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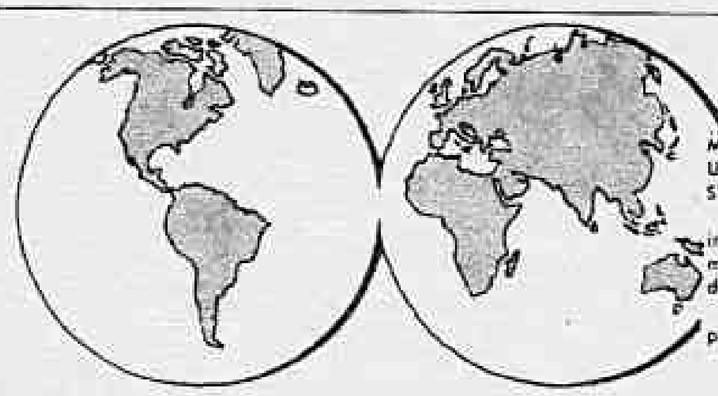
ECONOMIC NOTES, UNRRA
FEB. - AUG. 1946

CHE COSA E' L'UNRRA

..e che cosa fa per voi



1

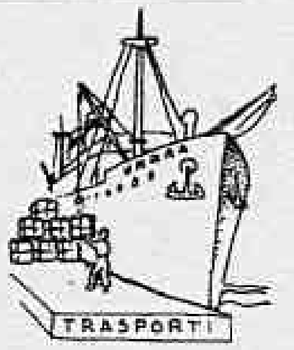
U.N.R.R.A. è la sigla dell'«AMMINISTRAZIONE DELLE NAZIONI UNITE PER L'ASSISTENZA E LA RICOSTRUZIONE».

L'**UNRRA** è un'organizzazione internazionale, apolitica, non commerciale, sorta per aiutare i Paesi devastati dalla guerra.

L'aiuto dell'**UNRRA** all'Italia si protrarrà a tutto il 1946.

2

48 NAZIONI UNITE sono membri dell'**UNRRA**.
Esse forniscono assistenza e ricostruzione con:



3 **L'UNRRA** da all'Italia: 10 MILIONI DI TONNELLATE DI RIFORNIMENTI

pari a 1000 e più navi cariche di merci
pari a 3 navi in media al giorno
pari a 100 miliardi almeno di lire (425 milioni di dollari) più il costo dei noli

VIVERI
Cereali
Latticini
Carne
Pesce

CARBURANTI
Carbone
Benzina
Petrolio
Nafta
Lubrificanti

FORNITURE AGRICOLE
Fertilizzanti
Semi
Insetticidi
Trattori
Aratri

MATERIE PRIME per
Acciaio
Gomme
Macchinari
Vestiti
Prodotti chimici agrari

FORNITURE SANITARIE
Penicillina
Medicine
DDT
Apparecchi raggi X
Strumenti chirurgici
Amoxicillina

E MOLTI ALTRI PRODOTTI E MACCHINARI

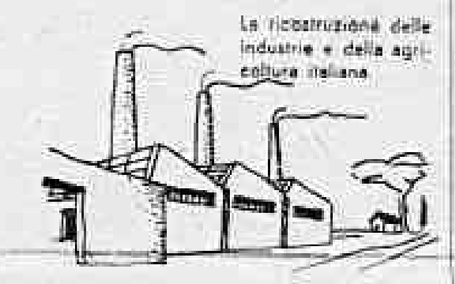
4 QUESTO SIGNIFICA:

Vivere per gli italiani

Lavoro per gli italiani

Cure sanitarie

La ricostruzione delle industrie e della agricoltura italiana



Quello che c'è, non basta, ma senza l'UNRRA le disponibilità sarebbero molto minori.
L'aiuto dell'UNRRA è complementare alla produzione italiana.

5

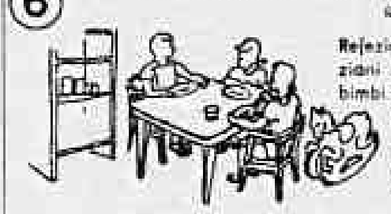
Tutti i rifornimenti **UNRRA** per l'assistenza e la ricostruzione vengono consegnati **GRATUITAMENTE** al Governo nei porti italiani. Ne l'**UNRRA**, ne qualsiasi Nazione Unita sarà pagata per quanto importa.

Non esiste alcun rapporto tra le forniture **UNRRA** ed i gravami relativi all'occupazione militare.

I rifornimenti **UNRRA** sono un dono ed un pegno di amicizia da parte delle Nazioni Unite per agevolare gli italiani nel loro sforzo di ricostruire l'Italia.

6

Alcuni prodotti **UNRRA** vengono distribuiti al popolo ed agli istituti di assistenza *gratuitamente* dal Governo:



Refezioni gratuite e razioni supplementari ai bimbi più bisognosi, di età inferiore ai 15 anni:
Circa 2.000.000 al giorno.

Razioni supplementari per madri nutrici e gestanti:
125.000 al giorno.

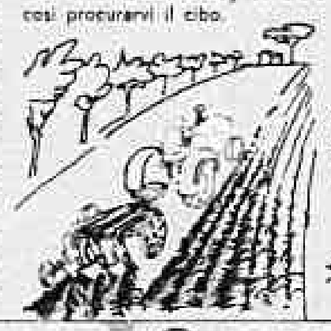
7

La maggior parte delle merci UNRRA viene vendute dal Governo Italiano per i normali tramiti commerciali.
(L'UNRRA non distribuisce direttamente ma consegna le sue merci al Governo per la distribuzione)

Il Governo vende ai mulini il grano importato: questo contribuisce a confezionare il pane della tessera che voi acquistate.

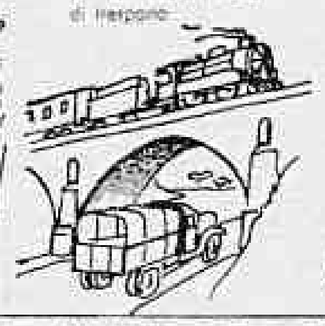
Il carbone e venduto dal Governo agli stabilimenti industriali ed alle ferrovie. Questo da' lavoro agli italiani e materiale per la ricostruzione dell'Italia.

Fertilizzanti, macchine agricole e semi — agli agricoltori per migliorare le condizioni dell'agricoltura e così procurarvi il cibo.



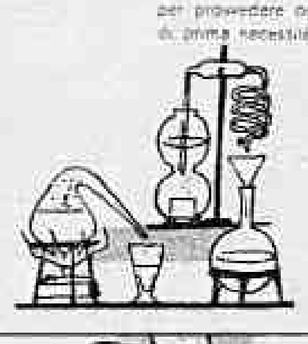
Le materie prime vengono vendute dal Governo alle industrie:

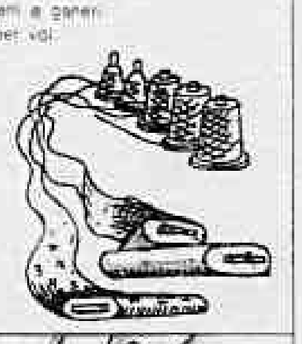
per rimettere i mezzi di trasporto



per costruire e riparare case e stabilimenti

per provvedere oggetti e generi di prima necessità per voi.





8 **COSA AVVIENE DEL DENARO?**

Viene raccolto presso il Ministero del Tesoro in uno speciale Fondo Lire.

Perchè le merci UNRRA non vengono distribuite gratuitamente dal Governo?

Perchè l'Italia ha necessità urgente di denaro per la ricostruzione.

Le merci UNRRA vengono vendute a prezzi ragionevoli fissati dal Governo d'accordo con la Missione Italiana dell'UNRRA. Questi prezzi sono spesso inferiori al reale valore dei prodotti.

Le merci UNRRA sono assegnate e distribuite indipendentemente da considerazioni di natura politica.

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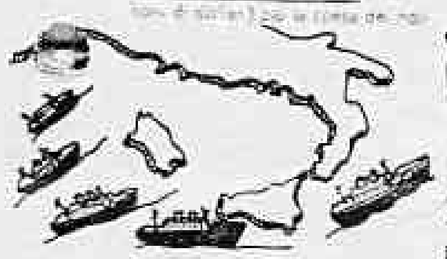
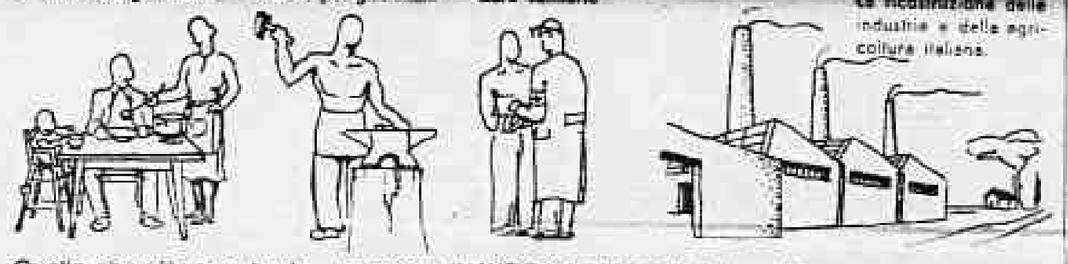
... con 3 navi in media al giorno,
... 100 miliardi almeno di lire



E MOLTI ALTRI PRODOTTI E MACCHINARI

Viveri per gli italiani — Lavoro per gli italiani — Cure sanitarie



La ricostruzione delle industrie e della agricoltura italiana.

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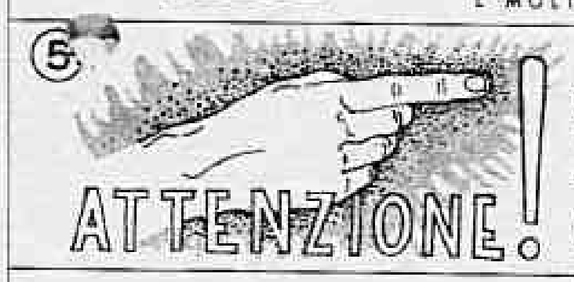

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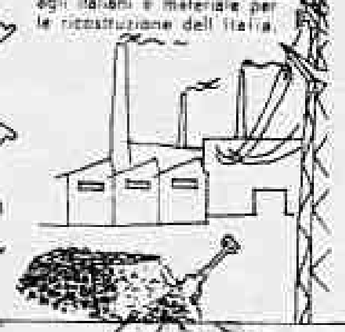

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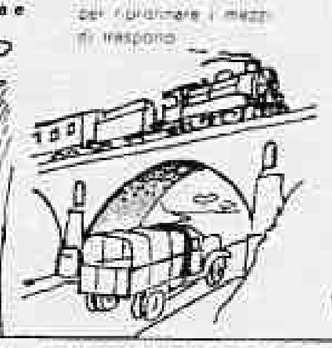

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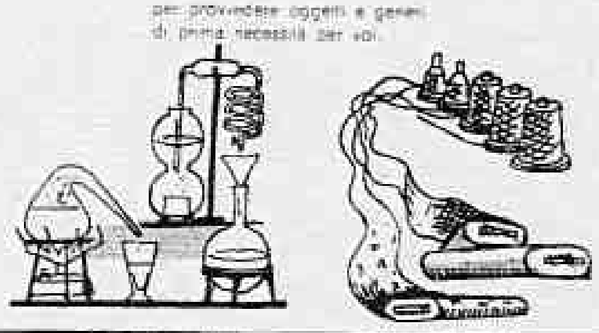

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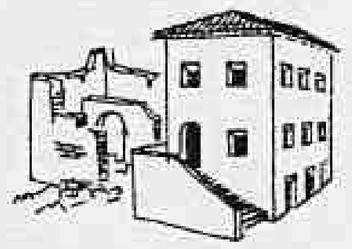
Tali prezzi vengono stabiliti senza elementi da considerazioni di natura politica.

FONDO LIRE

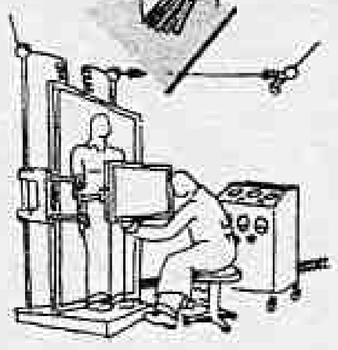
9 IL FONDO LIRE VIENE IMPIEGATO:



Per ricostruire case:

1 miliardo di lire (alla data del 1° luglio) è stato impiegato per il finanziamento del programma C.A.S.A.S. per la ricostruzione e la riparazione delle case nelle regioni maggiormente devastate dalla guerra: Emilia - Toscana - Lazio - Abruzzi.

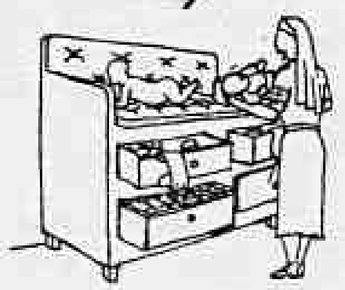
Altri 5 milioni di lire per l'assistenza agli abitanti delle grotte di Napoli.



Per combattere la tubercolosi e le malattie infettive:

aumentando la possibilità di ricovero negli ospedali e fornendo l'equipaggiamento scientifico specializzato occorrente.

Più di 1 miliardo di lire già assegnato.

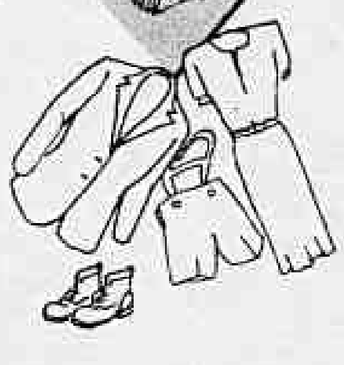


Per la manifattura di lenzuola, federe, biancheria per bambini, ecc., ecc., per ospedali:

Lire 450 milioni già assegnati.

Per combattere la malaria:

Lire 300 milioni già assegnati.



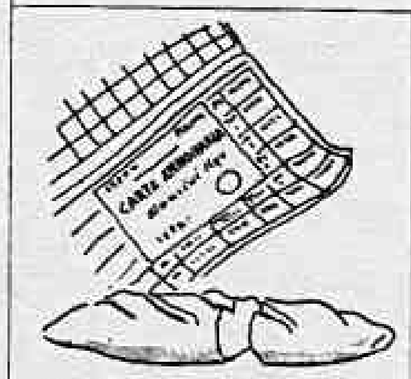
Per riparare scarpe e vestiti offerti dalle Nazioni Unite e da distribuire alla popolazione bisognosa:

più di Lire 100 milioni già assegnati.

L'ammontare totale del Fondo Lire ottenuto dal Governo con la vendita delle merci UNRRA, dovrebbe superare 60 miliardi di lire, dedotte le spese.

L'intero ammontare deve essere impiegato entro 3 anni per l'assistenza e la ricostruzione contribuendo alla ripresa economica del Paese, alla riduzione del costo della vita ed in generale al benessere ed alla salute del popolo italiano.

12 aspetti dell'attività dell'UNRRA per l'Italia

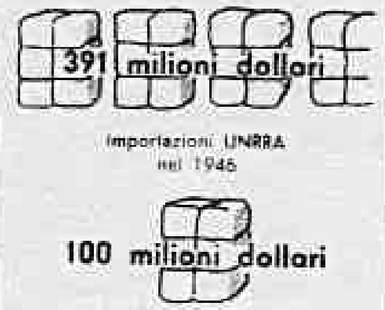


CEREALI UNRRA CEREALI NAZIONALI

① Più della metà del pane che avete comperato in Italia con la tessera, nel 1946, è fatto con grano e altri cereali UNRRA.

Senza i viveri UNRRA centinaia di migliaia di italiani avrebbero sofferto la fame.

② L'UNRRA fornisce all'Italia quasi tutto il carbone fossile e i carburanti che fanno funzionare le fabbriche, le ferrovie ed i trasporti su strada.



③ Il valore delle importazioni UNRRA è circa quattro volte il valore delle importazioni pagate dal Governo Italiano con valuta estera.

Il valore totale delle merci UNRRA donate all'Italia nel 1945-46 raggiungerà 425 milioni di dollari cioè almeno 100 miliardi di lire più altri miliardi per i noli.

④ A tutto giugno 1946 più di 3 milioni di tonnellate di rifornimenti sono giunte nei porti italiani.

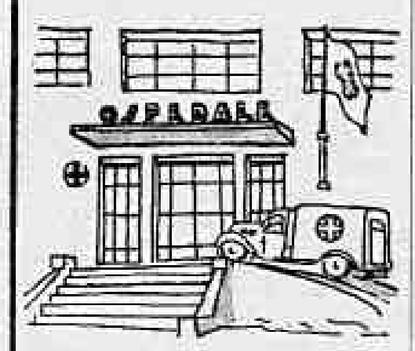
Quest'anno i rifornimenti UNRRA di grano all'Italia superano del 50 % le normali importazioni degli anni pre-bellici mentre i rifornimenti di carbone e di prodotti del petrolio ammontano alla metà, quelli della lana a 3/4, quelli del ferro e dell'acciaio ad 1/2, quelli del rame ad 1/3.

⑤ Un limitato programma per l'Italia per una speciale assistenza alle madri e bambini bisognosi, a profughi ed agli ammalati, ebbe inizio nel 1945.

Ai primi del 1946, l'UNRRA sostituì la Commissione Alleata nel compito di fornire all'Italia, viveri, carburanti ed altri prodotti di prima necessità.

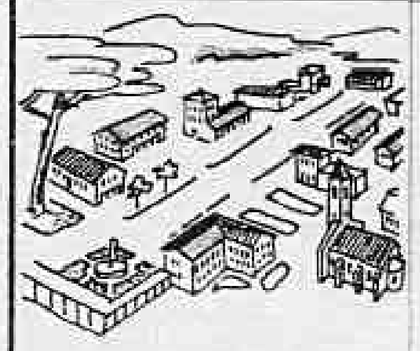
Il programma UNRRA del 1946 è più di 10 volte superiore del programma limitato UNRRA del 1945 e comprende in modo particolare il problema dell'alimentazione dell'interno [illegible] la ripresa della produzione agricola e industriale.

È previsto che gli acquisti UNRRA per l'Italia cessino con la fine dell'anno.



⑦ L'UNRRA ha agevolato la ricostruzione di ospedali e cliniche italiane dando attrezzature e forniture mediche — medicinali, ambulanze, letti, biancheria, apparecchi di raggi X, ecc.

In cooperazione con il Governo Italiano, l'UNRRA ha sviluppato questo programma per aiutarvi a tutelare e migliorare la vostra salute.



⑧ Nel suo programma di assistenza per i profughi italiani l'UNRRA, a tutto il giugno 1946, aveva aiutato il Governo Italiano a far tornare ai luoghi di provenienza 100.000 profughi.

Nei campi diretti dall'UNRRA sono state ospitate circa 40.000 persone di altre nazionalità.

85.000 profughi non italiani hanno con l'aiuto dell'UNRRA raggiunto il loro paese di origine a tutto giugno 1946.

⑨ Vestiario e scarpe offerte dalle popolazioni degli Stati Uniti e del Canadà, sono state distribuite dall'UNRRA ai profughi italiani. A tutto giugno 1946, l'UNRRA ha distribuito 3 milioni di indumenti e 650.000 paia di scarpe a 800.000 persone.

⑩ L'UNRRA contribuisce alla lotta contro la malaria tanto nella penisola quanto in Sicilia ed in Sardegna, provvedendo DDT, petrolio, spruzzatori e speciali attrezzature. Inoltre una parte del «Fondo Lire» viene destinato a questo scopo.

Durante l'invasione delle cavallette in Sardegna in maggio e giugno, l'UNRRA fornì tempestivamente a mezzo aeroplano speciali prodotti chimici per salvare i raccolti.

⑪ Le Nazioni Unite non ricevono alcun compenso per gli aiuti dati all'Italia attraverso l'UNRRA.

Tutte le Nazioni membri dell'UNRRA contribuiscono alle spese amministrative. Il contributo in denaro per i rifornimenti viene dato unicamente dai Paesi che durante la guerra non subirono l'invasione nemica.

Tali contributi hanno richiesto sacrifici da parte delle varie popolazioni **per aiutarvi.**

Le forniture che l'Italia riceve sono pagate con prodotti del Messico, cuoio dall'India, cotone dagli Stati Uniti e dal Canadà, sterline dalla Gran Bretagna, Australia e Sud Africa, cruzeiro dal Brasile, sol dal Perù e così via.

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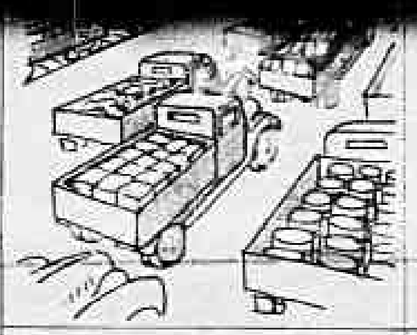

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Importazioni UNRRA nel 1946

Altre importazioni dello Stato nel 1946

3

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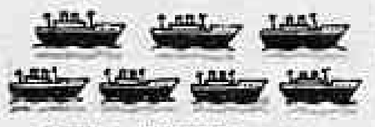
3 milioni Tonnellate già giunte a tutto Giugno 1946



7 milioni di Tonnellate in arrivo

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Programma UNRRA 1945

Programma UNRRA 1946

5

Un limitato programma per l'Italia per una speciale assistenza alle madri e bambini bisognosi, a profughi ed agli ammalati, ebbe inizio nel 1945.

Ai primi del 1946, l'UNRRA sostituì la Commissione Alleata nel compito di fornire all'Italia viveri, carburanti ed altri prodotti di prima necessità.

Il programma UNRRA del 1946 è più di 10 volte superiore del programma limitato UNRRA del 1945 e comprende in modo particolare il problema dell'alimentazione dell'intero popolo italiano e la ripresa della produzione agricola e industriale.

È previsto che gli acquisti UNRRA per l'Italia cessino con la fine dell'anno.

11

Le Nazioni Unite non ricevono alcun compenso per gli aiuti dati all'Italia attraverso l'UNRRA.

Tutte le Nazioni membri dell'UNRRA contribuiscono alle spese amministrative. Il contributo in denaro per i rifornimenti viene dato unicamente dai Paesi che durante la guerra non subirono l'invasione nemica.

Tali contributi hanno richiesto sacrifici da parte delle varie popolazioni **per aiutarvi.**

Le forniture che l'Italia riceve sono pagate con pesos dal Messico, rupie dall'India, dollari dagli Stati Uniti e dal Canadà, sterline dalla Gran Bretagna, Australia e Sud Africa, cruzeiro dal Brasile, sol dal Perù e così via.

6

Il Governo Italiano distribuisce i viveri supplementari - forniti dall'UNRRA secondo il programma per l'assistenza ai bambini bisognosi - specialmente a mezzo di scuole, asili, istituti, e colonie estive.

Ciò consente inoltre di sorvegliare e curare i bambini che altrimenti rimarrebbero abbandonati a sè stessi.

12

L'UNRRA può solo gettare le basi della ricostruzione dell'Italia e fornire un aiuto temporaneo.

IL RESTO TOCCA AL POPOLO ITALIANO OSSIA A CIASCUNO DI VOI.

Le seguenti Nazioni sono membri dell'UNRRA:

Australia
Belgio
Bolivia
Brasile
Canada
Cecoslovacchia
Cile
Cina
Colombia
Costa Rica
Cuba
Danimarca
Egitto
Equatore
Etiopia
Filippine
Francia
Gran Bretagna
Grecia
Guatemala
Haiti
Honduras
India
Irak
Iran
Islanda
Jugoslavia
Liberia
Lussemburgo
Messico
Nicaragua
Norvegia
Nuova Zelanda
Olanda
Panama
Paraguay
Perù
Polonia
Repubblica Sovietica Bielorussa
Repubblica Sovietica Ucraina
San Domingo
San Salvador
Stati Uniti
Turchia
Unione Repubbliche Socialiste Sovietiche
Unione Sud Africana
Uruguay
Venezuela

* La Delegazione del Governo Italiano per i rapporti con l'UNRRA è il tramite tra la Missione Italiana dell'UNRRA e le pubbliche Amministrazioni *

a cura dell'Ufficio Stampa della Missione Italiana nell'UNRRA
Roma

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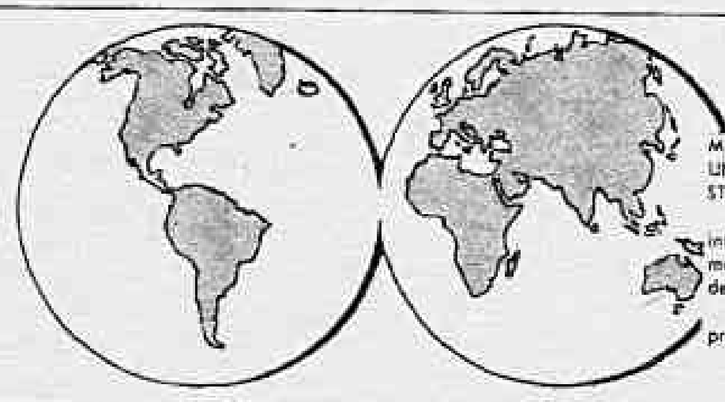
CHE COSA E' L'UNRRA

...e che cosa fa per voi



1

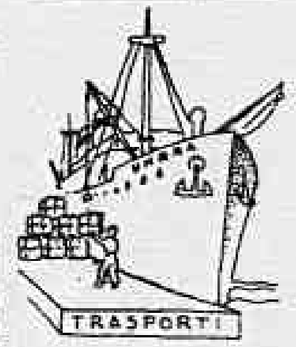
UNRRA è la sigla dell'«AMMINISTRAZIONE DELLE NAZIONI UNITE PER L'ASSISTENZA E LA RICOSTRUZIONE».

L'UNRRA è un'organizzazione internazionale, apolitica, non commerciale, sorta per aiutare i Paesi devastati dalla guerra.

L'aiuto dell'UNRRA all'Italia si protrarrà a tutto il 1946.

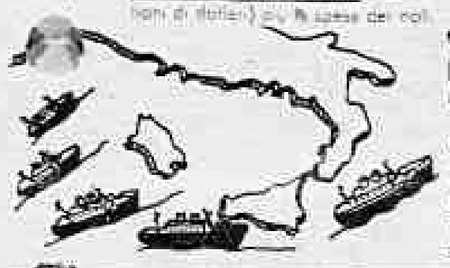
2

48 NAZIONI UNITE sono membri dell'UNRRA.
Esse forniscono assistenza e ricostruzione con



3 L'UNRRA dà all'Italia: 7,0 MILIONI DI TONNELLATE DI RIFORNIMENTI

pari a 1000 e più navi cariche di merci,
pari a 3 navi in media al giorno,
pari a 100 miliardi almeno di lire (425 milioni di dollari) più la spesa dei noli.



Cereali
Carne
Zucchero
Carne
Pesce

Carbone
Benzina
Petrolio
Nafta
Lubrificanti

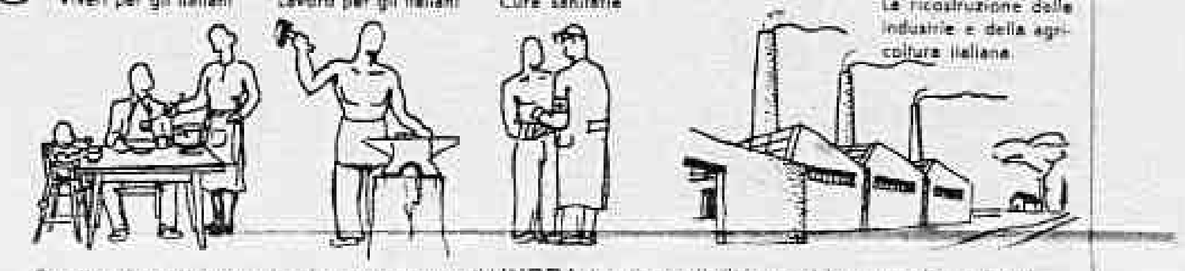
Fertilizzanti
Semi
Insetticidi
Trattori
Aratri

Penicillina
Medicine
DDT
Apparecchi reggi. x
Ambulanze

E MOLTI ALTRI PRODOTTI E MACCHINARI

4 QUESTO SIGNIFICA:

Viveri per gli italiani — Lavoro per gli italiani — Cure sanitarie — La ricostruzione delle industrie e della agricoltura italiane.



Quello che c'è, non basta, ma senza l'UNRRA le disponibilità sarebbero molto minori.
L'aiuto dell'UNRRA è complementare alla produzione italiana.

5

Tutti i rifornimenti UNRRA per l'assistenza e la ricostruzione vengono consegnati GRATUITAMENTE al Governo nei porti italiani. Ne' l'UNRRA, ne' qualsiasi Nazione Unita sarà pagata per quanto importa.

Non esiste alcun rapporto tra le forniture UNRRA ed i gravami relativi all'occupazione militare.

I rifornimenti UNRRA sono un dono ed un pegno di amicizia da parte delle Nazioni Unite per agevolare gli italiani nel loro sforzo di ricostruire l'Italia.

6

Alcuni prodotti UNRRA vengono distribuiti al popolo ed agli istituti di assistenza gratuitamente dal Governo:

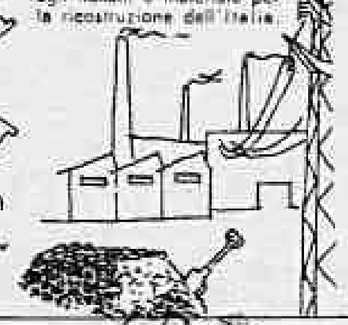
Refezioni gratuite e razioni supplementari ai bimbi più bisognosi di età inferiore ai 15 anni:
Circa 2.000.000 al giorno.

Razioni supplementari per madri nutrici e gestanti:
125.000 al giorno.

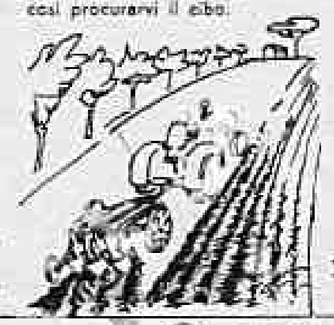
7 La maggior parte delle merci UNRRA viene vendute dal Governo italiano per i normali tramiti commerciali.
(L'UNRRA non distribuisce direttamente ma consegna le sue merci al Governo per la distribuzione)

Il Governo vende ai mulini il grano importato: questo contribuisce a confezionare il pane della tessera che voi acquistate.

Il carbone è venduto dal Governo agli stabilimenti industriali ed alle ferrovie. Questo dà lavoro agli italiani e materiale per la ricostruzione dell'Italia.

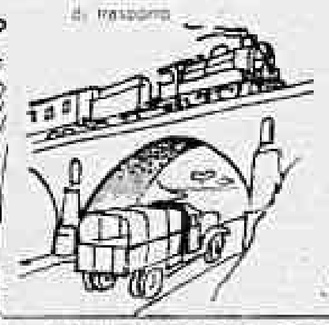


Fertilizzanti, macchine agricole e semi — agli agricoltori per migliorare le condizioni dell'agricoltura e così procurarvi il cibo.



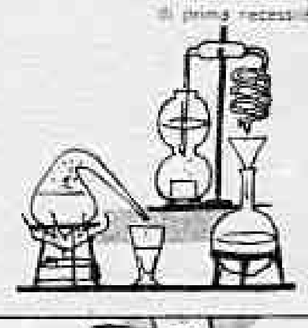
Le materie prime vengono vendute dal Governo alle industrie:

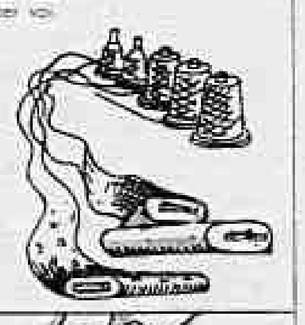
per riattivare i mezzi di trasporto



per costruire e riparare case e stabilimenti

per provvedere oggetti e generi di prima necessità per voi.





8 COSA AVVIENE DEL DENARO?

Viene raccolto presso il Ministero del Tesoro in uno speciale Fondo Lire

Perchè le merci UNRRA non vengono distribuite gratuitamente dal Governo?

Perchè l'Italia ha necessità urgente di denaro per la ricostruzione.

Le merci UNRRA vengono vendute a prezzi ragionevoli fissati dal Governo d'accordo con la Missione Italiana dell'UNRRA. Questi prezzi sono spesso inferiori ai prezzi correnti del mercato.

Le merci UNRRA vengono ripartite e distribuite esclusivamente da considerazioni di natura politica.

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③ L'UNRRA dà all'Italia 10 MILIONI DI TONNELLATE DI RIFORNIMENTI

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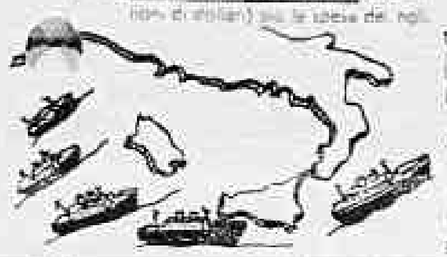

E MOLTI ALTRI PRODOTTI E MACCHINARI

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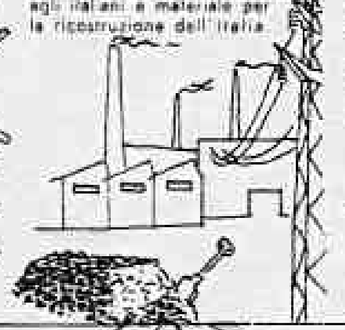

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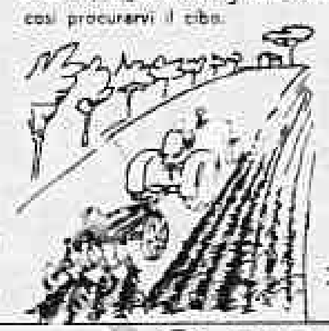

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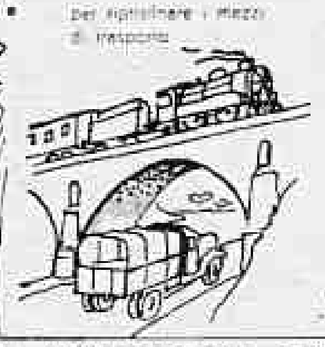
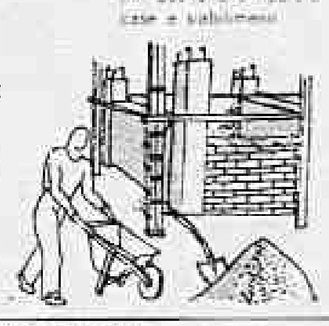


per costruire e riparare case e stabilimenti



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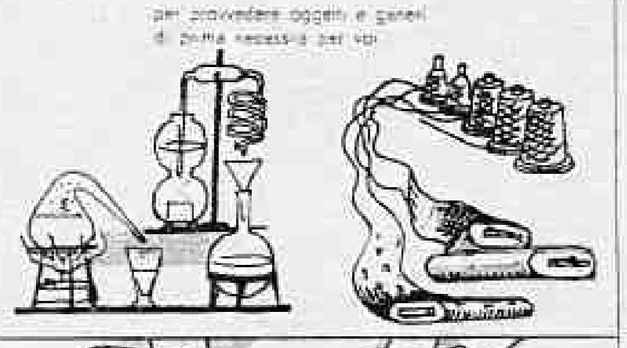

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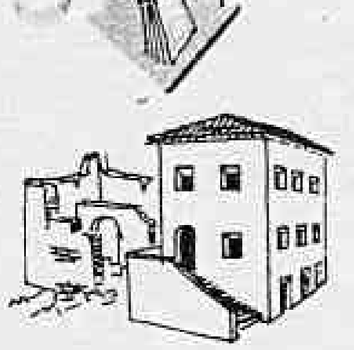
Le merci UNRRA sono altresì debitamente da considerazioni di natura politica

FONDO LIRE

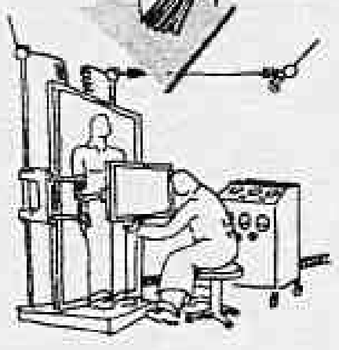
⑨ IL FONDO LIRE VIENE IMPIEGATO:



Per ricostruire case:

1 miliardo di lire (alla data del 1° luglio) è stato impiegato per il finanziamento del programma C.A.S.A.S. per la ricostruzione e la riparazione delle case nelle regioni maggiormente devastate dalla guerra: Emilia - Toscana - Lazio - Abruzzi.

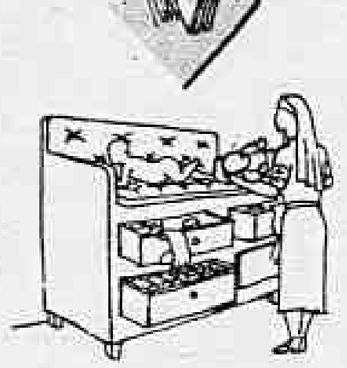
Altri 5 milioni di lire per l'assistenza agli abitanti delle grotte di Napoli.



Per combattere le tubercolosi e le malattie infettive:

aumentando le possibilità di ricovero negli ospedali e fornendo l'equipaggiamento scientifico specializzato occorrente.

Più di 1 miliardo di lire già assegnato.

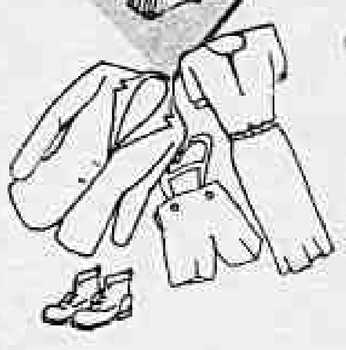


Per la manifattura di lenzuola, federe, biancheria per bambini, ecc., ecc., per ospedali:

Lire 450 milioni già assegnati.

Per combattere la malaria:

Lire 300 milioni già assegnati.



Per riparare scarpe e vestiti offerti dalle Nazioni Unite e da distribuire alla popolazione bisognosa:

più di lire 100 milioni già assegnati.

L'ammontare totale del Fondo Lire ottenuto dal Governo con la vendita delle merci UNRRA, dovrebbe superare 60 miliardi di lire, dedotte le spese.

L'intero ammontare deve essere impiegato entro 3 anni per l'assistenza e la ricostruzione contribuendo alla ripresa economica del Paese, alla riduzione del costo della vita ed in generale al benessere ed alla salute del popolo italiano.

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August 30, 1946

Vol. I, No. 33

ECONOMIC NOTES

— Published by The Public Information Division, UNRRA Italy Mission, Via di San Nicolò da Tolentino, 78, Rome —

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1. Imports Create Rail Problem
2. UNRRA Charters Italian Ships
3. Commodity Prices
4. UNRRA Completes Malaria Campaign
5. Movements of Ships

IMPORTS CREATE RAIL PROBLEM

So great is the increase in UNRRA shipments arriving at Italian ports, that emergency measures are now being taken to prevent bottle-necks and to secure the most economic use of the very limited number of goods wagons at present at the disposal of the Italian State Railways. All ports are to be brought into fullest operation, and more use is to be made of road transport, coastal shipping and inland waterways. A Central Transport Committee has been formed, representative of all Ministries, UNRRA Italy Mission, E.C.I.T.O. (European Central Internal Trasport Organization) and the Allied Military Forces. This Committe will collate all demands for transport and co-ordinate them with all available movement facilities.

UNRRA Coal Shipments

Coal shipments present the greatest problem, since coal is by far the largest bulk cargo arriving at Italian ports. In July some 77 ships cleared ports in the United States, loaded with coal for Italy, while a further 20 ships, approximately, sailed from Dutch, United Kingdom and South African ports. In all, it is expected that about 800,000 tons of coal will arrive within the next four weeks. Allocations for September total 630,000 tons.

goods wagons by over 30 per cent. from 125,956 before the war to 87,909 (inclusive of foreign wagons) in 1946. In spite of intense repair activity in the railway workshops, it has been possible to attain only a small increase in rolling stock availability.

Heavy Seasonal Demands

In addition to the demand for goods wagons at the ports, there are heavy seasonal demands inland to carry sugar beet, perishable fruit and wheat for the ammassi, and to provide special personnel transport, in connection with the Italian military call-up. In addition, there are exceptional demands for freight cars as emergency passenger transport to move children to summer colonies.

During August, Italy hoped to import 30,000 tons of coal from Poland—thus re-opening trade with the Silesian coal-fields. But owing to inability to provide the necessary wagons, imports from this source have had to be reduced to 15,000 tons this month.

Large Dumps at Ports

To cope with the shipments of coal arriving at the ports, it has become necessary to maintain large dumps. Plans are in hand to

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Heavy as these coal shipments are, they are still far below the pre-war average of about 1,000,000 tons a month, which Italy imported by sea and overland. The present emergency is due to the acute shortage of railway goods wagons. War losses, and inevitable neglect due to war, have reduced Italy's serviceable goods wagons by over 30 per cent. from 125,956 before the war to 87,909 (inclusive of foreign wagons) in 1946. In spite of intense repair activity in the railway workshops, it has been possible to attain only a small increase in rolling stock availability.

