

1665

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

785015

ACC

10000/136/427

6/427

ALLIED ANTI-INFLATION COMMITTEE (ITALY)
MAY 1944 - FEB. 1945

4603/CC

Office of the
Chief Commissioner

ALLIED COMMISSION

LIST OF PAPERS

File under No. 4603 ALLIED ANTI-INFLATION COMMITTEE (ITALY)

SECRET

PART I

SERIAL NUMBER	FROM—	DATE	TO—	SYNOPSIS
93	Cbl Stone S-416	18 Jan 45	AGWAR for Hilldring	Conversion of Ital currency story released by Treasy Dept.
94	Cbl CCS, Fan 487	31 Jan 45	SACMED	New CCS Directive to AC. Prime res- ponsibility for control of inflation is with It Govt; AC will merely advise.
95	Cbl AGWAR Fr Hilldring WAR 33021	6 Feb 45	Stone	Conversion of Ital currency story re- leased by Treasury Dept; precautions be- ing taken avoid recurrence... OWI won't help
96	Aide Memoire, Macmillan	24 Feb 45	Bonomi	New CCS Directive. IC is responsible for inflation control,...

1981

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100-2

ACC

LIST OF PAPERS

File under No. 100-2 ALLIED ANTI-INFLATION COMMITTEE (ITALY)

PART I

Page 7

SECRET

SERIAL NUMBER	FROM—	DATE	TO—	SYNOPSIS
81	Ltr 13021/F Grafftey-Smith	1 Sep 44	A/CC etc	Anti-Inflation Committee. Progress rpt fr Lloyd re London. INCL: Rpt of mtg at London to discuss Infl Comm rpt.
82	Draft ltr Stone	4 Sep 44	VP Econ Sec	Do not believe It Govt should discuss adequacy of relief payment. Might lead to inflationary demands
83	Ltr A/CC 100-2 Stone	6 Sep 44	Bonomi	Pls facilitate It Govt action on increase in charges for public utilities desired b y ACC
84	Memo Densmore A/CC 100-1	6 Sep 44	VP Econ Sect	Limitation of Soldiers' Expenditures
85	Ltr A/CC 100-1 Stone	10 Sep 44	CINC AAI	Consideration Allied program for limitation soldier expenditures
86	Ltr 5363 Bonomi	19 Sep 44	Stone	Leg measures increase salaries of govt employees, pls help act'n.
87	Ltr A/CC 100-2 Stone	19 Sep 44	Bonomi	Pls answer ltr 6/9 charges for public utility & state services.
88	Memo Stone	19 Sep 44	Econ Sec, Finance	Fwdg comments of AFHQ on Anti-Inflation Committee report. APPENDIX A: Ltr G-5/100 16 Sep fr Spofford to A/CC encl report INCL: Rpt 30 July Gen Clark CAO
89	Ltr Capt Stone	25 Sep 44	Gen Spofford	Comments on Report of Allied Anti-Inflation Committee - Gen Clark's
90	Ltr, Comro. Stone A/CC 100-2	24 Oct 44	G-5 AFHQ	Status of Anti-Inflation Recommendations as of 22 Oct 44.
91	Cbl Stone, S-366	18 Nov 44	AFHQ for Spofford	Request confirmation distribution made on 'Status of Anti-Inflation Recommendation 22 Oct' been made.
92	Cbl AFHQ F54766	19 Nov 44	AC for Stone	'Status of Anti-Inflation Recommendations 22 Oct' forwarded CCS & ECS on 31 Oct.

1931

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Q. 31. C. Form 1153 (Old No. 400)
Revised July 26, 1948

DSG ACC

LIST OF PAPERS

File under No. 100 ALLIED ANTI-INFLATION COMMITTEE

Page Six

SECRET

SERIAL NUMBER	FROM—	DATE	TO—	SYNOPSIS
67	Cbl ACC Main S 279	9 Jul 44	ACC ADV. Grady	Para of PX 69785 of 8 July fr
67a	ACC IRB Extract IRB/R/10	9 Jul 44	Trend copy filed correspondents	AFHQ; apparently rpt by 1 Sept, as in A/CC 100 of 8 July will not be enough. Send reply & will confer.
68	Ltr Capt Stone A/CC 100	10 Jul 44	AFHQ G-5	Supply Group Report a job well done.
69	Cbl ACC Main S284	10 Jul 44	AFHQ & ACC ADV	Reiview situation food require ments & advise accordingly
70	Ltr Densmore A/CC 100	10 Jul 44	Sir Noel Charles	For info copy of Allied Anti- Inflation Committee Report (Italy)
71	Ltr Densmore A/CC 100	10 Jul 44	Alexander Kirk	For info copy of Allied Anti- Inflation Committee Report (Italy)
71a	Ltr Maj Fielden IRB/R25	11 Jul 44	A/CC	Enforcement grain collection in Sicily
72	Cbl ACC ADV (Grady)	11 Jul 44	ACC Main (Stone)	Position same ltr to AFHQ 8 Jul reviewing situation
72a	Ltr AAI 5009/CAO	11 Jul 44	A/CC	50 copies Anti-Inflation Re- port mailed G-5 Sect 8 Jul
73	Ltr Maj Doe A/CC 100	13 Jul 44	AFHQ	Capt Stone suggests Gen Clark read Anti-Inflation report
73a	Cbl ACC ADV 503	14 Jul 44	AFHQ G-5	Forwarding for info copy 69 Anti-Inflation Committee Report
74	Ltr Densmore A/CC 100	15 Jul 44	Capt Pence	Special Directive on GRANAI DEL PERICO
75	AFHQ IRB			Increasing penalties amassing offences by Legislative Decree
76	Cbl ACC 593	16 Jul 44	RLO Reg 2	Ltr fr Gen Alexander to AFHQ opposing recommendation Anti(Infla tion Committee
77	Ltr Capt Stone A/CC 321	24 Jul 44	See Dist	Report of Allied Anti-Inflatic Committee
1978	Ltr Capt Stone A/CC 100	26 Jul 44	AFHQ	
79	IS Ltr Stone	26 Aug 44	VP Econ Sect	Additional transport & supplie preserve law order North Regions
80	Ltr A/CC 091.3 Stone	31 Aug 44	Bonomi	Set up inte ministerial com- mittee to control prices & avoid inflation, re contractors mater'ls.
80a	Memo A/CC 100-2	24 Oct 44		Status of Anti-Inflation Recommen dations as of 22 October 1944

SECRET

INSTRUCTIONS.—When papers on a subject become numerous they will be numbered serially and brief entries made on this form.

Q. M. C. Form 333 (Old No. 400)
Revised July 26, 1948

LIST OF PAPERS

File under No. 100 ALLIED ANTI-INFLATION COMMITTEE

Page Five

SECRET

8-4788

SERIAL NUMBER	FROM—	DATE	TO—	SYNOPSIS
56	13021/F Foley Letter	29 Jun 44	VP Economic Sec	Memoranda on Amassing program in Sicily & price of wheat. 2 ENCLOSURES: 1) ltr 13021/F fr Crafftey-Smith to Econ Sec, large readjustment in price necessary. 2) 13073/F ltr fr Lt Jg Hicks to Col Foley, amassing program in Sicily going very badly.
57	Ltr RC/433	29 Jun 44	Brig. Lush	Am uneasy about Sicilian bread and wheat situation. Great tension
58	Col. Hancock RC Ltr Mr. Minifie	1 Jul 44	Captain Stone USNR	Party opinions on Granai del Popolo campaigns in Sicily. 1 ENCLOSURE: Info excerpt.
59	Ltr ES/41	2 Jul 44	Mr. Grady	Price of Wheat in Sicily: background of setting of price.
59a	Mr. Wadleigh Ltr R-11 AFHQ G-5 Spofford	9 Jul 44	ACC Attn EMS - Increased Bread Production, Italy	1 ENCLOSURE: Memo 29 April on price of wheat from Mr. Wadleigh to Col. Adams, from field trip.
60	Memo			Share-Cropper's production, cost of producing wheat - scale.
61	Memo RC & MG Sec	5 Jul 44		Enforcement of Grain Collection in Sicily. Scheme of action.
61a	Cbl AFHQ F69363	7 Jul 44	ACC - Advise when Infla. rpt ready.	1 ENCLOSURE: Publicity brief.
62	Ltr A/CC 100	8 Jul 44	AFHQ G-5	50 copies Anti-Infl Comm rpt forwarded today. ENCL.
63	Densmore Ltr CC/G/408 MacFarlane	(8 Jul 44 dispatched)	AFHQ G-5	Dated 20 June: forwarding copies anti-infl. rpt. Commendation of Captain Stone as chairman.
194 B	Cbl ACC Main S274	8 Jul 44	AFHQ	Ref F69363, rpt mailed today.
65	Densmore Ltr A/CC 100 Stone	8 Jul 44	AFHQ G-5	Ref R-11 of 3 July, complete info will not be available until after Sept. Interim rpt by 30 Aug
66	Cbl AFHQ FX 69785	8 Jul 44	ACC for Stone	Ref ltr of 3 July, CCS cable & disturbing reports make imperative a report by 1 August. Imports will be limited to 560,000 tons.
66a	Ltr Spofford G-5 319.1-27	6 Jul 44	Capt Stone	Supply Group Report out under signature of CAO at AFHQ
66b	Cbl ACC Reer 3076	8 Jul 44	IBS Distwo	Penalty decree issued 9 Jul

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INSTRUCTIONS.—When papers on a subject become numerous they will be numbered serially and brief entries made on this form.

Q. M. C. Form 353 (Old No. 400)
Revised July 20, 1918

LIST OF PAPERS

File under No. 100 ALLIED INFLATION COMMITTEE

Page Four

SECRET

SERIAL NUMBER	FROM—	DATE	TO—	SYNOPSIS
39	Ltr PA/P/395 Col. Monfort	14 Jun 44	Captain Stone	Atchd cbl F58873 arrived last night. Gen MacFarlane wants simple factual communique.
40	Press Release PRB 2	14 Jun 44		Announcement of increase of bread ration.
41	Ltr 5001/9/CAO Gen Robertson	14 Jun 44	Gen. MacFarlane	Ref DAG/566 from Moorehead. I am puzzled, & hope you do not need any transport!
42	News Report	15 Jun 44	CC ACC	Il Corriere, story on ration increase.
43	Ltr RC/433 Sicily Reg Hq	15 Jun 44	Exec. Commissioner	Colonel Hancock's report on immediate results of price of wheat and Granary results.
44	Ltr Democratic Front	16 Jun 44	Gen. MacFarlane	Thanks for increase in grain ration.
45	Cbl Freedom F 60291	17 Jun 44	ACC for FNM	Increase in bread ration not intended to be permanent - keep under review. This must be secret.
46	Ltr CC/P/398 MacFarlane	19 Jun 44	Ref 5001/9/CAO Gen Robertson	Did not know about the ltr. Program depends on success of harvest, for which transport is nec. Will send you a copy of report.
46a	Ltr CC/G/405 MacFarlane	19 Jun 44	AAI (enclosing Anti-infl report)	Thanks for your note & wire, and for your work here.
47	Ltr CC/P/399 MacFarlane	19 Jun 44	Mr. Lloyd	Ref grain program in Sicily. Suggest info be given on "points"
48	Ltr CC/P/404 MacFarlane	19 Jun 44	Captain Stone	Fwdg of inflat report being delayed to include supply section
49	Cbl ACC Main 6544 Stone	21 Jun 44	AFHQ	Comments combined supply gp forwarded today.
50	Cbl ACC Main 6527 Econ Section	21 Jun 44	AFHQ G-5	Ref ltr I issued 12 May. Done with concurrence of CC.
51	Ltr Ref 217/64/CA Brig. Lush	27 Jun 44	A/CC	APPENDIX: 1003/274/CA 12 May New Basic Ration Scale. Instructions. Ration cards. To all regional Commissioners.
52	Cbl ACC Main 6803 Food S/C	27 Jun 44	IBS etc.	State employees request increase in salaries.
53	Cbl	28 Jun (?)	ACC	Giving Italians fertilizer for their wheat maybe help Sicilian problem
54	Memo Densmore	29 Jun 44	Capt Stone	Allied Anti-Inflation Committee (Italy) Report
55	Ltr Lawler	1 Jul 44	Members of Committee Inflation	Grain Harvesting & Bonus payments thereon
55a	Ltr Grady	29 Jun 44	A/CC	

INSTRUCTIONS.—When papers on a subject become numerous they will be numbered serially and brief entries made on this form.

Q. M. C. Form 363 (Old No. 490)
Revised July 26, 1943

LIST OF PAPERS

File under No. 100 ALLIED INFLATION COMMITTEE

Page Four

SECRET

8-6754

SERIAL NUMBER	FROM—	DATE	TO—	SYNOPSIS
39	Ltr PA/P/395 Col. Monfort	14 Jun 44	Captain Stone 401	Atchd obl F58873 arrived last night. Gen MacFarlane wants simple factual communique.
40	Press Release PRB 2	14 Jun 44		Announcement of increase of bread ration.
41	Ltr 5001/9/CAO Gen Robertson	14 Jun 44	Gen. MacFarlane 401	Ref DAG/566 from Moorehead, I am puzzled, & hope you do not need any transport!
41	5001/9/CAO	14 Jun 44	CC ACC	
42	News Report	15 Jun 44		Il Corriere, story on ration increase.
43	Ltr RC/433 Sicily Reg Hq	15 Jun 44	Exec. Commissioner 4412	Colonel Hancock's report on immediate results of price of wheat and Granary results.
44	Ltr Democratic Front	16 Jun 44	Gen. MacFarlane	Thanks for increase in grain ration.
45	Cbl Freedom F 60291	17 Jun 44	ACC for FNM 4010	Increase in bread ration not intended to be permanent - keep under review. This must be secret.
46	Ltr CC/P/398 MacFarlane	19 Jun 44	Ref 5001/9/CAO 401 Gen Robertson	Did not know about the ltr. Program depends on success of harvest, for which transport is nec.
46a	Ltr CC/G/405 MacFarlane	19 Jun 44	AAI (enclosing Anti-infl report)	Will send you a copy of report.
47	Ltr CC/P/399 MacFarlane	19 Jun 44	Mr. Lloyd	Thanks for your note & wire, and for your work here.
48	Ltr CC/P/404 MacFarlane	19 Jun 44	Captain Stone 4112	Ref grain program in Sicily. Suggest info be given on "points"
49	Cbl ACC Main 6544 Stone	21 Jun 44	AFHQ	Fwdg of inflat report being delayed to include supply section
50	Cbl ACC Main 6527 Econ Section	21 Jun 44	AFHQ G-5	Comments combined supply gp forwarded today.
1977 51	Ltr Ref 217/64/CA Brig. Lush	27 Jun 44	A/CC	Ref ltr I issued 12 May. Done with concurrence of CC.
52	Cbl ACC Main 6803 Food S/C	27 Jun 44	IBS etc. 4010	APPENDIX: 1003/274/CA 12 May New Basic Ration Scale. Instructions. Ration cards. To all regional Commissioners.
53	Cbl	28 Jun (?)	ACC	State employees request increase in salaries.
54	Memo Denamore	29 Jun 44	Capt Stone 4012	Giving Italiane fertilizer for their wheat maybe help Sicilian problem
55	Ltr Lawler	1 Jul 44	Members of Committee Inflation	Allied Anti-Inflation Committee (Italy) Report
55a	Ltr Grady	29 Jun 44	A/CC 4012	Grain Harvesting & Bonus payments thereon

INSTRUCTIONS.—When papers on a subject become numerous they will be numbered serially and brief entries made on this form.

Q. M. C. Form 553 (Old No. 490)
Revised July 26, 1948

LIST OF PAPERS

File under No. 100 - ALLIED INFLATION COMMITTEE

Page Three

SECRET

SERIAL NUMBER	FROM—	DATE	TO—	SYNOPSIS
27	Ltr ES/41 Economic Section	6 Jun 44	Chief Commissioner	Ref Badoglio's ltr 1728, 3rd June. Premium would in effect raise price, which we consider sound. Suggest premium of fertilizers.
28	Ltr DAG/566 Gen Moorehead	8 Jun 44	Gen Robertson	Bread ration being increased. Please help ACC with transport.
29	Cbl ACC Main 5998 Capt. Stone	9 Jun 44	AFHQ	Preliminary views on supply mission report ref F 54743.
30	Cbl Freedom F 57264	9 Jun 44	ACC for FNMM	Authority is given to increase bread ration in Lib Italy from 200 to 300 grams. Submit study of supply sit and keep problem under review. Coordinate with progress of harvest etc. Ref M211 & CC/G/36
31	Cbl Freedom 57500	10 Jun 44	Econ Sec ACC	Forward inflation report with out detailed supply rpt is poss. Urgent to get info for CCS.
32	Cbl ACC Main 6106 Stone	12 Jun 44	AFHQ	Ref 57500, will do.
33	Cbl Freedom F 8150	12 Jun 44	ACC for FNMM	Re tel. fr CCS on increase of bread ration, inform urgently of a) public announcement b) any intimation has reached Ital. officials
34	Cbl ACC Main M245 MacFarlane	12 June 44	AFHQ	Ref F8150, no announcement but FWB & Badoglio informed under pledges of secrecy.
35	Ltr DCC 100 Stone	12 Jun 44	Col. Adams	Program for control of infla. in Italy. Better coordination nec. with Local Resources Board. Submit soonest a program of supply requirements aimed at controlling inflation
1976				Ref F8150, still cannot be sure that some Itals have not heard of increase thru my officers.
36	Cbl M246 MacFarlane	13 Jun 44	AFHQ	Info that CCS has held up the announcement of increase is most serious. Am being pressed from all sides & publicity is valuable. Urge reconsideration of hold-up.
37	Cbl M247 Stone	13 Jun 44	AFHQ	Ref M245 & M246 immediate announcement of increase is authorized.
38	Cbl Freedom F 58873	13 Jun 44	ACC for FNMM	

SECRET

INSTRUCTIONS.—When papers on a subject become numerous they will be numbered serially and brief entries made on this form.

G. M. C. Form 352 (Old No. 490)
Revised July 20, 1918

LIST OF PAPERS

File under No. 100 - ALLIED INFLATION COMMITTEE

Page Two

SECRET

3-9284

SERIAL NUMBER	FROM -	DATE	TO -	SYNOPSIS
14 b	Cbl ACC Main 5343	20 May 44	Mideast	Stenographer needed. Ref 4541 of 8 May. Please forward copy of combined report based on Lloyd-Glasser talks.
15	Cbl Troopers F5 96196	20 May 44	ACC Main	
16	Cbl ACC Main M211 MacFarlane	22 May 44	AFHQ	Ref F-48558 of 20 May. Detailed report on proposal to increase bread ration & its effect on supply problem.
17	Cbl Freedom F49060	22 May 44	ACC for Foley	Preliminary outline of financial program appears satisfactory.
17a	Cbl Freed F49063	22 May 44	ACC for Glasser	Request more details. Approve no change in lira rate at this time.
18	Cbl ACC Main 5400 Foley	23 May 44	Freedom	Stabilization program now formulating here will be comprehensive. CCS should reserve decision until ACC program is ready.
19	Cbl ACC Main 5450 Foley	25 May 44	AGWAR	From Glasser: ACC requests I stay here for talks on 29th. Will leave Naples directly on 1 June.
20	Cbl ACC Main 5453 Foley	25 May 44	Freedom	Ref F 49060 of 22 May, additional details of program not being forwd'd to you prior to ur arrival as still considering.
21	Cbl F 51379 Freedom	27 May 44	ACC for Glasser	Sec of Treasury directs your report Wash immediately.
22	Cbl ACC Main 5589 Foley	29 May 44	AFHQ	Glasser leaves for Algiers 29 May, ref your F 51379.
23	Cbl ACC Main 5645 Mr. Lloyd	31 May 44	Mideast	For Jackson. Agreed here most promising way of fighting inflation is better cereals collection plan.
24	Ltr Badoglio 1728	3 June 44	Gen. MacFarlane	Discontent on wheat price. Suggest premium for wheat delivered
25	Ltr CC/G/362 MacFarlane	3 Jun 44	AFHQ SAC	Ref M211 of 22 May. Brief of activities of Anti-Inflation committee. Increase in bread ration principal goal in campaign.
26	Cbl Freed F 54743	4 Jun 44	ACC for FNMM	War office pressing for supply mission report. Pls expedite.

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INSTRUCTIONS.—When papers on a subject become numerous they will be numbered serially and brief entries made on this form.

Q. M. C. Form 353 (Old No. 490)
Revised July 28, 1948

LIST OF PAPERS

File under No. 100 - ALLIED INFLATION COMMITTEE

Page One

SECRET

SERIAL NUMBER	FROM—	DATE	TO—	SYNOPSIS
1	Cbl AGWAR TAM 162	9 Apr 44	Wilson, ETOUSA	Suggestions re Control of Inflation in ITALY means financial & economic program stabilizing prices
2	Cbl Freedom F 30518	11 Apr 44	Fatima	Instructions of CCS for combatting inflation in Italy
3	Cbl Main Hq ACC 4540 Foley	8 May 44	Mideast, Freedom	Lloyd's help on anti-inflation program
4	Ltr Capt Stone	9 May 44	Gen MacFarlane	Suggestions membership Inflation Committee
5	Cbl Freedom F 44254	11 May 44	ACC Main	When report ref 4540 ready consideration interested sections this Headquarters
6	Cbl Main Hq ACC M 194 FNMM	12 May 44	AFHQ	Suggestions for adjustments in bread ration for civil population, in connection with price of wheat, black market & inflation
7	Cbl Main Hq ACC 3989 Foley	14 May 44	Freedom	Features of financial section of stabilization program TAM 162
8	Cbl Main Hq ACC 5019 Foley	15 May 44	Freedom	Draft forthcoming after consultation with Lloyd ref F 44254
9	Directive MacFarlane	17 May 44	All Concerned	Establishment of Allied Inflation Committee with Captain Stone as chairman
10	Ltr MacFarlane CC/P/303	18 May 44	MacMillan	Lloyd has arrived. Composition of anti-inflation committee. Am urging greatest speed
10a	Ltr 13021/F	18 May 44	"Price of Bread"	Anti-inflation committee set up with Captain Stone as chairman. Action in first meeting
11	Cbl Main Hq ACC M 207 FNMM	19 May 44	AFHQ	Ref attd cbl to MacMillan re meeting on Monday May 29 with Chairman & members of committee
12	Ltr Lloyd	20 May 44	Lawler	Have arranged you confer with Inflation Committee 29 May. Urge you back strongly proposals of Cable M207 of 19 May.
13	Cbl Main Hq ACC M209 Mr. Lloyd	20 May 44	AFHQ	Ref M207 of 19 May & M194 of 12 May. Increase of bread ration receiving urgent consideration. More details, please.
14	Cbl Freedom F 48558	20 May 44	MacFarlane Action: Stone	Inflation program will not be ready for talks with AFHQ until 29 May 44. MacMillan informed.
14 a	Cbl ACC Main 5345 Foley	20 May 44	Freedom	

SECRET

Instructions.—When papers on a subject become numerous they will be numbered serially and brief entries made on this form.

24 February 1945

AIDE MEMOIRE FOR COMMUNICATION TO THE ITALIAN
GOVERNMENT BY THE ACTING PRESIDENT OF THE
CONTENTS OF THE NEW DIRECTIVE ON THE
FUNCTIONS OF THE ALLIED COMMISSION

EXTRACT:

17. The prime responsibility for the control of inflation in Italy, including the imposition and administration of the appropriate financial controls and economic controls, and appropriate utilization of supplies, rests with the Italian Government. In this connection, as in others, the Allied Commission stands ready to advise and assist.

18.

1973

4603/100

(96)

INCOMING MESSAGE

HEADQUARTERS ALLIED COMMISSION

Originator's Reference: WAR 35021
 Date/Time of Origin: FEB 061944

Message Centre No: D/1056
 Date/Time Recd: FEB 081015
 Precedence: ROUTINE

FROM: HILDRING SIGNED MARSHALL

TO : MCWANEY FOR SPOFFORD PASS TO STONE

RESTRICTED

RESTRICTED.

State and Treasury Departments advise that news story arose from unfavorable publicity accorded Podesta in United States. Reference S416 and TAM 434. Also that State and Treasury Departments are aware of importance of not disclosing printing of non-military currency and have been and are taking all possible precautions to avoid releases of this type in accordance with your request. For your information, Office of Censorship declines to prohibit publication of news on the subject to which you refer which is not considered by that agency as involving direct military security.

ACTION
 1972

DIST

ACTION INFO
 CHIEF COMMISSIONER
 A/PRESIDENT
 CHIEF COMMISSIONER
 CoS
 P R BR
 FINANCE SC
 ECON SEC
 FILE (2)

4603/CC

95

RESTRICTED



SECRET**EXTRACT****FROM: AGWAR FROM THE COMBINED CHIEFS OF STAFF (BOOK MESSAGE)****TO: ALEXANDER FOR ACTION****REF. NO. THIS MESSAGE: WX 29633****31 January 1945****FAN 487 - Extract****DIRECTIVE FROM COMBINED CHIEFS OF STAFF****For File # 4603/CC****Subject Anti-Inflation Committee**

* * *

7. The questions raised by you in Sub-paragraphs A, B and C of Paragraph 4 of NAF 778 are answered as follows:

A. The prime responsibility for the control of inflation in ITALY, including the imposition and administration of appropriate financial and economic controls and appropriate utilization of supplies, must rest with the Italian Government. Your responsibility in this connection, other than with respect to the importation of supplies, is, through the Allied Commission, to advise and assist the Italian Government.

