to the Italian government full information concerning the volume of Allied military currency issued by the Allied Forces in ITALY, the amounts expended for particular purposes, the purposes for which such currency has been expended, and other Allied financial operations in Italy, except as it may be necessary to withhold such information on military security grounds. Other records and books of the Allied Financial Agency and other Allied agencies must NOT be released to the Italian Government, however, except as authorized specifically by the Combined Chiefs of Staff.

B. A report to the Combined Chiefs of Staff by you should be made of the action taken pursuant [illegible] of 26 October 1944, on the subject of informing the Italian government about the amounts of Allied Military lire issued.

ALLIED FINANCIAL AGENCY

11. All functions performed by Allied Financial Agency with reference to Italian Government territory should be terminated promptly, with the exception of the requirements under para. 12 below. Amongst others, this involves the following steps, which it is understood are being or have been taken:

A. Except in any case where the Italian Government is unwilling to procure supplies covered by [illegible] of CCS 486, and the Allied Commander has to ensure that the supplies provided

Allied Forces in ITALY, the amounts expended for particular purposes, the purposes for which such currency has been expended, and other Allied financial operations in Italy, except as it may be necessary to withhold such information on military security grounds. Other records and books of the Allied Financial Agency and other Allied agencies must NOT be released to the Italian government, however, except as authorized specifically by the Combined Chiefs of Staff.

B. A report to the Combined Chiefs of Staff by you should be made of the action taken pursuant [illegible] of [illegible] October 1944, on the subject of informing the Italian government about the effects of Allied Military Lire issued.

ALLIED FINANCIAL AGENCY

11. All functions performed by Allied Financial Agency with reference to Italian Government territory should be terminated promptly, with the exception of the requirements under para. 17 below. Amongst others, this involves the following steps, which it is understood are being or have been taken:

A. Except in any case where the Italian Government is unwilling to procure supplies covered by para. 2 of FAC 436, and the Allied Commander has to ensure that the supplies nevertheless come forward, cessation of provision of lire for purchase of gold in for export (FAC 436).

B. Cessation of advances to banks of lire for payment of remittances.

C. Cessation of payments collected in lire for civilian supplies turned over to the Italians. There is no objection to such collection in Allied Military Government territory, when necessary.

ALLIED MILITARY LIRE CURRENCY

12. The Italian Government should be informed by you that the respective Allied Governments concerned will now, through diplomatic channels, replies directly to the Italian government, relative to the request of the Italian Government for reimbursement in foreign exchange for Allied Military lire issued and the value of requisitions made in ITALY made by the Allied Military Forces. In memorandum to the Allied Commission of 9 January 1945 from Italian government this request was contained and transmitted to Combined Chiefs of Staff under cover of Allied Forces Headquarters letter of 28 February 1945, subject: Financial proposals by the Italian Government.

13. After the British and American embassies in ROME have notified you that the United States and United Kingdom governments have replied to the Italian government of 9 January 1945, the Italian government should be informed by you memorandum

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

that the Allied Governments are prepared to accede to its request that there be a unification of all lire currency issues under the authority of the Italian Government. The Quaintieri-Battisti Economic Mission addressed this request to the United States Government and the United States in turn referred it to Combined Chiefs of Staff. In order that this decision may be implemented, you are authorized to enter with the Italian Government into an agreement under which:

A. An Italian agency designated by the Italian Government, or the Italian Government itself will be recognized as the issuing authority of Allied Military lire, including such lire in circulation now.

B. Future currency needs of the Allied Forces in Italy will be met with currency issued by the Italian Government or its designated agency. You should make available to the Italian Government Allied Military Lire in such amounts as are required to meet the needs of the Allied Forces in Italy, pending the time when the Italian Government or its agency is able to acquire sufficient currency of its own design. As heretofore, you will obtain supplies of Allied Military Lire by requisition.

14. Reference para 13 and the agreement to be concluded thereunder, the Italian Government should undertake:

A. To supply such credits and lire currency as the Allied Military forces may require.

B. As a supplement to Italian requisitioning procedures, to establish a lire account on which the Allied Forces could draw for the purpose of making cash payments for local supplies, services and facilities. This account should be used only where it is not feasible to resort to Italian requisitioning procedures or where the Italian Government fails to satisfactorily meet requisitions by the Allied Forces (AFHQ 353).

C. To reimburse the United Kingdom and United States Governments currently for printing and transporting costs of currency made available by you to the Italian Government after the effective date of the agreement in accordance with the provisions of para 13 above. The Italian Government should understand that these arrangements are without prejudice to any claim by the two governments for the transporting and printing costs of currency issued by the Allied Forces prior to the agreement.

So long as Allied Military lire is used by Allied forces rather than Italian Government lire, an actual physical transfer to the Italian Government will not be necessary. However, in order that the Italian Government may be currently and fully informed of the lire issued on its behalf

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

...by sale or requisition. ...Allied supplies of Allied

14. Reference para 13 and the agreement to be concluded thereunder, the Italian Government should undertake:

A. To supply such credits and lira currency as the Allied military forces may require.

B. As a supplement to Italian requisitioning procedures, to establish a lira account on which the Allied Forces could draw for the purpose of making cash payments for local supplies, services and facilities. This account should be used only where it is not feasible to resort to Italian requisitioning procedures or where the Italian Government fails to satisfactorily meet requisitions by the Allied Forces (FAO 355).

C. To reimburse the United Kingdom and United States Governments currently for printing and transporting costs of currency made available by them to the Italian Government after the effective date of the agreement in accordance with the provisions of para 13 above. The Italian Government should understand that these arrangements are without prejudice to any claim by the two governments for the transporting and printing costs of currency issued by the Allied Forces prior to the agreement.

So long as Allied Military lire is used by Allied forces rather than Italian Government lire, an actual physical transfer to the Italian Government will not be necessary. However, in order that the Italian Government may be currently and fully informed of the lire issued on its behalf, records of all such issues should be kept on a basis to be agreed upon with the Italian Government. You may maintain a reserve of unissued Allied Military lire to meet emergencies, in addition to the Allied Military currency which you will have available to the Italian Government.

15. You will reserve the right to issue Allied Military currency or to use any other currency which you may deem desirable in the event adequate quantities of lira currency are not made available to you by the Italian Government.

16. If any request is made by the Italian Government for compensation, or if they propose any intergovernmental settlement in connection with the arrangements envisaged in paragraphs 13 and 14 above, the Italian Government should be informed by you that such questions should be taken up directly by them with the Allied Governments concerned.

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

SECRET

17. A combined agency for receiving the currency needed by Allied Forces, should be maintained, so long as the combined command continues in ITALY, for distributing such currency to the Allied Forces in all parts of ITALY and for maintaining the necessary records. Whether the Allied Commission should carry on these functions or whether they should be at Headquarters level is primarily your responsibility (reference para. 1 C and D of MAT 554). Note AFHQ has stated the combined agency should continue to be AFA and should remain a part of AC/

RELATION OF THIS DIRECTIVE TO OTHER INSTRUCTIONS

18. The general policy of FAN 487 will be understood to apply to matters of finance. Particular reference is made to paras. 2B, 2C, 2D, 2E, 3A, 3C, and 7A of FAN 487.

19. Instructions previously given on matters of finance which are inconsistent with this directive (such as certain parts of TAM Aide-mem 24) are to be regarded as superseded. In keeping with the spirit of FAN 487 and this directive, such instructions should be carried out.

20. Until the Italian government makes further progress in the defascistization and control of Italian insurance companies, request should be made by you to the Italian government to instruct the Italian Exchange Control authorities that before authorizing any external financial transactions undertaken by Italian Insurance Companies or involving the foreign branches or subsidiaries of such companies, they should consult with the Allied Commission. The Allied Commission and Allied Military Government should continue to be guided by the provisions of TAM 417 in dealing with insurance companies, pending the receipt of further instructions. The controls by the Allied Commission over insurance should be relaxed gradually and integrated with those developed by the Italian government in cooperation with the American and British Embassies in the development of the program outlined in paragraph 2B above.

21. This directive does NOT relate to the matter of Allied property in ITALY (reference para. 4E of MAT 554 and TAM 551).



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

0951

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

CROSS REFERENCE SHEET

Cbl FAN 589 5 July 1945

NEW FINANCIAL DIRECTIVE, supplementing FAN 487

CONTROL OF ITALIAN EXTERNAL TRANSACTIONS AND EXTERNAL ASSETS

RESPONSIBILITY OF ITALIAN GOVERNMENT AND ALLIED COMMISSION FOR INTERNAL FINANCES

ALLIED FINANCIAL AGENCY

ALLIED MILITARY LIRA CURRENCY

Relation of the directive to other instructions.

DOCUMENT FILED IN 102/00

See 137

1324

NARA Date 11-19-74

0952

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

Confidential.

HEADQUARTERS ALLIED COMMISSION
APO 394
FINANCE SUB-COMMISSION

JUL 4 RECD

CC 0957

13012/F

3 July 1945

SUBJECT: The Vatican and the Lira

TO : Chief Commissioner

1. As a corollary to Hogara's recent memorandum to you on the eventual valuation of lire held by the Vatican, you may be interested to learn that Civil Censorship have recently intercepted a letter from a Mons. Rinaldi addressed to an Italian woman in the Bronx, which contains this request:

> " ..... Should you later on, send me some dollars, do not apply to the "BANCO DI NAPOLI" or any other Italian or National Bank, but send them rather through the VATICAN, addressing your remittances to: Monsignor Giuseppe RINALDI, c/o "Istituto dei Beni di Religione" - VATICAN CITY, ROME. In this way, the dollars would be paid me according to their actual exchange rate, which means three times the official rate....."

2. Civil Censorship have returned this letter to the sender without comment. Previously several similar letters have been intercepted; and it seems clear that the Vatican is content to transfer its lire at a rate of 300 lire to the dollar.

3. The U.S. remitter would, in fact, be infringing U.S. legislation by exporting currency in notes abroad, but it is conceivable that such correspondence may pass from the U.S.A. to Italy through the "Apostolic Delegate" and diplomatic bag.

4. I would point out that when the news spreads in the U.S.A. that remittances may be effected in the way suggested resulting in the remittee receiving three times as much as is possible through legal channels, the Italian Government's balances resulting from remittances will suffer a considerable decline.

A.P. Grattan-Bellew

Brigadier,
Joint Director,
Finance Sub-Commission

137

0953

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

17133/3

2 July 1945

My dear Mr. Prime Minister:

I understand from the Joint Directors of the Finance Sub-Commission of this Commission that there is a growing tendency at the Ministry of Finance to lose sight of the fact that the Italian Government has undertaken to grant exemption from Italian taxes not only to Allied organizations but also to individual members of the Allied Forces.

It is appreciated how difficult, if not administratively impossible, it is to devise methods of granting relief from indirect taxation to individual Allied personnel without leading to uncontrolled tax evasion by Italian nationals. In consequence, the Italian State revenue is benefiting to the extent of many millions of lire from taxes paid by individual members of the Allied Forces. The more important of the taxes being paid by Allied troops are the turnover tax (sull'entrata), entertainments tax, Fund of National Solidarity, and Imposta di Consumo. Of these the first mentioned is without doubt the greatest source of revenue, when it is borne in mind that most goods change ownership at least three times before reaching the final purchaser and that the price to him is thereby enhanced by a minimum of 12%.

However, while it is not intended at this date to request any change in the existing arrangements, I do wish it to be clearly understood that individual members of the Allied Forces are not liable to any form of Italian taxation and that the Allied Governments reserve the right to be reimbursed for any taxes which have been or may be paid by the Allied Forces in Italy to the Italian Government or any sub-division thereof.

See (132)

Yours very truly,

ELLERY W. STONE
Rear Admiral, USNR
Chief Commissioner

(131)

Professor Ferruccio Parri
The President of the Council of Ministers
Italian Government
Rome

EWS/bih

0954

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

CONFIDENTIAL

FX ~~10000~~ 1420 2
JUNE 281609B

E/7234
JUNE 290830B
ROUTINE

AFHQ SIGNED ALEXANDER CITE FHQXG
ACTION AIG MAT ADDRESSEES INFO HQ AIGCM

CONFIDENTIAL

This is MAT ~~699.~~ 712

Ministry of Treasury ITALY has authorised Banco di NAPOLI to establish 2 agencies NEW YORK and CHICAGO without prejudice to matter of reopening its 2 branch offices. ALLIED COMMISSION not consulted. Minister now requests approval of appointment in charge agencies by Banco di NAPOLI of ULDO MARCHISIO, naturalised American now working for AMMINOIL Corporation, 565 BROADWAY. Was formerly official of Banco di NAPOLI Trust Company of NEW YORK and remained in UNITED STATES. Please advise reply to be given.

Dist

Info-Action - Finance 2
Info - Chief Commissioner
Econ Sec
Commerce
File 2
Float

(130)

CONFIDENTIAL

0955

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

UNITED STATES INFORMATION SERVICE
USIS DIVISION

45 Via San Basilio — Telephone: 471474

USIS Special — Tuesday, June 26

FUNDS FOR U.S. ARMY IN ITALY TO AID
NATION'S ECONOMY

WASHINGTON, June 25 - The United States House of Representatives Appropriations Committee voted yesterday to permit the continued use of funds for U.S. forces in Italy for the rest of this year.

The Foreign Economic Administration, which will make the funds available to army authorities in Italy, said the appropriation was substantial.

John J. McCloy, Assistant Secretary of War, indicated the War Department's approval of continued aid to Italy in a statement presented before the committee. His statement said in part:

"Under present plans some of our troops will still be in Italy throughout the balance of this year. Italy's strategic position in the Mediterranean area makes its stability one of the keys to peace in Europe as a whole. Today Italy is economically prostrate and politically feeble. This situation can be cured only with some material assistance from the United States.

"Under the plans for redeployment our troops will be continuously withdrawn throughout the balance of the year. It is essential, if Italy is to pick up her own economy and practice a maximum of self help, that some steps be taken to provide to her the necessary raw materials and other basic supplies in this immediately critical period. Failure to make this provision may well make inevitable a successful resurgence in Italy of the forces against which we have fought."

- - - - -

(129)

0956

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

21 June 1945

Dear Mr. Brandt:

The Chief Commissioner sincerely appreciates your kind letter of 11 June in which you brought to his attention the excellent relationships which existed between the American Consulate and the Allied Financial Agency.

Very truly yours,

/s/ L. W. Stearns

L. W. STEARNS
Major, AGD
Staff Officer to Chief Comsr.

Mr. George L. Brandt
American Consulate General
Naples, Italy

cc files -
Finance S/C

178

A6077

0957

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

IN REPLY REFER TO GI B:lch
FILE NO. 851

THE FOREIGN SERVICE
OF THE
UNITED STATES OF AMERICA

AIR MAIL

AMERICAN CONSULATE GENERAL

Naples, Italy, June 11, 1945.

Rear Admiral Ellery W. Stone,
Chief Commissioner,
Headquarters, Allied Commission,
APO 394, U. S. Army.

Dear Admiral Stone:

I have just been informed of the closing of the Allied Financial Agency at Naples, which is to take place on June 15, 1945. The relations which this Consulate General has had with that Agency and its officers have invariably been pleasant, and the Agency's officers have been very cooperative and helpful. I want particularly to cite in that connection, the departing Finance Officer, Major C. Fletcher Randall, RA, who often has gone out of his way to extend assistance to the Consulate General in a friendly, efficient manner.

Sincerely yours,

George L. Brandt,
American Consulate General.

cc: Finance S/C
CC Files

178 APO

0958

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

13019/F

20 June 1945.

My dear Mr. Prime Minister:

I write with reference to your letter 37703/6.1 of 9 June 1945, regarding the Savings Bank of Imola (Bologna).

I have addressed the AMG Regional Commissioner, Emilia, informing him that your Government has recommended Avv. Giacomo del Monte Casoni and Dr. Gino Marioszi to fill the position of President and Vice President respectively of the Bank, and requesting him to give his opinion on these nominations. I shall advise you further in this matter when I have had a reply from the Regional Commissioner.

Yours very truly,

ELLERY W. STONE
Rear Admiral, USNR
Chief Commissioner

The President of the Council of Ministers,
Italian Government,
Rome.

CC FILES

(127)

(126)

Sec 1/20/47

0 9 5 6

# CONFIDENTIAL

FX 94589
JUNE 17/1308B

E/5485
JUNE 17/1915B
ROUTINE

AFHQ SIGNED ALEXANDER CITE #8089

ACTION : ALL MAT ADDRESSEES AND ALCOM ROME

CONFIDENTIAL. This is MAT 762

Banca D'Italia informed by UNITED STATES lines company 24 may that it has special license from US Treasury authorizing individual remittances to ITALY up to 1000 dollars per month per person. TAM 374 specifies 500 dollar limit and TAM Airgram 41 mentions no change. Please advise whether limit has been raised and whether Italian banks may act on private advices such as above

DIST

INFO-ACTION : FINANCE SC

INFO : CHIEF COMMISSIONER
ECON SEC
COMMERCE
FILE (2)
FLOAT

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

CONFIDENTIAL. This is MAT 762

Banca D'Italia informed by UNITED STATES lines company 24 may that it has special license from US Treasury authorizing individual remittances to ITALY up to 1000 dollars per month per person. TAM 374 specifies 500 dollar limit and TAM Airgram 41 mentions no change. Please advise whether limit has been raised and whether Italian banks may act on private advices such as above

DEPT

INFO-ACTION : FINANCE SC

INFO : CHIEF COMMISSIONER
ECON SEC
COMMERCE
FILE (2)
FLOAT

CONFIDENTIAL

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

0961

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

13255/F

15 June 1945

My dear Mr. Prime Minister:

I refer to your letter 37354/19.11 of 11 June 1945, with reference to Major J.R.H. Hall, Chief Budget Officer of the Finance Sub-Commission.

I am personally gratified to learn of the high regard in which Major Hall is held by the financial authorities of your Government, and I have brought the contents of your letter to the attention of both the Joint Directors of the Finance Sub-Commission and Major Hall.

Under the regulations governing release from the British Army, Major Hall is due for immediate release but in view of the importance of his work it has been possible to retain his services until 31 July, 1945.

Yours very truly,

/s/

MILTON W. STONE
Rear Admiral, USNR
Chief Commissioner

His Excellency Ivanoe Bonomi
The President of the Council of Ministers
Italian Government
Rome

Chief Commissioner

0962

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

CONFIDENTIAL

FT 93440
JUNE 1512552

F/5180
JUNE 1319003
ROUTINE

AFWD SIGNED ALEXANDER CITE FROZO
ACTION TO ALL MAT ADDRESSEES AND ALCOS ROME

CONFIDENTIAL

This is MAT 756.

AFA as U.S. depository.

1. Altho TAM 153 requires AFA to maintain dollar cover on U.S. deposits only when actually made in dollars, practice has been to maintain approx hundred percent cover in yellow seal dollars. This because deposits invariably made directly in Italian banks for AFA account and usually in lire. AFA assumes all such funds originated in dollars and could have been converted into dollars at U.S. ARMY Finance Office prior to deposit. This policy full cover has resulted in tying up considerable amounts yellow seal dollars as cover.

2. Since US Treasury maintains dollar surplus account against all lire advanced to US ARMY, and since US funds deposited with AFA originated from such lire, we conclude full cover in dollars is being maintained by both US Treasury and AFA.

3. Therefore recom end following procedure in lieu TAM 153. AFA will discontinue maintaining cover against US depository accounts. AFAS monthly statement reports total of such deposits, on basis of which War Dept may advise US Treasury. Deposits will be accepted by AFA or by Italian banks to AFAS account only in lire. Legal tender

CONFIDENTIAL

0863

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



(Cont'd E/5180, CONFIDENTIAL, ROUTINE, PT 93440)

(Para 3...)

status yellow seal dollar being withdrawn and Italian banks will be unable accept dollar depo-its.

4. Your approval above procedure requested.

Dist

Info-Action - Finance SC
Info - Chief Commissioner
Koon Sec
Commerce SC
File 2
Post

0964

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

AMG VENEZIA REGION CMA AMG LOMBARDIA REGION CMA AMG PIEMONTE

REGION CMA 87 AREA FOR LIGURIA REGION AMG CMA AMG VENEZIE
REGION CMA AMG TOSCANA REGION CMA FIVE ARMY FOR AMG CMA 8 ARMY AMG

87 15 JUN 45 PRIORITY

RESTRICTED

PARA ONE PD /REQUEST IN FRENCH FRANC CONVERSION PD IN VIEW OF
POSITION OF ITALIANS FROM FRENCH CONVERSION ITALIAN GOV REQUESTS
WE MAKE POSITION CLEAR TO ALL ITALIANS DEPOSITING FRANCS PD
PAR B FROM ALGER CITE ACCIN 708 AMG VENEZIA REGION CMA AMG
LOMBARDIA REGION CMA AMG PIEMONTE REGION CMA 87 AREA FOR
LIGURIA REGION AMG CMA AMG VENEZIE REGION CMA AMG TOSCANA
REGION CMA FIVE ARMY FOR AMG CMA EIGHTH ARMY AMG PARED
PARA TWO PD PLEASE MAKE ALL BRANCHES OF BANCA D'ITALIA ISSUE
STATEMENTS TO PUBLIC SAYING THAT DEPOSITORS ARE ACCEPTED ON
UNDERSTANDING THAT APPLICATION WILL BE MADE TO FRENCH AUTHORITIES
TO OBTAIN CONVERSION BUT WITHOUT RESPONSIBILITY ON THE PART
OF THE GOVERNMENT OR BANK OF ITALY THAT SUCH CONVERSION OR
CASHING CAN BE EFFECTED

123 Filmed 8/0

210

R. .L.Tiscorn, Maj.

NICHOLAS PETERSON,
CMO, USA
Asst Adjutant

0965

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

AMG EMILIA REGION CMA AMG LOMBARDIA REGION CMA AMG PIEDMONTE

REGION CMA 67 AREA FOR LIGURIA REGION AMG CMA AMG VENEZIE
REGION CMA AMG TOSCANA REGION CMA FIVE ARMY FOR AMG CMA 8 ARMY AMG
~~66~~ 67

13 JUN 45

SECRET

RESTRICTED

RESTRICTED

PARA ONE /PD/ CONCUR IN FRENCH FRANC CONVERSION PD IN VIEW OF EVACUATION OF ITALIANS FROM FRENCH CONVERSION ITALIAN GOV HAS DESIRE TO MAKE POSITION CLEAR TO ALL ITALIANS DEPOSITING FRANCS PD CLAIM FROM ALLIED CITIZ ACTIN FOR AMG EMILIA REGION CMA AMG LOMBARDIA REGION CMA AMG PIEDMONTE REGION CMA 67 AREA FOR LIGURIA REGION AMG CMA AMG VENEZIE REGION CMA AMG TOSCANA REGION CMA FIVE ARMY FOR AMG CMA EIGHTH ARMY AMG FORCES PARA TWO PD PLEASE HAVE GL BRANCH OF BANCA D'ITALIA ISSUE STATEMENTS TO OTHER SAYING THAT DEPOSITS ARE ACCEPTED ON UNDERSTANDING THAT APPLICATION WILL BE MADE TO FRENCH AUTHORITIES TO OBTAIN CONVERSION BUT WITHOUT RESPONSIBILITY ON THE PART OF THE GOVERNMENT OR BANK OF ITALY THAT SUCH CONVERSION CAN/NOT CAN BE EFFECTED

1076

123 Vinnee C/O

210

E. L. Timmons, Brig.

REGULAR SIGNING,
GHQ, USA
Assistant Adjutant

0966

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

C.C.