5003

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Large Dumps at Ports

To cope with the shipments of coal arriving at the ports, it has become necessary to maintain large dumps. Plans are in hand to open additional dumps at easily accessible subsidiary centres. The largest of these dumps is at Savona, which has a potential capacity of approximately 300,000 tons, assuming that coal is stock-piled according to the different grades. Storage capacity at Genoa is between 60,000 and 80,000 tons, according to whether

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coal or coke is stored: but such stock-piling impairs the efficient working of the port. Storage capacity at Venice is more than 40,000 tons.

With the restoration of the railway line from La Spezia to Parma, and the clearance of a sunken ship blocking the harbour entrance, La Spezia is now once more available for ocean-going shipping. The port is capable of handling 30,000 tons a month. La Spezia is available as a port of entry for the provinces of Parma, Reggio Emilia, Modena and Cremona, in addition to the immediate hinterland of the port itself. Apart from relieving congestion at Genoa and Savona, the re-opening of La Spezia will give work to dock labourers in a town heavily hit by post-war unemployment.

Proposals are now under consideration to establish dumps at Mantua and Padua, both of which could be supplied by river, and also to use the port of Ravenna, to which supplies would be transhipped by water from Venice. But the economic problems involved compel close study.

Question of Military Priority

To release more railway wagons for civilian use, the UNRRA Italy Mission has proposed to the Ministry of Transport that military priority should be re-defined. The Mission suggests that instead of regarding *all* military traffic as a first priority—the assumption which has hitherto dominated discussion of the problem—military traffic should be broken down into "essential" and "convenience" movements.

In the opinion of the Mission, the assignment of a lower priority to military "convenience movements" would do much to ease the pressure in critical areas—notably Naples. While speedy clearance of military dumps and installations is desirable, such work, the Mission considers, should not be allowed to produce critical delays in the distribution of civil supplies.

No rearrangement of priorities, however, will overcome the fundamental shortage of port would not seriously affect the total cost, should in future not be carried by rail at all, thereby releasing rail wagons for low-value bulk merchandise, like coal, where the extra cost of long haulage road transport would be disproportionately heavy.

It was further agreed that for each port, cokery or gas-works, an area would be established within which all consumers of coal or coke would find their own transport, without calling upon the railways at all. A radius of 50 kilometres (30 miles) has been proposed, but the exact area has yet to be decided.

Railways to Carry 70 Per Cent.

Consumers outside this area will be called upon to provide their own transport for a percentage of the coal or coke they need to lift. Tentatively, it has been agreed that the railways should carry no more than 70 per cent. of the tonnage, leaving 30 per cent. to be carried by road transport, river barge or coastal shipping. The exact proportion will, however, vary from time to time, according to the availability of railway goods wagons.

The present difficult situation is expected to continue for several months, as UNRRA will maintain the flow of coal supplies throughout the rest of the year. Later in the year, any additional shipments of wheat—another bulk cargo which must be carried by rail—will raise a further problem. It is hoped also that there will be a substantial expansion of normal imports, over and above those that UNRRA supplies, and a revival of Italian export trade.

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With the restoration of the railway line from La Spezia to Parma, and the clearance of a sunken ship blocking the harbour entrance, La Spezia is now once more available for ocean-going shipping. The port is capable of handling 30,000 tons a month. La Spezia is available as a port of entry for the provinces of Parma, Reggio Emilia, Modena and Cremona, in addition to the immediate hinterland of the port itself. Apart from relieving congestion at Genoa and Savona, the re-opening of La Spezia will give work to dock labourers in a town heavily hit by post-war unemployment.

Proposals are now under consideration to establish dumps at Mantua and Padua, both of which could be supplied by river, and also to use the port of Ravenna, to which supplies would be transhipped by water from Venice. But the economic problems involved compel close study.

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In the opinion of the Mission, the assignment of a lower priority to military "convenience movements" would do much to ease the pressure in critical areas—notably Naples. While speedy clearance of military dumps and installations is desirable, such work, the Mission considers, should not be allowed to produce critical delays in the distribution of civil supplies.

No rearrangement of priorities, however, will overcome the fundamental shortage of goods wagons. If a serious hold-up is to be avoided, it will be necessary to send more traffic by road, by coastal shipping and by inland waterways. At a meeting of interested bodies held under the auspices of UNRRA in Milan early this month, it was agreed that shipments of relatively high priced items, such as copper, where the extra expense of road transport is proportionately heavy.

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These operations started last Spring when UNRRA drew on its International Ocean Freight Fund to enable two of the seven vessels (averaging about 8,000 tons each) repurchased by the Italian Government from Argentina to sail back to Italy with grain given by Argentina.

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MOVEMENTS OF SHIPS

CARGOES OTHER THAN COAL

(AUGUST 17 - 23 INCLUSIVE)

SHIP	PORT OF ARRIVAL	DATE OF ARRIVAL	ACCOUNT	CARGO	TONS
Frederic E. Ives *	Genoa	13 August	UNRRA { Italy / Greece	General	9,802
Exantia	"	17 "	Commercial	"	4,216
Ulisse	"	23 "	It. Program	Phosphates	3,460
Caterina Gerolimich	Castellammare	" "	UNRRA	Wheat	6,837
Francesca	Venice	" "	"	General	1,645

** Advice received too late for inclusion in last week's shipping list*

LATEST COAL SHIPMENTS

(AUGUST 17 - 25 INCLUSIVE)

SHIP	PORT OF ARRIVAL	DATE OF ARRIVAL	COUNTRY OF ORIGIN	ACCOUNT	TONS
M. E. Comerford	Leghorn (1)	17 August	United States	UNRRA	4,500
Fort Nakasley	Savona	" "	Bahrein	"	9,325
Stephen Austin	Venice	18 "	United States	"	3,441
	Ancona	23 "	" "	"	4,500
Andalusia	Venice	18 "	Germany	"	6,732
Hilversum	Bagnoli	" "	"	"	5,559
Smith Thompson	Catania	" "	United States	"	4,200
Mercy Warren	Cagliari	" "	" "	"	8,382
Joshua Slocum	Leghorn (2)	19 "	" "	"	4,500
Empire Planet	Savona	" "	Germany	"	7,110
John Fairfield	Genoa	" "	United States	"	8,525
Vittorio Veneto	"	" "	" "	"	6,715
Robert Stuart	Savona	20 "	" "	"	8,398
Henry Reney	"	" "	" "	"	8,849
Noah Webster	Genoa (3)	" "	" "	"	8,107
O. Henry	Civitavecchia	" "	" "	"	8,481
John M. Harlan	Bari	" "	" "	"	8,524
Paul Hamilton Hayne	Palermo	" "	" "	"	8,457
West Cusseta	Venice	" "	" "	"	6,776
Sampenn	Savona	21 "	South Africa	"	8,900
Cotton Mather	"	" "	United States	"	8,480
Fred E. Joyce	"	" "	" "	"	9,031
William Floyd	Bagnoli	" "	" "	"	8,477
Ernesto	Venice	" "	Germany	"	11,000
Empire Salmonpool	Savona	22 "	"	"	5,354
Empire Tilbury	Civitavecchia	" "	South Africa	Brit. Army	9,593
Raymond Ingersoll	Venice	" "	United States	UNRRA	8,503
Glenn Curtiss	"	" "	" "	"	8,478
Teresa Schiaffino	Genoa	23 "	Germany	"	7,263
Abner Doubleday	Venice	" "	United States	"	8,512
Frederick Wm. Wood	Bari	" "	" "	"	8,358
William Libbey	Savona	24 "	" "	"	8,864
John P. Harris	Genoa (4)	" "	" "	"	9,034
Frederic Remington	"	" "	" "	It. Program	7,852
Empire Tyne	Civitavecchia	" "	Germany	UNRRA	5,300

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Frederic Remington	"	" "	" "	It. Program	7,852
Empire Tyne	Civitavecchia	" "	Germany	UNRRA	5,300
Ines Corrado	La Spezia	" "	United States	"	7,016
Louis Brandeis	Venice (5)	" "	" "	"	8,472
David Lubin	Genoa	25 "	" "	"	8,685

(1) Also discharged at Genoa
(2) " " " Genoa
(3) " " " Piombino
(4) " " " Leghorn
(5) " " " Ancona

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August 30, 1946

Vol. I, No. 33

ECONOMIC NOTES

— Published by The Public Information Division, UNRRA Italy Mission, Via di San Nicolo da Tolentino, 78, Rome —

CONTENTS

1. Imports Create Rail Problem
2. UNRRA Charters Italian Ships
3. Commodity Prices
4. UNRRA Completes Malaria Campaign
5. Movements of Ships

IMPORTS CREATE RAIL PROBLEM

So great is the increase in UNRRA shipments arriving at Italian ports, that emergency measures are now being taken to prevent bottle-necks and to secure the most economic use of the very limited number of goods wagons at present at the disposal of the Italian State Railways. All ports are to be brought into fullest operation, and more use is to be made of road transport, coastal shipping and inland waterways. A Central Transport Committee has been formed, representative of all Ministries, UNRRA Italy Mission, E.C.I.T.O. (European Central Internal Trasport Organization) and the Allied Military Forces. This Committe will collate all demands for transport and co-ordinate them with all available movement facilities.

UNRRA Coal Shipments

Coal shipments present the greatest problem, since coal is by far the largest bulk cargo arriving at Italian ports. In July some 77 ships cleared ports in the United States, loaded with coal for Italy, while a further 20 ships, approximately, sailed from Dutch, United Kingdom and South African ports. In all, it is expected that about 800,000 tons of coal will arrive within the next four weeks. Allocations for September total 630,000 tons.

goods wagons by over 30 per cent. from 125,956 before the war to 87,909 (inclusive of foreign wagons) in 1946. In spite of intense repair activity in the railway workshops, it has been possible to attain only a small increase in rolling stock availability.

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Heavy Seasonal Demands

In addition to the demand for goods wagons at the ports, there are heavy seasonal demands inland to carry sugar beet, perishable fruit and wheat for the ammassi, and to provide special personnel transport, in connection with the Italian military call-up. In addition, there are exceptional demands for freight cars as emergency passenger transport to move children to summer colonies.

During August, Italy hoped to import 30,000 tons of coal from Poland—thus reopening trade with the Silesian coal-fields. But owing to inability to provide the necessary wagons, imports from this source have had to be reduced to 15,000 tons this month.

Large Dumps at Ports

To cope with the shipments of coal arriving at the ports, it has become necessary to maintain large dumps. Plans are in hand to open additional dumps at easily accessible sub-

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Heavy as these coal shipments are, they are still far below the pre-war average of about 1,000,000 tons a month, which Italy imported by sea and overland. The present emergency is due to the acute shortage of railway goods wagons. War losses, and inevitable neglect due to war, have reduced Italy's serviceable goods wagons by over 30 per cent. from 125,956 before the war to 87,909 (inclusive of foreign wagons) in 1946. In spite of intense repair activity in the railway workshops, it has been possible to attain only a small increase in rolling stock availability.

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To cope with the shipments of coal arriving at the ports, it has become necessary to maintain large dumps. Plans are in hand to open additional dumps at easily accessible subsidiary centres. The largest of these dumps is at Savona, which has a potential capacity of approximately 300,000 tons, assuming that coal is stock-piled according to the different grades. Storage capacity at Genoa is between 60,000 and 80,000 tons, according to whether

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coal or coke is stored; but such stock-piling impairs the efficient working of the port. Storage capacity at Venice is more than 40,000 tons.

With the restoration of the railway line from La Spezia to Parma, and the clearance of a sunken ship blocking the harbour entrance, La Spezia is now once more available for ocean-going shipping. The port is capable of handling 30,000 tons a month. La Spezia is available as a port of entry for the provinces of Parma, Reggio Emilia, Modena and Cremona, in addition to the immediate hinterland of the port itself. Apart from relieving congestion at Genoa and Savona, the re-opening of La Spezia will give work to dock labourers in a town heavily hit by post-war unemployment.

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Of these ships the *Vittorio Veneto*, *Ines Corrado* and *Dante* have since been chartered to carry UNRRA coal from the United States, while the *Voluntas* and *Pelorum* have made various trips to North European ports to fetch Ruhr coal allocated to Italy. The *Andrea Gritti* (with a cargo capacity of 10,400 tons), *C. Gerolimich* (7,950 tons) and the *Gerarchia* (8,750 tons) have been on the southern Atlantic route, carrying UNRRA grain from South America. The *Gaeta* (8,000 tons) is due in shortly with UNRRA coal from the United States.

Ships chartered to carry Italy's coal allocations from the Ruhr include the *Teresa Schiaffino* (8,300 tons), *Checca* (8,500 tons), *Ernesto* (10,400 tons), *Giacomo Costa* (7,800 tons), *Andalusia* (7,300 tons) and *Edera* (8,200 tons). The *Capo Mele* (5,000 tons) left Venice on 31 July bound for Alexandretta and Istanbul, to load UNRRA supplies purchased in Turkey for the Italian program.

The chartering of Italian vessels, while increasing Italy's holdings of foreign currency, also enables UNRRA to conserve its shipping funds. Each ship has, on the average, a crew of 35 men, which means that breadwinners of a large number of families are thus back at their regular jobs.

COMMODITY PRICES

The prices of five more UNRRA-imported commodities have now been fixed.

The Italian Government and the UNRRA Italy Mission, acting in accordance with the agreement signed in January, 1946, have agreed to the following recommendations made by the Joint Price Committee at its meeting on 10 August:—

a) *Colophony*:
100 lire per kg. ex consignee's warehouse net weight including packing.

b) *Corn Syrup*:
For industrial purposes: 50 lire per kg. ex consignee's warehouse. For direct food consumption with controlled distribution: 35 lire per kg. Price valid to 30 November, 1946.

c) *Rubber*:

UNRRA COMPLETES MALARIA CAMPAIGN

UNRRA field sanitary engineers have completed six months of continuous work in the fight against malaria in many parts of Sicily and continental Italy. The campaign was planned during the last quarter of 1945; and in January, 1946, the first UNRRA team, headed by Italian engineers trained by the Sanitary Section of the Health Division, arrived in Sicily. They were equipped with vehicles, spraying apparatus and also DDT and kerosene—unobtainable from other sources.

Work in Sicily

During the three months the team spent in Sicily, it carried out residual spraying with DDT in 25 scattered areas. ("Residual spraying" is designed to ensure even spreading on walls and ceilings of DDT solution in a strength of between one and one-and-a-half grams per square metre.) At the same time, other teams and engineers similarly equipped, began control work in the Province of Frosinone, including war-damaged Cassino.

On completion of their work in Frosinone, these teams, augmented by additional engineers and vehicles, were diverted to the highly malarious coastal strip of Central Italy, extending from south of the Volturno River to a point north of Rome in the neighborhood of Lake Bracciano. This area comprises about 1,000 square miles and includes the major portion of the Province of Latina and parts of the Provinces of Rome and Caserta.

When this work was finished, the engineers, equipment and vehicles were transferred to two large areas in Veneto and the Province of Udine and also to the delta of the River Po. The teams which had been working in Sicily, after carrying out spraying in a small number of areas in Southern Italy, were also transferred to the north-east. By the middle of June, five UNRRA engineers, numerous teams of workers and 21 vehicles were carrying out malaria control measures over some 530 square miles in this area.

UNRRA Provides DDT

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C. Gerolimich (7,950 tons) and the *Gerarchia* (8,750 tons) have been on the southern Atlantic route, carrying UNRRA grain from South America. The *Gaeta* (8,000 tons) is due in shortly with UNRRA coal from the United States.

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c) *Rubber*:
MS/I Standard quality (crude) 200 lire per kg. ex consignee's warehouse.

d) *Denaturated Alcohol*:
200 lire per litre ex consignee's warehouse (drums free).

e) *Forage pea seed*:
Present price of 25,000 lire per metric ton confirmed and extended to 15 September, 1946.

in January, 1946, the first UNRRA team, headed by Italian engineers trained by the Sanitary Section of the Health Division, arrived in Sicily. They were equipped with vehicles, spraying apparatus and also DDT and kerosene—unobtainable from other sources.

Work in Sicily

During the three months the team spent in Sicily, it carried out residual spraying with DDT in 25 scattered areas. ("Residual spraying" is designed to ensure even spreading on walls and ceilings of DDT solution in a strength of between one and one-and-a-half grams per square metre.) At the same time, other teams and engineers similarly equipped, began control work in the Province of Frosinone, including war-damaged Cassino.

On completion of their work in Frosinone, these teams, augmented by additional engineers and vehicles, were diverted to the highly malarious coastal strip of Central Italy, extending from south of the Volturno River to a point north of Rome in the neighborhood of Lake Bracciano. This area comprises about 1,000 square miles and includes the major portion of the Province of Latina and parts of the Provinces of Rome and Caserta.

When this work was finished, the engineers, equipment and vehicles were transferred to two large areas in Veneto and the Province of Udine and also to the delta of the River Po. The teams which had been working in Sicily, after carrying out spraying in a small number of areas in Southern Italy, were also transferred to the north-east. By the middle of June, five UNRRA engineers, numerous teams of workers and 21 vehicles were carrying out malaria control measures over some 530 square miles in this area.

UNRRA Provides DDT

In the entire operation, covering continental Italy and Sicily, the UNRRA Italy Mission has supplied expert technical supervision through its trained field engineers. It has also provided 21 vehicles, 50 tons of pure DDT,

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216,000 gallons of kerosene, 8,000 gallons of concentrated DDT emulsion, the necessary sprayers and other equipment. In the course of the operation UNRRA vehicles have covered 208,150 miles.

The work was carried out with the approval of the High Commissioner for Hygiene and Public Health and with the co-operation of the Medici Provinciali and Anti-malaria Committees, who provided local labour and supplementary means of transport. In some inaccessible areas teams had to use ox-carts, pack animals, rowing boats and barges. Without this co-operation, work on a large scale would have been impossible. The local labour was trained and supervised by the UNRRA field engineers and the number of persons engaged in spraying ranged from 25 to 150 in each area treated.

Owing to the limited amout of DDT and transport available at the time, it was necessary to exercise careful selection of the regions in which residual spraying was carried out. The areas chosen have been those in which the incidence of malaria in the civil population is highest, as well as those which are important food producing regions. The areas included under these two headings comprise approximately one-third of the total malarious territories of Italy, excluding Sardinia.

Figures for the work done are as follows:—

1)	Total area sprayed . . .	1,890 square miles
2)	Number of houses sprayed .	50,000
3)	„ „ straw huts sprayed.	20,000
4)	„ „ rooms sprayd in (2) and (3) above. .	523,000
5)	„ „ stables sprayed .	23,000
6)	„ „ pig pens and other outhouses sprayed .	100,000 (approx.)
7)	Total area of internal wall space sprayed.	31,405,049 square metres

The UNRRA anti-malarial campaign finished a program which was begun in Italy by Allied Military and other agencies, who demonstrated for the first time to Italian malariologists the technique of using DDT in the control of malaria. Italian malariologists, who hitherto had always relied upon Paris Green for their preventive measures, soon came to appreciate the value of this new insecticide, and decided to adopt it in their own anti-malarial campaign.

Anti-Malaria Plans for 1947

As a result, publicity has recently been given to a campaign for the control of malaria, relying upon residual DDT as its principal weapon, which is to be carried out in 1947 on a nation-wide basis throughout Italy. UNRRA will leave in the country sufficient DDT to carry out this 1947 program. The necessary transport, kerosene and apparatus will, it is expected, be provided through a contribution of approximately 400,000,000 lire from the Lire Fund, created by the sale of UNRRA supplies in Italy and utilised for relief and rehabilitation projects agreed upon by UNRRA and the Italian Government.

Although no conclusion can, as yet, be drawn from the results of residual spraying in 1946, reports from the treated regions indicate that the incidence of malaria will be considerably reduced. There is every reason to believe that, if the same scheme is carried out in future years and is extended to all the malarious areas of Italy, the disease will, within a reasonable time, cease to be a problem both as regards public health and economic development in the affected regions.

« ECONOMIC SURVEY » SUPPLEMENT

No Supplement will appear with this week's issue of Economic Notes. *The Supplement on Health and Welfare will appear with next week's issue of* Economic Notes, *No. 34, dated 6 September, 1946.*

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MOVEMENTS OF SHIPS

CARGOES OTHER THAN COAL

(AUGUST 17 - 23 INCLUSIVE)

SHIP	PORT OF ARRIVAL	DATE OF ARRIVAL	ACCOUNT	CARGO	TONS
Frederic E. Ives *	Genoa	13 August	UNRRA { Italy / Greece	General	9,802
Exantia	"	17 "	Commercial	"	4,216
Ulisse	"	23 "	It. Program	Phosphates	3,460
Caterina Gerolimich	Castellammare	" "	UNRRA	Wheat	6,837
Francesca	Venice	" "	"	General	1,645

* *Advice received too late for inclusion in last week's shipping list*

LATEST COAL SHIPMENTS

(AUGUST 17 - 25 INCLUSIVE)

SHIP	PORT OF ARRIVAL	DATE OF ARRIVAL	COUNTRY OF ORIGIN	ACCOUNT	TONS
M. E. Comerford	Leghorn (1)	17 August	United States	UNRRA	4,500
Fort Nakasley	Savona	" "	Bahrein	"	9,325
Stephen Austin	Venice	18 "	United States	"	3,441
	Ancona	23 "	" "	"	4,500
Andalusia	Venice	18 "	Germany	"	6,732
Hilversum	Bagnoli	" "	"	"	5,559
Smith Thompson	Catania	" "	United States	"	4,500
Mercy Warren	Cagliari	" "	" "	"	8,382
Joshua Slocum	Leghorn (2)	19 "	" "	"	4,500
Empire Planet	Savona	" "	Germany	"	7,110
John Fairfield	Genoa	" "	United States	"	8,525
Vittorio Veneto	"	" "	" "	"	6,715
Robert Stuart	Savona	20 "	" "	"	8,398
Henry Reney	"	" "	" "	"	8,849
Noah Webster	Genoa (3)	" "	" "	"	8,107
O. Henry	Civitavecchia	" "	" "	"	8,481
John M. Harlan	Bari	" "	" "	"	8,524
Paul Hamilton Hayne	Palermo	" "	" "	"	8,457
West Cusseta	Venice	" "	" "	"	6,776
Sampenn	Savona	21 "	South Africa	"	8,900
Cotton Mather	"	" "	United States	"	8,480
Fred E. Joyce	"	" "	" "	"	9,031
William Floyd	Bagnoli	" "	" "	"	8,477
Ernesto	Venice	" "	Germany	"	11,000
Empire Salmonpool	Savona	22 "	"	"	5,354
Empire Tilbury	Civitavecchia	" "	South Africa	Brit. Army	9,593
Raymond Ingersoll	Venice	" "	United States	UNRRA	8,503
Glenn Curtiss	"	" "	" "	"	8,478
Teresa Schiaffino	Genoa	23 "	Germany	"	7,263
Abner Doubleday	Venice	" "	United States	"	8,512
Frederick Wm. Wood	Bari	" "	" "	"	8,358
William Libbey	Savona	24 "	" "	"	8,864
John P. Harris	Genoa (4)	" "	" "	"	9,034
Frederic Remington	"	" "	" "	It. Program	7,852
			Germany	UNRRA	5,309

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SOUS

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Frederic E. Ives *	Genoa	13 August	UNRRA { Italy / Greece	General	9,802
Exantia	„	17 „	Commercial	„	4,216
Ulisse	„	23 „	It. Program	Phosphates	3,460
Caterina Gerolimich	Castellammare	„ „	UNRRA	Wheat	6,837
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John P. Harris	Genoa (4)	„ „	„ „	„	9,034
Frederic Remington	„	„ „	„ „	It. Program	7,852
Empire Tyne	Civitavecchia	„ „	Germany	UNRRA	5,300
Ines Corrado	La Spezia	„ „	United States	„	7,016
Louis Brandeis	Venice (5)	„ „	„ „	„	8,472
David Lubin	Genoa	25 „	„ „	„	8,685

(1) Also discharged at Genoa
(2) „ „ „ Genoa
(3) „ „ „ Piombino
(4) „ „ „ Leghorn
(5) „ „ „ Ancona

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August 30, 1946 Vol. I, No. 33

ECONOMIC NOTES

— Published by The Public Information Division, UNRRA Italy Mission, Via di San Nicolo da Tolentino, 78, Rome —

CONTENTS

1. Imports Create Rail Problem
2. UNRRA Charters Italian Ships
3. Commodity Prices
4. UNRRA Completes Malaria Campaign
5. Movements of Ships

IMPORTS CREATE RAIL PROBLEM

So great is the increase in UNRRA shipments arriving at Italian ports, that emergency measures are now being taken to prevent bottle-necks and to secure the most economic use of the very limited number of goods wagons at present at the disposal of the Italian State Railways. All ports are to be brought into fullest operation, and more use is to be made of road transport, coastal shipping and inland waterways. A Central Transport Committee has been formed, representative of all Ministries, UNRRA Italy Mission, E.C.I.T.O. (European Central Internal Trasport Organization) and the Allied Military Forces. This Committe will collate all demands for transport and co-ordinate them with all available movement facilities.

UNRRA Coal Shipments

Coal shipments present the greatest problem, since coal is by far the largest bulk cargo arriving at Italian ports. In July some 77 ships cleared ports in the United States, loaded with coal for Italy, while a further 20 ships, approximately, sailed from Dutch, United Kingdom and South African ports. In all, it is expected that about 800,000 tons of coal will arrive within the next four weeks. Allocations for September total 630,000 tons.

goods wagons by over 30 per cent. from 125,956 before the war to 87,909 (inclusive of foreign wagons) in 1946. In spite of intense repair activity in the railway workshops, it has been possible to attain only a small increase in rolling stock availability.

Heavy Seasonal Demands

In addition to the demand for goods wagons at the ports, there are heavy seasonal demands inland to carry sugar beet, perishable fruit and wheat for the ammassi, and to provide special personnel transport, in connection with the Italian military call-up. In addition, there are exceptional demands for freight cars as emergency passenger transport to move children to summer colonies.

During August, Italy hoped to import 30,000 tons of coal from Poland—thus reopening trade with the Silesian coal-fields. But owing to inability to provide the necessary wagons, imports from this source have had to be reduced to 15,000 tons this month.

Large Dumps at Ports

To cope with the shipments of coal arriving at the ports, it has become necessary to maintain large dumps. Plans are in hand to

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Heavy as these coal shipments are, they are still far below the pre-war average of about 1,000,000 tons a month, which Italy imported by sea and overland. The present emergency is due to the acute shortage of railway goods wagons. War losses, and inevitable neglect due to war, have reduced Italy's serviceable goods wagons by over 30 per cent. from 125,956 before the war to 87,909 (inclusive of foreign wagons) in 1946. In spite of intense repair activity in the railway workshops, it has been possible to attain only a small increase in rolling stock availability.

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Large Dumps at Ports

To cope with the shipments of coal arriving at the ports, it has become necessary to maintain large dumps. Plans are in hand to open additional dumps at easily accessible subsidiary centres. The largest of these dumps is at Savona, which has a potential capacity of approximately 300,000 tons, assuming that coal is stock-piled according to the different grades. Storage capacity at Genoa is between 60,000 and 80,000 tons, according to whether

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coal or coke is stored: but such stock-piling impairs the efficient working of the port. Storage capacity at Venice is more than 40,000 tons.

With the restoration of the railway line from La Spezia to Parma, and the clearance of a sunken ship blocking the harbour entrance, La Spezia is now once more available for ocean-going shipping. The port is capable of handling 30,000 tons a month. La Spezia is available as a port of entry for the provinces of Parma, Reggio Emilia, Modena and Cremona, in addition to the immediate hinterland of the port itself. Apart from relieving congestion at Genoa and Savona, the re-opening of La Spezia will give work to dock labourers in a town heavily hit by post-war unemployment.

Proposals are now under consideration to establish dumps at Mantua and Padua, both of which could be supplied by river, and also to use the port of Ravenna, to which supplies would be transhipped by water from Venice. But the economic problems involved compel close study.

Question of Military Priority

To release more railway wagons for civilian use, the UNRRA Italy Mission has proposed to the Ministry of Transport that military priority should be re-defined. The Mission suggests that instead of regarding *all* military traffic as a first priority—the assumption which has hitherto dominated discussion of the problem—military traffic should be broken down into "essential" and "convenience" movements.

In the opinion of the Mission, the assignment of a lower priority to military "convenience movements" would do much to ease the pressure in critical areas—notably Naples. While speedy clearance of military dumps and installations is desirable, such work, the Mission considers, should not be allowed to produce critical delays in the distribution of civil supplies

No rearrangement of priorities, however, will overcome the fundamental shortage of port would not seriously affect the total cost, should in future not be carried by rail at all, thereby releasing rail wagons for low-value bulk merchandise, like coal, where the extra cost of long haulage road transport would be disproportionately heavy.

It was further agreed that for each port, cokery or gas-works, an area would be established within which all consumers of coal or coke would find their own transport, without calling upon the railways at all. A radius of 50 kilometres (30 miles) has been proposed, but the exact area has yet to be decided.

Railways to Carry 70 Per Cent.

Consumers outside this area will be called upon to provide their own transport for a percentage of the coal or coke they need to lift. Tentatively, it has been agreed that the railways should carry no more than 70 per cent. of the tonnage, leaving 30 per cent. to be carried by road transport, river barge or coastal shipping. The exact proportion will, however, vary from time to time, according to the availability of railway goods wagons.

The present difficult situation is expected to continue for several months, as UNRRA will maintain the flow of coal supplies throughout the rest of the year. Later in the year, any additional shipments of wheat—another bulk cargo which must be carried by rail—will raise a further problem. It is hoped also that there will be a substantial expansion of normal imports, over and above these that UNRRA supplies, and a revival of Italian export trade.

UNRRA CHARTERS ITALIAN SHIPS

Over 170,000 tons of UNRRA relief and rehabilitation supplies have so far been shipped to Italy by Italian merchant vessels, sailing under UNRRA charter from European, Near East and North and South American ports. The use of Italian ships in connection with the Italian program has been a further development in UNRRA's rehabilitation effort, and has helped to bring Italian ships back

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No rearrangement of priorities, however, will overcome the fundamental shortage of goods wagons. If a serious hold-up is to be avoided, it will be necessary to send more traffic by road, by coastal shipping and by inland waterways. At a meeting of interested bodies held under the auspices of UNRRA in Milan early this month, it was agreed that shipments of relatively high priced items, such as copper, where the extra expense of road transproportionately heavy.

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These operations started last Spring when UNRRA drew on its International Ocean Freight Fund to enable two of the seven vessels (averaging about 8,000 tons each) repurchased by the Italian Government from Argentina to sail back to Italy with grain given by Argentina.

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Of these ships the *Vittorio Veneto*, *Ines Corrado* and *Dante* have since been chartered to carry UNRRA coal from the United States, while the *Voluntas* and *Pelorum* have made various trips to North European ports to fetch Ruhr coal allocated to Italy. The *Andrea Gritti* (with a cargo capacity of 10,400 tons), *C. Gerolimich* (7,950 tons) and the *Gerarchia* (8,750 tons) have been on the southern Atlantic route, carrying UNRRA grain from South America. The *Gaeta* (8,000 tons) is due in shortly with UNRRA coal from the United States.

Ships chartered to carry Italy's coal allocations from the Ruhr include the *Teresa Schiaffino* (8,300 tons), *Checca* (8,500 tons), *Ernesto* (10,400 tons), *Giacomo Costa* (7,800 tons), *Andalusia* (7,300 tons) and *Edera* (8,200 tons). The *Capo Mele* (5,000 tons) left Venice on 31 July bound for Alexandretta and Istanbul, to load UNRRA supplies purchased in Turkey for the Italian program.

The chartering of Italian vessels, while increasing Italy's holdings of foreign currency, also enables UNRRA to conserve its shipping funds. Each ship has, on the average, a crew of 35 men, which means that breadwinners of a large number of families are thus back at their regular jobs.

COMMODITY PRICES

The prices of five more UNRRA-imported commodities have now been fixed.

The Italian Government and the UNRRA Italy Mission, acting in accordance with the agreement signed in January, 1946, have agreed to the following recommendations made by the Joint Price Committee at its meeting on 10 August:—

a) *Colophony*:
100 lire per kg. ex consignee's warehouse net weight including packing.

b) *Corn Syrup*:
For industrial purposes: 50 lire per kg. ex consignee's warehouse. For direct food consumption with controlled distribution: 35 lire per kg. Price valid to 30 November, 1946.

c) *Rubber*:
[illegible] 800 lire per kg.

UNRRA COMPLETES MALARIA CAMPAIGN

UNRRA field sanitary engineers have completed six months of continuous work in the fight against malaria in many parts of Sicily and continental Italy. The campaign was planned during the last quarter of 1945; and in January, 1946, the first UNRRA team, headed by Italian engineers trained by the Sanitary Section of the Health Division, arrived in Sicily. They were equipped with vehicles, spraying apparatus and also DDT and kerosene—unobtainable from other sources.

Work in Sicily

During the three months the team spent in Sicily, it carried out residual spraying with DDT in 25 scattered areas. ("Residual spraying" is designed to ensure even spreading on walls and ceilings of DDT solution in a strength of between one and one-and-a-half grams per square metre.) At the same time, other teams and engineers similarly equipped, began control work in the Province of Frosinone, including war-damaged Cassino.

On completion of their work in Frosinone, these teams, augmented by additional engineers and vehicles, were diverted to the highly malarious coastal strip of Central Italy, extending from south of the Volturno River to a point north of Rome in the neighborhood of Lake Bracciano. This area comprises about 1,000 square miles and includes the major portion of the Province of Latina and parts of the Provinces of Rome and Caserta.

When this work was finished, the engineers, equipment and vehicles were transferred to two large areas in Veneto and the Province of Udine and also to the delta of the River Po. The teams which had been working in Sicily, after carrying out spraying in a small number of areas in Southern Italy, were also transferred to the north-east. By the middle of June, five UNRRA engineers, numerous teams of workers and 21 vehicles were carrying out malaria control measures over some 530 square miles in this area.

UNRRA Provides DDT

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Gritti (with a cargo capacity of 10,400 tons), *C. Gerolimich* (7,950 tons) and the *Gerarchia* (8,750 tons) have been on the southern Atlantic route, carrying UNRRA grain from South America. The *Gaeta* (8,000 tons) is due in shortly with UNRRA coal from the United States.

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c) *Rubber*:
MS/I Standard quality (crude) 200 lire per kg. ex consignee's warehouse.

d) *Denaturated Alcohol*:
200 lire per litre ex consignee's warehouse (drums free).

e) *Forage pea seed*:
Present price of 25,000 lire per metric ton confirmed and extended to 15 September, 1946.

planned during the last quarter of 1945; and in January, 1946, the first UNRRA team, headed by Italian engineers trained by the Sanitary Section of the Health Division, arrived in Sicily. They were equipped with vehicles, spraying apparatus and also DDT and kerosene—unobtainable from other sources.

Work in Sicily

During the three months the team spent in Sicily, it carried out residual spraying with DDT in 25 scattered areas. ("Residual spraying" is designed to ensure even spreading on walls and ceilings of DDT solution in a strength of between one and one-and-a-half grams per square metre.) At the same time, other teams and engineers similarly equipped, began control work in the Province of Frosinone, including war-damaged Cassino.

On completion of their work in Frosinone, these teams, augmented by additional engineers and vehicles, were diverted to the highly malarious coastal strip of Central Italy, extending from south of the Volturno River to a point north of Rome in the neighborhood of Lake Bracciano. This area comprises about 1,000 square miles and includes the major portion of the Province of Latina and parts of the Provinces of Rome and Caserta.

When this work was finished, the engineers, equipment and vehicles were transferred to two large areas in Veneto and the Province of Udine and also to the delta of the River Po. The teams which had been working in Sicily, after carrying out spraying in a small number of areas in Southern Italy, were also transferred to the north-east. By the middle of June, five UNRRA engineers, numerous teams of workers and 21 vehicles were carrying out malaria control measures over some 530 square miles in this area.

UNRRA Provides DDT

In the entire operation, covering continental Italy and Sicily, the UNRRA Italy Mission has supplied expert technical supervision through its trained field engineers. It has also provided 21 vehicles, 50 tons of pure DDT,

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216,000 gallons of kerosene, 8,000 gallons of concentrated DDT emulsion, the necessary sprayers and other equipment. In the course of the operation UNRRA vehicles have covered 203,150 miles.

The work was carried out with the approval of the High Commissioner for Hygiene and Public Health and with the co-operation of the Medici Provinciali and Anti-malaria Committees, who provided local labour and supplementary means of transport. In some inaccessible areas teams had to use ox-carts, pack animals, rowing boats and barges. Without this co-operation, work on a large scale would have been impossible. The local labour was trained and supervised by the UNRRA field engineers and the number of persons engaged in spraying ranged from 25 to 150 in each area treated.

Owing to the limited amout of DDT and transport available at the time, it was necessary to exercise careful selection of the regions in which residual spraying was carried out. The areas chosen have been those in which the incidence of malaria in the civil population is highest, as well as those which are important food producing regions. The areas included under these two headings comprise approximately one-third of the total malarious territories of Italy, excluding Sardinia.

Figures for the work done are as follows:—

1)	Total area sprayed . . .	1,890 square miles
2)	Number of houses sprayed .	50,000
3)	" " straw huts sprayed.	20,000
4)	" " rooms sprayd in (2) and (3) above. .	523,000
5)	" " stables sprayed .	23,000
6)	" " pig pens and other outhouses sprayed .	100,000 (approx.)
7)	Total area of internal wall space sprayed.	31,405,049 square metres

The UNRRA anti-malarial campaign finished a program which was begun in Italy by Allied Military and other agencies, who demonstrated for the first time to Italian malariologists the technique of using DDT in the control of malaria. Italian malariologists, who hitherto had always relied upon Paris Green for their preventive measures, soon came to appreciate the value of this new insecticide, and decided to adopt it in their own anti-malarial campaign.

Anti-Malaria Plans for 1947

As a result, publicity has recently been given to a campaign for the control of malaria, relying upon residual DDT as its principal weapon, which is to be carried out in 1947 on a nation-wide basis throughout Italy. UNRRA will leave in the country sufficient DDT to carry out this 1947 program. The necessary transport, kerosene and apparatus will, it is expected, be provided through a contribution of approximately 400,000,000 lire from the Lire Fund, created by the sale of UNRRA supplies in Italy and utilised for relief and rehabilitation projects agreed upon by UNRRA and the Italian Government.

Although no conclusion can, as yet, be drawn from the results of residual spraying in 1946, reports from the treated regions indicate that the incidence of malaria will be considerably reduced. There is every reason to believe that, if the same scheme is carried out in future years and is extended to all the malarious areas of Italy, the disease will, within a reasonable time, cease to be a problem both as regards public health and economic development in the affected regions.

« ECONOMIC SURVEY » SUPPLEMENT

No Supplement will appear with this week's issue of Economic Notes. *The Supplement on Health and Welfare will appear with next week's issue of* Economic Notes, *No. 34, dated 6 September, 1946.*

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MOVEMENTS OF SHIPS

CARGOES OTHER THAN COAL

(AUGUST 17 - 23 INCLUSIVE)

SHIP	PORT OF ARRIVAL	DATE OF ARRIVAL	ACCOUNT	CARGO	TONS
Frederic E. Ives *	Genoa	13 August	UNRRA { Italy / Greece	General	9,802
Exantia	"	17 "	Commercial	"	4,216
Ulisse	"	23 "	It. Program	Phosphates	3,460
Caterina Gerolimich	Castellammare	" "	UNRRA	Wheat	6,837
Francesca	Venice	" "	"	General	1,645

* *Advice received too late for inclusion in last week's shipping list*

LATEST COAL SHIPMENTS

(AUGUST 17 - 25 INCLUSIVE)

SHIP	PORT OF ARRIVAL	DATE OF ARRIVAL	COUNTRY OF ORIGIN	ACCOUNT	TONS
M. E. Comerford	Leghorn (1)	17 August	United States	UNRRA	4,500
Fort Nakasley	Savona	" "	Bahrein	"	9,325
Stephen Austin	Venice	18 "	United States	"	3,441
	Ancona	23 "	" "	"	4,500
Andalusia	Venice	18 "	Germany	"	6,732
Hilversum	Bagnoli	" "	"	"	5,559
Smith Thompson	Catania	" "	United States	"	4,500
Mercy Warren	Cagliari	" "	" "	"	8,382
Joshua Slocum	Leghorn (2)	19 "	" "	"	4,500
Empire Planet	Savona	" "	Germany	"	7,110
John Fairfield	Genoa	" "	United States	"	8,525
Vittorio Veneto	"	" "	" "	"	6,715
Robert Stuart	Savona	20 "	" "	"	8,398
Henry Reney	"	" "	" "	"	8,849
Noah Webster	Genoa (3)	" "	" "	"	8,107
O. Henry	Civitavecchia	" "	" "	"	8,481
John M. Harlan	Bari	" "	" "	"	8,524
Paul Hamilton Hayne	Palermo	" "	" "	"	8,457
West Cusseta	Venice	" "	" "	"	6,776
Sampenn	Savona	21 "	South Africa	"	8,900
Cotton Mather	"	" "	United States	"	8,480
Fred E. Joyce	"	" "	" "	"	9,031
William Floyd	Bagnoli	" "	" "	"	8,477
Ernesto	Venice	" "	Germany	"	11,000
Empire Salmonpool	Savona	22 "	"	"	5,354
Empire Tilbury	Civitavecchia	" "	South Africa	Brit. Army	9,593
Raymond Ingersoll	Venice	" "	United States	UNRRA	8,503
Glenn Curtiss	"	" "	" "	"	8,478
Teresa Schiaffino	Genoa	23 "	Germany	"	7,263
Abner Doubleday	Venice	" "	United States	"	8,512
Frederick Wm. Wood	Bari	" "	" "	"	8,358
William Libbey	Savona	24 "	" "	"	8,864
John P. Harris	Genoa (4)	" "	" "	"	9,034
				It. Program	7,852

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William Libbey	Savona	" "	" "	"	8,358
John P. Harris	Genoa (4)	24 "	" "	"	8,864
Frederic Remington	"	" "	" "	"	9,034
Empire Tyne	Civitavecchia	" "	" "	It. Program	7,852
Ines Corrado	La Spezia	" "	Germany	UNRRA	5,300
Louis Brandeis	Venice (5)	" "	United States	"	7,016
David Lubin	Genoa	25 "	" "	"	8,472
			" "	"	8,685

(1) Also discharged at Genoa
(2) " " " Genoa
(3) " " " Piombino
(4) " " " Leghorn
(5) " " " Ancona

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August 9, 1946 Vol. I, No. 30

ECONOMIC NOTES

— Published by The Public Information Division, UNRRA Italy Mission, Via di San Nicolò da Tolentino, 78, Rome —

CONTENTS

1. UNRRA Cotton Goods Free
2. Improved Distribution Methods
3. Livestock Rehabilitation
4. Latest Price Decisions
5. Movements of Ships

UNRRA COTTON GOODS FREE

By agreement reached between UNRRA and the Italian Government, almost nine million kilos of finished cotton goods will be distributed free of charge to Italian hospitals and needy and destitute sections of the population.