* * *

1971

SECRET

Complete Directive filed in File # 102/CC New Deal

4603/CC

(96)

(94)

TOP SECRET

AFHQ FOR AGWAR

S-416

18 JAN

ROUTINE

TOP SECRET PD

WIRESERVICE CARRIED SEVENTEEN JANUARY STORY QUOTING TREASURY DEPARTMENT AS STATING THAT NEW ITALIAN CURRENCY BEING PREPARED IN UNITED STATES TO REPLACE ALL EXISTING CURRENCY WHEN ALL OF ITALY LIBERATED PD

PAREN TO AFHQ FOR AGWAR FOR GENERAL HILLDRING FROM HQ AICOM SIGNED ADMIRAL STONE PAREN

THE ADVANCE NOTICE OF THIS CONVERSION RECOMMENDED IN THE REPORT OF THE ANTI INFLATION COMMITTEE WHICH TILL NOW HAS BEEN SECRET BECOMES AN INVITATION *INFLATIONARY OPERATIONS* TO SPECULATION BY FINANCIAL SPECULATORS AT THE EXPENSE OF MONETARY STABILITY FOR ALL CLASSES PD GRATEFUL FOR YOUR ASSISTANCE IN PREVENTING RECURRENCE OF NEWS RELEASES OF THIS TYPE

1971

cc: Chief of Staff
Finance 5/c
cc's files

4603/c

See (95)

TOP SECRET PD

WIRESERVICE CARRIED SEVENTEEN JANUARY STORY QUOTING TREASURY DEPARTMENT AS
STATING THAT NEW ITALIAN CURRENCY BEING PREPARED IN UNITED STATES TO REPLACE
ALL EXISTING CURRENCY WHEN ALL OF ITALY LIBERATED PD

PAREN TO AFHQ FOR AGMAR FOR GENERAL HILLDRING FROM HQ AICOM SIGNED ADMIRAL

STONE PAREN

THE ADVANCE NOTICE OF THIS CONVERSION RECOMMENDED IN THE REPORT OF THE ANTI
INFLATION COMMITTEE WHICH TILL NOW HAS BEEN SECRET BECOMES AN INVITATION
TO *INFLATIONARY OPERATIONS*
SPECULATION BY FINANCIAL SPECULATORS AT THE EXPENSE OF MONETARY STABILITY
FOR ALL CLASSES PD GRATEFUL FOR YOUR ASSISTANCE IN PREVENTING RECURRENCE
OF NEWS RELEASES OF THIS TYPE

197J

cc: *Chief of Staff*
Finance 5/c
cc's files

Chief Commissioner

222

ELLERY W. STONE
Rear Admiral, USNR
Chief Commissioner

Confidential

4603/CD

See (45)

(93)

SO to Chief Commissioner
RESTRICTED
 ALLIED RECONTROL COMMISSION
 INCOMING MESSAGE

cc 939
 NOV 19 1955

9/1346 A

TO: ALCON FOR STONE

SIGNAL MESSAGE CENTER No: 19/20

FROM: AFHQ SIGNED SACKED

CLASSIFICATION:

REFERENCE No: F54766

PRECEDENCE: ROUTINE

DATE AND TIME OF ORIGIN: NOV 19 1853A OFFICE OF ORIGIN: CITE PHCEG

RESTRICTED.

Report on status Anti-Inflation Committee recommendations forwarded to CCS and BCS on 31 October. Reference your S 365 of 18 November.

ACTION

(91)

AC Dist

✓
 ACT- SO to Chief Commissioner (2)
 INF- C o S (2)
 FILE

100-2

1969 Copy sent to Finance Sub-Commission

Q
 20-VI

Report on status after-THIRTEEN COMMISSION

to CCS and BCS on 31 October. Reference your S 366 of 18 November.

ACTION

(91)

AC DIST

Act - SD to Chief Commissioner
INF - C o S (2)
FILE

100-2

✓

Copy sent to Finance Sub-Commission

Q / 20-XI

RESTRICTED

HEADQUARTERS
20 NOV 1944
A. C.

FILES A

(92)

DATE and Time of RECEIPT NOV 200600A

Distribution:

RESTRICTED

AFHQ

ALCOM

S-566

18 Nov 44

RESTRICTED

PRIORITY

CHIEF COMMISSIONER

RESTRICTED ID

GRATEFUL FOR CONFIRMATION THAT DISTRIBUTION OF REPORT ON STATUS OF ANTI INFLATION
 COMMITTEE RECOMMENDATIONS PAREN TO AFHQ FOR SPOFFORD FROM ALCOM FROM STONE PERSONAL
 PAREN REQUESTED IN PARA THREE OF MY FORWARDING LETTER ABLE SLANT CHARLIE CHARLIE
 1 0 0 - 2 2 4
 ONE ZERO ZERO DASH TWO OF TWO FOUR OCTOBER CMA HAS BEEN MADE

90

AUTHENTICATED:

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

1903

DISTRIBUTION:

Chief of Staff
 VP, Econ. Sec
 CSO, Econ Sec
 Col. Grefftey-Smith, Finance S/C
 Cmdr, Lawler, Finance S/C
 Col. Fiske, "stab. Sec.
 Brig. Upjohn, CA sec.
 'A' Files

RESTRICTED

91

FILES ▲

100-2

SECRET

EWS/afe

A/CC 100-2

24 October 1944

Subject: Report of the Allied Anti-Inflation Committee (Italy)

To: Allied Force Headquarters, APO 512
(Attention: G-5 Section)

1. Reference is made to the Report of the Allied Anti-Inflation Committee (Italy), dated 19 June 1944, copies of which were sent to you to be forwarded to the Combined Chiefs of Staff.

2. We have received no comments from the Combined Chiefs of Staff but since in the normal course of operations some of the recommendations have been implemented, although the report as a whole has not been laid before the Italian Government, it seemed appropriate at this time to forward a memorandum (attached), giving the present status of the various recommendations.

3. Since the situation has changed considerably in the period since 19 June 1944, it is suggested that it would be advisable to forward this memorandum both to the Combined Chiefs of Staff, to assist them in their consideration of the Report, and also to the other original recipients.

ELLERY W. STONE
Commodore, USNR
Acting Chief Commissioner

1907

1 Encl.

cc: Chief of Staff
V.P., Econ Sec
C.S.C., Econ Sec
Col. Graffey-Smith, Fin S/C
Comdr Lawler, Fin S/C
Col. Fiske, Estab Sec
Col. Upjohn, C.A. Sec
"A" Files

COS
Econ Sec - VP
-CSO

Fin Sub Com

90 All members of AF Com

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HEADQUARTERS ALLIED CONTROL COMMISSION
APO 394

A/CC 100-2

24 October 1944

MEMORANDUM: Status of Anti-Inflation Recommendations as of 22 October 1944

Page	Recommendation	Status
2-4	Present situation	The degree of inflation has of course increased. The exact increase in the price index and in currency circulation will be found in the Monthly Reports of the Finance Sub-Commission for July, August and September. The Government deficit has increased as more territory has come under the jurisdiction of the Government. Allied expenditure has also increased. There is still an extreme shortage of practically all goods. Public distrust of the currency is difficult to assess at this point; bank deposits have decreased in the past two months; bond sales were excellent in August but very poor in September. Black Market premium on sterling and £ exchange currency has increased steadily. Wages have increased throughout the period in the form of the payment of illegal wages. Legal wages have recently been increased on an average of approx. 60%. There is, as yet, no indication of a flight from the Lire into real assets.
5.	Price Group representation	Change recommended has been made and in addition Transportation Sub-Commission is now represented.
5.	Price Directive	Issued on 26 June, 1944.
5.	Price Group representation on local Resource Boards	No action on this recommendation.
1903.	Parallel action by Italian Government	An Inter-Ministerial Committee has been established; it is not yet fully operating.
6.	Wage policy must include simplification of the wage structure.	This recommendation was urged on the Italian Government in considering the wage increase to private employees. They did not, however, adopt the recommendation. The same recommendation was urged on the Italian Govern-

have increased throughout the period in the payment of illegal wages. Legal wages have recently been increased on an average of approx. 60%. There is, as yet, no indication of a flight from the lire into real assets.

Change recommended has been made and in addition Transportation Sub-Commission is now represented.

Issued on 26 June, 1944.

No action on this recommendation.

An Inter-Ministerial Committee has been established; it is not yet fully operating.

This recommendation was urged on the Italian Government in considering the wage increase to private employees. They did not, however, adopt the recommendation. The same recommendation was urged on the Italian Government in the new decree increasing the wages of State employees. Here we were successful and the plan adopted. It should be noted, however, that the general principles on wage policy had to be relaxed somewhat because of the failure to receive substantial imports of food and other civilian supplies resulting in heavy public pressure in Italy.

No attempt has been made to carry out this recommendation.

No action has been taken to institute any new subsidies.

No action has been taken on this recommendation.

- 1 -

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5. Price Group representation

5. Price Directive

5. Price Group representation on local resource boards

Parallel action by Italian Government

6. Wage policy must include simplification of the wage structure.

6. Policy of non-wage incomes.

7. Use of subsidies for food produced at cost in excess of sale price

7. Extension of Amusing to all major crops.

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<u>Page</u>	<u>Recommendation</u>	<u>Status</u>
7.	Control of crops not all transport available is being used to transport unassessed through con- amassed crops and rationed food supplies. There is not tool of transport. an excess of transport to enable any implementation of this recommendation.	
8.	Enforcement of Price Enforcement in AMG areas is satisfactory in view of the and Anti-Profititeer- limited personnel available. In areas restored to the ing Legislation. Italian Government control is extremely unsatisfactory.	
8.	Subsidies to main- Bread is still subsidised. There is at present no pres- tain low bread tect of increasing the ration; therefore the Italian price Government is pressing for withdrawal of the subsidy in view of the increase in wages.	
8.	Introduction of clothing and foot- This has not been possible as supplies have not been wear into the ration. received to enable implementation.	
8.	Prices on imports. It has not been possible to implement this since landed cost prices have not been received in time.	
8.	Prices of indus- This has not been implemented since there has been trial goods. little distribution of such goods and landed cost prices have not yet been furnished.	
9.	Products of local industry. No action as yet largely due to the fact that most products of local industry are being taken by the Armed Forces and are not being distributed.	
9.	Increase in Util- Action completed, except for telephone rates--action in ity Rates. which is being pressed by AGC.	
10.	Stimulation of Tax assessment and collection. Progress is being made. The Italian Government has adopted the use of individual returns and has increased assessments, and is attempting to bring the rolls up to date. Decreases have been adopted spending up the procedure to dispose of appeals.	
11.	Increase in Monopoly prices. Action completed.	
11.	Increase in Tax on Real Property. Decree adopted and action completed.	
11.	Government revenue Decree adopted which amends the "turnover tax" increas-	

6. Prices of industrial goods.
This has not been implemented since there has been little distribution of such goods and landed cost prices have not yet been furnished.
7. Products of local industry.
No action as yet largely due to the fact that most products of local industry are being taken by the Armed Forces and are not being distributed.
8. Increase in Utility Rates.
Action completed, except for telephone rates--action in which is being pressed by ACC.
9. Stimulation of Tax assessment and collection.
Progress is being made. The Italian Government has adopted the use of individual returns and has increased assessments, and is attempting to bring the rolls up to date. Decrees have been adopted speeding up the procedure to dispose of appeals.
10. Increase in Monopoly prices.
Action completed.
11. Increase in Tax on Real Property.
Decree adopted and action completed.
12. Government Revenue from price and distribution controls.
Decree adopted which amends the "turnover tax" increasing rates and simplifying methods of collection.
13. Increased Penalties for illicit gain.
Decree adopted; the Italian Government is sequestrating fortunes acquired under the Fascist regime preparatory to adoption of confiscatory methods.
14. Correction of basic weaknesses in Italian Revenue System.
Has been under considerable discussion by Finance Sub-Commission and Italian Ministry of Finance. Some action has been taken although it is felt unwise to make a major change at the present time.
15. Income Taxes.
New decree adopted providing for individual tax-payers' declarations. Heavier penalties and higher base rates; the new base rate is 30%. The new tax also provides for assessments in respect of illicit gains.

- 2 -
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<u>Page</u>	<u>Recommendation</u>	<u>Status</u>
12.	Excess Profits Tax	Decree adopted which does not increase rates but tightens the administrative procedure and repeals two sections of the old statute which permitted many government contractors to use a false standard year. This should considerably increase the revenue of this tax.
12.	Death Duties.	Draft decree which has not yet been adopted.
12.	Improvement of collection system.	Under constant discussion. The Ministry of Treasury feels that this is not the appropriate time to completely abolish the system of collecting taxes through private contractors. We doubt that the Italian Government will agree to abolish this system.
13.	Basic conditions of expenditure control.	Budget has been prepared and is in operation with provision for revision every three months to meet changing circumstances. A Corte dei Conti has been organized and is operating to control expenditures.
13.	Policy toward payment of accumulated claims.	All three points have been adopted and implemented by administrative instructions. So far no adverse effect on government credit has been observed.
14.	Payment of subsidies.	Subsidies are still in effect on several food items and transportation of food. The Italian Government is pressing to drop all subsidies from the budget since wages have risen so considerably it is believed that these subsidies do not at present serve any function in inflation control.
14.	Service on Public Debt.	Has been discussed at length with the Italian Government which proposes in its next loan to lower the interest rate.
14.	Central Purchasing Agency	Now in operation.
14.	Emergency Committee of Economy.	Recently recommended to the Government together with specific recommendations for economies resulting from further study of the budget.
15.	Sale of new bonds and reduction of interest rate.	Minister of Treasury has prepared and discussed with Finance Sub-Commission and with the principal Commercial Bankers a decree providing for a new issue of bonds as soon as all of Italy is liberated. These

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- ment of accumulated administrative instructions. Similar no adverse effects on government credit has been observed.
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14. Emergency Committee of Economy. Recently recommended to the Government together with specific recommendations for economies resulting from further study of the budget.
- 1967
15. Sale of new bonds and reduction of interest rate. Minister of Treasury has prepared and discussed with Finance Sub-Commission and with the principal Commercial Bankers a decree providing for a new issue of bonds as soon as substantially all of Italy is liberated. These bonds will bear 3½% interest as opposed to 5% on most of the issues now outstanding.
15. Refinancing of outstanding public debt to unify rates. Minister of Treasury states that the terms of the outstanding bonds are such that there cannot be a complete conversion on redemption. However he hopes in connection with the sale of the new issue mentioned above to obtain a substantial conversion.
16. Open Market operations. In operation.
16. Termination of financing through overdraft. The Minister of Treasury is in thorough agreement in principle but at present time there is no alternative.

- 3 -
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<u>Page</u>	<u>Recommendation</u>	<u>Status</u>
16.	Timing of program.	Work started on new bonds. Open market operations started earlier than planned with the reopening of the stock market in Rome and in Naples. The Italian Government feels that the bond program and a conversion of the outstanding public debt should not be attempted until the industrial North has been substantially liberated.
16.	Prevention of speculative extension of credit.	Periodic instructions have been sent out to the Inspectorate. A weekly report of credit outstandings is in operation to enable the making of a constant check.
16.	Lower interest rates for commercial loans.	After discussion with commercial banks and the Central Bank, rates were reduced $\frac{1}{2}$ of 1% in September, and it is hoped to continue this practice in succeeding months until a normal rate is reached.
16.	Inspectorate is to be responsible to Ministry and not to Central Bank.	Completed.
16.	Banca d'Italia to be prohibited from engaging in commercial business.	Completed.
16.	Change in interest rates of the Banca d'Italia	This action is started by a reduction of $\frac{1}{2}$ of 1% as in the case of commercial banks and ordinary treasury bonds. Reserve provision has been discussed but no action has, as yet, been taken.
17.	Lower rediscount rate.	The first reduction of $\frac{1}{2}$ of 1% has been made as in the commercial rate. It is hoped gradually to bring it down to 2% within the next four months.
17.	Control extensions of credit other than by banks.	No action.
17.	Eliminate bearer securities and bearer pass-books.	No action.

- until a normal rate is reached.
16. Inspectorate is to be responsible to Ministry and not to Central Bank. Completed.
16. Banca d'Italia to be prohibited from engaging in commercial business. Completed.
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17. Control extensions of credit other than by banks. No action.
17. Eliminate bearer securities and bearer pass-books. No action.
17. Conversion. Steps have been taken to obtain the new currency. It is hoped to have sufficient currency of the new type at the end of six months.
17. Blocking or taxation. There have been broad discussions in principle over the past ten months. The Minister of Treasury has now appointed a commission which is studying the problem. His personal proposal is for a program to take place as soon as possible after the liberation of substantially all of Italy. He would first block all currency holdings and all deposits and then impose a tax of 50% on all currency, bank deposits, public securities and private securities including corporate shares. Many of his advisers feel that this program is too radical. A commission proposed by one of his advisers provides for 2 conversions, the first taking place by means of over-stamping outstanding metropolitan lire, blocking on both conversions and the imposition of a 10% tax on each conversion.

19. Rate of exchange. No action necessary.

- 4 -

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<u>Page</u>	<u>Recommendation</u>	<u>Status</u>
21.	Amalgam and Bread ration.	Ration has been increased in the South but is still at 200 grams in Central and Northern Italy. The future of this program depends on imports. As a result of the pressure of public opinion in Italy, wage increases, unaccompanied by an improvement in the supply situation, have been resorted to as a means of meeting the problem of rising living costs.
21.	Olive oil refining.	Original requisitions filled; new requisitions of 420 tons caustic soda per month until 1 Jan. 1945 and 770 tons per month until 1 July 1945 have been filed.
22.	Food processing.	Program dropped for lack of materials, 4,000 tons only of tomato paste packed in wooden barrels.
22.	Food imports.	The Director of the Food Sub-Commission and the Vice-President of the Economic Section are currently discussing this program with CCS.
23.	Clothing and Footwear.	All that has been received to date is a supply of cotton thread, approximately 240,000 pairs of canvas shoes, 119 salvaged uniforms and 332 bales of raw cotton.
24.	Fertilizer and Insecticides.	Some fertilizers have been received, other requisitions are pending; insecticides have not been received and requisitions have been pending since March 1944.
24.	Mining Equipment.	There are numerous requisitions dating back to October 1943 but in the main they have not been filled, though a few minor items have been received.
25.	Seeds.	Requisition for new crop year filed.
25.	Farm machinery and accessories.	Some baling wire, some binder twine and some nails have been received. Other requisitions which have not been filled have been pending since April. New requisition filed recently.
25.	Industrial rehabilitation.	Changed situations due to the substantial destruction in central Italy have altered the possibilities of rehabilitation. No clear policy directive has as yet been received from CCS.

President of the Economic section are currently discussing this program with COS.

23. Clothing and Footwear. All that has been received to date is a supply of cotton thread, approximately 240,000 pairs of canvas shoes, 119 salvaged uniforms and 532 bales of raw cotton.

24. Fertilizer and Insecticides. Some fertilizers have been received, other requisitions are pending; Insecticides have not been received and requisitions have been pending since March 1944.

24. Mining Equipment. There are numerous requisitions dating back to October 1943 but in the main they have not been filled, though a few minor items have been received.

25. Seeds. Acquisition for new crop year filled.

25. Farm machinery and accessories. Some baling wire, some binder twine and some nails have been received. Other requisitions which have not been filled have been pending since April. New requisition filed recently.

25. Industrial rehabilitation. Changed situations due to the substantial destruction in central Italy have altered the possibilities of rehabilitation. No clear policy directive has as yet been received from COS.

25. Allocation of Coal. This has been implemented and situation is much more satisfactory.

25. Emergency Supplies. Some of this material has been requisitioned and partial shipments have been received, but many of the requisitions for these emergency supplies have still not been filled.

27. Allocation of products and facilities. Action has been taken within the theatre as recommended, not by creating a new Allied Economic Council but by revising the organization of the Allied Forces Local Resources (Italian) Board, of which the Chief Commissioner is now co-chairman.

FAS/njp

25 September 1944

Brigadier General Charles M. Spofford, U.S.A.
Asst. Chief of Staff, G-5
Allied Force Headquarters

Dear General Spofford:

Receipt is acknowledged of your letter of 16 September, G-5/100, forwarding copies of letter, subject: "Comments on Report of Allied Anti-Inflation Committee (Italy)", dated 30 July.

It is regretted that copies of General Clark's comments were not made available earlier to the Commission.

Copies of General Clark's letter are being circulated to the sub-commissions concerned. With respect to para 3 of his letter, however, it may be stated that the first of a series of reductions of one-half of 1% in interest rates on bank loans and with similar reductions of the rediscount rate were introduced by the Italian Government on 10 September 1944 after full consultation with commercial bankers and the central bank and with their agreement. Aside from one newspaper article, this action has been favorably received.

Very truly yours,

ELBERT W. STONE
Captain, USNR
Acting Chief Commissioner

1903

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26 SEP 1944
AG. 1610
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100-2 Subject Committee

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HEADQUARTERS ALLIED CONTROL COMMISSION
Office of the Acting Chief Commissioner
APO 394

BWS/hjp

19 September 1944

TO: Economic Section
Joint Directors, Finance Sub-Commission

Having learned recently that comments on the Anti-Inflation Report of 19 June were forwarded by AFHQ, I have requested that the Commission be furnished with copies thereof. These have just been received and I am forwarding them to you for study and appropriate action, together with a draft reply. Will you kindly let me have your comments thereon, including the date on which the reduction in interest rates was made effective.

Stone

2 Incls:

Incl 1 - Ltr from General Clark
dated 30 Jul 44, under cover of Ltr G-5/100 16/9

Incl 2 - Draft reply to Col.
Spofford, G-5

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Hq ACC - Secy Gen.
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Date - 19 Sept 1800
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ALLIED FORCE HEADQUARTERS
G-5 Section
APO 512

SEC. GEN.

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APO 394
246
18 Sept 1944
PRR

16 September 1944

21 SEP 1944

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FILE: G-5/100

SUBJECT: Letter to C.C.A.C. Commenting on the Report of the Allied
Anti-Inflation Committee (Italy).TO : Headquarters, Allied Control Commission, APO 394,
(Attention: Acting Chief Commissioner).

1. There is forwarded herewith copy of the letter, dated 30 July 1944, which was submitted by this Headquarters to the Combined Civil Affairs Committee, Subject: "Comments on Report of Allied Anti-Inflation Committee".

2. As of this date, no reply to the letter or subject Report has been received by this Headquarters.

CHARLES M. SPOFFORD,
Colonel, G.S.C.,
Asst. Chief of Staff, G-5.1 Encl.
As above.

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APP A

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COPY

30 July 1944

SUBJECT: Comments on Report of Allied Anti-Inflation Committee (Italy).

TO : The Secretaries, The Combined Chiefs of Staff,
1901 Constitution Avenue,
Washington, D.C.
FROM: Combined Civil Affairs Committee.

1. The subject Report was prepared under the direction of the Allied Control Commission in accordance with instructions contained in TAM 162 of 9 April 1944. Copies of this Report were forwarded under cover of letter of 17 July (file G-5/100).

2. This Headquarters concurs in the recommendations of the Report except as indicated below. It should be noted (p.1) that the Allied Control Commission will lay the program as a whole in front of the Italian Government only after it has been approved by you.

3. The proposals on government financing and banking turn on the practical possibilities of reducing the entire structure of interest rates, including those on government debt, on bank loans, and on bank deposits. A determined effort to effect these reductions must be made by the Italian Government. But it is proper to bear in mind that very considerable difficulties will be encountered in view of the uncertainties in the present Italian financial situation and the strong inertia arising out of the fact that the existing structure of interest rates is thoroughly established.

4. The proposed supply program as outlined in Section IV is considered well-balanced and in line with practical possibilities. However, this program should be explained as basically determined by the requirements of inflation control and is not intended to comprise an integrated industrial rehabilitation program. This program must, of course, be supported by requisitions for food and equipment. A portion of these requisitions have been screened by this Headquarters, and the Allied Control Commission has been instructed to prepare the balance of the detailed requisitions.

5. It is noted with approval that the food production program (particularly that portion related to the provision of fertilizers

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and insecticides) included in Section IV is expected to "ensure reduced food imports" (p.24). This expectation seems in contradiction to the earlier statement on p.22 that it is unsound to press for reduced food imports under present conditions. In the view of this Headquarters, however, the contradiction is more apparent than real. The agreed objective is to take all practicable steps to increase local production so as to make possible progressive reductions in imports. Detailed comments on certain aspects of the supply phase of the program are annexed hereto.

6. The Report very properly asserts (p. 20) that "to argue which is the most important - to control supply or to control purchasing power - is no more profitable than to argue which blade of a pair of scissors does the cutting". The conclusions (Section V, p. 29) should be interpreted in this light and are not regarded as adequately representing the substance of the Report. Increased imports are an important element in the control of inflation and unless raw materials and equipment can be made available a certain deterioration in the situation is inevitable. However, it is realized by this Headquarters that imports into Italy must be held to a minimum of essential items and in quantities in line with available world supply, shipping, and limited port acceptance and distribution facilities. Moreover, although the Report concludes that most of the financial measures proposed therein cannot be effective in the near future, this Headquarters regards it as of utmost urgency that all feasible financial matters be taken to soak up purchasing power. As long as the Italian Government can continue to finance its deficits out of idle funds within the banking system, runaway, destructive inflation can be averted. If public confidence in the currency and in the Government's capacity to control the financial situation should ever be destroyed, the financial factors will become dominant.

7. The proposals made in Sub-Section 'E' (pages 27/28) concerning the establishment of an Allied Economic Council (ITALY), together with the reasoning adduced to support the recommendation that the Council should be formed, will be dealt with by this headquarters. Until the examination of this section of the report by A.F.H.C. is completed it is not to be assumed that the facts adduced to support the formation of the Council are necessarily correct, nor that machinery does not already exist to carry out the functions which it is desired to assign to the Economic Council. The appendix referred to in this section must therefore be disregarded.

8. It is noted that the question of troop expenditures is not raised in the report. It is believed that such expenditures constitute a factor in the inflationary situation which, while temporary, is of sufficient importance to justify consideration in connection with the report. Further study of the matter will be given in the theater and it is suggested that measures might also be considered in Washington and London whereby such expenditures may be reduced.

9. While this headquarters concurs in the general recommendations as to taxation and revenue contained in Section III of the body of the report, it expresses no opinion on the recommendations set forth in the

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Appendix entitled "Reform of the Italian Tax System." It is believed that the implementation of the general recommendations in the body of the report must remain primarily a matter for the Italian authorities. Implicit in the development of the policy of tax rates and exemptions are a number of broad social and political questions which this headquarters does not undertake to appraise.

For General WILSON:

J. G. W. CLARK,
Lieutenant General
Chief Administrative Officer

Copy to:
British Chiefs of Staff.

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ANNEX: Comments on the Supply Phase of the Anti-Inflation Program.