JUN 13 RECD

Ref: 13085/F 13 June 1945.

SUBJECT: Administration of Banks in Trieste, Gorizia and Zara.

TO : The President of the Council of Ministers, Italian Government.

Reference to Signor Bonomi's letter 36722/36169/6.1 of 7 June 1945.

The information supplied therein is very much appreciated. The financial matters reported are an aspect of a political problem which is receiving very careful consideration.

H 6011/1

(HKD) 172
K.T.

0967

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

Translation

The President of the Council of Ministers
37354/13.11

Rome, 11 June 1945

My dear Admiral,

The president of the court of accounts tells me that Major J.H. HALL, Chief of the Budget section of the allied finance sub-commission, will soon be having to take another post.

The work which, for many months, has put the court in contact with the Allied finance sub-commission, showed the particular merits of this allied officer which appeared in his work for the reconstruction of our country.

As a matter of fact, Major Hall has done a great deal to normalise our financial and administrative life, always in close liaison with our financial authorities, and with the Court of Accounts in particular. But it is principally in Rome, where he remained chief of such an important section of the Allied Commission after Colonel Stephan had left, that he showed his ability, ponderation and equity, and also his sympathy for our country.

I submit these considerations to your kind examination, expressing the wish for the Italian financial Administration not to be deprived, especially at the present delicate moment, of the collaboration of such a valuable officer who acquired so rare and sound a knowledge of our finance.

I remain,

Truly yours,

s. i. nonomi

Admiral Ellery W. Stone
Chief Commissioner
Allied Commission
Rome

S.C. DIST - 12 June 45

ACTION: ECONOMIC S.C (2)
(For Finance S.C.)
INFO: CHIEF COMR.
EXEC COMR.

0968

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

Translation

The President of the Council of Ministers

37703/6.1.

Rome, 9 June 1945

Dear Admiral,

The Savings-Bank of Imola, (Bologna), founded in 18[illegible], is managed, according to the statutes in force, by a board composed of a President, a Vice-president and five councillors.

However, the President, in charge, Vincenzo del Pero, left the town a year ago, and never came back, and the vice president, Dr. Carlo Gambetti, resigned some time ago, though he is still temporarily supervising the current business of the Bank.

According to the statute, the President and the Vice president are appointed by a decree of the Prime Minister, who would therefore have to provide to the posts rendered vacant by the absence of the first and the resignation of the second.

As this concern has its seat in a locality which is under the administration of the Allied Military Government, I think you must be informed about this situation, and I ask you to draw the attention of the Regional Commissioner on the advisability of completing the administrative organs of the Bank. Adv. Giacomo Del Monte Casoni has been suggested for the post of President and Dr. Gino Mardozzi for that of Vice-President; they have the necessary requisites and enjoy the confidence of the population.

The Italian Government has no objections to make on this subject.

I shall therefore be most grateful, my dear Admiral, if you kindly take the necessary action to normalize the situation of this old and deserving Savings-Bank.

I remain,

Yours very truly,

s. I. Bonomi

Admiral Ellery W. Stone
Chief Commissioner
Allied Commission
Rome

c.c.

0969

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

CONFIDENTIAL

FX 87566
JUNE 042039B

E/3654
JUNE 050840B
PRIORITY

AFHQ SIGNED ALEXANDER CITE FHGEG
ACTION: SHAEF MAIN FOR FRENCH MISSION. INFO: ALCOM ROME

CONFIDENTIAL

Incomplete reports received here that French Govt is effecting currency conversion between 4 and 16 June. Allied financial agency holds about 600 thousand francs and also Allied Force paymasters have some. In addition Italian Govt and Bank of ITALY have fairly large amounts exceeding hundred million. Please advise urgently what provision is being made for conversion such overseas holdings as above and whether conversion applies equally to supplemental francs. We hope AFA and Allied Force holdings can be reported by signal and thus obviate necessity air lift. Physical conversion could be made later. Italian Govt is raising question through its ambassador in PARIS but any advice you can give on conversion its holdings will be appreciated. Also advise whether personnel traveling to FRANCE under orders this theater can be supplied with francs we have on hand pending our acquisition of new francs.

Dist

Info-Action - Finance SC
Info - Chief Commissioner
Econ Sec
File 2
Float

CONFIDENTIAL

0970

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

# CONFIDENTIAL

FX 82513

MAY 261750

E/2483

MAY 262115

ROUTINE

AFHQ SIGNED ALEXANDER CITE FHGEC

HQ AICOM ROME

CONFIDENTIAL.

(This is MAT 719)

For your information AC plans early withdrawal of legal Tender status in ITALY of BMA notes and yellow SEAL dollars, in accordance instructions FAN 131. Proclamation number 2 will be amended accrodingly for AMG territory and Italian Government will be requested to amend decree applicable in its territory. AC has hitherto retained Legal Tender status BMA pound and yellow seal dollar to meet possible shortage of AM Lire, but lire stockpile position now such that this precautian needless. Considered desirable to draw clear distinction between spearhead currencies and AM Lire before end period of military responsibility. Also felt that Italian Governments hand in dealing with active black market operations in dollars and BMA Pounds will be strengthened by withdrawal their legal Tender status

DIST

ACTION FINANCE SC
INFO C/COMMISSIONER
A/
ECON SEC
FILE (2)
FLOAT

CONFIDENTIAL

0971

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

13012/F

26 May 1945

118

My dear Mr. Prime Minister:

I refer to letter 36021/34048/9.6 of 23 May, 1945 from il Capo di Gabinetto della Presidenza del Consiglio dei Ministri.

My financial advisers have discussed the proposed regulations with H.E. the Minister of the Treasury, and it has been agreed that they may be put into force. Details of the transmittal and implementation of these instructions can be discussed by the Treasury with the Finance Sub-Commission of this Commission.

Yours very truly,

/s/ Ellery W. Stone

ELLERY W. STONE
Rear Admiral, USNR
Chief Commissioner

His Excellency Ivanoe Bonomi
The President of the Council of Ministers
Italian Government
Rome

119

Bonomi

Finance Sub-Commission

0972

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

CHIEF CONTR
CC 1142
MAY 25 RECD

**Translation**

The Chief of Cabinet of the Presidency of the Council of Ministers

56021/3.4.8/3.6

Rome, 25 May 1945

Dear Admiral,

(117)

Referring to the letter addressed to you on May 6th, 1945, by H.E. the President of the Council of Ministers, and according to his instructions, I enclose a copy of a communication of the Ministry of Treasury, and I shall be grateful if you will kindly let me have the opinion of the Allied Commission on this matter.

I remain,

Yours very truly,

S.

E.C. DIST – 24 MAY 45
ACTION Econ Sect (2)
(Finance S/C)
INFO: Chief Control
Ex Contr

Admiral Ellery W. Stone
Chief Commissioner of the
Allied Commission - Rome

(119)

e.c.

(118)

Translation

COPY

TREASURY DEPARTMENT

General Direction for Currency

Rome, 16 - 5 - 1945

N. 1841/458

Subject: Re-introduction of Italian State- and Bank-notes.

TO THE PRESIDENCY OF THE COUNCIL

ROME

And for the attention of
General Direction of Treasury
General Direction of Customs
Bank of Italy - Central Admin.

ROME

With the liberation of the territories of North Italy, and with the possible though may be restricted re-opening of the frontiers, this Ministry is preoccupied by the repercussions which the re-introduction from abroad of an important amount of Italian State- and Bank-notes by military and civilian Italian repatriated citizens might have on the currency circulation of the Kingdom.

Pointing out the need of an efficacious control at the said frontiers, the Ministry begs the Presidency to contact the Allied Commission submitting to its attention the regulations which it seems necessary to issue for the vigilance service at the frontier.

It is well known that the regulation about currency which are still in force forbid to export and re-introduce Italian State- and Bank-notes, except for people going abroad or coming from abroad, who are allowed to take with them L. 450 in State notes, of small value; it is also known that the Treasury Department can issue regulations in derogation to the general regulations concerning this interdiction.

We do not deem it advisable to modify the above mentioned regulations, for it is still necessary to prevent the re-introduction of the notes which have been abusively exported (this may have been done on a large scale by the German troops and by runaway ex-gerarchi), and also because the problem of the amount of State-notes which can be taken abroad by travellers amount which it will be necessary to re-examine) is not at present, urgent.

On the other hand, this Ministry perfectly realises the conditions in which repatriated prisoners and interned civilians, formerly expatriated, may find themselves; and how aggravating strict regulations might appear to them.

The above mentioned considerations have been duly examined in a meeting held on the 14th in this Ministry, attended by the representatives of the Administrations concerned, a representative of this Presidency and of the R.G. di Finanza.

Declassified E.O. 12356 Section 3.3/NND No. 735015

to its attention the regulations which it seems necessary to issue for the vigilance service at the frontier.

It is well known that the regulation about currency which are still in force forbid to export and re-introduce Italian State- and Bank-notes, except for people going abroad or coming from abroad, who are allowed to take with them L. 450 in State notes, of small value; it is also known that the Treasury Department can issue regulations in derogation to the general regulations concerning this interdiction.

We do not deem it advisable to modify the above mentioned regulations, for it is still necessary to prevent the re-introduction of the notes which have been abusively exported (this may have been done on a large scale by the German troops and by runaway ex-gerarchi), and also because the problem of the amount of State-notes which can be taken abroad by travellers (amount which it will be necessary to re-examine) is not at present, urgent.

On the other hand, this Ministry perfectly realizes the conditions in which repatriated prisoners and interned civilians, formerly expatriated, may find themselves; and how aggravating strict regulations might appear to them.

The above mentioned considerations have been duly examined in a meeting held on the 14th in this Ministry, attended by the representatives of the Administrations concerned, a representative of this Presidency and of the R.C. di Finanza.

In this meeting, it was decided to increase the amount of Italian currency which it was possible to re-introduce, and the following regulations for the frontier service have been issued;

1) Prisoners of War - to allow the free introduction in the Kingdom of
L. 10.000 for the soldiers
L. 20.000 for the officers.

2) Interned civilians and civilians who are coming back from territories in which the Italian lira was officially in circulation:

up to L. 10.000 indistinctly, at the discretion of the control organs at the frontier.

The sums exceeding the above mentioned amount will have to be deposited to the Branch of the Bank of Italy, territorially competent for the residence of the person concerned.

118

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

To unblock the above mentioned sums, special Committees should be created in the branches of the Bank of Italy; according to their own judgement and to the elements they might have, they would decide about the restitution up to

L. 50.000 for the persons mentioned in n. 1
L. 25.000 for the persons mentioned in n. 2.

Beyond such limits, and also in dubious cases, this Ministry should be consulted for the necessary decisions.

Final and detailed regulations will be issued - restricted to the organs in charge of frontier control - as soon as the Presidency will have agreed after consulting the Allied Commission.

s. THE MINISTER

Solari.

e.c.

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

0976

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

e.o.

8-11

0977

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

HEADQUARTERS ALLIED COMMISSION
APO 394
FINANCE SUB-COMMISSION.

B285/F

23 May 1945.

TO : Chief Commissioner.

1. Attached is a translation of a letter from the President of the Corte dei Conti to the President of the Council from whom he depends.

2. I think it unlikely that Signor Bonomi will approach you officially with any request which savours of a desire for the continuation of Allied Commission representation; but you may like to be aware of the possibility of such a request.

3. Major Hall, a British officer, is in Release group 1 and has no wish to remain in Italy longer then necessary. He disclaims all knowledge of this request; and I believe him. The Budget section has come in for some criticism (Mr. Myron Taylor is a case in point); and it is interesting to see the reaction of the senior Italian official present to the withdrawal of the senior Allied officer housed at the Treasury.

A.P. Trafford Smith

Brigadier,
Joint Director,
FINANCE SUB-COMMISSION.

(17)

0978

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

CORTE DEI CONTI
Office of the President

Rome, 16 May 1945.

To His Excellency Cav. IVANOE BONOMI,
President of the Council of Ministers, Rome.

Excellency,

It has come to my knowledge that Major J.R.H. HALL, Head of the Budget Section of Finance Sub-Commission, A.C., is to relinquish his post soon for another assignment.

In view of the long months of contact which this Court has had with Finance Sub-Commission, I feel it my duty to inform your Excellency of the special interest with which this superior Allied officer has performed toward the reconstruction of our Country.

In fact, Major Hall has been strongly instrumental in the re-establishment of our normal administrative and financial positions; always in close contact with our financial authorities, and particularly with this Corte dei Conti since the date of its reactivation at the provisional capital of the Government. It was in Rome, however, where he was most outstanding in demonstrating his ability and good judgment and his sympathy toward our country, and where, after the departure of Col. Stephan, he became the Head of such an important Section of the Allied Commission.

I have had occasion to note, through daily correspondence which this Court has had with his Section, the unusual ability and fine tact which this distinguished officer has shown and I do not withhold from your Excellency that I view with bitterness his departure from an office which he has conducted so splendidly.

It is highly desirable that the Italian Financial Administration be not deprived of the collaboration of an officer of such high value and who has acquired such an unusually thorough knowledge of our financial system in such trying times as the present; therefore, it would behove your Excellency to endeavor to approach Admiral Stone, through your high offices, in the matter of his retention.

I beseech your Excellency to consider my strong personal interest in this matter.

SGD. Ingrosso.

117

0979

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

CC 1756
MAY 21 RECD

HEADQUARTERS ALLIED COMMISSION
APO 394
FINANCE SUB-COMMISSION

13071/F

21 May 1945

TO : The Chief Commissioner.

1. Reference your attached request for information on Italian Government bond sales.

2. Since the liberation of Italy, the Italian Government has issued only two types of securities, the new issue of 5% Five Year bonds for which subscriptions opened on 5 April, 1945, and the Buoni del Tesoro Ordinari, which are actually not bonds but short-term (1-12 months) Treasury bills.

3. The Banca d'Italia advises that 19,480 million lire has been subscribed of the new 5% bond issue through 18 May, 1945. This figure is based on returns from the various provincial branches of the Banca d'Italia, and is undoubtedly incomplete because of communications delays and difficulties.

4. The total net investment in Buoni del Tesoro Ordinari during the current fiscal year (1 July to 31 March, 1945) amounts to approximately 19,500 million lire.

Joint Director,
Finance Sub-Commission.

4601

116

0980

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

TO AMB LAMBARDIA REGION RPTD FIVE ARMY FOR AMG

7960 19 May 45 ROUTINE

RESTRICTED FD

PARA ONE FD SUBJECT IS NEW TREASURY BOND ISSUE FD

PARTY TO AMG LOMBARDIA REGION FOR REGIONAL FINANCE OFFICER RPTD FIVE ARMY FOR AMG FOR SENIOR FINANCE OFFICER FROM HQ ALLIED CTTE ACMFB PARIS

PARA TWO FD PLEASE NOTIFY MINISTER OF TREASURY SOLERI THAT AT OUR SIX MAY WERE SUBSCRIPTIONS PAID INTO HIS TREASURY ADDUCTED TO OUR RIGHT BILLION LIRE FD SOURCE OF APPROPRIATION CMA UNDER SECRETARY SCOTT

FINANCE SUB COMMISSION

553

NICHOLAS PISCHINO,
CWO USA, Asst Adjutant.

0981

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

1302/F. 11 May 1945.

My dear Mr. Prime Minister: (112)

I received your letter M.2814/3048/9.6 of 6 May 1945.

I can assure you that the Allied Commission has also had under constant study the possibility that currencies, including Italian lire, might be imported into Italy, particularly across the northern frontiers.

Proclamation # 2 of the Allied Military Government forbids the importation or exportation of currencies of all countries including Italian lire. The northern frontiers have been closed by order of AFHQ and instructions have been issued to enforce the terms of Proclamation # 2.

My financial advisers are satisfied that practicable steps have been taken to control the importation and exportation of currencies; and they will keep H.E. Soleri informed of the efforts of the control measures and of any other important developments.

Yours very truly,

(113) /s/ Ellery W. Stone

ELLERY W. STONE
Rear Admiral, USNR
Chief Commissioner.

His Excellency Ivanoe Bonomi,
The President of the Council of Ministers,
Italian Government,
R o m e.

(114)

EWS/ht.

0982

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

HEADQUARTERS ALLIED COMMISSION
APO 394
FINANCE SUB-COMMISSION

13012/F. 11 May 1945.

TO: The Chief Commissioner.

1. I regret that you have been bothered with this boring subject which is one of the 'hobby horses' of Soleri, ridden, I had hoped, to death. I have repeatedly asked him to state whom he considers is likely to drop lire notes by air and for what purpose. He still thinks that Germany can in some way ruin the Italian economy in this way. I have explained that it will be a long time before any German flies an aeroplane anywhere. Soleri also seems to forget that many of Italy's neighbours possess currency with less bright prospects than the lira; and are more likely, therefore, to attempt to take lire out rather than infiltrate in the manner described.

2. The most pressing problem is twofold (a) currency brought in by returning Italian refugees and (b) the control of lire currency carried on the persons of repatriated German troops. Both of these points are being discussed with G-5, A.F.H.Q.

A.P. Grassby Smith

Brigadier,
Joint Director,
FINANCE SUB-COMMISSION.

Sec 114

113

0983

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

Chief Control
CC 1825
MAY 7 RECD

Translation

The President of the Council of Ministers
3h201/3.046/3.6

Rome, 6 May 1945

Dear Admiral,

the Minister of Treasury told me that he very much feared that in the present circumstances, Italian currency might be introduced in the kingdom through the land and sea frontiers, as well aby air.

This would be a violation of defini e regulations formerly issued by the Italian Government, and have serious repercussions on the monetary circulation; it seems therefore necessary and urgent to prevent its taking place.

I share His Ex. Soleri's preoccupation, and I send you a copy of the main regulations on the subject, seeking you to take the necessary action.

The Italian Government thinks it would be necessary to establish a strict control at the land and sea frontiers, and in the airports, and that the censorship organs should get orders to prevent Italian currency from being introduced by means of correspondence coming from abroad; that the sums which should be found ought to be sequestered, kept as deposits, and information sent to the nearest Branch of the Banca d'Italia.

I trust you will examine this question which is so important and urgent, and I would very much appreciate some information about the orders which will be issued for control.

Truly yours,

s. I. Bonomi

Admiral Ellery W. Stone
Chief Commissioner
Allied Commission
R o m e

(113) E.C.DIST- 7 May 45
Sec (118) ACTION · Economic (D)
Gen Finance S/C
INFO Chief Control
EXEC Control

U.S.

1117

3h201/3.046/3.6

0984

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

FOR ACTION
/ EIGHT ARMY MAIN FOR AMG VENEZIE REGION ADVANCED RPTD EIGHT ARMY REAR FOR AMG

6752 2 May 1945 OPERATIONAL PRIORITY

SECRET PD

PARA ONE PD REFERENCE YOUR MIKE EIGHT NINE THREE OF ONE MAY PD

PAREN TO FOR ACTION EIGHT ARMY MAIN FOR AMG VENEZIE REGION ADVANCED RPTD EIGHT ARMY REAR FOR AMG XXXXX FROM EX ALCOM CITE ACFIN PAREN

PARA TWO PD IN NO REPEAT NO CIRCUMSTANCES WILL AMG FIX DINAR LIRA RATE AT THIS TIME CMA XX SUCH ACTION BEING HIGHLY PREJUDICIAL TO FINAL SETTLEMENT PD SINCE ADMINISTRATION IS UNDER AMG AND NOT REPEAT NOT TRIPARTITE ONLY THOSE CURRENCIES LEGALLY ESTABLISHED UNDER PROCLAMATION NUMBER TWO MUST BE PERMITTED TO CIRCULATE PD ANY DINARS IN CIRCULATION SHOULD BE WITHDRAWN BY JUGOSLAVS UNDER OWN ARRANGEMENTS PD

PARA THREE PD REPORT EARLIEST PAREN ABLE PAREN WHETHER DINARS CIRCULATING AND PAREN BASED XXXXXXXXX PAREN RATE ADOPTED BY JUGOSLAV FORCES PD

PARA FOUR PD ABOVE REFERS EQUALLY TO USE OF MILLS CONCERNING WHICH SIMILAR INFORMATION REQUIRED

FINANCE SUB COMMISSION

478604

NICHOLAS PIOMBINO
CWO USA
ASST ADJUTANT

0985

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

Maj Q —
Copy should
go to Finance
JS/C,
Suggest Brig
G- BG Gal M
alternate as
RTC's representative
at JMFC meetings

0986

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

Major Q—
Copy should
go to Finance
(S/C, J
Suggest Brig
Gen Col M
alternate as
NZ's representative
at JMFC meetings

0987

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

cc File

JAQ/hjp

27 April 1945

TO: Joint Directors, Finance Sub-Commission, Hq A.C.

I am directed by the Chief Commissioner to forward you a copy of AFHQ Administrative Memorandum No. 26 attached. (Not returned)

Admiral Stone suggests that at Joint Military Finance Committee meetings the Allied Commission should be represented alternately by Brigadier Grafftey-Smith and Colonel Menapace.

/s/ J. A. Quayle

J. A. QUAYLE
Major, R. A.
Staff Officer to CC

cc: Exec Comm'r

(10)

CC/1094

(CC 474-x)

0988

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

Ref: AG 1/66/TO. 25 April 1945.

SECRET: Post Liberation Value of the Lire.

TO : P.W.B.(B) Italian Staff
(Rome)
c/o AAI/C.

1. Reference your AI/1a/608 dated 14 April 1945.

2. Our comments on the proposition for the proposed broadcast are as follows:-

We consider that any broadcast dealing with the post liberation value of the Italian lire would be highly dangerous. Relationship between the lire and the United States yellow seal dollar and the B/A pound is defined in Proclamation No. 2. It is likely that this person are will be followed throughout Northern Italy but it would be most undesirable to make a flat statement that there will not be an alteration in the exchange rate.

So far as concerns the value of the lire expressed in purchasing power, to which presumably the P.W.B. is returning, it is obviously quite impossible to make any pronouncement on this quite unpredictable subject.

for Chief Staff Officer,
To the Executive Commissioner.

Copy to: Rome/Caserta Section. (Ref. 13012/2 of 21 April 45)

0989

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

SECRET

FM 63954
AFR 221518Z

S/S411
AFR 221045Z
NORTHS

AFHQ ALLIED ALEXANDER CITY FORTH

TO ALCOM ROME

SECRET.

Refer [illegible] telegram 42 this is NAT 650.

Billing recipient governments for civilian supplies is subject.

1. Application of billing procedure in cases of ITALY, GREECE, JUGOSLAVIA, and ALBANIA has been under careful study and Deputy Chief Accountant, ALLIED COMMISSION ITALY, has proceeded to WASHINGTON to discuss certain technical problems attendant on implementation.