This represents one-third of the total quantity of cotton goods to be manufactured from the 31,000,000 kilos of raw cotton which UNRRA is importing into Italy during 1946. The remaining two-thirds amounting to over 17,000,000 kilos will be sold at controlled prices to workers and other low-income sections of the population.

It is not yet possible to estimate accurately the number of square metres to be obtained except for flannelette. This will depend on the quantities of cloth eventually to be made according to the various weight specifications. A detailed plan will be ready this month.

Over 26,000,000 kilos of material

This step towards economic rehabilitation follows decisions reached after protracted negotiations between the Italian Government and the cotton industry, with a view to implement UNRRA policy on the use of UNRRA-imported supplies. Manufacture of the raw underclothing, flannelette for babies, strong overall cloth, knitted cotton underwear, lining for suits, mattress cover cloth.

First deliveries

Manufacture will start immediately on a first consignment of 8,000,000 kilos, for which suggested allocations are as follows:—

4,000,000	kgs. of	cotton into sheeting
1,500,000	.. ..	shirting and material for men's underpants
1,800,000	.. ..	madapolam for women's wear
700,000	.. ..	flannelette for babies

The last mentioned item should produce about 4,000,000 metres of this commodity, which is more than sufficient to take care of the specific Health Program which is to provide 300,000 complete layettes for babies.

Prices of the two-thirds of manufactured cloth which are to be sold have been so calculated as to cover the entire manufacturing costs of the 31,000,000 kilos of raw cotton, including the nine million kilos to be distributed free. But, the raw cotton—like all UNRRA-imported supplies—is delivered to the Italian

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It is not yet possible to estimate accurately the number of square metres to be obtained except for flannelette. This will depend on the quantities of cloth eventually to be made according to the various weight specifications. A detailed plan will be ready this month.

Over 26,000,000 kilos of material

This step towards economic rehabilitation follows decisions reached after protracted negotiations between the Italian Government and the cotton industry, with a view to implement UNRRA policy on the use of UNRRA-imported supplies. Manufacture of the raw cotton is estimated to produce about 26,040,000 kilos of finished material, which will be used to meet the following basic requirements: sheeting, shirting for men, material for men's work trousers, material for men's and women's underclothing, flannelette for babies, strong overall cloth, knitted cotton underwear, lining for suits, mattress cover cloth.

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700,000 "	" " " flannelette for babies

The last mentioned item should produce about 4,000,000 metres of this commodity, which is more than sufficient to take care of the specific Health Program which is to provide 300,000 complete layettes for babies.

Prices of the two-thirds of manufactured cloth which are to be sold have been so calculated as to cover the entire manufacturing costs of the 31,000,000 kilos of raw cotton, including the nine million kilos to be distributed free. But, the raw cotton—like all UNRRA-imported supplies—is delivered to the Italian Government free of charge, so that the F.O.B. cost of the raw material is not a factor in arriving at the cost of the manufactured cloth. The whole operation is being subsidized by the value of the 31,000 tons of raw cotton imported

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by UNRRA at a cost of 15,000,000 dollars (£3,750,000 sterling).

The Italian Cotton Association have agreed with the Ministry of Industry and Commerce to spin the cotton at 110 lire per kilogram. With the addition of weaving costs, the overall manufacturing charge will amount to about 245 lire per kilogram—whether the cloth is for free distribution or for sale.

The total outlay involved in manufacturing the cotton is estimated to be about 6,379,800,000 lire. This will probably be entirely covered by the price at which 17,000,000 of the 26,040,000 kilos will be put on sale.

The Lira Fund

Deliveries will begin in October and continue until the end of June next year. Pending receipt of the sale proceeds of the finished goods, funds must be found to finance the manufacturing processes. This problem will, it is assumed, be solved by means of the Lira Fund. Proposals are now being discussed in connection with a temporary loan, which will take the form of a "revolving fund." Advances would be made from the Lira Fund, and reimbursed as the sales proceeds of the manufactured commodities are collected.

The Italian Ministry of Industry and Commerce and the UNRRA Italy Mission are now jointly preparing an overall plan, showing detailed quantities, specifications and manufacturing costs of all types of material to be made, together with the final proportions for free distribution and for sale.

A comprehensive policy

Statistics in regard to the exact number and categories of persons qualifying for this free distribution are being drawn up by representatives of the Ministry of Labour, Ministry of Post-War Assistance, Institute of Public Health, O.N.M.I. (Mother and Child Welfare Agency) and other organisations affected. It has already been decided that flannelette for tribution of the finished product, is part of a comprehensive attempt to solve the economic deadlock which has so far handicapped Italy's own efforts at self-rehabilitation. Should this policy prove successful in regard to cotton, similar plans will be followed in regard to wool and hides.

IMPROVED DISTRIBUTION METHODS

The amount of food sent inland from port warehouses during the first fortnight of July was 59 per cent. greater than in the last fortnight of June, thanks to modified distribution methods and checks devised by the UNRRA Food Division in co-operation with the Italian authorities.

Storage and distribution of food have been among the major problems consequent on wartime destruction of port installations, road and railway transport, and warehousing accommodation throughout Europe. Bottlenecks at Italian ports—which handle the bulk of the country's imports—have in the past been inevitable. Lack of berthing accommodation, insufficient storage facilities rendering even more difficult the clearing of over-flowing warehouses, through reduced efficiency of the railway system resulting from war damage, have increased the difficulties attendant on the food shortage.

How the system operates

Steady progress has, however, been made in reconstruction and reorganisation. The revised system in respect of UNRRA-imported foods has now been operating for four months.

Upon the arrival of UNRRA ships at Italian ports, foodstuffs are taken on charge by the Federazione Italiana dei Consorzi Agrari, acting on behalf of the Italian Government. Quantities, when known, are notified to the High Commissariat for Food, who in turn issues instructions to the Federazione Italiana dei Consorzi Agrari for warehousing of supplies at Government warehouses. From time

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to spin the cotton at 110 lire per kilogram. With the addition of weaving costs, the overall manufacturing charge will amount to about 245 lire per kilogram—whether the cloth is for free distribution or for sale.

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The Italian Ministry of Industry and Commerce and the UNRRA Italy Mission are now jointly preparing an overall plan, showing detailed quantities, specifications and manufacturing costs of all types of material to be made, together with the final proportions for free distribution and for sale.

A comprehensive policy

Statistics in regard to the exact number and categories of persons qualifying for this free distribution are being drawn up by representatives of the Ministry of Labour, Ministry of Post-War Assistance, Institute of Public Health, O.N.M.I. (Mother and Child Welfare Agency) and other organisations affected. It has already been decided that flannelette for babies' layettes is an urgent requirement and will accordingly be given priority.

The new scheme, which covers every phase of an UNRRA-imported commodity, from the raw material to the retail disposal or free distribution, is a comprehensive policy. If the policy prove successful in regard to cotton, similar plans will be followed in regard to wool and hides.

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INDUSTRY

(The Survey of Italian Industry consists of 60 pages and is being published in two sections; the second section will appear as a Supplement to "Economic Notes," for 16 August, 1946)

Introduction.

1. Italy is a fairly well industrialized country with a considerable reservoir of skilled workers. Before the war, 33 % of the available manpower was absorbed in industry, which provided 34 % of the national income. In agriculture these proportions were 48 % and 36 % respectively. On the other hand, the relative importance of agriculture gradually decreased during the last 50 years, when the rate of industrialization of the country made rapid strides. From 1881 to 1938 employment in agriculture increased only 2 % while employment in industry increased 40 %. In the same period agricultural production increased slightly more than twice (in 1938 it was 2.2 times that of 1881) and industrial production increased tenfold. Before the war Italy's population surplus (about 400,000 annually) had for the greater part to be absorbed in industry. The capacity of agriculture to absorb the population surplus is negligible. Industrial development is vitally necessary to Italy's progress.

2. In 1938 Italian industry, including handicrafts, employed 4.4 million workers (26 % of whom were women). In 1935 in the United Kingdom 7.2 million persons were employed in industrial units employing more than 10 persons. The power utilised was 6.3 million HP compared with 1.7 million HP in 1911 and 3.9 in 1927 (the power in use was 15.3 million HP in the United Kingdom in 1930). Investment in industry in 1938 was estimated at 120,000 million lire (about 6,300 million pre-war U.S. dollars). About two-thirds of this investment was in the hands of joint stock companies. Establishments employing more than 1,000 persons (310 establishments) accounted for 19.3 % of the manpower and 24.2 % of the HP employed; 5,000 units employing more than 100 persons accounted for 43 % of the manpower and 64 % of the HP employed. 50,000 industrial establishments, employing more than five persons, accounted for two-thirds of the manpower and nine-tenths of the HP employed. The remaining one-third of the manpower and one-tenth of the HP were accounted for 70 % of the total Italian industrial production which in 1938 was estimated at 130,000 million lire (including 40,000 million for added value - see para 26).

4. Italian industry suffers from lack of coal, fuel and primary raw materials. Imports of raw materials for industry, including fuel, accounted for 29.4 % of total imports in 1881, for 38 % in 1913 and 48 % in 1938. If semi-finished products for industry are added, the proportion increases to 49 % of total imports in 1831, 57 % in 1913 and 70 % in 1938. Lack of coal is partly compensated for by resources of water power. It is estimated that in 1938 the output of electric power for all uses (including industry) had roughly the same aggregate power as imported coal. On the credit side also are (a) abundance of manpower (characterized by a [illegible] standard of living and a high productivity) and (b) the existence of well-established and important industrialized trades (textile, engineering, metallurgic, hydro-electric and chemical industries). Before the war these industries had good plants and good technical organization, comparable with those of the most industrially-advanced countries.

5. The present need is, therefore, on one hand for rapid rehabilitation and acceleration of industry and on the other for increase of exports to balance essential imports of raw materials. This implies a substantial increase in Italy's foreign trade and progress on an opposite road from that travelled by autarchy during 20 years of fascism.

6. War destruction reduced industrial potential to 75 % of pre-war, the merchant marine to 10 %, harbor installations and land transportation to about 25 %. This, coupled with the need for industrial reconversion to peacetime output and the demand for improvement in technical standards of equipment (resulting from Italy's isolation during the periods of autarchy and war), explains the need for early industrial rehabilitation and the need for foreign loans.

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3. The most important industries have been, in decreasing order, engineering, textile, electric, food processing, metallurgic, and chemical. These industries accounted for 70 % of the total Italian industrial production which in 1938 was estimated at 130,000 million lire (including 40,000 million for added value - see para 26).

4. Italian industry suffers from lack of coal, fuel and primary raw materials. Imports of raw materials for industry, including fuel, accounted for 29.4 % of total imports in 1881, for 38 % in 1913 and 48 % in 1938. If semi-finished products for industry are added, the proportion increases to 49 % of total imports in 1881, 57 % in 1913 and 70 % in 1938. Lack of coal is partly compensated for by resources of water power. It is estimated that in 1938 the output of electric power for all uses (including industry) had roughly the same aggregate power as imported coal. On the credit side also are (a) abundance of manpower (characterized by a [illegible] standard of living and a high productivity) and (b) the existence of well-established and important industrialized trades (textile, engineering, metallurgic, hydro-electric and chemical industries). Before the war these industries had good plants and good technical organization, comparable with those of the most industrially-advanced countries.

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7. With the most immediate requirements of Italian industry in mind UNRRA, working closely in conjunction with the Italian Government, has done its best to bring help in the directions where help was most wanted. Total expenditure planned by the UNRRA Italian

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4955
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Mission on industrial rehabilitation in 1946 will exceed 127 million dollars, exclusive of freight (1).

8. Next to food, industrial imports constitute the largest category of aid to Italy and represent 30 % of the whole UNRRA Italy budget for 1946. As at present programed, the total industrial procurement will be roundly as follows:

	U. S. Dollars
Industrial fuels	76,500,000
Pig-iron, steel and other basic metals	20,800,000
Rubber and materials for rubber processing	12,100,000
Industrial chemicals and resins	5,400,000
Asphalt	2,700,000
Lumber	2,500,000
Fire-clays, fire-bricks and asbestos	1,700,000
Vehicles, parts and miscellaneous industrial materials and services	5,700,000
Total	127,500,000 (1)

(1) For the UNRRA program for textiles, hides, etc., see [illegible] 74.

UNRRA's industrial import program is designed to provide raw materials rather than finished products, and thus to turn the wheels of production. This will not only provide goods but jobs.

9. Some improvement in industrial production is already evident. For some industries the index-numbers of the industrial production in Northern Italy (1938=100) (1) were estimated as follows:

Months	Mineral	Iron and Steel	Metallurgic. (2)	Engineering (3)	Cotton Yarn	Artif. textile fibers	Chemical
June 1945	6.6	11.5	5.0	32.1	3.2	2.5	10.1
Septem.	16.1	26.3	22.3	42.9	4.8	4.1	15.4
Decem.	31.8	28.2	28.2	16.6	16.5	5.9	21.3
January 1946	38.9	34.2	38.3	55.9	20.8	6.4	23.5
Febr.	36.4	33.3	40.9	56.9	27.9	7.6	27.1
March	45.9	38.1	45.1	48.0	34.7	11.4	34.7
April	48.7	47.9	41.7	58.2	38.7	16.0	42.9

(1) Some of these indices are based on only a small sample of the industrial category and are, therefore, subject to revision as more accurate information becomes available.

(2) Pig-iron, steel, rolled steel.

(3) Based on weight of material produced in automobile engineering.

PART ONE - GENERAL

The Position of Industry in the Italian Economy.

10. Although Italy cannot be rated among the already highly-industrialized countries, the place of industry in her economy is important.

11. In 1936 her industries gave employment to 33.1 % of the total labor forces of 18.3 million people: 48.2 % were engaged in agriculture, forestry and fishing. Italy's percentage of industrial employment was, however, smaller than that of England (55 %), Belgium (54.6 %), Germany (44.3 %), Switzerland (46.3 %), all countries having roughly the same density of population as Italy. A higher level of industrialization was reached in some regions in Northern Italy, where the industrial population represented 50.4 % in Lombardy, 39.3 % in Piedmont and 47.1 % in Liguria, the average [illegible] regions being 38.4 %.

13. The importance of industry in the economic life of the country is further emphasized by its rôle in Italy's foreign trade. Prior to the war (1937-1938) manufactured goods accounted for 40 % of Italy's exports as shown by the following table:—

TABLE 1

Italy's Balance of Trade 1937-38

(in millions of dollars 1945)

IMPORTS		%	EXPORTS		%
For industry	565	70	Products of manufacturing industry	324	40
For food	169	21	Agriculture and mining	83	10
Other uses	76	9	Non-preserved foodstuffs	175	22
—	—	—	Emigrant remittances, proceeds from tourists and		

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the whole UNRRA Italy budget for 1946. As at present programed, the total industrial procurement will be roundly as follows:

	U. S. Dollars
Industrial fuels	76,500,000
Pig-iron, steel and other basic metals	20,000,000
Rubber and materials for rubber processing	12,100,000
Industrial chemicals and resins	5,400,000
Asphalt	2,700,000
Lumber	2,500,000
Fire-clays, firebricks and asbestos	1,700,000
Vehicles, parts and miscellaneous industrial materials and services	7,100,000
TOTAL	127,500,000 (1)

(1) For the UNRRA program for textiles, hides, etc., see infra, 74.

9. Some improvement in industrial production is already evident. For some industries the index-numbers of the industrial production in Northern Italy (1938 = 100) (1) were estimated as follows:

Months	Mineral	Iron and Steel	Metallurgic. (2)	Engineering (3)	Cotton Yarn	Artif. textile fibers	Chemical
June 1945	6.6	11.5	5.0	32.1	3.2	2.5	10.1
Septem.	16.1	26.3	22.3	42.9	4.8	4.1	15.4
Decem.	31.8	28.2	28.2	46.6	10.5	5.9	21.3
January 1946	38.9	34.2	38.3	55.9	20.8	6.4	23.5
Febr.	36.4	33.3	40.9	56.9	27.9	7.6	27.1
March	45.9	38.1	45.1	48.0	34.7	13.4	34.7
April	48.7	47.0	41.7	58.2	48.7	16.0	42.0

(1) Some of these indices are based on only a small sample of the industrial category and are, therefore, subject to revision as more accurate information becomes available.

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12. In terms of national income, industry's contribution was 30 % of the total, while agriculture contributed 36 %, rents 4 %, commerce 5.4 %, banking and insurance 1.2 %, professional activities 4 %, public employment 12.3 %, interest on credit 7 %.

13. The importance of industry in the economic life of the country is further emphasized by its rôle in Italy's foreign trade. Prior to the war (1937-1938) manufactured goods accounted for 40 % of Italy's exports as shown by the following table:—

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For food	169	21	Agriculture and mining	83	10
Other uses	76	9	Non-preserved foodstuffs	175	22
—	—	—	Emigrant remittances, proceeds from tourists and other items	150	18
				732	90
			Deficit	78	10
	810	100		810	100

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14. A breakdown of the 1937-38 industrial exports by major groups is shown in the following table:—

TABLE 2

Industrial Exports by Major Groups

	In millions of dollars		%	
First Group				
Food Industries . . .	49		15	
Chemical-Agricult. Industries	10		3	
Small industries and artisans	38		12	
		97		30
Second Group				
Textile Industries:				
Artificial fibers . . .	42		13	
Others	126		39	
		168		52
Third Group				
Mechanical and iron industries	42		13	
Chemical and various industr.	17		5	
		59		18
		324		100

15. The part to be played by industry in the Italian economy will be greater in the future for two main reasons:

(a) Population increased by an estimated 1.5 millions between 1938 and 1946 (1). This increased population cannot possibly be absorbed by agriculture or related non-industrial activities since, as is generally accepted, agricultural employment had already before the war, reached its peak in relation to the physical characteristics of the country.

(b) The average standard of living for the Italian population is at present one of the lowest of all "modern" countries. A rise in this standard can be achieved only by an increase in the rate of industrialization.

Some "Permanent" Features of Italian Industry.

16. The outstanding fact in Italy's industrial economy is the country's marked *deficiency of raw materials and fuels*. Not one of the key raw materials such as coal, mineral oils, iron, lumber, cotton, rubber or copper is found, or can be produced in Italy in any significant quantity.

Other basic materials such as hides, phosphates and wool are also in short supply. The relative abundance of sulphur, aluminum, mercury, zinc and lead ores is not such as to compensate for the foregoing deficiencies.

17. The traditional Italian industrial pattern calls for large amounts of a few imported raw materials, and imports in small quantities, of a great variety of materials used together with domestic supplies. It is difficult, however, to establish the extent to which Italian industry depends on imports, because the industry of the country during the last few years has been directed towards the maximum use of domestic resources in a closed national economy cut off from world markets ("Autarchia"). Technological improvements will allow some Italian raw materials to be substituted permanently for imports, especially in cases where large amounts of electricity are used. But other high-cost domestic raw materials will not be able to stand international competition in a post-war economy.

18. The total volume of Italian imports amounted to some 30 million tons a year in the late Twenties, but decreased later to 25 million, then to 20 million tons after the depression and the start of the self-sufficiency drive. Fuel imports have been by far the most important—50 % of the total when imports were large, up to 66 % when imports were heavily reduced. In recent pre-war years imports of materials to be processed by industry amounted to from 4 to 5 million tons representing, it is believed, the minimum needs of a rock-bottom pre-war economy.

19. Before the war, Italian imports originated from all over the world. But even then, there was an increasing tendency to depend on European sources of supply. In 1938, Italy bought 57 % of its imports (by value) on European markets against only 48 % in 1929. Table 50 shows the breakdown of Italian imports by country and by value in 1938.

20. The most important single "physical" resource which Italy has, though to a moderate degree, is water power, which, skilfully harnessed, provides an important source of electrical energy (see para. 81).

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Industrial Exports by Major Groups

	In millions of dollars		%	
First Group				
Food Industries . . .	49		15	
Chemical-Agricult. Industries	10		3	
Small industries and artisans	38		12	
		97		30
Second Group				
Textile industries:				
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(b) The average standard of living for the Italian population is at present one of the lowest of all "modern" countries. A rise in this standard can be achieved only by an increase in the rate of industrialization.

(1) The active population (that portion of the total population seeking employment) showed a greater increase proportionately, owing to the natural trend for fewer women to devote themselves exclusively to housework. Chronic unemployment and, to a certain extent, tradition, counteracted this trend, which is noticeable in all progressive countries.

found, or can be produced in Italy in any significant quantity.

Other basic materials such as hides, phosphates and wool are also in short supply. The relative abundance of sulphur, aluminum, mercury, zinc and lead ores is not such as to compensate for the foregoing deficiencies.

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19. Before the war, Italian imports originated from all over the world. But even then, there was an increasing tendency to depend on European sources of supply. In 1938, Italy bought 57 % of its imports (by value) on European markets against only 48 % in 1929. Table 30 shows the breakdown of Italian imports by country and by value in 1938.

20. The most important single "physical" resource which Italy has, though to a moderate degree, is water power, which, skilfully harnessed, provides an important source of electrical energy (see para. 81).

21. The geographical position of Italy and her physical shape, which make every part accessible to the sea and minimize freight charges, partially offset the above disadvantages. If in the future, through international agreements, the flow of raw materials is made easier than in the past, Italy will benefit greatly.

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...wer, the foremost re-

22. Apart from hydro-electric p... her skilled and source on which Italy can count is stil... is to be inexpensive manpower. This latter "quality ... goal considered a transitory feature since the national ... will be, of course, to make labor more expensive (on a world-wide comparative basis) as a consequence of the improving standard of living.

During the next several years Italy's economic revival will, however, be made easier by the relative cheapness and abundance of her labor. Even after Italian industrial production is maximized by a full-scale reconstruction program, it is improbable that the total potential domestic labor supply will be fully utilized. Even at the height of the Italian war effort in 1942, there was still (as a result of raw material shortages) a certain degree of unemployment. Italy is probably the only major participant in World War II in that position.

23. The present low standard of living is, on the other hand, a damaging factor since it limits the market for manufactured goods, tending to make production costs higher, by not giving the domestic industry a sufficiently large "home ground" on which to base its production. The urgent task of internal reconstruction and the building up of vital export trade will, for the present, absorb all the production capacity. Italy, with the best planning possible, will, however, for some years not be able to attain even the low pre-war level of domestic consumption.

24. In general, therefore, the limiting factor in Italy's industrial reconstruction and development is the need to import from outside her borders the basic raw materials and fuel which modern industry requires. The UNRRA industrial program for 1946, concentrating as it does on the import of reasonably large quantities of coal, petroleum products and some key raw materials, reflects the trascendent importance of this limiting factor. The future of Italy's industrial economy will be determined largely by an ability to earn or borrow enough foreign exchange to maintain and increase this flow of fuel and basic materials.

Relative Importance of the Various Branches of Italian Industry.

25. The relative importance of industries may be roughly measured by:

(a) ...number of people employed (which is a rough

TABLE 3

Relative Importance of Various Branches of Italian Industry

Class of Industry	Labor Employed in 1938 Per cent	H P available in 1938 Per cent	Electric power in 1937 Per cent	Coal in 1938 Per cent
Mines and Quarries	3.1	3.3	1.5	0.7
Timber	2.3	2.3	0.8	0.1
Food	10.3	15.8	7.1	5.1
Metallurgical	2.4	14.4	25.4	18.2
Mechan. Engineering	14.1	18.1	8.1	2.0
Stone, clay and glass products	4.1	6.4	4.6	16.2
Building	11.0	2.6		0.5
Chemicals	2.3	7.5	27.5	5.8
Cokeries & Gas Works	0.2	0.9		35.4
Paper	1.2	3.6	1.3	1.6
Printing	1.3	0.7	0.3	0.1
Hides and leather	1.6	1.1	0.8	0.1
Textiles and Clothing	14.5	13.8	12.4	8.2
Power Stations	0.6	—	—	2.5
Rubber	0.6	1.2	3.5	0.1
Other industries	4.5	3.8		1.3
TOTAL INDUSTRY	74.4	95.5	96.3	98.0
TOTAL HANDICRAFT	25.6	4.5	3.7	2.0
GRAND TOTAL	100.0	100.0	100.0	100.0

26. The total value of the 1938 industrial production was calculated at 130.000 million lire; the *added value* (1) at 42.100 million about 27 % of which was for wages paid to workers (in 1933, in the United States of America the comparable percentage was 36.2). Data broken down are as follows (in millions of 1938-lire):

TABLE 4

Total and "Added" value of Industrial production
(in millions of 1938 - lire)

	Value of production	"Added" value (1)
Mechanical	19,200	8,600
Food processing	30,300	5,700
Chemical	9,200	3,700
Mines and quarries	1,300	1,100

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a world-wide comparative basis) as a consequence of the improving standard of living.

During the next several years Italy's economic revival will, however, be made easier by the relative cheapness and abundance of her labor. Even after Italian industrial production is maximized by a full-scale reconstruction program, it is improbable that the total potential domestic labor supply will be fully utilized. Even at the height of the Italian war effort in 1942, there was still (as a result of raw material shortages) a certain degree of unemployment. Italy is probably the only major participant in World War II in that position.

23. The present low standard of living is, on the other hand, a damaging factor since it limits the market for manufactured goods, tending to make production costs higher, by not giving the domestic industry a sufficiently large "home ground" on which to base its production. The urgent task of internal reconstruction and the building up of vital export trade will, for the present, absorb all the production capacity. Italy, with the best planning possible, will, however, for some years not be able to attain even the low pre-war level of domestic consumption.

24. In general, therefore, the limiting factor in Italy's industrial reconstruction and development is the need to import from outside her borders the basic raw materials and fuel which modern industry requires. The UNRRA industrial program for 1946, concentrating as it does on the import of reasonably large quantities of coal, petroleum products and some key raw materials, reflects the trascendent importance of this limiting factor. The future of Italy's industrial economy will be determined largely by an ability to earn or borrow enough foreign exchange to maintain and increase this flow of fuel and basic materials.

Relative Importance of the Various Branches of Italian Industry.

25. The relative importance of industries may be roughly measured by:

(a) number of people employed (which is a rough measure of their relative social value);
(b) motive power available;
(c) electric power and coal consumption.

Percentages of each of these factors are summarized in the following table (absolute figures are analyzed in Table 52):

	[illegible] Per cent	[illegible] Per cent	[illegible] Per cent	Per cent
Mines and Quarries	3.1	2.3	1.5	0.7
Timber	2.3	2.3	0.8	0.1
Food	10.3	15.8	7.1	5.1
Metallurgical	2.4	14.4	25.4	18.2
Mechan. Engineering	14.4	18.1	8.1	2.0
Stone, clay and glass products	4.1	6.3	4.6	16.2
Building	11.0	2.6		0.5
Chemicals	2.3	7.5	27.5	5.6
Coke-ries & Gas Works	0.2	0.9		35.4
Paper	1.2	3.6	4.3	1.6
Printing	1.3	0.7	0.3	0.1
Hides and leather	1.6	1.1	0.8	0.1
Textiles and Clothing	14.5	13.8	12.4	8.2
Power Stations	0.6	—	—	2.5
Rubber	0.6	1.2	3.5	0.4
Other industries	4.5	3.8		1.3
TOTAL INDUSTRY	74.4	95.5	96.3	98.0
TOTAL HANDICRAFT	25.6	4.5	3.7	2.0
GRAND TOTAL	100.0	100.0	100.0	100.0

26. The total value of the 1938 industrial production was calculated at 130,000 million lire; the *added value* (1) at 42,100 million about 27 % of which was for wages paid to workers (in 1933, in the United States of America the comparable percentage was 36.2). Data broken down are as follows (in millions of 1938-lire):

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Total and "Added" value of Industrial production
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	Value of production	«Added» value (1)
Mechanical	19,200	8,600
Food processing	30,300	5,700
Chemical	9,200	3,700
Mines and quarries	1,300	1,100
Stone, clay and glass products, etc.	2,600	1,100
Other industries (est.)	67,400	21,900
TOTAL	130,000	42,100

(1) "Added value" is the difference between the cost of materials or semi-finished goods going into industry and the value of the finished production, including labor costs.

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27. The added value represents 32.4 % of the value of the total production (in U.S.A., in 1933, 46.4 %; in Great Britain, in 1930, 44.2 %). The added value per worker amounted to 13,000 lire (in Great Britain in 1930, it amounted, at the official exchange, to 19,600 lire; in U.S.A. in 1933, at official exchange, to 15,835 lire).

Location of Italian Industry.

28. On the basis of employment and use of electric power, Italian industry is overwhelmingly concentrated in Northern Italy. The percentage breakdown on the basis of 1938 is as follows:

TABLE 5

Location of Italian Industry

	Industrial Employment Per cent	Consumption of Electricity Per cent
Northern Italy.	69.1	71.2
Central Italy	15.9	16.0
Southern Italy and Islands	15.0	12.8
	100.0	100.0

29. This uneven distribution, with a corresponding disparity of customs and standards of living, constitutes one of the important political factors in the country. The availability in Northern Italy of water supplies which can be exploited in hydro-electric plants, is one of the reasons for this industrial concentration. Another factor is the proximity to the Central European and French markets, which for centuries before the advent of the mechanical era depended on the Italian artisans for their manufactured goods. Around these artisan centers modern Italian industry developed, especially in textiles.

30. As a future trend, it is possible that Italian industry, after having more fully exploited its water power resources, will move close to the ports through which imported fuels and raw materials enter the country.

31. The trend of Italian industry is also to develop more rapidly the manufactures of producers' goods than of consumers' goods. In the latter industries 2,000,000 workers were employed in 1927; 2.2 million in 1937-39 (10 % increase), while in the producers' goods industries 1.4 million workers were employed in 1927 and 2.1 million in 1937-39 (50 % increase).

sized enterprises have lost much of their former importance.

33. The census data on size of enterprises are given in Table 6 which shows for comparison data for 1927. The proportional decrease of the establishments of small and medium size (from 2 to 50 persons employed) and the increase of the establishments of larger size, is evident from Table 6:

TABLE 6

Size of Industrial Establishments

Based on the Number of persons per Establishment (1)

Size (persons per establishment)	1927			1937-39		
	No. of establishments	Persons		No. of establishments	Persons	
		No.	%		No.	%
2 – 10	291.809	963.314	31.1	278.865	879.512	24.3
11 – 50	25.736	547.925	17.7	25.376	569.561	15.7
51 – 250	6.589	685.239	22.1	8.206	840.181	23.2
251 – 1000	1.263	370.592	18.4	1.594	726.169	20.1
more than 1000	200	330.746	10.7	307	606.072	16.7
TOTAL	325.617	3.097.816	100.0	314.348	3.621.495	100.0

Source: Census of 1927, Census of 1937-39.

34. Another breakdown of Italian industrial figures (2) by size, as of 31 December 1938, is supplied by the Confederation of Industrialists; these data are given in Table 7. The Confederation's statistics do not include artisans and employees of Government-operated enterprises (150,000 workers) and a few non-member firms outside the organization.

TABLE 7

Number of Firms and Workers, 1938

Size (Workers per firm)	Firms	Workers	%
From 1 to 10	107.126	340.024	9.5
11 to 50	31.079	699.743	19.4
51 to 250	9.920	1.024.102	28.5
251 to 1000	1.808	815.253	22.6
more than 1000	345	717.418	20.0
TOTAL	150.278	3.596.840	100.0

Source: Confederation of Industrialists.

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1950. It amounted, at the official exchange, to 19,000 lire; in U.S.A. in 1933, at official exchange, to 45,835 lire).

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Size and Capitalization of Italian Industries.

32. Italian industry grew under a system of a large number of small and medium-sized enterprises. The trend toward concentration, both financial and technical, which began after World War I has progressed so rapidly, under Government sponsorship, that medium-

The proportional decrease of the establishments of small and medium size (from 2 to 50 persons employed) and the increase of the establishments of larger size, is evident from Table 6:

TABLE 6

Size of Industrial Establishments
Based on the Number of persons per Establishment (1)

Size (persons per establishment)	1927			1937-39		
	No. of establishments	Persons No.	%	No. of establishments	Persons No.	%
2 - 10	291.809	963.314	31.1	278.865	879.512	24.3
11 - 50	25.756	547.925	17.7	25.376	569.561	15.7
51 - 250	6.589	685.239	22.1	8.206	840.181	23.2
251 - 1000	1.263	570.592	18.4	1.594	726.169	20.1
more than 1000	209	330.746	10.7	307	606.072	16.7
TOTAL	325.617	3.097.816	100.0	314.348	3.621.495	100.0

Source: Census of 1927, Census of 1937-39.

34. Another breakdown of Italian industrial figures (2) by size, as of 31 December 1938, is supplied by the Confederation of Industrialists; these data are given in Table 7. The Confederation's statistics do not include artisans and employees of Government-operated enterprises (150,000 workers) and a few non-member firms outside the organization.

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Size (Workers per firm)	Firms	Workers	%
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11 to 50	31.079	699.743	19.4
51 to 250	9.920	1.024.402	28.5
251 to 1000	1.808	815.253	22.6
more than 1000	345	717.418	20.0
TOTAL	150.278	3.596.840	100.0

Source: Confederation of Industrialists.

(1) When in the same establishment two or more lines of manufacturing are carried on, each line of manufacturing is considered a distinct establishment. This criterion differs from that followed as a rule in censuses in Great Britain and in the United States, where each establishment (and sometimes also, one firm having two or more establishments) is considered, as a rule, to be one unit. The Italian census, therefore, when compared with the census in those countries, exaggerates the importance of smaller size works or shops.

(2) One "firm" may include two or more establishments.

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35. Enterprises with 50 workers or less, representing 92 % of the total number of firms, employed less than 29 % of all workers; while 345 firms, only 0.2 % of the total number of firms, employed 20 % of the total labor force.

36. The fact that a large part of Italian industry is still in small units means that a large number of enterprises is individually owned.

37. The total capital invested in industry was estimated in 1936 to be about 100,000 million lire. Capital and reserves of industrial corporations alone amounted in the same year to some 56,000 million lire of which 34,000 million lire was paid-in capital. The sizable capital increases which took place after 1936 did not reflect new investments, but were simply write-ups of capital by large corporations, after the devaluation of the currency.

38. In 1939 the most heavily-capitalized industry was electric power with 11,300 million lire (for valuation of industry see Table 36), followed by chemicals with 4,200 millions; metallurgical and mechanical industries with 4,000 millions each; mining with 2,500 millions; cotton with 1,400 millions; artificial texiles with 1,200 millions; gas and water distribution with 1,100 millions; and sugar with 1,000 million lire.

Activity in Wartime, 1939-1943.

39. The shift from a peace economy to a war economy was relatively smooth, and was aided by the fact that France fell so quickly that Italy was not plunged into active, large-scale warfare. Moreover, the two minor wars fought in Ethiopia and Spain had accustomed the country, psychologically at least, to a war economy.

40. Despite attempts to neutralize its effects, the blockade constituted a crippling blow to Italian industry. Only in the summer of 1942 were real efforts made to step up Italian war production, chiefly at German request. Italian officials admitted that a labor service was not necessary until July of that year, for unemployment was still considerable in spite of the large number of workers sent to Germany and called to the colors. Unemployment was the natural consequence of the traditional Italian industrial pattern. Heavy armament industries could not expand and produce more materials than the over-all supply of iron and steel would allow. During 1941 and 1942 the iron and steel

41. In the summer of 1942 the Germans used threats of withholding supplies of necessary raw materials to force the overhauling of Italian industry to fit the Axis war economy. Italian industrialists on their part were reluctant to abandon equipment which could not be used at the moment but might be extremely valuable in a post-war reconstruction period. A compromise was reached and plans of concentration were drawn up for those industrial facilities not directly connected with the war. The basic criteria for keeping a plant in operation were: 1) independent power supply, 2) small consumption of materials and 3) minimum dependence on transportation facilities.

42. The order closing down the textile industry for six winter months in 1942-43 is a typical example of this policy. Partial exemptions were granted to plants which filled orders for export. More details on plans for concentration and rationalization, affecting the food processing and leather industries were announced as late as July 1943.

43. Table 8 gives a general idea of the pattern followed by Italian industry during the war years:

TABLE 8

Production index, 1939-43

(based on index of 100 for 1928)

	General Index	Textile Industry	Metallurg. & Mechanical Industries	Paper Industry
1939 . . .	123.1	88.6	147.8	157.2
1940 . . .	120.6	91.9	168.3	155.0
1941 . . .	104.9	78.6	185.9	143.1
1942 . . .	91.3	58.9	188.1	116.5
1943 (1st Quarter)	79.8	52.9	191.4	89.6

	Building Industry	Power, light & heating industry	Mining Industry (1)	Chemical Industry (1)
1939 . . .	121.2	176.8	142.3	162.5
1940 . . .	83.8	187.8	175.0	154.6

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	Building Industry	Power, light & heating Industry	Mining Industry (1)	Chemical Industry (1)
1939	121.2	176.8	142.3	162.5
1940	82.8	187.8	125.6	156.6
1941	43.4	207.9	117.0	140.1
1942	36.3	207.6	110.5	121.2
1943 (1st Quarter)	21.8	193.9	96.0	87.0

(1) Original basis September 1931-August 1935 = 93.1.

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44. It will be seen that production followed its normal course until 1939 with an overall increase of 13 % over 1929; with the entry into the war and the impossibility of replacing stocks of raw materials, Italian industrial production dropped until in 1942 and the first quarter 1943 a considerable drop is noticed. The only sector of industry to maintain its normal productivity was the mechanical and metallurgical sector, which was obviously due to the production of arms and munitions.

45. Although the production of pig iron increased considerably in 1939, yet even there a sharp drop is noticed in 1942:

Pig Iron Production (War years)

1939	1.065.000 tons
1940	1.061.000 »
1941	1.037.000 »
1942	889.000 »

46. Generally speaking, Italian industry was adversely affected by the war years particularly by the inability to obtain raw materials, but also because Italy was cut off from the technical advance being made in industry throughout the Allied countries. Thus, at the end of the conflict, Italy found herself far behind other countries in the technical development of her industries.

Aftermath of War.

47. Since the greater percentage of Italian industry is situated in the North, the rehabilitation of Italian industry during the period 8 September 1943 to May 1945 was an impossibility. Such industry as existed in the south, that was of any use in the combined war effort was taken over by the Allied Armies. Work on rebuilding and rehabilitation was impeded by the Allied occupation of plants for depots, warehouses, billets etc.—a regrettable necessity, and also by the lack of fuel and raw materials. A considerable amount of industrial employment was afforded the Italians by the Allies, chiefly mechanical equipment and workshops, but industry generally was at a standstill.

49. Luckily for Italy, the Germans were impeded by the partisans in their efforts to destroy industrial potential. The ordinary workpeople of the factories, also impeded destruction and hid important machines and machine parts, so that when the enemy surrendered, the industrial installations and the hydro-electric plants were in better condition than the most optimistic had hoped for.

50. It has always been difficult to obtain accurate figures on the actual war damage to Italian industry. No industrial census has yet been completed, so that only estimates, based on careful investigation, can be given.

51. A generally accepted estimate is that the overall damage to Italian industry caused by the war was about 25 %. Accepting the difficulties of giving accurate figures, as none are available, the following will give a general idea of the condition of Italian industry at the end of hostilities. (See Part Two for a more detailed description.)

Chemical and Pharmaceutical Industries.