1. Section IV of the Report contains a series of supply recommendations designed to increase the quantity of goods available for sale, thus taking some pressure off the commodity market. The program as outlined reflects a clear grasp of the supply aspects of the inflation control problem in Italy. The following comments refer to specific statements and recommendations in the Section which are not entirely concurred in:

- 2.
- (a) The statement (p. 21) that lack of caustic soda was responsible for the failure to refine large quantities of inedible oil is undoubtedly correct. However, the only caustic soda requisitions filed by the ACC (5 November) were for the manufacture of soap and not for the refining of olive oil.
 - (b) The decision to process tomatoes for civilian consumption (p. 22) is heartily approved. However, despite the anxiety expressed by the ACC over the non-arrival of "small quantities of preserving and packing materials", requisitions were not received by this Headquarters until 9 June and were then sent forward at once to AGAR. Incidentally, this Headquarters called the attention of ACC on 26 April to the fact that 5,000 tons of tomatoes were being offered to non-civilian consumers in the Naples area, although imports of foodstuffs for civilian use were continuing.
 - (c) The fertilizer program (p. 24) was arranged so that phosphate rock from North Africa would be delivered to Italy beginning August 10th, the date specified by ACC. Ammonium nitrates from the United Kingdom and the United States were scheduled similarly. The delivery of phosphate rock has been indefinitely postponed (as of 25 July approx) because of operational priority for use of shipping facilities. The program will be reinstated at the earliest possible date.
 - (d) As to industrial supplies, the Report implies (p. 25) that rehabilitation has lagged because coal has not been available. The problem of rehabilitation of industry is considerably broader than the allocation of fuel, and except for the mining and fertilizer industries the ACC has not yet submitted an integrated industrial rehabilitation program. It is in preparation with much of the fact finding work already completed. This portion of the Report is confined to short-run possibilities of quickly repairing certain production facilities. Within the framework of inflation control it is very acceptable.

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DRAFT

EWS/hjp

Colonel Charles M. Spofford, G.S.C.
Asst. Chief of Staff, G-5
Allied Force Headquarters

Dear Colonel Spofford:

Receipt is acknowledged of your letter of 16 September, G-5/100, forwarding copies of letter, subject: "Comments on Report of Allied Anti-Inflation Committee (Italy)", dated 30 July.

It is regretted that copies of General Clark's comments were not made available earlier to the Commission.

Copies of General Clark's letter are being circulated to the sub-commissions concerned. With respect to para 3 of his letter, however, it may be stated that the first of a series of reductions of one-half of 1% in interest rates on bank loans and with similar reductions of the rediscount rate were introduced on _____ without resistance.

Very truly yours,

MILERY W. STONE
Captain, USNR
Acting Chief Commissioner

1956

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EWS/ajp

19 September 1944

A/CC 100-2

My dear Mr. Prime Minister:

I would like to draw your attention to my letter A/CC 100-2 of 6 September 1944, on the subject of charges for state services and public utility companies, and at the same time I would be grateful to know if you are yet in a position to answer the question raised therein.

Very truly yours,

ELLERY W. STONE
Captain, USNR
Acting Chief Commissioner

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

1953

100-2

87

19 Sept

FILES (A)

SA	273
DISP	19 Sept 1944
11b	11b
11b	11b

18 Sept 44

Captain Stone:

Lt. Col. Scudder would like for you to check with Prime Minister Bonomi as to why no action has been taken in regards to the attached letter.

A.J.S.

83

→ Captain Slaughter:

Reminder sent. Please so inform

19 Col: Scudder:

TAQ

FILE UNDER NO.

091.1 Ital Govt
091.3 Economics
100-2 InflationINDEX SHEET
SYNOPSIS

Ltr 5363 Bonomi to Stone 19 Sept 44

Legislative measure for raise in salaries of Ital Govt
public employees being examined by ACC. Can you help things along?

Cost of living makes this urgent.

DOCUMENT FILED UNDER NO.

100-1 Finance

100-2

1953

86

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 the consolidated index sheet and then destroyed.

19 Sept

FILE UNDER NO. 100-2 INFLATION

INDEX SHEET
SYNOPSIS

Ltr Capt Stone A/CC 100-1 of 10 Sept 44 to CINE AAI.

Consideration extension Allied Forces' program
for limitation of soldiers' expenditures.

DOCUMENT FILED UNDER NO. 100-1 FINANCE

1952

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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 the consolidated index sheet and then destroyed.

10 Sept

FILE UNDER NO. 100-2 Inflation

**INDEX SHEET
SYNOPSIS**

Memo Densmore A/CC 100-1 to VP Econ Sec

6 Sept 44

Limitation of Soldiers' Expenditures

Pls coordinate your comments with Finance SC & see if a draft
can be drawn up for A/CC.

DOCUMENT FILED UNDER NO.

100-1 Finance

1951

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 the consolidated index sheet and then destroyed.

84

100-2

EAS/hjg

A/CC 100-2

6 September 1944

My dear Mr. Prime Minister:

You will recall that increases in charges for many State services and public utility companies have been suggested by the Italian Government and approved by the Allied Control Commission.

This is in pursuance of a policy recommended by a committee of this Commission that considered what steps should be taken to combat the tendency towards inflation in the internal economy of this country, the increase in such charges being one of the main points of this policy.

As far as the Ministry of Communications is concerned, increases were approved in the State rates for telegraph, postal and railway services, and we understand that these increases are duly being made valid by decree. At the same time, corresponding increases were recommended by the Italian Government and approved by the A.C.C. for the telephone rates charged by telephone concessionary companies and for the broadcast license fee charged by E.I.A.; we have been informed however, that the Council of Ministers has not approved these increases, and that no decrees to implement these increases are in course of preparation. It is understood that the Council considered these increases to be impolitic.

We would point out that we consider a general rise of the rates structure of public services to be an essential factor in the policy of checking inflation, and that distinctions should not be drawn between State services and concessionary companies' services where rate increases are fully justified from consideration of their financial situation. The study of their financial situation has been very carefully made and the recommended increases are believed to be the minimum essential to the proper restoration of the economy of the country.

We would therefore request you to ensure that the charges for the telephone companies and for the E.I.A. licenses are adjusted in accordance with the recommendations of this Commission, and at the same time as the rates for corresponding services performed by State departments.

Hq A.C.C. Sec'y Gen.

Yours very truly,

DISPATCHED

1944

LMS/hjp

A/CC 100-2

6 September 1944

My dear Mr. Prime Minister:

You will recall that increases in charges for many State services and public utility companies have been submitted by the Italian Government and approved by the Allied Control Commission.

This is in pursuance of a policy recommended by a committee of this Commission that considered what steps should be taken to combat the tendency towards inflation in the internal economy of this country, the increase in such charges being one of the main points of this policy.

As far as the Ministry of Communications is concerned, increases were approved in the State rates for telegraph, postal and railway services, and we understand that these increases are duly being made valid by decree. At the same time, corresponding increases were recommended by the Italian Government and approved by the A.C.C. for the telephone rates charged by telephone concessionary companies and for the broadcast license fee charged by RAI; we have been informed however, that the Council of Ministers has not approved these increases, and that no decision to implement these increases are in course of preparation. It is understood that the Council considered these increases to be impolitic.

We would point out that we consider a general rise of the rates structure of public services to be an essential factor in the policy of checking inflation, and that distinctions should not be drawn between State services and concessionary companies' services where rate increases are fully justified from consideration of their financial situation. The study of their financial situation has been very carefully made and the recommended increases are believed to be the minimum essential to the proper restoration of the economy of the country.

We would therefore request you to ensure that the charges for the telephone companies and for the RAI licenses are adjusted in accordance with the recommendations of this Commission, and at the same time as the rates for corresponding services performed by State departments.

Mr. A.C.C. Secy Gen.

Yours very truly,

5.9.107

1944

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We would therefore request you to ensure that the charges for the telephone companies and for the EIAI licenses are adjusted in accordance with the recommendations of this Commission, and at the same time as the rates for corresponding services performed by State departments.

Yours very truly,

WILLIAM W. STONE
Captain, USNR
Acting Chief Commissioner

cc: Communications S/C.
(Drafted by JLN Comm S/C
Approved by Finance S/C)

Hq A.C.C. Sec'y Gen.

DISPATCHED

Date Time 6 Sept 18 40

via

records

HS

DRR

His Excellency-Avance Bonomi
The President of Council of Ministers
Italian Government

6 Sept

FILES 4-10-41

1971

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FILE UNDER NO. 091.1 Ital Govt
 100-2 Inflation Committee

INDEX SHEET

SYNOPSIS

Draft of Ltr Stone to VP Eoon Sec (Ltr never sent -- discussed verbally)

dtd 4 Sept re: Representation to the Ital Govt, for committee to be established to look into improvements of Italy's relief and social security system.

Precis:

- x-100-2 Do not believe Ital Govt should be asked to look into adequacy of relief payments: you (Gen O'Dwyer) are right that present payments are inadequate, but then payments if larger would only tend to drive prices higher, and initiate wholesale demands for wage etc increases from other quarters.
- x-100-2 Re TAM 162, reply sent re inflationary trends in Italy & our proposed stabilization program stated that standards of expenditure would be

DOCUMENT FILED UNDER NO. 000.1-2 Ital Politics

established to reduce budget expenditures and to eliminate unnecessary payments to individuals.

- x-100-2 Further, any increase in living conditions could be accomplished (re Anti-Inflation Committee report) by increase in rationed commodities rather than by any increase in salaries or income.
- x-091.1 Committee's recommendations already very broad. Desirability of these are highly questionable. If committee's recommendations initiate building programs not using materials in long supply (building materials are critically short), the result may be disastrous on the price structure.
- x-100-2

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 the consolidated index sheet and then destroyed.

4 Sept

100-2

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HEADQUARTERS
ALLIED CONTROL COMMISSION
FINANCE SUB-COMMISSION
APO 394
TEL: 417

HQ ACC. APO 394

977 Sec. & Gen.

Rec'd 3 Sept 1944

By PRR

13021/F

1 Sep 1944

SUBJECT: Anti-Inflation Committee

- A 170
- 6 SEP 1944

1. Attached is a short report of a meeting held in London to discuss in general terms the report of the Allied Anti-Inflation Committee.
2. The memo is passed to you for information and interest. Mr. Lloyd wishes to emphasise that the opinions expressed therein do not necessarily represent the official and definitive British view which has yet to be transmitted to the Combined Chiefs of Staff in Washington.
3. It appears that some time will elapse before a concerted statement on the report is received from the Combined Chiefs of Staff. Meanwhile the implementation of many of the recommendations contained in the report progresses steadily.

A. P. Graber

Colonel,
Joint Director,
Finance Sub-Commission.

Copy to: Acting Chief Commissioner ✓
Brig. G. R. Upjohn
Col. N. Piske
Lt. Col. J. J. Lawler
Exec. Officer - Economic Section

1943-

100-2

(81)

1 Sept

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COPY

Note of Meeting at the Treasury on Wednesday, 2nd August, 1944 to discuss, with Mr. Lloyd present, some aspects of the Report of the Allied Anti-Inflation Committee in Italy.

Present :-

Mr. Playfair
(In the Chair)
Mr. Lloyd
Mr. Stopford
Col. Patrick
Mr. Key
Mr. Hampshire
Mr. Dew
Mr. Williams
Mr. Welch
Miss Evans
Mr. Sherington
Mr. Turner
Mr. Hadden
Mr. Malder
Mr. de Breyne
Mr. Biggs.
Mr. Hogg
Mr. Wade

Treasury.

War Cabinet Offices

War Office

" "

" "

" "

Foreign Office

" "

Board of Trade

" "

" "

Foreign Office (Energy Bch)

Ministry of Production.

Ministry of Food.

" "

" "

Bank of England.

" "

Treasury

Mr. Lloyd gave a general account of the background of the inflationary situation in Italy caused by the Italian Government's large deficit, allied military expenditure and shortage of supplies for civilians. On the supplies question he said that there was considerable uncertainty in the field about our policy for Italy and the responsibility that we intended to take. Military necessity was of course the criterion, but he had found an impression in Italy that this was to be interpreted restrictively, and of course, it was capable of very wide or very narrow interpretation. Certain supplies, e.g. needles and thread, raw cotton, fertilisers, caustic soda had been requisitioned but not received, even though they were needed not for the purpose of raising the standard of civilian life, but in order to save further imports of vital necessities (such as clothing and soap) by putting them into local production. As far as is known in London, all requisitions for raw cotton have been met and needles and thread and caustic soda have been shipped some time ago. They should all by now have arrived. It was also very important to emphasise the part that civilian supplies played in the control of the harvest, since where it was impossible to enforce strong administrative measures, a supply of clothing, agricultural machinery etc., was the best way of tempting the farmers to bring their crops to the market. This was of crucial importance for saving further shipments of food.

Further, it seemed to be assumed by the military authorities in Italy that there was a complete ban on the rehabilitation of civilian industry. The authorities, who, of course, had to give priority to military requirements, interpreted this as meaning that no importance need be attached to civilian economy. On page 28 of the Report

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Further, it seemed to be assumed by the military authorities in Italy that there was a complete ban on the rehabilitation of civilian industry. The authorities, who, of course, had to give priority to military requirements, interpreted this as meaning that no importance need be attached to civilian economy. On page 26 of the Report it was explained how A.C.C.'s job of advising how much local production was essential to civilian life had been taken over by the Local Resources Board, which was wholly concerned with military needs.

For instance, it had proved impossible to get 25 tons of Sardinian coal which could have been used to put about 4 million candles on the market. These could have been sold at high prices since they were not a vital necessity of life and would have helped to mop up local currency. There was needed some body for giving due weight to civilian requirements that did not interfere with the military and this was emphasized as an anti-inflationary measure in the Report.

There was a large psychological element in the problem of inflation and a programme of small concessions and limited rehabilitation of local industry might have the most helpful results. Could we not fix a standard for such a programme somewhat below the standard we intend to apply to allied countries so that the Italians could see that we intended to give them a measure of assistance?

(8)

1715

Mr. Stopford replied that it was certainly wrong to think that we wanted any ban on the rehabilitation of local industry where circumstances allowed. The military standard was that necessary "for the prevention of disease and unrest", which was our interpretation of military necessity. The door was not closed to a developing interpretation of this, but we were of course greatly impeded by the shortage of supplies, the future needs of mordeserving countries and the physical difficulties of transport, unloading and distribution. Clothing in particular was a difficult item, and perhaps the only proper basis for supply was a coupon allowance per head of population.

Mr. Lloyd said that this was a much more liberal policy than was imagined by the authorities in Italy. They would be very keen on starting some kind of clothes rationing scheme if it could be done.

Mr. Dew underlined Mr. Stopford's remarks, but emphasized that our policy was really one of self-interest, and that was the ultimate criterion for all these supplies. We had to aim at reducing Italy's need for imports, both on supply and financial grounds.

Mr. Stopford summarizes this in three objectives:

- (i) To supply the minimum of goods necessary to prevent interference with the progress of the Italian campaign.
- (ii) To rehabilitate local industry as far as possible for reducing imports under (i)
- (iii) To promote Italian exports necessary to the allies.

Mr. Key then raised the question of our general responsibility for the reforms and the remedies that would have to be applied by the Italian Government. It should be their responsibility to make proposals, and it was their fault if a programme were not put forward.

Mr. Playfair said that we could not avoid our actual responsibility as administrators of the country, and that we could not let the situation go by default of the Italian Government. We have, if necessary, to give them direction for the taking prompt and effective measures to attack the inflation. Mr. Lloyd agreed with this, and gave an example of the way in which, if the Italian Government did not accept our views (e.g. on the price of wheat) we had in effect to give them directions rather than advice. We could not evade responsibility for the consequences. Mr. Key pointed out that the Italians might then try to work under directions as much as possible in order to fix the responsibility on us.

Mr. Biggs thought that the local anti-inflation campaign should be separated as far as possible from the question of imported supplies since these went in under a programme worked out on supply grounds and in which there was little latitude.

Mr. Turnersaid, however, that this may already have made us concentrate too much on finished goods, whereas there ought to be at least some useful raw materials in easy supply which would be of more use in the long run if used to restart local manufacturers. Mr. Welch mentioned the shortage of machinery that would impede this policy and the general shortage of almost all useful commodities for industrial purposes.

Mr. Dew suggested that we should nevertheless try to work out a programme for Italy. The doubt at the moment was whether Washington would, for political and financial reasons, accept it.

Mr. Turner added that any such programme would greatly improve the possible Italian contribution to European relief. Mr. Playfair and Mr. Welch said it was hard to imagine this being appreciable while we had only South of Italy and while there would be feeling in this country...

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Mr. Turner added that any such programme would greatly improve the possible Italian contribution to European relief. Mr. Playfair and Mr. Welch said it was hard to imagine this being appreciable while we had only South of Italy and while there would be feeling in this country if Italian exports were promoted before our own.

The meeting concluded by thanking Mr. Lloyd for his review and for his having undertaken his visit to Italy. A number of questions arising from the Report were left over for discussion by the Treasury with the Bank of England and the others concerned.

15th. August, 1944

SECRET

HEADQUARTERS ALLIED CONTROL COMMISSION

APC 394

24 October 1944

A/CC 100-2

MEMORANDUM: Status of Anti-Inflation Recommendations as of 22 October 1944.

Page	Recommendation	Status
2-4	Present situation	The degree of inflation has of course increased. The exact increase in the price index and in currency circulation will be found in the Monthly Reports of the Finance Sub-Commission for July, August and September. The Government deficit has increased as more territory has come under the jurisdiction of the Government. Allied expenditure has also increased. There is still an extreme shortage of practically all goods. Public distrust of the currency is difficult to assess at this point; bank deposits have decreased in the past two months; bond sales were excellent in August but very poor in September. Black market premium on sterling and \$ exchange currency has increased steadily. Wages have increased throughout the period in the form of the payment of illegal wages. Legal wages have recently been increased on an average of approx. 60%. There is, as yet, no indication of a flight from the lire into real assets.

4603/2

Change recommended has been made and in addition Transportation Sub-Commission is now represented.

Issued on 26 June, 1944.

No action on this recommendation.

- 5. Price Group representation
- 5. Price Directive
- 5. Price Group representation on Local Resource Boards
- 5. Parallel action by Italian Government

An Inter-Ministerial Committee has been established; it is not yet fully operating.

This recommendation was urged on the Italian Government

more action must

increase to private employees.

4603/a

months; bond values rose; Black market premium on securities fell in September; Black market premium increased steadily. Wages and \$ exchange currency has increased in the form of have increased throughout the period in the form of the payment of illegal wages. Legal wages have recently been increased on an average of approx. 60%. There is, as yet, no indication of a flight from the lire into real assets.

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Issued on 26 June, 1944.

No action on this recommendation.

An Inter-Ministerial Committee has been established; it is not yet fully operating.

This recommendation was urged on the Italian Government in considering the wage increase to private employees. They did not, however, adopt the recommendation. The same recommendation was urged on the Italian Government in the new decree increasing the wages of State employees. Here we were successful and the plan adopted. It should be noted, however, that the general principles on wage policy had to be relaxed somewhat because of the failure to receive substantial imports of food and other civilian supplies resulting in heavy public pressure in Italy.

No attempt has been made to carry out this recommendation.

No action has been taken to institute any new subsidies.

No action has been taken on this recommendation.

- 1 -
SECRET

5. Price Group representation

5. Price Directive

5. Price Group representation on Local Resource Boards

5. Parallel action by Italian Government

443 Wage policy must include simplification of the wage structure.

6. Policy of non-wage incomes.

7. Use of subsidies for food produced at cost in excess of sale price

7. Extension of Amusing to all major crops.

80a

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<u>Page</u>	<u>Recommendation</u>	<u>Status</u>
7.	Control of crops not All transport available is being used to transport amassed through con- amassed crops and rationed food supplies. There is not trol of transport. an excess of transport to enable any implementation of this recommendation.	
8.	Enforcement of Price Enforcement in AMG areas is satisfactory in view of the and Anti-Profit- limited personnel available. In areas restored to the ing Legislation. Italian Government control is extremely unsatisfactory.	
9.	Subsidies to main- Bread is still subsidized. There is at present no pres- tain low bread tect of increasing the ration; therefore the Italian price Government is pressing for withdrawal of the subsidy in view of the increase in wages.	
8.	Introduction of clothing and foot- This has not been possible as supplies have not been wear into the ration. received to enable implementation.	
8.	Prices on imports. It has not been possible to implement this since landed cost prices have not been received in time.	
8.	Prices of indus- This has not been implemented since there has been trial goods. little distribution of such goods and landed cost prices have not yet been furnished.	
9.	Products of local industry. No action as yet largely due to the fact that most products of local industry are being taken by the Armed Forces and are not being distributed.	
9.	Increase in Util- Action completed, except for telephone rates--action in ity Rates. which is being pressed by ACC.	
10.	Stimulation of Tax Progress is being made. The Italian Government has assessment and adopted the use of individual returns and has increased collection. assessments, and is attempting to bring the rolls up to date. Decrees have been adopted speeding up the pro- cedure to dispose of appeals.	
11.	Increase in monopoly prices. Action completed.	
11.	Increase in Tax on Decree adopted and action completed.	

- cost prices have not been furnished.
- This has not been implemented since there has been little distribution of such goods and landed cost prices have not yet been furnished.
- No action as yet largely due to the fact that most products of local industry are being taken by the Armed Forces and are not being distributed.
- Action completed, except for telephone rates--action in which is being pressed by ACC.
- Progress is being made. The Italian Government has adopted the use of individual returns and has increased assessments, and is attempting to bring the rolls up to date. Decrees have been adopted speeding up the procedure to dispose of appeals.
- Action completed.
- Decree adopted and action completed.
- Decree adopted which amends the "turnover tax" increasing rates and simplifying methods of collection.
- Decree adopted; the Italian Government is sequestrating fortunes acquired under the Fascist regime preparatory to adoption of confiscatory methods.
- Has been under considerable discussion by Finance Sub-Commission and Italian Ministry of Finance. Some action has been taken although it is felt unwise to make a major change at the present time.
- New decree adopted providing for individual tax-payers' declarations. Heavier penalties and higher base rates; the new base rate is 30%. The new tax also provides for assessments in respect of illicit gains.
8. Prices of industrial goods.
 9. Products of local industry.
 9. Increase in Utility Rates.
 10. Stimulation of Tax assessment and collection.
 11. Increase in Monopoly prices.
 11. Increase in Tax on Real Property.
 11. Government Revenue from price and distribution controls.
 11. Increased Penalties on illicit gain.
 11. Correction of basic weaknesses in Italian Revenue System.
 12. Income Taxes

SECRET

<u>Page</u>	<u>Recommendation</u>	<u>Status</u>
12.	Excess Profit Tax	Decree adopted which does not increase rates but tightens the administrative procedure and repeals two sections of the old statute which permitted many government contractors to use a false standard year. This should considerably increase the revenue of this tax.
12.	Death Duties.	Draft decree which has not yet been adopted.
12.	Improvement of collection system.	Under constant discussion. The Ministry of Treasury feels that this is not the appropriate time to completely abolish the system of collecting taxes through private contractors. We doubt that the Italian Government will agree to abolish this system.
13.	Basic conditions of expenditure control.	Budget has been prepared and is in operation with provision for revision every three months to meet changing circumstances. A Corte dei Conti has been organized and is operating to control expenditures.
13.	Policy toward payment of accumulated claims.	All three points have been adopted and implemented by administrative instructions. So far no adverse effect on government credit has been observed.
14.	Payment of subsidies.	Subsidies are still in effect on several food items and transportation of food. The Italian Government is pressing to drop all subsidies from the budget since wages have risen so considerably it is believed that these subsidies do not at present serve any function in inflation control.
14.	Service on Public Debt.	Has been discussed at length with the Italian Government which proposes in its next loan to lower the interest rate.
14.	Central Purchasing Agency	Now in operation.
14.	Emergency Committee	Recently recommended to the Government together with specific recommendations for economies resulting from

1091

- expenditure compared with the 1944-45 period. The Government has been organized in circumstances. A Corte dei Conti has been organized and is operating to control expenditures.
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14. Service on Public Debt. Has been discussed at length with the Italian Government which proposes in its next loan to lower the interest rate.
14. Central Purchasing Agency. Now in operation.
14. Emergency Committee of Economy. Recently recommended to the Government together with specific recommendations for economies resulting from further study of the budget.
15. Sale of new bonds and reduction of interest rate. Minister of Treasury has prepared and discussed with Finance Sub-Commission and with the principal Commercial Bankers a decree providing for a new issue of bonds as soon as substantially all of Italy is liberated. These bonds will bear 3 1/2% interest as opposed to 5% on most of the issues now outstanding.
15. Refinancing of outstanding public debt to unify rates. Minister of Treasury states that the terms of the outstanding bonds are such that there cannot be a complete conversion on redemption. However he hopes in connection with the sale of the new issue mentioned above to obtain a substantial conversion.
15. Open Market operations. In operation.
15. Termination of financing through overdraft. The Minister of Treasury is in thorough agreement in principle but at present time there is no alternative.

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<u>Page</u>	<u>Recommendation</u>	<u>Status</u>
16.	Timing of program.	Work started on new bonds. Open market operations started earlier than planned with the reopening of the stock market in Rome and in Naples. The Italian Government feels that the bond program and a conversion of the outstanding public debt should not be attempted until the Industrial North has been substantially liberated.
16.	Prevention of speculative extension of credit.	Periodic instructions have been sent out to the Inspectorate. A weekly report of credit outstandings is in operation to enable the making of a constant check.
16.	Lower interest rates for commercial loans.	After discussion with commercial banks and the Central Bank, rates were reduced $\frac{1}{2}$ of 1% in September, and it is hoped to continue this practice in succeeding months until a normal rate is reached.
16.	Inspectorate is to be responsible to Ministry and not to Central Bank.	Completed.
16.	Banca d'Italia to be prohibited from engaging in commercial business.	Completed.
16.	Change in Interest Rates of the Banca d'Italia	This action is started by a reduction of $\frac{1}{2}$ of 1% as in the case of commercial banks and ordinary treasury bonds. Reserve provision has been discussed but no action has, as yet, been taken.
17.	Lower rediscount rate.	The first reduction of $\frac{1}{2}$ of 1% has been made as in the commercial rate. It is hoped gradually to bring it down to 2% within the next four months.
17.	Control extensions of credit other than by banks.	No action.
17.	Eliminate bearer securities and bearer pass-books.	No action.
17.	Conversion	Steps have been taken to obtain the new currency. It

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17. Control extensions of credit other than by banks.
No action.
17. Eliminate bearer securities and bearer pass-books.
No action.
17. Conversion.
Steps have been taken to obtain the new currency. It is hoped to have sufficient currency of the new type at the end of six months.
17. Blocking of taxation.
There have been broad discussions in principle over the past ten months. The Minister of Treasury has now appointed a commission which is studying the problem. His personal proposal is for a program to take place as soon as possible after the liberation of substantially all of Italy. He would first block all currency holdings and all deposits and then impose a tax of 50% on all currency, bank deposits, public securities and private securities including corporate shares. Many of his advisers feel that this program is too radical. A compromise proposed by one of his advisers provides for 2 conversions, the first taking place by means of over-stamping outstanding Metropolitan Lire, blocking on both conversions and the imposition of a 10% tax on each conversion.
19. Rate of exchange
No action necessary.