2. Following comments relate to both ITALY and BALKANS.

a. Report of diversions and difference of arrivals required by paragraph 1b(1). Report of diversions of ships can be made. Preparation of difference of arrivals by reconcilement between tallied arrivals and priced quantitative reports received from US/UK/CANADA involves difficulties and delays. Respecting BALKANS, where direct shipments ex US/UK have been tallied by recipient NFSC, such reconcilement is feasible. But arrivals from the MIDEAST stockpile create difficulties, and in cases of YUGOSLAVIA partial or total transshipment in ITALY has been necessary, which means even in instances direct shipments ex US/UK tallies of arrivals in Yugoslav ports cannot be checked against your reports by ships. Respecting ITALY, where direct shipments ex-theater are the rule, problem is that of shortage of staff named in NAT 419 of 24 November, due to which tallies are in many ports being made

(108)

SECRET

0990

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



SECRET

(Ex 63954 cont'd)

by Italian agencies and reconcilement at A.C. 7 even under TAM 228 procedure has not been undertaken because of lack of accountants. If purpose of differences of arrivals reports is to permit statistical refinement of weighted average landed costs, question is raised as to whether requirement is justified in view of above difficulties and delays and fragmentary results which will be obtained. So far as concerns BALKANS, recipient governments will of course be billed on basis quantities receipted by them; in case ITALY refer proposal in para 4 of MAT 619.

b. Application combined weighted unit landed costs to our quantitative records will encounter nomenclature difficulties. So far as concerns bulk and homogeneous commodities (such as wheat or flour) application of your costs to our records should not be difficult. But increasing numbers of miscellaneous and especially non-food items are listed on shipping documents in general terms, such as "5 cases linotype machinery". Unless you can arrange to supply landed costs for such items in advance, we shall have to refer to your landed costs subcommittee all items where we are unable to match up landed costs with tallied arrivals and/or receipts signed by recipient government.

c. References monthly summary required by paragraph 11b(4), information is requested on to what detail is wanted. In instances BALKANS, relevant priced quantitative reports are being received only from U.S.

d. Subject to above, billing procedure in TAM airgram 42 can be applied to GREECE, ALBANIA, and YUGOSLAVIA.

3. Following comments recite only to ITALY, reference paragraph 3 of TAM airgram 42 as to transition from TAM 228 procedure to new billing procedure.

(108) 4. TAM 228 procedure involves charging Italian Government on basis tallied

0991

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



(Ex 6795A cont'd)

SECRET

arrivals. While as we understand it new procedure after cut-off date involves billing on basis of acknowledged issues to recipient government. Billing prior to cut-date, as provided in paragraph 3e, must take into account all shipments received and taken into stock prior thereto, and A.C. will have to be supplied with detailed breakdown by ships of such shipments by [redacted] and London in order to avoid duplications or omissions in subsequent bills prepared by A.C. under new procedure. Since as of 31 March 1945 warehousing responsibilities were turned over to Italians in much of ITALY, that is probably most satisfactory cut-off date.

b. [redacted] raised problem of each of Allied personnel for carrying out of tally. Additional problem will be created by shortage of accountants when new procedure is applied, involving costing in theater of our quantitative records. Moreover, existing accounting staff inadequate to prepare differences of arrival reports. Lt Col [redacted] is in position to discuss accounting personnel situation.

c. Considering personnel difficulties, and fact that with cut-off date as above, great majority of supplies will be billed to ITALY under [redacted] procedure as restated in para 3e of TAR diagram #2, it is view of A.C. HQ (of ?) which this headquarters concurs, that consideration should be given to continuing billing Italian Government under para 3e procedure until end of period of military supply responsibility.

HLT

ACTION: Econ 5
INFO: A/President
Chief Commissioner
Finance
File 2
Fleet

LI

108

0992

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

SECRET

FX 63955
AFM 221540

D/8412
AIR 222120
DEFERRED

AFHQ SIGNED ALEXANDER CITE FHMG
HQ ALCOM ROME

1076

SECRET.

(Ref MAT 626, MAT SERGRAMS 25 and 26 this (in MAT 649)

Financing of Italian diplomatic missions.

Para 1. AC advises that following requests for April have now been submitted: AFGHANISTAN-pounds sterling 200 ARGENTINA-pesos 84000 BELGIUM-dollars 13376.50 BULGARIA-dollars 5549.50 ENGLAND-pounds sterling 5943 IRISH FREE STATE-pounds sterling 440 PORTUGAL-escudos 270000 ROUMANIA-dollars 6236.50 SPAIN-pesetas 755400 SWEDEN-kroner 36181 SWITZERLAND-swiss francs 163804 UNITED STATES-dollars 25124.25 TANGIER-pesetas 83000 TURKEY-turkish pounds 46870.91.

Para 2. As for March, AC informing Ministry of Treasury that question of financing Italian diplomatic missions in AFGHANISTAN, BULGARIA and ROUMANIA must remain in suspense, as instructions not yet received from CCS in regard to these countries.

Para 3. Amounts for ARGENTINA, PORTUGAL, SPAIN and SWEDEN are the same as for March and Minister of Treasury writes AC that he hopes to finance these requirements without recourse to post-liberation dollars or sterling accounts. AC accordingly approving these expenditures if financed out of Italian-owned local assets.

Para 4. Amounts requested for the U.S. and BELGIUM are the same as for March (see MAT airgram 26). Pending advise from you AC again authorizing the payments requested, on understanding that they do not constitute a precedent for future months.

Para 5. The amounts requested for all the other countries listed above are same as the reduced amounts authorized for March and AC accordingly approving them

For diet turn over

107

0993

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

DIST

ACTION FINANCE
INFO A/PRESIDENT
CHIEF COMMISSIONER
ECON
FILE (2)
FLOAT

0994

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

CONFIDENTIAL

FX 60967
APRIL 16/1850Z

5/7840
APRIL 16/2150
ROUTINE

AFHQ SIGNED ALEXANDER CITE FX60967
ACTION: ALL MAT ADDRESSEES . INFO ALCOM ROME

CONFIDENTIAL.

This is MAT 638. Reference TAM Airgram 41 of 21 March.

Proposed amendments to General License 32 A agreed in principle, but certain difficulties must be overcome before amendments can be implemented here.

A. Remittance communications at present are channelled through Military Postal Service and handled by AFA, or other military and naval personnel acting as censorship officers. It is intended to switch the remittance traffic over to civilian postal channels earliest possible, and Allied Civil Censorship is already prepared to handle traffic. The Italian Government, however, has not yet issued appropriate decrees recognizing the US proclaimed on UK statutory lists and has not yet instituted an acceptable system of licensing of transactional communications to US falling within categories authorized in TAM 420. Both of these steps are regarded by this headquarters as essential to the establishment of effective Italian control over external assets required by TAM 420.

B. As soon as above licensing system has been established, it is considered Italian Government must issue a general license for all communications between ITALY and US and UK. Connected with personal remittances in order to avoid administrative burden involved in special licensing.

(10E)

CONFIDENTIAL

0993

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



C. As to final sentence of paragraph 30 of reference, at present Italian Government is confining remittances to three banks and it appears unlikely that other Italian commercial banks will be admitted until all ITALY is liberated. Until then it may create confusion not to specify Italian banks authorized by Italian authorities to effect remittances

DIST

ACTION : FINANCE SC

INFO : A/PRESIDENT
CHIEF COMMISSIONER
ECON SEC
COMMUNICATIONS SC
FILE (2)
FLOAT

106

0996

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RESTRICTED

853489E5
APR 141510B

D/7805
APR 151600B
ROUTINE

TROOPERS

FREEDOM FOR FIGHTG INFO HQ AIRCOM ROME

RESTRICTED

Your FX 48438 23rd March.

1. WEF 12 December 1944 remittances can be made as follows.

(1) By residents sterling area including officers HM and Allied Forces excluding US and Canadian officers and Air Forces.

(A) To usual close relatives and dependants who are British subjects up to £100 a month per family.

(B) To close relatives and dependants who are not British subjects up to £12 10s a month per family.

(C) To British subjects from "own funds" released by CCP in cases where accounts have been designated "resident" by Bank of ENGLAND up to £30 a month per person maximum £100 a month per family.

(2) By residents outside sterling area including US Forces debiting US registered accounts and officers Canadian Forces except Canadian Air Force up to £125 a month per family.

2. Regret delay informing you above review rates. Will notify you immediately any further change.

Dist

Info-Action - Finance SC
Info - A/President
Chief Commissioner
Communications SC
File
Float

105

RESTRICTED

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SECRET

FX 59901
APR 141402B

D/7669
APR 142100B
ROUTINE

AFHQ SIGNED ALEXANDER CITE FHQRG

ACTION TO ALL MAT ADDRESSEES AND TO HQ ALCOM ROME

SECRET

This is MAT 636.

Currency problem in BOLSANO and TRENTINO is subject.

1. Indications are that Germans have treated BOLSANO and TRENTINO in Northern ITALY as part of GERMANY (AUSTRIA) and have introduced Reichsmarks. Not known what composition of cufrency circulation is at present.

2. Until Reichsmarks can be withdrawn should we declare exchange rate between lire and marks and if so should rate be ten lire per reichsmark. It is planned to call in all reichsmarks in exchange for lire at earliest opportunity, but metropolitan lire may not be adequate in volume unless new supplies are uncovered in North. In such circumstances call in of reichsmarks would have to await arrival of new currency, unless A.M. lire are to be used. Your views requested soonest.

Dist

Info-Action - Finance
Info - A/President
Chief Commissioner
Exec Comm
Econ Sec
File

SECRET

0998

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SECRET

CC 1115

APR 6 RECD

MAT 1232
APR 06/0430

D/6969
APR 06/0925
PRIORITY

TRIPAREA

ALCOM CITE ACDPR INFO G 5 AFHQ

102

SECRET.

Your 4714 of 4th. Repatriates currency. Do not agree proposal your para 3. Essential cash is made available here to enable these persons resume normal life. Deposits with Italian banks quite useless as these banks do not operate here. Surely cash can be transferred through army channels by deposit with BCPO and signalled authority pay office here to pay to BEMA total amount in local currency. Essential you send nominal roll showing amounts to check against receipts before payment.

DIST

ACTION - DISPER & REP
INFO - A/PRESIDENT
CHIEF COMMISSIONER
SO TO C COMM
CA SEC
FINANCE
ECON SEC
FILE 2
FLOAT

4/6/45

Confidential

103

0999

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SECRET

NAR 6 1947
CC 1153

FT 55309
AFR 051310B

D/6949
AFR 060830B
ROUTINE

AFHQ SIGNED ALEXANDER CITE FHQ86

ACTION: AGWAR INFO AMSSO - HQ COMZONE MAIN STOUSA - HQ AFCOS ROME TO AGWAR FOR JCS FOR CCAC RPTD FOR INFO TO AMSSO FOR BRITISH CHIEFS OF STAFF AND HQ COMZONE MAIN STOUSA AND HQ AFCOSROME

SECRET (This is MAT 626)

Financing in Italian diplomatic missions.

1. On basis of information from Minister of Treasury and CARANINI, Italian ambassador to GREAT BRITAIN that large part of previous payment of ten thousand pounds was used to repay Bank of ENGLAND loan, AC has approved March request for 5,943 pounds sterling. Refer MAT airgram 25 of 31 March.

2. Since UNITED STATES and Belgian missions are just being established and there are no comparative figures, AC has allowed requested payments but without establishing precedent for future months. Your comments as to reasonableness of amounts urgently needed.

3. AC has authorized expenditure in PORTUGAL, SWITZERLAND and TANGIERS of same amounts for same purposes as in February, i.e. Escudos two hundred seventy thousand (270000), Swiss francs one hundred sixty three thousand eight hundred four (163804), and Pesetas eighty three thousand (83,000). In case of TURKEY AC is authorizing only forty six thousand eight hundred seventy point ninety one (46870.91) Turkish pounds for March until comments received from British and American missions on difference between amounts requested and authorized.



1024

Confidential

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4. Ref para 3 of MAT airgram 75, Italian Govt has insufficient local funds in ZIRT and will have to draw on dollar and sterling assets.

5. Budgets for U.S., U.K., BELGIUM, PORTUGAL, TANGIERS, TURKEY and SWITZERLAND follow by airgram.

Dist

Info-Action - Finance 70
Info - A/President
Chief Commissioner
Econ Section
File (2)
Fleet

Confidential

1076

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DPR/3/F

FOR ACTION BEMA TRIP AREA RPTD GEORGE FIVE AFHQ

4714 4 April 1945 PRIORITY

SECRET PD

SUBJECT IS CURRENCY CONVERSION OF THREE ZERO ZERO REPATRIATES ARRIVED TRIPOLI PD

PAREN TO FOR ACTION BEMA TRIP AREA RPTD GEORGE FIVE AFHQ FROM ALCOM CITE ACDER PAREN

PARA ONE PD REFERENCE SIGNAL BAKER MIKE ABLE TARE SLANT ONE TWO ONE SIX DATED THREE ONE MARCH ONE NINE FOUR FIVE PD

PARA TWO PD INSTRUCTIONS ARE AWAITED FROM WAR OFFICE ABOUT HOW THREE ZERO ZERO REPATRIATES MAY BE REIMBURSED FOR LIRE COLLECTED HERE BEFORE DEPARTURE PD

PARA THREE PD IF FOREIGN EXCHANGE CANNOT BE WORKED OUT CMA DEPOSITS WILL BE MADE IN BANCA D'ITALIA OR BANCO DI NAPOLI AND INDIVIDUAL DEPOSIT RECEIPTS WILL BE SENT TO TRIPOLI FOR DISTRIBUTION TO PERSONS HOLDING OUR TEMPORARY RECEIPTS

DISTRIBUTION : (BY HAND)

Chief Commissioner, A.C.
C.A. Section, A.C.
Finance Sub-Commission, A.C.

DISPER

489081 Ext. 310

STATEMENT MADE TO THE PRESS BY THE MINISTER OF THE TREASURY ON APRIL 3 1945 ON THE OCCASION OF .. NEW ISSUE OF FIVE YEAR TREASURY BONDS

On the eve of opening the subscription to the five year Treasury bonds issued by the Italian Government as a first step towards the future financial settlement of the country, I have invited the representatives of the foreign and Italian press so as to explain to them the bearing, the limits and the purposes of this issue.

I have already clearly stated in my report to the Council of Ministers that this first issue has no other purpose than the limited one of preventing an undoubtedly delicate monetary situation which however is certainly not irremediable from becoming more serious; of maintaining a strict control on the circulation of preserving that situation of psychological tranquillity which will enable us to face under the most favourable conditions the problems of the monetary and financial rehabilitation of the country and to carry out the measures required for its solution with a view to saving the lira and defending its purchasing capacity to the fullest extent.

By its orderly acceptance of the rise in the price of bread, the Italian people has shown that it is convinced that nothing could be more ruinous for it than that inflation which

460

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

as to explain to them the bearing, the limits and the purposes of this issue.

I have already clearly stated in my report to the Council of Ministers that this first issue has no other purpose than the limited one of preventing an undoubtedly delicate monetary situation which however is certainly not irremediable from becoming more serious; of maintaining a strict control on the circulation; of preserving that situation of psychological tranquillity which will enable us to face under the most favourable conditions the problems of the monetary and financial rehabilitation of the country and to carry out the measures required for its solution with a view to saving the lire and defending its purchasing capacity to the fullest extent.

By its orderly acceptance of the rise in the price of bread, the Italian people has shown that it is convinced that nothing could be more ruinous for it than that inflation which, with the collapse of the currency, would destroy all savings and exacerbate all sufferings. By now it has well understood the anti inflationist purpose of this appeal to national savings and already the favourable rate at which subscriptions are coming in shows what it has understood the advisability of a wide response, even apart from the conditions of the loan which are exceptionally favourable both as regards the issue price, the rate of interest, the large prizes, the acceptance at par of the bonds for the purchase of imported goods and at their issue price for other payments, conditions which

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

it will certainly not be possible to repeat for any subsequent large loans for national reconstruction.

These financial operations represent for the Treasury the continuation of a strict anti-inflationist policy, in the course of which it feels entitled to lay claim to success shown by the fact that since May 1944, when the machines for printing bank and Treasury notes belonging to the printing works at Aquila were destroyed, until March 31, 1945, that is to say over a period of nearly ten months, only ten milliards and 771 million lire of new notes have been issued in liberated Italy, although the Treasury has had during this period to make payments in the liberated provinces amounting to nearly eight milliard lire a month, of which three milliards incurred for war and military expenses, while tax receipts amounted, until a few months ago, to less than one milliard lire a month. It is very comforting to be able to note to-day a marked increase in the said receipts which points to the economic recovery of the country and affords evidence of the fiscal effort it is making, notwithstanding the fact that reconstruction meets with such serious difficulties due to the lack of commodities, raw materials and transport facilities. I am in a position to state that the receipts from taxation have risen for the 36 provinces administered by the Italian Government from 1.112 million lire in

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

destroyed, until March 31, 1945, that is to say over a period of nearly ten months, only ten milliards and 791 million lire of new notes have been issued in liberated Italy, although the Treasury has had during this period to make payments in the liberated provinces amounting to nearly eight milliard lire a month, of which three milliards incurred for war and military expenses, while tax receipts amounted, until a few months ago, to less than one milliard lire a month. It is very comforting to be able to note to-day a marked increase in the said receipts which points to the economic recovery of the country and affords evidence of the fiscal effort it is making, notwithstanding the fact that reconstruction meets with such serious difficulties due to the lack of commodities, raw materials and transport facilities. I am in a position to state that the receipts from taxation have risen for the 36 provinces administered by the Italian Government from 1.112 million lire in December 1944 to 1.581 million in January ult. and to 1.735 million in February last.

The huge cash deficit was covered during this period by Treasury resources obtained by the steady influx of Treasury bills, interest bearing post-office bonds, and current accounts with the Treasury, which shows the constant confidence of the public on the one hand and the loyal collaboration of the banks with the Treasury on the other. Nearly one milliard lire have so far been obtained by the sale of materials imported by the Allies.

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Thanks to this situation it has been possible to postpone the operation we are now undertaking for absorbing the huge amounts of liquid cash existing in the country until conditions became particularly favourable for so doing. These conditions have now been brought about by the budgetary and fiscal measures which have been taken during this period and above all by broader action, more especially on the part of the Americans, in favour of our economy and by the larger opportunities afforded it both by the dollar credits granted by President Roosevelt to our Treasury for the amount of the expenditure spent in Italy by the American troops drawn on their pay, and by the inclusion, confirmed by the Mac Millan memorandum, in class A covering food-stuffs and materials supplied to Italy in behalf of the Allies and in the interest of their military operations, of many commodities required for restarting Italian industries, and also by the assurances given in the note of the American Government, delivered to the Quintieri-Mattioli mission, of a freer resumption of our exports to neutral countries and a more active and more equitable economic collaboration with the United Nations.

Under these conditions, the Italian Government deem it possible to issue successfully a first loan whose purpose is to assure the return flow to the Treasury - thus avoiding the issue of new notes - of the monetary means required to meet the deficit of the next fe-

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

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Under these conditions, the Italian Government deem it possible to issue successfully a first loan whose purpose is to assure the return flow to the Treasury - thus avoiding the issue of new notes - of the monetary means required to meet the deficit of the next few months and to finance in this way, on this eve of the final victory, that national military effort which our country has constantly asked to be enabled to intensify, desirous as it is of making its contribution in blood for the liberation of its territory and to assist in bringing about the triumph of those democratic principles and those free institutions in whose name the Italian people achieved its revival and organised itself as a united country.

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The purpose of the loan is therefore that of preventing any further increase of our monetary circulation and preparing the final settlement which will be carried out as soon as the promise of the complete liberation of our national territory has been secured.

And now I think you will wish to have some definite facts relating to the Italian monetary circulation, and I have no hesitation in giving them to you, in conformity with that constant rule of publicity, that I have deemed it my duty to revive, out of respect for the Italian people, for I am convinced that in financial matters sincerity is the surest factor of confidence, and this conviction of mine has received a welcome and reassuring confirmation given by the attitude of calm expectation, free from all trace of panic, which prevails in our Country.

Here then are the figures. On February ., 1944, the total note currency of the Bank of Italy circulating in the whole of the national territory, inclusive of north Italy, amounted to 161 milliard lire, nine times the amount in circulation in 1922 when Fascism seized power. Since then, according to the latest statement, the circulation in liberated Italy, inclusive of the stocks put into circulation and of new issues, has increased by some 15 milliard

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avalaible means have allowed of the printing of so great a number of notes. The scarcity of cash in the North and the price level, would seem to contradict the rumours current of issues for considerably larger amounts. We shall decide what treatment should be given to this money when we have ascertained the amount in circulation, which will be done as soon as it becomes possible. If we add the figures for occupied Italy to those for the liberated territory we get a sum exceeding 260 milliard lire, to which we must add the lire issued by the allied military authorities for an amount which stood at the end of December at 52 milliard lire, inclusive of 6 and a half milliards assigned for expenses for which the Italian civil Administration was responsible.

In recent months there have been many statements and much has been published and discussed, even by fully authorised sources, relating to the am-lire, their origin and the fate in store for them.

Now, whatever may be the origin of the power entitling to the issue of military lire, I think there can be no doubt that when an armistice deed exists, it alone can authorise such issue, but only within the limits assigned by that deed and provided the said deed has not been superseded by other subsequent situations of fact and of law, as it has been in our case

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However, while I trust that the proposals presented on this matter by the Quintieri-Mattioli mission may be accepted, it seems very clear to me that whatever may be the opinions on the interpretation of the clauses of our armistice relating to money issues, cannot be included into them, because obviously foreign to its nature and its purposes, the expenses relating to new and subsequent operations of war carried out in the occupied territory and even in other fighting areas.

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It seems to me that this point of view has been accepted in number 3 of the note handed to the Quaroni-Mattioli mission in which the American Government expresses its willingness to come to an agreement with the Italian Government for the settlement of the financial relations between the two Governments arising from the participation of American forces in the military operations in Italy.

This view already seems to me indisputable under the terms of the armistice, even in the case in which our country should have taken no part in the war waged on its territory and had been a passive spectator. It becomes in my opinion even better founded when, as the result of a new situation which in the indisputable reality of actual events has gone beyond that contemplated by the armistice, the occupied country has obtained the right to participate as a cobelligerant with the armies of the occupying powers in the new military operations, and is doing so with its own operating and fighting units, and therefore with its own contribution of blood and losses, besides those represented by the destruction of its cities, of its economic and productive equipment and of its means of transportation.

I think, however, that an equitable solution of this whole question of the armistice will have to be found not so much in

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

operations in Italy.

This view already seems to me indisputable under the terms of the armistice, even in the case in which our country should have taken no part in the war waged on its territory and had been a passive spectator. It becomes in my opinion even better founded when, as the result of a new situation which in the indisputable reality of actual events has gone beyond that contemplated by the armistice, the occupied country has obtained the right to participate as a cobelligerant with the armies of the occupying powers in the new military operations, and is doing so with its own operating and fighting units, and therefore with its own contribution of blood and losses, besides those represented by the destruction of its cities, of its economic and productive equipment and of its means of transportation.

I think, however, that an equitable solution of this whole question of the am-lire will have to be found not so much in legal discussions, for which all the reservations we may make are legitimate, but rather in conformity with the new situation, which has gone beyond what was contemplated in the armistice, and in keeping with the revival of that political and moral solidarity which makes us rejoice with the United Nations at the news of victories which reach us from all sides, and at the collapse of our common enemies.