52. The overall damage to plants in these industries was estimated at 10 to 15 %. This damage varied considerably from plant to plant, the "munitions" plants in a number of cases having been destroyed or very heavily damaged by bombing. At the end of the war, however, productive capacity was still more than sufficient to meet the normal domestic need.

Food Processing Industries.

53. The hardest-hit section of this industry was the sugar refining section. Considerable damage was done by bombing and also by German destruction. Only about 12 % of the normal capacity was used in the 1945 season, though the lowness of this figure was due also to the shortage of sugar beet.

54. The other food processing plants suffered an average of approximately 20 % war damage.

Steel and Iron Industries.

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48. The probability of wholesale destruction of hydro-electric plants, rail facilities, industrial installations and communications in the industrial north had caused great concern particularly during the long advance up Italy by the Allies and the winter during which the opposing armies stood on the Pisa-Rimini line.

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54. The other food processing plants suffered an average of approximately 20 % war damage.

Steel and Iron Industries.

55. In the reports on damage to the Italian steel industry during the war the country is divided into two sections. One, Northern Italy, which was liberated in June 1945; the other, Central and Southern Italy, which were liberated in the fall of 1943 and spring of 1944.

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56. The maximum potential facilities for producing steel and iron in Italy before the war had a total capacity of approximately 4,500,000 tons per year. These facilities produced during the years 1935-37 an average of 2,104,000 tons per year.

57. The consumption of steel in Italy during this period averaged 2,313,871 tons per year.

58. Thus it can be seen that Italy produced only slightly less than its needs in steel.

59. The facilities for producing steel and iron in Central and Southern Italy account for approximately 28 % of the total. This production is concentrated in three zones: Tuscany, Campania and Umbria. In Umbria region physical war damage to the industry was slight, although the industry was crippled approximately 50 % by the German removal from the area of arc furnaces, mills and pig iron furnaces.

60. In the Campania and adjoining regions the industry was crippled approximately 90 % by war destruction.

61. In the Tuscany region the industry was disabled about 90 % by war destruction.

62. In Northern Italy approximately 10 % of the production capacity was damaged and another 5 % removed by the Germans: thus the industry was operatively reduced by some 15 %.

63. To summarize: the whole of the Italian steel facilities at the end of the war had been reduced to 70 % of their normal capacity.

Building and construction materials.

64. The highest damage in this section was probably in the manufacture of glass, where it is estimated that the buildings suffered 50 % damage and the equipment some 15 %. The cement and lime plants suffered damage to the extent of about 30 % to the buildings and 5 % to the machinery and equipment. The balance of the branches in this industry suffered only slight damage, chiefly due to the dispersion of the plants.

Textile Industry.

65. About 90 % of the textile industry is located in Northern Italy, the rest being distributed between Toscana and Campania. Only the plants situated in [illegible] were damaged by the war, the

67. In Toscana, Pisa and Prato (Florence), a big center of production for woolen cloths from rags, many plants were heavily damaged especially by German sabotage.

68. The general damage suffered by the Italian textile industry can be estimated at 10 % of the textile plant and machinery.

The Role of UNRRA in the Industrial Rehabilitation Program for Italy.

69. At the end of 1945, Italian industry was in the position of having practically no foreign credits available with which to purchase raw materials except those provided by the Military and FEA civil supply programs. Furthermore, export of manufactured goods and agricultural surpluses was not possible. Therefore, the UNRRA program for industrial rehabilitation was made to provide the essential requirements of industry within the limit of the funds available.

70. The principal emphasis in the UNRRA program was placed upon the highly essential item of fuels, since Italy has practically no domestic production of solid or liquid fuels, and these are almost universally required for industry and the transportation system necessary to industrial activity.

71. Aside from fuels, industrial materials included in the UNRRA program have been confined to other large dollar-value items which in general are easily specified for procurement. Items of smaller value having complicated specifications are procured through the Italian Technical Mission using troop-pay funds in the U.S.

72. The Industrial Rehabilitation Program, as revised in May 1946, called for an expenditure of approximately 80 million dollars for the first half of 1946. The tentative program for the second half involves an expenditure of approximately 50 million dollars, giving an approximate total for the year of 130 million dollars. Table 9 shows the distribution of the 1946 program.

73. A more detailed breakdown of the various items involved in the UNRRA program is given in Table 54 (see Appendices). In this tabulation it will be noted that solid and liquid fuels, required by practically all industries, comprise the principal expenditure for industrial supplies. Important factors, however, are steel,

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Textile Industry.

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66. In Campania were the Manifatture Cotoniere Meridionali plants, of which three plants were completely destroyed; but the other plants were in condition to be repaired rapidly.

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73. A more detailed breakdown of the various items involved in the UNRRA program is given in Table 54 (see Appendices). In this tabulation it will be noted that solid and liquid fuels, required by practically all industries, comprise the principal expenditure for industrial supplies. Important factors, however, are steel, pig iron and alloying metals essential to the production of the many types of finished steels required for reconstruction of public utilities, the transport system and various industrial units. Rubber, with the supplementary compounding agents, also constitute an important expenditure in this program, since this item is

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TABLE 9

UNRRA Industrial Rehabilitation Program – 1946
(in Thousands of Dollars)

ITEM	TOTAL
Transport & Telecommunications	2,533
Building Industry	245
Solid Fuels	40,775
Liquid Fuels and Lubricants	35,745
Asphalt	2,675
Misc. Consumer Goods	50
Pig Iron	4,201.27
Semi-finished Steel	5,300
Finished Steel	1,859.576
Minerals	860
Metals & Alloying Elements	171
Tin	2,247
Copper	4,946
Nickel	1,396
Chemicals for Rubber	300
Coal Tar Chemicals	1,294.554
Intermediate Dyestuffs	70
Raw Materials for Paint, Varnish, Ink, Enamel and Synthetic Resins	1,215
Raw Materials for Carbon Electrodes	452.6
Industrial Wax	400
Sundry Products	830
Colophony	1,689
Rubber	11,673
Carbon Black	950
Cellulose & Lumber	2,500
Asbestos	600
Refractories	621
Clays	1,006
Industrial Rehab. Service	100
Surplus Procurement	750
GRAND TOTAL	127,455.000

given top priority in view of its importance in rehabilitation of the transport system and electrical transmission lines. Industrial chemicals, while relatively [illegible] are important for the reactivation

These materials are intended for processing by Italian firms for internal distribution in an effort to provide shoes and clothing to the needy classes at reasonable prices. Also, some small contracts are being negotiated with Italian firms for the manufacture of textile goods for export on UNRRA account and these will further contribute to the industrial revival of the country. The quantities of raw materials imported to be processed in Italy for consumer goods are as follows:

ITEM	Total (in thousands of U. S. dollars)
Raw Cotton	19,000
Raw Wool	25,300
Wool Rags	5,500
Hides	2,400
Tanning	500
Composition Soling	2,900
Tin Plate	520

Allocations.

75. An important development which was required in the use of UNRRA raw materials by Italian industry was a scheme for allocating and reporting on the use of such materials. A plan was developed jointly by the Italian Government, the Allied Commission, and the UNRRA Italian Mission in December 1945, in anticipation of the need for such a plan for the 1946 UNRRA program. The plan was implemented by setting up a Sub-Commission for Northern Italy in March 1946. The Joint Committee has since been authorized to cover the entire country through a commission structure specifically established for the determination of industrial policies. The final scheme filled two definite needs: first, it provided the Italian Government with a rational basis for making allocation of scarce materials to industry; and, second, it provided UNRRA with the necessary records of usage and consumption of imported supplies on the UNRRA and supplementary programs so that a basis was established for determining the contribution made by the UNRRA industrial rehabilitation program to the overall industrial recovery of Italy.

76. Briefly, the plan involves the requirement that each firm needing UNRRA raw materials will submit allocation requests to the Sub-Commission for the area in which the firm is located. This application covers such pertinent data as opening and closing inventories for the month, production for the previous month, and [illegible] with respect to finished goods. Con-

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Transport & Telecommunications	2,533
Building Industry	245
Solid Fuels	40,775
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Asphalt	2,675
Misc. Consumer Goods	50
Pig Iron	4,201.27
Semi-finished Steel	5,300
Finished Steel	1,859.576
Minerals	860
Metals & Alloying Elements	171
Tin	2,247
Copper	4,946
Nickel	1,396
Chemicals for Rubber	300
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Rubber	11,673
Carbon Black	950
Cellulose & Lumber	2,500
Asbestos	600
Refractories	621
Clays	1,006
Industrial Rehab. Service	100
Surplus Procurement	750
GRAND TOTAL	127,455.000

given top priority in view of its importance in rehabilitation of the transport system and electrical transmission lines. Industrial chemicals, while relatively small in dollar value, are important for the reactivation of the process industries which form an important sector of the Italian industrial economy.

74. In addition to the items specifically included in the industrial rehabilitation program, raw materials for textiles, shoes and other consumer goods form an important part of the total UNRRA Italian program. contribute to the industrial revival of the country. The quantities of raw materials imported to be processed in Italy for consumer goods are as follows:

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(1) A special report has been issued covering this plan and has been sent to Washington and to London. Also, the plan is discussed in some detail in Volume I, No. 20 of UNRRA Italy "Economic Notes," dated 31 May 1946.

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The plan was put into operation in North Italy on 15 March of this year, utilizing (as the agent of the Ministry of Industry and Commerce) the industrial committee structure which had been formed during the period of Allied Military Government. The necessary forms and procedures were developed jointly with UNRRA and issued by this group in March, thus providing data on the use of imported raw materials for the month of March and also providing the basis for making allocations for the month of May with some provision for modifications of April allocations. This form, used by individual firms for reporting stocks, usage, production and for requesting allocations, has been distributed at the provincial level by UPIC (Ufficio Provinciale Industria e Commercio, the Provincial Office of the Ministry of Industry and Commerce), along with the necessary instructions for completion. Distribution was first made from the Milan Office of the Sub-Commission through Gondrand, a national express company, and the estimated quantities of the various forms involved were delivered to UPIC prior to the first of each month. It has been the responsibility of the individual firm to obtain these forms from the UPIC office and to return them, properly executed, to this same office prior to the 5th of each month. Consistent with Italian practice, the firm is charged 4 lire for each form. Upon return of the request for allocations and supplementary information, each UPIC office reviews the applications which are submitted and makes pertinent comments, when possible, consistent with their knowledge of conditions with respect to the individual firms. In no case, however, does UPIC have final action, except on those allocations of small quantities of coal and POL which are directly under their control. As soon as possible, following the 5th of each month, the forms are picked up from each UPIC office and delivered to the office of the Northern Sub-Commission, where they are processed through the individual committees and the Sub-Commission to establish final allocations of the commodities involved in the "critical list." Each UPIC office submits monthly reports covering a complete list of allocations made under their jurisdiction for small quantities of coal and POL, which are required to complete the records of usage of these materials. At the same time, each UPIC office makes a request for their bulk allocations for the following month. Analysis of the distribution of the small allocations by industries is required from each UPIC. All individual applications are processed at the Sub-Commission level and in the absence of the Central Industrial Commission operat-

report and allocation form, one of which is retained by UPIC. Two copies are processed through the Sub-Commission: one copy is available for the UNRRA Sub-Bureau of Industrial Rehabilitation, the other being retained by the Northern Sub-Commission.

Determination of Prices.

77. The determination of prices for UNRRA-imported materials is handled jointly by the Italian Mission and interested agencies in the Italian Government and formalized by a letter from the Chief of the UNRRA Italian Mission. There is no fixed rule for determining prices of raw materials imported by UNRRA and sold by the Italian Government. Each commodity is treated as a separate case consistent with the problems involved with respect to the international price and the domestic markets for each commodity for the same item. Similarly, prices for manufactured goods produced from UNRRA raw materials are considered as individual cases on somewhat the same basis.

78. The pricing of coal raised a particularly interesting discussion of price policy between UNRRA and the Ministries concerned. The principle finally adopted was to estimate what the landed cost of coal (at current exchange rate) would be at the end of the UNRRA period of responsibility for Italy's basic imports, in other words, what Italy would have to pay for delivered coal when she had to go out on the market herself. On this basis a delivered price of $15 per ton was estimated (some $6 dollars below the present landed cost), and the internal price structure for solid fuel built around the lire equivalent of that figure. Previously, the high production costs of domestic coal and lignite had tended to dominate the price structure. The new schedule placed the domestic production in its proper perspective as a relatively minor factor in the total Italian solid fuels picture.

79. The industrial program for Italy has encountered many difficulties to date, due principally to world shortages of key materials and also shortfalls due to strikes and transportation difficulties in the United States. Recently the coal strike in the United States completely disrupted the rehabilitation program for a period of several months, causing a drastic coal conservation program to be adopted just when an increase in coal consumption was required to push the industrial reactivation toward its 1946 goal. These factors have rendered it impossible to restart essential industries at the level necessary to meet consumption requirements by

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UNRRA and issued by this group in March, thus providing data on the use of imported raw materials for the month of March and also providing the basis for making allocations for the month of May with some provision for modifications of April allocations. This form, used by individual firms for reporting stocks, usage, production and for requesting allocations, has been distributed at the provincial level by UPIC (Ufficio Provinciale Industria e Commercio, the Provincial Office of the Ministry of Industry and Commerce), along with the necessary instructions for completion. Distribution was first made from the Milan Office of the Sub-Commission through Gondrand, a national express company, and the estimated quantities of the various forms involved were delivered to UPIC prior to the first of each month. It has been the responsibility of the individual firm to obtain these forms from the UPIC office and to return them, properly executed, to this same office prior to the 5th of each month. Consistent with Italian practice, the firm is charged 4 lire for each form. Upon return of the request for allocations and supplementary information, each UPIC office reviews the applications which are submitted and makes pertinent comments, when possible, consistent with their knowledge of conditions with respect to the individual firms. In no case, however, does UPIC have final action, except on those allocations of small quantities of coal and POL which are directly under their control. As soon as possible, following the 5th of each month, the forms are picked up from each UPIC office and delivered to the office of the Northern Sub-Commission, where they are processed through the individual committees and the Sub-Commission to establish final allocations of the commodities involved in the "critical list." Each UPIC office submits monthly reports covering a complete list of allocations made under their jurisdiction for small quantities of coal and POL, which are required to complete the records of usage of these materials. At the same time, each UPIC office makes a request for their bulk allocations for the following month. Analysis of the distribution of the small allocations by industries is required from each UPIC. All individual applications are processed at the Sub-Commission level and in the absence of the Central Industrial Commission operating at the national level, allocations have been made by the Northern Sub-Commission with concurrence of the Milan Office of the Sub-Bureau of Industrial Rehabilitation, UNRRA Italian Mission. Allocations made by the separate committees are coordinated by the Sub-Commission. Each firm submits three copies of the

Determination of Prices.

77. The determination of prices for UNRRA-imported materials is handled jointly by the Italian Mission and interested agencies in the Italian Government and formalized by a letter from the Chief of the UNRRA Italian Mission. There is no fixed rule for determining prices of raw materials imported by UNRRA and sold by the Italian Government. Each commodity is treated as a separate case consistent with the problems involved with respect to the international price and the domestic markets for each commodity for the same item. Similarly, prices for manufactured goods produced from UNRRA raw materials are considered as individual cases on somewhat the same basis.

78. The pricing of coal raised a particularly interesting discussion of price policy between UNRRA and the Ministries concerned. The principle finally adopted was to estimate what the landed cost of coal (at current exchange rate) would be at the end of the UNRRA period of responsibility for Italy's basic imports, in other words, what Italy would have to pay for delivered coal when she had to go out on the market herself. On this basis a delivered price of $15 per ton was estimated (some $6 dollars below the present landed cost), and the internal price structure for solid fuel built around the lire equivalent of that figure. Previously, the high production costs of domestic coal and lignite had tended to dominate the price structure. The new schedule placed the domestic production in its proper perspective as a relatively minor factor in the total Italian solid fuels picture.

79. The industrial program for Italy has encountered many difficulties to date, due principally to world shortages of key materials and also shortfalls due to strikes and transportation difficulties in the United States. Recently the coal strike in the United States completely disrupted the rehabilitation program for a period of several months, causing a drastic coal conservation program to be adopted just when an increase in coal consumption was required to push the industrial reactivation toward its 1946 goal. These factors have rendered it impossible to restart essential industries at the level necessary to meet consumption requirements by the end of the year. Although the greatest part of the UNRRA industrial program was originally budgeted for importation during the first half of 1946, in fact the bulk of UNRRA's industrial imports will be concentrated in the second half, and the recovery of Italian industry will get under way during that period.

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SOURCES OF ENERGY

PART TWO - POWER AND MAIN INDUSTRIES

Electric Power.

80. Until new sources of energy (e.g. atomic power) become available, the only practical sources of motive power and heat are coal, mineral oils, natural gases, firewood and water-power.

81. Although water-power provides the largest share of Italy's energy requirements and represents the only sizable natural resources available to her, it is not so plentiful for a country of 46 million people as is generally believed. In 1941 about 18,500 million KWH were produced in Italy, corresponding to about 450 KWH per person per year. In the U.S., the Tennessee Valley Authority alone produced in 1944 at the rate of 12,000 million KWH per year (about 2,700 KWH per person per year in the TVA area). The total availability per capita is 1,700 in the U.S. as a whole.

82. The physical set-up of the electric power industry was, in 1938, as follows:

(a) The bulk of power stations were hydro-electric plants, of which there were 988 with a capacity of 3,940,000 Kw.

(b) The water-storage was accomplished by 92 water basins, with a total capacity of 1,583 million m^3, which corresponds to 1,640 million KWH per year.

(c) There were in addition 199 thermal stations with a capacity of 856,000 Kw. These stations were extremely useful in maintaining output when the water in the reservoirs feeding the hydro plants dropped below the level at which maximum output could be maintained (i.e. in spring, before the thaw) and also in the case of breakdowns in the hydro-electric supply.

(d) The total length of very high-voltage power transmission lines, was 7,038 Km., and about

TABLE 10

Development of the Electric Power Industry

(Maximum possible output in million KWH)

Years	1936	1939	1940	1941	1942
Hydro-electric . .	13.176	16.425	17.384	18.654	17.841
Thermal	387	1.172	1 196	1.208	1.521
Imported. . . .	213	213	252	232	247
	13.776	17.810	18.832	20.094	19.609

84. It was estimated in 1937 that the upper technical limit of the development of Italy's water-power resource was 57,000 million KWH per year, of which, however, only 32,000 million KWH were considered within the realm of industrial possibility. Accordingly, in 1940 plans were prepared further to increase the production up to 25,000 and possibly 30,000 million KWH.

85. *The capital invested* in the electrical industry is very large. The total value of the physical facilities (expressed in 1938 lire) was estimated in 1940 as follows:

Value of generating plants . .	18,000 million
" transporting & transforming plants . .	11,500 million
" distribution plants. .	8,000 million
	37,500 million (1938 lire)

expressed in 1938 dollars, the total figure would be equivalent to $1,973 million.

86. Damage was sustained to power installations in all regions of Italy. The most extensive war damage was

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Electric Power.

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(d) The total length of very high-voltage power transmission lines, was 7,038 Km., and about 31,872 Km. H.V. (not less than 20 KV) lines. These figures do not include the 3-phase lines system, which had a total length of 53,660 Km.

83. The electric power industry was one of Italy's faster-developing activities. Its expansion is shown in the following table:—

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(Maximum possible output in million KWH)

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		37,500 million (1938 lire)

expressed in 1938 dollars, the total figure would be equivalent to $1,973 million.

86. Damage was sustained to power installations in all regions of Italy. The most extensive war damage was suffered by high-tension transmission lines. The poor system of Southern Italy, where the Germans had time enough to carry out their demolition, and the system of Central Italy, where heavy front-line battles were fought, are among the sectors of the Italian industry which suffered most from war damage.

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87. Rehabilitation work was started by the Allied Military Government as soon as new areas were liberated and then continued by the Allied Commission. The work done in this field by the A.M.G. and A.C. enabled much of the rehabilitation of the destroyed and damaged lines and plants to be quickly and efficiently undertaken.

88. In 1945, the production of electric power was 12,830 million KWH a reduction of 4.31 % from the 1944 figure of 13,408 million KWH and a drop of 35.41 % from the all-time high in 1941 (19,862 million KWH). In Italy electric power availability is largely affected by the amount of precipitation. The 1945 drought therefore substantially reduced the supply of electric power, necessitating the institution of electricity rationing during the winter of 1945-46 even in Northern Italy where virtually no power facilities were destroyed by the war.

89. Central Italy was hardest hit by the deficiency in electric power, the 1945 figure there being 67.50 % below the 1941 level. In Southern Italy, production in 1945 was 27.51 % higher than in 1944 as a result of the refitting of old sources of electric power, though it was still 41.71 % lower than in 1941.

90. Production of electric power, by regions, is summarized in the following table:

TABLE 11

Electric Power Produced in thousand of kilowatt hours

REGION	1944	1945	1945 compared with 1944	1945 compared with 1941
Northern Italy . .	10.679.256	10.065.113	— 5.75%	— 26.31%
Central Italy . .	1.434.124	1.188.041	— 17.16%	— 67.50%
Southern Italy . .	943.631	1.203.244	+ 27.51%	— 41.71%
Italian Islands .	350.572	373.361	+ 6.50%	— 22.87%
	13.407.583	12.829.759	— 4.31%	— 35.41%

91. It is estimated that in 1948 full output of power stations can again be restored by effecting repairs to all plants capable of operation. This estimate is based on the assumption that materials, specifically copper, rubber and varnishes, requested through UNRRA for this work will arrive without undue delay.

92. The electro-chemical applications and electrical industrial heating have an important part in the Italian industrial pattern as a consequence of the relative abundance of electric power and the scarcity of all fuels. The following table shows how the electric energy was used.

TABLE 12

Consumption of Electric Energy by Type of Application(1)

(in percentages)

Activities	Motive Power	Lighting Heating Electrolytic	Traction	Total
Agriculture	1.1	0.4	—	1.5
Industries & Services	42.6	34.3	0.5	77.4
Transport & Communications	1.5	0.3	10.5	12.3
Commerce, Public Ser. Household	2.8	6.0	—	8.8
TOTAL . .	48.0	41.0	11.0	100.0

Source: Censimento Industriale e Commerciale 1937-38, Vol. I Industrie: "Appendix on Statistics of Electric Machinery."

(1) The complete breakdown by consumers is shown in Table 46. The difference between electric energy produced and consumed represents distribution losses.

COAL

Requirements.

93. The important part which coal plays in the Italian economy can never be overstressed. Italy, being so

94. Despite the considerable development of hydro-electric power in Italy, Italian industry is nevertheless essentially based on solid fuels, as evidenced by the fact that in 1940 the consumption was 17,054,000 metric tons. Of this 13,679,000 tons were imported

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(1) The complete breakdown by consumers is shown in Table 46. The difference between electric energy produced and consumed represents distribution losses.

COAL

Requirements.

93. The important part which coal plays in the Italian economy can never be overstressed. Italy, being so poorly supplied with resources of her own, has to rely on imports from abroad. The extent to which Italy can be rehabilitated is, therefore, inextricably linked with the ability of the large coal-producing countries to make coal available for export to Italy, and Italy's ability to pay for it.

94. Despite the considerable development of hydro-electric power in Italy, Italian industry is nevertheless essentially based on solid fuels, as evidenced by the fact that in 1940 the consumption was 17,054,000 metric tons. Of this 13,679,000 tons were imported and 3,375,000 tons were produced in Italy. Allowing for the poor quality of domestically-produced solid fuels, the total consumption in 1940 "in terms of hard coal" (i.e. in tons of solid fuels of the quality then imported) amounted to approximately 16 million tons. A breakdown of the total consumption by major industries and other consumers is given in Table 14.

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95. Imports of coal and coke into Italy in 1934 to 1943 were as follows:

TABLE 13

(in thousands of tons)

Year	Total
1934	12,737
1935	14.589
1936	9.263
1937	12.926
1938	12.139
1939	11.275
1940	13.692
1941	11.580
1942	10,793
1943 (six months) (1)	6,242

(1) Imports for the whole of Italy, including imports from Germany, during second half 1943, in 1944 and first half 1945 are not available.

96. In war time (1939-1944) all the coal had to come by rail from Germany. In 1945 industrial activity came almost to a standstill because of the interruption of the coal supply line.

97. During the period of Allied Military responsibility in South and Central Italy, and during the first months after liberation of the North, little or no coal could be supplied to private consumers, and industry not being first in priority, got next to nothing.

98. From 1 October 1945, the period of military responsibility ceased and the Coal Division, Allied Commission, was entrusted with the entire responsibility for the requisition, importation and distribution of all coal and coke for civilian consumption and also charged with the same responsibility for British military purposes.

99. During the period September through December 1945 loadings, the coal for civilian consumption was included in the F.E.A. supply program. Unfortunately, due to procurement difficulties, strikes in the United States, and delayed sailings in October and December, the F.E.A. shipment program was not completed until February 1946.

100. Apart from one cargo of British coal received early in January 1946, UNRRA supplies did not reach [illegible] UNRRA assumed the responsibility

101. Coal arrivals for the first quarter of 1946 are given in Table 14. They are a good index of the industrial and economic activity during that period.

102. In estimating the solid fuels requirements for the year 1 July 1946 to 30 June 1947, the anticipated essential industrial activity has been carefully estimated with due regard to the following important factors:

(a) Though a great part of the Italian industrial potential has emerged undamaged from the war, it must not be forgotten that Italian docks, roads, and railways were severely damaged by air bombing, and that the country from the South up to the "Gothic" line was bitterly fought over, with resultant inevitable destruction of communications, essential public works, and other important installations.

(b) In the present world food situation, it is evident that Italy will have to be self-reliant to the maximum extent for the next two or three years at least in order to maintain a minimum nutritional level. For this purpose the maximum agricultural rehabilitation is imperative. Consequently re-activation of fertilisers and other coal-consuming activities connected with agricultural rehabilitation, as well as the improvement of transport resources, should be pressed to the utmost practicable.

103. Bearing in mind the above considerations, the estimated minimum quantity of solid fuels which Italy is required to import in the year amounts to 10,269,000 tons, made up as shown in Table 14. After adding to this figure the maximum estimated indigenous production of solid fuels (reduced to the thermal equivalent of imported solid fuels), which is expected to reach 1,800,000 tons, the total consumption planned by the Government equals 12,069,000 tons, which is nearly equivalent to 75 % of the consumption in 1940.

104. This requirement is based on the assumption that the quality of the imported coal supplied will be approximately equivalent to the quality of coal imported before the war. Coal recently imported from the United States has had a high ash and volatile substance content and has been of low thermal value and of poor quality as regards sizing. Consequently specific consumption in the various branches of industries has risen in an alarming manner; the specific consumption of

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Year	Total
1934	12.737
1935	14.589
1936	9.263
1937	12.926
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100. Apart from one cargo of British coal received early in January 1946, UNRRA supplies did not reach Italy until March; UNRRA assumed the responsibility for the major supply of Italian coal needs as of and from 1 March. At the European Coal Office Conference of January 1946, 432,000 tons were set up for loading in February and again in March from the United States, and 18,000 tons per month from South Africa, making a total of 450,000 tons monthly.

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105. The program of imports is related to essential industrial requirements and to a high priority for necessary repair and rehabilitation (e.g. of railroads).

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TABLE 14

106. The following comparative table shows:

(a) Solid fuel imports during first quarter 1946.
(b) Minimum requirements during first quarter 1947.
(c) Minimum requirements period 1 July 1946 to 30 June 1947.

CATEGORY OF CONSUMERS	(a) Imports First Quarter 1946		(b) Min. Requirements First Quarter 1947.		(c) Min. Requirements 1 July 1946 to 30 June 1947	
	Coal	Coke	Coal	Coke	Coal	Coke
State Railways	352,000	—	474,000	—	1,904,000	—
Secondary Railways & Internal Navigation	45,000	—	60,000	—	240,000	—
Bunkers	15,000	—	45,000	—	180,000	—
Iron Industry	98,000	36,200	209,000	77,000	769,000	387,000
Pig Iron Foundries	—	15,000	—	36,000	—	144,000
Non-ferrous metals	35,000	8,000	63,000	15,000	250,000	60,000
General Engineering	37,000	30,000	51,000	75,000	207,000	285,000
General Electrotechnics	8,000	3,000	18,000	9,000	64,000	35,000
Building materials	130,000	15,000	270,000	90,000	1,260,000	357,000
Ceramics and glass	31,000	2,000	95,000	10,000	378,000	37,000
Chemicals	65,000	10,000	180,000	40,000	677,000	207,000
Textiles	60,000	—	156,000	—	572,000	—
Food Processing	35,000	—	47,000	25,000	405,000	145,000
Paper	16,000	—	57,000	—	183,000	—
Rubber	14,000	—	36,000	—	143,000	—
Leather & tanning extracts	4,000	—	12,000	—	48,000	—
Cokeries	120,000	— 78,000	560,000	— 392,000	2,155,000	—1,508,000
Gas Works	185,000	— 83,000	270,000	— 135,000	1,080,000	— 540,000
Power Stations	97,000	—	103,000	—	375,000	—
Domestic use	75,000	24,000	280,000	120,000	612,000	278,000
Bakeries	40,000	—	60,000	—	240,000	—
Hospitals	60,000	20,000	60,000	30,000	247,000	113,000
Agriculture	—	—	—	—	80,000	—
Total	1,522,000	2,200	3,106,000	—	12,089,000	—
Internal production (in terms of coal)	358,000	—	450,000	—	1,800,000	—
Imports	1,164,000	2,200	2,656,000	—	10,269,000	—

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(c) Minimum requirements period 1 July 1946 to 30 June 1947.

CATEGORY OF CONSUMERS	(a) Imports First Quarter 1946		(b) Min. Requirements First Quarter 1947		(c) Min. Requirements 1 July 1946 to 30 June 1947	
	Coal	Coke	Coal	Coke	Coal	Coke
State Railways	352,000	—	471,000	—	1,904,000	—
Secondary Railways & Internal Navigation	45,000	—	60,000	—	240,000	—
Bunkers	15,000	—	45,000	—	180,000	—
Iron Industry	98,000	36,200	209,000	77,000	769,000	387,000
Pig Iron Foundries	—	15,000	—	36,000	—	144,000
Non-ferrous metals	35,000	8,000	63,000	15,000	250,000	60,000
General Engineering	37,000	30,000	51,000	75,000	207,000	285,000
General Electrotechnics	8,000	3,000	18,000	9,000	64,000	35,000
Building materials	130,000	15,000	270,000	90,000	1,260,000	357,000
Ceramics and glass	31,000	2,000	95,000	10,000	378,000	37,000
Chemicals	65,000	10,000	180,000	40,000	677,000	207,000
Textiles	60,000	—	156,000	—	572,000	—
Food Processing	35,000	—	47,000	25,000	405,000	145,000
Cement	16,000	—	57,000	—	183,000	—
Rubber	14,000	—	36,000	—	143,000	—
Leather & tanning extracts	4,000	—	12,000	—	48,000	—
Cokeries	120,000	— 78,000	560,000	— 392,000	2,155,000	—1,508,000
Gas Works	185,000	— 83,000	270,000	— 135,000	1,080,000	— 540,000
Power Stations	97,000	—	103,000	—	375,000	—
Domestic use	75,000	24,000	280,000	120,000	612,000	278,000
Bakeries	40,000	—	60,000	—	240,000	—
Hospitals	60,000	20,000	60,000	30,000	247,000	113,000
Agriculture	—	—	—	—	80,000	—
Total	1,522,000	2,200	3,106,000	—	12,069,000	—
Internal production (in terms of coal)	358,000	—	450,000	—	1,800,000	—
Imports	1,164,000	2,200	2,656,000	—	10,269,000	—

Note: In the table above, actual allocations during the first quarter 1946 are shown as a comparison with 1947 to give an idea of the extent to which the lack of coal has retarded the rehabilitation of industry.

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Allocation Procedure.

107. As an example of how the UNRRA Mission works with the Italian Government in allocating the imported supplies it is interesting to examine in some detail the coal allocation procedure.

(a) Immediately the tonnage allocated to Italy for any one month becomes known, UNRRA advises the Italian Government, requesting that a tentative allocation program, including the requirements of the State Railroads, be drawn up by category of consumers. A monthly meeting is held in the first days of each month under the auspices of UNRRA's Italian Mission with the representatives of the Ministry of Industry and Commerce, Ministry of Transport (State Railways and Central Coal Office) and of Allied units concerned, under the chairmanship of the Under-Secretary for Industry, Ministry of Industry and Commerce. At this meeting the quantities available for the following month and allocations are discussed in detail.

(b) The requirements of each category of consumers are carefully examined, considering also the proposed allocations of Sardinian coal, lignites and fuel oil, with the intention of utilizing to the maximum advantage all quantities available in view of the general rehabilitation program of Italy.

(c) Should a substantial change of the monthly quantity available occur, the competent Italian departments are immediately advised and a new meeting is convened to examine and discuss the proposed readjustments.

(d) When the final program is agreed, a breakdown allocation to the consumers, belonging to each category, is prepared by the Rome Coal Office of the Ministry of Industry and Commerce for the regions of Central and South Italy and by the Milan Coal Office of the same Ministry for the regions of North Italy, following the directives laid down at the general meeting.

108. With the limited quantity of coal available to Italy it was necessary to establish a system of priorities of allocation. During the period of hostilities, this was handled within the AM Regions and, because of the very meager supply of coal, industry received almost nothing.

109. At the end of hostilities, coal available to Italy [illegible] industry really began to come

dustry could survive, bakeries for the nation's bread (although full emphasis was placed on the ability of the bakeries to use a large proportion of fuel wood), and hospitals on an extremely limited scale. The balance was divided among all industries, giving preference to those which:

(a) provided the Italian people with essential goods.
(b) assisted most in the rehabilitation of Italy.
(c) gave the most employment.

110. Thus the industries having high priority varied from time to time as the internal situation changed. Further, attempts were made to tie-in the coal allocated with the arrival of other materials, e.g. the arrival of raw cotton necessitated a higher allocation to the textile industry over the period of the processing.

111. In the expectation of a coal strike in the U.S. (which eventually took place), a "Coal Emergency Committee" was convened by Dr. Lombardo, Under-Secretary of the Ministry of Industry and Commerce, with instructions to meet for the purpose of reviewing existing stocks, re-examining the claims of various industries and revising allocations in the light of their importance to Italy's economy and with the desire to alleviate labor lay-off as much as possible. The first meeting took place on 18 March 1946, and the Committee has met several times every week since.

112. It was considered advisable to allocate 945,609 tons of coal for consumption up to the end of June, leaving aside 55,391 tons, which, together with 19,800 tons held by electric power plants not functioning at present in the North of Italy and 4,000 tons [illegible] at the port of Savona, would constitute an emergency reserve stock of about 79,000 tons to be allocated only when a complete picture of the most urgent requirements was made available. With the recent allocation of coking coals and metallurgical coke from the Ruhr a stimulus has been given to the iron and steel industry. The quantities are, however, still below requirements.

Production of Solid Fuels in Italy.

113. One of Italy's greatest handicaps is the limited local production of solid fuels, which covers only 15 % of the national requirements. These fuels, practically all of inferior quality, and in no way equal to the bituminous or soft coals received from abroad, are found in various fields scattered all over the country. They may be grouped in four classes: xiloid lignites, black lignite, Sulcis and Arsa coals, and anthracite.

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109. At the end of hostilities, coal available to Italy began to increase so that industry really began to come into the picture. A series of priorities was established which first of all cut off "non-essential" uses of coal; the stringency of the position can be gauged from the fact that no coal whatever was allocated for domestic consumption even during the winter. Then certain "musts" were supplied—railways, without which no industry could operate, and those industries which

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(b) assisted most in the rehabilitation of Italy,
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Xiloid lignites.

114. Xiloid lignite mines are found on the mainland, and also in Sicily. Considerable efforts were made, especially during the war, to increase the output, and the yearly production of 525,000 tons in 1936 was in-

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creased, during the war, to about 2,000,000 tons. The present yearly output is estimated at around 1,800,000 tons which, owing to the high percentage of moisture and ash, represents only 600,000 tons in terms of coal.

Black Lignite (Lignite Picea).

115. Black lignite, of a far better quality than xiloid, reaching a calorific value of 5,500/6,000 thermal units, is produced mainly in the Florence district (Ribolla). The yearly output, raised from 83,000 tons in 1936 to over 350,000 tons during the war, is estimated now to be approximately 325,000 tons, representing 216,000 tons in terms of coal.

Sulcis and Arsa Coals.

116. Sulcis and Arsa coals, practically of the same quantity, are produced respectively in Sardinia and in the Istrian Peninsula. The yearly output of the Arsa mines, now under the control of Yugoslavia, had been increased from 289,000 tons in 1934 to 1,161,000 tons in 1942, the latter being equal to approximately 900,000 tons in terms of bituminous coal. The Sulcis coal production had received an even greater impulse, but the hard living conditions of the miners in the immediate post-war period, together with the lack of necessary equipment and difficulties of transporting the coal to the mainland, had caused a considerable decrease in the production, as may be seen by the following figures:

Sulcis (Sardinia) Coal Production

	Tons		Tons
1934	53,000	1946: Jan.	64,467
1935	77,500	Feb.	71,577
1936	161,000	Mar.	88,660
1937	307,000	Apr.	92,000
1938	466,000	May.	89,000
1939	558,000		
1940	805,000		
1941	950,000		
1942	1,041,000		
1943	NA		
1944	375,378		
1945	601,600		

118. Since the liberation of Italy the Allied Commission had appreciated the importance of this source of fuel for Italy and every help was given to increase the rate of production. With this same view the UNRRA Mission in Italy gave its whole-hearted support to bring the production up to its former level. A higher output of this coal, which would render it also more economical, is of the utmost importance for the rehabilitation of Italy. To obtain this, UNRRA granted extra rations of food and clothing to the miners, and recommended that sufficient sea transport be made available to ship to the Italian ports the quantities produced and those stock-piled during the previous period.

119. It may be considered due also to these efforts that the production was 92,000 tons in April 1946, 89,000 tons in May and 78,000 tons in June. As from July 1946, the yearly production is expected to reach 1,200,000 tons, representing about 940,000 tons in terms of good bituminous coal.

Anthracite.

120. A small quantity of anthracite, of poor quality due to the high ash content, is also produced in Italy, mainly in the northern district of Turin, where it is generally used by local consumers. Strenuous efforts had been made during the war to bring up the yearly production to about 150,000 tons, but owing to the various difficulties involved, the present yearly output is not expected to exceed 100,000 tons.

Coal Imports.

121. The chief source of coal to Italy prior to the war, was Europe. The following table shows comparative sources during four pre-war years:

TABLE 15

Coal Imported Into Italy

(in thousands of tons)

	1913		1924		1933		1938	
		%		%		%		%
Germany . .	970	8.9	4,358	39.0	2,201	25.0	7,003	58.8
U. K.	9,400	86.8	5,896	52.8	4,747	54.0	2,290	19.2

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1942	1,041,000		
1943	NA		
1944	375,378		
1945	601,600		

N.A. = Not available.

117. The Sardinian mines, subsidized by the State, are owned by the Società Carbonifera Sarda, and the allocation of the coal to consumers is arranged by the Government, in agreement with UNRRA.

put of this coal, which would render it also more economical, is of the utmost importance for the rehabilitation of Italy. To obtain this, UNRRA granted extra rations of food and clothing to the miners, and recommended that sufficient sea transport be made available to ship to the Italian ports the quantities produced and those stock-piled during the previous period.