SECRET

Para	Recommendation	Status
21.	Assessing and Bread ration.	Ration has been increased in the South but is still at 200 grams in Central and Northern Italy. The future of this program depends on imports. As a result of the pressure of public opinion in Italy, wage increases, unaccompanied by an improvement in the supply situation, have been resorted to as a means of meeting the problem of rising living costs.
21.	Olive oil refining.	Original requisitions filled; new requisitions of 420 tons caustic soda per month until 1 Jan. 1945 and 770 tons per month until 1 July 1945 have been filed.
22.	Food processing.	Program dropped for lack of materials, 4,000 tons only of tomato paste packed in wooden barrels.
22.	Food imports.	The Director of the Food Sub-Commission and the Vice-President of the Economic Section are currently discussing this program with CCS.
23.	Clothing and Footwear.	All that has been received to date is a supply of cotton thread, approximately 240,000 pairs of canvas shoes, 119 salvaged uniforms and 532 bales of raw cotton.
24.	Fertilizer and Insecticides.	Some fertilizers have been received, other requisitions are pending; insecticides have not been received and requisitions have been pending since March 1944.
24.	Mining Equipment.	There are numerous requisitions dating back to October 1943 but in the main they have not been filled, though a few minor items have been received.
25.	Seeds.	Requisition for new crop year filed.
25.	Farm machinery and accessories.	Some baling wire, some binder twine and some rails have been received. Other requisitions which have not been filled have been pending since April. New requisition filed recently.
25.	Industrial rehabilitation.	Changed situations due to the substantial destruction in central Italy have altered the possibilities of rehabilitation. No clear policy directive has as yet been received from CCS.
25, 26	Allocation of Coal.	This has been implemented and situation is much more

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25. Industrial rehabilitation. Changed situations due to the substantial destruction in central Italy have altered the possibilities of rehabilitation. No clear policy directive has as yet been received from CCS.
25. Allocation of Coal. This has been implemented and situation is much more satisfactory.
26. Emergency Supplies. Some of this material has been requisitioned and partial shipments have been received, but many of the requisitions for these emergency supplies have still not been filled.
27. Allocation of products and facilities. Action has been taken within the theatre as recommended, not by creating a new Allied Economic Council but by revising the organization of the Allied Forces Local Resources (Italian) Board, of which the Chief Commissioner is now co-chairman.

-5-
SECRET

20a

FILE UNDER NO.

091.1 Ital Govt
 001.04 Ind Mob
 100-2 Inflation Comm

INDEX SHEET

SYNOPSIS

Ltr A/CC 091.3 31 Aug Stone to Rosoni

x-001.04 | Difficulty contractors trying to buy materials at just prices.
 x-100-2 | Appears to be very little control of prices on a large scale throughout Italy.

x-091.1 | Urgent need to set up an Inter-ministerial committee to keep
 interim control of prices. Committee to work with AMG forward & with
 Econ Sec to maintain uniform policy

x - 100-2 Measures vital to avoid inflation.

Pls set this up immediately & convene it by 2/9, giving us a
 statement of policy by 6/9

DOCUMENT FILED UNDER NO.

091.3-1 Economics

1942

80

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 the consolidated index sheets and then destroyed.

31 Aug

100-2

FILE UNDER NO. 100 - INFLATION COMMITTEE

**INDEX SHEET
SYNOPSIS**

Ltr Capt Stone 26 Aug 44 to Vice President Econ Sect.

Additional transport & supplies to preserve law & order in the
Northern Regions.

DOCUMENT FILED UNDER NO. 500 - TRANSPORTATION

1944

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 the consolidated index sheets and then destroyed.

79

~~CONFIDENTIAL~~

RWS/njp

A/C 100

26 July 1944

28 JUL 1944

SUBJECT: Report of Allied Anti-Inflation Committee

TO : Allied Force Headquarters, APO 512

1. Reference is made to letter 5025/CAC, from C-in-C, AAI, to AFHQ, copy to ACC, dated 21 July 1944, subject "Allied Forces Local Resources (Italy) Board".

2. In support of the recommendations of the Allied Anti-Inflation Committee, attention is invited to attached copy of letter 5009/CAC, Hq AAI to Chief Commissioner, ACC, dated 14 June 1944, subject "Co-ordination of Industry" and the Chief Commissioner's reply thereto, CC/P/405 dated 19 June 1944, and to the Chief Commissioner's letter CC/P/412 of 20 June 1944 to CAC, Adv Hq AAI.

ROBERT F. STONE
Captain, USMC
Acting Chief Commissioner

3 Incls:

Incl 1 - Copy ltr 5009/CAC Hq AAI, 14 Jun 44
Incl 2 - Copy ltr CC/P/405 Hq ACC, 19 Jun 44
Incl 3 - Copy ltr CC/P/412, Hq ACC, 20 Jun 44

(INCL 2 T ACC 321 of 2484)
filed in 100

cc. Tac Hq AAI
Hq AAI

INCL 3

46a

1911

78

A/C 100

26 Jul 44

~~CONFIDENTIAL~~

File (A) B

100 Distribution Committee

COPYCONFIDENTIAL

FMS/rj

Ref. CC/P/412.

20th. June, 1944.

As you know, I have to go home to get my back sorted out and am off almost at once.

2. I wish I could have had time to discuss the question of industries and factories with you before leaving. Stone will doubtless be taking this up with you.

3. In the meantime I think we ought to ensure that factories and industrial concerns in Rome and in the path of our advance should not be requisitioned or taken over without or making certain that they are used to best advantage. There will doubtless be a tendency, as in the past, towards taking over such establishments and using them for the needs of the moment without coordination of effort or consideration of other than immediate advantages.

4. The utilisation of these concerns clearly requires co-ordination and it would be well if your people and mine could keep in contact.

ROEL MASON MACPARKANE
Lieutenant General,
Chief Commissioner.

Major-General Sir Brian H. Robertson, St.,
Chief Administrative Officer,
Advance H.Q., A.A.I...

1934

ENC 3

HEADQUARTERS
ALLIED CREDIT COMMISSION
Office of the Acting Chief Commissioner
APO 394

EAC

A/CC 321

24 July 1944

24 JUL 1944

MEMORANDUM TO: Col. G. Upjohn, Acting Head, Administrative Section
Col. A. P. Graffey-Smith, Finance Sub-Commission
Col. E. H. Foley, Finance Sub-Commission
Col. H. H. Pisco, Deputy Executive Commissioner
Lt Comdr J. J. Lawler, Economic Section

1. Attached is copy of a letter from General Alexander to AFHQ, opposing the recommendation of the Anti-Inflation Committee, of which you were members, that an Allied Economic Council for Italy be created. Although General Robertson proposed to the Chief Commissioner in his letter dated 14 June 1944, copy attached, that an equivalent board be created of which he should be the Chairman, the present proposal is that the existing difficulties, which AAC recognizes, should be corrected by giving ACC more participation in the work of the Local Resources Board. This is, of course, a good move but I should like to have your views on General Alexander's letter and suggest that Col. Upjohn preside at a meeting of above addressees and forward me your comments on the attached.

2. I am sending a copy of this letter to the Vice President of the Economic Section whom Col. Upjohn will no doubt desire to have present at his meeting.

2 Incls:
as above

MURRY W. STONE
Captain, USAR
Acting Chief Commissioner

cc: Col. O'Dwyer, Vice President
Economic Section

INCL 1. 5025/CAU 24 July - INCL 1

INCL 2 5009/CAU 14 June (41a)

(77)

A/CC 321
24 July 44

all copies sent out
24/7

100 Inflation Committee
A/CC 321

File (A) B

1933

Subject :- Allied Forces Local Resources (ITALY) Board.

HEADQUARTERS

22 JUL 1944

A. C. C.

C.S.O. SECY CLEN

5982

Tac Headquarters,
Allied Armies in Italy,
C.M.R.

HO HQ, APO 394

151

22 July 1944

by

5025/GAO.

24th Jul. 44.

Allied Force Headquarters.

1. My attention has been drawn to the report of a Committee set up by the Allied Control Commission on Anti-Inflation. In Section IV I certain criticisms are made of the working of the Allied Force Local Resources (ITALY) Board, and proposals are made for an alternative procedure for the allocation of local resources.

2. I wish to record that I do not agree with these recommendations, and that, in certain respects, I find them quite unacceptable.

3. I am very much aware of the dangers of inflation, and I fully appreciate the importance of an increase in the supply of consumer goods through domestic production to counter inflation. I recognize that the allocation of local resources, including power, fuel, transport and industrial plants, has a very direct bearing on domestic production.

4. It is with the means proposed for dealing with this problem that I find myself at issue.

5. The essence of the criticisms levelled in the report against the working of the Local Resources Board is that: instead of confining itself to allocating among the Armed Forces that amount of local resources which has been found by the Allied Control Commission to be surplus to minimum civil requirements, the Board has arrogated to itself the function of determining also the civil requirement. To some extent there is ground for this criticism. In the first place I do feel that the influence of the Allied Control Commission on the Local Resources Board and its Committee has not received due weight. This, in part, is due to the organization of the Board itself, and I

1937

321

Doc
in 321

counter inflation. I recognize that the allocation of local resources, including power, fuel, transport and industrial plants, has a very direct bearing on domestic production.

4. It is with the means proposed for dealing with this problem that I find myself at issue.

5. The essence of the criticisms levelled in the report against the working of the Local Resources Board is that, instead of confining itself to allocating among the Armed Forces that amount of local resources which has been found by the Allied Control Commission to be surplus to minimum civil requirements, the Board has arrogated to itself the function of determining also the civil requirement. To some extent there is ground for this criticism. In the first place I do feel that the influence of the Allied Control Commission on the Local Resources Board and its Committee has not received due weight. [True, in part, is due to the organization of the Board itself and I appreciate that certain changes are desirable. Steps have already been taken to effect some of these changes. In particular, the ACC is being asked to nominate the Chairman of some of the Committees. I am afraid, however, that if the influence of the ACC within the Board has not been sufficiently strong this is, in part, due to the fact that the ACC has not been adequately represented. I feel, for example, that the proper person to represent the ACC on the Board itself is the Vice President, Economic Section. This official has, however, not attended the meetings of the Board, but has been represented by a junior official who has, on occasions, been inadequately briefed. To some extent the same state of affairs has prevailed in the Committees.

Cont/...sheet 3....

INCL 1

1937

6. There is, however, another aspect of this matter. I do not believe that it is possible to determine the minimum civil requirement as an absolute quantity. For example, the amount of cement which should properly be allocated to civil purposes must be considered in relation to the urgency of military requirements. It cannot be said that a certain fixed quantity of cement is the minimum civil requirement. If there were a complete dearth of cement for the Armed Forces it would be necessary to allocate all the cement available in the country to the Armed Forces, and none to civil use.

7. I am informed that the Local Resources Board has done its best to accept the advice of the ACC in regard to civil requirements. In the case of food, in particular, I am assured that they have never ignored the advice of the ACC representative on this point. In regard to certain other commodities, however, they have felt, as I do myself, that the civil requirement must be weighed in relation to the urgency of the military need.

8. To correct the alleged shortcomings of the Local Resources Board, the report proposes the creation of an "Allied Economic Council". A draft constitution for this Council is put forward as an Appendix to the report. The task of this Council would be to assess minimum civil requirements. The Local Resources Board would remain in being and be responsible for allocating the surplus after the civil requirements had been determined. If I have given above my reason for saying that these two questions cannot be considered separately. I also feel that machinery whereby every problem has to be examined twice is impossibly cumbersome.

9. There is a fundamental objection in my opinion to the organization of the Council as proposed. It is stated in the draft constitution that "the Council will bear in mind the overriding priority of the military requirements of the Allied Forces". The composition of the Council does not, however, conform to this sound doctrine. It is proposed that the Chairman of the Council should be the Chief Commissioner of the Allied Control Commission, that the Deputy Chairman should be the Vice President, Economic Section, ACC, and that the members should be Mr. CIO and a representative of C-in-C Med. I do not think that it would be logical for my Chief Administrative Officer to sit as a subordinate member of such a body, and I feel very strongly that, on the contrary, he should be its Chairman, in order that he may hold the balance more conveniently and ensure that the overriding priority of which

task of this Council would be to allocate resources to meet requirements. The Local Resources Board would remain in being and be responsible for allocating the supplies after the civil requirements had been determined. I have given above my reason for saying that these two questions cannot be considered separately. I also feel that machinery whereby every problem has to be examined twice is immensely cumbersome.

9. There is a fundamental objection in my opinion to the organization of the Council as proposed. It is stated in the draft constitution that "the Council will bear in mind the overriding priority of the military requirements of the Allied Forces". The composition of the Council does not, however, conform to this sound doctrine. It is proposed that the Chairman of the Council should be the Chief Commissioner of the Allied Control Commission, that the Deputy Chairman should be the Vice President, Economic Section, ACC, and that the members should be my CAC and a representative of C-in-C Med. I do not think that it would be logical for my Chief Administrative Officer to sit as a subordinate member of such a body, and I feel very strongly that, on the contrary, he should be its Chairman, in order that he may hold the balance more conveniently and ensure that the overriding priority of which the report speaks is, in fact, observed.

10. The Local Resources Board is an established organization. It unquestionably gives satisfaction to the fighting Services. Its procedure is understood. I think that it would be a great pity to weaken it by the establishment of a second and overriding body. Improvements, in my opinion, should be sought in the following directions :-

- (a) Stronger representation of the ACC on the Board and its Committees.
- (b) More effective co-operation between the ACC and the Board.
- (c) The establishment by the ACC of means to ensure constant technical review of existing and proposed requisitions, with a view particularly to the better exploitation of Italian industry in the interests of the war effort in its broadest sense.

INCL 1

Cont/...Sheet 3...

1933

Sheet 3.

- (d) Progressive transfer to the ACC of the functions of the Board in areas where military considerations have ceased to be important.

It is along these lines that I believe we can progress and satisfy in large measure the anxieties in regard to inflation and other evils which the Allied Control Commission very rightly entertain.

BHR/cmb

H.R. Alexander

General,
Commander-in-Chief.

Copy to:- Chief Commissioner,
Headquarters, Allied Control Commission,
C.M.F.

1 7 3 7

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

785015

C.H.P.

1937

INCL 1

LDD/hd

15 JUL 1944

A/CC 100.

15 July 1944

Subject: Report, Allied Anti-Inflation Committee (Italy)

To: Captain H. L. Pence, U.S.N.
The Office for Occupied Areas, Op. 50E
Pentagon Bldg., Room 3B, 917
Washington, D.C.

Acting Chief Commissioner Ellery W. Stone, UNR, has directed that the attached report, No. 69, of the Allied Anti-Inflation Committee (Italy) be forwarded to you for your information.

L. D. DENSMORE
Colonel, Sig C
Chief Staff Officer

1 Incl. - Copy No. 69

33

(74)

A/CC 100
15 JUL 44

T.L. 7/44

60

56-1734
17 JUL 1944

AMHQ FOR G-5 FOR SPOFFORD

ACC ADVANCE FOR DARLINGTON
503

14 JUL 44

CONFIDENTIAL
PRIORITY

ECONOMIC SECTION

CAPTAIN STONE SUGGESTS GENERAL CLARK BE INVITED TO READ ANTI INFLATION REPORT BEFORE
 COMING HERE SUNDAY PD PAREN TO AMHQ FOR GEORGE DASH FIVE FOR SPOFFORD FROM ACC ADVANCE
FOR DARLINGTON SIGNED STONE PAREN I AM RETURNING ALPHAS SUNDAY

100 Cash - Disposition

1933

(13) a

503
14 Jul 44

File 148

Q.

NICHOLAS POMBINO
CWO U.S.A.
Ass't. Adjutant

X

RED/dfe

N/CC 100.

13 July 1944

Subject: Anti-Inflation Report

A 496
13 JUL 1944

To: Allied Force Headquarters, APO 512.

(73) APP A

With reference to your cable E-71140 dated 11 July cite FHREG,
50 copies of the Report of the Allied Anti-Inflation Committee (Italy)
were mailed to your G-5 section with letter N/CC 100, 8 July 1944.

(62)

ROBERT E. DOE
Major, A.G.D.
Secretary General

100 Inflation Committee

1933

(73)

N/CC 100
13 Jul 44

CONFIDENTIAL

SCC

660

ACTION ACC ADVANCE FOR STONE

21/12

AFHQ SIGNED SIGNED

CONFIDENTIAL

P71140

PRIORITY

JULY 111757

CITE..FRGEG

2 COPIES ANTI INFLATION REPORT RECEIVED. SEND 10 COPIES TO
AFHQ FOR G5 FASTEST POSSIBLE.

ACC DISTR

Action..Econ Sec....3
Info....Dep C G
File
Float.....3

Done
/ 155

100 copies to
Econ

1931

File 155

13 APP A

CONFIDENTIAL

①

JULY 120930

Subject :- Co-ordination of Industry.

P. S. O.
File A-5422-B

18^{A 1740} JUL 1944

Tac Headquarters,
Allied Armies in Italy,
C.M.F.
5009/CAO.

11 Jul. 44.

Acting Chief Commissioner,
HQ Allied Control Commission.

HQ AEC, APO 394

61 Spec. Gen.

Rec'd 17 July 1944

Your letter CC/G/405, dated 19 Jun. 44,
was received at this HQ on 8 Jul. 44.

There are a number of matters, both of
fact and of opinion, in the report of the anti-
inflation committee which I should be glad to
discuss with you. I hope to arrange this dis-
cussion during the forthcoming visit by the CAO,
AFHQ, on 15/16 Jul. 44.

Robertson

BHR/emb.

Major-General,
Chief Administrative Officer,

Copy to:- D/CAO
CE
CS
Q(AE)

File 1/44

1931

11 July 44
5009/CAO

Recd at H2A.CS
17 July 44
1110 hrs

Major Doe:

O.K. HCC
has dealt with this.

17.7.44. Q.

100 Anti-Inflation Committee

3340

SECRET
ALLIED CONTROL COMMISSION

INCOMING MESSAGE

A 1671
13 JUL 1944

TO: ACC MAIN PERSONAL FOR STONE

SIGNAL MESSAGE CENTER No: 43/11
 FROM: ACC ADV FROM GRADY
 CLASSIFICATION: SECRET
 REFERENCE No: NONE
 PRECEDENCE: PRIORITY
 DATE AND TIME OF ORIGIN: JUL111615B OFFICE OF ORIGIN:

POSITION REMAINS THE SAME AS OUTLINED IN OUR LETTER TO AFHQ 8 JULY.
 IN LIGHT OF CABLE FX 69785 JULY 8 WE WILL REVIEW ENTIRE SITUATION
 FOOD REQUIREMENTS AND ADVISE ACCORDINGLY

66

ACC MAIN DIST

ACTION: C.S.O.

INFO: DEP. C.C.

FILE

FLOAT (2)

100 Inflation Comm

1929

POSITION REMAINS THE SAME AS OUTLINED IN OUR LETTER TO AFHQ 8 JULY.
 IN LIGHT OF CABLE PX 69785 JULY 8 WE WILL REVIEW ENTIRE SITUATION
 FOOD REQUIREMENTS AND ADVISE ACCORDINGLY

66

ACC MAIN DIST

ACTION: C.S.O.
 INFO: DER. C.C.
 FILE
 FLOART (2)

100 Inflation Committee

(D)

1929

(72)

7/2/48

nothing

DATE and Time of RECEIPT JUL 11 1740B

Distribution:

11 Jul 48

LDD/dfo

A/CC 100.

11 July 1944

DSN 484
11 JUL 1944

My dear Mr. Ambassador:

Attached for your information is a copy of the Allied Anti-Inflation
Committee (Italy) Report.

Very truly yours,

L. D. DENSMORE
Colonel, Sig C
Chief Staff Officer

1 Incl. - Copy No. 67

The Hon. Alexander Kirk
The American Ambassador
Naples

100
infection1923
71

File/44

A/CC 100
11 Jul 44

LDD/dfe

A/CG 100.

11 July 1944

DSH 483

11 JUL 1944

Dear Sir:

Attached for your information is a copy of the Allied Anti-Inflation
Committee (Italy) Report.

Very truly yours,

L. D. DENSMORE
Colonel, Sig C
Chief Staff Officer

1 Incl. - Copy No. 68

Sir Noel Charles, Bt., K.C.M.G.
British High Commissioner in Italy
Naples

100 Information

(420)

Fb/gmf

A/CG 100
11 Jul 44

EWS/hjp

A/CC 100

10 July 1944

10 JUL 1944

SUBJECT: Supply Group Report

TO : G-5 Section, Allied Force Headquarters, APO 512
(Attention: Colonel Spofford)

This will acknowledge your letter G-5: 319.1-27, dated 6 July 1944, forwarding a copy of AFHQ's comments on the report of the Supply Group. I have read it with the keenest interest, am in complete accord, and desire to record my commendation for a job well done.

ELLERY W. STONE
Captain, USNR
Acting Chief Commissioner

xy2i
68

A/CC 100
10 Jul 44

File/yes
+ 59

1000 Department Circulation

10 July 1944

To: Mr. Henry Grady, Economic Section, Adv Hq ACC

For your information and return.

See:

INCL - (66) - INCL

E.W.S.

1926

Captain Stone
Suggest this be
sent to Mr Grady
for info and
return -

Do you agree?

Report sent
to Mr. Grady
for 192 &
return

For HP

Yes
Guy

SECRET

ALLIED FORCE HEADQUARTERS
G-5 Section
APO 512

CMS/TBJ/mit

G-5: 319.1-27

6 July 1944

SUBJECT: Supply Group Report

DSM 1608
10 JUL 1944

Dear Captain Stone:

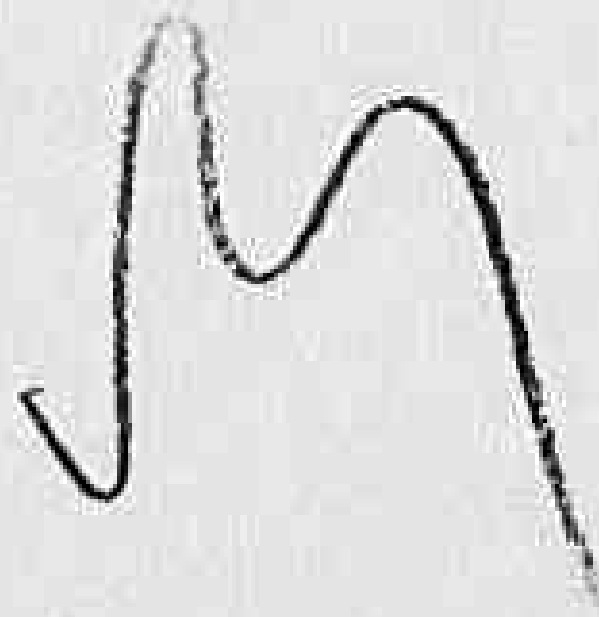
Attached for your information is a copy of the comprehensive comments sent to CCS (copy to London) on the report of the Supply Group. It will be seen that these embody the comments made by ACC and that the whole has gone out under the signature of the CAO at AFHQ.



CHARLES M. SPOFFORD
Colonel, G. S. C.
Ass't Chief of Staff, G-5

1923

Capt. Ellery W. Stone, U.S.N.R.,
Acting Chief Commissioner,
Allied Control Commission,
A.P.O. 394.



(66) a

319.1-27
6 Jul 44

SECRET

100 copies
x-400
in the
committee

File/lost

ALLIED FORCE HEADQUARTERS

Office of the Chief Administrative Officer

2 July 1944

SUBJECT: Comments on the Report made by the Combined Supply Group for the Supply Sub-Committee of the Combined Civil Affairs Committee.

TO : The Secretaries, Combined Chiefs of Staff,
1901 Constitution Avenue,
Washington, D. C.,
FOR: Combined Civil Affairs Committee.

The Supreme Allied Commander, Mediterranean Theater of Operations, received at the end of May a copy of the preliminary draft of the Report of the Survey upon Civilian Supply in the Italian Theater made by the Combined Supply Group for the Supply Sub-Committee, Combined Civil Affairs Committee. On 26 May a letter was addressed to the Combined Civil Affairs Committee by Lieutenant General Clark for the Supreme Allied Commander requesting, in effect, that final conclusions on the report be not reached until the comments which it was proposed to offer had been received.

The Chief Commissioner of the Allied Control Commission subsequently requested that he be permitted to submit his comments, a request with which this Headquarters agreed. The Chief Commissioner's comments have now been received and have been combined with those made by the various staff sections and others concerned at AFHQ.

I. General Comment

The Report is an important piece of work. It brings together a number of facts and many statistics regarding food and other economic problems met in Italy. Much of this information, it is believed, should be of use to the Combined Civil Affairs Committee.

The various recommendations made in the Report had previously been put forward by the Group to the Combined Civil Affairs Committee in five interim reports. As these interim reports were commented on in detail in SAC Airgram 26 of 22 May, it is believed unnecessary to include further detailed discussion of the recommendations here. With most of them no exception could be taken. It is only right to add, however, that many of the proposals involved programs that were already in progress or under consideration by the Allied Control Commission, and objectives toward which the various sub-commissions already were working. Moreover many, while termed recommendations, are really expressions of desirable ends to which effort "should" be directed. If a criticism may be made of the recommendations as a whole, it is that they iterate that this or that

desirable, and often obvious, thing "should" be done, while often providing little guidance as to how, by when, or by what means it could be done.

The Supply Group was given broad terms of reference in following which it studied many subjects and assembled a large amount of factual material. With much of this material no fault can be found, although, as shown later in these comments, this type of work is not of particular value to the organizations in the Theater, AUC and AFH, from which the information is obtained. The criticisms that both AUC and we have to make of the Report concern in the first place the general approach which it adopts, and secondly the reasoning followed and conclusions reached respecting certain of the problems at issue.