I am confirmed in this conviction by the recognition already given by President Roosevelt of a counterpart in dollars of the

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

am-lire assigned to the American troops in Italy, forerunner of the new economic solidarity and of the great truth that the misery of any one nation is a source of contagion for the whole world.

The reasons of justice which I have mentioned make me feel certain that this recognition will neither remain within such narrow limits nor will it be denied by the other nations which have shared in the issue of the am-lire.

o°o

In conclusion, let me say that while the Italian currency situation is certainly not satisfactory, it is not however such as to make one despair of the possibility of its rehabilitation; and it is to prevent any further deterioration that the Government is making this transition loan, which should be considered as a bridge thrown to get over a danger and to enable us to await the time when we shall have to face in full the financial and monetary problem.

Any attempt to foresee at this time the solutions which will be made would be imprudent and premature, as many of the facts in the case are not yet known and can only be ascertained when North Italy has been liberated. Meantime, Italy is following with close attention all that has been achieved and is now being done in other countries for the solution of the problems created everywhere by

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

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***

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Any attempt to foresee at this time the solutions which will be made would be imprudent and premature, as many of the facts in the case are not yet known and can only be ascertained when North Italy has been liberated. Meantime, Italy is following with close attention all that has been achieved and is now being done in other countries for the solution of the problems created everywhere by the exceptional expansion of the currency and by budget deficits, problems however which in each country present special aspects arising from different economic and geographical conditions.

The nature of the problem does not however allow of a great variety of solutions. We shall have to place ourselves in a position to meet the ordinary budget expenses, which have increased to so great an extent, out of normal tax receipts; and we shall have to provide with special taxes on capital and with subsequent great

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

national loans for the cost of reconstruction and the resumption of the country's economic activities. An important contribution can be obtained for these purposes from the receipts from the sale of the commodities and things the United Nations may import into Italy as an offset to the am-lire which weigh on our circulation, and, to the extent to which these latter exceed that amount, by the grant of facilities for payments and by credits.

There is much talk just now of international economic solidarity, of an international monetary fund and an international bank, as proposed at Bretton Woods, and of financial assistance to the countries most seriously injured by the war. Now, it is my opinion, and I have no hesitation in stating it here before you all, that each country will have the credit it deserves. Credit will be offered to those who show themselves deserving of it, and will be denied to those who do not inspire confidence.

My knowledge of our people gives me the profound conviction that as soon as it has recovered from the crisis of perplexity and destruction through which it is now passing, it will find once more, along with its national unity, now so sorely broken, the energy and the will necessary for assuring a revival, and that thanks above all to its farm, factory and building trade workers, it will once more

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

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My knowledge of our people gives me the profound conviction that as soon as it has recovered from the crisis of perplexity and destruction through which it is now passing, it will find once more, along with its national unity, now so sorely broken, the energy and the will necessary for assuring a revival, and that thanks above all to its farm, factory and building trade workers, it will once more become an important factor in world productive economy thus confirming the reputation it had acquired for seriousness and industry.

I am equally certain that it will not be denied the economic assistance which it will thus deserve. But above all the Italian people must show that it has confidence in its own revival, that it spares neither efforts nor money to hasten it, and that it means to reconstruct its political reputation and its economic system.

A first proof of this firm intention of the Italian people will

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

be given by its generous response to this first appeal made by the democratic government for the purpose of saving the national currency. We shall not have the large contributions of the wealthier part of the peninsula still subject to the Germans, nor shall we be able to count in like measure on some huge contributions from business houses which have been gravely injured by the war, but these losses must be offset by the contributions duly and intelligently made by all who have secured conspicuous profits arising from an emergency situation, by those who have been enriched by the war, and thanks to a wider and more general participation of the people at large in the subscriptions to the new issue of Treasury bonds.

On this occasion the Italian people will not fail to show all who are observing its behaviour, that it is determined to rearise, and that it knows how to make the necessary effort required for this purpose.

---

BUCK SLIP DATE: 4 Apr.

HEADQUARTERS
ALLIED COMMISSION
FINANCE SUB-COMMISSION

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

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---

1 BUCK SLIP DATE: 4 Apr.

HEADQUARTERS

**ALLIED COMMISSION**

FINANCE SUB-COMMISSION

| From | To |
|---|---|
| Col. A. P. Grafftey-Smith | |
| Comdr. J. J. Lawler, USCGR | |
| Col. H. G. Crawshaw | |
| Lt-Col. A. H. F. Stephan | |
| Lt-Col. J. H. Penick | |
| Lt-Col. P. D. Banning | |
| Major B. E. L. Timmons | |
| Major A. J. Baxter | |
| Major J. Osmon | |
| Major E. J. Gits | |
| Major F. W. Tooby | |
| Major W. E. Price | |
| Major J. R. H. Hall | |
| Major M. M. Daugherty | |
| Capt. G. H. Tipping | |
| Capt. V. A. Catozella | |
| Lieut. H. J. Tasco, USNR | |
| Property Control Division | |
| SSM Angibault | |

Lt John Lamoreaux

101a

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

HEADQUARTERS

# ALLIED COMMISSION

FINANCE SUB-COMMISSION

| From | To |
|---|---|
| Col. A. P. Grafftey-Smith | |
| Lt-Comdr. J. J. Lawler, USCGR | |
| Col. H. G. Crawshaw | |
| Lt-Col. A. H. F. Stephan | |
| Lt-Col. J. H. Penick | |
| Lt-Col. P. D. Banning | |
| Major R. E. L. Timmons | |
| Major A. J. Baxter | |
| Major J. Osmon | |
| Major E. J. Gits | |
| Major F. W. Tooby | |
| Major W. E. Price | |
| Major J. R. H. Hall | |
| Major M. M. Daugherty | |
| Capt. G. H. Tipping | |
| Capt. V. A. Cetozella | |
| Lieut. H. J. Tasca, USNR | |
| Property Control Division | |
| SSM Anglbault | |
| T. John Lamming Office of the Chief Commissioner | |
| Economic Section | |
| Message Center | |

FOR:

- ..... Recommendations & Remarks
- ..... Information & Retention
- ..... Approval or Disapproval
- ..... Investigation & Report
- ..... Necessary Action and return
- ..... Perusal & Return
- ..... Filing
- ..... Despatch
- ..... Necessary Action and retention

REMARKS: For the information of the Chief Commissioner

A. C. - Nov. 1944

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4 A/ Pres
10 Sec

APR 3

HEADQUARTERS ALLIED COMMISSION
AFO 394
FINANCE SUB-COMMISSION

2 April 1945

SUBJECT: Financing of Navalmeccanica and Other Organizations Occupied on Work of Military Importance.

TO : Regional Finance Officer,
Southern Region.

1. In view of the frequent difficulty that has been experienced in the financing of NAVALMECCANICA and the danger that this important firm may experience financial embarrassment to an extent which would have an adverse effect on the war effort, it has been decided that the most practical course that should be adopted is to provide a fund in a current account from which advances may be made against bills presented by the firm. This arrangement would also enable similar organizations to be kept in a sound financial position under similar conditions, for example SMM and SET.

2. To give effect to this decision a credit should be established by the issue of a form SB6 opening a special account Intendenza di Finanza, Naples. The Intendente di Finanza should be notified in suitable terms that bills presented by NAVALMECCANICA, SMM, or SET or other bodies performing work of military importance will be transmitted to the Intendente di Finanza in order that advances may be made to the organizations concerned to insure that vital military work may not be interrupted or delayed. At a later date, the various bills and payments will be controlled by the Italian Government and charged against the proper capitolo of the budget of the Ministry concerned.

[illegible]

[illegible]

Joint Director,
Finance Sub-Commission

101

RETURN TO ORIGINATOR

CC Chief Commission
Navy Sub Commission

Claude Vaudeville
Pls call me

CONFIDENTIAL

APR 2 ~~1945~~ 1945
CC 0955

MAR 30

B/6449
MAR 30/1717
IMPORTANT

8 April 1945.

FONAM

CHIEF COMMISSIONER AC ROME (R) FOLI ROME FOTALI C IN C MED NOIC NAPLES.

CONFIDENTIAL.

Firm of Naval Meccanica represent that over two hundred million lire owing by Italian Government for contract work and are unable to carry on unless substantial proportion received. Requirements for this month 54 million lire apart from invoices to Royal Navy on which maximum advances possible have already been made. Facts have been represented orally to Finance Sub-Commission COMMANDER LAMLER USN. Request you will represent position to appropriate authorities and ensure that necessary funds are made available to the firm by 5 April. Firm is situated in NAPLES area which is still subject to A.M.G. and its work is essential to operational requirements.

Rc 4/4

DIST

ACTION - FINANCE S/C
INFO - A/PRESIDENT
CHIEF COMMISSIONER
ECON SEC
FILE 2
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Declassified E.O. 12356 Section 3.3/NND No. 735015

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Rc 4/4

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ACTION - FINANCE S/C
INFO - A/PRESIDENT
CHIEF COMMISSIONER
ECON SEC
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CONFIDENTIAL

File 4502

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1024

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

MAR 31 1945
CC 342

C O P Y

ALLIED FORCE HEAD UARTERS
PSYCHOLOGICAL WARFARE BRANCH

27th Mardh, 1945

TO : The Chief Commissioner, Allied Commissioner, Rome.

FROM : Assistant Deputy Director, PWB AFHQ.

SUBJECT : Italian Treasury Bond Issue.

Dear Admiral Stone,

I thank you for your letter of 23rd March about the new Italian Internal Loan, and confirm that PWB will do anything in its power to assist this loan.

I have already included a paragraph agreed with your Finance Sub-Commission in our weekly directive, which has been issued today, and will include similar paragraphs as long as required. I have also cabled to London and New York asking that the BBC and the American radio shall afford suitable publicity to this initiative of the Italian Government.

I have also written to Florence instructing our Headquarters in that city to give all possible transport facilities for posters and other material which the Italian ministry may desire to distribute within the military zone. I have also enquired whether we can assist with printing facilities in that city. Mr. Minifie, the Deputy Head of our organization in Florence, was in Rome yesterday and I fully explained the matter to him and he will do what is possible to assist the Italian officials.

I am going to Bari myself tomorrow and will take similar action there.

The Italian Government Bill advertising this issue is being distributed by PWB on as wide as basis as possible. I would add in this connection that PWB will always be pleased to assist the Italian Government or individual Italian Ministries in the distribution of films prepared by the Government until such time as the normal machinery for the distribution of films has been re-established. I would however, suggest that requests for the distribution of Italian Government Films should be addressed to PWB through the Allied Commission as we do not wish to undertake such duties in Liberated Italy unless it is the Commission's desire that we should do so.

Yours sincerely

(C.A. Ralegh Radford)

E C Distn - 31 MAR.

ACTION - FINANCE S/C
INFO - C COM
- EX COM
PRO

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MAR 28 REC'D

C. C.

NEF/mrd
27 March 1945

Dear General Browning:

With reference to our conversation concerning entertainment allowance, the Finance Subcommission is drafting a procedure to regularize expenditures on this account and to clarify the method of voucheringe. No specific allowance is given to Vice Presidents. Reimbursement may be obtained on proper voucher from the Finance Subcommission on the basis of procedure which they will set out and which I shall send you as soon as it is approved by the Chief Commissioner.

NORMAN E. FISKE

NORMAN E. FISKE
Colonel
Acting Executive Commissioner

Major-General L. Browning, CB, OBE, MC.,
C.O.C.,
Land Forces Sub-Commission (MMIA).

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CC 77°

23 March 1945

3030/F

Psychological Warfare Branch,
Via V. Veneto, Rome
Attn: Mr. Radford

Dear Mr. Radford:

Reference is made to your conference with the Joint Director of the Finance Sub-Commission and officials of the Italian Treasury and the Banca d'Italia of Friday 23 March 1945 concerning the new internal loan being issued by the Italian Government.

Since this is the first attempt by the Italian Government to raise funds to combat inflation and to aid rehabilitation, it is extremely important. Any assistance which your organization can provide in producing motion pictures, in printing posters or disseminating information concerning the loan in any other way will be very much appreciated.

/s/ Ellery W. Stone

Ellery W. Stone,
Rear Admiral USNR
Chief Commissioner

cc: Exec. Comm'r
Chief Comm'r
Finance S/C

JJL:rs

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JAQ/hjp

9 March 1945

SUBJECT: Purchase of American Newspaper Clippings

TO : Joint Directors, Finance Sub-Commission, Eq A.C.

(91a)

Reference attached memorandum 13010/F of 18 Feb 1945, this matter has been referred to G-5, and in conversation on 8 March 1945 Brigadier General Spofford instructed Major Quayle that since the purchase of American newspaper clippings had been made "in furtherence of the wishes of the Army Commander", the account had better be met.

/s/ J. A. Quayle
J. A. QUAYLE
Major, F. A.
Staff Officer to CC

cc: Executive Commissioner

(97)

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SECRET

FX 33854
FEB 261400A

D/3520
FEB 271950A
ROUTINE

AFHQ SIGNED ALEXANDER CITE FHQEG

TROOPERS FOR CIVILAFFAIRS FOR CCAC/L FOR ACTION, AGWAR FOR CCS FOR CCAC,

HQ ALCOM ROMEAREA PASS FOR INFO

SECRET.

Refer CIVMED 17 of 12 February this is MEDCIV 17.

Sterling post-liberation accounts. AC advises as follows on current arrangements and plans.

1. Your para 2. Banca D'Italia letter to Bank of England requesting opening of reserve account was despatched on 12 February further letters are being prepared to UK banks authorising transfer to the reserve account in sums of Pounds 5000. It is proposed that when receipts for remittances effected are returned to UK banks Banca D'Italia will at the same time instruct the banks to transfer sums in round amounts thus ensuring that only such sums will be transferred as represent remittances paid to beneficiares in ITALY.

2. Your para 4. Banca D'Italia has now agreed to the following:

(a) As from 1 March the bank will provide Banca Di Napoli and Banco Di Sicilia with the Lire necessary for effecting remittance payments. On 1 March bank will reimburse AFA for total amount of Lire provided to banks for remittance payments prior to that date. This will not alter the present relationships between banks who will carry on as heretofore. The UK banks positions will be exactly same (DRME 599 of 25 February also refers)

(b) As soon as above arrangements completed Banco Di Sicilia will request

SECRET

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SECRET



(FX 33854 continued)

Bank of England to transfer to the reserve account of the Banca D'Italia the effective available balance.

(c) It remains with Bank of England to decide when to withdraw from active participation in remittance.

3. Your para 5. It is contemplated that the remittance system will be extended to enable Banco di Napoli and Banco Di Sicilia to have direct correspondent relationships with UK banks.

DEST

INFO-ACTION: Finance S/C
INFO: A/President
Chief Commissioner
Econ Sec
File 2
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FOR INFORMATION ONLY

HEADQUARTERS
28 FEB 1945
A. G.

46

SECRET

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CONFIDENTIAL

FX 33545
FEB 251930

S/3343
FEB 260240
ROUTINE

AFHQ SIGNED ALEXANDER CITE FHGBO

ACWAR FOR CCS FOR COAC RPT INFO TO AMSSO FOR BRITISH CHIEFS OF STAFF AND HQ COMZONE MAIN ETOUSA AND HQ ALCOM

CONFIDENTIAL.

(Refer TAC 444 of 1st February this is MAT 559)

Remittances to ITALY is subject.

Para 1. In accordance with proposals in your paragraph 2 B, Banco D'ITALIA will take on its books the dollar and sterling balances due to AFA by Banco di NAPOLI and Banco di SICILIA as of 28 February 1945, crediting AFA account on its books equivalent lire amount. Beginning 1st March, lire for remittance payments will be supplied by Banco D'ITALIA. Accounts with correspondent banks in U.S. will not be effected as Banco D'ITALIA by agreement with Banco di NAPOLI and Banco di SICILIA will in effect take over AFA'S present position.

Para 2. Reference your para 3, Banco D'ITALIA had designated guaranty Trust Company of NEW YORK to hold dollar accruals from exports as advised in MAT 516 of 1st February

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CHIEF COMMISSIONER
ECON SEC
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SECRET

TAM 42909 COM 40
FEB 24/1530

T/3224
FEB 25/0930
ROUTINE

TAM CUL CITE COAC

ALLIED COMMISSION, INFO: AFHQ FOR PISCO AND UK BASE KINOTION FOR CABINET SECRETARIAT; HAS BEEN REPD TO ALL ADDRESSEES.

SECRET.

Refer COM 32, COM 33, MOC 49, TAM 434.

Non-military lire currency.

1. No action can be taken until requisitions arrive. Therefore it is necessary that they be submitted as soon as possible so that supply allocation can be made.

2. It is not essential (see paragraph 8, enclosure A of TAM AIR 26) that civilian supply items forwarded from the UNITED STATES be paid for from pay of troop account. The pay of troop account is not as yet available (refer COM 33). Also, the policy that the procuring of the non-military currency for ITALY would be paid out of funds in A.F. account was determined in the initial phases of the negotiations and was agreed to by the UNITED STATES Departments of State, Treasury, and War, ALLIED FORCE HEADQUARTERS, and the ALLIED COMMISSION. It is not the desire of the UNITED STATES Department of Treasury that this question be opened again.

3. In light of the above, your acceptance and immediate fulfillment of methods set forth in COM 32 is anticipated.

DIST

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CHIEF [illegible]
FILE 2
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SECRET

2/23/45

MEMORANDUM

The United States Government has welcomed the initiative of the Italian Government in sending a mission to Washington to discuss economic and financial matters of mutual concern to the two Governments. The United States Government feels that the conversations which the mission has had with American experts have afforded an opportunity for a helpful interchange of views on many of these matters and have provided a basis for further discussions through the diplomatic missions which are being established in Rome and Washington, as well as through the appropriate Allied agencies in so far as these matters are subjects of Allied rather than purely American concern.

In these conversations, the representatives of the United States Government have indicated the desire and

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States Government feels that the conversations which the mission has had with American experts have afforded an opportunity for a helpful interchange of views on many of these matters and have provided a basis for further discussions through the diplomatic missions which are being established in Rome and Washington, as well as through the appropriate Allied agencies in so far as these matters are subjects of Allied rather than purely American concern.

In these conversations, the representatives of the United States Government have indicated the desire and intention of their Government that economic and financial relations between the United States and Italy be restored as promptly as possible to a normal basis, which the

93

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United States Government has learned with pleasure is fully shared by the Italian Government. At the same time, while in no way qualifying this desire or minimizing the importance which it attaches to the prompt restoration of normal relations, the United States Government feels that the attainment of this objective will necessarily involve a gradual process in view of the special problems arising out of wartime conditions in the Mediterranean area and in view of the legal consequences which have resulted from the state of war which has existed between the two countries.

The United States Government feels that the conversations have laid a basis for measures in various fields looking toward the normalization of relations of an eco-

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ment feels that the attainment of this objective will necessarily involve a gradual process in view of the special problems arising out of wartime conditions in the Mediterranean area and in view of the legal consequences which have resulted from the state of war which has existed between the two countries.

The United States Government feels that the conversations have laid a basis for measures in various fields looking toward the normalization of relations of an economic and financial nature which both Governments desire. It is the hope of the United States Government that the reestablishment of diplomatic missions in Rome and Washington will facilitate further progress toward this objective.

(73a)

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FINANCIAL MATTERS

1. The United States Government has given sympathetic consideration to the explanations and proposals of the Italian economic mission and expresses its desire to take such steps as may be appropriate and feasible to restore to Italy responsibility and authority for its financial administration at the earliest possible moment.

2. The United States Government has brought to the attention of the appropriate Allied agencies the desire of the Italian Government, as expressed by the mission, to have transferred to it the issuing authority for Allied military lire. The subject is now receiving active consideration and the Italian Government will be informed of the views of the Allied Governments through the Allied

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financial administration at the earliest possible moment.

2. The United States Government has brought to the attention of the appropriate Allied agencies the desire of the Italian Government, as expressed by the mission, to have transferred to it the issuing authority for Allied military lire. The subject is now receiving active consideration and the Italian Government will be informed of the views of the Allied Governments through the Allied Commission.

3. The United States Government is prepared to enter into an agreement with the Italian Government to formalize the existing financial arrangements between the two Governments arising out of the participation of American forces in military operations in Italy.

(93a)

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4. The United States Government will take steps directed to provide the Italian Government with all information available concerning transactions which affect the financial relations between the two Governments.

5. The United States Government will assist the Italian Government in its efforts to mobilize to the maximum extent the foreign exchange assets of Italy with the objectives of permitting Italy to assume the greatest amount of responsibility for the rehabilitation and reconstruction of Italy.

6. The United States Government will acquire lire for its diplomatic expenditures in Italy against dollars to be credited to Italian post-liberation accounts.

Furthermore, the United States Government will make

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ments.

5. The United States Government will assist the Italian Government in its efforts to mobilize to the maximum extent the foreign exchange assets of Italy with the objectives of permitting Italy to assume the greatest amount of responsibility for the rehabilitation and reconstruction of Italy.

6. The United States Government will acquire lire for its diplomatic expenditures in Italy against dollars to be credited to Italian post-liberation accounts. Furthermore, the United States Government will make available to the Italian Government the dollar equivalent of past diplomatic expenditures in lire for which no counter payment in foreign exchange has been made.

7. The Italian mission has raised the question of steps by the United States and other Allied Governments

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designed to provide foreign exchange equivalent to the military expenditures of the Allied forces in Italy and to the value of supplies and services furnished to the Allied forces on a requisition basis. While the United States Government has not regarded this subject as an appropriate one for discussion with the mission, the American representatives have indicated to the mission some of the difficulties which would stand in the way of agreement on the part of the United States Government to such an arrangement. It has been reported to the United States Government that requests of a similar nature have been made by the Italian Government to the Allied Commission and to the American and British Embassies in Rome. These requests are now receiving consideration

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appropriate one for discussion with the mission, the American representatives have indicated to the mission some of the difficulties which would stand in the way of agreement on the part of the United States Government to such an arrangement. It has been reported to the United States Government that requests of a similar nature have been made by the Italian Government to the Allied Commission and to the American and British Embassies in Rome. These requests are now receiving consideration and a reply will be made to the Italian Government in due course through appropriate channels.

TRADE MATTERS

8. In general terms it is the hope of the Government of the United States that Italy will be able to reconstruct its economy along the lines of production

(93)

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appropriate one for discussion with the mission, the American representatives have indicated to the mission some of the difficulties which would stand in the way of agreement on the part of the United States Government to such an arrangement. It has been reported to the United States Government that requests of a similar nature have been made by the Italian Government to the Allied Commission and to the American and British Embassies in Rome. These requests are now receiving consideration and a reply will be made to the Italian Government in due course through appropriate channels.

TRADE MATTERS

8. In general terms it is the hope of the Government of the United States that Italy will be able to reconstruct its economy along the lines of production

(93a)

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best suited to the resources and aptitudes of its people and that it will adopt a commercial policy which will facilitate the expansion of Italy's foreign trade and external payments on a multilateral non-discriminatory basis through private commercial channels. This is believed to be the route to internal prosperity in Italy and to peaceful political as well as economic relations among the nations of the world.

9. In meeting the immediate problems of commercial relations between Italy and the United States during the present war period, the general principles outlined above must be modified in accordance with the demands of the war, which is still being fought in part on Italian soil. Regardless of the desire of the Government of the United

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believed to be the [illegible]

and to peaceful political as well as economic relations among the nations of the world.