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U. K.	9,400	86.8	5,896	52.8	4,747	54.0	2,290	19.2
Poland. . .	—	—	1	—	652	7.4	1,637	13.7
U. S. A. . .	9	0.1	537	4.8	6	0.1	—	—
Others. . . .	451	4.2	378	3.4	1,184	13.5	985	8.3
TOTAL	10,830	100.0	11,170	100.0	8,790	100.0	11,915	100.0

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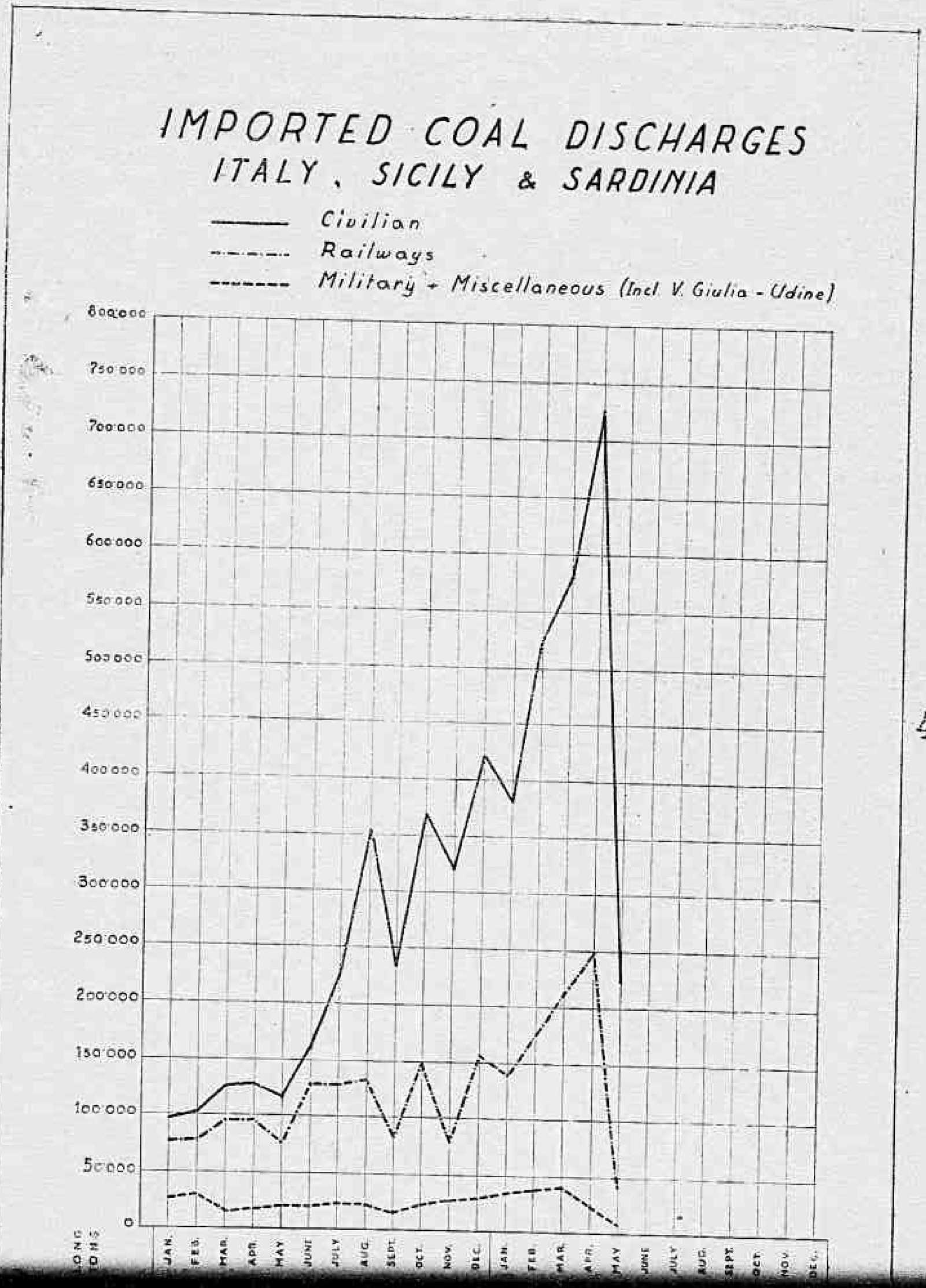
TABLE 16



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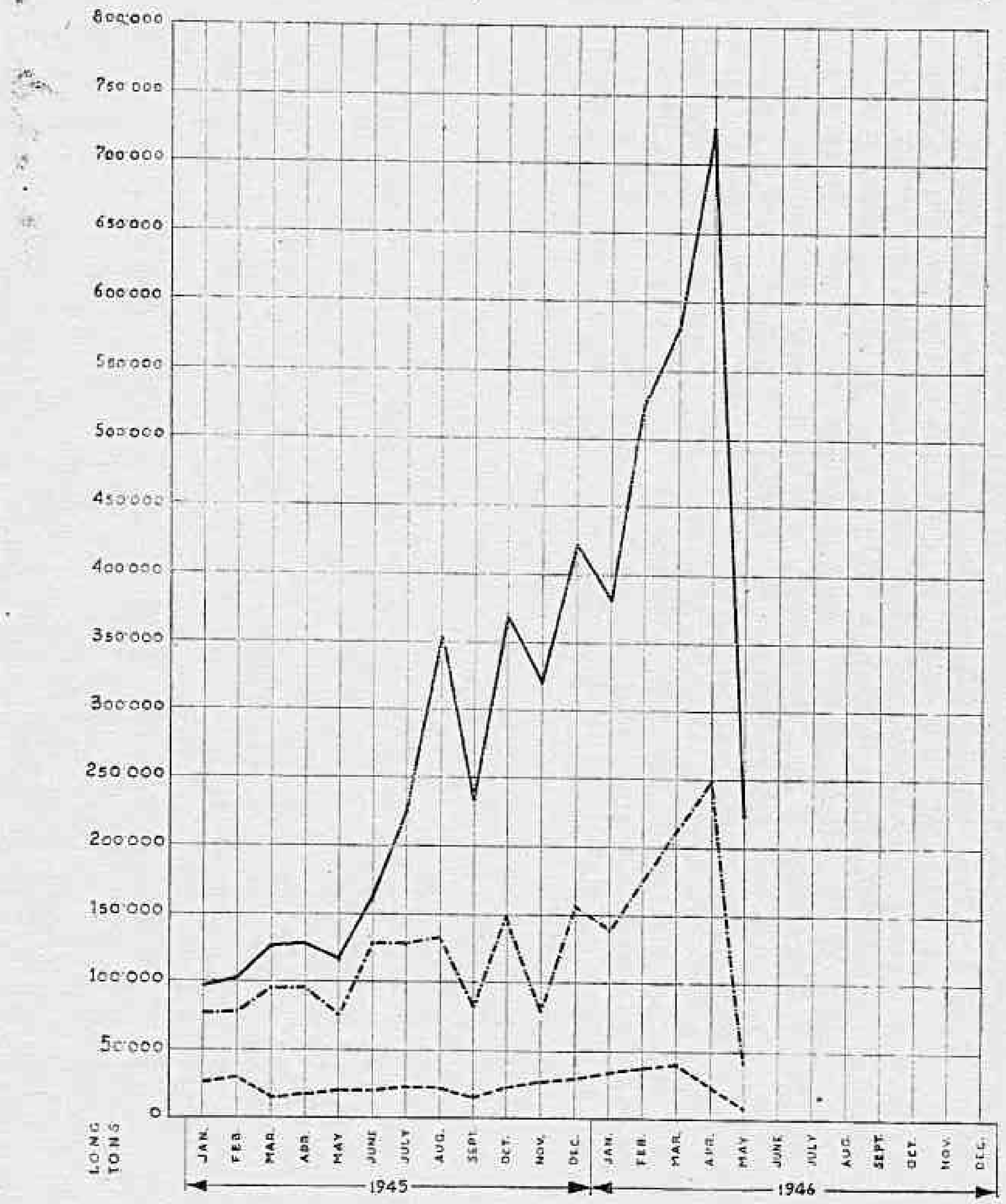
IMPORTED COAL DISCHARGES
ITALY, SICILY & SARDINIA

——— Civilian
-·-·-·- Railways
------- Military + Miscellaneous (Incl. V. Giulia - Udine)



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122. From this table it will be seen that the end of the war produced a difficult problem regarding the source from which coal could be obtained for Italy. The production of the greatest supplier, Germany, was nil, that of the U.K. not sufficient, nor that of Poland, which left only the USA and other countries. Thus the bulk of the supplies for Italy brought in by UNRRA had to come from the USA. The great disadvantage of this has been the extra cost. It is estimated that coal from the Ruhr costs 8.5 dollars per ton, plus 5 dollars per ton freight, i.e. 13.5 dollars, against USA coal at 7 dollars per ton plus freight 13 dollars, a total of 20 dollars per ton. This would represent, on an allocation of 200,000 tons of Ruhr coal, a saving over US coal of about 8 million dollars.

123. Thus UNRRA efforts have been directed continuously towards obtaining allocations of fuel from Europe. Italy's case was presented to the European Coal Organization, whose meetings a representative of UNRRA attended. The imports of coal from January to June 1946 have been as follows:

Countries of Origin of Imported Coal
Discharged in Italy under the UNRRA Program 1946

(tons)

Country di origin	Jan.	Feb.	Mar.	Apr.	May	June
U. S. A. . .	—	—	382.186	641.944	223.439	61.234
South Africa	—	1.559	25.391	18.007	16.824	17.651
U. K. . . .	4.084	—	—	—	8.600	11.307
Bahreind .					7.470	8.308
Germany . .	—	—	—	—	8.019	9.264
	4.084	1.559	407.577	659.951	264.352	107.764

124. The graph (Table 16) shows the quantity of coal discharged in Italy in the period January 1945 to May 1946. As has been explained, Italian industry is essentially dependent on the supply of solid fuel from outside and her industries operate in direct proportion to the amount of fuel available. From the graph it can readily be seen that industry from January to May 1945 (before the liberation of the North) was at a very low ebb: after the liberation came the "battle for coal" and, with some set-backs, the supply increased month by month, enabling industry to regain some of its previous production. The sharp decline at the end of the graph is due, of course, to the coal strike in the USA: the special measures taken to meet this emergency have been explained elsewhere.

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LIQUID FUELS

General.

125. Production of liquid fuels in Italy is practically non existent—annually not more than 13,000 tons. Italy must therefore rely on imports of POL (1) from outside sources. To meet the total civilian requirements the following approximate quantities are required annually (2):

TABLE 17

Normal Annual Requirements
for Finished Petroleum Products

	Tons
Gasoline (Automotive)	500,000
Gasoline (Aviation)	35,000
Solvent Gasoline	6,000
Mineral White Spirit	15,000
Kerosene	180,000
Diesel Oil	350,000
Fuel Oil	1,000,000
Lubricating Oils and Greases	115,250
Transformer Oil	6,000
Vaseline Oil	3,750
Paraffin	25,000
Bitumen	80,000
TOTAL	2,316,000

126. With the shortage of coal and, during the winter, of electric power, the tendency has been to use more fuel oil in industry. When crudes are imported again (thus reducing costs in Italy) it is likely that this trend towards fuel oil instead of coal will be more marked, particularly if more economical distribution methods, such as pipe-lines, are introduced.

Procurement and Distribution.

127. During the periods when the military and FEA were responsible for the civil import program, procurement and distribution of POL were handled by the military (Petroleum Section of Allied Force Headquarters). Allocations made by Petroleum Section, which amounted to some 40 % of normal pre-war requirements, were administered through a special Allied-Italian committee, CIP (Comitato Italiano Petroli).

128. Under the FEA program (October 1945-January 1946) a distinction was made between the civilian program and certain special requirements called the Italian National Program. The latter consisted of POL for the Italian Armed Forces, the diplomatic corps, and other consumers not strictly part of the Italian civil population. The Italian Government paid from its own funds for the Italian national requirements.

129. When UNRRA assumed financial responsibility for the civil import program, it continued the system of military procurement and shipment. Thus POL is turned over to the Italian Government by issues from military storage facilities to CIP. The distribution under rationing controls is then watched by UNRRA, which receives reports of end-use allocations from CIP, the distributing agency.

130. The actual procurement of present importations is handled by ANPB (US Army and Navy Petroleum Board) as agent of UNRRA, on receipt of advice as to monthly requirements from UNRRA for civilian use and from the Italian Technical Mission in Washington for Italian National requirements. Since the bulk storage tanks in Italy are not capable of accepting separate shipments for both US and British Forces, as well as UNRRA and Italian National importations, "pool storage" is used and bulk shipments are all consigned to the military, who release required quantities for UNRRA and Italian National consumption.

131. CIP has more than 100 internal storage points in use, fed by road and rail from the port installations.

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Bitumen	80,000
TOTAL	2,316,000

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(1) Petrol, oils and lubricants.

(2) See Table 20 on crude oil refining for comparison of these needs with refinery capacities.

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131. CIP has more than 100 internal storage points in use, fed by road and rail from the port installations, from which distribution is made to the consumer.

132. The consumption of POL imported with UNRRA funds is controlled by allotting quantities each month to each Province and by the issue of coupons. The following table shows the allocation for the months February through May 1946:

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TABLE 18

Allocations of Petrol, Kerosene and Diesel Oil by consumption categories, February - May 1946

(in tons)

CATEGORY	PETROL			KEROSENE		
	Febr.	March	April	Febr.	March	April
Transport . .	11,484	12,268	12,239	48	47	17
Industry . . .	796	792	802	429	464	464
Railways . .	400	400	399	83	83	88
Fishing Boats .	110	120	120	130	200	250
Coastal Schooners .	180	200	250	5	5	8
Malaria Control .	—	—	—	—	23	—
Agriculture . .	175	306	410	2,533	5,083	6,303
Cars . . .	2,575	3.347	3,619	6	—	—
Lighting . . .	—	—	—	1,999	1,998	1,700
TOTAL	15,720	17.433	17,839	5,233	7,903	8,830

Future Requirements.

133. If the controls on the use of petroleum are maintained, the requirements for the year 1 July 1946 to 30 June 1947 should be met by the following quantities:

TABLE 19

Estimated Italian P. O. L. requirements, July 1946 through June 1947

(Firm demand yet to be formulated and justified)

	(tons)
Automotive Gasoline	300,000
Aviation Gas	35,000
Diesel Oil	300,000
Kerosene	160,000
Fuel Oil	1,000,000
Lubricants and Greases . . .	66,000
Paraffin	20,000
Solvents	6,000
White Spirits	15,000
Asphalt (Paving).	75,000
TOTAL	1,977,000

134. Importation of finished products for essential purposes can be reduced by whatever quantity it is found possible to refine locally from imported crude. The importation of crude is important to help Italy to save foreign exchange.

135. It will be seen that the quantities above are less than those shown in Table 17, particularly as regards gasoline. This is because gasoline is allocated on a priority basis, based on essential need as far as automobiles are concerned, and that the road transport fleet in Italy is below normal. Therefore if, as has been recommended, the controls are maintained on the consumption of gasoline, the quantity of 300,000 tons should be sufficient for Italy's essential requirements: this reduced figure is, of course, responsible for the reduction in lubricants required.

CRUDE OIL REFINING

Pre-War Position of the Refining Industry.

136. Italy has practically no production of crude oil within present national boundaries. However, during the period of occupation of Albania, the oil resources of that country were rapidly exploited, and in 1939 production had reached an estimated figure of 207,000 tons for the year. Also, the acquisition of Albanian oil gave considerable impetus to the development of refineries under Italian ownership.

137. Prior to the availability of Albanian crude, several refineries were operating on imported crude oil. Their capacity was 1,500,000 tons for the year due to limited availability of foreign crude oil.

138. Table 20 shows the capacities of the various refineries in Italy in terms of the important products which can be produced.

War Damage.

139. The oil refineries in Italy were badly damaged by bombing or German demolition to the point of complete stoppage with the exception of the ANIC plant

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(in tons)

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Paraffin	20,000
Solvents	6,000
White Spirits	15,000
Asphalt (Paving).	75,000
TOTAL	1,977,000

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136. Italy has practically no production of crude oil within present national boundaries. However, during the period of occupation of Albania, the oil resources of that country were rapidly exploited, and in 1939 production had reached an estimated figure of 207,000 tons for the year. Also, the acquisition of Albanian oil gave considerable impetus to the development of refineries under Italian ownership.

137. Prior to the availability of Albanian crude, several refineries had been constructed in Italy by foreign interests, and in 1939 the total refining capacity of the country had reached an estimated figure of 1,760,000 tons per year. This capacity was sufficient to supply approximately 80 % of Italian needs; but, in 1938, the total production from the refineries amounted to only 1,500,000 tons for the year due to limited availability of foreign crude oil.

138. Table 20 shows the capacities of the various refineries in Italy in terms of the important products which can be produced.

War Damage.

139. The oil refineries in Italy were badly damaged by bombing or German demolition to the point of complete stoppage with the exception of the ANIC plant at Bari, which is in operating condition. War damage to the other plants is being gradually repaired, and at present it is estimated that approximately 11,000 barrels per day of crude oil can be processed through topping and thermal cracking installations. Also, five hydrogenation units at Bari are in operating condition,

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At the present time there are no facilities in operating condition in Italy for the manufacture of lubricating oils and waxes.

Post-War Position of Crude Oil Refining.

140. In spite of adverse crude oil prices, it is evident that a resumption of operation of the refineries is desirable in the Italian economy even though existing price structure for crude oil are such as to maintain rather high prices on finished petroleum products in Italy. As a measure to save foreign exchange, UNRRA began in 1946 an import program of crude oil in order to start those refineries which are in a position to function immediately.

141. In the post-war economy, petroleum as a source of hydrocarbons fills an important position in the chemical field; as yet this phase of the refining industry has not been developed in Italy. There is little doubt that the Italian economy will require a number of organic chemicals produced from petroleum and its deriyatives. This is a future development which should receive early attention in this country.

Methane Fuel.

142. Intensive exploitation of methane gas (natural gas) both from seepages and drilled wells during the war years has resulted in a production of some 3,795,000 cubic feet per day, which is equivalent to 780 bbls. of gasoline or 520 bbls. of fuel oil if burned for industrial purposes.

TABLE 20

Annual capacities of Italian oil refineries

(in tons)

PRODUCTS	A.N.I.C.		AGIP	ROMSA	VACUMM	SIAP	AQUILA	INPET	PERM-OLIO	Total	Approx. needs of Italy
	Livorno	Bari	P. Marghera	Fiume	Napoli	Trieste	Trieste	La Spezia	Rome Milan		
Gasoline	100.000	100.000	120.000	30.000	80.000	20.000	40.000	110.000	10.000	610.000	500.000
Kerosene	—	—	50.000	14.000	17.000	10.000	15.000	50.000	1.000	157.000	180.000
Gas Oil	40.000	40.000	70.000	20.000	60.000	4.000	40.000	60.000	6.000	340.000	350.000
Fuel Oil	80.000	40.000	70.000	—	—	10.000	75.000	40.000	30.000	345.000	1.000.000
Petroleum Coke	5.000	—	10.000	—	10.000	—	—	30.000	—	55.000	40.000
Bitumen	—	20.000	—	15.000	10.000	16.000	12.000	—	20.000	93.000	80.000
Lub. Oils high grade	30.000	—	—	8.000	17.000	—	8.000	—	—	63.000	50.000
Lub. Oils other grades	30.000	—	—	7.000	6.000	20.000	7.000	—	6.000	76.000	75.000
Paraffin	15.000	—	—	1.000	500	—	3.000	—	—	19.500	25.000
TOTAL	300.000	200.000	320.000	95.000	200.500	80.000	200.000	290.000	73.000	1.758.500	2.300.000

CHEMICAL AND ALLIED INDUSTRIES

Introduction.

expanded its manufacturing facilities to the point where it was beginning to approach France in the size and diversity of its chemical operations. Germany, Eng-

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Kerosene	—	—	50.000	14.000	17.000	10.000	15.000	50.000	1.000	157.000	180.000
Gas Oil	40.000	40.000	70.000	20.000	60.000	4.000	40.000	60.000	6.000	340.000	350.000
Fuel Oil	80.000	40.000	70.000	—	—	10.000	75.000	40.000	30.000	345.000	1.000.000
Petroleum Coke	5.000	—	10.000	—	10.000	—	—	30.000	—	55.000	40.000
Bitumen	—	20.000	—	15.000	10.000	16.000	12.000	—	20.000	93.000	80.000
Lub. Oils high grade	30.000	—	—	8.000	17.000	—	8.000	—	—	63.000	50.000
Lub. Oils other grades	30.000	—	—	7.000	6.000	20.000	7.000	—	6.000	76.000	75.000
Paraffin	15.000	—	—	1.000	500	—	3.000	—	—	19.500	25.000
TOTAL	300.000	200.000	320.000	95.000	200.500	80.000	200.000	290.000	73.000	1.758.500	2.300.000

CHEMICAL AND ALLIED INDUSTRIES

Introduction.

143. It is convenient to group with the chemical industry certain logically associated industries, such as artificial fibers, cellulose and paper, oil and fats, and soap. The principal developments of Italian chemical and allied industries, which hereinafter will be described simply as "chemical industry," took place in the main during 1919-29. Prior to the war, Italy had steadily expanded its manufacturing facilities to the point where it was beginning to approach France in the size and diversity of its chemical operations. Germany, England and France, in that order, were leaders in European chemical production.

144. In Italy, this group of industries gave employment in 1937 to 128,000 persons. The total value of the production was about 9 billion lire, of which about 500 million were paid in wages.

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115. Classifying the various industries according to their percentage share of added value, the list would read as follows: Distillation of (imported) coal, 11.7 %; Distillation and refining of (imported) mineral oils, 8.6 %; Chemical nitrogen, 8.1 %; Pharmaceutical products, 8.1 %; Soap and allied products, 7.0 %; Sulphuric acid, phosphate fertilizers and allied products, 6.7 %; Alkali, chlorine, etc. 4.2 %; Varnishes, paints, 2.4 %.

116. The development of the chemical industry is shown by the following comparison of its production indices with those of the Italian industry as a whole.

TABLE 21

Chemical Industry, Production Indices

Base Year 1922			Base Year 1928		
	General Industrial Activity	Chemical Industry		General Industrial Activity	Chemical Industry
1922	100	100	1928	100	100
1925	157.3	156.0	1935	102.4	139.7
1929	204.5	187.2	1938	107.5	142.6
			1940	120	157.2

War Damage.

147. The havoc of war fell with unequal intensity on the Italian chemical industry in that by far the greater part of the damage occurred in the center and south. Taken as a whole, the damage relative to the national economy was small and, for purposes of illustration only, may be set at 10 to 15 % of the total physical plant. Except in the case of the explosives industry, which was perhaps 50 % destroyed by Allied air bombing, the great majority of the destruction was by enemy sabotage as the Germans retired slowly up the Peninsula. A very rough estimate of the original damage done, according to industries, is as follows:

Superphosphate	— 25 %
Nitrogenous fertilizer	— 50 %
Copper Sulphate	— 33 %
Calcium Carbide	— 25 %
Caustic Soda and Soda Ash	— 10 — 20 %
Coke Ovens	— 50 %
Paper Mills	— 10 %
Artificial Fiber	— 20 %

ful whether the industry operated at even as much as 20 % of normal. With the increasing rate of arrival of Allied raw material, the position has substantially improved and the rate of activity may have reached 50 % of pre-war, but, of course, not in all branches. For example, the important rayon industry is operating at little over 5 % through lack of coal and cellulose, which latter, although scheduled for import under the Italo-Swedish trade agreement, has not yet arrived in substantial quantities.

149. On the other hand, superphosphate production is being pushed steadily to the maximum of existing capacity, but here also the volume of the necessary phosphate rock has until recently been low. With increased regularity of substantial shipments of rock from French North Africa, it is expected shortly to reach a monthly output of 75,000 tons of superphosphate, which represents 80 % of existing capacity or 60 % of pre-war capacity.

Influence of Allied Assistance.

150. In 1944, under the military "Disease and Unrest" Program, the first flow of raw materials to the central and southern regions was initiated. This took the form, principally, of some 30,000 tons of phosphate rock, which was shipped from Tunisia during the last few months of the year on military account.

151. During the early part of 1945, the flow of rock continued until a total of 100,000 tons had been delivered, but little other raw materials were obtainable, despite an intense effort to convert surplus military ammunition and cartridge cases into fertilizers and copper sulphate, respectively. Until the mid-year the industry was stagnant, with here and there certain factories starting into production on a hand-to-mouth basis. For example, the Solvay Company's soda ash plant resumed operations on a reduced scale in the spring. A few sulphuric acid plants were able to start operations, thanks to the ample deposits of high-grade pyrites on the Italian mainland, copper sulphate manufacture began at three of four plants and by mid-year, half a dozen electrolytic caustic soda and chlorine plants were working. These, plus a few miscellaneous activities, such as glue manufacture, carbon bisulphide and three rayon plants, represented the general status of the economic recovery.

152. By the fall of 1945, four coke ovens—two of them large ones, namely, S. Giuseppe di Cairo and Vetro-

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ducts, 8.1 %; Soap and allied products, 7.0 %; Sulphuric acid, phosphate fertilizers and allied products, 6.7 %; Alkali, chlorine, etc, 4.2 %; Varnishes, paints, 2.4 %.

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Coke Ovens	— 50 %
Paper Mills	— 10 %
Artificial Fiber	— 20 %

148. In general, it cannot be said that war damage as such perceptibly retarded the revival of the Italian chemical industry for the reason that, until quite recently, there prevailed a chronic shortage of every form of raw material. Thus, during 1945, it is doubtful that more than 5 % of the total capacity was in operation. For example, the important rayon industry is operating at little over 5 % through lack of coal and cellulose, which latter, although scheduled for import under the Italo-Swedish trade agreement, has not yet arrived in substantial quantities.

149. On the other hand, superphosphate production is being pushed steadily to the maximum of existing capacity, but here also the volume of the necessary phosphate rock has until recently been low. With increased regularity of substantial shipments of rock from French North Africa, it is expected shortly to reach a monthly output of 75,000 tons of superphosphate, which represents 80 % of existing capacity or 60 % of pre-war capacity.

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152. By the fall of 1945, four coke ovens—two of them large ones, namely, S. Giuseppe di Cairo and Vetrocoke, were able to get enough suitable coal in stock to justify their reactivation. This immediately released from idleness a number of subsidiary plants whose existence depends on benzol, toluol, naphthalene and coal tar, by-products of coke-oven operation. By the year's end the flow of raw materials from abroad com-

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ing in under the "YT Program" (financed through the Troop-Pay Fund, granted to the Italian Government by the United States) furnished certain much-needed basic raw materials, including petroleum coke and blister copper.

153. At the same time, the flow of fuel in the form of coal and petroleum products continued on a rising curve so that by the spring of 1946, the general situation became much easier and would have continued to improve but for the disastrous effects of the threat and actuality of the US coal strike, which compelled Italy to retrench in all its coal-consuming industries. Thus, the chemical industry was gravely affected in all its branches, excepting the manufacture of sulphuric acid, superphosphate and copper sulphate, which do not require coal.

154. Typical of the chemical industry as a whole are the following statistical data of the Montecatini concern, which is by far the largest in the chemical field:

TABLE 22

"Montecatini Group"
Production Indices for the Group as a Whole and for its Chemical Division (65 % of total in 1938)

Year	All Operations	Chemicals
1938	100	100
1939	108.6	108.6
1940	118.6	121.0
1941	122.7	123.3
1942	123.6	111.7
1943 first half:	107.2	102.0
1943 second half:	78.3	73.0
1944	44.7	38.4
1945 Jan.	12.2	12.4
» Feb.	12.3	10.5
» March	12.6	10.7
» April	7.2	7.3
» May	7.7	9.4
» June	9.1	10.1
» July	12.1	14.8
» Aug.	12.8	14.3
» Sept.	16.3	15.4
» Oct.	22.7	20.1

155. The table above shows the production indices of the most important branch of the Montecatini group, i.e. chemicals (1), the output of which represents nearly two-thirds of the total production of this great industrial combine. Chemical production commenced to fall in the second half of 1943 and continued falling until April 1945. Production then revived and in March 1946 was one-third of 1938 .

UNRRA's Assistance to the Chemical Industry.

156. Under UNRRA's present plan for industrial rehabilitation, the following value of raw materials is being asked on Italy's behalf:

	$
Heavy Chemicals	3,300,000
Industrial Fats and Oils	12,000,000 (2)
Pharmaceuticals	8,000,000
TOTAL	23,300,000

157. The full extent of the proposed UNRRA assistance to the Italian chemical industry can be seen in Table 51, "Revised Industrial Requirements for 1946" (See Apendices). Largely because of the inevitable delays in procurement and arrivals, the reactivation program has fallen behind. With the US coal strike settled, there appear to be no serious obstacles in the way of a general satisfactory return towards normal levels of production by the end of the year within the limits, of course, of export sales possibilities and political stability.

158. There is no reason, however, to expect that all sectors of the chemical industry will revive in equal degree. Indeed, as has been intimated above, those of the industry's branches which had national self-sufficiency as their main "raison d'être" will lapse to such

(1) The chemical production total is composed of the following key branches:

	%
Synthetic Nitrogen	29.4
Sulphuric Acid	23.1
Calcium Carbide	14.7
Dyestuffs	11.1
Caustic Soda	9.1

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» Feb.	12.3	10.5
» March	12.6	10.7
» April	7.2	7.3
» May	7.7	9.4
» June	9.1	10.1
» July	12.1	14.8
» Aug.	12.8	14.3
» Sept.	16.3	15.4
» Oct.	22.7	20.1
» Nov.	21.7	17.8
» Dec.	23.5	21.3
1946 Jan.	26.9	23.5
» Feb.	28.8	27.1
» March	36.3	34.7

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Sulphuric Acid	23.1
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Dyestuffs	11.1
Caustic Soda	9.1
All Others	12.6
	100.0

(2) As a result of shortage of supplies this request must be reduced.

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levels as their inherent, competitive vitality will dictate. On the other hand, it must be borne in mind that once a plant has been built and the invested capital amortized, it has only to be able to meet direct manufacturing costs and maintenance. It may, therefore, find itself on a competitive basis with more modern plants abroad even though the latter be favored by lower manufacturing and raw material costs. Hence, even in its autarchic branches, many of these borderline activities may have economic grounds, at least to Italy, for continuing in existence, provided, of course, they can satisfy the criterion of being able to meet free competition abroad.

Labor.

159. Because of its special nature, the chemical industry, relative to the high unit value of its products, requires on the average less labor than manufacturing industry in general. Thus in 1938, the "chemical industry" (as defined above) employed 183,000 workers. In 1946, it was reported that 140,000 workers were employed as compared with the 1938 figure, indicating an unemployment of 25 %. This presents a false picture of the situation, since in actual practice factory owners were compelled to carry their workers on their payrolls, regardless of whether there was any work for them to do or not.

Salient Features of Italian Chemical Industry.

160. In an endeavor to portray the principal characteristics of the Italian chemical industry, a brief description of the main sectors is given below, outlining their relative importance in the economy and their relation to each other, together with salient relevant statistics.

Agricultural Chemicals.

161. Despite the notable progress towards industrialization, Italy still remains largely an agricultural economy and, accordingly, agricultural chemicals have been in the forefront of developments in the chemical industry. These fall into two groups: fertilizers—superphosphate, nitrogenous fertilizers and potash; and pesticides—copper sulphate and arsenicals.

(a) *Superphosphate.*

163. In pre-war days the production of sulphuric acid of all grades reached nearly 2,000,000 tons per year. Of this, approximately half went into the manufacture of superphosphate, which averaged for some years before the war approximately 1,500,000 tons a year. This was produced in 75 plants and three-fourths of the capacity was owned by the Montecatini group.

164. The war caused damage or destruction to more than a score of plants, and today there are only 45 active or waiting to resume operations. At the time of liberation, Italy had only two plants working on rock phosphate with a monthly output of 2-3,000 tons. Today, 50,000 tons a month of rock are arriving from Tunisia, and a target of 75,000 tons of superphosphate a month is aimed at. This represents a reactivation of 80 % of maximum present theoretical capacity.

165. Other important outlets for sulphuric acid are in the manufacture of rayon, ammonium sulphate and copper sulphate, in that order of importance.

(b) *Nitrogenous Fertilizers.*

166. There are five different commercial forms in which nitrogen is sold: viz., the nitrates of ammonium, calcium and sodium, ammonium sulphate and calcium cyanamide. Furthermore, there are four different methods for obtaining chemical nitrogen, each of which is of approximately the same importance: viz., (a) coke ovens by direct recovery of ammonia from gases obtained from the distillation of coal and by synthesis from the hydrogen fraction of the gases; (b) from hydrogen obtained in water-gas and producer-gas plants; (c) by electrolysis of water; and (d) from carbide made in electric furnaces from lime and coke. The technical aspect cannot here be dealt with in detail, but it is important to bring out the following:

167. Method (c) is the only truly "autarchic" one in that nothing but hydro-electric power, relatively abundant in Italy, is consumed therein. Unfortunately, this provides less than one-fourth of the total chemical nitrogen required, leaving the rest to be provided from coal, which had to be imported since the quality of domestic deposits is too poor for use in coke ovens.

168. Italy's pre-war nitrogen requirements for agriculture are approximately 135,000 tons per annum. Of this, with normal rainfall, it can produce by hydro-electric power alone approximately 65,000 tons, or nearly half. This already represents a strain on the Italian [illegible] that the other systems were

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(a) *Superphosphate.*

162. This industry depends for its raw materials on French North Africa for the phosphate rock and mainly on the high-grade pyrites mines in the Maremma District of Tuscany. Although the sulphur content of pyrites is less than 50 %, it is still cheaper than Sicilian sulphur for sulphuric acid production.

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168. Italy's pre-war nitrogen requirements for agriculture are approximately 135,000 tons per annum. Of this, with normal rainfall, it can produce by hydro-electric power alone approximately 65,000 tons, or nearly half. This already represents a strain on the Italian water power resources so that the other systems were adopted more and more.

169. Three large cokeries were built in conjunction with nitrogen-fixation plants, for which the hydrogen was furnished by the fractionation of the coke-oven gases. Thus, at the outbreak of war, the three largest

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coke ovens were capable of providing annually 75,000 tons of chemical nitrogen and 1,000,000 tons of coke. One of these plants will remain out of action until the latter part of the year: the other two are operating at one-fourth capacity, partly owing to inadequate maintenance facilities, but mainly owing to the lack of imported coal.

(c) *Copper Sulphate.*

170. To Italy with its important wine-growing industry, the protection of its vines is of paramount importance. There are also other basic crops, such as potatoes, which need copper sulphate protection against fungicides.

171. Italy, normally requires about 125,000 tons of copper sulphate, for which 30,000 tons of copper are consumed. Of this, all but a few thousand tons, produced domestically as a by-product, had to be imported at a cost of approximately $7,000,000 per annum. Despite the loss through war damage of approximately one-third of its pre-war capacity, there still remain some 10 large plants easily capable of turning out the 100,000 tons of copper sulphate that is planned for the 1946-47 campaign.

Electrothermal Industries.

172. Principal activities in this industry are as follows:—

	1939 Production Metric tons
Steel, ferro-alloys and pig iron . .	830,000
Calcium carbide	200,000
Aluminium	35,000
Abrasives	18,000

173. Steel and its alloy, and aluminum are by far the largest consumers of carbon electrodes and of electric power.

174. The production of carbon electrodes represents a sizable industry in itself, which is evident from the fact that nearly 100,000 tons were consumed in 1938. Most of the raw materials necessary for this production

dustry: e.g. calcium carbide, carbon bisulphide, sodium sulphide and the electrolytic production of caustic soda, sodium chlorate etc.

Petroleum coke (special calcined) . .	3,800 tons
Petroleum coke (calcined)	4,400 »
Special anthracite	12,000 »
Graphite	1,000 »

176. In the metal industries large quantities are used in the form of anodes in aluminum production; in the steel industries almost as large a tonnage is used in the making of pig iron and steel.

177. Calcium carbide was consumed as follows:

Manufacture of calcium cyanamide .	40 %
Production of acetylene . . .	30 %
Chemical manufacture (acetone, acetic acid, chlorinated hydrocarbons). .	15 %
Lighting and various	15 %

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178. The manufacture of abrasives was partly from native alumina, but also depended on the importation of nearly 10,000 tons of superior quality sand from France.

Electrolytic Industry.

179. With relatively ample electric power and salt, both rock and solar, Italy has developed and adequate production of caustic soda and chlorine, which by 1940 amounted to a total of 110,000 tons of caustic soda (100 %) and 95,000 tons of chlorine produced in a score of small plants, the largest of which had a capacity of only 14,650 tons a year of 100 % NaOH.

180. These have not been seriously affected by war damage, but their reactivation has been delayed by lack of transportation and by drastically limited markets, owing to the virtual standstill in both the rayon and soap industries, the two largest consumers.

181. Italy has only two soda ash plants, both owned

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ported coal.

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174. The production of carbon electrodes represents a sizable industry in itself, which is evident from the fact that nearly 100,000 tons were consumed in 1938. Most of the raw materials necessary for this production, amounting to over 30,000 tons, have to be imported.

175. UNRRA has programmed for import during 1946 the following quantities of raw materials essential for the manufacture of carbon electrodes, which are essential to various basic branches of the chemical in-

Petroleum coke (calcined) . . .	4,400 "
Special anthracite	12,000 "
Graphite	1,000 "

176. In the metal industries large quantities are used in the form of anodes in aluminum production; in the steel industries almost as large a tonnage is used in the making of pig iron and steel.

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180. These have not been seriously affected by war damage, but their reactivation has been delayed by lack of transportation and by drastically limited markets, owing to the virtual standstill in both the rayon and soap industries, the two largest consumers.

181. Italy has only two soda ash plants, both owned by the Solvay Company. The largest, at Rosignano near Leghorn, has a theoretical capacity of 1,000 tons per day, but owing to grave shortage in coal, has operated at only 10 to 15 % capacity since the liberation. The other Solvay plant at Monfalcone in Venezia Giulia, still remains inactive.

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Synthetic Organic Chemicals.

182. The three principal branches of synthetic organic chemicals are dye-stuffs, medicinals and synthetic resins. In nitrogen, as in most other branches, Montecatini is the leader, producing nearly 50 % of the total, which just before the war had reached approximately 12,000 tons in terms of pure colors. Nearly every type of dyestuff is produced so that, except for specialties, Italy's textile industry needs were satisfied by home production. The two largest-tonnage families of dyes were sulphur dyes, with over 3,000 tons a year of pure colors and nearly 6,000 tons per year of mixtures, and direct dyestuffs, with nearly 2,000 tons of pure colors and over 4,000 tons of mixtures.

183. To produce the foregoing 7 to 8,000 tons of benzol are required: 1,500 tons of toluol; and 1,500 tons of naphthalene, part of which has to be imported to supplement the limited domestic production of coal tar primaries, and in order to assist in the rehabilitation of this section of the Italian chemical industry, UNRRA has planned to import the following materials during 1946:

Benzol (nitration grade) . . .	500 tons
Benzol (industrial grade) . . .	2,500 »
Toluol (nitration grade) . . .	1,270 »
Naphthalene (purified)	500 »
Naphthalene (refined)	500 »

184. The production of organic intermediates is probably the weakest link in the chain of organic synthesis, since there are only two medium-sized factories in Italy of any significance for their manufacture. In 1939, over 20,000 tons of one-ring and 6,500 tons of two- and three-ring aromatic intermediates were produced.

185. The manufacture of synthetic organic medicinal products is largely concentrated at the Montecatini plant at Settimo Torinese. The production of synthetic resins and plastics, highly important industrial products, although growing at an accelerated tempo, is still not large. Even under the stimulus of war, the total output did not surpass 12,000 tons, estimated for 1942, as compared with well over a half-million tons in the U.S. in that year. All principal kinds were produced, such as Bakelite, Urea, Polyvinyl, etc., as well as industrial finishes of the 100 % phenolic, nitrocellulosic and

186. In the important accessory class, viz., solvents and plasticizers, Italy is particularly deficient. Less than a dozen products are made on anything like a commercial scale, compared with the many score available in the leading industrial nations.

Rayon Industry.

187. Italy's remarkable development of the viscose rayon industry in the two decades between the World Wars is probably the most outstanding single development in the chemical industry. This was almost entirely brought about by the SNIA-Viscosa Group. Italy, by 1939, had reached an output of 140,000 tons of filament and staple rayon, which put it in fourth place in world rayon production and in third place as a producer of staple fiber. Approximately 85 % of the total was produced by SNIA-Viscosa with 15 plants owned by it and its affiliates.

188. The Viscose rayon industry, despite every effort, has not been able to surpass 5 to 7 % of normal output, due originally to lack of cellulose and now to severe restriction in coal allotments. Artificial fibers are relatively heavy consumers of coal. (For further discussion, see paras. 234 to 242.)

189. There was also some acetate and synthetic wool production. These are comparatively negligible.

190. The Montecatini nylon plant at Verbania (Novara) deserves special mention. It has been in production since 1942, and has recently been averaging 500 kilos per day of yarn and bristle.

Paper and Pulp.

191. Italy was producing 600,000 tons of all types of paper products before the war, but today production is probably not over one-fifth of normal. Since suitable native sources of cellulose in Italy today are negligible and the industry as such does not enjoy a high economic priority in national rehabilitation, there has been little help furnished, and no supplies under the UNRRA program other than a few thousand tons of resin are being considered.

192. It might be mentioned that the great "autarchic" plant at Torre Viscosa built at huge cost by the SNIA-Viscosa in the province of Udine had proved rather promising in initial tests in 1942 and was destined to supply up to 40 % of Italy's chemical cellulose require-

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Meta-Para Cresol	500 tons
Cresylic Acid	100 "

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Paper and Pulp.

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192. It might be mentioned that the great "autarchic" plant at Torre Viscosa built at huge cost by the SNIA-Viscosa in the province of Udine had proved rather promising in initial tests in 1942 and was destined to supply up to 40 % of Italy's chemical cellulose requirements. It was most severely damaged by air bombing in 1943 (about 40 % total destruction) and will not be able to resume activities until late in 1947. Since its commercial possibilities have never been completely established, there may exist legitimate doubt as to whether it will ever be rebuilt for its original purpose.

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Oils. Fats and Soaps.

193. Before the war 250,000 tons of soap were produced, requiring 155,000 tons of oils and fats, of which 80,000 tons were imported.

194. Principal source of industrial oils and fats in Italy is "sulphur" oil, which is extracted from olive pressings and which used to provide more than 80 % of native sources of industrial oils and fats.

195. Today, Italy is in the throes of a virtual famine in these basic commodities, which has resulted in the hoarding and black marketing of olive oil pressings. Until the present world allocation policy of not allowing the importation of any oils and fats, excepting for minimum edible purposes, is modified, this industry must remain in a state of suspended animation.

The Future of the Chemical Industry.