II. Comments on the Approach Adopted in the Report

Despite its many good qualities and the industriousness which it evidences, the Report has been subject to a not inconsiderable measure of unfavorable criticism both within AUC and this Headquarters. Unfortunately its attitude is didactic; it reads like a text-book of what has been done, is being done and should be done; and it tends to give the impression that not until the Group arrived in the Theater were the agencies concerned aware of many of the problems dealt with. It has seemed to many to be a rather unrealistic document, bringing together a mass of details but in general not showing a broad appreciation of the problems which the organizations in the field have had to face.

Through many of its pages the Report exhibits a rather carping attitude and often by inference, if not by plain statement, is critical to a seemingly unfair degree. It exhibits a general tendency to ignore the setting in which certain events have taken place, or the circumstances which have made it difficult for some of its worthy proposals to be carried out sooner.

Moreover, the effectiveness of the Report is reduced by frequent statements which, in our opinion, are too broad or too strong. For instance, on page 44 one reads that "In the opinion of the Group, appeals for more bread are motivated by a desire to force a larger importation of foodstuffs for which the population has a taste and not by a shortage of other foods within the area." As another instance, on page 104 one finds this assertion: "It is believed that the population could have been sustained at the same health level, with far lesser quantities of imported supplies than were actually requisitioned, had the civil affairs organization been built around men selected on the basis of experience in civilian occupations concerned with agricultural and industrial production, control and distribution." These two statements, while controversial, would generally be considered by those within the Theater familiar with the facts to be so sweeping as to be definitely wrong. They were chosen at random; others showing a similar lack of balanced appraisal may be found at intervals throughout the Report.

One also finds in the Report not infrequent statements which beg the question. As an example the following sentence from pages 16 and 17

may be quoted: "It is the opinion of the Group that food requirements for presently-occupied Italy, Sicily and Sardinia for the first six months of 1944, were considerably inflated due to 1) fallacy of computing imported grain requirements for 50 percent and later 75 percent of the population when local supplies, if properly controlled and distributed,* could have met a large proportion of this demand." Again, this statement is so strong that it seems to us to be definitely wrong. Moreover, it passes lightly over the difficulty which constitutes the core of the problem, namely how local supplies in the circumstances existing at the time could have been "properly" controlled and distributed. Such assertions as these, which occur throughout the Report, give to it an unrealistic touch, and make it difficult reading for those who have actually had to deal with the problems so discussed.

While a number of recommendations are put forward, many of a rather obvious character, one searches the Report in vain to find a systematic or balanced study of what should constitute the supply program. The comments made are in bits and pieces, and most of them are of a rather negative nature. The job of working up the supply program, in terms of specific items, remains with ASC and APR, neither of which organizations considers that its task has been appreciably aided or advanced, or even objectively appraised, by the Supply Group, although the six experts who compose it spent approximately two months in the Theater.

Nor can one find in the Report much in the way of guidance for the problems which lie ahead in Italy. The Report contains not a little criticism of the alleged inadequacy of the planning done in the case of Sicily, and it speaks of the need for better planning for other countries, but on the practical problem at hand - the planning for additional areas to be liberated in Italy - it is largely silent.

In making the above comments on the general tenor and attitude of the Supply Group's Report, neither the ASC nor this Headquarters desires to be unduly critical or other than fair. The Report, however, stands as written; copies have been taken to Washington and London; in these circumstances it is believed that the interests of all concerned will be best served by frank and open discussion of it.

Certain of the individual subjects forming the Report are touched on below. It is felt that it would be a needlessly long procedure to comment on each of its twenty-four sections separately; nor would it be possible within a reasonable space to dispose of each remark or implication to which exception might be taken. Hence in the main comments will be directed to the principal topics dealt with. The most important, that of food, will be discussed first.

III. Food Supplies and Requirements

Although the largest part of the Report is devoted to the food problem, one fails to find in it a systematic analysis of the food supplies and requirements of liberated Italy. The Report contains a number of suggestions for the reduction or elimination of imports coupled with statements that local production of this or that item, if properly distributed, is sufficient for requirements, but few facts are given to support these views.

* Underlining added.

The food problem in Italy has been due not only to lack of adequate production, but also to the fact that the food produced has in large part not been available for distribution to those who need it. If domestic supplies are adequate to meet the minimum requirements of the population, imports will be unnecessary only if rationing and distribution control are fully effective. Otherwise only that part of the supply which is under control, and can be distributed on ration cards, will be distributed equitably while the remainder will be sold in the free or black market to the highest bidders at prices which place it mostly out of reach for those who need it most.

Even with the imported supplies which have been available in Italy, distribution of foodstuffs on ration cards has so far covered less than half of the minimum requirement of 2,000 calories. The only methods by which city-dwellers can hope to make up the difference are: a) by purchases of additional foodstuffs at prices which most of the law-abiding city-dwellers cannot afford, and b) by making trips into the country and purchasing direct from producers, or receiving gifts from relatives on farms. It is possible that a significant part of the black-marketing of foodstuffs subject to amassing and rationing has consisted of such small-scale transactions and gifts to relatives. The Supply Group even suggests that gifts of food by country people to relatives in the towns constitute a solution to the problem (bottom of page 43).

In the month of April, when the Supply Group was preparing its report, ration distributions in Naples were as shown below. Monthly distributions of certain items have been converted to a daily basis.

	<u>Daily Ration in Grams</u>	<u>Calories per Day</u>
Bread	200	530
Beans	20	65
Cheese	4	15
Meat & veg, stew	13	20
Sugar	8	30
Olive oil	7	60
Total		720

In order to supplement this ration, the inhabitants bought what they could afford in the black market, paying 150 lire per kilo for bread, and prices ranging around 100 lire or more for the cheaper starchy foods, such as pulses and dried chestnuts, or flour made of these things. Prices for fish, meat and other protein foods were of course much higher. Olive oil sold for about 240 lire per litre (which is slightly less than a kilo). These prices must be compared with the standard wage of 60 lire per day for unskilled labor paid by the armed forces.

The Supply Group would probably be quick to concede that a ration of 720 calories per day is not sufficient, but in their recommendations they treat it by implication as if it were excessive. They recommend that beans, cheese and canned meat should no longer be imported and they remark, referring to past imports that "with the exception of grain, milk and sugar, other items did not have to be imported except in small

quantities and for special purposes," (p. 18). They also recommend a reduction in the sugar ration. The total effect of these recommendations would be to reduce the calories per day from 720 to 614. It is worthy of note that nowhere in the Report is it indicated what would be the number of calories in the ration if these recommendations were to be followed.

The Report explains on page 18 that originally plans were made to establish a food program which would provide 2,000 calories per day to be furnished a) by an emergency ration, and b) by local supplies. There follows a rather critical sentence to the effect that ACC continued to compute requirements on the basis of all the items of the ration and to requisition accordingly, calculating the ration as 1006 calories "and arbitrarily designating an additional 500 calories as being available from local supplies." The Report then continues, "It is the opinion of the Group that available local supplies have contributed and can continue to contribute far more than 500 calories." This opinion, on a matter which is central to the whole food problem, is not supported by figures or arguments in any part of the Report. Nor, it may be observed, does the Group make an attempt to show that even if local supplies could contribute more than 500 calories the amount would be sufficient, added to the then-existing effective ration of 720 calories or to that of 614 calories which would result from their recommendations, to reach the needed total of 2,000 calories.

1913 With an acute shortage of the means of transportation and of law enforcement it is impossible to supply to the populations of the larger cities their proportionate share of all domestically produced foodstuffs. It is meaningless to divide the total production of liberated Italy or any large part of it by the total population. Such a calculation does not indicate what is available to the poorer sections of the city populations. The Group does, it is true, propose that ceiling prices be applied to non-rationed items "not only in Naples but in the entire occupied area," in order to make these foods available to all, but it is well known that even in countries where government and law-enforcement are well organized, ceiling prices without rationing cannot be applied with success to necessities of life when the shortages are severe.

For the reasons given in the preceding paragraphs it is felt both in the Allied Control Commission and this Headquarters that the parts of the Report which discuss liberated Italy's food supplies and requirements are not closely reasoned and that the Supply Group's approach to this most important problem has been somewhat unrealistic.

IV. Comparison of Present with Previous Rations and Consumption

The Supply Group has made certain comparisons of the existing breadstuffs ration with normal peace-time consumption and with the pre-invasion ration, which appear likely in our opinion to give an incorrect impression.

First, as to the comparison with peace-time consumption. The Group states: "During the three years 1936-38, the average annual consumption of wheat in Italy amounted to 168 kilograms, or an average of 518 grams of bread per day," (p. 54). The latter figure is compared with a figure of 366 grams per day which is a forecast of what might be available from domestic sources in 1944-45. This, the Supply Group says, represents a reduction of 29 percent, but it hastens to add, wheat consumption in Italy is greater than in other parts of Europe, "hence, a material reduction on the basis of war-time rationing programs would not be vitally serious."

It should be noted that the Group is comparing its largely imaginary 366 gram figure, which refers to Southern Italy and the islands, with an over-all peace-time average for the whole of Italy. Food patterns in Italy vary greatly between North and South. The wheat consumption of Northern, and to a lesser extent Central, Italy is smaller than that of Southern Italy and the islands because in the North considerable amounts of corn (maize) and rice are consumed. The comparison, to be valid, should be made with the average consumption in the same area, or, failing this, with the average human consumption of all grains in Italy.

Furthermore, the view that a population with a high per capita consumption of wheat can afford a greater reduction is incorrect. The high consumption of wheat in Southern Italy is largely a result of poverty; the consumption is even higher than average among the poorer classes, who cannot afford to vary their diet with more expensive foods. In spite of their high consumption of wheat, their normal consumption of all foods shows less of a margin above the minimum requirements than that of more prosperous groups who enjoy a more varied diet. Among the more prosperous classes of the more prosperous countries, wheat could be eliminated entirely from the diet without loss of health or strength.

191' A second comparison, that of present rations with pre-invasion rations, is made on page 44 of the Report as follows: "In March, 1942, the bread ration in Italy for normal consumers was cut to 150 grams per head per day. The only difference in the position pre-invasion and today is a) in the pasta ration, at present 1 kilogram per month as against 2½ kilograms per month, and b) differences in the extra allowances authorized to workers engaged in light, heavy and very heavy work; the extra allowances cover only a section of the population." These differences turn out, on examination, to be substantial. First, the 1 kilogram of pasta per month in April 1944 was not additional to the basic ration of 200 grams of bread per day, but a substitute for part of that ration permitted in some areas. The 2½ kilogram pasta ration of pre-invasion days was additional to the 150 grams of bread, making a total of bread and pasta equivalent to about 260 grams of bread.

For a valid comparison between present and pre-invasion rations, however, it is necessary to compare the total number of calories in the entire ration of each period, and not to select one or two items in each. The present ration of 720 calories is supplemented, for about 10 percent of the population, by a small additional 'heavy workers' ration." The pre-invasion ration amounted to 960 calories for the ordinary consumer in Naples, but large categories of persons were given additional allowances. Extra rations of pasta and sugar were also distributed to certain categories.

The present ration in fact does not compare favorably with what the Italian people received under German domination. The 300 gram bread ration which is to go into effect on July 1 (and which was vigorously opposed by the Supply Group when it was here) will bring our basic ration in calories up to the level of the pre-invasion ration for ordinary consumers. It will still be a less well-balanced ration, and the categories of people which received additional allowances before invasion will still be considerably worse off in calories. It must be pointed out, finally, that since the invasion, black market prices both on rationed and non-rationed foodstuffs have risen, at least in the larger cities, to a much greater extent than wages.

V. Amassment and the Black Market

The Supply Group devotes a long section of its Report to a discussion of the need for securing control over the greatest possible proportion of domestically produced foods and stresses the importance of effective amassment. In taking this position it is, of course, entirely correct, but it should be pointed out that the responsible officers both at AGC and AFHQ have been constantly aware of this problem. Moreover, the Group's recommendations with regard to it contain nothing new or that was not already being considered, unless the recommendation for increased field personnel can be considered original. Various reports made prior to the Report of the Supply Group, notably that of the FEA Mission headed by Mr. Adlai Stevenson and that of the Hon. Mr. Henry F. Grady, also pointed out the importance of the effective amassing and of the steps being taken to that end.

1915 The comments on the relatively small amount of wheat amassed out of last year's harvest seem to contain quite a strong implication that this was a preventable failure. However, throughout the four or five pages of analysis given to the amassment record no mention is made of the major factors which conditioned the efforts of the officers on the ground. a) It is not mentioned that our forces entered Sicily in the middle of July when the harvest was in full swing and that fighting on the island continued throughout the harvest period. b) Nor is it mentioned that a certain proportion of the crop was destroyed and a further not inconsiderable amount consumed in the first weeks when the population was celebrating the Allied victory and was still under the belief, fostered by Allied propaganda, that the coming of our troops would bring them abundance. c) It is also important to remember that civil administration had collapsed and the Consorzi were among the most discredited public bodies because of their strong Fascist ties. To the extent that Fascists remained they had to be replaced, and new men, of ability and without Fascist background, required time to find and to instruct in their functions. d) On the mainland, Allied troops did not arrive until the harvest was finished when the main opportunity for amassing had passed; and the difficulties with the Consorzi were experienced there as well.

The amounts amassed under these conditions cannot fairly be compared with amassment in the years 1936-38. Yet this comparison is made on page 10 of the Report. Even if obligatory amassment did begin in 1936 and hence was novel to farmers at that time, there can be no real com-

parison between the record of peace years under a strongly-organized government and that of 1943.

These statements are not made to condone inaction or excuse mistakes, but rather with a view to placing the Supply Group's comments on the assessment of the 1943 harvest in their proper setting. The feeling in the AMG/ACC organization and at AFHQ is that, given the circumstances existing at the time, the amassing of the year's crops was as successful as could reasonably have been expected. A reader of the relevant section of the Report, however, noting the frequent use of the word "failure" and the rather critical tone of much of what is said might come to a contrary conclusion.

Nowhere does the Report indicate such awareness of the relationship between food rations on the one hand and on the other the enforcement of hoarding and black market control measures. The Italian police forces became fairly generally unreliable in matters of food control last winter and autumn precisely because they did not have enough food, in spite of their extra rations. Policemen whose duty it was to prevent black market operations would make use of their position to engage in some black market dealings themselves. It is this situation which was in large part responsible for the partial failure of olive oil hoarding, especially in Sicily. Earlier deliveries of food to Sicily would probably have given us greater control over wheat and some control over oil. The greater the shortage of food immediately available to consumers, the greater the difficulty in controlling local supplies. This is a fact worth bearing in mind in connection with future operations.

The food shortage has, of course, exerted an almost irresistible pressure on the part of the entire population to engage in black market transactions of all kinds. One of the consequences of the tendency is the existence of ration-book fraud on a considerable scale to which the Report refers on page 26. Even persons who are normally honest and law-abiding have been led to violate the law in order to feed themselves and their families, and the temptation has been particularly strong in the case of the very persons responsible for enforcing the law.

VI. The Role of Food in Military Government

A few comments may perhaps usefully be made on the role of food in military government, a subject which, although of interest primarily for the record, is stressed by the Supply Group. The Group concludes "after careful study of the problems which AMG faced in the early stages of operations" that (a) advanced planning did not reveal a true understanding of the food problem, and (b) technically trained personnel was "sadly lacking among the thousands (sic) of officers assigned to AMG". The further observation is made that not until months after the invasion "did AMG officials awaken to the real importance of food".

It is conceded that trained technical personnel were and still are lacking. The fact appears to be that personnel technically trained to plan and organize large-scale feeding are in short supply in the supply services of the Army as well as in AMG. While we agree with the Group in this matter, on certain other and rather sweeping statements made in this

section of the report (pp 7-9), some comment is required.

The "careful study" which the Group gave to the problems of AMG on the basis of which it condemned the AMG planning, did not include an examination of the AMG plan or any of documentation underlying the planning of food requirements, nor did it involve consultation with any of the officers concerned with that function at that time. Again the conclusions appear to have been reached on the basis of casual discussions with officers in the field, most of whom had not been involved in the activity under consideration. Recourse to the plan itself and to the planning files and records would have indicated to the Group the following facts which are at substantial variance with its conclusions:

a. That a stockpile of 23,000 tons for Sicily was recommended by the planning staff for the Sicilian operation in May of 1943 and accepted and authorized by AFHQ, such stockpile to be created out of the North African harvest, which it was then thought would have a substantial surplus.

b. That it was foreseen in August and early September, 1943, by the responsible AMG officers that the wheat supply in Sicily would be exhausted in the six deficient provinces by the end of the year. A program, therefore, was established to bring forward the stockpile.

c. That the critical shortage which developed in December was due to the failure of the stockpile and the rapidly increasing demand resulting from the development of operations which were not contemplated at the time of the original plan, as well as to organizational difficulties which interfered with the execution of the program.

Whether the AMG officers had a true appreciation of the role of food is a matter of opinion. It is, however, wholly inaccurate to state that not until months after the invasion did AMG officials awaken to its importance. The report of the Chief Civil Affairs Officer of AMG for the month of August, written while the Sicilian campaign was still in progress, stated, "The food situation in Sicily has been the most serious pre-occupation of the Administration throughout the period". His report for the month of September stated, "the matter of food supply, particularly grain, continued to be the critical problem confronting the Division during the month". The September report went on to predict that "on the basis of the information then available grain for distribution through official channels in Sicily would be exhausted at the end of the year", and dealt with the various expedients that were employed for obtaining control of such supply as was available, including confiscation and raiding, which the Supply Group dismissed on Page 63 of the Report as measures "more spectacular than fruitful".

In point of fact, food was always regarded by AMG as the most important problem to be dealt with, and to it constant attention was devoted from the very earliest days in Sicily. The officers in Sicily at the time, and those later in Italy, who were responsible for what was done know this well and could so have informed the Group had their opinion been sought.

In the section of the Report on Nutrition the Supply Group takes an attitude with respect to the food problem which appears to be somewhat at variance with that just discussed. This latter section would leave the reader with the impression that the problem of feeding in Sicily and Southern Italy, after all, presented no particular difficulty. If the Group was informed that "there is no apparent evidence that malnutrition or deficiency diseases exist in any greater degree than in pre-war years", and if they found by personal observations "that the people in the country towns and rural areas show no signs of being short of food", (p. 43) this was the case in some measure at least because of the supplies which AMG and AGC have brought in and distributed. The impression given to the reader, however, is that this was almost a natural situation.

To any of the officers who served in Italy during the past winter, and particularly in Sicily during the tense weeks of last autumn, this attitude must seem unrealistic. Local produce there was, but in nothing like the volume implied in the Report: fresh vegetables were in the markets but in no great abundance and they were expensive; fresh fruits consisted almost wholly of lemons and oranges, foods which do not fill the stomach; and fresh fish were well below their normal volume. When local grain supplies came to their end, there were not sufficient other local foods to sustain the population. If wheat had not been imported, and in volume, famine would have existed in many sections. That conditions bordering on famine did exist in certain areas, despite food imports, one would not learn from reading this Report. In fact the Group tends to minimize the significance of the riots and other disturbances which took place over food; in particular the situation which prevailed in Sicily in November and December, 1943.

VII - Food Riots

31 The chapter on food riots would appear designed to support the thesis that the position in Sicily toward the end of 1943 was in fact not critical, and accordingly that the demands for imports at that time proceeded from a misappreciation of the situation. The evidence on which the conclusions of the Group in this regard are based appears to be discussions had with AGC officers, many of whom were not in Sicily at the time. With one exception none of the responsible officers, either with the Armes or AGC, who were in the area at the time, were consulted. Members of the Group also indicated that while they did question their informers on the open outbreaks, which are lightly dismissed, they did not examine into crime conditions in the island during the months of November and December nor into the labor difficulties in the large centers, both of which conditions were closely related to the food shortage. According to the Regional Commissioner who was consulted, the statement attributed to him (page 46) that food riots did not damage military installations or endanger lines of communication is literally a correct quotation, but one which he claims is quite misleading in that other facts and views which he gave the Group and which did not tend to support their conclusions, were omitted.

This whole subject would seem to be one more relevant to an inquiry into the conduct of the officers in charge at the time than to a technical supply study, but since the issue has been raised the following facts, thought to be pertinent, may be mentioned:

a. As indicated in the monthly reports of AMG, which were submitted at the time, a serious wheat deficiency condition had arisen in six of the nine provinces of Sicily by the end of October. During the month of November, Messina's ration was about 100 grams daily and was intermittent; in Palermo the average daily ration was 112 grams; Siracusa maintained a 150 gram ration; Catania was periodically without bread.

b. There were a number of disturbances during November and December ranging from disorder in the bread lines to outbreaks involving the use of firearms by the law enforcement officials. It was clear to responsible officials in the Island that these were almost entirely due to the food shortages. For example, the Cardinal Archbishop of Palermo in a letter to the Commanding General of 7th Army, who was then the senior military commander in the Island, advised that the only cause of the discontent which he characterized as "both growing and universal", was the "serious and prolonged insufficiency of foodstuffs."

c. During the months of November and December there were actual or threatened strikes in the larger Sicilian cities by employees of most of the key utilities and industries, including electric workers, railway employees, sulphur miners, telephone workers, bus drivers, street cleaners and municipal employees.

d. Owing primarily to insufficient food, desertions in the Carabinieri, the mainstay of the Italian police force, occurred. Coincident with this, crime, particularly crimes of violence, showed a direct and substantial rise in October, November and December over the corresponding periods of other years and over the first three months of the occupation, but with the easing of the food situation in the latter month, declined in January.

e. As a result of these factors the tactical commanders present in the Island, including the Commanding General of the 7th Army, the Commanding General of No. 1 District, and the Commanding General of the Air Forces in the South of the Island, made certain redistributions of tactical troops and were authorized by AFHQ to take such measures as they considered necessary to deal with the civil situation, including the use of certain weapons such as smoke grenades.

While the setting forth of these details may appear unduly to labor a point which is now of little more than historical interest, it will serve to place the conditions and events of last autumn in their proper setting. It has been felt necessary to do this in view of the tendency manifest throughout the report to disparage or discredit the administration on evidence which is unsubstantial.

VIII - Clothing and Shoes

Next to food the most urgent civilian needs in Italy are for clothing and shoes. Just as most people whom one sees have a normal amount of flesh, so also do most seem normally dressed, and all but the poorest have some make-shift substitute for shoes. The Supply Group expresses "the opinion that no hardship would have resulted to the Italian people as a

whole if no imports of clothing had been made during the first six months following operations" (p. 89). The very small amounts that were actually imported were perhaps enough to take care of the small number of destitute persons who did not, at the time of the invasion, have enough clothing in their possession to last them for six months. But the situation is now becoming acute for a rapidly increasing proportion of the population. Existing stocks and production are negligible. Of the 9 million yards of cotton cloth mentioned on page 89 of the Report, about 5 million will be available for civilian use. The remainder is being used mostly as camouflage cloth by the armed forces. What is available is for the most part thin, non-durable, material. Stocks of finished clothing in the hands of the innumerable dealers are impossible to estimate and difficult to control. Their availability to the population can be judged only by price. The price for a second-hand suit given on page 90 is equivalent to a whole month's wages for an unskilled worker.

Shoes, clothing and other manufactures are extremely important for the control of food supplies, food prices, and wages. Questions regarding the price of wheat or other food staples, or the level of wages, can rarely be discussed with Italians without hearing emphatic statements about the price of shoes. When the peasant sells his wheat in the black market he does so in order to buy a pair of shoes. There are countries where people normally work in the fields with their feet bare but Italian peasants regard shoes as a necessity and their physical capacity for work will be impaired if they do not get them. Most peasants live in towns and have to walk some distance over stony roads to their work.

A comparison between the pre-war yearly consumption of clothing in liberated Italy (15 May line) including Sicily and Sardinia, and the clothing requisition submitted by AFHQ in IAC Airgram 32 of 9 June which amended IAC Airgram 7 follows:

	<u>Pre-War Consumption</u>	<u>Requisition</u>
Cotton Fabrics, per capita	10 - 12 meters	3 meters
Woolen Type " " "	3.2 meters	1 meter
Footwear	1.3 pairs	0.24 pairs

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The requisition, it will be noted, amounts to only about one-fourth to one-third of the pre-war consumption and as such appeared to A.C.C. and to us to be a justifiable amount. This view is strengthened when one considers that the production of consumer goods has been progressively deteriorating during recent years with the diversion of the Italian economy to military purposes at the expense of civilian.

The problem is, therefore, not only immediate but a continuing one of increasing gravity. Failing the early rehabilitation of the Italian textile industry on a substantial scale (which will be dependent on the liberation of Northern Italy where 95% of the industry is located, and the condition in which the retreating enemy leave plants and machinery) requisitions such as have been submitted may require to be enlarged and repeated.

The statements made by the Supply Group on the distribution of clothing by the Red Cross would give the impression that much of this distribution

had been based on availability rather than on emergency need. Distribution in Sicily as elsewhere has been based on war-caused necessity among refugees and displaced persons, and in devastated areas, hospitals and institutions. Clothing consisting of 90% winter garments including cases of snow suits, the Group states, were being distributed in Sicily in April. On 19 March a large shipment of clothing consigned to Italy was offloaded in Sicily for tactical reasons, but as soon as possible was transhipped to Italy for use in the regions for which it was intended. Possibly the Supply Group mistook this shipment for Sicily's own allocation which arrived in early February and in March, and was promptly distributed. Snow suits accounted to only 1.5% of the total.

In common with much of the rest of the document the section of the Supply Group's Report on clothing and shoes appears to us to reflect a rather narrow outlook. On pages 90-91 in this section, for instance, there is given a list of clothing items for which a requisition had been prepared by AMG when the Group arrived. In it are included such urgently needed articles as shoes and shoe repair soles. "Based on its survey of the Italian area the Group questions the need for any of these items except perhaps a quantity of good sewing thread" (p. 90). No reasons were given for questioning the need other than personal observations of individuals in Naples. One cannot escape the feeling that the Supply Group came to the Theater with certain preconceptions and a certain rigidity of view. Much of their work, therefore, seems to have been devoted to finding arguments to support their attitude rather than to making a broad appraisal of the situation giving balanced consideration to the many factors involved.