9. In meeting the immediate problems of commercial relations between Italy and the United States during the present war period, the general principles outlined above must be modified in accordance with the demands of the war, which is still being fought in part on Italian soil. Regardless of the desire of the Government of the United States to facilitate the interchange of goods between the two countries, the expansion of trade is hampered by the severe shortages of many commodities in both countries, the absence of easy channels for communication and financial exchange, and above all the limitations on use of shipping space to military and the most essen-

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tial civilian items.

10. The Governments of the United Kingdom and of the United States have recently agreed on several specific policies to assist in the restoration of Italian economic life in this period when, however, military requirements must still receive first consideration.

a) Under this agreement the exports of Italian goods will be handled in two ways, depending on whether the commodities are exported on supply or on commercial grounds. In the first category are commodities in short supply or necessary to the Allied war effort; the destination of exports of such commodities from Italy will be determined by the Combined Boards or other combined Allied agencies and the price will usually be agreed upon by

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economic life in this period when, however, military requirements must still receive first consideration.

a) Under this agreement the exports of Italian goods will be handled in two ways, depending on whether the commodities are exported on supply or on commercial grounds. In the first category are commodities in short supply or necessary to the Allied war effort; the destination of exports of such commodities from Italy will be determined by the Combined Boards or other combined Allied agencies and the price will usually be agreed upon by those participating in the sale. If such agreement is not reached the goods will still be exported and the price adjusted to legal ceiling, or normal selling, prices in the country of destination.

b) Those commodities exported on commercial grounds may be offered by the Italian seller on any market he chooses, at any price. The Allied Commission, however,

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will recommend that export sales, except some related to wartime conditions, be made only when the selling prices at least cover costs (including transportation to foreign markets).

c) As soon as circumstances permit, the Italian Government will have complete responsibility for promoting the country's exports, with Allied Commission supervision limited to ensuring adherence to policies of the Combined Chiefs of Staff and the carrying out of any procurement responsibilities assigned to the Italian Government.

d) Pending the desired reestablishment of private trade between Italy and other countries, the United States Commercial Company will offer its services to the Italian Government in handling the sale abroad of Italian goods.

All of the arrangements described above, of course, involve

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the country's exports, with Allied Commission supervision limited to ensuring adherence to policies of the Combined Chiefs of Staff and the carrying out of any procurement responsibilities assigned to the Italian Government.

d) Pending the desired reestablishment of private trade between Italy and other countries, the United States Commercial Company will offer its services to the Italian Government in handling the sale abroad of Italian goods. All of the arrangements described above, of course, involve no commitments on the part of the Allied Governments as to the availability of shipping to move the commodities.

11. In addition to civilian supplies imported by the Allied military authorities, the Italian Government, advised and assisted by the Allied Commission will be

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authorized to prepare an import program of supplies to initiate the rehabilitation of Italian agriculture and industry. This will be submitted for procurement by civilian agencies of the United States and the United Kingdom.

12. It is hoped that it will soon be possible for commercial representatives from the United States to enter Italy, and for Italian representatives to visit the United States for the purpose of stimulating trade, although at the present time this is not permitted for military reasons.

13. As a first step towards the reestablishment of contractual relations governing trade between Italy and the United States, the United States Government is

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Kingdom.

12. It is hoped that it will soon be possible for commercial representatives from the United States to enter Italy, and for Italian representatives to visit the United States for the purpose of stimulating trade, although at the present time this is not permitted for military reasons.

13. As a first step towards the reestablishment of contractual relations governing trade between Italy and the United States, the United States Government is prepared to enter into an agreement with the Italian Government in which both Governments would undertake to cooperate in formulating a program designed to promote expended world-wide production, employment, exchange and consumption of goods, the elimination of all forms of

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Kingdom.

12. It is hoped that it will soon be possible for commercial representatives from the United States to enter Italy, and for Italian representatives to visit the United States for the purpose of stimulating trade, although at the present time this is not permitted for military reasons.

13. As a first step towards the reestablishment of contractual relations governing trade between Italy and the United States, the United States Government is prepared to enter into an agreement with the Italian Government in which both Governments would undertake to cooperate in formulating a program designed to promote expanded world-wide production, employment, exchange and consumption of goods, the elimination of all forms of

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discriminatory treatment in international commerce and the reduction of tariffs and other trade barriers. Such an agreement would provide that at the earliest practicable date conversations would be begun between the two Governments with a view to determining, in the light of governing economic conditions, the best means of attaining these objectives.

14. As the Italian Government is aware, Italian exports to the United States are currently being accorded unconditional most-favored-nation treatment, including the benefit of the tariff and other advantages accorded under the various trade agreements entered into by the United States with other countries (except Cuba) since 1934. It is of course the hope and expectation of the United States Gover

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Governments with a view to determining, in the light of governing economic conditions, the best means of attaining these objectives.

14. As the Italian Government is aware, Italian exports to the United States are currently being accorded unconditional most-favored-nation treatment, including the benefit of the tariff and other advantages accorded under the various trade agreements entered into by the United States with other countries (except Cuba) since 1934. It is of course the hope and expectation of the United States Government that as Italy's foreign trade is revived the Italian Government will reciprocally accord complete nondiscriminatory treatment to American commerce in respect of tariffs and all other forms of trade control. At a later date, the United States Government may wish to propose the negotiation of a commercial

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agreement embodying reciprocal assurances of complete most-favored-nation treatment by each country of the other's commerce.

15. Furthermore, it is the earnest desire of the United States Government that trade between the United States and Italy be expanded as rapidly as possible and that such trade be returned to private commercial channels. While it is recognized that supply, shipping and financial conditions may prevent the early attainment of these goals, it is the hope of the United States Government that the Italian Government will agree with and cooperate in working out measures to achieve these objectives.

TRADING WITH THE ENEMY CONTROLS

16. The mission has been informed of the substan-

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

States and Italy be expanded as rapidly as possible and that such trade be returned to private commercial channels. While it is recognized that supply, shipping and financial conditions may prevent the early attainment of these goals, it is the hope of the United States Government that the Italian Government will agree with and cooperate in working out measures to achieve these objectives.

TRADING WITH THE ENEMY CONTROLS

16. The mission has been informed of the substantial changes of policy which have been adopted by the Alien Property Custodian toward Italian property in the United States since Italy's declaration of war on Germany and her acceptance as a co-belligerent with the Allied Nations. In the fall of 1943, a decision was reached by the United States Government that Italian property in

(93)

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the United States would not be vested in the future in instances where vesting might be proposed simply because of the Italian nationality of the owner of the property. The matter of vesting policy involving patents was specifically excepted, pending completion of the Custodian's program with respect to enemy patents in the United States. In January, 1945, a decision was made that the Custodian would adopt a policy of refraining from selling property vested from Italian owners, particularly business enterprises and properties of peculiar sentimental value to Italy or Italian nationals. In all of these matters, however, the Custodian reserves the right to take any action required by the public interest of the United States.

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17. The decisions described in the preceding paragraph should not be taken as an indication of an intention on the part of the United States Government to return to their owners assets which have been vested by the Alien Property Custodian or to release from control

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assets which have been subjected to blocking by the Treasury Department. The ultimate disposition of Italian assets in the United States remains a subject for determination by this Government in the light of American claims against Italy, after consultation with other Allied Governments.

18. At the appropriate time, the Treasury Department of the United States will issue licenses which will authorize all transactions incident to the importation of goods, wares and merchandise into the United States from Italy. The licenses will require that payment for such imports be made only by payment of the dollar amount to a banking institution in the United States for credit to a post-liberation blocked account in the name of a banking institution in Italy or by the acquisition of

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other Allied Governments.

18. At the appropriate time, the Treasury Department of the United States will issue licenses which will authorize all transactions incident to the importation of goods, wares and merchandise into the United States from Italy. The licenses will require that payment for such imports be made only by payment of the dollar amount to a banking institution in the United States for credit to a post-liberation blocked account in the name of a banking institution in Italy or by the acquisition of Italian lira exchange from a person in the United States having a license specifically authorizing the sale of lire.

19. It is the view of the United States Government that the speed with which Italian external financial and

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trade relations can be restored to normal conditions will depend to a substantial extent upon the cooperation of the Italian Government with the economic warfare measures adopted by the United States and other Allied nations. In this connection, the mission has been informed of the importance which the United States Government attaches to the prompt development of effective exchange and property controls in Italy.

1060

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

In this connection, the mission has been informed of the importance which the United States Government attaches to the prompt development of effective exchange and property controls in Italy.

Department of State,

Washington,

FMA:JJR:jcc
LA:DD
CF:VLP

2/23/45

(93)

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

1062

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

cc 5-46

HEADQUARTERS ALLIED COMMISSION
APO 394
FINANCE SUB-COMMISSION

13030/F

22 February 1945

SUBJECT: Repudiation of Buoni del Tesoro Ordinari used as Supplementary currency in the North.

TO : The Chief Commissioner.

(54)

1. Reference is made to your letter of 2 February 1945 addressed to the President of the Council of Ministers suggesting the repudiation of certain issues of Buoni del Tesoro ordinari purportedly being used as supplementary currency in northern Italy. This letter was based on information received in intelligence bulletins that currency production in the north had ceased and that bonds were circulating as supplementary currency.

2. On Saturday, 17 February 1945, Minister Soleri and I met with a man from the CLN of Piemonte who had just arrived after having visited Milano and Torino. He stated that no Buoni del Tesoro ordinari are circulating as currency. On the other hand, 15 billion in currency was produced in the month of January. Of this sum 9 billion was turned over to German authorities as occupation costs, and 6 billion was used by the Republican Fascist government. In addition to this currency, large quantities of vaglia are in circulation. For example, in Piemonte vaglia is used exclusively. In addition to vaglia issued by the Banca d'Italia and commercial banks, Fiat and Ansaldo are issuing vaglia.

3. On the basis of this information, Minister Soleri suggested it would not be advisable at this time to repudiate any issues. I agree with this point of view and attach a draft of a letter for your signature to the President of the Council of Ministers.

(92)

J. J. Lawler
Cmdr. U.S.C.G.R.
Joint Director,
Finance Sub-Commission.

(93)

1063

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

21 February 1945

H. . Ivanoe Bonomi,
President of the Council of Ministers

Dear Mr. Prime Minister,

(84)

Reference is made to my letter of 2 February 1945 suggesting the repudiation of certain Buoni del Tesoro ordinari said to be circulating as supplementary currency in the north.

More recent information of which you have undoubtedly been informed by your Minister of Treasury indicates that there is no lack of new currency in the north and that Buoni del Tesoro ordinari are not circulating as supplementary currency.

My advisors and I feel, as does your Minister of Treasury, that under these circumstances it would not be feasible to attempt any repudiation.

/s/ Ellery W. Stone

Ellery W. Stone,
Rear Admiral, USNR
Chief Commissioner

JJL:rs

(92)

Draft 45:7

FEB 10 45
CC 505

HEADQUARTERS ALLIED COMMISSION
APO 394
FINANCE SUB-COMMISSION
TEL: 478604

13010/F

18 February 1945

SUBJECT: Purchase of American Newspaper Clippings.

TO : Chief Commissioner. ✓

1. This memorandum summarizes the developments from 26 June, 1944, to date on the news clipping service subscribed to from AC/AMG funds at the order of Brig. General E. E. Hume, SCAO, AMG 5th Army.

2. On 26 June, 1944, Finance Sub-Commission was advised by Regional Finance Officer, Region IV, that in auditing the account of AMG 5 Army sub-accountant, an item of Lire 30,150 was found representing a payment for press clippings furnished by Burrelles and Romilse Press Clippings Bureaus in the U.S. The actual dollar payment in the U.S., it was found, was effected by one Captain C. A. Harwell out of his personal bank account, it being understood that he would be repaid in lire through AMG 5 Army. The total cost of the two services for three months was indicated to be $301.50. The sub-accountant referred the payment voucher for Lire 30,150 to Major John Ames, Executive Officer, AMG 5 Army, who obtained General Hume's own signature on the payment voucher.

3. On 3 July, 1944, Colonel E. H. Foley, Jr., Joint Director, Finance Sub-Commission, wrote an official letter to General Hume, the relevant parts of which read as follows:

> "The War Department has microfilmed press clippings concerning ACC/AMG activities since November, and such clippings have been given wide distribution among higher ranking Military Government officers in Italy and North Africa. In addition, the Public Relations Officer has for some time had a selection of clippings from U.K. and U.S. which is available for perusal. From such information as we now have, we feel that the payment in question should be disallowed. Our conclusion that the expenditure was essentially private in nature appears to be reinforced by the circumstance that the original payment was made from a personal account.
>
> We should be very glad to reconsider this matter if you should

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

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>
> We should be very glad to reconsider this matter if you should care to indicate any circumstances which might have escaped our attention making this a proper payment from public funds. Otherwise, we suggest that the matter be settled by your making available Lit. 30,150 to Captain Harwell, who should then reimburse ACC."

4. On 20 July, 1944, General Hume replied as follows:

> "The clippings were ordered in furtherance of the wishes of the Army Commander in order that Allied Military Government might, so to speak, watch the pulse and temperature of the American people with regard to their reaction towards what is being done by Allied Military Government with the Fifth Army. The services purchased are such as a Public Relations Officer would normally subscribe to in the pursuit of his functions. There being no such officer now at this headquarters, it is necessary for me to discuss matters with the press constantly, in accordance with the Army Commander's policy. To follow that, I must be fully informed of how the press is reacting. The clippings were not desired for historical purposes and therefore are

91a

See 97

Chief Commissioner Files

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

valuable only if received with reasonable promptness such as is the case with those ordered from legitimate newspaper clipping bureaus. Subscriptions to newspaper clippings is a common and well recognized administrative procedure in the U.S. War Department and similar establishment when a knowledge of the public's reactions is important.

It is noted that certain microfilmed press clippings from the War Department have been given distribution among higher ranking military government officers in Italy and North Africa. While this is doubtless the case, such material has reached Allied Military Government, Fifth Army, only on three occasions and in all three of them the copies were so old that they were of historical interest only. The last such material received at this headquarters was several months ago. The file at ACC headquarters that is available for perusal is hardly of much practical use to a military headquarters in the combat zone nearly six hours distant.

The material was not ordered as a private venture, as the writer has no interest in this other than in connection with his official duties. He placed the order in the exercise of his best judgment. The same is true of other clippings not yet received. It seems hardly fair to expect the writer to pay this sum from private funds to Captain Harwell for the reason stated. That Captain Harwell in the first instance made payment for his personal account is a purely incidental procedure and was of his own choosing, not being so ordered by me."

5. Colonel Foley then instructed the Chief Accountant of the Finance Sub-Commission as follows: "In view of General Hume's explanation that the clippings were ordered 'in furtherance of the wishes of the Army Commander', I suggest that the item be removed from suspense and settlement of it made."

6. On 31 October, 1944, the Senior Finance Officer, AMG 5 Army, applied for permission to renew the press cuttings subscriptions, stating "... I am instructed by the SCAO, AMG 5 Army, to inform you that the U.S. newspaper clippings service is necessary to this Headquarters because of the fact that the Commanding General, Fifth Army, desires that AMG Headquarters, Fifth Army, keep itself and him informed as currently as possible of the reactions in the U.S. press to the conditions affecting Italian civilian life in all its aspects in the areas under his command."

7. It will be seen that the reasons advanced were similar to those previously stated by Brig.- General Hume on which authority had been given by Colonel Foley. It was considered that if the Senior American Finance Officer in the Allied Commission had seen fit to authorise a payment necessitated by the wishes of an American Army Commander it was [illegible]

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

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7. It will be seen that the reasons advanced were similar to those previously stated by Brig.- General Hume on which authority had been given by Colonel Foley. It was considered that if the Senior American Finance Officer in the Allied Commission had seen fit to authorise a payment nexmitated by the wishes of an American Army Commander, it was undesirable for the Senior British Finance Officer to reverse this policy. Accordingly on the 7th November authority was given for the news clipping service to be borne out of AMG funds. My recollection is that I mentioned this matter ~~in full~~ to the Executive Commissioner but I cannot confirm this action nor that the subject was discussed with you. It is this letter from Finance Sub-Commission that is quoted as authority for Voucher Number 69 in the December accounts of the Senior Finance Officer, AMG 5 Army, representing payment Lire 15,040 for the clipping service.

8. In a letter reference 13075/F of 14 February 1945 Comm. Lawler requested your decision whether Voucher Number 69 should be allowed or disallowed and the authorising letter of 7 November 1944 cancelled. In my opinion it would be difficult to justify the reversal of the policy authorised by Col. Foley. The change of Commander at 5 Army may make it possible to withold subsequent authority. But I would expect that Brig.-General Hume has already convinced the new Army Commander that the maintenance of an interesting and detailed news clipping service is to be desired. This is a subject which would be better discussed in conversation between General Truscott and yourself rather than by correspondence restricted to the financial field.

A P Brassington Brig.
Joint Director,
FINANCE SUB-COMMISSION.

Copy: Executive Commissioner.

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

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

SECRET

FX 27985
FEB 161430A

D/2174
FEB 1709COA
ROUTINE

AFHQ SIGNED ALEXANDER CITE FHGEC
AG AR FOR OCS FOR CCA INFO ANSCO FOR BRITISH CHIEFS OF STAFF, HQ
COMZONE MAIN NTOUSA, HQ ALCCM

SECRET.

MAT 537.

Allied Commission advises Minister of Treasury pressing strongly for reply MAT 491 soonest possible on grounds that fixing of rates necessary both to operations Italian exchange control and to strike at black market in currency. This is MAT 537.

Dist

Info-Action - Finance SC
Info - A/President
Chief Commissioner
Econ Sec
File (2)
Float

Confidential
SECRET

1069

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

FEB 15 RECD
TIME: CC 1645
LOG: CC 4493

HEADQUARTERS ALLIED COMMISSION
FINANCE SUB-COMMISSION
APO 394.

15 Feb 45.

SUBJECT: Italian Mission in U.S.A.

TO : Chief Commissioner.

1. An I.N.S. despatch from WASHINGTON of 14 Feb. is reported in the Italian press this morning. It may be summarised as follows:-

"This evening a spokesman of the U.S. Treasury clearly stated that 'substantial progress' had been made during the recent conference. The spokesman also informed I.N.S. that the Italian Mission had presented a detailed and accurately documented plan, adding that the United States will make a decision 'within the next two weeks' and that it may be presumed that the decision will not be unfavourable to the Italian Government. The despatch goes on to comment that the decision will be of great importance to Italy and any present delay is due to difficulties regarding the whole situation; these difficulties will be removed as soon as Mr. Tarchiani reaches WASHINGTON".

A.P. Grabham Smith

Brigadier,
Joint Director,
FINANCE SUB COMMISSION.

Copy: A.D.C.C.S., Economic Section.

CC/11

1070

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

CHIEF COMMISSIONER

TOP SECRET

FEB 15 RECD
CC 431

FX 26973
FEB 141949A

D/1937
FEB 150900A
ROUTINE

AFHQ SIGNED ALEXANDER CITE FHGEG

AGWAR FOR CCS FOR CCAC REPEATED FOR INFORMATION TO CMSSO FOR BRITISH CHIEFS OF STAFF AND HQ COMZONE MAIN ETOUSA AND HQ ALCOM

TOP SECRET.

Refer TAM 387 and TAM 443 this is MAT 534.

Currency conversion for Displaced Persons is subject.

1. Approximately 900 displaced persons will leave ITALY early March for permanent residence in PALESTINE.

2. In order that solution of currency problem will not retard departure the following AD HOC arrangements are being made and will be carried out unless you advise to the contrary.

a. American Joint Distribution Committee is being approached to see if it would agree to furnish dollars to purchase PALESTINE exchange and accept Lire collected from refugees in ITALY of maximum figure of 100 thousand dollars suggested. Such arrangements were made for PALESTINE and OSWEGO NEW YORK movements last year. (See TAM 387 and 403).

b. As authorized in para 6 of TAM 269, all refugees will retain all currencies except Metropolitan and Am Lire, BMA pounds and US Yellow Seal Dollars.

c. A reasonable amount of Metropolitan and Am Lire, BMA and US Yellow Seal dollars will be taken up from each refugee against receipt, maximum for each person to be determined after all applications are in. Any excess currency will be deposited by emigrant in an Italian bank or disposed of in any manner, other than

TOP SECRET

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



(FX 26973 continued)

TOP SECRET

export, which he may desire. No promises will be made about converting such excess at any future time.

d. Upon arrival in PALESTINE, each receipt holder will be reimbursed in PALESTINE Pounds at prevailing PALESTINE Pound-Dollar rate of exchange. Metropolitan and Am Lire, BMA Pounds and US Yellow Seal Dollars will be exchanged at established rates.

DIST

INFO-ACTION: Finance S/C
INFO: A/President
Chief Commissioner
Econ Sec
Disper & Rep
IGCR
SA Sec
File

89

TOP SECRET

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SECRET

R/1680

FX 25599
FEB 121852A

FEB 130700A
ROUTINE

AFHQ SIGNED ALEXANDER CITE FHGEG
ACTION: AGWAR FOR CCS FOR COAC. INFO: AMSSO FOR BRITISH CHIEFS OF STAFF AND HQ CONZONE MAIN ETOUSA AND HQ ALCOM

SECRET.

(Refer TAC 403 of 22 December 1944. This is MAT 531)

Currency conversion for refugees is subject.

1. AFA has paid lire 8,494,160 to Joint Distribution Committee in ROME in respect of the Lira, BMA, and yellow seal dollar currency turned in to DP and RS/C, AC, against receipt by refugees not at CSWEGO, Ny as follows (currency and lire equivalent): Am lire 4,866,540; Metropolitan lire 3,089,960; yellow seal dollars 369,100; BMA 168,560.

2. AFA still has on deposit an amount of lire 3,393,114 representing balance of legal tender currencies turned in by refugees who departed for PALESTINE. Instructions as to disposition of these funds needed.

AC DIST

Info Action Finance S/o

Info A/President
Chief Commissioner
Econ Sec
I.G.C.R.
Disper & Rep
File (2)
Float

SECRET

1073

Declassified E.O. 12356 Section 3.3/NND No. 735015

CONFIDENTIAL

WARX 36258 COM 32
FEB 12220A

D/1814
FEB 140955A
ROUTINE

GCS CITE CCAC

ALLIED COMMISSION FOR ACTION REPEATED INFORMATION AFHQ FOR FEBIS AND UK BASE SECTION FOR CABINET SECRETARIAT; HAS BEEN REPEATED TO ALL ADDRESSES

CONFIDENTIAL.

Refer TAM 434.

Production of non-military lira currency.

1. Following lengthy discussions, FORBES Lithograph Manufacturing Company gave formal notification on 26 January 1945 that it prefers not to contract with Banca D'Italia to produce 600 million notes in final form. This decision was reached due to obstacles which would be met in securing allocations and necessary materials for the completed notes and also for the supplies to be forwarded to ITALY for currency manufacturing in that contact.