196. As has been pointed out, Italy before the war came fourth in order of importance in the European chemical industry. Until its defeat, Germany for the past few decades had appreciably overshadowed Italy in that as soon as any new enterprise showed signs of becoming a serious competitor to German interests, it was either bought out or opposed by various indirect, but effective methods, such as threat of patent suits, "dumping" of chemical products and ruinously low prices, etc. Despite this opposition, Italy has been able to show substantial progress.

197. The share of world markets assigned to Italy in the various pre-war international cartels is not known, but it is believed to have been less than Italy could have secured on a strictly competitive basis, in spite of the handicap inherent in heavy dependence on imported raw materials.

198. Whatever were the basic under-lying causes, the fact is that the Italian market for chemicals was limited: hence Italian chemical operations were held back. Despite the powerful financial resources of Montecatini, it is surprising to see how few really large plants they have constructed. There are no factories in Italy comparable to the gigantic chemical centers to be found in Germany and the US. There are only three nitrogen fixation plants in the country, with an annual capacity in terms of ammonia of 23,000 tons a year. This is to be compared with US practice, where the smallest plant that is regarded as commercially competitive is at least double that figure, with the gigantic DuPont operation capable of producing more than eight times Italy's annual capacity. Similarly, with superphosphate production, the largest Italian plant has an annual capacity of less than 100,000 tons per year, compared with the plant at Baltimore, which can produce three to four times that quantity. This smallness of size has naturally militated against those bold industrial developments which the US, England and Germany have displayed during the war.

199. In the field of applied research, despite the meritorious achievements of individual scientists and engineers, as a whole, in scope of activities and in technical facilities available, Italy has fallen far behind. This is not surprising in view of the grave obstacles placed, during the fascist period, in the way of Italian scientists and engineers travelling abroad periodically for the purpose of studying contemporary developments in other countries.

200. The ill effects of this sequestration of Italian science and technology were mitigated by turning more to Germany for technological development. But it proved to be an unequal partnership, since the more outstanding and basic scientific and engineering developments were not fully divulged by the senior partner.

201. Now that Italy is free to work out its own destiny and Germany, at least for some years to come, will not be in a position to exert anything comparable to its pre-war influence, it is believed that Italy may have a golden opportunity to display to the full its vitality and its technical skill. Italy is currently getting many demands from abroad for synthetic organic chemicals and dyestuffs which, thanks to the negligible destruction in this branch of the industry, could easily have been filled but for the lack of coal and its by-products, viz., tar, benzol, toluol and naphthalene.

202. In the light of the foregoing, it is believed that the prospects for Italian chemical industry are bright, provided business conditions return more nearly to normal and that Italian enterprise rises to meet the challenge over the next few years, in modernizing existing plants, in building new ones, and in energetic development of foreign markets.

(END OF FIRST SECTION)

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ECONOMIC NOTES

— Published by The Public Information Division, UNRRA Italy Mission, Via di San Nicolò da Tolentino, 78, Rome —

CONTENTS

1. UNRRA Cotton Goods Free
2. Improved Distribution Methods
3. Livestock Rehabilitation
4. Latest Price Decisions
5. Movements of Ships

UNRRA COTTON GOODS FREE

By agreement reached between UNRRA and the Italian Government, almost nine million kilos of finished cotton goods will be distributed free of charge to Italian hospitals and needy and destitute sections of the population.

This represents one-third of the total quantity of cotton goods to be manufactured from the 31,000,000 kilos of raw cotton which UNRRA is importing into Italy during 1946. The remaining two-thirds amounting to over 17,000,000 kilos will be sold at controlled prices to workers and other low-income sections of the population.

It is not yet possible to estimate accurately the number of square metres to be obtained except for flannelette. This will depend on the quantities of cloth eventually to be made according to the various weight specifications. A detailed plan will be ready this month.

Over 26,000,000 kilos of material

This step towards economic rehabilitation follows decisions reached after protracted negotiations between the Italian Government and the cotton industry, with a view to implement UNRRA policy on the use of UNRRA-imported supplies. Manufacture of the raw underclothing, flannelette for babies, strong overall cloth, knitted cotton underwear, lining for suits, mattress cover cloth.

First deliveries

Manufacture will start immediately on a first consignment of 8,000,000 kilos, for which suggested allocations are as follows:—

4,000,000	kgs.	of	cotton	into	sheeting
1,500,000	,,	,,	,,	,,	shirting and material for men's underpants
1,800,000	,,	,,	,,	,,	madapolam for women's wear
700,000	,,	,,	,,	,,	flannelette for babies

The last mentioned item should produce about 4,000,000 metres of this commodity, which is more than sufficient to take care of the specific Health Program which is to provide 300,000 complete layettes for babies.

Prices of the two-thirds of manufactured cloth which are to be sold have been so calculated as to cover the entire manufacturing costs of the 31,000,000 kilos of raw cotton, including the nine million kilos to be distributed free. But, the raw cotton—like all UNRRA-imported supplies—is delivered to the Italian

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Over 26,000,000 kilos of material

This step towards economic rehabilitation follows decisions reached after protracted negotiations between the Italian Government and the cotton industry, with a view to implement UNRRA policy on the use of UNRRA-imported supplies. Manufacture of the raw cotton is estimated to produce about 26,040,000 kilos of finished material, which will be used to meet the following basic requirements: sheeting, shirting for men, material for men's work trousers, material for men's and women's underclothing, flannelette for babies, strong overall cloth, knitted cotton underwear, lining for suits, mattress cover cloth.

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The last mentioned item should produce about 4,000,000 metres of this commodity, which is more than sufficient to take care of the specific Health Program which is to provide 300,000 complete layettes for babies.

Prices of the two-thirds of manufactured cloth which are to be sold have been so calculated as to cover the entire manufacturing costs of the 31,000,000 kilos of raw cotton, including the nine million kilos to be distributed free. But, the raw cotton—like all UNRRA-imported supplies—is delivered to the Italian Government free of charge, so that the F.O.B. cost of the raw material is not a factor in arriving at the cost of the manufactured cloth. The whole operation is being subsidized by the value of the 31,000 tons of raw cotton imported

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by UNRRA at a cost of 15,000,000 dollars (£3,750,000 sterling).

The Italian Cotton Association have agreed with the Ministry of Industry and Commerce to spin the cotton at 110 lire per kilogram. With the addition of weaving costs, the overall manufacturing charge will amount to about 245 lire per kilogram—whether the cloth is for free distribution or for sale.

The total outlay involved in manufacturing the cotton is estimated to be about 6,379,800,000 lire. This will probably be entirely covered by the price at which 17,000,000 of the 26,040,000 kilos will be put on sale.

The Lira Fund

Deliveries will begin in October and continue until the end of June next year. Pending receipt of the sale proceeds of the finished goods, funds must be found to finance the manufacturing processes. This problem will, it is assumed, be solved by means of the Lira Fund. Proposals are now being discussed in connection with a temporary loan, which will take the form of a "revolving fund." Advances would be made from the Lira Fund, and reimbursed as the sales proceeds of the manufactured commodities are collected.

The Italian Ministry of Industry and Commerce and the UNRRA Italy Mission are now jointly preparing an overall plan, showing detailed quantities, specifications and manufacturing costs of all types of material to be made, together with the final proportions for free distribution and for sale.

A comprehensive policy

Statistics in regard to the exact number and categories of persons qualifying for this free distribution are being drawn up by representatives of the Ministry of Labour, Ministry of Post-War Assistance, Institute of Public Health, O.N.M.I. (Mother and Child Welfare Agency) and other organisations affected. It

tribution of the finished product, is part of a comprehensive attempt to solve the economic deadlock which has so far handicapped Italy's own efforts at self-rehabilitation. Should this policy prove successful in regard to cotton, similar plans will be followed in regard to wool and hides.

IMPROVED DISTRIBUTION METHODS

The amount of food sent inland from port warehouses during the first fortnight of July was 59 per cent. greater than in the last fortnight of June, thanks to modified distribution methods and checks devised by the UNRRA Food Division in co-operation with the Italian authorities.

Storage and distribution of food have been among the major problems consequent on wartime destruction of port installations, road and railway transport, and warehousing accommodation throughout Europe. Bottlenecks at Italian ports—which handle the bulk of the country's imports—have in the past been inevitable. Lack of berthing accommodation, insufficient storage facilities rendering even more difficult the clearing of over-flowing warehouses, through reduced efficiency of the railway system resulting from war damage, have increased the difficulties attendant on the food shortage.

How the system operates

Steady progress has, however, been made in reconstruction and reorganisation. The revised system in respect of UNRRA-imported foods has now been operating for four months.

Upon the arrival of UNRRA ships at Italian ports, foodstuffs are taken on charge by the Federazione Italiana dei Consorzi Agrari, acting on behalf of the Italian Government. Quantities, when known, are notified to the High Commissariat for Food, who in turn issues instructions to the Federazione Italiana dei Consorzi Agrari for warehousing of supplies at Government warehouses. From time

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to spin the cotton at 110 lire per kilogram. With the addition of weaving costs, the overall manufacturing charge will amount to about 245 lire per kilogram—whether the cloth is for free distribution or for sale.

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Statistics in regard to the exact number and categories of persons qualifying for this free distribution are being drawn up by representatives of the Ministry of Labour, Ministry of Post-War Assistance, Institute of Public Health, O.N.M.I. (Mother and Child Welfare Agency) and other organisations affected. It has already been decided that flannelette for babies' layettes is an urgent requirement and will accordingly be given priority.

The new scheme, which covers every phase of an UNRRA-imported commodity, from the raw material to the retail disposal or free distribution at self-liquidation. Should this policy prove successful in regard to cotton, similar plans will be followed in regard to wool and hides.

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How the system operates

Steady progress has, however, been made in reconstruction and reorganisation. The revised system in respect of UNRRA-imported foods has now been operating for four months.

Upon the arrival of UNRRA ships at Italian ports, foodstuffs are taken on charge by the Federazione Italiana dei Consorzi Agrari, acting on behalf of the Italian Government. Quantities, when known, are notified to the High Commissariat for Food, who in turn issues instructions to the Federazione Italiana dei Consorzi Agrari for warehousing of supplies at Government warehouses. From time to time the High Commissariat issues further instructions for the movement of supplies from port to warehouses or occasionally from ship-side to the Consorzi Agrari Provinciali, who hold the goods in their warehouses until

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instructions for their ultimate disposal are received from the High Commissariat. Distribution is then effected under the aegis of the SEPRAL (Provincial Food Office) in accordance with existing ration scales.

To ensure rapid and orderly distribution of food, and thus prevent deterioration through prolonged storage in warehouses, a system of regular reports on the day-to-day movement of UNRRA-imported foodstuffs has been instituted, and a mobile commission to deal with spoilages and goods in danger of deterioration has recently been appointed. This commission has full power to take immediate action, without referring back to the appointing authorities.

This commission, consisting of representatives of the High Commissioner for Food, the Treasury, the Federazione Italiana Consorzi Agrari, the Italian Government Delegation for Relations with UNRRA and the UNRRA Italy Mission, has authority to hold immediate investigations on the spot, and arrange the disposal of any food which it considers unfit for further storage or human consumption.

Speedy Action

This new departure improves upon the former somewhat slower methods, and has been particularly effective in cases where allegations that foodstuffs were partly or wholly unfit for human consumption proved to be an excuse for slow handling.

Ten-day reports are submitted by the Federazione Italiana Consorzi Agrari to the Italian authorities and to UNRRA showing stage-to-stage movements of stocks. These reports are examined, analyzed and classified, and in the light of the information thus obtained, it is possible quickly to ascertain whether goods which had been allocated have, in fact, been distributed. All cases of non-distribution are investigated. Movements of cereals are followed by means of fifteen-day reports showing dates of unloading, ports, tonnages moved and locations.

as this is liable to cause overlapping, with earlier arrivals held up or deteriorating in warehouses, while later shipments are being disposed of. Emphasis is now placed on an even and regular flow of UNRRA-imported supplies from the ship to the consumer, so that every phase of transport and distribution can be watched. It is, however, difficult to ensure this when shipments of foodstuffs to Italy are necessarily irregular.

Co-operation with Italian State Railways

Close co-operation with the Italian State Railways has resulted in increased availability of railway freight cars. For the fortnightly period 16-30 June, the railways were able only to allocate 35 per cent. of the freight cars requested. For the first fortnight in July, however, actual allocations rose to 83 per cent.

The following table shows the comparative clearances at some of the principal port warehouses in the two fortnightly periods, 16-30 June and 1-15 July.

Warehouses:	16-30 June Tons	1-15 July Tons
Genoa	3,370	3,943
Naples	7,153	8,269
Leghorn	2,289	5,629
Civitavecchia	235	1,784
Bari	90	817
Rome		186
Ancona		245
Total	13,137	20,873

The appointment of UNRRA Regional Food Distribution Officers is a further step towards speedier handling of UNRRA-imported supplies. These officers check the records movements into and out of provincial warehouses and when necessary, give advice and assistance to the Italian authorities concerned, to expedite movement and distribution at regional and provincial levels. Decentralisation is expected to make for quicker solution of local problems, as the Regional Food Distribution Officers will make special reports to Headquarters only when delays or maldistribution have to be dealt with at a higher level.

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During the recent weeks in June, cereal shipments had to be rushed inland to deficient areas straight from ship's side, to prevent a breakdown in the bread ration. Normally, however, the by-passing of warehouses and direct shipment of goods inland is discouraged, even and regular flow of [illegible] supplies from the ship to the consumer, so that every phase of transport and distribution can be watched. It is, however, difficult to ensure this when shipments of foodstuffs to Italy are necessarily irregular.

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LIVESTOCK REHABILITATION

Better and quicker methods of improving Italy's livestock position and increasing domestic food production form an important part of UNRRA's agricultural rehabilitation program. Directly and indirectly, animal husbandry throughout Europe has suffered severely as the result of the war. Plunder, destruction and disease have taken heavy toll of the herds. Food shortage has made it necessary to slaughter more animals than would otherwise have been warranted. Supplies of animal fodder have been severely reduced through the increased utilization of grains and pulses for human consumption, the stoppage of imports and the decline in domestic forage production. Italy's livestock population suffered particularly severely from the war, and recovery has been delayed by last year's drought, which necessitated additional slaughter on a considerable scale.

Livestock Losses

Latest figures for July, 1945, put the cattle population at 6,550,000 head as compared with 8,488,000 in 1942, a decrease of 22 per cent. This is the most serious, but not the greatest reduction, for sheep and goats were down by 29 per cent. The decrease in swine was 14.5 per cent., in horses, mules and asses, about 16 per cent.

The Agricultural Division of UNRRA Italy Mission has had loaned to it the services of Dr. John H. Hammond, an expert on livestock breeding from the School of Agriculture at Cambridge University in England, to study conditions in Italy, with a view to making the best possible use of the cattle already imported and the limited number of quality animals which UNRRA hopes to bring in.

Dr. Hammond, who has carried out surveys of animal industry in the United States, Argentina, Australia and New Zealand, will advise the Italian authorities and agricultural organisations on the methods of livestock improving the quality and milk yield of dairy herds on small farms, at a cost that is within a small farmer's means.

British Innovations

Artificial insemination stations have been one of the methods employed. Another has been the transfer of bull-calves at an early age from the best herds to smaller farms where they can be reared and mated. Financial and other arrangements in connection with the transfer and subsequent use of these bull-calves are handled by local committees, consisting of large producers, small farmers and agricultural experts. The committees also provide instructors and an advisory service to familiarize small farmers with up-to-date methods of feeding and tending their cattle. Breed improvement usually shows results after one generation (i.e. three years) and Britain's agriculture is now reaping the benefit of work started during the war.

Italy's agricultural economy with its limited supplies of home-produced fodder, should benefit by considered application of the new methods. Better breeds give a higher milk yield. It is estimated that a cow yielding 320 gallons of milk a year requires 56 per cent. of its feed consumption for subsistence, while the remaining 44 per cent. goes into milk production. The better-bred animal, yielding 858 gallons a year, needs only 35 per cent. of its feed for subsistence, leaving 65 per cent. for milk production. Although improved milk yield is secured at the expense of beef production and rules out the use of cows as draught animals, farmers should still profit by the change. Animal haulage can largely be replaced by tractors, thus releasing a considerable amount of fodder which can then be used for increased dairy production, without displacing man-power, for the need of human labour in the dairy industry is very great.

Better pasturage

The introduction of drought-resisting grasses is another feature of modern husbandry which

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Dr. Hammond, who has carried out surveys of animal industry in the United States, Argentina, Australia and New Zealand, will advise the Italian authorities and agricultural organisations on the methods of livestock production devised in Great Britain under the impact of the war.

Big changes have taken place in Britain's approach to livestock breeding problems. Special emphasis is now being placed on im-

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Better pasturage

The introduction of drought-resisting grasses is another feature of modern husbandry which Dr. Hammond will discuss with Italian experts. Excellent results have been achieved in England with new grasses which have trebled the yield formerly obtained from the old type pasturage. It is believed that the dry, hot

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climate of Southern Italy should afford ample scope for cattle fodder, such as "subterranean clover," a self-seeding grass which grows widely in Australia, where it has been found invaluable for sheep feeding.

A distribution plan has now been proposed in connection with the shipment of 327 cows and 40 new-born calves presented to Italy by United States donors through the Brethren Service Committee. The cattle was shipped by UNRRA, and distribution in Italy is being taken care of by American Relief for Italy and its Italian counterpart, the E.N.D.S.I. The suggested regional allocation of the bulk of this livestock is as follows:—

Campania (Naples - Caserta)	cows	40
Emilia (Imola)	,,	40
Friuli (Nimis - Udine)	,,	40
Piedmont (Val Pellice)	,,	50
Villaggio del Fanciullo (Lanciano - Abruzzi)	,,	70
Lazio (Anzio Beachhead)	,,	40
Abruzzi (Ortona - Pescara - North of Fiume Sangro)	,,	40
Total . . .		326

LATEST PRICE DECISIONS

Further standard prices for UNRRA-imported commodities have now been fixed.

The Italian Government and the UNRRA Italy Mission have agreed to the following recommendations made by the Joint Price Committee at the meeting held on 30 July:—

INDUSTRY:

Petroleum Coke:

1,375 lire per ton at port. Price to be re-examined in three months.

AGRICULTURE:

Ammonium Nitrate Base 31/35 %:

2,400 lire per quintal ex Consorzio warehouse; original weight including packing.

Sudan Grass:

4,000 lire per quintal ex Consorzio warehouse; original weight including packing.

Cotton Seed Cakes:

1,000 lire per quintal, f.o.b. Feeding-mixing plants.

MEDICAL:

Penicillin:

235 lire per 100,000 unit vial } Price to
450 ,, ,, 200,000 ,, ,, } consumer

GENERAL:

Trailers:

One ton cargo two wheels with tyres, 55,000 lire each ex Distribution Centres.

"ECONOMIC SURVEY,, SUPPLEMENT

The portion of the "Economic Survey" dealing with Italian industry consists of two sections: the first appears in the Supplement to the current issue of Economic Notes: *the second will appear in issue No. 31 dated 16 August 1946.*

The last "Economic Survey" Supplement, dealing with Agriculture and Food, appeared in Economic Notes *No. 28 dated 26 July 1946.*

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MOVEMENTS OF SHIPS

CARGOES OTHER THAN COAL

(JULY 25 - AUGUST 2 INCLUSIVE)

SHIP	PORT OF ARRIVAL	DATE OF ARRIVAL	ACCOUNT	CARGO	TONS
Heron *	Genoa	24 July	UNRRA	General	1,800
Velox *	Venice	" "	" "	"	4,502
Resurrectio	Taranto	25 "	It. Program	Phosphates	2,280
Benjamin Williams	Genoa	27 "	" "	Nitrates	8,700
Lauretta	Piombino	" "	" "	Phosphates	1,287
Wearpool	Naples	" "	UNRRA	Wheat	8,500
Kennett McKay	"	" "	" "	General	9,175
Pallade	Palermo	29 "	It. Program	Phosphates	1,750
Santa Chiara	Genoa	30 "	" "	"	1,726
Drake Victory	Naples	" "	UNRRA	General	3,823
George A. Lawson	Taranto	" "	" "	"	1,155
Skipjack	Venice	31 "	It. Program	Phosphates	1,380
Cooper Union Victory	Genoa	2 August	**	General	7,900
Cervino	"	" "	It. Program	Phosphates	6,900
Ulisse	Taranto	" "	" "	"	3,460

* *Advice received too late for inclusion in last week's shipping list.*
** *Account not specified on latest shipping advice.*

LATEST COAL SHIPMENTS

(JULY 27 - AUGUST 2 INCLUSIVE)

SHIP	PORT OF ARRIVAL	DATE OF ARRIVAL	COUNTRY OF ORIGIN	ACCOUNT	TONS
Walter Ranger	Piombino	28 July	United States	UNRRA	5,000
Abigail Gibbons	Genoa	29 "	" "	"	3,930
	Piombino	1 August	" "	"	5,000
Voluntas	Savona	29 July	Germany	"	7,891
[illegible]	[illegible]	31	United States	[illegible]	8,835

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Heron *	Genoa	24 July	UNRRA	General	1,800
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Joseph Martin	"	31 "	United States	"	8,835
William Moseley	Venice	1 August	" "	"	8,229
John V. Cullen	Bari	" "	" "	"	8,510
Preston	Genoa	" "	United Kingdom	"	1,805
Tenax	Bagnoli	2 "	Germany	"	5,705
John Chandler	Civitavecchia	" "	United States	"	8,405

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INDUSTRY

(The Survey of Italian Industry consists of 60 pages and is being published in two sections; the second section will appear as a Supplement to "Economic Notes" for 16 August, 1946)

Introduction.

1. Italy is a fairly well industrialized country with a considerable reservoir of skilled workers. Before the war, 33 % of the available manpower was absorbed in industry, which provided 34 % of the national income. In agriculture these proportions were 48 % and 36 % respectively. On the other hand, the relative importance of agriculture gradually decreased during the last 50 years, when the rate of industrialization of the country made rapid strides. From 1881 to 1938 employment in agriculture increased only 2 % while employment in industry increased 10 %. In the same period agricultural production increased slightly more than twice (in 1938 it was 2.2 times that of 1881) and industrial production increased tenfold. Before the war Italy's population surplus (about 400,000 annually) had for the greater part to be absorbed in industry. The capacity of agriculture to absorb the population surplus is negligible. Industrial development is vitally necessary to Italy's progress.

2. In 1938 Italian industry, including handicrafts, employed 4.4 million workers (26 % of whom were women). In 1935 in the United Kingdom 7.2 million persons were employed in industrial units employing more than 10 persons. The power utilised was 6.3 million HP compared with 1.7 million HP in 1911 and 3.9 in 1927 (the power in use was 15.3 million HP in the United Kingdom in 1930). Investment in industry in 1938 was estimated at 120,000 million lire (about 6,300 million pre-war U.S. dollars). About two-thirds of this investment was in the hands of joint stock companies. Establishments employing more than 1,000 persons (310 establishments) accounted for 19.3 % of the manpower and 24.2 % of the HP employed; 5,000 units employing more than 100 persons accounted for 43 % of the manpower and 64 % of the HP employed. 50,000 industrial establishments, employing more than five persons, accounted for two-thirds of the manpower and nine-tenths of the HP employed. The remaining one-

accounted for 70 % of the total Italian industrial production which in 1938 was estimated at 130,000 million lire (including 40,000 million for added value - see para 26).

4. Italian industry suffers from lack of coal, fuel and primary raw materials. Imports of raw materials for industry, including fuel, accounted for 29.4 % of total imports in 1881, for 38 % in 1913 and 48 % in 1938. If semi-finished products for industry are added, the proportion increases to 49 % of total imports in 1881, 57 % in 1913 and 70 % in 1938. Lack of coal is partly compensated for by resources of water power. It is estimated that in 1938 the output of electric power for all uses (including industry) had roughly the same aggregate power as imported coal. On the credit side also are (a) abundance of manpower (characterized by a modest standard of living and a high productivity) and (b) the existence of well-established and important industrialized trades (textile, engineering, metallurgic, hydro-electric and chemical industries). Before the war these industries had good plants and good technical organization, comparable with those of the most industrially-advanced countries.

5. The present need is, therefore, on one hand for rapid rehabilitation and acceleration of industry and on the other for increase of exports to balance essential imports of raw materials. This implies a substantial increase in Italy's foreign trade and progress on an opposite road from that travelled by autarchy during 20 years of fascism.

6. War destruction reduced industrial potential to 75 % of pre-war, the merchant marine to 10 %, harbor installations and land transportation to about 25 %. This, coupled with the need for industrial reconversion to peacetime output and the demand for improvement in technical standards of equipment (resulting from Italy's isolation during the periods of autarchy and war), explains the need for early industrial rehabilitation and the need for foreign loans.

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Introduction.

1. Italy is a fairly well industrialized country with a considerable reservoir of skilled workers. Before the war, 33 % of the available manpower was absorbed in industry, which provided 34 % of the national income. In agriculture these proportions were 48 % and 36 % respectively. On the other hand, the relative importance of agriculture gradually decreased during the last 50 years, when the rate of industrialization of the country made rapid strides. From 1881 to 1938 employment in agriculture increased only 2 % while employment in industry increased 40 %. In the same period agricultural production increased slightly more than twice (in 1938 it was 2.2 times that of 1881) and industrial production increased tenfold. Before the war Italy's population surplus (about 400,000 annually) had for the greater part to be absorbed in industry. The capacity of agriculture to absorb the population surplus is negligible. Industrial development is vitally necessary to Italy's progress.

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3. The most important industries have been, in decreasing order, engineering, textile, electric, food processing, metallurgic, and chemical. These industries accounted for 70 % of the total Italian industrial production which in 1938 was estimated at 130,000 million lire (including 40,000 million for added value - see para 26).

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7. With the most immediate requirements of Italian industry in mind UNRRA, working closely in conjunction with the Italian Government, has done its best to bring help in the directions where help was most wanted. Total expenditure planned by the UNRRA Italian

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Mission on industrial rehabilitation in 1946 will exceed 127 million dollars, exclusive of freight (1).

8. Next to food, industrial imports constitute the largest category of aid to Italy and represent 30 % of the whole UNRRA Italy budget for 1946. As at present programed, the total industrial procurement will be roundly as follows:

	U. S. Dollars
Industrial fuels	76,500,000
Pig-iron, steel and other basic metals	20,000,000
Rubber and materials for rubber processing	12,100,000
Industrial chemicals and resins	5,100,000
Asphalt	2,700,000
Lumber	2,500,000
Fire-clays, fire-bricks and asbestos	1,700,000
Vehicles, parts and miscellaneous industrial materials and services	5,700,000
TOTAL	127,500,000 (1)

(1) For the UNRRA program for textiles, hides, etc., see para. 74.

UNRRA's industrial import program is designed to provide raw materials rather than finished products, and thus to turn the wheels of production. This will not only provide goods but jobs.

9. Some improvement in industrial production is already evident. For some industries the index-numbers of the industrial production in Northern Italy (1938=100) (1) were estimated as follows:

Months	Mineral	Iron and Steel	Metallurgic. (2)	Engineering (3)	Cotton Yarn	Artif. textile fibers	Chemical
June 1945	6.6	11.5	5.0	32.1	3.2	2.5	10.1
Septem.	16.1	26.3	22.3	42.9	4.8	4.4	15.1
Decem.	31.8	28.2	28.2	46.6	16.3	5.9	21.3
January 1946	38.9	34.2	38.3	55.9	20.8	6.4	23.5
Febr.	36.1	33.3	40.9	56.9	27.9	7.6	27.1
March	45.9	38.1	45.1	48.0	34.7	11.4	34.7
April	48.7	47.0	41.7	53.2	38.7	16.0	42.0

(1) Some of these indices are based on only a small sample of the industrial category and are, therefore, subject to revision as more accurate information becomes available.

(2) Pig-iron, steel, rolled steel.

(3) Based on weight of material produced in automobile engineering.

PART ONE - GENERAL

The Position of Industry in the Italian Economy.

10. Although Italy cannot be rated among the already highly-industrialized countries, the place of industry in her economy is important.

11. In 1936 her industries gave employment to 33.1 % of the total labor forces of 18.3 million people; 48.2 % were engaged in agriculture, forestry and fishing. Italy's percentage of industrial employment was, however, smaller than that of England (55 %), Belgium (54.6 %), Germany (44.3 %), Switzerland (46.3 %), all countries having roughly the same density of population as Italy. A higher level of industrialization was reached in some regions in Northern Italy, where the industrial population represented 50.4 % in Lombardy, 39.3 % in Piedmont and 47.1 % in Liguria, the average for the Northern regions being 38.4 %.

13. The importance of industry in the economic life of the country is further emphasized by its rôle in Italy's foreign trade. Prior to the war (1937-1938) manufactured goods accounted for 40 % of Italy's exports as shown by the following table:—

TABLE 1

Italy's Balance of Trade 1937-38

(in millions of dollars 1945)

IMPORTS		%	EXPORTS		%
For industry	565	70	Products of manufacturing industry	324	40
For food	169	21	Agriculture and mining	83	10
Other uses	76	9	Non-preserved foodstuffs	175	22
—	—	—	Emigrant remittances, proceeds from tourists and		

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...ally budget for 1946. As at present programed, the total industrial procurement will be roundly as follows:

	U. S. Dollars
Industrial fuels	76,500,000
Pig-iron, steel and other basic metals	20,000,000
Rubber and materials for rubber processing	12,100,000
Industrial chemicals and resins	5,400,000
Asphalt	2,700,000
Lumber	2,500,000
Fire-clays, firebricks and asbestos	1,700,000
Vehicles, parts and miscellaneous industrial materials and services	5,700,000
TOTAL	127,500,000 (1)

(1) For the UNRRA program for textiles, hides, etc., see para. 74.

9. Some improvement in industrial production is already evident. For some industries the index-numbers of the industrial production in Northern Italy (1938=100) (1) were estimated as follows:

Months	Mineral	Iron and Steel	Metallurgic (2)	Engineering (3)	Cotton Yarn	Artif. textile fibers	Chemical
June 1945	6.6	11.5	5.0	32.1	3.2	2.3	16.1
Septem.	16.1	26.3	22.3	42.9	4.8	4.1	15.1
Decem.	31.8	28.2	28.2	46.6	16.5	5.9	21.3
January 1946	38.9	34.2	38.3	55.9	20.8	6.4	23.5
Febr.	36.1	33.3	40.9	56.9	27.9	7.6	27.1
March	45.9	38.1	45.1	48.0	31.7	11.4	34.7
April	48.7	47.0	41.7	53.2	48.7	16.0	42.0

(1) Some of these indices are based on only a small sample of the industrial category and are, therefore, subject to revision as more accurate information becomes available.

(2) Pig-iron, steel, rolled steel.

(3) Based on weight of material produced in automobile engineering.

PART ONE - GENERAL

The Position of Industry in the Italian Economy.

10. Although Italy cannot be rated among the already highly-industrialized countries, the place of industry in her economy is important.

11. In 1936 her industries gave employment to 33.1 % of the total labor forces of 18.3 million people; 48.2 % were engaged in agriculture, forestry and fishing. Italy's percentage of industrial employment was, however, smaller than that of England (55 %), Belgium (54.6 %), Germany (41.3 %), Switzerland (46.3 %), all countries having roughly the same density of population as Italy. A higher level of industrialization was reached in some regions in Northern Italy, where the industrial population represented 50.4 % in Lombardy, 39.3 % in Piedmont and 47.1 % in Liguria, the average for the Northern regions being 38.4 %.

12. In terms of national income, industry's contribution was 30 % of the total, while agriculture contributed 36 %, rents 4 %, commerce 5.4 %, banking and insurance 1.2 %, professional activities 4 %, public employment 12.3 %, interest on credit 7 %.

13. The importance of industry in the economic life of the country is further emphasized by its rôle in Italy's foreign trade. Prior to the war (1937-1938) manufactured goods accounted for 40 % of Italy's exports as shown by the following table:—

TABLE I

Italy's Balance of Trade 1937-38

(in millions of dollars 1945)

IMPORTS		%	EXPORTS		%
For industry	565	70	Products of manufacturing industry	324	40
For food	169	21	Agriculture and mining	83	10
Other uses	76	9	Non-preserved foodstuffs	175	22
—	—	—	Emigrant remittances, proceeds from tourists and other items	150	18
				732	90
			Deficit	78	10
	810	100		810	100

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14. A breakdown of the 1937-38 industrial exports by major groups is shown in the following table:—

TABLE 2

Industrial Exports by Major Groups

	In millions of dollars		%	
First Group				
Food Industries	49		15	
Chemical-Agricult. Industries	10		3	
Small industries and artisans	38		12	
		97		30
Second Group				
Textile industries:				
Artificial fibers	42		13	
Others	126		39	
		168		52
Third Group				
Mechanical and iron industries	42		13	
Chemical and various industr.	17		5	
		59		18
		324		100

15. The part to be played by industry in the Italian economy will be greater in the future for two main reasons:

(a) Population increased by an estimated 1.5 millions between 1938 and 1946 (1). This increased population cannot possibly be absorbed by agriculture or related non-industrial activities since, as is generally accepted, agricultural employment had already before the war, reached its peak in relation to the physical characteristics of the country.

(b) The average standard of living for the Italian population is at present one of the lowest of all "modern" countries. A rise in this standard can be achieved only by an increase in the rate of industrialization.

Some "Permanent" Features of Italian Industry.

16. The outstanding fact in Italy's industrial economy is the country's marked *deficiency of raw materials and fuels*. Not one of the key raw materials such as coal, mineral oils, iron, lumber, cotton, rubber or copper is found, or can be produced in Italy in any significant quantity.

Other basic materials such as hides, phosphates and wool are also in short supply. The relative abundance of sulphur, aluminum, mercury, zinc and lead ores is not such as to compensate for the foregoing deficiencies.

17. The traditional Italian industrial pattern calls for large amounts of a few imported raw materials, and imports in small quantities, of a great variety of materials used together with domestic supplies. It is difficult, however, to establish the extent to which Italian industry depends on imports, because the industry of the country during the last few years has been directed towards the maximum use of domestic resources in a closed national economy cut off from world markets ("Autarchia"). Technological improvements will allow some Italian raw materials to be substituted permanently for imports, especially in cases where large amounts of electricity are used. But other high-cost domestic raw materials will not be able to stand international competition in a post-war economy.

18. The total volume of Italian imports amounted to some 30 million tons a year in the late Twenties, but decreased later to 25 million, then to 20 million tons after the depression and the start of the self-sufficiency drive. Fuel imports have been by far the most important—50 % of the total when imports were large, up to 66 % when imports were heavily reduced. In recent pre-war years imports of materials to be processed by industry amounted to from 4 to 5 million tons representing, it is believed, the minimum needs of a rock-bottom pre-war economy.

19. Before the war, Italian imports originated from all over the world. But even then, there was an increasing tendency to depend on European sources of supply. In 1938, Italy bought 57 % of its imports (by value) on European markets against only 48 % in 1929. Table 50 shows the breakdown of Italian imports by country and by value in 1938.

20. The most important single "physical" resource which Italy has, though to a moderate degree, is water power, which, skilfully harnessed, provides an important [illegible] of electrical energy (see para. 81).

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	In millions of dollars		%	
First Group				
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		97		30
Second Group				
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		324		100

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(b) The average standard of living for the Italian population is at present one of the lowest of all "modern" countries. A rise in this standard can be achieved only by an increase in the rate of industrialization.

(1) The active population (that portion of the total population seeking employment) showed a greater increase proportionately, owing to the natural trend for fewer women to devote themselves exclusively to housework. Chronic unemployment and, to a certain extent, tradition, counteracted this trend, which is noticeable in all progressive countries.

quantity.

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20. The most important single "physical" resource which Italy has, though to a moderate degree, is water power, which, skilfully harnessed, provides an important source of electrical energy (see para. 81).

21. The geographical position of Italy and her physical shape, which make every part accessible to the sea and minimize freight charges, partially offset the above disadvantages. If in the future, through international agreements, the flow of raw materials is made easier than in the past, Italy will benefit greatly.

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22. Apart from hydro-electric power, the foremost resource on which Italy can count is still her skilled and inexpensive manpower. This latter "quality" is to be considered a transitory feature since the national goal will be, of course, to make labor more expensive (on a world-wide comparative basis) as a consequence of the improving standard of living.

During the next several years Italy's economic revival will, however, be made easier by the relative cheapness and abundance of her labor. Even after Italian industrial production is maximized by a full-scale reconstruction program, it is improbable that the total potential domestic labor supply will be fully utilized. Even at the height of the Italian war effort in 1942, there was still (as a result of raw material shortages) a certain degree of unemployment. Italy is probably the only major participant in World War II in that position.

23. The present low standard of living is, on the other hand, a damaging factor since it limits the market for manufactured goods, tending to make production costs higher, by not giving the domestic industry a sufficiently large "home ground" on which to base its production. The urgent task of internal reconstruction and the building up of vital export trade will, for the present, absorb all the production capacity. Italy, with the best planning possible, will, however, for some years not be able to attain even the low pre-war level of domestic consumption.

24. In general, therefore, the limiting factor in Italy's industrial reconstruction and development is the need to import from outside her borders the basic raw materials and fuel which modern industry requires. The UNRRA industrial program for 1946, concentrating as it does on the import of reasonably large quantities of coal, petroleum products and some key raw materials, reflects the trascendent importance of this limiting factor. The future of Italy's industrial economy will be determined largely by an ability to earn or borrow enough foreign exchange to maintain and increase this flow of fuel and basic materials.

Relative Importance of the Various Branches of Italian Industry.

25. The relative importance of industries may be roughly measured by:

(a) number of people employed (which is a rough

TABLE 3

Relative Importance of Various Branches of Italian Industry

Class of Industry	Labor Employed in 1938 Per cent	H P available in 1938 Per cent	Electric power in 1937 Per cent	Coal in 1938 Per cent
Mines and Quarries	3.1	3.3	1.5	0.7
Timber	2.3	2.3	0.8	0.1
Food	10.3	15.8	7.1	5.1
Metallurgical	2.4	14.4	25.4	18.2
Mechan. Engineering	14.4	18.1	8.1	2.0
Stone, clay and glass products	4.1	6.4	4.6	16.2
Building	11.0	2.6		0.5
Chemicals	2.3	7.5	27.5	5.6
Cokeries & Gas Works	0.2	0.9		35.4
Paper	1.2	3.6	4.3	1.6
Printing	1.3	0.7	0.3	0.1
Hides and leather	1.6	1.1	0.8	0.1
Textiles and Clothing	14.5	13.8	12.4	8.2
Power Stations	0.6	—	—	2.5
Rubber	0.6	1.2	3.5	0.4
Other industries	4.5	3.8		1.3
TOTAL INDUSTRY	74.4	95.5	96.3	98.0
TOTAL HANDICRAFT	25.6	4.5	3.7	2.0
GRAND TOTAL	100.0	100.0	100.0	100.0

26. The total value of the 1938 industrial production was calculated at 130,000 million lire; the *added value* (1) at 42,100 million about 27 % of which was for wages paid to workers (in 1933, in the United States of America the comparable percentage was 36.2). Data broken down are as follows (in millions of 1938-lire):

TABLE 4

Total and «Added» value of Industrial production
(in millions of 1938 - lire)

	Value of production	«Added» value (1)
Mechanical	19,200	8,600
Food processing	30,300	5,700
Chemical	9,200	3,700
Mines and quarries	1,300	1,100
Stone, clay and glass products, etc.	2,600	1,100
	67,100	21,900

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Relative Importance of the Various Branches of Italian Industry.

25. The relative importance of industries may be roughly measured by:

(a) number of people employed (which is a rough measure of their relative social value);
(b) motive power available;
(c) electric power and coal consumption.

Percentages of each of these factors are summarized in the following table (absolute figures are analyzed in Table 52):

	In 1938 Per cent	Per cent	Per cent	Per cent
Mines and Quarries	3.1	3.3	1.5	0.7
Timber	2.3	2.3	0.8	0.1
Food	10.3	15.8	7.1	5.1
Metallurgical	2.4	14.4	25.4	18.2
Mechan. Engineering	14.4	18.1	8.1	2.0
Stone, clay and glass products	4.1	6.4	4.6	16.2
Building	11.0	2.6		0.5
Chemicals	2.3	7.5	27.5	5.6
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Paper	1.2	3.6	4.3	1.6
Printing	1.3	0.7	0.3	0.1
Hides and leather	1.6	1.1	0.8	0.1
Textiles and Clothing	14.5	13.8	12.4	8.2
Power Stations	0.6	—	—	2.5
Rubber	0.6	1.2	3.5	0.4
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Mines and quarries	1,300	1,100
Stone, clay and glass products, etc.	2,600	1,100
Other industries (est.)	67,400	21,900
TOTAL	130,000	42,100

(1) "Added value" is the difference between the cost of materials or semi-finished goods going into industry and the value of the finished production, including labor costs.

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27. The added value represents [illegible] % of the value of the total production (in U.S.A., in 1933, 46.4 %; in Great Britain, in 1930, 44.2 %). The added value per worker amounted to 13.000 lire (in Great Britain in 1930, it amounted, at the official exchange, to 19.600 lire; in U.S.A. in 1933, at official exchange, to 45.835 lire).

Location of Italian Industry.