IX - Comments on Miscellaneous Points

Our comments thus far have been directed at the main subjects discussed in the Report. It is felt, however, that the record requires that some notice be taken of a few of the random inaccuracies and inconsistencies with which the Report unfortunately abounds.

191 On page 64 the Group states that "The price of 320 lire per quintal of wheat fixed by the Fascist Government for the 1943 harvest was later increased in certain areas by the Allied authorities, but even these increases are relatively small compared with the increases, still in progress, in prices of goods and services purchased by the farmer". On the contrary, the price of wheat was increased to 500 lire by general order of AMG on or about the 20th of July, or within ten days of the initial landings. The new price was effective throughout all Sicily and on the Mainland later. The Supply Group would have been advised of this had they read the AMG reports.

On page 99 the Group states that "The A.C.C. reports that almost no imported medical supplies reached Italian civilians during the first six months of operations". Where this erroneous information was picked up is not known. The facts were clearly set forth in the monthly report of AMG for September, 1943, on page 3 of Appendix C, which was available for the Group to study. That report reads as follows:

"Medical stores are obtained from two sources - (1) captured Italian material, (2) drugs and dressings imported from the United States. Essential medical supplies are first distributed to hospitals and later to selected pharmacies. A central medical store has been set up at Gallianasetta, a town approximately in the centre of the island, from which all the Provinces draw their requirements. These stores are not as yet a free issue and a system of accounting is being prepared, by which each province draws its medical stores upon repayment.

"Each province has received initially a 20 ton brick containing such essentials as wool, gauze, iodine, bandages, anaesthetics, suture material, sera and vaccines, sulphanilamides, denatured alcohol, insulin and antiseptics. In addition two such bricks have been transported to the mainland for use in Region II and two more have been sent to Region III. Additional supplies of typhoid and typhus vaccine are stored in a refrigeration plant in Palermo for distribution in emergency.

"Distribution of essential drugs and dressings have also been made to the island of Pantelleria and to the Aeolian Islands. Once the initial demands have been met, a smooth flow of imported American supplies from the Central Medical Store is coming into operation to supply the current needs of the Provinces."

1904 On page 41 the Group states, with reference to measures for black market control, that "steps should be taken to give the utmost publicity to successful prosecution of black marketeers". On the same page the Group continues: "The small profiteer must also be proceeded against..... If necessary, a special department of the Italian police should be formed." Evidently the Group was unaware of the existence or work of the Special Prosecutor's Branch, which has been in active operation since November, with a special detachment of Italian Finance Guards for this particular purpose. Again, on the same page the Group asserts: "Sentences of imprisonment should be inflicted. Fines are useless.....". Its members admitted, however, that they had not talked with Colonel Upjohn, the chief legal officer. Had they done so they would have learned that a policy of imposing prison sentences wherever appropriate has been in effect for some time.

On page 14 the Group states: "In these steps ACC is at the mercy of the Italian authorities". On page 36 the same thought is expressed: "In general, it must be stated that in the opinion of the Group the ACC organization is too much at the mercy of the Italian authorities as represented by the MPRAL". Having in mind these statements the reader is somewhat taken aback when, on page 50, he reaches this sentence: "In respect to the agricultural work itself, civil affairs

officers should be more thoroughly inculcated with the doctrine that their function is to organize, supervise and lead rather than deal with detailed operations that should be and probably can best be performed by domestic officials".

The points made above, it is believed, will indicate some of the reasons for which the Report of the Supply Group has been unfavorably commented on in the Theater. Other similar points could be added were it thought useful to do so. In citing those above we have no wish to disparage the effort of those who prepared this report, but desire simply to give what is believed at AGC and AFHQ to be a fair statement of the facts.

X - Value of the Report

Before these comments are closed it may be useful to consider briefly what is the value of this report.

A large part of the document consists of a running commentary on executive actions taken by AMG, AGC and this Headquarters. All of these actions are now past history. This large report was not needed to point out where mistakes were made, for such as these have been the organization in Italy and AFHQ are aware of them. Moreover, earlier reports had already made a record of them. Insofar, therefore, as its numerous comments on past actions are concerned, the Report is of little or no value within the Theater. It may be added that much of its historical material deals with administrative matters which are internal to the command of the Supreme Allied Commander, and hence are of questionable appropriateness in a report designed for submission directly to an organ of the Combined Chiefs of Staff.

The various problems which the Group discussed were known to the AGC and to this Headquarters before the Group came, and neither the Group's analysis of them nor its recommendations can be said to have materially aided the AGC or AFHQ to accomplish their respective tasks in dealing with them.

One must conclude, therefore, that as far as the Theater is concerned the usefulness of the Supply Group's visit and of their report has been negligible. On the other hand, the time of many officers was consumed not only in answering questions and providing information when the Group was in the Theater, but subsequently in reading their lengthy report and commenting on it. When it is considered how many officers have been drawn into this situation the feeling generally held in Italy and here will be understood, that the time which has had to be spent has been disproportionate to the value received.

It is not intended to appear unduly critical of the six individuals concerned who manifestly worked industriously to prepare the document under discussion. Their mission and their work, however, provide an example of certain errors in method which it is felt ought to be pointed out in order that similar errors may if possible be avoided in future, when other groups may be sent by the CGAC to this or other Theaters.

In the first place, had the Supply Group adopted a different method, it is possible that its visit might have been proven of more use to the officers of the various sub-commissions of ACC charged with executive responsibility in the matters which the Group was studying. Had its members worked more closely with individual officers in ACC, exchanging viewpoints and endeavoring to arrive at agreed understandings of the various problems and of the best ways of dealing with them, it might have contributed to a more effective handling of current work by ACC and better planning for the future.

As an example of a more productive method may be cited the mission of Mr. Lloyd of the British Treasury and Mr. Glasser of the U.S. Treasury who sat with the Finance Sub-Commission for four weeks jointly developing the program for inflation control directed to be prepared by the Combined Chiefs of Staff. As a result of this close relationship there has been a mutually beneficial interchange of views between the respective treasuries and the ACC and an understanding has been gained by the treasury officials of conditions in the field. The result, it is understood, is that full agreement has been reached on a practicable program of action. Contrary to this method, the Supply Group, possibly because of its large size, acted as a Group, carrying out its mission in the main by asking questions for its report rather than by discussion for the purpose of working out mutually agreeable solutions.

1901 Secondly, it is felt that the Group would have been more effective had it been smaller. The fact that there were six members tended to keep it as a group and to stand in the way of its members working more cooperatively with individuals in the Control Commission. It is our opinion that a smaller body might have accomplished more.

In the third place, it is felt that a Group composed as this was solely of specialists, and of comparatively equal rank, is not the most effective body to perform a mission of this kind. What the report lacks

most in a broad outlook; its pages are a series of details. A more useful result, it is thought, might have been accomplished if the Group had been headed by one individual of broad economic training, with the several experts acting as his assistants.

Fourthly, it is suggested that important groups sent to the field might be instructed to obtain a certain amount of background before embarking on their missions. Extensive reports from the Theater on AGC and AMG activities have been submitted to Washington and London since the first month of the occupation. A study of these reports would, it is believed, have given this particular group a better understanding of conditions in the field and an appreciation that consideration had actually been given to many of the supply problems before its arrival. It might also have prevented certain factual errors in the report, several of which have been pointed out above.

Finally, it might be suggested that reports of visiting bodies in future be held to a more modest length. Documents of the dimensions of the present one impose quite a burden on the numerous officers who necessarily must read them. This object might be accomplished if historical material which does not bear upon the issues under discussion, or if background material which is generally known, could be omitted.

It is hoped that these comments may be found of use both in helping with the study of the Supply Group's report and in connection with other missions that may be sent out in future. Again it is repeated that the Report is an important piece of work containing such material that will doubtless be of value to the Combined Civil Affairs Committee and its Supply Subcommittee.

J. G. S. CLARK,
Lieutenant General,
Chief Administrative Officer.

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100 copies to Committee

He/Trg

CC. CONFIDENTIAL

FROM/rj

FEB JUL 15

SF

Ref. CC/G/403.

[20th. June, 1944.]

Despatched 8 July 44

MEMORANDUM:

TO: Allied Force Headquarters.
(ATTENTION: G5.)

41+2

1. I forward herewith two copies of a report by a Committee, under the chairmanship of Captain Ellery W. Stone USNR, Deputy Chief Commissioner, Allied Control Commission, set up by me to suggest measures for checking the increasing tendency towards inflation in liberated Italy. I am in agreement with the report including the Committee's recommendations.

2. I would be glad if you would give sanction, or where necessary obtain it from higher authority, to such of the recommendations as may require sanction before they can be put into effect.

3. I wish to record my high appreciation of the work of Captain Stone as chairman and of all the members of the Committee in a task which entailed lengthy and detailed investigation and deliberation. I wish also to express my thanks to the U.S. and British Treasuries for making available the services of Mr. Glasser and Mr. Lloyd, both of whom made a big contribution to the results achieved by the Committee.

19

NOEL MASON MACFARLANE
Lieutenant-General,
Chief Commissioner.

Copy to: Headquarters, A.A.I..

(63)

cc 16/408

#9 July

File/408

LSD/hjp

A/CC 100

8 July 1944

DSH 427
7 JUL 1944

SUBJECT: Report of the Allied Anti-Inflation Committee (Italy)

TO : G-5 Section, Allied Force Headquarters, AFO 512
(Attention: Colonel Spofford)

1. Attached is copy of letter which was placed in package containing 50 copies of the above report sent you today.
2. Captain Stone suggested that you may want to retain a few copies at AFHQ and send the balance to Washington and London.
3. Official letter of transmittal dated 20 June 1944, addressed to AFHQ, Attention G-5, and signed by General MacFarlane, together with two copies of the report, was mailed to you today.

L. D. DRISMORE
Colonel, Sig C
Chief Staff Officer1 Incl:
As per para 1 above.

1907

(62)

A/CC 100

8 July

100
Inflation CommitteeFile
DPR

HEADQUARTERS
ALLIED CONTROL COMMISSION
Office of the Acting Chief Commissioner
AFU 394

LSD/hjp

A/CC 100

8 July 1944

7 JUL 1944

SUBJECT: Report of the Allied Anti-Inflation Committee (Italy)
TO : G-5 Section, Allied Force Headquarters, AFU 312
(Attention: Colonel Spofford)

This package contains 50 copies of the above report. Letter of even date is being sent you, suggesting the disposition to be made of these 50 copies.

L. D. DENHORE
Colonel, Sig C
Chief Staff Officer

1903

(62) INCL

File
BPR

ALLIED CONTROL COMMISSION

INCOMING MESSAGE

CONFIDENTIAL

TO: ACC MAIN

FROM: AFHQ SIGNED SACHS
 REFERENCE No: F69363
 DATE AND TIME OF ORIGIN: JULY 071118
 SIGNAL MESSAGE CENTER No: N30/08
 CLASSIFICATION: CONFIDENTIAL
 PRECEDENCE: ROUTINE
 CITE...PHCEG

REFERENCE YOUR 6544 OF 21 JUNE.

ADVISE WHEN YOUR ANTI INFLATION REPORT WILL BE FORWARDED TO US.

ACC MAIN DISTN

Action..C S O
 Info....Dep C C
 Econ Secf.....3
 C A Br.
 File
 Float.....2

1901



*See 74 for
 S-200 for*

1773

785015

8 JUL 1944

REFERENCE YOUR 5544 OF 21 JUNE.

ADVISE WHEN YOUR ANTI INFLATION REPORT WILL BE FORWARDED TO US.

ACC MAIN DISTN

- Action...C S O
- Info.....Dep C C
- Econ Sec.....3
- C A Br.
- File
- Float.....2

HEADQUARTERS
8 JUL 1944
A.C.C.

ACTION COPY

DATE and Time of RECEIPT JULY 08 13 10

Distribution:

CONFIDENTIAL

See 24 for
S-2 for action

File / Yag
copy 2 NP

1901

FC9363

HEADQUARTERS
ALLIED CONTROL COMMISSION
APO 394

JJL/sk

2 JUL 1944

1 July 1944

SUBJECT: Allied Anti-Inflation Committee (Italy) Report

TO : All Members of Committee

1. Attached is final draft of Report of Allied Anti-Inflation Committee (Italy).

2. Your concurrence or comments should be sent to the undersigned within twenty-four (24) hours, if possible, since the report is overdue.

J. J. Lawler

J. J. LAWLER
Lieut Omdr., USCGR
Secretary

1901

(55)

1 Dec 44

Fla / LSP

100 Inflation Committee

HEADQUARTERS,
ALLIED CONTROL COMMISSION,
APO 394.

Regional Control and Military Government Section.
+++++

DSN 1461
30 JUN 1944

Ref: 217/64/CA.

27th June 1944.

SUBJECT: Letter regarding Percentage of Ration Card Holders.

TO : Acting Chief Commissioner.

1. Reference was made this afternoon to a letter dated 12th May which I issued to Regional Commissioners, conveying to them the Chief Commissioner's instructions with regard to the furnishing of information as to the percentage of the population entitled to ration cards.
2. The history of that letter is as follows.
3. The Chief Commissioner called a meeting at which the Acting Vice President of the Economic Section, various Sub-Commissions including the Food Sub-Commission, two Regional Commissioners, and myself, were present in order to discuss the price of wheat.
4. During that meeting the Chief Commissioner stated that he intended to base the new ration on the actual entitlement of food as recommended by the Regional Commissioners and he instructed me to issue a direction to the Regional Commissioners on these lines.
5. I submitted the attached letter to the Chief Commissioner for approval and then issued it, sending a copy to Economic Section.
6. I submit that the wishes of the Chief Commissioner were made clear at the meeting, the letter was a direction to the Regional Commissioners and therefore emanated properly from this Section.

189

100

1. Reference was made this afternoon to a letter dated 12th May which I issued to Regional Commissioners, conveying to them the Chief Commissioner's instructions with regard to the furnishing of information as to the percentage of the population entitled to ration cards.

2. The history of that letter is as follows.

3. The Chief Commissioner called a meeting at which the Acting Vice President of the Economic Section, various Sub-Commissions including the Food Sub-Commission, two Regional Commissioners, and myself, were present in order to discuss the price of wheat.

4. During that meeting the Chief Commissioner stated that he intended to base the new ration on the actual entitlement of food as recommended by the Regional Commissioners and he instructed me to issue a direction to the Regional Commissioners on these lines.

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MSL/JG.

[Signature]

M.S.L.

Brigadier,
Executive Commissioner.

Copy to: Vice President, Economic Section.

(51)

Ref 217/64/CA
27 June

100 Inflation Committee

File 1008

COPI.

SECRET & PERSONAL.

HEADQUARTERS,
ALLIED CONTROL COMMISSION,
R.C. & M.G. Section,
APO 394.

Ref: 1003/274/CA.

12 May 1944.

TO : All Regional Commissioners.

The Chief Commissioner has had under consideration the price to be offered for the wheat crop for this season and has come to certain decisions.

I am not in this letter prepared to tell you the price which has been recommended to the Italian Government because the ultimate price must depend on their acceptance thereof - and you will be notified of this by telegram in due course.

I do, however, want to say that the price will be lower than that which some of the Regional Commissioners recommended at the Regional Commissioners' meeting on 14th and 15th April and that it must be accepted as the best possible figure taking into account the many factors both internal and external which have entered into the calculation thereof - inflation, the consequent price of bread, increase in wages, the financial position of the Italian Government, official and public opinion in the United States and the United Kingdom, and many others.

It is the considered opinion of the Chief Commissioner and his advisers that this price will result in successful amassing of the grain - indeed it must, and it will be for you and all your staff to ensure either executively or by pressure and advice, according to your Region, that the maximum is amassed. Not only the proper feeding of the population but the reputation of the Italian Government and the Allied Control Commission depend on successful amassing of the crop. The Chief Commissioner looks to you to see that it is done.

X - 400 (gpm)
The Chief Commissioner has also indicated that the price of bread will, by subsidy, be maintained at a figure not higher than L.5 a kilo, and for your personal information only, he is about to recommend to higher authorities that the normal ration of bread be increased to 300 grammes per diem throughout Italy and the Islands. It is not known yet whether this recommendation will be approved but it will be accompanied by an assurance that immediate steps will be taken to ensure that no one receives a ration card who is not entitled to one and that a rigid scrutiny will be made to restrict such entitlement to those who are

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It is clear that we are feeding far more than 50% of the population, the figure taken into account when planning, and it is the belief of the Chief Commissioner that the lists of those entitled to ration cards have swollen, for one reason or another, to an extravagant figure.

Observers from both the United States and the United Kingdom have remarked upon the apparent sufficiency of food - not necessarily wheat or barley - in the country and the absence of malnutrition among the population. Our objective must be to distribute sufficient food to those who need it and cannot produce it, and to ensure that the number of ration card holders are reduced to a minimum.

Checking of ration cards cannot be carried out successfully at a moment's notice. We cannot rely on the existing figures nor wait for a systematic overhaul and re-issue of cards. The Chief Commissioner therefore intends to make an arbitrary decision as to the percentage of the population in each Province who, as from 1st July, will be entitled to ration cards.

He wishes you to instruct your Provincial Commissioners to provide you with a figure for each Province showing their estimates of the percentage of their population whom in their opinion definitely need ration cards. There

-2-

is probably a great difference between those who actually need to be fed and those whom the Italian authorities consider are entitled to ration cards. These estimates should be based not so much on statistics but on the actual conditions in the Provinces. It is realised that in wheat growing areas rations for oil may be necessary and vice versa. You should collect this information in time for you to produce your Regional figure (Province by Province) at the Regional Commissioners' meeting on 30th May and you will of course check your Provincial Commissioners' figures on receipt.

With these figures before him the Chief Commissioner intends to furnish each Province with sufficient food at the established ration scale to feed the percentage indicated.

(Signed) Maurice Lush.

Copy to: SCAO Fifth Army.
SCAO Eighth Army.
Economic Section.
Admin Section.
C.A. Branch.

1897

51

APP A

AFHQ G-5

211630
OSD 1350
23 JUN 1944

ACC MAIN (ECONOMIC SECTION)

6527

21 JUN 1500

CONFIDENTIAL

PRIORITY

ECONOMIC SECTION (AL

FINAL COMMENTS COMBINED SUPPLY GROUP REPORT FORWARDED TODAY PAREN
 TO AFHQ GEORGE DASH FIVE FOR SPOFFORD FROM ACC MAIN FROM ^{Grady} ~~ADAMS~~ SIGNED
MACFARLANE PAREN

1893

(50)

6527

21 Jun

NICHOLAS PIONEIRO
 CWO U.S.A.
 Ass't. Adjutant

100 Information Committee

CONFIDENTIAL

AZH:

AGC MAIN

6544

JUN 21

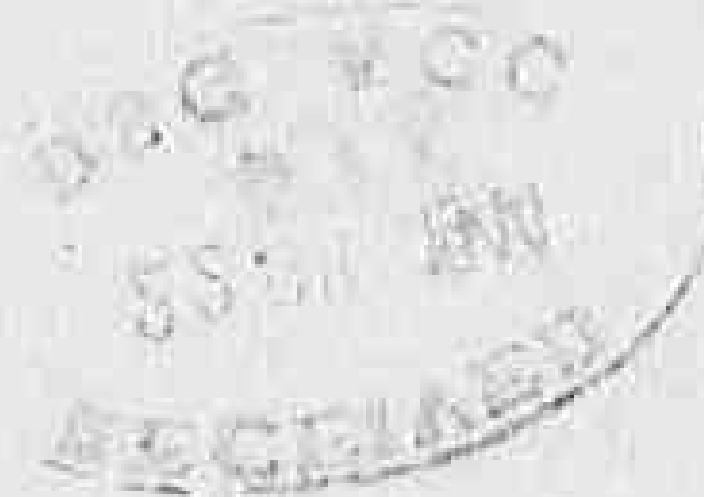
DSM 1338
22 JUN 1944

CONFIDENTIAL

PRIORITY

DEP CHIEF COMMISSIONER

57500 10 6106
 FURTHER YOUR FIVE SEVEN FIVE ZERO ZERO JUNE TEN ONE SIX ONE ZERO SIX JUNE
 TWELVE PAREN TO AZH: GIVE FBHQ FROM AGC MAIN SIGNED STONE PAREN FORWARDING OF
 ANTI INFLATION REPORT BEING DELAYED FEW DAYS IN ORDER TO INCORPORATE EXPANDED
 SUPPLY SECTION MATERIAL.



189)

(49)

6544

21 June

file / 100

ROGER B. DERBY, Capt, AGC, Adjutant

— BLERY W. STONE, Captain, USMR, D.C.O.

100 Inflation Committee

PERSONAL

FMS/RJ

SF

Ref. CC/P/399.

19th. June, 1944.

DND 1348
23 JUN 1944

Many thanks for yours of 13th. inst. together with your telegram to the Treasury.

2. You will have seen that after one bad moment, during which the initial sanction to increase the bread ration was cancelled, we eventually got the O.K. and the increase takes effect from July 1st.. As you can well imagine this has been given an excellent reception here.

3. I do want to say how very grateful I am to you for your invaluable help on the committee and equally for arranging for Jackson and Murray to come along and give us their excellent practical advice. The harvest is starting well and I do hope that your efforts to get me additional harvesters through Cairo will succeed.

4. The problem gets greater daily in all sorts of respects as our advance moves rapidly Northwards. One of my new headaches is the harvesting in areas suffering from temporary dislocation as the war passes over them.

5. Once again ever so many thanks for your very great help and hoping very much we may cooperate again one of these days.

NOEL MASON MACFARLANE
Lieutenant-General,
Chief Commissioner.

189 H. Lloyd, Esq.,
c/o Minister Resident in the Middle East,
CAIRO.

47
DISPATCHED
20 June 1944
At 5/10
OFE
CC/P/399
19 June

100 Jackson Committee

file/p77

CC IDENTIAL

FIRM/rj

Ref. CC/G/405.

19th. June, 1944.

489
7 JUL 1944

MEMORANDUM:

TO: Chief Administrative Officer,
Advance HQ, A.A.I..

(41) a

Reference your 5009/CAO of 14th. June.

1. I too have been going into the question of coordination of industry and my views tally with those expressed by my anti-inflation committee, a copy of whose report is attached.
2. This report contains much useful background and I feel that it would be useful if you could read through the relevant portions before discussing the question with me.

NOEL MASON MACFARLANE
Lieutenant-General,
Chief Commissioner.

189:

(46) a

CC/G/405-
19 June

100 Inflation Committee

File
QMR

Committees have each their own interests to pursue. Provided that they can gain control of factories to satisfy those interests, they are content. As a result, it does happen that in some cases factories are not run to full capacity, and the removal of plant, etc, from one factory to another takes place without consideration of the effect upon the industry as a whole.

It seems to me that what we want is a body vested with executive powers and, therefore, composed of men sufficiently senior to take decisions. This body would not merely be responsible for allocating factories among the services, but also for keeping industry as a whole under review, planning for its exploitation and imposing co-ordination wherever necessary.

I do not think that this body should be technical in composition. It would, however, require technical advice and it would also require a permanent secretariat. My first proposal is that the technical advice and the secretariat should be found from the Industry and Commerce Sub Commission of the AGC.

My second proposal concerns the Chairmanship. It is, of course, quite clear that the Chairman of such a Committee would exercise very considerable influence over the decisions taken. I was at first disposed to say that the Chairman should come from your organization, but, on second thoughts, I do not think that this is really feasible. We are, I am sure, agreed that industry in Italy has to be exploited primarily to meet the war needs of the armed forces. In fact, Italian industry under conditions obtaining in this country today can scarcely function at all without assistance and supplies provided by, or at the expense of, the armed forces. The AGC is interested in Italy as a country. I do not feel that the armed forces would be satisfied to leave decisions of such importance to them in the hands of a body presided over by anyone other than a man whose interest was primarily connected with the war effort. Strongly as I dislike having to make this proposal, I feel compelled to suggest myself as Chairman of this body, with my deputy as Vice Chairman.

189

Cont/.. sheet 2....

Notes: Capt Stone; I think this is answered in our A/Parliament report; Nov 16/5.

Yes/ RWS

Answered by CO/CA/AGC of 19 June.

100 Information Committee

File (A) 13

116m

Sheet 2.

As to membership, there should be one representative from each of the fighting forces and one from the Industry and Commerce Sub Commission in addition to the Secretariat. I think that it would be useful, also, to have a member from the Local Resources Board.

I am not particular regarding the name for this organization, but suggest Industrial Co-ordination Board.

Such a Board would remove from the Local Resources Board power to make allocations of factories to services. I think, however, that the Local Resources Board should continue to allocate output.

This latter question is a highly technical one and involves frequent discussions. I might instance, for example, the case of the industrial gases plants. The Local Resources Board has made an allocation of these plants to various services for the purpose of operation, but it makes separate awards regarding the allocation of production, and it alters these allocations frequently to meet changes in circumstances. Under my proposed organization the Industry Co-ordination Board would decide who is to run each plant, and in reaching that decision would have to take account of the probable allocation, but subsequent decisions altering the allocations would be made by the Local Resources Board.

In general I should say that the Industrial Co-ordination Board would have the right to request the Local Resources Board to adjust any of its operations in regard to factories in the interests of better economy and efficiency.

I should be grateful for your views on the above proposals.

BHP/emb.

/s/ B. H. ROBERTSON

Major-General,
Chief Administrative Officer.

Copies to:- DDM, AAI
RST, AAI
DMS, AAI

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RM/emb.

/s/ B. H. ROBERTSON

Major-General,
Chief Administrative Officer.

Copies to:- DM, AAI
DMT, AAI
TRGS, AAI
DMR, AAI
AFRS
R/CAG, AAI
Q(AE), AAI
Q-2, AAI

HEADQUARTERS
ALLIED CONTROL COMMISSION
APO 394

EWS/ek

DCC 100

12 June 1944

SUBJECT: Programme for Inflation Control in Italy.

TO : Colonel D. S. Adams,
Economic Section.DCC 1125
14 JUN 1944

1. The first action of the Anti-Inflation Committee set up by the Chief Commissioner on 17 May 1944, was to form three sub-committees with full power of co-optation to study the subjects of;

- a. wages and price policy;
- b. financial policy;
- c. supply

as related to the question of inflation control.