2. Consequently, suggest you recommend to Government of ITALY that in this instance it follow normal system for obtaining necessary supplies for civilian use in ITALY, which would mean United States Commercial Company would be designated as agent for buying both materials and currency. Because it is agreed that this requirement is of non-military character, you are authorized to transmit, as MOC airgrams, 2 formal requisitions to Combined Civil Affairs Committee for Combined Liberated Areas Committee. These airgrams should make formal request F (1) essential supplies and materials needed to produce specific types of notes in ITALY. Full details are to be supplied in the requisitioning airgram; (2) for a total of 600 million notes to be processed and finished here for the Government of ITALY and the Bank of ITALY. Mister

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



(NARS 36258 continued)

CONFIDENTIAL

MANZIANO, who is at present representing the Bank of ITALY in the UNITED STATES, is to supply all details of denominations and other specifications. The former request will be referred to hereafter as CLAC I-10 and the latter as CLAC I-9; these designations to be assigned by the ALLIED COMMISSION.

3. It is understood that the Government of ITALY has participated over an extended period in discussions relative to this program and that the program is acceptable to the Government of ITALY. Involved also in discussions relative to the program have been the UNITED STATES WAR DEPARTMENT, UNITED STATES TREASURY DEPARTMENT, AFHQ, AC and Bank of ITALY. It is expected therefore that the Combined Liberated Areas Committee will agree without any difficulty to grant the requests referred to above.

4. The ALLIED COMMISSION should attach to each request at the time it is submitted the following statements:

(1) By the Bank of ITALY and Government of ITALY that they agree the program is necessary.

(2) By the Bank of ITALY and the Government of ITALY asking specifically for the materials needed, accepting designation of United States Commercial Company as procurement agency, and agreeing to transfer immediately from AF accounts to United States Commercial Company sufficient dollar funds to pay for costs of purchase, shipping and insurance as well as incidental expenses involved. It is estimated that it will cost approximately 1 million 5 hundred thousand dollars to manufacture the finished notes requested in CLAC I-9. Because amounts an kind of supplies are not known yet for CLAC I-10, estimate of costs cannot be made.

(81a)

5. It is known here that the Ministry of the Treasury in ITALY and the Bank of ITALY have already given their representatives in this country permission to sign a contract either with an official UNITED STATES Government agency or with a private

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



(WARS 36258 continued) CONFIDENTIAL

company in the UNITED STATES to supply the required material. However, it is essential that the statements asked for in the preceding paragraph be submitted in the light of statement in TAM 434 regarding Mister UODESTAS doubtful status.

6. The United States Commercial Company and the Foreign Economic Administration will take the necessary action as soon as the requisitions and statements indicated above are received and Combined Liberated Areas Committee has approved them. Neither the Bank of ITALY nor the Government of ITALY will be required to enter into a specific contract with the United States Commercial Company. The United States Commercial Company will sign the contract with the FORBES Lithograph Manufacturing Company.

7. If the plan outlined above is followed, United States Commercial Company asks that the Government of ITALY appoint as its official representative Mister MARZIANO, granting him the necessary power to take any essential action, either individually or with another person selected by the Government of ITALY, in working out contract details between UNITED STATES Commercial Company and FORBES Lithograph Manufacturing Company. To this end it is requested that arrangements be made to obtain for Mister MARZIANO permission from the military to allow him to stay in the UNITED STATES until the completion of the contract, so that he may take over responsibility for all technical problems and also take over from United States Commercial Company responsibility for accepting from the producer the finished notes. Mister MARZIANO's approval will be a prerequisite to payment on the contract.

8. The plan set forth in CCM 17, paragraphs 3, 4, and 5 will be followed in arranging to forward and ship this currency.

9. Help of the UNITED STATES TREASURY DEPARTMENT, Foreign Economic Administration

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



(WARX 36258 continued) CONFIDENTIAL

and WAR DEPARTMENT will be enlisted in going ahead informally with conversations between the United States Commercial Company, FORBES Lithograph Manufacturing Company, and representatives of the Government of ITALY. Your earliest action and information by cable giving date above requisitions are forwarded would be appreciated.

10. The following paragraph is directed the ALLIED COMMISSION Sub-Commission on Finance by Lieutenant WILLIS, of the ALLIED COMMISSION, now in this country.

Lieutenant WILLIS agrees with the plan suggested above, and further advises that until the formal MCC requisitions outlined in paragraphs 2 and 4 above are received the FORBES Lithograph Company will be unable to order the necessary supplies. In order to permit the placement of orders immediately upon receipt of these MCC requisitions, Lieutenant WILLIS asks that AFA direct the immediate transfer by radio to the Treasurer of United States Commercial Company, WASHINGTON 25, District of Columbia of 1 million 5 hundred thousand dollars by the Bank of SICILY and the Bank of NAPLES. The agreement of the Italian Treasury should be obtained to this transfer of funds, which are to be taken from AF accounts. As soon as information is received from AFA regarding payee banks in the UNITED STATES, the UNITED STATES TREASURY DEPARTMENT will approve payment to United States Commercial Company. Under the present circumstances no deliveries are anticipated before June or July of finished notes.

DIST

ACTION: Room Sec 5
INFO: A/President
Chief Commissioner
File 2
Float

CONFIDENTIAL

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

SECRET

D/ 1051

FX 2234

FEB 071523

FEB 072204
ROUTINE

SAUED SIGNED ALEXANDER CITE FHOEC

ADVAN FOR CCS FOR CCAC RPT FOR INFO TO ASSCC FOR BRITISH CHIEFS OF STAFF AND HQ CO
COMZCORE MAIN ETOUSA AND HQ AFCON

SECRET.

(Reference TAM 442 of 27 January this is MAT 523)

Para 1. Data requested are shown each month in schedules 2 and 5 of AFA accounts. Preliminary figures from December accounts which will arrive shortly are:

(a) "Deposits by AMG/AC Divisions" total lire one billion two hundred and twenty three million three hundredseventy eight thousand five hundred forty two;

(b) "Proceeds of sales in ITALY of supplies" excluding goods purchased locally, total lire four billion five hundred eight eight million two hundred eighty one thousand six hundred thirty five.

Para 2. Balances as per your paragraph 2 will not be released by AFA without specific authority from CCS. However, AC faces problem of collecting outstanding accounts for sales of imported supplies due by Consorzi, Communes, Public Utilities, etc., and does not have personnel to handle collection over wide areas. Consequently AC proposes turn over collection of these accounts to Italian Government. letter to acknowledge that these debts are in respect of goods imported into ITALY on behalf of the Italian Government. The Italian Government is considering this proposal and its acceptance is anticipated. We consider this procedure best designed to collect these debts

AC DIST
Action Finance S/C
Info A/President
Chief Commissioner
Econ Sec
File (2)
Fleet

SECRET

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

**FILE UNDER NO.** 4601/CC

# INDEX SHEET

## SYNOPSIS

Ltr Stone, 5 February 1945 to G-5 Sec AFHQ

Subject: Financial Proposals by the Italian Government.

Italian Government proposed revision of economic and financial clauses of the Armistice Terms.

**DOCUMENT FILED UNDER NO.** 202/CC

folio 30

4601/CC

INSTRUCTIONS - Under «Synopsis» make brief entry showing date of communication and from whom received and synopsis sufficient to identify the papers. When these index sheets become numerous under a subject they will be entered on te consolidated index sheet and then destroyed.

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

HEADQUARTERS ALLIED COMMISSION
APO 394
FINANCE SUB-COMMISSION

FEB 2 MCD
CC 286

I3II5/F

I February I946

SUBJECT : Financial Arrangements for Sales of Books.

TO : (I) Chief Commissioner
(2) Public Relations Officer (Major Fielden ).

I. At a meeting with PWB on I7 January I946, you directed the Finance Sub-Commission to investigate the financial arrangements for royalties and copyright fees on books.

2. The question was raised with the Financial Adviser, G-5, AFHQ, and I attach a copy of his reply, in which he concludes that foreign exchange transfers of such payments is forbidden by existing CCS directives and that these transfers are but one of many types of commercial transactions that will not be permitted until there is a general lefting of the Trading with the Enemy restrictions.

3. I would advise against pressing the matter further at this time. We will discuss this and similar problems with Messrs. Wade (British Treasury) and Glasser (American Treasury) during their forthcoming visit.

4. It should be noted that royalties may continue to accrue in US/UK and Italy; the Trading with the Enemy Act merely prevents remittance of such funds.

J. J. Lauten
Lt. Col. U.S.C.G.R.
Joint Director
Finance Sub-Commission

Copies of PWB file through CO.

A

(85)

1080

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

COPY

CONFIDENTIAL

ALLIED FORCE HEADQUARTERS
G-5 Section
APO 512

FAS/mjm

29 January 1945

CONFIDENTIAL

FILE : G-5/123.7

SUBJECT: Financial Arrangements for Sales of Books.

TO : Headquarters, Allied Commission, APO 394.
(Attention: Finance Sub-Commission)

1. Your letter 13115/7 of 24 January requests this Section to send a message to C.C.A.C. asking, (a), what should be done with royalties and copyright fees accruing in lire, and (b) what disposition is currently being made of royalties and fees accruing in U.S. and U.K. for Italian account.

2. We are reluctant to pass this request to the C.C.A.C. because it is our view that the information is already available to A.C. As to (a), TAM 136 makes it clear that the C.C.A.C. does not yet intend to permit the utilization of Italian dollar or sterling exchange for the transfer of commercial lire balances of this type. As to (b), TAM 420 reiterates that the U.S. and U.K. Treasuries do not at this time contemplate authorizing the depletion of blocked Italian assets in the U.S. or U.K. See our letter G-5/383.8-2 of 17 January 1945 for the terms upon which, subject to appropriate Italian arrangements, individual Italians may arrange for very limited utilization of their dollar assets. In the case of the U.K. not even this limited utilization of sterling assets is contemplated.

3. The basic situation, as we understand it, is that neither the U.K. nor the U.S. Treasuries are yet prepared to modify the Trading-with-the-Enemy regulations as applied to Italian dollar and sterling assets.

(Sgd) FRANK A. SOUTHARD, JR.,
Commander, U.S.N.R.,
Financial Adviser.

F5

1081

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

CONFIDENTIAL
AFHQ MESSAGE CENTER
INCOMING MESSAGE

N 1624/01

rf

WAR
TOO 011519Z
RECD 012041

CONFIDENTIAL

ROUTINE

FROM: AGWAR FROM CCS

TO: ALEXANDER INFORMATION COMMUNICATION ZONE EFOUSA AND BUSM TO BCS

REF NO THIS MESSAGE: WX 30348, 1 February 1945

For FHGEG

Cite CCAC.

TAM 444.

Proposals concerning remittances to ITALY.

1. Policy relative to the restoration of normal relationships between UNITED STATES and Italian banks in remittance procedure and to the replacement of AFA by the Bank of Italy in supplying lire for remittance purposes, reference MAT 471, is under consideration in connection with other matters relative to transfer of various functions from Allied Commission to Italian Government.

2. Subject to above determination of policy, UNITED STATES Treasury Department comments as follows on procedure proposed in MAT 471:

A. Since UNITED STATES Treasury Department considers its present regulations to be consistent with intermediate stage procedure suggested in Paragraph 2 MAT 471, it does NOT plan in this connection any amendments to such regulations.

B. The proposal in Paragraph 3 MAT 471 is understood to contemplate that blocked accounts in UNITED STATES Correspondent Banks, to which remittances are credited, would continue, after 1 March 1945, to be maintained in the names of the BANCO DI SICILIA and the BANCO DI NAPOLI respectively. If so, UNITED STATES Treasury Department believes it would avoid considerable administrative difficulties if your proposal could be modified to permit retention of present AF accounts in UNITED STATES banks without change and that arrangements could be worked out in ITALY between AFA and Italian banks whereby the AF accounts in the UNITED STATES of BANCO DI SICILIA and BANCO DI NAPOLI would, commencing 1 March 1945, be held as the books of BANCO DI SICILIA and BANCO DI NAPOLI for the account of the BANCA D'ITALIA. Thereafter, BANCA D'ITALIA would supply lire for outpayments in ITALY. Proper adjustment would be made in accounts of AFA BANCA D'ITALIA so that AFA would be reimbursed by BANCA D'ITALIA for lire supplied by AFA up to 1 March 1945 for such outpayments.

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

CONFIDENTIAL

3 Establishment of BANCA D'ITALIA reserve account with the Federal Reserve Bank of NEW YORK has been delayed, as indicated in TAM 429. Pending establishment of such reserve account with the Federal Reserve Bank of NEW YORK, the BANCA D'ITALIA should arrange to have its dollar accruals from exports or from other sources depoisted in one of its AF accounts maintained with commercial banks in the UNITED STATES.

4. Separate reply will be made to MAT 471 insofar as it affects remittances from UNITED KINGDOM

MAT 471 ref FX 71781 MC OUT 7301 20/12/44 G-5
TAM 429 ref WX 22283 MC IN 13162 18/1/45 G-5

ACTION : G-5

INFORMATION : SGS
FIN ADV (B)
FISC DIR
USPOLAD
RESMIN
C/S MTO



CONFIDENTIAL

2 copies to Comdr. Lawler 5 Feb.

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

13212/7 / February 1945

My dear Mr. Prime Minister:

The Directors of the Finance Sub-Commission have recently discussed with H.E. Marcello Soleri, Minister of Treasury, the implications of the news from the north that the manufacture of currency has broken down completely and that Buoni del Tesoro Ordinari are being used as supplementary currency. We feel that it would be eminently desirable, at this time, to take what action we can to relieve the Italian state of the burden of redeeming bonds used as supplementary currency in the north and to increase the difficulty of the Germans and of the Fascist government in financing their operations. We do not propose any attempt to repudiate currency, since it is indistinguishable, except on very close examination, from currency used in liberated Italy.

In order to achieve this purpose, any actual repudiation would have to be affected by AMG officers, but the statement of repudiation must come from your government. We would suggest that the Italian Government give wide publicity, by every means within its power, to an announcement containing, in substance, the following:

"After today the following types of Buoni del Tesoro Ordinari, issued in enemy occupied territory will not be honored:

(a) All bonds having the face value of 10,000 lire or over, issued since 1 September 1944.

(b) All bonds on which date of issue and date of maturity are identical.

(c) All bonds issued in enemy occupied territory after today."

I would appreciate hearing your views on this matter.

Yours very truly,

cc: COS
A files

(12)

/s/ Ellery W. Stone

ELLERY W. STONE
Rear Admiral, USNR
Chief Commissioner

(84)

His Excellency Ivanoe Bonomi
The President of the Council of Ministers
Italian Government
Rome

J.S.2.

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

# ITALY ASKS EASING OF FISCAL BURDEN

## Statement on 'Interpretation' of Secret Armistice Terms Seeks Credits From Allies

By Wireless to The New York Times.

ROME, Jan. 31—The Italian Government in an unusual statement today declared in effect that the financial terms of the armistice, which are officially secret, posed an insuperable burden upon the country, and it proposed drastic changes based on large new dollar or sterling credits to Italy.

The Government spokesman, Armando Rossini, at the weekly press conference, listed four points he said had been drawn not necessarily from the armistice terms themselves but from the "interpretation" the Allies had put upon them by the financial policy pursued here so far.

Rear Admiral Ellery W. Stone of the Allied Commission for Italy declined to comment on the statement on the ground that it touched upon the armistice. In general, it was indicated that the Allied Commission was surprised by the development, although one high spokesman said the Italians had every right to express a position.

Signor Rossini insisted the Italians were not making a "protest" but a "request." Under questioning, he reiterated that the understanding of the financial provisions of the armistice embodied in his statement stemmed directly and only from the Allies' "interpretation"—that is, practice—over a long period.

### Discussion With Hopkins

Signor Rossini said the Ministry of Foreign Affairs had "recently called the matter to the attention of the Allied Governments" and added that Foreign Minister Alcide de Gasperi yesterday mentioned it to Harry L. Hopkins, President Roosevelt's special emissary. An Allied source insisted Mr. Hopkins' visit was entirely coincidental in this connection.

According to Signor Rossini's statement in behalf of Premier Ivanoe Bonomi's government, the armistice "interpretation" demanded that Italy's economy bear:

(1) The entire burden of property and services requisitioned under the occupation.

(2) The entire issue of amlire or occupation money. The Italian Government noted in this connection that partial dollar credit had already been issued against this sum and another 5,000,000,000 lire credit promised. The total issue of such money so far is set at 50,000,000,000 lire.

(3) The cost of supplies, services and labor ordered by the Allied commands here.

(4) The cost of work done for the Allies in Italian state shipyards and arsenals.

### Italy's Co-Belligerency Role

The spokesman went on to note that "unparalleled sacrifices" were being exacted from Italy by the fact that the war continued on Italian soil with the destruction of means of production and the like.

"The Government has therefore requested," Signor Rossini concluded, "that all amlire issued or to be issued be covered by equivalent credit in dollars or sterling and that Italy be paid also in dollars or sterling for all listed requisitions of supplies, services and contracts as specified."

At the same time, he said, Italy has requested that she be permitted to bear herself all expenses of Italian troops fighting at the front. In this connection Italy's front-line participation is very limited; the Bonomi Government has made loud but futile requests for a larger share in such activity.

Signor Rossini expressed confidence that the Allies would give the request embodied in his statement their "benevolent consideration." He noted that an Italian mission headed by former Finance Minister Quinto Quintieri was now in the United States.

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PRESS CONFERENCE - JAN 31, 1945

A certain alarm has been produced in the public mind by the news from American sources that new banknotes are being printed in the United States for the account of the Bank of Italy. The report is true, but it does not justify any alarm: the printing of new paper money is necessary in order to substitute the paper money in circulation with a new one when the provinces still occupied by the enemy will be liberated.

The substitution will aim at two ends: first, to ascertain the actual value of the monetary circulation, once it has been purged of all the falsifications and manipulations accomplished in Northern Italy. Secondly, to avoid that after the liberation new paper money should come into the country from abroad to increase the circulation of either old money which already existed or new money printed in Germany on the old patterns. This is therefore a defence measure aiming both to save the quantity of the currency and to allow the settlement of the circulation.

Other causes for the alarm find foundation in the financial situation. This has been revealed by the Minister of the Treasury with all sincerity, and although serious, it does not justify alarm. The monetary circulation has been so far limited. Though the Bank of Italy has been authorized to issue new banknotes for an amount of 11 billion lire, the new notes issued since the 4th of June amount only to 6 billions. Anti-inflationist measures will be applied by the Government, as soon as possible, through successive steps which will impose heavy sacrifices on the whole National wealth, through the realization of the savings and through the absorption of the abundant circulation. In order to stabilize the currency, and for its preliminary condition, which is the balancing of the budget, the Treasury is already preparing appropriate technical means and counts on being able to succeed in anchoring our currency to stable foreign currencies by means of foreign credits and the recreation of favourable items in the balance of payments and besides by means of participation in the international agreements.

In order to prevent that the financial situation should meanwhile get worse, it is necessary to avoid all expenses that can be dispensed with and to eliminate as many burdens as possible. There are then the financial burdens deriving from the enforcement of the economic clauses of the Armistice, and to which the Minister for Foreign Affairs has recently called the attention of the Allied Governments.

The burdens which, according to the interpretation given so far by the Allies to the Armistice clauses, should be borne by Italy, are the following:

1. The sum-total of the requisitions effected by the Allied forces as a burden to our economy;

2. The amount of the Am-lire issued to pay the troops and for requisitions, supplies, works and services.

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As is known, the Am-lire issued amount so far to 50 millions. 10 billion Am-lire out of the 16 issued by the American Authorities have recently been compensated by credit openings for the purchase of goods in the U.S., 5 billions having already been credited, while the crediting of other 5 has already been announced.

3. The amount of supplies, services and works ordered by the Allied Commands in Italy, the invoices for which should be settled by the Italian Government;

4. The cost of work executed in the ship-yards and arsenals of the Italian State on behalf of the Allied Commands, for which the Allies have not paid.

The Italian Government has indicated that our economy cannot sustain so heavy a burden and, while making reservations also "de jure", has called the Allied Governments' attention to the fact that our country is making unparalleled sacrifices due to the circumstance that the Italian soil is the theatre of a ruthless struggle in which the enemy, before retreating, completes its work of destruction and slaughter.

The Government has therefore requested that all the Am-lire issued or to be issued be allotted a counter-claim in dollars or in pounds sterling and that all the payments made or to be made by the Italian Government in respect of requisitions, supplies, services, works, orders passed to the industries, works executed in our arsenals, receive likewise a corresponding credit.

The Government has, instead, requested that the war expenses for the Italian troops who are fighting at the front, remain a debt of the Italian finances.

The Government trusts that their requests, since they are based on justice, will be taken by the Allies in benevolent consideration; Quintieri's and Mattioli's Mission are now talking about this subject in the United States. Therefore the latest raising in the stock exchange and in the black market of the valuable currency are not justified; the government counts to reconstitute his reserves to face even unfavorable conditions than those of the present market.

(13)

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

CONFIDENTIAL

FX 91892
JAN 261835A

C/9532
JAN 262200A
ROUTINE

AFHQ SIGNED ALEXANDER CITE FHCEC

AGWAR FOR CCS FOR CCAC RPTD FOR INFO: AMSSO FOR BRITISH CHIEFS OF STAFF AND HQ COMZONE MAIN ETOUSA AND HQ ALCOM

CONFIDENTIAL.

Extension of remittance territory is subject. It is requested that dollar and sterling remittances be authorized through the Banco d'Italia to the cities of FLORENCE and PISA in entirety and those portions of the Provinces of PISA and FLORENCE south of the ARNO river.

Reference TAM 430 of 16 January. This is MAT 504.

Dist

Info-Action - Finance
Info - A/President
Chief Commissioner
Leon See
File (2)
Float

(13)

CONFIDENTIAL

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

SECRET

SECRET

13025/F.

24 January 1945.

Subject: Authority and duties of Officers of AC dealing with Remittances.

TO : G-5 Section, Allied Force Headquarters, APO 512.

N/R

1. References G5/123.7, dated 13 January 1945, enclosing TAM 240 dated 13 January 1945, and our letter 13025/F dated 20 January 1945.

2. The following British and American officers who have been assigned to duty with the Allied Financial Agency have been and are authorized to authenticate, now and in the future, the signature of persons designated by the Banca d'Italia to operate accounts, including specifically accounts which are utilized to effect remittances from the United States and the United Kingdom to Italy. In authenticating documents prepared by the Banca d'Italia to Banks in the United States and the United Kingdom, relating to remittances to persons or organisations in Italy, these officers have been and are operating within their proper duties as assigned by my orders:

| | |
|---|---|
| Lieut.-Col. J. H. Penick (A) - O-104466 | AFA HQ |
| Major R. J. Gits (R) - 39258 | -do- |
| Major D. B. Mathias (A) - O-822683 | -do- |
| Lieut. J. M. Cicala (A) - O-1588473 | -do- |
| Major J. F. Meyer (A) - O-820284 | AFA Naples |
| Major S. L. Anderson (A) - 214674 | AFA Rome |

Specimen signature of these officers are given in an annex to this letter.

3. Authority to designate additional officers for duty with the Allied Financial Agency is vested in the Joint Directors, Finance Sub-Commission, who are at present Colonel A. P. Grafftey-Smith (R) 38329 and Commander J. J. Lawler (A) USCGR. Specimen signatures of these officers are given in an annex to this letter.

4. Additional officers designated for duty with the Allied Financial Agency by the Joint Directors, Finance Sub-Commission may be assigned the function of authenticating the Banca d'Italia signatures by order of the Chief of the Allied Financial Agency, now Lieut.-Col. James H. Penick, O-104466, Specialist Reserve (A).