28. On the basis of employment and use of electric power, Italian industry is overwhelmingly concentrated in Northern Italy. The percentage breakdown on the basis of 1938 is as follows:

TABLE 5

Location of Italian Industry

	Industrial Employment Per cent	Consumption of Electricity Per cent
Northern Italy	69.1	71.2
Central Italy	15.9	16.0
Southern Italy and Islands	15.0	12.8
	100.0	100.0

29. This uneven distribution, with a corresponding disparity of customs and standards of living, constitutes one of the important political factors in the country. The availability in Northern Italy of water supplies which can be exploited in hydro-electric plants, is one of the reasons for this industrial concentration. Another factor is the proximity to the Central European and French markets, which for centuries before the advent of the mechanical era depended on the Italian artisans for their manufactured goods. Around these artisan centers modern Italian industry developed, especially in textiles.

30. As a future trend, it is possible that Italian industry, after having more fully exploited its water power resources, will move close to the ports through which imported fuels and raw materials enter the country.

31. The trend of Italian industry is also to develop more rapidly the manufactures of producers' goods than of consumers' goods. In the latter industries 2,000,000 workers were employed in 1927; 2.2 million in 1937-39 (10 % increase), while in the producers' goods industries 1.4 million workers were employed in 1927 and 2.1 million in 1937-39 (50 % increase).

Size and Capitalization of Italian Industries.

sized enterprises have lost much of their former importance.

33. The census data on size of enterprises are given in Table 6 which shows for comparison data for 1927. The proportional decrease of the establishments of small and medium size (from 2 to 50 persons employed) and the increase of the establishments of larger size, is evident from Table 6:

TABLE 6

Size of Industrial Establishments
Based on the Number of persons per Establishment (1)

Size (persons per establishment)	1927			1937-39		
	No. of establishments	Persons		No. of establishments	Persons	
		No.	%		No.	%
2 – 10	291.809	963.314	31.1	278.865	879.512	24.3
11 – 50	25.756	547.925	17.7	25.376	569.561	15.7
51 – 250	6.589	685.239	22.1	8.206	840.181	23.2
251 – 1000	1.263	570.592	18.4	1.594	726.169	20.1
more than 1000	200	330.746	10.7	307	606.072	16.7
TOTAL	325.617	3.097.816	100.0	314.348	3.621.495	100.0

Source: Censas of 1927, Census of 1937-39.

34. Another breakdown of Italian industrial figures (2) by size, as of 31 December 1938, is supplied by the Confederation of Industrialists; these data are given in Table 7. The Confederation's statistics do not include artisans and employees of Government-operated enterprises (150,000 workers) and a few non-member firms outside the organization.

TABLE 7

Number of Firms and Workers, 1938

Size (Workers per firm)	Firms	Workers	%
From 1 to 10	107.126	310.024	[illegible]
11 to 50	31.079	698.743	19.4
51 to 250	9.920	1.024.402	28.5
251 to 1000	1.808	815.253	22.6
more than 1000	345	717.418	20.0
TOTAL	150.278	3.596.840	100.0

Source: Confederation of Industrialists.

(1) When in the same establishment two or more lines of manufacturing are carried on, each line of manufacturing is considered a distinct establishment.

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	100.0	100.0

29. This uneven distribution, with a corresponding disparity of customs and standards of living, constitutes one of the important political factors in the country. The availability in Northern Italy of water supplies which can be exploited in hydro-electric plants, is one of the reasons for this industrial concentration. Another factor is the proximity to the Central European and French markets, which for centuries before the advent of the mechanical era depended on the Italian artisans for their manufactured goods. Around these artisan centers modern Italian industry developed, especially in textiles.

30. As a future trend, it is possible that Italian industry, after having more fully exploited its water power resources, will move close to the ports through which imported fuels and raw materials enter the country.

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Size and Capitalization of Italian Industries.

32. Italian industry grew under a system of a large number of small and medium-sized enterprises. The trend toward concentration, both financial and technical, which began after World War I has progressed so rapidly, under Government sponsorship, that medium-

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Based on the Number of persons per Establishment (1)

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		No.	%		No.	%
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Source: Census of 1927, Census of 1937-39.

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TABLE 7

Number of Firms and Workers, 1938

Size (Workers per firm)	Firms	Workers	%
From 1 to 10	107.126	340.024	9.5
11 to 50	31.079	699.743	19.4
51 to 250	9.920	1.024.402	28.5
251 to 1000	1.808	815.253	22.6
more than 1000	345	717.418	20.0
TOTAL	150.278	3.596.840	100.0

Source: Confederation of Industrialists.

(1) When in the same establishment two or more lines of manufacturing are carried on, each line of manufacturing is considered a distinct establishment. This criterion differs from that followed as a rule in censuses in Great Britain and in the United States, where each establishment (and sometimes also, one firm having two or more establishments) is considered, as a rule, to be one unit. The Italian census, therefore, when compared with the censts in those countries, exaggerates the importance of smaller size works or shops.

(2) One "firm" may include two or more establishments.

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35. Enterprises with 50 workers or less, representing 92 % of the total number of firms, employed less than 29 % of all workers; while 345 firms, only 0.2 % of the total number of firms, employed 20 % of the total labor force.

36. The fact that a large part of Italian industry is still in small units means that a large number of enterprises is individually owned.

37. The total capital invested in industry was estimated in 1936 to be about 100,000 million lire. Capital and reserves of industrial corporations alone amounted in the same year to some 56,000 million lire of which 34,000 million lire was paid-in capital. The sizable capital increases which took place after 1936 did not reflect new investments, but were simply write-ups of capital by large corporations, after the devaluation of the currency.

38. In 1939 the most heavily-capitalized industry was electric power with 11,300 million lire (for valuation of industry see Table 36), followed by chemicals with 4,200 millions; metallurgical and mechanical industries with 4,000 millions each; mining with 2,500 millions; cotton with 1,400 millions; artificial texiles with 1,200 millions; gas and water distribution with 1,100 millions; and sugar with 1,000 million lire.

Activity in Wartime, 1939-1943.

39. The shift from a peace economy to a war economy was relatively smooth, and was aided by the fact that France fell so quickly that Italy was not plunged into active, large-scale warfare. Moreover, the two minor wars fought in Ethiopia and Spain had accustomed the country, psychologically at least, to a war economy.

40. Despite attempts to neutralize its effects, the blockade constituted a crippling blow to Italian industry. Only in the summer of 1942 were real efforts made to step up Italian war production, chiefly at German request. Italian officials admitted that a labor service was not necessary until July of that year, for unemployment was still considerable in spite of the large number of workers sent to Germany and called to the colors. Unemployment was the natural consequence of the traditional Italian industrial pattern. Heavy armament industries could not expand and produce more materials than the over-all supply of iron and steel would allow. During 1941 and 1942 the iron and steel supply available to Italy, either through domestic production or through imports from Germany is estimated

41. In the summer of 1942 the Germans used threats of withholding supplies of necessary raw materials to force the overhauling of Italian industry to fit the Axis war economy. Italian industrialists on their part were reluctant to abandon equipment which could not be used at the moment but might be extremely valuable in a post-war reconstruction period. A compromise was reached and plans of concentration were drawn up for those industrial facilities not directly connected with the war. The basic criteria for keeping a plant in operation were: 1) independent power supply, 2) small consumption of materials and 3) minimum dependence on transportation facilities.

42. The order closing down the textile industry for six winter months in 1942-43 is a typical example of this policy. Partial exemptions were granted to plants which filled orders for export. More details on plans for concentration and rationalization, affecting the food processing and leather industries were announced as late as July 1943.

43. Table 8 gives a general idea of the pattern followed by Italian industry during the war years:

TABLE 8

Production index, 1939-43

(based on index of 100 for 1928)

	General Index	Textile Industry	Metallurg. & Mechanical Industries	Paper Industry
1939 . . .	123.1	88.6	147.8	157.2
1940 . . .	120.6	91.9	168.3	153.0
1941 . . .	104.9	78.6	185.9	143.1
1942 . . .	91.3	58.9	188.1	116.3
1943 (1st Quarter)	79.8	52.9	191.4	89.6

	Building Industry	Power, light & heating industry	Mining Industry (1)	Chemical Industry (1)
1939 . . .	121.2	176.8	142.3	162.5
1940 . . .	82.8	187.8	125.6	156.6
1941 . . .	43.4	207.9	117.0	140.1

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prises is individually owned.

37. The total capital invested in industry was estimated in 1936 to be about 100,000 million lire. Capital and reserves of industrial corporations alone amounted in the same year to some 56,000 million lire of which 34,000 million lire was paid-in capital. The sizable capital increases which took place after 1936 did not reflect new investments, but were simply write-ups of capital by large corporations, after the devaluation of the currency.

38. In 1939 the most heavily-capitalized industry was electric power with 11,300 million lire (for valuation of industry see Table 36), followed by chemicals with 4,200 millions; metallurgical and mechanical industries with 4,000 millions each; mining with 2,500 millions; cotton with 1,400 millions; artificial texiles with 1,200 millions; gas and water distribution with 1,100 millions; and sugar with 1,000 million lire.

Activity in Wartime, 1939-1943.

39. The shift from a peace economy to a war economy was relatively smooth, and was aided by the fact that France fell so quickly that Italy was not plunged into active, large-scale warfare. Moreover, the two minor wars fought in Ethiopia and Spain had accustomed the country, psychologically at least, to a war economy.

40. Despite attempts to neutralize its effects, the blockade constituted a crippling blow to Italian industry. Only in the summer of 1942 were real efforts made to step up Italian war production, chiefly at German request. Italian officials admitted that a labor service was not necessary until July of that year, for unemployment was still considerable in spite of the large number of workers sent to Germany and called to the colors. Unemployment was the natural consequence of the traditional Italian industrial pattern. Heavy armament industries could not expand and produce more materials than the over-all supply of iron and steel would allow. During 1941 and 1942 the iron and steel supply available to Italy, either through domestic production or through imports from Germany is estimated to have been only slightly higher than before the war. The reduction in domestic consumption accompanied by the loss of foreign markets forced sharp curtailment in some industries; many plants closed down because of lack of raw materials.

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1941 . . .	43.4	207.9	117.0	140.1
1942 . . .	36.3	207.6	110.5	121.2
1943 (1st Quarter)	24.8	193.9	96.0	87.0

(1) Original basis September 1934-August 1935=93,1.

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44. It will be seen that production followed its normal course until 1939 with an overall increase of 13 % over 1929; with the entry into the war and the impossibility of replacing stocks of raw materials, Italian industrial production dropped until in 1942 and the first quarter 1943 a considerable drop is noticed. The only sector of industry to maintain its normal productivity was the mechanical and metallurgical sector, which was obviously due to the production of arms and munitions.

45. Although the production of pig iron increased considerably in 1939, yet even there a sharp drop is noticed in 1942:

Pig iron Production (War years)

1939	1.005.000 tons
1940	1.061.000 »
1941	1.037.000 »
1942	889.000 »

46. Generally speaking, Italian industry was adversely affected by the war years particularly by the inability to obtain raw materials, but also because Italy was cut off from the technical advance being made in industry throughout the Allied countries. Thus, at the end of the conflict, Italy found herself far behind other countries in the technical development of her industries.

Aftermath of War.

47. Since the greater percentage of Italian industry is situated in the North, the rehabilitation of Italian industry during the period 8 September 1943 to May 1945 was an impossibility. Such industry as existed in the south, that was of any use in the combined war effort was taken over by the Allied Armies. Work on rebuilding and rehabilitation was impeded by the Allied occupation of plants for depots, warehouses, billets etc.—a regrettable necessity, and also by the lack of fuel and raw materials. A considerable amount of industrial employment was afforded the Italians by the Allies, chiefly mechanical equipment and workshops, but industry generally was at a standstill.

49. Luckily for Italy, the Germans were impeded by the partisans in their efforts to destroy industrial potential. The ordinary workpeople of the factories, also impeded destruction and hid important machines and machine parts, so that when the enemy surrendered, the industrial installations and the hydro-electric plants were in better condition than the most optimistic had hoped for.

50. It has always been difficult to obtain accurate figures on the actual war damage to Italian industry. No industrial census has yet been completed, so that only estimates, based on careful investigation, can be given.

51. A generally accepted estimate is that the overall damage to Italian industry caused by the war was about 25 %. Accepting the difficulties of giving accurate figures, as none are available, the following will give a general idea of the condition of Italian industry at the end of hostilities. (See Part Two for a more detailed description.)

Chemical and Pharmaceutical Industries.

52. The overall damage to plants in these industries was estimated at 10 to 15 %. This damage varied considerably from plant to plant, the "munitions" plants in a number of cases having been destroyed or very heavily damaged by bombing. At the end of the war, however, productive capacity was still more than sufficient to meet the normal domestic need.

Food Processing Industries. 4976

53. The hardest-hit section of this industry was the sugar refining section. Considerable damage was done by bombing and also by German destruction. Only about 12 % of the normal capacity was used in the 1945 season, though the lowness of this figure was due also to the shortage of sugar beet.

54. The other food processing plants suffered an average of approximately 20 % war damage.

Steel and Iron Industries.

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48. The probability of wholesale destruction of hydro-electric plants, rail facilities, industrial installations and communications in the industrial north had caused great concern particularly during the long advance up Italy by the Allies and the winter during which the opposing armies stood on the Pisa-Rimini line.

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54. The other food processing plants suffered an average of approximately 20 % war damage.

Steel and Iron Industries.

55. In the reports on damage to the Italian steel industry during the war the country is divided into two sections. One, Northern Italy, which was liberated in June 1945; the other, Central and Southern Italy, which were liberated in the fall of 1943 and spring of 1944.

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56. The maximum potential facilities for producing steel and iron in Italy before the war had a total capacity of approximately 4,500,000 tons per year. These facilities produced during the years 1935-37 an average of 2,104,000 tons per year.

57. The consumption of steel in Italy during this period averaged 2,313,871 tons per year.

58. Thus it can be seen that Italy produced only slightly less than its needs in steel.

59. The facilities for producing steel and iron in Central and Southern Italy account for approximately 28 % of the total. This production is concentrated in three zones: Tuscany, Campania and Umbria. In Umbria region physical war damage to the industry was slight, although the industry was crippled approximately 50 % by the German removal from the area of arc furnaces, mills and pig iron furnaces.

60. In the Campania and adjoining regions the industry was crippled approximately 90 % by war destruction.

61. In the Tuscany region the industry was disabled about 90 % by war destruction.

62. In Northern Italy approximately 10 % of the production capacity was damaged and another 5 % removed by the Germans: thus the industry was operatively reduced by some 15 %.

63. To summarize: the whole of the Italian steel facilities at the end of the war had been reduced to 70 % of their normal capacity.

Building and construction materials.

64. The highest damage in this section was probably in the manufacture of glass, where it is estimated that the buildings suffered 50 % damage and the equipment some 15 %. The cement and lime plants suffered damage to the extent of about 30 % to the buildings and 5 % to the machinery and equipment. The balance of the branches in this industry suffered only slight damage, chiefly due to the dispersion of the plants.

Textile Industry.

65. About 90 % of the textile industry is located in Northern Italy, the rest being distributed between Tuscany and Campania. Only the plants situated in

67. In Toscana, Pisa and Prato (Florence), a big center of production for woolen cloths from rags, many plants were heavily damaged especially by German sabotage.

68. The general damage suffered by the Italian textile industry can be estimated at 10 % of the textile plant and machinery.

The Role of UNRRA in the Industrial Rehabilitation Program for Italy.

69. At the end of 1945, Italian industry was in the position of having practically no foreign credits available with which to purchase raw materials except those provided by the Military and FEA civil supply programs. Furthermore, export of manufactured goods and agricultural surpluses was not possible. Therefore, the UNRRA program for industrial rehabilitation was made to provide the essential requirements of industry within the limit of the funds available.

70. The principal emphasis in the UNRRA program was placed upon the highly essential item of fuels, since Italy has practically no domestic production of solid or liquid fuels, and these are almost universally required for industry and the transportation system necessary to industrial activity.

71. Aside from fuels, industrial materials included in the UNRRA program have been confined to other large dollar-value items which in general are easily specified for procurement. Items of smaller value having complicated specifications are procured through the Italian Technical Mission using troop-pay funds in the U.S.

72. The Industrial Rehabilitation Program, as revised in May 1946, called for an expenditure of approximately 80 million dollars for the first half of 1946. The tentative program for the second half involves an expenditure of approximately 50 million dollars, giving an approximate total for the year of 130 million dollars. Table 9 shows the distribution of the 1946 program.

73. A more detailed breakdown of the various items involved in the UNRRA program is given in Table 54 (see Appendices). In this tabulation it will be noted that solid and liquid fuels, required by practically all industries, comprise the principal expenditure for industrial supplies. Important factors, however, are steel.

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Textile Industry.

65. About 90 % of the textile industry is located in Northern Italy, the rest being distributed between Toscana and Campania. Only the plants situated in Toscana and Campania were damaged by the war, the plants situated in the North being found intact.

66. In Campania were the Manifatture Cotoniere Meridionali plants, of which three plants were completely destroyed: but the other plants were in condition to be repaired rapidly.

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73. A more detailed breakdown of the various items involved in the UNRRA program is given in Table 54 (see Appendices). In this tabulation it will be noted that solid and liquid fuels, required by practically all industries, comprise the principal expenditure for industrial supplies. Important factors, however, are steel, pig iron and alloying metals essential to the production of the many types of finished steels required for reconstruction of public utilities, the transport system and various industrial units. Rubber, with the supplementary compounding agents, also constitute an important expenditure in this program, since this item is

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TABLE 9

UNRRA Industrial Rehabilitation Program - 1946
(in Thousands of Dollars)

ITEM	TOTAL
Transport & Telecommunications	2,533
Building Industry	245
Solid Fuels	40,775
Liquid Fuels and Lubricants	35,745
Asphalt	2,675
Misc. Consumer Goods	50
Pig Iron	4,201.27
Semi-finished Steel	5,300
Finished Steel	1,859.576
Minerals	860
Metals & Alloying Elements	171
Tin	2,247
Copper	4,916
Nickel	1,396
Chemicals for Rubber	300
Coal Tar Chemicals	1,294.554
Intermediate Dyestuffs	70
Raw Materials for Paint, Varnish, Ink, Enamel and Synthetic Resins	1,215
Raw Materials for Carbon Electrodes	452.6
Industrial Wax	400
Sundry Products	830
Colophony	1,689
Rubber	11,873
Carbon Black	950
Cellulose & Lumber	2,500
Asbestos	600
Refractories	621
Clays	1,006
Industrial Rehab. Service	100
Surplus Procurement	750
GRAND TOTAL	127,455,000

given top priority in view of its importance in rehabilitation of the transport system and electrical transmission lines. Industrial chemicals, while relatively small in dollar value, are important for the reactivation of the process industries which form an important sec-

These materials are intended for processing by Italian firms for internal distribution in an effort to provide shoes and clothing to the needy classes at reasonable prices. Also, some small contracts are being negotiated with Italian firms for the manufacture of textile goods for export on UNRRA account and these will further contribute to the industrial revival of the country. The quantities of raw materials imported to be processed in Italy for consumer goods are as follows:

ITEM	Total (in thousands of U.S. dollars)
Raw Cotton	19,000
Raw Wool	25,300
Wool Rags	5,500
Hides	2,400
Tanning	500
Composition Soling	2,900
Tin Plate	520

Allocations.

75. An important development which was required in the use of UNRRA raw materials by Italian industry was a scheme for allocating and reporting on the use of such materials. A plan was developed jointly by the Italian Government, the Allied Commission, and the UNRRA Italian Mission in December 1945, in anticipation of the need for such a plan for the 1946 UNRRA program. The plan was implemented by setting up a Sub-Commission for Northern Italy in March 1946. The Joint Committee has since been authorized to cover the entire country through a commission structure specifically established for the determination of industrial policies. The final scheme filled two definite needs: first, it provided the Italian Government with a rational basis for making allocation of scarce materials to industry; and, second, it provided UNRRA with the necessary records of usage and consumption of imported supplies on the UNRRA and supplementary programs so that a basis was established for determining the contribution made by the UNRRA industrial rehabilitation program to the overall industrial recovery of Italy.

76. Briefly, the plan involves the requirement that each firm needing UNRRA raw materials will submit allocation requests to the Sub-Commission for the area in which the firm is located. This application covers such pertinent data as opening and closing inventories for the month, production for the previous month, and the firm's position with respect to finished goods. Con-

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given top priority in view of its importance in rehabilitation of the transport system and electrical transmission lines. Industrial chemicals, while relatively small in dollar value, are important for the reactivation of the process industries which form an important sector of the Italian industrial economy.

74. In addition to the items specifically included in the industrial rehabilitation program, raw materials for textiles, shoes and other consumer goods form an important part of the total UNRRA Italian program. contribute to the industrial revival of the country. The quantities of raw materials imported to be processed in Italy for consumer goods are as follows:

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(1) A special report has been issued covering this plan and has been sent to Washington and to London. Also, the plan is discussed in some detail in Volume 1, No. 20 of UNRRA Italy "Economic Notes," dated 31 May 1946.

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The plan was put into operation in North Italy on 15 March of this year, utilizing (as the agent of the Ministry of Industry and Commerce) the industrial committee structure which had been formed during the period of Allied Military Government. The necessary forms and procedures were developed jointly with UNRRA and issued by this group in March, thus providing data on the use of imported raw materials for the month of March and also providing the basis for making allocations for the month of May with some provision for modifications of April allocations. This form, used by individual firms for reporting stocks, usage, production and for requesting allocations, has been distributed at the provincial level by UPIC (Ufficio Provinciale Industria e Commercio, the Provincial Office of the Ministry of Industry and Commerce), along with the necessary instructions for completion. Distribution was first made from the Milan Office of the Sub-Commission through Gondrand, a national express company, and the estimated quantities of the various forms involved were delivered to UPIC prior to the first of each month. It has been the responsibility of the individual firm to obtain these forms from the UPIC office and to return them, properly executed, to this same office prior to the 5th of each month. Consistent with Italian practice, the firm is charged 4 lire for each form. Upon return of the request for allocations and supplementary information, each UPIC office reviews the applications which are submitted and makes pertinent comments, when possible, consistent with their knowledge of conditions with respect to the individual firms. In no case, however, does UPIC have final action, except on those allocations of small quantities of coal and POL which are directly under their control. As soon as possible, following the 5th of each month, the forms are picked up from each UPIC office and delivered to the office of the Northern Sub-Commission, where they are processed through the individual committees and the Sub-Commission to establish final allocations of the commodities involved in the "critical list." Each UPIC office submits monthly reports covering a complete list of allocations made under their jurisdiction for small quantities of coal and POL, which are required to complete the records of usage of these materials. At the same time, each UPIC office makes a request for their bulk allocations for the following month. Analysis of the distribution of the small allocations by industries is required from each UPIC. All individual applications are processed at the Sub-Commission level and in the absence of the Central Industrial Commission operat-

report and allocation form, one of which is retained by UPIC. Two copies are processed through the Sub-Commission; one copy is available for the UNRRA Sub-Bureau of Industrial Rehabilitation, the other being retained by the Northern Sub-Commission.

Determination of Prices.

77. The determination of prices for UNRRA-imported materials is handled jointly by the Italian Mission and interested agencies in the Italian Government and formalized by a letter from the Chief of the UNRRA Italian Mission. There is no fixed rule for determining prices of raw materials imported by UNRRA and sold by the Italian Government. Each commodity is treated as a separate case consistent with the problems involved with respect to the international price and the domestic markets for each commodity for the same item. Similarly, prices for manufactured goods produced from UNRRA raw materials are considered as individual cases on somewhat the same basis.

78. The pricing of coal raised a particularly interesting discussion of price policy between UNRRA and the Ministries concerned. The principle finally adopted was to estimate what the landed cost of coal (at current exchange rate) would be at the end of the UNRRA period of responsibility for Italy's basic imports, in other words, what Italy would have to pay for delivered coal when she had to go out on the market herself. On this basis a delivered price of $15 per ton was estimated (some $6 dollars below the present landed cost), and the internal price structure for solid fuel built around the lire equivalent of that figure. Previously, the high production costs of domestic coal and lignite had tended to dominate the price structure. The new schedule placed the domestic production in its proper perspective as a relatively minor factor in the total Italian solid fuels picture.

79. The industrial program for Italy has encountered many difficulties to date, due principally to world shortages of key materials and also shortfalls due to strikes and transportation difficulties in the United States. Recently the coal strike in the United States completely disrupted the rehabilitation program for a period of several months, causing a drastic coal conservation program to be adopted just when an increase in coal consumption was required to push the industrial reactivation toward its 1946 goal. These factors have rendered it impossible to restart essential industries at the

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forms and procedures were developed jointly with UNRRA and issued by this group in March, thus providing data on the use of imported raw materials for the month of March and also providing the basis for making allocations for the month of May with some provision for modifications of April allocations. This form, used by individual firms for reporting stocks, usage, production and for requesting allocations, has been distributed at the provincial level by UPIC (Ufficio Provinciale Industria e Commercio, the Provincial Office of the Ministry of Industry and Commerce), along with the necessary instructions for completion. Distribution was first made from the Milan Office of the Sub-Commission through Gondrand, a national express company, and the estimated quantities of the various forms involved were delivered to UPIC prior to the first of each month. It has been the responsibility of the individual firm to obtain these forms from the UPIC office and to return them, properly executed, to this same office prior to the 5th of each month. Consistent with Italian practice, the firm is charged 4 lire for each form. Upon return of the request for allocations and supplementary information, each UPIC office reviews the applications which are submitted and makes pertinent comments, when possible, consistent with their knowledge of conditions with respect to the individual firms. In no case, however, does UPIC have final action, except on those allocations of small quantities of coal and POL which are directly under their control. As soon as possible, following the 5th of each month, the forms are picked up from each UPIC office and delivered to the office of the Northern Sub-Commission, where they are processed through the individual committees and the Sub-Commission to establish final allocations of the commodities involved in the "critical list." Each UPIC office submits monthly reports covering a complete list of allocations made under their jurisdiction for small quantities of coal and POL, which are required to complete the records of usage of these materials. At the same time, each UPIC office makes a request for their bulk allocations for the following month. Analysis of the distribution of the small allocations by industries is required from each UPIC. All individual applications are processed at the Sub-Commission level and in the absence of the Central Industrial Commission operating at the national level, allocations have been made by the Northern Sub-Commission with concurrence of the Milan Office of the Sub-Bureau of Industrial Rehabilitation, UNRRA Italian Mission. Allocations made by the separate committees are coordinated by the Sub-Commission. Each firm submits three copies of the

Determination of Prices.

77. The determination of prices for UNRRA-imported materials is handled jointly by the Italian Mission and interested agencies in the Italian Government and formalized by a letter from the Chief of the UNRRA Italian Mission. There is no fixed rule for determining prices of raw materials imported by UNRRA and sold by the Italian Government. Each commodity is treated as a separate case consistent with the problems involved with respect to the international price and the domestic markets for each commodity for the same item. Similarly, prices for manufactured goods produced from UNRRA raw materials are considered as individual cases on somewhat the same basis.

78. The pricing of coal raised a particularly interesting discussion of price policy between UNRRA and the Ministries concerned. The principle finally adopted was to estimate what the landed cost of coal (at current exchange rate) would be at the end of the UNRRA period of responsibility for Italy's basic imports, in other words, what Italy would have to pay for delivered coal when she had to go out on the market herself. On this basis a delivered price of $15 per ton was estimated (some $6 dollars below the present landed cost), and the internal price structure for solid fuel built around the lire equivalent of that figure. Previously, the high production costs of domestic coal and lignite had tended to dominate the price structure. The new schedule placed the domestic production in its proper perspective as a relatively minor factor in the total Italian solid fuels picture.

79. The industrial program for Italy has encountered many difficulties to date, due principally to world shortages of key materials and also shortfalls due to strikes and transportation difficulties in the United States. Recently the coal strike in the United States completely disrupted the rehabilitation program for a period of several months, causing a drastic coal conservation program to be adopted just when an increase in coal consumption was required to push the industrial reactivation toward its 1946 goal. These factors have rendered it impossible to restart essential industries at the level necessary to meet consumption requirements by the end of the year. Although the greatest part of the UNRRA industrial program was originally budgeted for importation during the first half of 1946, in fact the bulk of UNRRA's industrial imports will be concentrated in the second half, and the recovery of Italian industry will get under way during that period.

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SOURCES OF ENERGY

PART TWO - POWER AND MAIN INDUSTRIES

Electric Power.

80. Until new sources of energy (e.g. atomic power) become available, the only practical sources of motive power and heat are coal, mineral oils, natural gases, firewood and water-power.

81. Although water-power provides the largest share of Italy's energy requirements and represents the only sizable natural resources available to her, it is not so plentiful for a country of 46 million people as is generally believed. In 1941 about 18,300 million KWH were produced in Italy, corresponding to about 450 KWH per person per year. In the U.S., the Tennessee Valley Authority alone produced in 1944 at the rate of 12,000 million KWH per year (about 2,700 KWH per person per year in the TVA area). The total availability per capita is 1,700 in the U.S. as a whole.

82. The physical set-up of the electric power industry was, in 1938, as follows:

(a) The bulk of power stations were hydro-electric plants, of which there were 988 with a capacity of 3,940,000 Kw.

(b) The water-storage was accomplished by 92 water basins, with a total capacity of 1,583 million m³, which corresponds to 1,640 million KWH per year.

(c) There were in addition 199 thermal stations with a capacity of 856,000 Kw. These stations were extremely useful in maintaining output when the water in the reservoirs feeding the hydro plants dropped below the level at which maximum output could be maintained (i.e. in spring, before the thaw) and also in the case of breakdowns in the hydro-electric supply.

(d) The total length of very high-voltage power transmission lines, was 7,038 Km., and about 23,852 Km. H.V. (not less than 20 KV) lines.

TABLE 10

Development of the Electric Power Industry

(Maximum possible output in million KWH)

Years	1938	1939	1940	1941	1942
Hydro-electric . .	13.176	16.425	17.384	18.654	17.841
Thermal	387	1.172	1 196	1.208	1.521
Imported. . . .	213	213	252	232	247
	13.776	17.810	18.832	20.094	19.609

84. It was estimated in 1937 that the upper technical limit of the development of Italy's water-power resource was 57,000 million KWH per year, of which, however, only 32,000 million KWH were considered within the realm of industrial possibility. Accordingly in 1940 plans were prepared further to increase the production up to 25,000 and possibly 30,000 million KWH.

85. *The capital invested* in the electrical industry is very large. The total value of the physical facilities (expressed in 1938 lire) was estimated in 1940 as follows:

Value of generating plants . .	18,000 million
» transporting & transforming plants . .	11,500 million
» distribution plants. .	8,000 million
	37,500 million (1938 lire)

expressed in 1938 dollars, the total figure would be equivalent to $1,973 million.

86. Damage was sustained to power installations in all regions of Italy. The most extensive war damage was

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(d) The total length of very high-voltage power transmission lines, was 7,038 Km., and about 31,872 Km. H.V. (not less than 20 KV) lines. These figures do not include the 3-phase lines system, which had a total length of 53,660 Km.

83. The electric power industry was one of Italy's faster-developing activities. Its expansion is shown in the following table:—

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	37,500 million	(1938 lire)

expressed in 1938 dollars, the total figure would be equivalent to $1,973 million.

86. Damage was sustained to power installations in all regions of Italy. The most extensive war damage was suffered by high-tension transmission lines. The poor system of Southern Italy, where the Germans had time enough to carry out their demolition, and the system of Central Italy, where heavy front-line battles were fought, are among the sectors of the Italian industry which suffered most from war damage.

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87. Rehabilitation work was started by the Allied Military Government as soon as new areas were liberated and then continued by the Allied Commission. The work done in this field by the A.M.G. and A.C. enabled much of the rehabilitation of the destroyed and damaged lines and plants to be quickly and efficiently undertaken.

88. In 1945, the production of electric power was 12.830 million KWH a reduction of 4.31 % from the 1944 figure of 13.408 million KWH and a drop of 35.41 % from the all-time high in 1941 (19.862 million KWH). In Italy electric power availability is largely affected by the amount of precipitation. The 1945 drought therefore substantially reduced the supply of electric power, necessitating the institution of electricity rationing during the winter of 1945-46 even in Northern Italy where virtually no power facilities were destroyed by the war.

89. Central Italy was hardest hit by the deficiency in electric power, the 1945 figure there being 67.50 % below the 1941 level. In Southern Italy, production in 1945 was 27.51 % higher than in 1944 as a result of the refitting of old sources of electric power, though it was still 41.71 % lower than in 1941.

90. Production of electric power, by regions, is summarized in the following table:

TABLE 11

Electric Power Produced in thousand of kilowatt hours

REGION	1944	1945	1945 compared with 1944	1945 compared with 1941
Northern Italy .	10.679.256	10.065.113	— 5.75%	— 26.31%
Central Italy .	1.431.124	1.188.041	— 17.16%	— 67.50%
Southern Italy .	943.631	1.203.244	+ 27.51%	— 41.71%
Italian Islands .	350.572	373.361	+ 6.50%	— 22.87%
	13.407.583	12.829.759	— 4.31%	— 35.41%

91. It is estimated that in 1948 full output of power stations can again be restored by effecting repairs to all plants capable of operation. This estimate is based on the assumption that materials, specifically copper, rubber and varnishes, requested through UNRRA for this work will arrive without undue delay.

92. The electro-chemical applications and electrical industrial heating have an important part in the Italian industrial pattern as a consequence of the relative abundance of electric power and the scarcity of all fuels. The following table shows how the electric energy was used.

TABLE 12

Consumption of Electric Energy by Type of Application(1)

(in percentages)

Activities	Motive Power	Lighting Heating Electrolytic	Traction	Total
Agriculture	1.1	0.4	—	1.5
Industries & Services	42.6	34.3	0.5	77.4
Transport & Communications	1.5	0.3	10.5	12.3
Commerce, Public Ser. Household	2.8	6.0	—	8.8
TOTAL .	48.0	41.0	11.0	100.0

Source: Censimento Industriale e Commerciale 1937-38, Vol. I Industrie: "Appendix on Statistics of Electric Machinery."

(1) The complete breakdown by consumers is shown in Table 46. The difference between electric energy produced and consumed represents distribution losses.

COAL

Requirements.

93. The important part which coal plays in the Italian economy can never be oversitressed. Italy, being so poorly supplied with resources of her own, has to rely

94. Despite the considerable development of hydro-electric power in Italy, Italian industry is nevertheless essentially based on solid fuels, as evidenced by the fact that in 1940 the consumption was 17,054,000 metric tons. Of this 13.679,000 tons were imported and 3,375.000 tons were produced in Italy. Allowing

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undertaken.

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(1) The complete breakdown by consumers is shown in Table 46. The difference between electric energy produced and consumed represents distribution losses.

COAL

Requirements.

93. The important part which coal plays in the Italian economy can never be overstressed. Italy, being so poorly supplied with resources of her own, has to rely on imports from abroad. The extent to which Italy can be rehabilitated is, therefore, inextricably linked with the ability of the large coal-producing countries to make coal available for export to Italy, and Italy's ability to pay for it.

94. Despite the considerable development of hydro-electric power in Italy, Italian industry is nevertheless essentially based on solid fuels, as evidenced by the fact that in 1940 the consumption was 17,054,000 metric tons. Of this 13.679,000 tons were imported and 3.375,000 tons were produced in Italy. Allowing for the poor quality of domestically-produced solid fuels, the total consumption in 1940 "in terms of hard coal" (i.e. in tons of solid fuels of the quality then imported) amounted to approximately 16 million tons. A breakdown of the total consumption by major industries and other consumers is given in Table 14.

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95. Imports of coal and coke [illegible] Italy in 1934 to 1943 were as follows:

TABLE 13

(in thousands of tons)

Year	Total
1934	12,737
1935	14,589
1936	9,263
1937	12,926
1938	12,139
1939	11,275
1940	13,692
1941	11,580
1942	10,793
1943 (six months) (1)	6,242

(1) Imports for the whole of Italy, including imports from Germany, during second half 1943, in 1944 and first half 1945 are not available.

96. In war time (1939-1944) all the coal had to come by rail from Germany. In 1945 industrial activity came almost to a standstill because of the interruption of the coal supply line.

97. During the period of Allied Military responsibility in South and Central Italy, and during the first months after liberation of the North, little or no coal could be supplied to private consumers, and industry not being first in priority, got next to nothing.

98. From 1 October 1945, the period of military responsibility ceased and the Coal Division, Allied Commission, was entrusted with the entire responsibility for the requisition, importation and distribution of all coal and coke for civilian consumption and also charged with the same responsibility for British military purposes.

99. During the period September through December 1945 loadings, the coal for civilian consumption was included in the F.E.A. supply program. Unfortunately, due to procurement difficulties, strikes in the United States, and delayed sailings in October and December, the F.E.A. shipment program was not completed until February 1946.

100. Apart from one cargo of British coal received early in January 1946, UNRRA supplies did not reach Italy until March; UNRRA assumed the responsibility [illegible] of Italian coal needs as of and

101. Coal arri[illegible] for the first quarter of 1946 are given in Table 14. They are a good index of the industrial and economic activity during that period.

102. In estimating the solid fuels requirements for the year 1 July 1946 to 30 June 1947, the anticipated essential industrial activity has been carefully estimated with due regard to the following important factors:

(a) Though a great part of the Italian industrial potential has emerged undamaged from the war, it must not be forgotten that Italian docks, roads, and railways were severely damaged by air bombing, and that the country from the South up to the "Gothic" line was bitterly fought over, with resultant inevitable destruction of communications, essential public works, and other important installations.

(b) In the present world food situation, it is evident that Italy will have to be self-reliant to the maximum extent for the next two or three years at least in order to maintain a minimum nutritional level. For this purpose the maximum agricultural rehabilitation is imperative. Consequently re-activation of fertilisers and other coal-consuming activities connected with agricultural rehabilitation, as well as the improvement of transport resources, should be pressed to the utmost practicable.

103. Bearing in mind the above considerations, the estimated minimum quantity of solid fuels which it is required to import in the year amounts to 10,269,000 tons, made up as shown in Table 14. After adding to this figure the maximum estimated indigenous production of solid fuels (reduced to the thermal equivalent of imported solid fuels), which is expected to reach 1,800,000 tons, the total consumption planned by the Government equals 12,069,000 tons, which is nearly equivalent to 75 % of the consumption in 1940.

104. This requirement is based on the assumption that the quality of the imported coal supplied will be approximately equivalent to the quality of coal imported before the war. Coal recently imported from the United States has had a high ash and volatile substance content and has been of low thermal value and of poor quality as regards sizing. Consequently specific consumption in the various branches of industries has risen in an alarming manner; the specific consumption of steel works and rolling mills for instance has increased [illegible] was before the war.

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1934		12.737
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100. Apart from one cargo of British coal received early in January 1946, UNRRA supplies did not reach Italy until March; UNRRA assumed the responsibility for the major supply of Italian coal needs as of and from 1 March. At the European Coal Office Conference of January 1946, 432,000 tons were set up for loading in February and again in March from the United States, and 18,000 tons per month from South Africa, making a total of 450,000 tons monthly.

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105. The program of imports is related to essential industrial requirements and to a high priority for necessary repair and rehabilitation (e.g. of railroads).

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TABLE 14

106. The following comparative table shows:

(a) Solid fuel imports during first quarter 1946.
(b) Minimum requirements during first quarter 1947.
(c) Minimum requirements period 1 July 1946 to 30 June 1947.

CATEGORY OF CONSUMERS	(a) Imports First Quarter 1946		(b) Min. Requirements First Quarter 1947		(c) Min. Requirements 1 July 1946 to 30 June 1947	
	Coal	Coke	Coal	Coke	Coal	Coke
State Railways	352,000	—	474,000	—	1,904,000	—
Secondary Railways & Internal Navigation	45,000	—	60,000	—	240,000	—
Bunkers	15,000	—	45,000	—	180,000	—
Iron Industry	98,000	36,200	209,000	77,000	769,000	387,000
Pig Iron Foundries	—	15,000	—	36,000	—	144,000
Non-ferrous metals	35,000	8,000	63,000	15,000	250,000	60,000
General Engineering	37,000	30,000	51,000	75,000	207,000	285,000
General Electrotechnics	8,000	3,000	18,000	9,000	64,000	35,000
Building materials	130,000	15,000	270,000	90,000	1,260,000	357,000
Ceramics and glass	31,000	2,000	95,000	10,000	378,000	37,000
Chemicals	65,000	10,000	180,000	40,000	677,000	207,000
Textiles	60,000	—	156,000	—	572,000	—
Food Processing	35,000	—	47,000	25,000	405,000	145,000
Paper	16,000	—	57,000	—	183,000	—
Rubber	14,000	—	36,000	—	143,000	—
Leather & tanning extracts	4,000	—	12,000	—	48,000	—
Cokeries	120,000	— 78,000	560,000	— 392,000	2,155,000	—1,508,000
Gas Works	185,000	— 83,000	270,000	— 135,000	1,080,000	— 540,000
Power Stations	97,000	—	103,000	—	375,000	—
Domestic use	75,000	24,000	280,000	120,000	612,000	278,000
Bakeries	40,000	—	60,000	—	240,000	—
Hospitals	60,000	20,000	60,000	30,000	247,000	113,000
Agriculture	—	—	—	—	80,000	—
Total	1,522,000	2,200	3,106,000	—	12,069,000	—
Internal production (in terms of coal)	358,000	—	450,000	—	1,800,000	—
Imports	1,164,000	2,200	2,656,000	—	10,269,000	—

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(c) Minimum requirements period 1 July 1946 to 30 June 1947.