2. The task of obtaining the necessary data on the supply side was given to Colonel Fiske, who was instructed to report on;

- a. the rehabilitation of agricultural and industrial production of liberated Italy; and
- b. the import programme.

So far as is known, Colonel Fiske, whose duties have since taken him elsewhere, confined his approach to the Industry and Commerce Sub-Commission, with the result that the report of his sub-committee was found to cover only a small part of the total programme.

3. In your absence, Lt. Col. Sharp of the Economic Section arranged for the other interested sub-commissions of the Economic Section to meet with the Anti-Inflation Committee. As a result of the meetings with this group, the Committee came to the conclusion that some of the representatives seemed unaware of the actions of other sub-commissions. As an example of the apparent lack of coordination, it was found that the existence of the list of surplus products laid before the Allied Forces Local Resources (Italian) Board was known only to a few. It seems to me that sub-commissions which have the responsibility of submitting requisitions for imports should be fully conversant with the type and amount of supplies available in this country.

189

DCC 120

12 June

4/6/44

100 Sub-Commission

- 2 -

4. It is clear that with the rapid extension of liberated territory it would be impossible and inappropriate to submit an import programme in detail. Further, the Committee concur with the suggestion in the cable 57500 of 10 June from G-5 AFHQ that the report of the Anti-Inflation Committee should not be delayed pending the completion of the supply section. However, both London and Washington are most anxious to receive the full report as soon as possible. It is therefore requested that you submit to me at the earliest possible date, a programme of supply requirements to conform with the object of achieving the control of inflation.

5. As soon as possible, I will make available to you other sections of the Committee's report in order to provide the background for your contribution. I attach copies of the memoranda submitted by various Sub-Commissions of the Economic Section.

RECEIVED
1 AUG 8 1945ELLERY W. STONE
Captain, USNR

Chairman, Anti-Inflation Committee

JCA DEC 1945

Copies -

cc

Econ Sec

Col Foley

Col Draggley-Smith

1889

35

RESTRICTED

6106

DEPUTY CHIEF COMMISSIONER

OSD 1124
14 JUN 1944
12 JUNE 1944

RECEIVED

NOTES

CAPT STONE, USMC

APRIL

57500

YOUR FIVE SEVEN FIVE ZERO ZERO PAREN TO AFTER CITY FIVE ZERO FROM ACC MAIN SIGNED
STONE PAREN WILL DO

1883

6106

129 me

R E S T R I C T E D

L. T. MONTANT
1st Lt., A.C.D.
Adjutant

1000 Grafts

1791

CONFIDENTIAL

1270

ACC MAIN

FREEDOM SIGNED SACMED

57500

JUNE 10/0555

N 114/10

CONFIDENTIAL

PRIORITY

CITE FHGAG

1123
14 JUN 1944

SOUTHARD REPORTS PROBABILITY SOME DELAY IN COMPLETING SUPPLY SECTION OF INFLATION CONTROL REPORT. IF IT WILL FACILITATE MATTERS THIS HEADQUARTERS IN WILLING TO CONSIDER AND FORWARD TO CCS A PRELIMINARY REPORT FROM WHICH DETAILED SUPPLY SECTION IS OMITTED. IN VIEW OF URGENCY OF EARLY REPORT TO CCS THIS PROCEDURE MAY BE DESIRABLE

ACC DIST

Action - Econsec 3
Info - CACR
DCC
File
Float

100 Inflation Committee

HEADQUARTERS
111 JUN 1944
A.C.C.

1881

JUNE 10/2320

31
D2G VCC
15 JUN 1944

RECEIVED

57500
10 June

CONFIDENTIAL

SECRET

5998

DEPUTY CHIEF COMMISSIONER

9 JUNE 1944

SECRET

3

PRIORITY

CAPTAIN STONE, USNR

16 JUN 1944

AFHQ

F 5

FOLLOWING ARE MY PRELIMINARY VIEWS ON SUPPLY MISSION REPORT REFERENCE YOUR FOR FIVE
 4 7 4 3
 FOUR SEVEN FOUR THREE OF JUNE FOUR PD PARA TWO FOR FROM FROM FROM SIGNED
MACFARLANE PARA PARA ONE SUPPLY GROUPS REPORT CONTAINS MANY VALUABLE COMMENTS AND
 SOME CONSTRUCTIVE SUGGESTIONS BUT GENERAL TENDENCY OF ITS CONCLUSIONS IS PROFOUNDLY
 DISQUIETING AND SEEMS TO POINT TO A FIXED DETERMINATION TO CUT DOWN IMPORTS AT ALL
 COSTS WITHOUT REGARD TO CONSEQUENCES PD GROUPS ATTITUDE IN REGARD TO ALL IMPORTANT
 QUESTIONS OF FOOD AND CLOTHING IS SUPERFICIAL AND UNREALISTIC AND POSSIBLY BECAUSE OF
 ITS LIMITED TERMS OF REFERENCE IGNORES SERIOUS RANGING OF INFLATION AND BLACK MARKET
 GETTING OUT OF CONTROL PD PARA TWO PD FOR EXAMPLE CMA ON PAGE FIVE FIVE IT IS STATED
 THAT LIBERATED ITALY COULD BE LARGELY SELF SUFFICIENT PROVIDED THAT AMASSING IS
 EFFECTIVE AND PRESENT RATION OF TWO HUNDRED GRAMS OF BREAD IS CONTINUED PD THIS
 STATEMENT WHILE ~~NOT ENTIRELY~~ ^{MATHEMATICALLY} ACCURATE IS BASED ON WHOLLY UNREALISTIC PREMISES SINCE
 188 ~~LIBERATION~~ NEVER HAS AND CANNOT LIVE ON TWO HUNDRED GRAMS OF BREAD PD IF AMASSING IS
 EFFECTIVE BLACK MARKET SUPPLIES WILL NO LONGER BE AVAILABLE TO SUPPLEMENT OFFICIAL
 RATION AND MAINTENANCE OF RATION AT TWO HUNDRED GRAMS WOULD MEAN STARVATION AND RIOTS
 IN THE TOWN CMA WHERE AVERAGE CONSUMPTION INCLUDING BLACK MARKET SUPPLIES NOW EXCEEDS
 THREE HUNDRED GRAMS PD PARA THREE PD REPORTS DISCUSSION OF CLOTHING AND FOOTWEAR

- 1 -
SECRET

5998

9 June

file/301

100 Defective Committee

ACC MAIN outgoing cable 5998, 9 June 44, cont'd.

SECRET

REQUIREMENTS IS EVEN MORE SUPERFICIAL AND UNHELPFUL. PD CLOTHING SITUATION IS EXTREMELY BAD IN RURAL AREAS AND IN SLUM AREAS OF TOWNS. PD TEXTILE MATERIAL AND GARMENTS ON VIEW IN SHOPS OF LARGE CITIES ARE QUITE OUT OF REACH OF WORKERS AND POOR CONSUMERS. PD MEN WORK IN FIELDS IN PAJAS AND WOLF BURLAP ROUND THEIR FEET. PD WOMEN WORK ON STONY GROUND BAREFOOTED AND CHILDREN OFTEN CLOTHED IN SACKING. PD MENS CHEAP BOOTS COST THREE THOUSAND LIRE UPWARD AND IN COUNTRY DISTRICTS ARE PRACTICALLY NOT AVAILABLE. PD I AM HAVING GREATEST DIFFICULTY IN FINDING BOOTS FROM ARMY SALVAGE FOR ITALIAN SOLDIER LABOR SENT TO COLLECT HARVEST. PD PARA FOUR PD IF OVERRIDING NEED IS TO REDUCE IMPORTS OF WHEAT AND AMASS MAXIMUM QUANTITY OF PRESENT HARVEST CMA IT IS VITAL TO SUPPLY MINIMUM OF CLOTHING AND FOOTWEAR TO PEASANTS AND AGRICULTURAL WORKERS. PD PARA FIVE PD I HAVE DEALT SPECIALLY WITH REPORTS TREATMENT OF FOOD AND CLOTHING SINCE ANTI DASH INFLATION COMMITTEE ATTACH PRIME IMPORTANCE TO INCREASE OF THESE CONSUMER GOODS IF RAGES ARE TO BE STABILIZED CMA PRICE CONTROL ENFORCED AND RATIONING EXTENDED CMA ALL OF WHICH ARE ESSENTIAL IF RUNAWAY INFLATION IS TO BE AVOIDED. PD COMMITTEE URGE THAT DANGEROUS INFLATIONARY TENDENCIES ARE CAUSED AS MUCH BY EXTREME SCARCITY OF CONSUMER GOODS AS BY EXCESS OF MONEY AND THAT IT WILL BE RESPONSIBLE TO HOLD RAGES AND RAISE PRICES WITHOUT MORE REALISTIC APPROACH TO ENTIRE ECONOMIC PROBLEM THAN THAT OF GROUPS REPORT. PD PARA SIX PD I STRONGLY ENDORSE REPORTS RECOMMENDATION AS TO NEED FOR INCREASED PERSONNEL BASE INCLUDING LEATHER EXPERT BASE. PD I AM ASKING TO OBTAIN TEMPORARY LOAN OF TEN OFFICERS FROM MIDWEST TO HELP IN AMASSING HARVEST FOLLOWED LATER POSSIBLY BY TEN MORE. PD NEW RESPONSIBILITY FOR SUPPLY OF RECENTLY LIBERATED AREAS INTENSIFYING NEED FOR STRENGTHENING TECHNICAL STAFF AND OVERALL ECONOMIC DIRECTION OF ACC SUBCOMMISSIONS CONCERNED WITH THESE MATTERS. PD PARA EIGHT PD I AM SENDING MORE DETAILED COMMENTS BY MAIL BUT I HOPE THAT CONSIDERATION

SECRET

S E C R E T

ACC MAIN Outgoing Cable 5996, 9 June 44, cont'd.

OF OTHER SECTIONS OF REPORT WILL NOT RESULT IN FURTHER DELAY IN MEETING URGENT
ACC REQUISITIONS AND IN AUTHORIZING IMMEDIATE ANNOUNCEMENT OF INCREASE IN RATION
FROM TWO HUNDRED GRAMS TO THREE HUNDRED GRAMS AS TO WHICH I HAVE HAD NO NEWS

Contents and classification
authenticated by:

ROBERT E. DOE
Major, A.G.D.
Secretary General

188



-3-
S E C R E T

CONFIDENTIAL

871

ACC MAIN FOR MACFARLANE

SF

60/04

FREEDOM SIGNED SACMED

CONFIDENTIAL

F 54743

PRIORITY

JUN 04 1116B

CITE FHGG

16 JUN 1944

WAR OFFICE PRESSING FOR COMMENTS ON SUPPLY MISSION REPORT. PREFER TO
 COMBINE COMMENTS THIS HQ WITH THOSE YOU ARE PREPARING. GRATEFUL YOU EXPEDITE
 LATTER.

ACC DIST

ACT	ECON SECT	3
INF	SECY GEN	
	DEP CO	
	C A BR	
	FILE	
	FLOAT	

1883

Vh

Feb/44

100 British Committee

20
 F54743
 4 June

CONFIDENTIAL

COPY

O

P

Y

SECRET

FM21/13

Ref. CC/6/362.

3rd. June, 1944.

MEMORANDUM:

TO: Allied Force Headquarters.
(ATTENTION: Supreme Allied Commander)

DSH 1028
14 JUN 1944

On 22nd. May I sent you telegram, No. 1211, advocating very strongly that the civilian bread ration in Italy should be increased. *for action see file 4 313 R-1*

2. Since that date I have, as you know, appointed a committee to recommend measures to combat the threat of inflation. This committee, which included Mr. Lloyd, economic expert from Middle East, and Mr. Glasser from the U.S. Treasury, came rapidly to the conclusion that the suggested increase in the bread ration was the first and most essential step which should be taken to prevent inflation, while incidentally forming our best method of combating the black market, and acting as an almost indispensable incentive towards the movement of grain from the harvest.

3. During the past two or three days Mr. Macmillan, Mr. Murphy and Colonel Spofford have 'sat in' on the committee's deliberations and have reached the same conclusions.

4. Mr. Macmillan is returning with this memorandum today with a suggested telegram from you to C.E.C. which I have approved and which I hope very much you will agree. Mr. Macmillan is taking with him copies of interim recommendations made by the committee and I will forward its full report in due course when finished. This should be in two or three days time.

5. I had a meeting yesterday evening with Badoglio and the Ministers for Finance, Agriculture and Interior. They pressed me very hard indeed on the subject of raising salaries and wages in Italy, particularly those of civil servants and Government officials. They painted a most gloomy picture and stated very definitely that they would be unable to prevent serious disorders if something were not done rapidly to alleviate the situation. They handed me also a resolution passed at the Cabinet meeting on Thursday, translation of which is attached.

188 6. I informed them that as they already knew, I was doing all I could to secure an increase in the bread ration and that this was an obviously better way of dealing with the situation rather than an increase in wages which could under existing conditions be nothing but a vicious palliative. They agreed unreservedly, but stressed the importance of being able to announce any increase in the ration at the earliest possible moment. Failing this it would be absolutely necessary to do something about wages.

7. I told them that I hoped to be able to give them an answer before the end of next week and they contracted to do their utmost to keep the situation in hand.

CC/6/362

37 copy to: CS.

NOEL MASCE SACERIANE
Lieutenant-General
Chief Commissioner

100
Duffett Committee

TRANSLATION

SF

SUMMARY OF THE MINUTES OF THE COUNCIL OF MINISTERS
of June 1st, 1944

THE COUNCIL OF MINISTERS

Informed that the negotiations with the A.C.C., in regard to the increase of wages of the category at fixed incomes (labourers & employees) have not yet produced any positive results;

unanimously decides,

To bring to the knowledge of the A.C.C., that the conditions of this category have become unbearable, not without serious dangers to the public order, while an increase of wages and salaries is indispensable to keep the good spirit of the Country in the war effort;

To insist in demanding that a positive solution be given to the problem as soon as possible.

To decline any responsibility for the consequences, in case it would not be possible to grant to the category of workmen at fixed incomes, this minimum of betterment which would make tolerable their situation.

1881

RECEIVED
JUN 1 1944
OIA DEB

RESTRICTED

5589

290930

ACC MAIN (FINANCE SUB-COMMISSION)

29 MAY 1944

RESTRICTED

VAPOR 30

PRIORITY

DSN 1002 FOLLY
3 JUN 1944

FREEDOM

F 51374

REFERENCE YOUR FOX FIVE ONE THREE SEVEN NINE OF
 TWO SEVEN MAY PD PAREN TO AFHQ FOR GEORGE FIVE FOR SPOTFORD FROM
 ACC MAIN SIGNED MACFARLANE PAREN GLASSER LEAVING FOR ALIERS TWO
 NINE MAY PD PREPARE TRAVEL ORDERS WITH HIGH PRIORITY TO EXPEDITE
 AS MUCH AS POSSIBLE HIS RETURN TO WASHINGTON

1833

5589

29 May

RESTRICTED

L. T. MONTANT, JR.
 1st LIEUT AGO
 ADJUTANT

100 Replicate Committee

SECRET
ALLIED CONTROL COMMISSION
INCOMING MESSAGE

448

DCC

OSN 1003
 3 JUN 1944

TO: ~~ADD NAME FOR POINT FOR CLASST~~ SIGNAL MESSAGE CENTER No: 57/27
 FROM: ~~PARADISE BAY, BARBADOES~~ CLASSIFICATION: ~~SECRET~~
 REFERENCE No: 551379 PRECEDENCE: PRIORITY
 DATE AND TIME OF ORIGIN: 17271434 OFFICE OF ORIGIN: CLEW/PMCS

SECRETARY OF TREASURY REQUESTS THAT YOU REPORT TO WASHINGTON IMMEDIATELY.
 REFERENCE OUR F49063. PLEASE ADVISE US OF THE APPROXIMATE DATE OF
 YOUR ARRIVAL

17

ADD DIST

Action - London 3
 Info - DCC
 CPTM
 File
 That

File / 100

1871

F 51379

DATE and Time of RECEIPT

NY 271858B

Distribution:

27.00000

SECRET

SECRET

5453

251035

ACC MAIN (FINANCE SUB-COMMISSION)

26 MAY 1944

SECRET

VAPOUR 30

PRIORITY

FOLEY

FREEDOM

F4 9060
May 22

(17)

REFERENCE YOUR LETTER OF MAY SIX ZERO SIX ZERO OF TWO
TWO MAY TO BUREAU TO ADVISE FOR GEORGE FIVE AND POLITICAL ADVISERS FROM ACC MAIN
SIGNED MAINTAINANCE PART ADDITIONAL DETAILS OF FINANCIAL PART OF STABILIZATION
PROGRAM AND VOLUNTARY SUBSIDIES OF OTHER PARTS ARE NOT BEING FORWARDED TO YOU
PRIOR TO YOUR ARRIVAL FOR DISCUSSIONS HERE SINCE ACC COMMITTEE STILL CONSIDERING
PROGRAM AS A WHOLE

1878

*Inflation file**for*

(20)

5453

25 May

LOUIS F. MONTAG, JR.,
1st Lieut, AGC,
Adjutant.

SECRET

CONFIDENTIAL

5450
257035

AGC MAIN (FINANCE SUB-COMMISSION)

25 MAY 1944

CONFIDENTIAL

VALOUR 30

ROUTINE

FOUR

AGWAR

REFERENCE YOUR RECENT CABLE TO FREEDOM ID PAREN
 TO AGWAR FOR TREASURY FOR BORGENTHAU FROM AGC MAIN FROM GLASSER SIGNED MACFARLANE PAREN
 MACMILLAN MURPHY AND GEORGE FIVE REPORTED HERE MAY TWO NINE TO DISCUSS ANTI INFLATION
 PROGRAM AND AGC REQUESTS ID TO URGAIN FOR DISCUSSIONS ID PLAN TO LEAVE NAPLES ABOUT
 JUNE ONE AND RETURN DIRECTLY TO WASHINGTON

1871

*Anti Inflation**[Signature]*

(19)

5450

25 May

LOUIS T. MONTAGN, JR.,
 1st Lieut, AGC,
 Adjutant.

CONFIDENTIAL

SECRET

5400

230845

ACG MAIN (FINANCIAL SUB-COMMISSION)

28 MAY 1944

SECRET

PRIORITY

PRIORITY

DSN 912
24 MAY 1944

VAPOR 30

PRIORITY

STABILIZATION PROGRAMS NOW FORMULATING IN ACG WILL BE COMPREHENSIVE COVERING INDUSTRY AGRICULTURE TRADE AND TRANSPORTATION AS WELL AS FINANCE AND PRICE CONTROLS. PD PATTEN TO AME FOR GEORGE DASH FIVE FOR STOPPED FROM ACG MAIN FROM SUTHERLAND LINDO MACFARLANE PAREN THEREFORE SERIES VITAL THAT IN ANY CONSIDERABLE NOW BEING GIVEN TO REPORT OF SUPPLY MISSING BY AME. IT BE KEPT IN MIND THAT BOTH AME AND ACG SHOULD RESERVE FINAL JUDGMENT UNTIL ACG PROGRAMS IS BEFORE THEM

1876

(18)

DEC 3 1944
5400
SECRETARY

f000

5400
23 ammm

SECRET

LOUIS T. BRYANT,
1st Lieut, AGO,
Adjutant.

159

DCC

ACC MAIN FOR FOLEY FOR GLASSER

N29/22

FREEDOM SGT SACRED

SECRET

F49063

PRIORITY

MAY221303

CITE/FHMG3

TREASURY REQUESTS GLASSER TO WIND UP ITALIAN JOB AS SOON AS POSSIBLE
AND RETURN DIRECTLY TO WASHINGTON OMITTING PORTUGAL OR SPAIN VISITS
AND DISREGARDING ALL EARLIER INSTRUCTIONS

ACC DIST

Action - LS-3
Info - DCC
File
Float

1875

MAY221738

408

17

a

F49063

22 May

SECRET

SECRET

162

DCC

ACC MAIN FOR POLICY TO FAIRBANKS FOR INFO

FREEDOM 360 SAKRED

P49060

MAY221300

D5H 911
24 MAG 1944

H30/22

SECRET

PRIORITY

CITE/PHESS

PRELIMINARY OUTLINE OF FINANCIAL PROGRAM APPEARS SATISFACTORY TO
 COS. REFERENCE YOUR 3989 OF 14 MAY AND MAT 199 OF 18 MAY. THEY
 REQUEST SUBMISSION OF PROGRAM TO THEM BEFORE TO ITALIAN GOVERNMENT
 WHICH IS AS PLANNED BY YOU. ALSO APPROVE NO CHANGE IN EXCHANGE
 RATE AT THIS TIME. PARA. REQUEST MORE DETAILS ON TYPE OF
 PROPOSED AGRICULTURAL TAXATION IN SUBSTITUTION OF COMMODITY
 TAXATION

ACC DIST

⑦

Anti-Inflation file

Action - ES-3
 Info - DCC
 File
 Float

187

⑪

F 49060

22 Army

SECRET

SECRET*Anti Inflation*

N211

GEN MACFARLANE (CHIEF COMM)

SECRET

PRIORITY

22 MAY 1944

V. 16

GEN MACFARLANE

DS 906
23 MAY 1944TO AFHQ TO SAC MED FOR MGS FROM ACC MAIN FROM MACFARLANE PERSONAL

Reference your F-48558 of 20 May.

(14)

Basic proposal is that increase of ration is indispensable element in whole amassing and price control program. Proposal has not been put forward merely on financial grounds. Following message is from supply point of view only. Proposal is not designed to increase total consumption of bread. Although ration is 200 grams, the average urban consumption of bread from all sources is estimated to be more than 300 grams. Therefore the effect of increase in ration to 300 grams will be designed to reduce black market demand rather than to increase total consumption of wheat in area.

Your question 1. Based on experience to date in AMG Region III, our experts have every confidence in being able to enforce reduction of ration card holders to 65% of population by July 1st, 1944. The increase of basic ration itself should ensure attainment of this objective by easing administrative difficulties and by obtaining increased cooperation of Italian authorities.

187 : Your question 2. Our estimated goal of quantity to be amassed is 693,000 tons, 385,000 tons Italy, 58,000 tons Sardinia, 250,000 Sicily. This is computed on basis of early estimate of total crop less legal retentions for food and seed. Thus there is no allowance for leakage to black market except for illicit sales in black market out of permitted retentions. However yield is computed at 8 quintals

x-40 = Supply Program 28 13

N211

(16)

22 May

- 1 -

SECRET

per hectare which is now considered as conservative in light of present crop conditions.

Your question 3. Impossible to estimate the extent quantitatively but we are convinced that the effect of prior announcement will be very substantial and indeed indispensable to attaining amassing goal of 693,000 tons.

Your question 4. I do not consider adjustment of laborers ration as workable alternative to general increase in basic ration. Even with present heavy workers ration the great demand on the black market is for workers families and general public.

On general question, I repeat again object of proposal is to obtain largest results from amassing and thus save shipping. The policy is not to establish a basic ration which there is no reasonable prospect of maintaining, but if in spite of all efforts to achieve maximum amassing, supplies prove inadequate, basic ration may have to be reduced in the future and should not be regarded as absolutely irrevocable commitment. In accordance with your instructions, ration increase will not be announced but I must emphasize urgency of reaching decision.

Authenticated:

1872

NOEL LASON MACFARLANE
Lieutenant General
Chief Commissioner

"Anti Inflation"

119

DCC

SECRET

ACC MAIN (ACTION)

5117

TROOPERS F5

SECRET

96196

NONE

MAY201715

CITE/ NONE

Ca

YOUR 4541 OF 8 MAY. IF POSSIBLE FORWARD IMMEDIATELY COPY FULL REPORT PREPARED BY FINANCE SUB COMMISSION WITH ASSISTANCE GLASSER. WE APPRECIATE THAT THIS MAY BE REVISED IN THE LIGHT OF LLOYD'S DISCUSSIONS WITH GLASSER BUT AS CONSIDERABLE INTEREST IN MATTER BEING SHOWN HERE SHOULD LIKE TO HAVE LATEST INFORMATION IN ADVANCE OF FINAL COMBINED REPORT WHICH WE HOPE WILL EMERGE FROM GLASSER-LLOYD DISCUSSIONS

ACC DISTReference 4541:

8 May

ACTION/ DOON SEC 3

INFO/ DCC

FILE

FLOAT

Financial Anti Inflation programme being prepared for submission to CCS by Finance subcommission with assistance of Glasser. (TO TROOPERS FOR SPEED REPEATED AFHQ FOR MGS FROM ACC MAIN SIGNED MACFARLANE) Finance Sub Commission would welcome assistance of Lloyd provided he could come at once. While Glasser was due to leave shortly we shall request that he remain pending Lloyds arrival

1871

MAY 21

Feb/80

20 May

(15)

96196

SECRET

SECRET

5343

SECRETARY GENERAL

SECRET

PRIORITY

PSN 914
24 MAY 72

20 MAY 1944

174

MR. LLOYD

MIDEAST

FOLLOWING FOR YATES FROM LLOYD PD PAREN TO MIDEAST FOR MINISTER RESIDENT
 CAIRO FROM ACC MAIN SIGNED MACFARLANE PAREN ANTI HYPER INFLATION COMMITTEE
 APPOINTED PD STENOGRAPHER BADLY WANTED PD PLEASE ARRANGE SEND MISS BAKIE
 IMMEDIATE PRIORITY REPORTING TO HQ ACC NAPLES PD SUITABLE ACCOMMODATION IS
 AVAILABLE

1870

Mr. Lloyd ✓
 Lt Comdr Lawler ✓

5343

20 May

SECRET

ROBERT E. DOS
 MAJOR, A.G.D.
 Secretary General

100

Anti Inflation

CONFIDENTIAL

5345

2017/5

AGC LAB (Finance Sub-Commission)

20 May 1944

CONFIDENTIAL

VAPOR 30

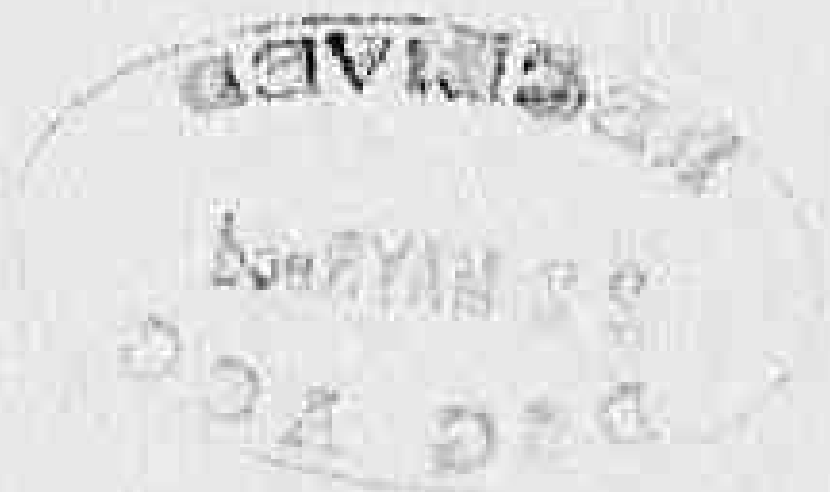
PRIORITY

FOLEY

FREEDOM

OCT 27
25 MAG 1944

ANTI INFLATION PROGRAMME WILL NOT BE
 READY FOR DISCUSSION WITH AMERICAN REPRESENTATIVES BEFORE TWO WEEKS
 MAY BE PAID TO AMERICAN FOR GEORGE FIVE FOR SPONSORED FROM AGC MAIN
 FROM SCOTLAND SIGNED MACFARLANE PART OF RECORD HAS SO INFORMED
 MACFARLANE TO BOTH FINANCIAL AND GENERAL ECONOMIC ASPECTS BEING
 WORKED ON



D. T. MONTAGUE, Jr.
 1st Lieut, AGC
 ADJUTANT

CONFIDENTIAL

(14) a ✓

file/100

5345
20 May

100

Anti-Inflation Center

SECRET

ALLIED CONTROL COMMISSION

SV /hd

INCOMING MESSAGE

Msg Center No. 12/21

Date/Time Rec'd: May 20 1955

Classification: SECRET

Date/Time Sent: May 20 1955

Precedence: PRIORITY

Reference Nr.: P 48558

From: SIGNED SACMED

Cite: FHMG5

To: ACC MAIN FOR MACFARLANE

DSD 903
21 MAG 1955

(6)

Increase of bread ration receiving urgent consideration here. Refer M194 of 12 May and M207 of 19 May. Appreciate anti inflation aspect presented by new

Committee and importance of move from Finance standpoint. However effect of increase on supply program less clear. Appreciate advice your supply experts based on close contact with conditions not known to us. Grateful therefore for explanation of facts or estimates possibly not available here which have led to view that necessary importations would probably not exceed amounts required under present ration. Specifically request your best judgment on following:

- (1) Actual likelihood of reduction of bread ration card holders to 65 per cent of population and estimated date at which this will become effective.
- (2) Tonnage of this years crop which will be amassed in ITALY, SICILY and SARDINIA, respectively, under current program.
- (3) Extent to which amassing would be affected by prior announcement of increased

1804 ration.