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5. Specifically, the signature of Major E.J. Sits, Deputy Chief of the Allied Financial Agency, who authenticated for transmission letters of the Banca d'Italia, dated 12 January 1945, to the banks named below, is a true signature of this officer and he is hereby certified to have been operating within the duties assigned by my orders in transmitting these letters and documents:

| Addressee | Addressee |
|---|---|
| Barclays Bank Ltd.,<br>168 Fenchurch St.,<br>London, E.C. 3. | Lloyds Bank Ltd.,<br>80 Gracechurch St.,<br>London, E. C. 3. |
| Midland Bank Ltd.,<br>122 Old Broad St.,<br>London, E. C. 2. | National Provincial Bank Ltd.,<br>15 Bishopsgate,<br>London, E. C. 2. |
| Westminster Bank Ltd.,<br>Head Office,<br>41 Lothbury,<br>London, E. C. 2. | Bank of America National Trust<br>and Savings Association, Calif. |
| First National Bank & Trust Co.<br>of New Haven,<br>Connecticut. | First National Bank of Chicago,<br>Illinois. |
| National Bank of Commerce,<br>New Orleans, Louisiana. | First National Bank of Baltimore,<br>Maryland. |
| First National Bank of Boston,<br>Massachusetts. | National Bank of Detroit,<br>Detroit, Michigan. |
| First National Bank in<br>Saint Louis, Missouri | Fidelity Union Trust Co.,<br>Newark,<br>New Jersey. |
| Chase National Bank,<br>New York. | National City Bank of New York,<br>New York. |
| Manufacturers Trust Co.,<br>New York. | Cleveland Trust Co.,<br>Cleveland,<br>Ohio. |



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

Secret

Addressee

Mellon National Bank,
Pittsburgh,
Pennsylvania.

First Wisconsin National Bank
of Milwaukee,
Wisconsin.

Secret

Addressee

Industrial Trust Co.,
Providence,
Rhode Island.

Riggs National Bank of
Washington,
District of Columbia.

(Sgd.)

WILLIAM F. STONE
Rear Admiral, USCG
Chief Commissioner



Secret

Secret

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Declassified E.O. 12356 Section 3.3/NND No. 759017

**FILE UNDER NO.** 4601/CC Finance

# INDEX SHEET

## SYNOPSIS

Memo Office of the President, AC 23 January

To: Stone

Enclosing note of views which Mr. MacMillan has telegraphed to Mr. Eden & Lord Halifax on American proposals to extend the scope of the MacMillan new deal to cover our financial relations with the Italian Government

**DOCUMENT FILED UNDER NO.** 102/CC Reorganization AS

1094

INSTRUCTIONS - Under «Synopsis» make brief entry showing date of communication and from whom received and synopsis sufficient to identify the papers. When these index sheets become numerous under a subject they will be entered on te consolidated index sheet and then destroyed.

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

H E A D Q U A R T E R S
ALLIED COMMISSION
FINANCE SUB-COMMISSION
A.P.O. 394.

15 January 1945.

SUBJECT: Induction of Governor and Director General of the Banca d'Italia.

TO : Chief Commissioner.

You may like to be reminded of the following:-

LUIGI EINAUDI nominated as Governor of the Banca d'Italia by a Decree of 5th January, born in Carru, Cuneo, Piemonte in 1874, has been a Professor of the University of Turin for many years, was a Senator since 1919 and was Minister of Treasury in 1922.

Honorary Member of Cobden Club and of the American Economic Association, author of many articles on current economic problems; was Financial Editor of Corriere della Sera and correspondent of London "Economist". Has a son Mario at the Faculty Fordham University, Graduate School New York as Professor of Economics. Badoglio appointed him Director of Turin University on the downfall of Mussolini; on occupation by Germans in North Italy he escaped to Switzerland from which country he returned last month.

Under Italian law it was not possible for a Senator to be nominated as Governor of the Banca d'Italia, who legally should have been nominated by the share-holders of the Bank. In order to legalise the appointment of Einaudi, Decree No.1 of 1945 legalised these breaches of the law "until the new parliament becomes operative".

NICCOLO STRONO was nominated Director General by the same decrees as are mentioned above. My note of 9th January, copy of which is attached, refers.

(14)

A.P. Francey Smith

Colonel,
Joint Director,
FINANCE SUB-COMMISSION.

(20)

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

CC 72

HEADQUARTERS ALLIED COMMISSION
APO 394
FINANCE SUB-COMMISSION
TEL: 417

13085/F

9 January 1945

SUBJECT: Banca d'Italia Appointments.

TO : Chief Commissioner

1. As you know, Luigi Einaudi has been nominated Governor of the Banca d'Italia while Introna has been named as Direttore Generale.

2. When the Allies arrived in Rome Introna was the Vice Direttore Generale and was shortly appointed as Commissario, a position which he has held until now.

3. While it may be true that in normal times he could never have aspired to becoming Governor, the fact remains that he has virtually acted as such since July 1944. On the grounds of his age it would have been easy for him to have refused to serve under Einaudi and to resign from the Bank. Had he threatened to resign it is possible that Soleri would not have proceeded with the nomination of Einaudi as the Bank would have been deprived of its only strong and competent personality.

4. In the light of the foregoing, I would like to recommend that you see Introna merely to thank him for remaining at his post. It would show that the Allied Commission were aware of and grateful for his action.

5. If you agree I will arrange for Introna to see you at any time convenient.

QP Graboury Smith

Colonel,
Joint Director,
Finance Sub-Commission.

When would you like to see him?

No - saw him.

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Dowell

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

H E A D Q U A R T E R S
ALLIED COMMISSION
FINANCE SUB-COMMISSION
A.P.O. 394.

1821 4/F

8 January 1945.

SUBJECT: Letters from Financial Economic Mission.

TO : Rear Admiral Stone,
Chief Commissioner.

On my return from Washington I carried back ten letters from the mission as follows:-

A personal letter from Mr. Quintieri to his mother.

A personal letter from Mr. Morelli to his brother who is Under-Secretary to Foreign Affairs.

A personal letter from Mr. Ortona to his wife.

A personal letter from Mr. Cuccia to his wife.

A personal letter from Mr. Mattioli to his wife.

A letter from Mr. Mattioli to his manager in Rome, Mr. Maigrone, ordering Mr. Maigrone to make available the lire counter-part of the funds needed to pay the return passage of the mission in the event of the Government failing to act promptly.

A letter from Mr. Quintieri to Minister Soleri stating that I could give them any information he wants concerning the course of the mission's activities.

A letter from Mr. Quintieri to Minister Pesenti congratulating him on his appointment and advising him to apply to me for any information concerning the work of the mission.

A letter from Mr. Quintieri to Gabriele, Under-Secretary of Finance, congratulating him on his appointment stating that any information as to the success of the mission could be obtained from me.

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



A letter from Mr. Quintieri to Mole, Under-Secretary of the Interior, congratulating him on his appointment stating that Mr. Quintieri had called upon Mr. Mole's friend, Pietro Sereni, in New York and had found him well, and stating that he was not writing directly to the President of the Council but was relying on Soleri and Pesenti keeping the President of the Council informed as regards discussions with me. He asked Mole to convey to the President of the Council his respects, his best wishes and his most sincere congratulations on the formation of the new government.

J J Lawler U.S.C.G.R.
Joint Director,
FRANCE SUB-COMMISSION.

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

(Copy)

HEADQUARTERS ALLIED COMMISSION
APO 394
FINANCE SUB COMMISSION

13044/F 5 January 1945

SUBJECT : Aid to Allied escaped POW.

TO : Executive Commissioner.

1. Reference attached memorandum from Allied Screening Commission.

2. As far as I am aware, Italians who suffered property damage at the hands of the Germans for aiding Allied escaped POW are not receiving any compensation. We put the problem to the Italian Government in our letter 13044/F of 8 September, 1945, but have had no reply, in spite of several reminders.

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3. A monetary rewards is of course paid to all Italians by ASC in these cases where the Italians can prove having given aid, food shelter, etc, to Allied escapes.

(Signed) B.E.L. TIMMONS
Lt. Col.
Deputy Director
Finance Sub Commission

BELT/pmf

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

(Copy)

HEADQUARTERS ALLIED COMMISSION
APO 394
FINANCE SUB COMMISSION

13044/F

5 January 1945

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(Signed) B.E.L. TIMMONS
Lt. Col.
Deputy Director
Finance Sub Commission

BELT/pmf

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

SECRET

EWS/hjp

2 December 1944

Commander Frank Southard, USNR
G-5 Section, AFHQ
APO 512

My dear Frank:

I have just had a letter from John Lawler who has forwarded a memorandum on the first activities of his financial mission in Washington. He has sent me an additional copy for you which I am enclosing herewith.

Hope to see your brass hat when I am next at AFHQ.

Sincerely,

EWS

ELLERY W. STONE
Commodore, USNR
Chief Commissioner

Encl.

Receipted
1810 - 2/12/44
MAP

(16)

SECRET

FILED A

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

HEADQUARTERS ALLIED CONTROL COMMISSION

OFFICE OF THE DEPUTY CHIEF COMMISSIONER

APO 394

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

G. M. C. Form 338 (Old No. 69)
Revised July 26, 1918

# LIST OF PAPERS

File under No. 250

Morale & Conduct (3)

| SERIAL NUMBER | FROM— | DATE | TO— | SYNOPSIS |
|---|---|---|---|---|
| 57) CC/S/934 | CC | 25 May | Lush | Corr re Chiefs (3) Commentaries |
| 58) CC/S/927 CC/S/946 | CC | 27 " | C/S Algiers Washington | Reply to (57). |
| 59) AG/8 | FAMIRA | 23 " 30 " | Colorado | Maintenance of SC restrictions in force |
| 60) COS/258 | Hq A.A.I. | 25 " | C.C. | Air code showing extent of controlling civilian movement. |
| 61) M 219 | C.C. | 29 " | AFHQ | Ref. Native judge & legal officers |
| 62) | PA to CC | 29 " | CC, PBS | Matter available. Should collated with CCs orders |
| 63) AG/Misc. | Legal S/C | 2 June | C.C. | Case of Gen. BELLOMO & Colonel of Italian Air Force |
| 64) 103269/AV CC/S/952 COS/258/(AFHQ) | Director AFSCE C.C. Hq A.A.I. | 28 May 31 " 3 June | C.C. Hq A.A.I. C.C. | Food situation Moroccan Troops Ends. 103269/AV Steps taken. |
| 65) 5613/6/(AFHQ) | C/S Treasury Hq A.A.I. | 6 " 7 " | Hq A.A.I F.C. | Behaviour Treasury Moroccan Troops Ends. Ltr. fr Gen Noguès, French commander |
| 66) CC/S/978 | C.C. | 10 " | Legal S/C | Chief of 2nd BATTALION Service to Col. ALBANESE and Capt. VEZZA |
| 67) 103811/AV | Infantry (A.F.H.Q.) | 11 " | D.C.C. | |
| 68) CCFF/209 | C.C. | 20 June | Mrs. EGGER | Ref CARBONI used by O.S.S. |
| 69) CCFF/211 | C.C. | 20 " | Lieut Alexander | Ltr. Gen. Juin re Gen. Noguès Ltr. Gen. Noguès to C.C.A. re request to [illegible] |
| 68a) 13842 — — | Infante Badoglio Col. Drummond | 23 June 17 June 26 June | Stone Gen Mac F. Stone | Ref. CARBONI used by O.S.S. |
| 70) 7488 | Bonomi | 25 June | Stone | Public order in BARI. |
| 61a) 158/4/AV | Br. Lia Commissioner | 5 July | Miss Hopkins | Death sentences on FEMALE SPIES. - HMG views. |
| 71) 014.13 103809/AV 103811/AV | Stone Prisser Infante | 20 June 25 June 25 June | AAI - CGS ACC Stone | Behavior of Moroccan Troops. |
| | SEE ALSO | Folios 23 | 29-56-64-65-76-82 | |
| 72) — SG 250 | ROME REGION COLLINS | 19 June 2 July | 2C Bare | Appt. Panel for General Military Court. |
| 73) — A/C 250 | Bonomi Stone | 13 July 17 July | Stone Bonomi | Carry Sig. BENTIVENGA. |

Instructions.—When papers on a subject become numerous they will be numbered serially and brief entries made on this form.

MEMORANDUM
FOR
ADMIRAL STONE.

# THE BRITISH LOAN

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

# THE BRITISH LOAN

PREPARED BY

3

B. E. L. TIMMONS. LT. COL. CHIEF FINANCIAL ADVISOR, A.C.

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

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

HEADQUARTERS ALLIED COMMISSION
APO 394
ECONOMIC SECTION

13242/F 29 March 1946

SUBJECT : The British Loan

TO : The Chief Commissioner

1. From the published documents and the public statements of responsible American and British Government Officials, it is clear that the proposed U.S. loan to Britain, the International Monetary Fund, the International Bank of Reconstruction, and the proposed International Trade Organization are each to be viewed as part of an integrated Anglo-American program for the expansion of trade, production, employment, and consumption in all countries, and the creation of a high, stable level of multilateral and non-discriminatory international trade.

2. The terms of the financial agreement between the U.S. and the U.K., to come into force when the funds for the proposed $ 3,750,000,000 loan are available, are attached at Appendix "A".

3. Briefly, the facts of Britain's financial position are these:

(a) Britain's exports in 1938 were valued at £ 470 million. The announced British target is to expand exports as soon as possible to 175 % of this figure, in order to pay for her necessary imports. An increase of 75 % would be a figure (at 1938 prices) of approximately £ 350 million. Very little increase in in exports can be looked for in the categories of food, drink, and raw materials (chiefly coal). It is likely that the whole of the £ 350 million increase will have to come in manufactures, which amounted to £ 365 million in 1938. This class of exports, in short,

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will have to be doubled if the target is to be reached. British manufactured exports, at the 1938 figure, were almost 1/5 of the total world trade in this class. Britain would thus have to raise her share from 1/5 to 2/5 of a stationary volume; even with an expanding total of world trade, Britain will encounter strong competition in her efforts to increase, or even maintain, her share.

(b) The U.K. is faced with an increasingly serious problem arising out of the deterioration in her overseas financial position on capital account. This has taken the form partly of a reduction in overseas capital assets through sales and repatriations during the war, partly of the accumulation of very large external liabilities. The following tables show the growth of U.K. external liabilities:

External Liabilities of the United Kingdom

£ millions

| | Net Quick External Liabilities (2)+ | Overseas Loans | Total External Liabilities |
|---|---|---|---|
| 31st August, 1938(1)+. | 760 | --- | 760 |
| " , 1939.+... | 476 | --- | 476 |
| 31st December, 1939.(1)+ | 556 | --- | 556 |
| " 1940..+ | 733 | 2 | 735 |
| " 1941.. | 1,192 | 107 | 1,299 |
| " 1942.. | 1,515 | 303 | 1,818 |
| " 1943.. | 2,158 | 307 | 2,465 |
| " 1944.. | 2,773 | 300 | 3,073 |
| 30th June, 1945..... | 3,052 | 303 | 3,355 |

(1)+ Figures for earlier years are subject to a greater degree of uncertainty in estimating than those for later years.

(2)+ Comprising banking liabilities less assets, and funds held in the United Kingdom as cover for overseas currencies, etc.

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External Liabilities of the United Kingdom:
by areas

£ millions

| | Outstanding on:- | | | | |
|---|---|---|---|---|---|
| | 31 Dec. 41 | 31 Dec. 42 | 31 Dec. 43 | 31 Dec. 44 | 30 June 45 |
| Sterling Area | | | | | |
| Dominions..... | 139 | 189 | 236 | 342 | 384 |
| India, Burma, and Middle East..... | 399 | 695 | 1,141 | 1,537 | 1,732 |
| Other Sterling Area Countries..... | 318 | 388 | 473 | 555 | 607 |
| Total Sterling Area | 856 | 1,272 | 1,850 | 2,434 | 2,723 |
| North and South America. | 240 | 256 | 278 | 280 | 303 |
| Europe (1)+..... | 180 | 242 | 281 | 299 | 267 |
| Rest of World..... | 23 | 48 | 56 | 60 | 62 |
| Total Liabilities | 1,299 | 1,818 | 2,073 | 3,073 | 3,355 |

(1)+ Including dependencies of European countries.

In September, 1939, the U.K. had a net total of about £ 4000 million of overseas assets. The British Government has officially estimated U.K. external disinvestment (loss of overseas wealth) from 1939 to 1945 as follows:

United Kingdom External Disinvestment
(as far as recorded: probably an under estimate)

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£ millions

| | Realisation of External Capital Assets | Increase in External Liabilities | Decrease or increase (-) in Gold and U.S. Dollar Reserves (1)+ | Unallocated | Total |
|---|---|---|---|---|---|
| Sept.to Dec.1939. | 58 | 80 | 57 | 17 | 212 |
| Jan. to Dec.1940. | 164 | 179 | 474 | - 6 | 811 |
| " " 1941. | 274 | 564 | -23 | 5 | 820 |
| " " 1942. | 227 | 519 | -75 | 3 | 674 |
| " " 1943. | 189 | 647 | -150 | 3 | 689 |
| " " 1944. | 143 | 608 | -99 | 11 | 663 |
| Jan.to June 1945. | 63 | 282 | -32 | 16 | 329 |
| Total, (Sept.1939 to June, 1945)... | 1,118 | 2,879 | 152 | 49 | 4,198 |

(1)+ Gold valued at 172/3d. per ounce fine and dollars at £1 = $4.03.

This loss took the form of selling investments, incurring debts in the form of sterling balances, and the running down of gold and dollar reserves. The story of the net dollar and gold reserves of the U.K. is told in the following table:

Net Gold and U.S. dollar Reserves of the United Kingdom

| | £ millions | |
|---|---|---|
| 31st August, 1938 | 864 | (1)+ |
| " 1939 | 605 | (1)+ |
| 31st December, 1939 | 548 | (1)+ |
| " 1940 | 74 | |
| " 1941 | 97 | |
| " 1942 | 172 | |
| " 1943 | 322 | |
| " 1944 | 421 | |
| 30th June, 1945. | 453 | |
| 31st October, 1945 | 453 | (provisional) |

(1)+ Including an estimate of private holdings of gold and dollars subsequently requisitioned.

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4. Thus Britain's problems are:

(a) the deficit in the external balance of payments, which deficit may continue for from 3 to 5 years.

(b) the indebtedness of the U.K. to overseas countries, in the shape of sterling balances.

The current account deficit arises from the abandonment of U.K. export trade during the war, with the result that British exports fell to 1/3 of their previous volume (see Appendix "B"), and the loss of shipping and overseas investments (the income from which Britain used to purchase her food and raw materials). The increase in overseas debt resulted from Britain's heavy expenditure in India, Egypt, Palestine, etc., for troop pay, supplies, local labor, and military construction. Payment has in the main been effected by crediting blocked sterling accounts in London. These debts may well reach £ 4,000 million in 1946. Further, the dollar/gold position outlook is not favourable, for the reserves have largely been built up by the pay of U.S. forces in the sterling area, a source of income now being eliminated.

5. The order of magnitude of the U.K. deficit in 1946 is estimated to be £ 750 million. In 1947 and 1948 the deficit is estimated at £500 for the two years together, a total for the three years of some £ 1,250. To meet this deficit while restoring her international trade position, the U.K. has to rely on its own reserves, and, in the main, further external credits (for ready comparison, the proposed loan of $ 3,750 million is approximately £ 935 million).

6. The International Monetary Fund is not designed to provide the kind of credit Britain needs during the next five years. These are two major conditions to be fulfilled before any international currency system can be expected to work. First, the nations must take steps, outside the currency system, to ensure that their international accounts - their buying and selling - are in at least rough equilibrium. An international currency system will accommodate small and temporary surpluses and deficits (the commercial bank "clearing-house" principle on a world-wide scale), but it cannot

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be expected to provide a permanent subsidy to debtor nations nor to allow creditor countries to accumulate international credits without ever taking them in goods. Second, the major countries must prevent the development and spread of another world depression. For in time of economic crisis, the inevitable tendency is for industrial nations to export their unemployment - to stop imports and dump exports. It is clear that the International Monetary Fund cannot meet the problem of financing the U.K. deficit over a possible three to five year period, as the maximum British drawings from the Fund could not exceed £ 200/250 million during 1946 - 1951. In point of fact, the British dollar deficit must be faced and solved <u>before</u> the Bretton Woods system can become a practical possibility, particularly since Britain faces not only a current account deficit, but must also begin to "free" (i.e., make convertable into non-sterling area currencies) the blocked sterling balances (which are already free for transactions within the sterling area). In fact it can be strongly argued that even with the proposed £ 935 million loan and drawings from the International Monetary Fund, the British deficit is not covered. The figures projected from 1946 to 1951 are:

| <u>Resources</u> (£ million) | | <u>Payments</u> (£ million) | |
|---|---|---|---|
| U.S. loan proceeds | 935 | Current account deficit | 1,250 |
| U.K. exchange reserves | 400 | Blocked sterling releases | 350 |
| Fund drawings | 200 | (2 % p.a. of £ 3500 | |
| Canadian loan | 225 | million for 5 years) | |
| Total | 1760 | Total | 1600 |

Obviously this slight favourable position could be wiped out and a total deficit incurred by a larger current account deficit or by a higher rate of release of blocked sterling.

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7. In return for the loan Britain has agreed to modify her exchange control so as not to restrict payments to residents of the United States or the use by such persons of their sterling balances. This is to become effective immediately. In addition, Britain has undertaken to make arrangements within one year after the effective date of the loan, whereby the sterling receipts of all sterling area countries on current account will be freely available for current transactions in any currency area without discrimination. This ends the so-called "sterling area dollar pool". Within a year the same principle will also be applied to transactions with all countries.

8. In conclusion, the British loan (the purpose of which can be compared to the functions of a commercial paper acceptance house - except that the American Government is providing gigantic credit on a long-term, world-wide basis) is an important and necessary step in the Anglo-American program for achieving a large volume of international trade and for setting up an international financial system which will act as a world-wide clearing house for credits and debits. But as previously pointed out, the International Monetary Fund cannot in itself provide an unending supply of the world's scarce currencies to those countires having a balance-of-payments deficit. In the final analysis the future of international trade in 1946 and after will depend upon whether the U.S. can create an import surplus large enough to prevent a chronic shortage of dollars. The provision of dollars to the rest of the world (in exchange for their goods and services, in order that they may in turn buy U.S. goods and service their debts) depends upon (a) the level of income and employment in the U.S., and, (b) the acceptance of an import surplus by the U.S. In the twenty-one years between 1919 and 1939, the U.S. imported a net value of nearly $ 11,000 million of gold, thus providing an equal quantity of dollars to the rest of the world. ~~Despite our gold policy,~~ In spite of the fact that in the ten years 1930-1939 the U.S. had an <u>import</u> surplus (considering only goods and current services) averaging $ 100 million per year, the U.S. economy did not provide enough dollars to the rest of the world to offset interest receipts, repatriation of

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U.S.-owned capital, and the very large inflow of foreign capital into the U.S. The excess of demand for dollars over the supply has been estimated by the Department of Commerce to have amounted to over $ 500 million each year from 1930 to 1939. International lending is not a long-term substitute for an import surplus; it should not be allowed to conceal the inexorable logic of economics which requires the largest creditor nation to have the largest import surplus. (International trade in the 19th century flourished when Britain, a free-trade nation, was the world's greatest creditor and the world's greatest importer; it is a grave error, however, to assume that the U.S. has merely to lower tariffs to assume in the 20th century the role Britain played in the 19th century. The hard truth is that Britain had an import surplus because her resource position required it. Considering only the U.S. resource position, to the exclusion of other factors, there is no compulsion for the U.S. to create an import surplus). But to discuss the economics and politics of tariff reductions (as well as the other economic and trade proposals embodied in the plan for the International Trade Organization) is outside the scope of this paper.