- (4) Feasibility of adjustment of laborers ration as alternative to general in-

... would constitute a

explanation of facts or estimates possibly not available here which have led to view that necessary importations would probably not exceed amounts required under present ration. Specifically request your best judgment on following:

- (1) Actual likelihood of reduction of bread ration card holders to 65 per cent of population and estimated date at which this will become effective.
- (2) Tonnage of this years crop which will be amassed in ITALY, SICILY and SARDINIA, respectively, under current program.
- (3) Extent to which amassing would be affected by prior announcement of increased

1864 ration.

- (4) Feasibility of adjustment of laborers ration as alternative to general increase to entire population. Since ration increase would amount to irrevocable commitment to population of all liberated ITALY which would have to be met by imports to extent that various programs fall short of estimates, announcement would not be made until effect on Theater supply position can be fully appraised. Moreover increase to extent proposed would require prior approval by Combined Chiefs of Staff. Accordingly you are instructed not to announce increase, as suggested your M207 current.

DISTRIBUTION:

ACTION: Deputy Chief Commissioner

INFO: Chief Commissioner
Col. Grafftey-Smith
Col. Foley
Lt Comdr Lawler
Col. Upjohn
Col. Fiske

Mr. Glasser
Mr. Lloyd
Col Legg (Food)
Col Adams (Econ. Sec)

SECRET

.....
:: HQ ACC, APO 394 ::
:: Sec'y Gen ::
:: Rec'd 21 May 1050B ::
:: By H.D. ::
.....

file/707

SECRET

M209

SF

SECRETARY GENERAL

20 MAY 1944

SECRET

DSH 891
20 MAG 1944

174

PRIORITY

MISTER LLOYD
~~MAJOR~~

AFHQ

FOLLOWING FROM LLOYD PD PAREN TO AFHQ FOR BRITISH MINISTER RESIDENT FROM AGC
MALE SIGNED MACFARLANE PAREN HAVE PROVISIONALLY ARRANGED THAT YOU CONFER WITH
 RECENTLY APPOINTED ANTI HYPER INFLATION COMMITTEE ON MONDAY MAY TWO NINE
 WHEN WE HOPE TO HAVE COMPLETED INTERIM REPORT PD MEANWHILE MAY I SUGGEST
 YOU GIVE YOUR BACKING TO VIEWS EXPRESSED IN TELEGRAM NUMBER M TWO ZERO SEVEN
 OF ONE NINE MAY

⑧

1853

✓

⑬

M209
20 MAY 44RECEIVED
MAY 20 1944
3A 020

File/207

ROBERT E. DOE
Major, A.G.D.
Secretary General

SECRET

100 Anti Inflation Committee

Capt. Stone

HEADQUARTERS ALLIED CONTROL COMMISSION
APO 394

EMHL/afe

DSM 890
20 MAG 1944

20 May 1944

MEMORANDUM TO: Lieutenant Commander Lawler, Secretary
Anti-Inflation Committee (Italy)

(13) INCL 1
In agreement with the chairman and the chief commissioner I have sent the attached telegram to Mr. Macmillan in Algiers. Please arrange to book the chairman and members of the committee to meet Mr. Macmillan sometime on Monday May 29. I will, of course, let you know as soon as I get a reply confirming whether this day will be suitable for Mr. Macmillan.

E. M. H. LLOYD

1867

(12)

20 May 44

100 cents - Inflation

file/for

SECRET

M207

DSG 592
20 MAY Recd

GEN MACFARLANE (CHIEF COMM)

19 May 1944

SECRET

SF

v. 16

PRIORITY

CAPT. STONE

AFHQ

I HAVE APPOINTED A SPECIAL COMMITTEE CALLED QUOTE ALLIED ANTI INFLATION COMMITTEE PARAH ITALY PARAH AND QUOTE TO RECOMMEND ALL MEASURES TO COMBAT INFLATION PD CHAIRMAN CAPTAIN ELIZY W STONE CMA DOWR PD MEMBERS CSM COLONEL A P CRAFTNEY DASH SMITH CMA COLONEL E H FOLEY JR CMA MISTER H GLASSER CMA MISTER E M H LLOYD CMA COLONEL G UPTON CMA COLONEL W E FISKE PD PARA PARAH TO AFHQ FOR HQS CMA BRITISH MINISTER RESIDENT AND AMERICAN POLITICAL ADVISER FROM AGO MAIN FROM MACFARLANE PERSONAL PARAH AT ITS FIRST MEETING CMA THE COMMITTEE WAS STRONGLY OF THE OPINION THAT THE ACTION RECOMMENDED IN MY M ONE NINE FOUR OF ONE TWO MAY IS INDISPENSABLE TO CONTROL OF INFLATION PD IT RECOMMENDED TO ME THAT THE INCREASE IN THE BREAD RATION BE INTRODUCED SOONEST IN ORDER TO BREAK THE BLACK MARKET PRICE AND THEREBY ENCOURAGE THE ARRIVING PD THE HARVEST BEGINS ABOUT JUNE FIRST PD PARA THE COMMITTEE ATTACHED PARAMOUNT IMPORTANCE TO PREVENTING FURTHER RISE IN WAGES AS CENTRAL POINT OF ANTI INFLATION POLICY PD AT PRESENT WAGE EARNERS ARE COMPELLED TO PAY BLACK MARKET PRICES TO SUPPLEMENT RATION OF TWO LUNDED GRAMS AND IF THIS CONTINUES IT WILL BE IMPOSSIBLE TO RESIST DEMANDS FOR INCREASED WAGES PD PARA

- 1 -

SECRET

M207
19 May 44

file/200

SECRET

MEMO, 19 May 1944, to AFHQ, (cont'd):

11 1 9 4 (6)

AS POINTED OUT IN TELEGRAM N ONE NINE FOUR IF BLACK MARKET IS BROKEN AND AMASSING PROGRAM IS FULLY SUCCESSFUL GMA IMPORT REQUIREMENTS FOR WHEAT MAY NOT BE SUBSTANTIALLY INCREASED PD ON THE OTHER HAND GMA IF RATION IS NOT INCREASED AND BLACK MARKET CONTINUES UNABATED GMA THERE IS GRAVE RISK OF PARTIAL FAILURE IN AMASSING PROGRAM WHICH WILL NECESSITATE SUBSTANTIAL INCREASE IN WHEAT IMPORTS PD PARA IN VIEW OF THE UNANIMITY OF OPINION OF MY COMMITTEE GMA UNLESS I RECEIVE SPECIFIC INSTRUCTIONS TO THE CONTRARY GMA I PROPOSE TO ANNOUNCE WITHIN TEN DAYS THAT RATION WILL BE INCREASED TO THREE HUNDRED GRAMS AS OF JULY FIRST GMA WHICH IS THE EARLIEST DATE THAT SUPPLIES IN SIGHT WILL PERMIT PD I HAVE NATURALLY DISCUSSED THE INFLATION DANGER WITH SEVERAL MEMBERS OF THE ITALIAN GOVERNMENT AND ALL REGARD AN INCREASE IN THE BREAD RATION AS A SINE QUA NON AMONG ANY PREVENTIVE MEASURES WHICH MAY BE TAKEN

content and classification
authenticated by;

ROBERT E. DOE
Major, A.C.D.
Secretary General

180 DISTRIBUTION:

Col. A.P. Graffey-Smith
Col. E.H. Foley, Jr.
Mr. E. Glasser
Mr. E.M.H. Lloyd
Col. G. Upjohn
Col. H.E. Fiske

CONFIDENTIAL*Inflation File**AS/rj**DS 18 872
20 MAG 1944*Ref. CC/P/303.*Plan in*

18th. May, 1944.

Lloyd has arrived and has given me your letter.

2. I had already appointed a committee to consider the inflation question and make recommendations to me. Its composition is as follows:-

Captain Ellery W. Stone, USNR.

Colonel A.P. Crafftey-Smith.

Colonel M.H. Foley, Jr. AUS.

Mr. H. Glasser.

Mr. E.M.H. Lloyd.

Colonel H.E. Fiske, USA.

Colonel G. Upjohn.

3. I am glad to hear that you hope to come over about the end of next week and the Committee should have made considerable progress by that time. I am urging them to get on with their job with maximum speed.

4. I wired you on the P.T. question and hope you will be able to put us properly into the picture here. We are entirely without official information as to what is being done.

5. Sooner or later I feel that we will have to tell the Italian Government exactly what we are doing. If the action of IEC and USC has been coordinated and is in fact an Allied solution I would naturally deal with the question with Badoglio myself. If on the other hand IEC are taking action on their own and USC are similarly taking independent action then it would seem preferable that the matter should be dealt with by Noel Charles and Alexander Kirk.

185

The Rt. Hon. Harold Macmillan, PC, MC, MP,
British Resident Minister,
A. F. H. Q..

NOEL MASON MACFARLANE,
Lieutenant-General,
Chief Commissioner.

*CC/P/303**18 May**File 1450**100 - Inflation Committee*

D I R E C T I V E

O Captain Stone

DSG, 840

19-MAG-1944

17 May 44

SUBJECT: Appointment of a committee to consider the existing financial situation in Italy and to make recommendations as to the measures which should be adopted to check the present tendency towards inflation.

1. The following committee is hereby appointed. It will be known as the Allied Inflation Committee (Italy):-

Chairman - Captain Ellery W. Stone, USNR.

Members - Colonel A.P. Grafftey-Smith.

Colonel E.H. Foley, Jr.

Mr. H. Glasser.

Mr. E.M.H. Lloyd.

Colonel G. Upjohn.

Colonel N.E. Fiske.

2. Terms of Reference:-

To suggest any measures they consider necessary to stop the existing tendency towards inflation in Italy's currency.

3. The Committee will carry out its task as expeditiously as possible.
4. The Committee will report to the Chief Commissioner.

100 - Inflation

1 8 8

Allied Inflation Committee (Italy):-

Chairman - Captain Ellery W. Stone, USNR.

Members - Colonel A.P. Grafftey-Smith.

Colonel E.H. Foley, Jr.

Mr. H. Glasser.

Mr. E.M.H. Lloyd.

Colonel G. Upjohn.

Colonel N.E. Fiske.

2. Terms of Reference:-

To suggest any measures they consider necessary to stop the existing

tendency towards inflation in Italy's currency.

3. The Committee will carry out its task as expeditiously as possible.

4. The Committee will report to the Chief Commissioner.

5. The Committee will meet at such times and places as the Chairman may direct.

6. The Chairman has the power to call in evidence any American, British or Italian personnel. As may be found necessary, the Chairman may co-opt any British or American personnel in Italy.

17th. May, 1944.

NOEL LASON MACFARLANE,
Lieutenant-General,
Chief Commissioner.

100 - Inflation Committee

17 May

SECRET
SECRET

3989

ACC MAIN (Finance Sub-Commission)

14 MAY 1944 ✓

SECRET

VAPOR 30

ROUTINE

FOLEY

TO AFHQ FOR MGS FROM ACC MAIN FOR FOLEY SIGNED MACFARLANE

Transmission of the following to CCS for CCAC is requested:

① Reference TAM 162 dated 9 April 1944, Financial section of the stabilization programme as tentatively formulated consists following features:

IV 1. Institute expenditure accounting control and establish standards of expenditure to reduce budget deficit including elimination of unnecessary subsidies and payments to individuals.

III 2. Simplify tax system to generalize income tax and excess profits tax and increase revenue through higher progressive rates.

III 3. Reorganize the administrative tax procedures to eliminate arbitrary elements and exemptions and to obtain accurate reporting.

II 4. Institute emergency anti-inflation revenue measures:

I (a) Currency conversion accompanied by anti-inflationary tax on liquid assets with progressive scale of taxation. This programme would be applied when the whole of Italy is liberated and the inflationary movement has reached its peak, since such programme can be applied only once.

(b) Temporary suspension of commodity taxation with the utilization of existing government monopolies and trade controls to exact profits for governmental revenue and to absorb profits arising out of inflationary situation including exports, imports and selected items of domestic production. Programme can be initiated immediately but results will be greatest during the early stages

SECRET

2709 14 May

SECRET

of reconstruction and when the inflationary danger will be reaching a maximum.

III (c) Special agriculture taxes to strike at the greatest accumulation of inflationary profits, and to coordinate with efforts to increase production, rationing, amassing and price control programmes.

III (d) Special discriminatory penalty taxes amounting to confiscation of property of enemies and violators of economic regulations.

III 5. Reorganization of public debt structure to eliminate routine borrowing from central bank, initiate bond issues to the banks and public, increase the proportion of long term debt, lower interest rates, publicize information concerning public debt and its burden.

II 6. Reorganization of banking structure to give government full control over retention of credit in order to eliminate borrowing for speculative purposes during emergency, provide private banking facilities to coordinate with economic programmes of the government and to lower the arbitrarily high interest rate structure.

VI 7. Establishment of standards and principles of price control policy to coordinate with other aspects of economic programme.

8. Orientation of government towards establishment of stability in the exchange rate of the lira with recommendation for appropriate control of imports and exports and policy on remittances.

183 Suggestions on the outline presented will be very helpful if given to us before completion. Expected final programme will be completed about 20 May and will be presented to you for approval before presentation to Italian Government.

SECRET

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SECRET

Cable No. M194

ACC MAIN (GEN MACFARLANE C OMM)

12th. May, 1944.

SECRET

V16

PRIORITY

GEN MACFARLANE

TO A.F.H.Q. FOR MSG FROM ACC MAIN FROM MACFARLANE PERSONAL

(M-103 - 400 Agricultural Programme)

1. My immediately preceding telegram. At the present moment the population of cobelligerent Italy is on a ration which is below subsistence and requires augmentation from uncontrolled sources. The necessary ceiling as regards wages provides a bare subsistence wage. Unless we increase the food ration, we are bound to be faced with labour troubles resulting in inevitable wage raising and inflationary consequences. To keep the country contented and to ensure a more effective cooperation in the war effort, it is becoming daily more obvious that we must increase our basic ration.
2. I recommend most strongly that the present bread ration of two hundred grammes be raised to three hundred. This would represent an increase of only forty grammes of flour over and above the ration scale approved by AFHQ.
3. Plans are now under consideration to allot rations to provinces on a basis of a percentage of the population which will be fixed for each province and which should reduce the number of ration card holders to 65% of the population as a whole. If this is successful, flour requirements on the proposed ration scale would exceed present issues by only about 11%.
- 1839 I wish to emphasize that the present consumption of bread is not in fact limited to 200 grammes and it never will be so limited. With a 1,000 lire price of wheat and a 300 gramme ration we would at last have reason to hope that we can solve the black market problem.
5. With a 300 gramme ration and the black market in wheat and bread largely eliminated, the necessary importations of wheat and flour should probably not exceed the

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amounts that would be required with a 200 gramme ration, a flourishing black market and the immediate threat of inflation.

6. I would point out that with a 300 gramme ration it would become possible seriously to consider increasing the price of bread as the necessity for substantial purchases in the black market would be very greatly reduced, and with even a considerable rise in the price of bread a ration card holder would be able to purchase his requirements at much less outlay than he has to make at present. This would naturally have the effect of substantially reducing the bread subsidy.

7. I and my advisers are convinced that the proposed raising of the bread ration will contribute materially to the successful amassing of wheat.

8. We envisage amassing barley, olive oil and other crops in due course. The price of these will be fixed in relation to the price fixed for wheat. The extent to which it will be possible to dilute wheat flour with a barley and other flour is now being investigated.

9. I would be grateful for earliest possible sanction to this proposal to increase the bread ration which I desire to bring into effect on July 1st and which I would like to announce soonest possible.

NOEL MASON MACFARLANE
Lieutenant General
Chief Commissioner

1853

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R E S T R I C T E D

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RESTRICTED
NONE
FREEDOM SGD CINC
ACC MAIN

MAY 111436B
MAY 111100B
F 44254
FHMGS

WHEN WILL REPORT REFERENCED IN YOUR 4540 OF 8 MAY BE READY FOR CONSIDERATION
INTERESTED SECTIONS THIS HEADQUARTERS

ACC DIST

Action - Econ Sec 3
Info - DCC
File
Float

1851

5

Freedom 44254
11 May

R E S T R I C T E D

REAR HEADQUARTERS
ALLIED CONTROL COMMISSION
Office of the Deputy Chief Commissioner
APO 394

EWS/hjp

9 May 1944

TO: General MacFarlane

Pursuant to your request, there is set forth below my suggestions for membership on your proposed Inflation Committee. If Mr. Grady were here, I would suggest that he be Chairman of the Committee, and that he appoint the members. In his absence, I suggest the following:

Col. A. P. Grafftey-Smith, Finance Sub-Commission
Col. E. H. Foley, Jr., Finance Sub-Commission
Col. D. S. Adams, Acting Head Econ. Sec.
Col. J. T. R. Bain, Labor Sub-Commission
Col. W. P. Evans, Industry & Commerce Sub-Com.
Mr. Julian Wedleigh, Mr. Grady's Staff
(Economist, Federal Reserve Board)
Col. Gerald Uphohn, Legal Sub-Commission

I strongly urge Col. Grafftey-Smith as chairman, as being the officer best qualified to head a committee to deal with this subject.

E. W. S.

1856

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9 May

C O P Y

S E C R E T

4541

ACC MAIN (FINANCE SUB COMMISSION)

8 May 1944

081400

SECRET

VAPOUR 30

PRIORITY

FOLEY

TROOPERS (Action) FREEDOM (Info)

_____ Financial anti-inflation programme being prepared for submission to CCS by Finance Subcommittee with assistance of Glasser. (To TROOPERS For Speed repeated AFHQ for MGS from ACC Main signed MacFarlane) Finance Subcommittee would welcome assistance of Lloyd provided he could come at once. While Glasser was due to leave shortly we shall request that he remain pending Lloyd's arrival.

LOUIS T. MONTANT, Jr.
1st Lieut. AGD
Adjutant

1855

S E C R E T

(3) a

4541

8 May

S E C R E T

4540

ACC MAIN (FINANCE SUB-COMMISSION)

8 MAY 1944

SECRET

VAPOR 30

PRIORITY

FOLEY

MIDEAST (ACTION) FREEDOM (INFO)

WAR OFFICE HAVE SUGGESTED THAT LLOYD MIGHT BE AVAILABLE TO ASSIST FINANCE SUBCOMMISSION IN ITS PREPARATION OF FINANCIAL ANTI INFLATION PROGRAMME PD PAREN TO MIDEAST FOR BRITISH RESIDENT MINISTER REPEATED AFHQ FOR MGS FROM ACC MAIN SIGNED MACFARLANE PAREN GLASSER FROM US TREASURY NOW HERE ASSISTING IN THIS WORK PD WE SHOULD VERY MUCH LIKE TO HAVE LLOYDS HELP AND WILL REQUEST GLASSER TO REMAIN PENDING LLOYDS ARRIVAL PD TROOPERS SUGGESTS LLOYD CONTACT MACMILLAN ALGIERS BEFORE REPORTING THIS HEADQUARTERS.

L. T. MONTANT, Jr
1st Lieut, AGD
Adjutant.

S E C R E T

4540
8 May

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 PRIORITY
 FREEDOM SIGNED CINC
 FATIMA

APRIL 11/2047
 APRIL 11/0910
 F 30518 ✓
 FHMGS

Subject is control of inflation in Italy.

(1) CCS view seriously the critical nature of inflationary trends in Italy at the same time fully appreciating military and political conditions mitigate against introductions and administration of counter measures against the inflationary pressure.

(2) CCS feel the maximum attention possible should be given by ACC in formulating a full financial and economic program for stabilization of prices in Italy to be instituted immediately upon the general military, economic and political situation permitting such action. Meanwhile every device possible of present employment should be used to check the inflationary movement.

(3) Does increased import program permit arrangements to be made now with Italian government to impose and enforce tighten measures against the black market.

(4) The program of control of finances of Italian Government together with reduction of budgetary deficits should be prosecuted by ACC with utmost vigor. The Italian Government must be made fully cognizant of its responsibility to take every corrective measure to these ends.

(5) The present concerted efforts of ACC should continue toward increasing production to the limit and facilitating transport and distribution of local crops.

(6) Suggest brief reply be made to above particularly para 3.

185

DISTRIBUTION:

Action - Econ Sec 4
 Info - Dep Chief Comm
 - File
 - Float
 - Rear Hq Finance

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F 30518
 11/4/50

100 - Inflation Committee

Capt. Stone

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WAR
109/09
Filed: 092129Z

ATCO N 26/10
100215/B
btb

sf

ROUTINE

FROM: AGWAR

TO: WILSON REITERATED IT0034, INFORMATION BRITISH CHIEFS OF STAFF
REF NO THIS MESSAGE: WY-2094, 9 April 1944

FOR INFO FROM CCS

CITE: CCAC

TAM 162.

Control of Inflation in ITALY.

A serious view is taken here of the critical nature of inflationary developments in ITALY. It is recognized that political and military conditions effectively the inflationary pressures.

It is felt that ACC should give utmost attention to working out a comprehensive financial and economic programme for stabilizing prices in ITALY, to be put into effect as soon as the general military, economic and political situation is appropriate for such action. In the meantime, every method which can be employed under present conditions should be used for checking inflationary trend.

In view of increased in ort programme, is it possible to arrange with Italian Government to impose and enforce stricter measures against black markets?

Programme of control of Italian Government finances and curtailment of budgetary deficits should be pursued with utmost vigour by ACC and the Italian Government should be made fully aware of its responsibility for taking all possible corrective measures.

Also request ACC to continue vigorously its present efforts, both as to maximizing production and facilitating transportation and distribution in connection

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100 Inflation

Control of Inflation in ITALY.

A serious view is taken here of the critical nature of inflationary developments in ITALY. It is recognized that political and military conditions make it difficult at this time to introduce and administer measures to counter effectively the inflationary pressures.

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Also request ACC to continue vigorously its present efforts, both as to maximizing production and facilitating transportation and distribution in connection with local crops.

ACTION: MGS

INFORMATION: SGS

FINANCE

DPIC

FIN ADV

MR MURPHY

MR MACMILLAN

G-4

MC IN 5547

10 APR 44

0715B

REF NO: VX 20941

E/J/H

AM 162 10 Apr

Control of Inflation in ITALY.

A serious view is taken here of the critical nature of inflationary developments in ITALY. It is recognized that political and military conditions make it difficult at this time to introduce and administer measures to counter effectively the inflationary pressures.

It is felt that AOC should give utmost attention to working out a comprehensive financial and economic programme for stabilizing prices in ITALY, to be put into effect as soon as the general military, economic and political situation is appropriate for such action. In the meantime, every method which can be employed under present conditions should be used for checking inflationary trend.

In view of increased import programme, **is it possible to arrange with Italian Government to impose and enforce stricter measures against black markets?**

Programme of control of Italian Government finances and curtailment of budgetary deficits should be pursued with utmost vigour by AOC and the Italian Government should be made fully aware of its responsibility for taking all possible corrective measures.

Also request AOC to continue vigorously its present efforts, both as to maximizing production and facilitating transportation and distribution in connection with local crops.

ACTION: MGS

INFORMATION: SGS
FINANCE
DPIC
FIN ADV
MR MURPHY
MR MACMILLAN
G-4

MC IN 5547

10 APR 44

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REF NO: WX 20944

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1 AM 162 10 Apr

1832

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

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Q. M. C. Form 353 (Old No. 490)
Revised July 26, 1918

LIST OF PAPERS

File under No. _____

B-6738

SERIAL NUMBER	FROM—	DATE	TO—	SYNOPSIS
1851				

INSTRUCTIONS.—When papers on a subject become numerous they will be numbered serially and brief entries made on this form.

1833