9. It is only fair to say that the whole loan-Fund-Trade Organization program has not gone unchallanged by a large body of economic thought on both sides of the Atlantic (see examples in Appendix "C"), which feels that the transition from war-time controls to multilateralism and free exchanges should be carried out over a much longer period of time, lest a world-wide depression find nations stripped of their protective covering which, it must be admitted, can in any one country mitigate, if not cure, the effects of a depression. But if the British loan is approved by the Congress, the U.S. and U.K. Governments will apparently be committed to a program of complete multilateralism, as opposed to regional groupings;

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dollar, sterling, and rouble blocs; and exchange controls. The economic consequence of the coming peace will largely be determined by the success or failure of this program.

B.E.L. Timmons

B.E.L. TIMMONS, Lt.Col.
CHIEF FINANCIAL ADVISER

Encls.

Appendix "A"
" "B"
" "C"

APPENDIX "A"

FINANCIAL AGREEMENT BETWEEN THE GOVERNMENTS OF THE UNITED STATES AND THE UNITED KINGDOM

---

It is hereby agreed between the Government of the United States of America and the Government of the United Kingdom of Great Britain and Northern Ireland as follows:-

1. Effective date of the Agreement.

The effective date of this Agreement shall be the date on which the Government of the United States notifies the Government of the United Kingdom that the Congress of the United States has made available the funds necessary to extend to the Government of the United Kingdom the line of credit in accordance with the provisions of this Agreement.

2. Line of Credit.

The Government of the United States will extend to the Government of the United Kingdom a line of credit of £ 3,750,000,000 which may be drawn upon at any time between the effective date of this Agreement and 31st December, 1951, inclusive.

3. Purpose of the line of Credit.

The purpose of the line of credit is to facilitate purchases by the United Kingdom of goods and services in the United States, to assist the United Kingdom to meet transitional post-war deficits in its current balance of payments, to help the United Kingdom to maintain adequate reserves of gold and dollars and to assist the Government of the United Kingdom to assume the obligations of multilateral trade, as defined in this and other agreements.

4. Amortisation and Interest.

(i) The amount of the line of credit drawn by 31st December, 1951, shall be repaid in 50 annual instalments beginning on 31st December, 1951, with interest at the rate of 2 per cent. per annum.

Interest for the year 1951 shall be computed on the amount [illegible] 31st December, 1951, and for each year thereafter interest [illegible]

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Kingdom the line of credit in accordance with the provisions of this Agreement.

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4. Amortisation and Interest.

(i) The amount of the line of credit drawn by 31st December, 1951, shall be repaid in 50 annual instalments beginning on 31st December, 1951, with interest at the rate of 2 per cent. per annum.

Interest for the year 1951 shall be computed on the amount outstanding on 31st December, 1951, and for each year thereafter interest shall be computed on the amount outstanding on 1st January of each such year.

49 annual instalments of principal repayments and interest shall be equal, calculated at the rate of £ 31,823,000 for each £ 1,000,000,000 of the line of the credit drawn by 31st December, 1951, and the fiftieth annual instalment shall be at the rate of £ 31,840,736.65 for each such £ 1,000,000,000.

Each instalment shall consist of the full amount of the interest due and the remainder of the instalment shall be the principal to be repaid in that year. Payments required by this section are subject to the provisions of Section 5.

(ii) The Government of the United Kingdom may accelerate repayment of the amount drawn under this line of credit.

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5. Waiver of Interest Payments.

In any year in which the Government of the United Kingdom requests the Government of the United States to waive the amount of the interest due in the instalment of that year, the Government of the United States will grant the waiver if :-

(a) the Government of the United Kingdom finds that a waiver is necessary in view of the present and prospective conditions of international exchange and the level of its gold and foreign exchange reserves, and

(b) the International Monetary Fund certifies that the income of the United Kingdom from home-produced exports plus its net income from invisible current transactions in its balance of payments was on the average over the five preceding calendar years less than the average annual amount of United Kingdom imports during 1936-8 fixed at £ 866,000,000, as such figure may be adjusted for changes in the price level of these imports. Any amount in excess of £ 43,750,000 released or paid in any year on account of sterling balances accumulated to the credit of overseas governments, monetary authorities and banks before the effective date of this Agreement shall be regarded as a capital transaction and therefore shall not be included in the above calculation of the net income from invisible current transactions for that year. If waiver is requested for an interest payment prior to that due in 1959, the average income shall be computed for the calendar years from 1950 through the year preceding that in which the request is made.

6. Relation of this line of credit to other obligations.

(i) It is understood that any amounts required to discharge obligations of the United Kingdom to third countries outstanding on the effective date of this agreement will be found from resources other than this line of credit.

(ii) The Government of the United Kingdom will not arrange any long term loans from Governments within the British Commonwealth after 6th December, 1945, and before the end of 1951 on terms more favourable to the lender than the terms of this line of credit.

(iii) Waiver of interest will not be requested or allowed under Section 5 in any year unless the aggregate of the releases or payments in that year of sterling balances accumulated to the credit of overseas governments, monetary authorities and banks (except in the case of colonial dependencies) before the effective date of this agreement, is reduced

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released or paid in any year to [illegible] accumulated to the credit of overseas governments, monetary authorities and banks before the effective date of this Agreement shall be regarded as a capital transaction and therefore shall not be included in the above calculation of the net income from invisible current transactions for that year. If waiver is requested for an interest payment prior to that due in 1955, the average income shall be computed for the calendar years from 1950 through the year preceding that in which the request is made.

6. Relation of this line of credit to other obligations.

(i) It is understood that any amounts required to discharge obligations of the United Kingdom to third countries outstanding on the effective date of this agreement will be found from resources other than this line of credit.

(ii) The Government of the United Kingdom will not arrange any long term loans from Governments within the British Commonwealth after 6th December, 1945, and before the end of 1951 on terms more favourable to the lender than the terms of this line of credit.

(iii) Waiver of interest will not be requested or allowed under Section 5 in any year unless the aggregate of the releases or payments in that year of sterling balances accumulated to the credit of overseas governments, monetary authorities and banks (except in the case of colonial dependencies) before the effective date of this agreement, is reduced proportionately, and unless interest payments due in that year on loans referred to in (ii) above are waived. The proportionate reduction of the releases or payments of sterling balances shall be calculated in relation to the aggregate released and paid in the most recent year in which waiver of interest was not requested.

(iv) The application of the principles set forth in this section shall be the subject of full consultation between the two Governments as occasion may arise.



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7. Sterling Area Exchange Arrangements.

The Government of the United Kingdom will complete arrangements as early as practicable and in any case not later than one year after the effective date of this agreement, unless in exceptional cases a later date is agreed upon after consultation, under which immediately after the completion of such arrangements the sterling receipts from current transactions of all sterling area countries (apart from any receipts arising out of military expenditure by the Government of the United Kingdom prior to 31st December, 1946, to the extent to which they are treated by agreement with the countries concerned on the same basis as the balances accumulated during the war) will be freely available for current transactions in any currency area without discrimination with the result that any discrimination arising from the so-called sterling area dollar pool will be entirely removed and that each member of the sterling area will have its current sterling and dollar receipts at its free disposition for current transactions anywhere.

8. Other Exchange Arrangements.

(i) The Government of the United Kingdom agrees that after the effective date of this agreement it will not apply exchange controls in such a manner as to restrict

(a) payments or transfers in respect of products of the United States permitted to be imported into the United Kingdom or other current transactions between the two countries or

(b) the use of sterling balances to the credit of residents of the United States arising out of current transactions.

Nothing in this paragraph (i) shall affect provisions of Article VII of the Articles of Agreement of the International Monetary Fund when these Articles have come into force.

(ii) The Governments of the United States and the United Kingdom agree that no later than one year after the effective date of this agreement, unless in exceptional cases a later date is agreed upon after consultation, they will impose no restrictions on payments and transfers for current transactions. The obligations of this paragraph (ii) shall not apply

(a) to balances to third countries and their nationals accumulated before this paragraph (ii) becomes effective;

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8. Other Exchange Arrangements.

(i) The Government of the United Kingdom agrees that after the effective date of this agreement it will not apply exchange controls in such a manner as to restrict

(a) payments or transfers in respect of products of the United States permitted to be imported into the United Kingdom or other current transactions between the two countries or

(b) the use of sterling balances to the credit of residents of the United States arising out of current transactions.

Nothing in this paragraph (i) shall affect provisions of Article VII of the Articles of Agreement of the International Monetary Fund when those Articles have come into force.

(ii) The Governments of the United States and the United Kingdom agree that no later than one year after the effective date of this agreement, unless in exceptional cases a later date is agreed upon after consultation, they will impose no restrictions on payments and transfers for current transactions. The obligations of this paragraph (ii) shall not apply

(a) to balances to third countries and their nationals accumulated before this paragraph (ii) becomes effective; or

(b) to restrictions imposed in conformity with the Articles of Agreement of the International Monetary Fund, provided that the Governments of the United Kingdom and the United States will not continue to invoke the provisions of Article XIV Section 2 of those Articles after this paragraph (ii) becomes effective unless in exceptional cases after consultation they agree otherwise; or

(c) to restrictions imposed in connection with measures designed to uncover and dispose of assets of Germany and Japan.

(iii) This Section and Section 9 which are in anticipation of more comprehensive arrangements by multilateral agreement shall operate until 31st December, 1951.



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9. Import Arrangements.

If either the Government of the United States or the Government of the United Kingdom imposes or maintains quantitative import restrictions, such restrictions shall be administered on a basis which does not discriminate against imports from the other country in respect of any product; provided that this undertaking shall not apply in cases in which

(a) its application would have the effect of preventing the country imposing such restrictions from utilizing, for the purchase of needed imports, inconvertible currencies accumulated up to 31st December, 1946; or

(b) there may be special necessity for the country imposing such restrictions to assist, by measures not involving a substantial departure from the general rule of non-discrimination, a country whose economy has been disrupted by war; or

(c) either Government imposes quantitative restrictions having equivalent effect to any exchange restrictions which that Government is authorized to impose in conformity with Article VII of the Articles of Agreement of the International Monetary Fund.

The provisions of this Section shall become effective as soon as practicable, but no later than 31st December, 1946.

10. Accumulated Sterling Balances.

(1) The Government of the United Kingdom intends to make agreements with the countries concerned, varying according to the circumstances of each case, for an early settlement covering the sterling balances accumulated by sterling area and other countries prior to such settlement (together with any future receipts arising out of military expenditure by the Government of the future receipts arising out of military expenditure by the Government of the United Kingdom to the extent to which they are treated on the same basis by agreement with the countries concerned). The settlement with the sterling area countries will be on the basis of dividing these accumulated balances into three categories:

(a) balances to be released at once and convertible into any currency for current transactions;

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(b) there may be special ... such restrictions to assist, by measures not involving a substantial departure from the general rule of non-discrimination, a country whose economy has been disrupted by war; or

(c) either Government imposes quantitatives restrictions having equivalent effect to any exchange restrictions which that Government is authorised to impose in conformity with Article VII of the Articles of Agreement of the International Monetary Fund.

The provisions of this Section shall become effective as soon as practicable, but no later than 31st December, 1946.

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(i) The Government of the United Kingdom intends to make agreements with the countries concerned, varying according to the circumstances of each case, for an early settlement covering the sterling balances accumulated by sterling area and other countries prior to such settlement (together with any future receipts arising out of military expenditure by the Government of the future receipts arising out of military expenditure by the Government of the United Kingdom to the extent to which they are treated on the same basis by agreement with the countries concerned). The settlement with the sterling area countries will be on the basis of dividing these accumulated balances into three categories :

(a) balances to be released at once and convertible into any currency for current transactions;

(b) balances to be similarly released by instalments over a period of years beginning in 1951; and

(c) balances to be adjusted as a contribution to the settlement of war and post-war indebtedness and in recognition of the benefits which the countries concerned might be expected to gain from such a settlement.



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The Government of the United Kingdom will make every endeavour to secure the early completion of these arrangements.

(ii) In consideration of the fact that an important purpose of the present line of credit is to promote the development of multilateral trade and facilitate its early resumption on a non-discriminatory basis, the Government of the United Kingdom agrees that any sterling balances released or otherwise available for current payments will, not later than one year after the effective date of this agreement, unless in special cases a later date is agreed upon after consultation, be freely available for current transactions in any currency area without discrimination.

11. Definitions.

For the purposes of this agreement :

(i) The term " current transactions " shall have the meaning prescribed in article XIX (i) of the articles of Agreement of the International Monetary Fund.

(ii) The term " sterling area " means the United Kingdom and the other territories declared by the Defence (Finance) (Definition of Sterling Area) (No.2), Order, 1940, to be included in the sterling area, namely "the following Territories excluding Canada and Newfoundland, that is to say:

(a) any Dominion
(b) any other part of His Majesty's dominions,
(c) any territory in respect of which a mandate on behalf of the League of Nations has been accepted by His Majesty and is being exercised by His Majesty's Government in the United Kingdom, or in any Dominion,

(d) any British Protectorate or Protected State,
(e) Egypt, the Anglo-Egyptian Sudan and Iraq,
(f) Iceland and the Faroe Islands."

12. Consultation on Agreement.

Either Government shall be entitled to approach the other for a re-consideration of any of the provisions of this agreement, if in its

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meaning prescribed in article XXX (i) of the Articles of Agreement of the International Monetary Fund.

(ii) The term " sterling area " means the United Kingdom and the other territories declared by the Defence (Finance) (Definition of Sterling Area) (No.2), Order, 1944, to be included in the sterling area, namely "the following Territories excluding Canada and Newfoundland, that is to say:

(a) any Dominion
(b) any other part of His Majesty's dominions,
(c) any territory in respect of which a mandate on behalf of the League of Nations has been accepted by His Majesty and is being exercised by His Majesty's Government in the United Kingdom, or in any Dominion,

(d) any British Protectorate or Protected State,
(e) Egypt, the Anglo-Egyptian Sudan and Iraq,
(f) Iceland and the Faroe Islands."

12. Consultation on Agreement.

Either Government shall be entitled to approach the other for a re-consideration of any of the provisions of this agreement, if in its opinion the prevailing conditions of international exchange justify such reconsideration with a view to agreeing upon modifications for presentation to their respective Legislatures.

Signed in duplicate at Washington, District of Columbia, this 6th day of December, 1945.

For the Government of the United States of America:
FRED M. VINSON,
Secretary of the Treasury of the United States of America.

For the Government of the United Kingdom of Great Britain and Northern Ireland :
HALIFAX,
His Majesty's Ambassador Extraordinary and Plenipotentiary at Washington.

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APPENDIX "B"

UNITED KINGDOM COMMERCIAL RECORDS

A
P "B"
P.

| | | £ millions | Index of Volume |
|---|---|---|---|
| 1938... | .... .... .... | 471 | 100 |
| 1939... | .... .... .... | 440 | 94 |
| 1940... | .... .... .... | 411 | 73 |
| 1941... | .... .... .... | 365 | 56 |
| 1942... | .... .... .... | 270 | 36 |
| 1943... | .... .... .... | 253 | 29 |
| 1944... | .... .... .... | 288 | 30 |
| 1945, | Jan./Sept. .... .... | 272 | 42 (1) |

(1) Increase of exports in 1945 is partly due to exports for relief purposes.

Appendix C

Copied from the London "Times" of 12 December 1945

## THE WASHINGTON AGREEMENTS

### CONDITIONS OF LOAN

### CONSEQUENCES FOR EMPIRE TRADE

To the Editor of the Times

Sir,-The financial agreement with the United States is for a loan upon conditions which are calculated to ensure default. Though the sum we are entitled to borrow may seem large, it will not last long unless we can bring our balance of external payments quickly back to equilibrium. Yet the conditions attached must serve to prevent our doing this.

The readjustment of our balance of payments is a most formidable task, requiring, as the Prime Minister has pointed out, an export trade about 75 per cent. greater in volume than before the war, if our imports are not to be curtailed. Readjustments on this huge scale can never be effected by the free play of market forces alone. We need everyaid which deliberate arrangement and planning can supply. None the less we have promised to eschew such aids and to leave everything, or almost everything, to the chances of international competition.

By the convertibility undertakings of the financial agreement all incentive to other countries to buy from us because we buy from them will be removed in about a year from now. Moreover, any part of the huge accumulated sterling balances which countries in the sterling area are allowed to spend at all must be made equally available for dollar as for sterling purchases. We undertake not to restrict our imports of any commodity from the United States, unless we curtail proportionately our imports from the Commonwealth, though we may, it appears, exempt imports

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our balance of external payments quickly back to equilibrium. Yet the conditions attached must serve to prevent our doing this.

The readjustment of our balance of payments is a most formidable task, requiring, as the Prime Minister has pointed out, an export trade about 75 per cent. greater in volume than before the war, if our imports are not to be curtailed. Readjustments on this huge scale can never be effected by the free play of market forces alone. We need everyaid which deliberate arrangement and planning can supply. None the less we have promised to eschew such aids and to leave everything, or almost everything, to the chances of international competition.

By the convertibility undertakings of the financial agreement all incentive to other countries to buy from us because we buy from them will be removed in about a year from now. Moreover, any part of the huge accumulated sterling balances which countries in the sterling area are allowed to spend at all must be made equally available for dollar as for sterling purchases. We undertake not to restrict our imports of any commodity from the United States, unless we curtail proportionately our imports from the Commonwealth, though we may, it appears, exempt imports from countries with "inconvertible currencies" from such restrictions. Thus if we were to curtail our imports of American tobacco, we should have to reduce our imports of Rhodesian tobacco in the same proportion, though we reserve the right to import Turkish tobacco without retriction. This reservation is doubtless reasonable in itself, but, taken in conjunction with the main undertaking, it marks a curious inversion of the principle of Imperial preference.

To these renunciations, it should be noted, we are already pledged by the terms of the financial agreement. Our ability to pay our way is likely to be further impaired by the project. Surely, it is a dangerous illusion to suppose that it may prove our salvation, because it purports to aim at reducing trade barriers. There is not a syllable in the document to which our Government has declared its "full agreement on all important points" to suggest that a country with a strngly favourable balance of payments should be content with a lower tariff than a country with

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an adverse balance. On the contrary, it is clearly contemplated that tariff systems which have hitherto been comparatively high may remain higher than those which have been comparatively low. With the steady progress of American industrial efficiency much of the United States tariff has become far higher than is needed for complete protection against outside competition. It would be easy, therefore, for the United States to offer a reduction of duties which might look "substantial", but which would do little in practice to increase her imports. Nor is it cynical tosuggest that this, or something like this, is what she is likely to offer; the need to secure the support of Congress makes the adoption of this criterion virtually inevitable.

In return for this we are expected to "eliminate" Imperial preference. Nearly half our exports before the war went to Empire markets. In most of these markets, and in most lines of trade, we had the benefit of pre-preferential rates of duty, and in some of them we were further assisted by a system of "quotas" on foreign imports which will now be outlawed. On the other side, many Empire countries received great benefit from the preferential treatment they enjoyed in the British market. For example, our sugar colonies in the West Indies and elsewhere were rescued from probable disaster by the substantial preferences on sugar which were granted by the United Kingdom and by Canada, though the preferential price that they received (about £11 5s. a ton in 1938) was far lower than the price obtained by the neighbouring American island of Porto Rico (about £16) through the mechanism of a customs union. While preferences are now to be eliminated as discriminatory, customs unions, which may be far more discriminatory, are to be allowed. We may thus drift towards the position of an economic Little England in a customs union world. It is wishful thinking to pretend that such conditions are likely to help us to maintain our export trade 75 per cent. larger than before the war.

The decision to accept the financial agreement has already been taken by the Government. It can be defended by an appeal to the many greve and obvious disadvantages which would have ensued if the negotiations had broken down. In all the circumstances this argument may be decisive. But this is not a good reason for optimistic distortions

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of the consequences of what has been arranged. The disillu-
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be the greater in proportion as we cultivate illusions now.

I am, Sir, yours faithfully,

HUBERT D. HENDERSON.

All Soule College, Oxford, Dec.10.

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Sir,-The outcome of the negotiations in Washington confirms the fears of those who opposed the approach to international reconstruction adopted by the late Government. Despite the repeated assurances made, the conversations on the "official level" have so deeply committed this country that no escape could be found in the last lap by an obviously anxious Cabinet. The lesson of the 1920's has not been learned.

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Once more the country is commi ted on the international terrain (of such vital importance to this country) to the almost immediate restoration of a free market mechanism which has been clearly shown in the inter-war period to be incapable of reestablishing and maintaining economic equilibrium-full employment-and steady progress. This fateful decision was forced upon us by the failure of our experts to concentrate during the war on the problems of the immediate transition period.

No alternative approach was even envisaged. The shock with which the termination of lendlease was received in the highest quarters bears eloquent testimony to this improvidence. In the absence of alternatives or transitional arrangements a substantial immediate loan from the United States was forced on us, at whatever long-run cost. So it came about that the British Government was persuaded to sign an agreement pledging this country to monetary laissez faire and severe fiscal limitations, with a House of Commons the overwhelming majority of which is committed to a planned reconstruction of our war-weakened economic system. This,surely, is the travesty of democratic deliberation and decision.

The consequences of the Agreement are serious: (a) It brings to an end within a year the sterling area which permitted the automatic finance of multilateral trade within the Commonwealth and its associated territories, and this without the assurence that the world-wide system dominated by the United States will not be flung into a deflationary spiral when the war-caused shortages end. No monetary agreements or quantitative regulations with like-minded countries are permitted to facilitate our exports. (b) By making sterling prematurely convertible into dollars the agreement forces us to default upon a large part, and to block almost the whole of the rest, of the sterling balances owned largely by poor countries, balances which are now freely available within the sterling area. The release of a fraction convertible into dollars (while speeding the exhaustion of the loan) cannot possibly offset the injury inflicted by this procedure.

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The principles and rules of the proposed commercial organization, if not modified and suitably reinterpreted, would render any longterm development programme for Europe and the Commonwealth impossible because that area is an oceanic conglomeration of loosely associated countries. Yet it permits continental empires to isolate themselves. This is the result of the illogical prohibition of preferential and reciprocal purchase agreements while permitting any arbitrary regulationswithin customs unions which represent nothing but 100 per cent. preference. The restrictions on the reciprocal exchange of goods between "independent" countries, and on State trading, expose us to the full force of the bargaining power of the United States, which rests on her lending capacity, and make a planned expansion of our foreign trade impossible. They stabilize the technical superiority of continental America based on mass-production, which poorer and smaller areas cannot introduce without forming regional arrangements for their economic planning.

Yours, &c.,
THOMAS BALOGH.
The Reform Club, Pall Mall, S.W.1, Dec. 9.

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