CATEGORY OF CONSUMERS	(a) Imports First Quarter 1946		(b) Min. Requirements First Quarter 1947		(c) Min. Requirements 1 July 1946 to 30 June 1947	
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Secondary Railways & Inlernal Navigation	15,000	—	60,000	—	240,000	—
Bunkers	15,000	—	45,000	—	180,000	—
Iron Industry	98,000	36,200	209,000	77,000	769,000	387,000
Pig Iron Foundries	—	15,000	—	36,000	—	144,000
Non-ferrous metals	35,000	8,000	63,000	15,000	250,000	60,000
General Engineering	37,000	30,000	54,000	75,000	207,000	285,000
General Electrotechnics	8,000	3,000	18,000	9,000	64,000	35,000
Building materials	130,000	15,000	270,000	90,000	1,260,000	357,000
Ceramics and glass	31,000	2,000	95,000	10,000	378,000	37,000
Chemicals	65,000	10,000	180,000	40,000	677,000	207,000
Textiles	60,000	—	156,000	—	572,000	—
Food Processing	35,000	—	47,000	25,000	405,000	145,000
Paper	16,000	—	57,000	—	183,000	—
Rubber	14,000	—	36,000	—	143,000	—
Leather & tanning extracts	4,000	—	12,000	—	48,000	—
Cokeries	120,000	— 78,000	560,000	— 392,000	2,155,000	—1,508,000
Gas Works	185,000	— 83,000	270,000	— 135,000	1,080,000	— 540,000
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Bakeries	40,000	—	60,000	—	240,000	—
Hospitals	60,000	20,000	60,000	30,000	247,000	113,000
Agriculture	—	—	—	—	80,000	—
Total	1,522,000	2,200	3,106,000	—	12,069,000	—
Internal production (in terms of coal)	358,000	—	456,000	—	1,800,000	—
Imports	1,164,000	2,200	2,656,000	—	10,269,000	—

Note: In the table above, actual allocations during the first quarter 1946 are shown as a comparison with 1947 to give an idea of the extent to which the lack of coal has retarded the rehabilitation of industry.

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Allocation Procedure.

107. As an example of how the UNRRA Mission works with the Italian Government in allocating the imported supplies it is interesting to examine in some detail the coal allocation procedure.

(a) Immediately the tonnage allocated to Italy for any one month becomes known, UNRRA advises the Italian Government, requesting that a tentative allocation program, including the requirements of the State Railroads, be drawn up by category of consumers. A monthly meeting is held in the first days of each month under the auspices of UNRRA's Italian Mission with the representatives of the Ministry of Industry and Commerce, Ministry of Transport (State Railways and Central Coal Office) and of Allied units concerned, under the chairmanship of the Under-Secretary for Industry, Ministry of Industry and Commerce. At this meeting the quantities available for the following month and allocations are discussed in detail.

(b) The requirements of each category of consumers are carefully examined, considering also the proposed allocations of Sardinian coal, lignites and fuel oil, with the intention of utilizing to the maximum advantage all quantities available in view of the general rehabilitation program of Italy.

(c) Should a substantial change of the monthly quantity available occur, the competent Italian departments are immediately advised and a new meeting is convened to examine and discuss the proposed readjustments.

(d) When the final program is agreed, a breakdown allocation to the consumers, belonging to each category, is prepared by the Rome Coal Office of the Ministry of Industry and Commerce for the regions of Central and South Italy and by the Milan Coal Office of the same Ministry for the regions of North Italy, following the directives laid down at the general meeting.

108. With the limited quantity of coal available to Italy it was necessary to establish a system of priorities of allocation. During the period of hostilities, this was handled within the AM Regions and, because of the very meager supply of coal, industry received almost nothing.

109. At the end of hostilities, coal available to Italy was divided between industry, railroads, gas works, bakeries and hospitals. Industry received only enough coal to keep those plants working which were essential to the nation's economy. Gas works received enough coal to keep the cities supplied with gas for cooking and lighting. Railroads received enough coal to keep the trains running. Industry could survive, bakeries for the nation's bread (although full emphasis was placed on the ability of the bakeries to use a large proportion of fuel wood), and hospitals on an extremely limited scale. The balance was divided among all industries, giving preference to those which:

(a) provided the Italian people with essential goods.
(b) assisted most in the rehabilitation of Italy.
(c) gave the most employment.

110. Thus the industries having high priority varied from time to time as the internal situation changed. Further, attempts were made to tie-in the coal allocated with the arrival of other materials, e.g. the arrival of raw cotton necessitated a higher allocation to the textile industry over the period of the processing.

111. In the expectation of a coal strike in the U.S. (which eventually took place), a "Coal Emergency Committee" was convened by Dr. Lombardo, Under-Secretary of the Ministry of Industry and Commerce, with instructions to meet for the purpose of reviewing existing stocks, re-examining the claims of various industries and revising allocations in the light of their importance to Italy's economy and with the desire to alleviate labor lay-off as much as possible. The first meeting took place on 18 March 1946, and the Committee has met several times every week since.

112. It was considered advisable to allocate 945,609 tons of coal for consumption up to the end of June, leaving aside 55,391 tons, which, together with 19,800 tons held by electric power plants not functioning at present in the North of Italy and 4,000 tons stocked at the port of Savona, would constitute an emergency reserve stock of about 79,000 tons to be allocated only when a complete picture of the most urgent requirements was made available. With the recent allocation of coking coals and metallurgical coke from the Ruhr a stimulus has been given to the iron and steel industry. The quantities are, however, still below requirements.

Production of Solid Fuels in Italy.

113. One of Italy's greatest handicaps is the limited local production of solid fuels, which covers only 15 % of the national requirements. These fuels, practically all of inferior quality, and in no way equal to the bituminous or soft coals received from abroad, are found in various fields scattered all over the country. They may be grouped in four classes: xiloid lignites, black lignite, Sulcis and Arsa coals, and anthracite.

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109. At the end of hostilities, coal available to Italy began to increase so that industry really began to come into the picture. A series of priorities was established which first of all cut off "non-essential" uses of coal; the stringency of the position can be gauged from the fact that no coal whatever was allocated for domestic consumption even during the winter. Then certain "musts" were supplied—railways, without which no industry could operate, and those industries which:

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(b) assisted most in the rehabilitation of Italy.
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110. Thus the industries having high priority varied from time to time as the internal situation changed. Further, attempts were made to tie-in the coal allocated with the arrival of other materials, e.g. the arrival of raw cotton necessitated a higher allocation to the textile industry over the period of the processing.

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Xiloid lignites.

114. Xiloid lignite mines are found on the mainland, and also in Sicily. Considerable efforts were made, especially during the war, to increase the output, and the yearly production of 525,000 tons in 1936 was in-

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creased, during the war, to about 2,000,000 tons. The present yearly output is estimated at around 1,800,000 tons which, owing to the high percentage of moisture and ash, represents only 600,000 tons in terms of coal.

Black Lignite (Lignite Picea).

115. Black lignite, of a far better quality than xiloid, reaching a calorific value of 5,500/6,000 thermal units, is produced mainly in the Florence district (Ribolla). The yearly output, raised from 83,000 tons in 1936 to over 350,000 tons during the war, is estimated now to be approximately 325,000 tons, representing 216,000 tons in terms of coal.

Sulcis and Arsa Coals.

116. Sulcis and Arsa coals, practically of the same quantity, are produced respectively in Sardinia and in the Istrian Peninsula. The yearly output of the Arsa mines, now under the control of Yugoslavia, had been increased from 289,000 tons in 1934 to 1,161,000 tons in 1942, the latter being equal to approximately 900,000 tons in terms of bituminous coal. The Sulcis coal production had received an even greater impulse, but the hard living conditions of the miners in the immediate post-war period, together with the lack of necessary equipment and difficulties of transporting the coal to the mainland, had caused a considerable decrease in the production, as may be seen by the following figures:

Sulcis (Sardinia) Coal Production

	Tons		Tons
1934	53,000	1946: Jan.	64,467
1935	77,500	Feb.	71,577
1936	161,000	Mar.	88,660
1937	307,000	Apr.	92,000
1938	466,000	May	89,000
1939	558,000		
1940	805,000		
1941	950,000		
1942	1,041,000		
1943	NA		
1944	375,378		
1945	601,600		

118. Since the liberation of Italy the Allied Commission had appreciated the importance of this source of fuel for Italy and every help was given to increase the rate of production. With this same view the UNRRA Mission in Italy gave its whole-hearted support to bring the production up to its former level. A higher output of this coal, which would render it also more economical, is of the utmost importance for the rehabilitation of Italy. To obtain this, UNRRA granted extra rations of food and clothing to the miners, and recommended that sufficient sea transport be made available to ship to the Italian ports the quantities produced and those stock-piled during the previous period.

119. It may be considered due also to these efforts that the production was 92,000 tons in April 1946, 89,000 tons in May and 78,000 tons in June. As from July 1946, the yearly production is expected to reach 1,200,000 tons, representing about 940,000 tons in terms of good bituminous coal.

Anthracite.

120. A small quantity of anthracite, of poor quality due to the high ash content, is also produced in Italy, mainly in the northern district of Turin, where it is generally used by local consumers. Strenuous efforts had been made during the war to bring up the yearly production to about 150,000 tons, but owing to the various difficulties involved, the present yearly output is not expected to exceed 100,000 tons.

Coal Imports.

121. The chief source of coal to Italy prior to the war, was Europe. The following table shows comparative sources during four pre-war years:

TABLE 15

Coal Imported into Italy

(in thousands of tons)

	1913		1924		1933		1938	
		%		%		%		%
Germany . .	970	8.9	4,358	39.0	2,201	25.0	7,003	58.8
U. K.	9,400	86.8	5,896	52.8	4,747	54.0	2,290	19.2
[illegible]	[illegible]	—	1	—	652	7.4	1,637	13.7

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1940	805,000		
1941	950,000		
1942	1,041,000		
1943	NA		
1944	375,378		
1945	601,600		

N.A.=Not available.

117. The Sardinian mines, subsidized by the State, are owned by the Società Carbonifera Sarda, and the allocation of the coal to consumers is arranged by the Government, in agreement with UNRRA.

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Poland. . . .	—	—	1	—	652	7.4	1,637	13.7
U. S. A. . .	9	0.1	537	4.8	6	0.1	—	—
Others. . . .	451	4.2	378	3.4	1,184	13.5	985	8.3
TOTAL	10,830	100.0	11,170	100.0	8,790	100.0	11,915	100.0

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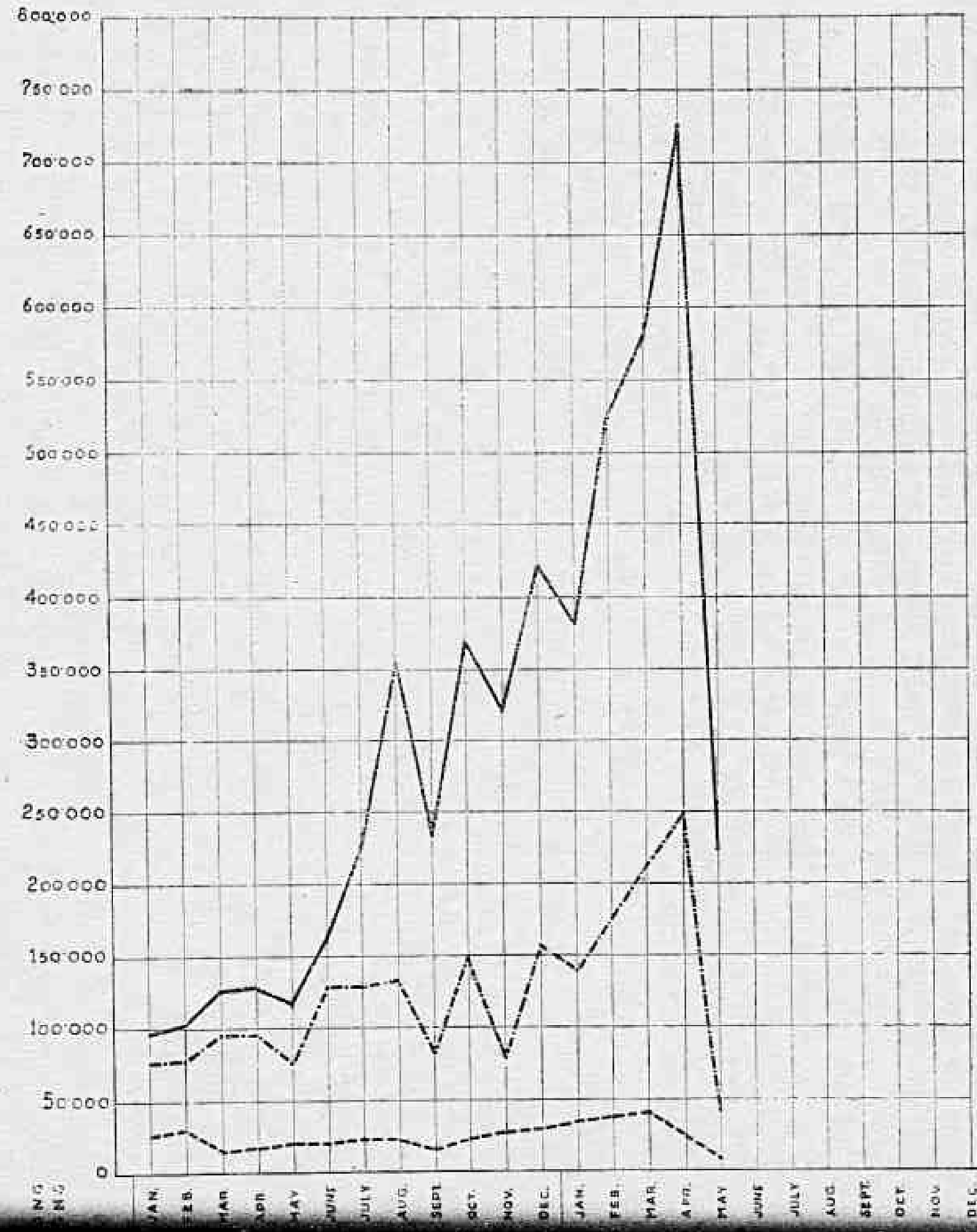
TABLE 16

IMPORTED COAL DISCHARGES
ITALY, SICILY & SARDINIA

——— Civilian
-·-·-·- Railways
------- Military + Miscellaneous (Incl. V. Giulia - Udine)



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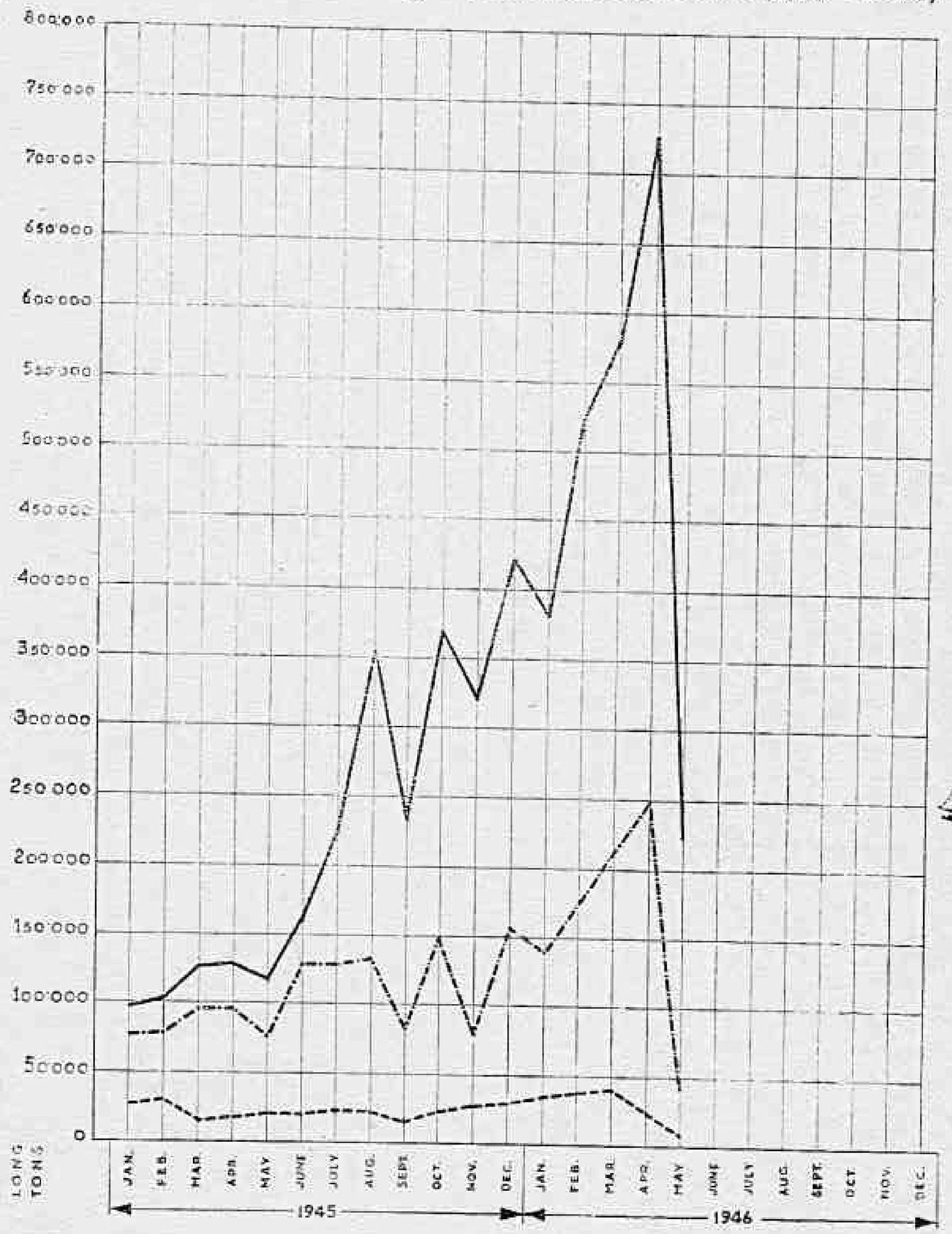

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122. From this table it will be seen that the end of the war produced a difficult problem regarding the source from which coal could be obtained for Italy. The production of the greatest supplier, Germany, was nil, that of the U.K. not sufficient, nor that of Poland, which left only the USA and other countries. Thus the bulk of the supplies for Italy brought in by UNRRA had to come from the USA. The great disadvantage of this has been the extra cost. It is estimated that coal from the Ruhr costs 8.5 dollars per ton, plus 5 dollars per ton freight, i.e. 13.5 dollars, against USA coal at 7 dollars per ton plus freight 13 dollars, a total of 20 dollars per ton. This would represent, on an allocation of 200,000 tons of Ruhr coal, a saving over US coal of about 8 million dollars.

123. Thus UNRRA efforts have been directed continuously towards obtaining allocations of fuel from Europe. Italy's case was presented to the European Coal Organization, whose meetings a representative of UNRRA attended. The imports of coal from January to June 1946 have been as follows:

Countries of Origin of Imported Coal
Discharged in Italy under the UNRRA Program 1946

(tons)

Country di origin	Jan.	Feb.	Mar.	Apr.	May	June
U. S. A. . .	—	—	382.186	641.944	223.439	61.234
South Africa	—	1.559	25.391	18.007	16.824	17.651
U. K. . . .	4.084	—	—	—	8.600	11.307
Bahreind .					7.470	8.308
Germany . .	—	—	—	—	8.019	9.264
	4.084	1.559	407.577	659.951	264.352	107.764

124. The graph (Table 16) shows the quantity of coal discharged in Italy in the period January 1945 to May 1946. As has been explained, Italian industry is essentially dependent on the supply of solid fuel from outside and her industries operate in direct proportion to the amount of fuel available. From the graph it can readily be seen that industry from January to May 1945 (before the liberation of the North) was at a very low ebb; after the liberation came the "battle for coal" and, with some set-backs, the supply increased month by month, enabling industry to regain some of its previous production. The sharp decline at the end of the graph is due, of course, to the coal strike in the USA: the special measures taken to meet this emergency have been explained elsewhere.

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LIQUID FUELS

General.

125. Production of liquid fuels in Italy is practically non existent—annually not more than 13,000 tons. Italy must therefore rely on imports of POL (1) from outside sources. To meet the total civilian requirements the following approximate quantities are required annually (2):

TABLE 17

Normal Annual Requirements
for Finished Petroleum Products

	Tons
Gasoline (Automotive)	500,000
Gasoline (Aviation)	35,000
Solvent Gasoline	6,000
Mineral White Spirit	15,000
Kerosene	180,000
Diesel Oil	350,000
Fuel Oil	1,000,000
Lubricating Oils and Greases	115,250
Transformer Oil	6,000
Vaseline Oil	3,750
Paraffin	25,000
Bitumen	80,000
TOTAL	2,316,000

126. With the shortage of coal and, during the winter, of electric power, the tendency has been to use more fuel oil in industry. When crudes are imported again (thus reducing costs in Italy) it is likely that this trend towards fuel oil instead of coal will be more marked, particularly if more economical distribution methods, such as pipe-lines, are introduced.

Procurement and Distribution.

127. During the periods when the military and FEA were responsible for the civil import program, procurement and distribution of POL were handled by the military (Petroleum Section of Allied Force Headquarters). Allocations made by Petroleum Section, which amounted to some 40 % of normal pre-war requirements, were administered through a special Allied-Italian committee, CIP (Comitato Italiano Petroli).

128. Under the FEA program (October 1945-January 1946) a distinction was made between the civilian program and certain special requirements called the Italian National Program. The latter consisted of POL for the Italian Armed Forces, the diplomatic corps, and other consumers not strictly part of the Italian civil population. The Italian Government paid from its own funds for the Italian national requirements.

129. When UNRRA assumed financial responsibility for the civil import program, it continued the system of military procurement and shipment. Thus POL is turned over to the Italian Government by issues from military storage facilities to CIP. The distribution under rationing controls is then watched by UNRRA, which receives reports of end-use allocations from CIP, the distributing agency.

130. The actual procurement of present importations is handled by ANPB (US Army and Navy Petroleum Board) as agent of UNRRA, on receipt of advice as to monthly requirements from UNRRA for civilian use and from the Italian Technical Mission in Washington for Italian National requirements. Since the bulk storage tanks in Italy are not capable of accepting separate shipments for both US and British Forces, as well as UNRRA and Italian National importations, "pool storage" is used and bulk shipments are all consigned to the military, who release required quantities for UNRRA and Italian National consumption.

131. CIP has more than 100 internal storage points in use, fed by road and rail from the port installations, from which distribution is made to the

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(1) Petrol, oils and lubricants.

(2) See Table 20 on crude oil refining for comparison of these needs with refinery capacities.

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131. CIP has more than 100 internal storage points in use, fed by road and rail from the port installations, from which distribution is made to the consumer.

132. The consumption of POL imported with UNRRA funds is controlled by allotting quantities each month to each Province and by the issue of coupons. The following table shows the allocation for the months February through May 1946:

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TABLE 18

Allocations of Petrol, Kerosene and Diesel Oil by consumption categories, February - May 1946

(in tons)

CATEGORY	PETROL			KEROSENE		
	Febr.	March	April	Febr.	March	April
Transport	11,184	12,268	12,239	48	47	17
Industry	796	792	802	429	464	461
Railways	400	400	399	83	83	88
Fishing Boats	110	120	120	130	200	250
Coastal Schooners	180	200	250	5	5	8
Malaria Control	—	—	—	—	23	—
Agriculture	175	306	410	2,533	5,083	6,303
Cars	2,575	3,347	3,619	6	—	—
Lighting	—	—	—	1,999	1,998	1,700
TOTAL	15,720	17,433	17,839	5,233	7,903	8,830

TABLE 19

Estimated Italian P. O. L. requirements, July 1946 through June 1947

(Firm demand yet to be formulated and justified)

	(tons)
Automotive Gasoline	300,000
Aviation Gas	35,000
Diesel Oil	300,000
Kerosene	160,000
Fuel Oil	1,000,000
Lubrificants and Greases	66,000
Paraffin	20,000
Solvents	6,000
White Spirits	15,000
Asphalt (Paving)	75,000
TOTAL	1,977,000

Future Requirements.

133. If the controls on the use of petroleum are maintained, the requirements for the year 1 July 1946 to 30 June 1947 should be met by the following quantities:

134. Importation of finished products for essential purposes can be reduced by whatever quantity it is found possible to refine locally from imported crude. The importation of crude is important to help Italy to save foreign exchange.

135. It will be seen that the quantities above are less than those shown in Table 17, particularly as regards gasoline. This is because gasoline is allocated on a priority basis, based on essential need as far as automobiles are concerned, and that the road transport fleet in Italy is below normal. Therefore if, as has been recommended, the controls are maintained on the consumption of gasoline, the quantity of 300,000 tons should be sufficient for Italy's essential requirements: this reduced figure is, of course, responsible for the reduction in lubricants required.

CRUDE OIL REFINING

Pre-War Position of the Refining Industry.

136. Italy has practically no production of crude oil within present national boundaries. However, during the period of occupation of Albania, the oil resources of that country were rapidly exploited, and in 1939 production had reached an estimated figure of 207,000 tons for the year. Also, the acquisition of Albanian oil gave considerable impetus to the development of refineries under Italian ownership.

137. Prior to the availability of Albanian crude, sev- 1,500,000 tons for the year due to limited availability of foreign crude oil.

138. Table 20 shows the capacities of the various refineries in Italy in terms of the important products which can be produced.

War Damage.

139. The oil refineries in Italy were badly damaged by bombing or German demolition to the point of complete stoppage with the exception of the ANIC plant

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CATEGORY	PETROL			KEROSENE		
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Pre-War Position of the Refining Industry.

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137. Prior to the availability of Albanian crude, several refineries had been constructed in Italy by foreign interests, and in 1939 the total refining capacity of the country had reached an estimated figure of 1,760,000 tons per year. This capacity was sufficient to supply approximately 80 % of Italian needs; but, in 1938, the total production from the refineries amounted to only 1,500,000 tons for the year due to limited availability of foreign crude oil.

138. Table 20 shows the capacities of the various refineries in Italy in terms of the important products which can be produced.

War Damage.

139. The oil refineries in Italy were badly damaged by bombing or German demolition to the point of complete stoppage with the exception of the ANIC plant at Bari, which is in operating condition. War damage to the other plants is being gradually repaired, and at present it is estimated that approximately 11,000 barrels per day of crude oil can be processed through topping and thermal cracking installations. Also, five hydrogenation units at Bari are in operating condition,

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At the present time there are no facilities in operating condition in Italy for the manufacture of lubricating oils and waxes.

Post-War Position of Crude Oil Refining.

140. In spite of adverse crude oil prices, it is evident that a resumption of operation of the refineries is desirable in the Italian economy even though existing price structure for crude oil are such as to maintain rather high prices on finished petroleum products in Italy. As a measure to save foreign exchange, UNRRA began in 1946 an import program of crude oil in order to start those refineries which are in a position to function immediately.

141. In the post-war economy, petroleum as a source of hydrocarbons fills an important position in the chemical field; as yet this phase of the refining industry has not been developed in Italy. There is little doubt that the Italian economy will require a number of organic chemicals produced from petroleum and its derivatives. This is a future development which should receive early attention in this country.

Methane Fuel.

142. Intensive exploitation of methane gas (natural gas) both from seepages and drilled wells during the war years has resulted in a production of some 3,795,000 cubic feet per day, which is equivalent to 780 bbls. of gasoline or 520 bbls. of fuel oil if burned for industrial purposes.

TABLE 20

Annual capacities of Italian oil refineries

(in tons)

PRODUCTS	A.N.I.C. Livorno	A.N.I.C. Bari	AGIP P. Marghera	ROMSA Fiume	VACUMM Napoli	SIAP Trieste	AQUILA Trieste	INPET La Spezia	PERM-OLIO Rome Milan	Total	Approx. needs of Italy
Gasoline	100.000	100.000	120.000	30.000	80.000	20.000	40.000	110.000	10.000	610.000	500.000
Kerosene	—	—	30.000	14.000	17.000	10.000	15.000	30.000	1.000	157.000	180.000
Gas Oil	40.000	40.000	70.000	20.000	60.000	4.000	40.000	60.000	6.000	340.000	350.000
Fuel Oil	80.000	40.000	70.000	—	—	10.000	75.000	40.000	30.000	345.000	1.000.000
Petroleum Coke	5.000	—	10.000	—	10.000	—	—	30.000	—	55.000	40.000
Bitumen	—	20.000	—	15.000	10.000	16.000	12.000	—	20.000	93.000	80.000
Lub. Oils high grade	30.000	—	—	8.000	17.000	—	8.000	—	—	63.000	50.000
Lub. Oils other grades	30.000	—	—	7.000	6.000	20.000	7.000	—	6.000	76.000	75.000
Paraffin	15.000	—	—	1.000	500	—	3.000	—	—	19.500	25.000
TOTAL	300.000	200.000	320.000	95.000	200.500	80.000	200.000	290.000	73.000	1.758.500	2.300.000

CHEMICAL AND ALLIED INDUSTRIES

Introduction.

143. It is convenient to group with the chemical industry proper a number of allied industries which are closely related to the chemical industry in their raw materials, processes and products. Before the war Italy had expanded its manufacturing facilities to the point where it was beginning to approach France in the size and diversity of its chemical operations. Germany, England and France, in that order, were leaders in European

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	Livorno	Bari	P. Marghera	Fiume	Napoli	Trieste	Trieste	La Spezia	Rome Milan		
Gasoline	100.000	100.000	120.000	30.000	80.000	20.000	40.000	110.000	10.000	610.000	500.000
Kerosene	—	—	50.000	14.000	17.000	10.000	15.000	50.000	1.000	157.000	180.000
Gas Oil	40.000	40.000	70.000	20.000	60.000	4.000	40.000	60.000	6.000	340.000	350.000
Fuel Oil	80.000	40.000	70.000	—	—	10.000	75.000	40.000	30.000	345.000	1.000.000
Petroleum Coke	5.000	—	10.000	—	10.000	—	—	30.000	—	55.000	40.000
Bitumen	—	20.000	—	15.000	10.000	16.000	12.000	—	20.000	93.000	80.000
Lub. Oils high grade	30.000	—	—	8.000	17.000	—	8.000	—	—	63.000	50.000
Lub. Oils other grades	30.000	—	—	7.000	6.000	20.000	7.000	—	6.000	76.000	75.000
Paraffin	15.000	—	—	1.000	500	—	3.000	—	—	19.500	25.000
TOTAL	300.000	200.000	320.000	95.000	200.500	80.000	200.000	290.000	73.000	1.758.500	2.300.000

CHEMICAL AND ALLIED INDUSTRIES

Introduction.

143. It is convenient to group with the chemical industry certain logically associated industries, such as artificial fibers, cellulose and paper, oil and fats, and soap. The principal developments of Italian chemical and allied industries, which hereinafter will be described simply as "chemical industry," took place in the main during 1919-29. Prior to the war, Italy had steadily expanded its manufacturing facilities to the point where it was beginning to approach France in the size and diversity of its chemical operations. Germany, England and France, in that order, were leaders in European chemical production.

144. In Italy, this group of industries gave employment in 1937 to 128,000 persons. The total value of the production was about 9 billion lire, of which about 500 million were paid in wages.

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145. Classifying the various industries according to their percentage share of added value, the list would read as follows: Distillation of (imported) coal, 11.7 %; Distillation and refining of (imported) mineral oils, 8.6 %; Chemical nitrogen, 8.1 %; Pharmaceutical products, 8.1 %; Soap and allied products, 7.0 %; Sulphuric acid, phosphate fertilizers and allied products, 6.7 %; Alkali, chlorine, etc. 4.2 %; Varnishes, paints, 2.4 %.

146. The development of the chemical industry is shown by the following comparison of its production indices with those of the Italian industry as a whole.

TABLE 21

Chemical Industry, Production Indices

Base Year 1922			Base Year 1928		
	General Industrial Activity	Chemical Industry		General Industrial Activity	Chemical Industry
1922	100	100	1928	100	100
1925	157.3	156.0	1935	102.4	130.7
1929	204.5	187.2	1938	107.5	142.6
			1940	120	157.2

War Damage.

147. The havoc of war fell with unequal intensity on the Italian chemical industry in that by far the greater part of the damage occurred in the center and south. Taken as a whole, the damage relative to the national economy was small and, for purposes of illustration only, may be set at 10 to 15 % of the total physical plant. Except in the case of the explosives industry, which was perhaps 50 % destroyed by Allied air bombing, the great majority of the destruction was by enemy sabotage as the Germans retired slowly up the Peninsula. A very rough estimate of the original damage done, according to industries, is as follows:

Superphosphate	— 25 %
Nitrogenous fertilizer	— 50 %
Copper Sulphate	— 33 %
Calcium Carbide	— 25 %
Caustic Soda and Soda Ash	— 10 — 20 %
Coke Ovens	— 50 %
Paper Mills	— 10 %
Artificial Fiber	— 20 %

ful whether the industry operated at even as much as 20 % of normal. With the increasing rate of arrival of Allied raw material, the position has substantially improved and the rate of activity may have reached 50 % of pre-war, but, of course, not in all branches. For example, the important rayon industry is operating at little over 5 % through lack of coal and cellulose, which latter, although scheduled for import under the Italo-Swedish trade agreement, has not yet arrived in substantial quantities.

149. On the other hand, superphosphate production is being pushed steadily to the maximum of existing capacity, but here also the volume of the necessary phosphate rock has until recently been low. With increased regularity of substantial shipments of rock from French North Africa, it is expected shortly to reach a monthly output of 75,000 tons of superphosphate, which represents 80 % of existing capacity or 60 % of pre-war capacity.

Influence of Allied Assistance.

150. In 1944, under the military "Disease and Unrest" Program, the first flow of raw materials to the central and southern regions was initiated. This took the form, principally, of some 30,000 tons of phosphate rock, which was shipped from Tunisia during the last few months of the year on military account.

151. During the early part of 1945, the flow of rock continued until a total of 100,000 tons had been delivered, but little other raw materials were obtainable, despite an intense effort to convert surplus military ammunition and cartridge cases into fertilizers and copper sulphate, respectively. Until the mid-year the industry was stagnant, with here and there certain factories starting into production on a hand-to-mouth basis. For example, the Solvay Company's soda ash plant resumed operations on a reduced scale in the spring. A few sulphuric acid plants were able to start operations, thanks to the ample deposits of high-grade pyrites on the Italian mainland, copper sulphate manufacture began at three of four plants and by mid-year, half a dozen electrolytic caustic soda and chlorine plants were working. These, plus a few miscellaneous activities, such as glue manufacture, carbon bisulphide and three rayon plants, represented the general status of the economic recovery.

152. By the fall of 1945, four coke ovens—two of them large ones, namely, S. Giuseppe di Cairo and Vetro-

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ducts, 6.1 %: Soap and allied products, 7.0 %: Sulphuric acid, phosphate fertilizers and allied products, 6.7 %: Alkali, chlorine, etc. 4.2 %: Varnishes, paints, 2.4 %.

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Caustic Soda and Soda Ash	— 10 — 20 %
Coke Ovens	— 50 %
Paper Mills	— 10 %
Artificial Fiber	— 20 %

148. In general, it cannot be said that war damage as such perceptibly retarded the revival of the Italian chemical industry for the reason that, until quite recently, there prevailed a chronic shortage of every form of raw material. Thus, during 1945, it is doubtful if the industry operated at more than 10 % of capacity. For example, the important rayon industry is operating at little over 5 % through lack of coal and cellulose, which latter, although scheduled for import under the Italo-Swedish trade agreement, has not yet arrived in substantial quantities.

149. On the other hand, superphosphate production is being pushed steadily to the maximum of existing capacity, but here also the volume of the necessary phosphate rock has until recently been low. With increased regularity of substantial shipments of rock from French North Africa, it is expected shortly to reach a monthly output of 75,000 tons of superphosphate, which represents 80 % of existing capacity or 60 % of pre-war capacity.

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152. By the fall of 1945, four coke ovens—two of them large ones, namely, S. Giuseppe di Cairo and Vetrocoke, were able to get enough suitable coal in stock to justify their reactivation. This immediately released from idleness a number of subsidiary plants whose existence depends on benzol, toluol, naphthalene and coal tar, by-products of coke-oven operation. By the year's end the flow of raw materials from abroad com-

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ing in under the "YT Program" (financed through the Troop-Pay Fund, granted to the Italian Government by the United States) furnished certain much-needed basic raw materials, including petroleum coke and blister copper.

153. At the same time, the flow of fuel in the form of coal and petroleum products continued on a rising curve so that by the spring of 1946, the general situation became much easier and would have continued to improve but for the disastrous effects of the threat and actuality of the US coal strike, which compelled Italy to retrench in all its coal-consuming industries. Thus, the chemical industry was gravely affected in all its branches, excepting the manufacture of sulphuric acid, superphosphate and copper sulphate, which do not require coal.

154. Typical of the chemical industry as a whole are the following statistical data of the Montecatini concern, which is by far the largest in the chemical field:

TABLE 22

"Montecatini Group"
Production Indices for the Group as a Whole and for its Chemical Division (65 % of total in 1938)

Year	All Operations	Chemicals
1938	100	100
1939	108.6	108.6
1940	118.6	121.0
1941	122.7	123.3
1942	123.6	111.7
1943 first half:	107.2	102.0
1943 second half:	78.3	73.0
1944	44.7	38.4
1945 Jan.	12.2	12.4
» Feb.	12.3	10.5
» March	12.6	10.7
» April	7.2	7.3
» May	7.7	9.4
» June	9.1	10.1
» July	12.1	14.8
» Aug.	12.8	14.3
» Sept.	16.3	15.4
» Oct.	22.7	20.1
» Nov.	21.7	17.8

155. The table above shows the production indices of the most important branch of the Montecatini group, i.e. chemicals (1), the output of which represents nearly two-thirds of the total production of this great industrial combine. Chemical production commenced to fall in the second half of 1943 and continued falling until April 1945. Production then revived and in March 1946 was one-third of 1938 .

UNRRA's Assistance to the Chemical Industry.

156. Under UNRRA's present plan for industrial rehabilitation, the following value of raw materials is being asked on Italy's behalf:

	$
Heavy Chemicals	3,300,000
Industrial Fats and Oils . . .	12,000,000 (2)
Pharmaceuticals	8,000,000
TOTAL	23,300,000

157. The full extent of the proposed UNRRA assistance to the Italian chemical industry can be seen in Table 31. "Revised Industrial Requirements for 1946" (See Apendices). Largely because of the inevitable delays in procurement and arrivals, the reactivation program has fallen behind. With the US coal strike settled, there appear to be no serious obstacles in the way of a general satisfactory return towards normal levels of production by the end of the year within the limits, of course, of export sales possibilities and political stability.

158. There is no reason, however, to expect that all sectors of the chemical industry will revive in equal degree. Indeed, as has been intimated above, those of the industry's branches which had national self-sufficiency as their main "raison d'être" will lapse to such

(1) The chemical production total is composed of the following key branches:

	%
Synthetic Nitrogen	29.4
Sulphuric Acid	23.1
Calcium Carbide	14.7
Dyestuffs	11.1
Caustic Soda	9.1
All Others	12.6

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1943 first half:	107.2	102.0
1943 second half:	78.3	73.0
1944	44.7	38.4
1945 Jan.	12.2	12.4
» Feb.	12.3	10.5
» March	12.6	10.7
» April	7.2	7.3
» May	7.7	9.4
» June	9.1	10.1
» July	12.1	14.8
» Aug.	12.8	14.3
» Sept.	16.3	15.4
» Oct.	22.7	20.1
» Nov.	21.7	17.8
» Dec.	23.5	21.3
1946 Jan.	26.9	23.5
» Feb.	28.8	27.1
» March	36.3	34.7

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All Others	12.6
	100.0

(2) As a result of shortage of supplies this request must be reduced.

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levels as their inherent, competitive vitality will dictate. On the other hand, it must be borne in mind that once a plant has been built and the invested capital amortized, it has only to be able to meet direct manufacturing costs and maintenance. It may, therefore, find itself on a competitive basis with more modern plants abroad even though the latter be favored by lower manufacturing and raw material costs. Hence, even in its autarchic branches, many of these borderline activities may have economic grounds, at least to Italy, for continuing in existence, provided, of course, they can satisfy the criterion of being able to meet free competition abroad.

Labor.

159. Because of its special nature, the chemical industry, relative to the high unit value of its products, requires on the average less labor than manufacturing industry in general. Thus in 1938, the "chemical industry" (as defined above) employed 183,000 workers. In 1946, it was reported that 140,000 workers were employed as compared with the 1938 figure, indicating an unemployment of 25 %. This presents a false picture of the situation, since in actual practice factory owners were compelled to carry their workers on their payrolls, regardless of whether there was any work for them to do or not.

Salient Features of Italian Chemical Industry.

160. In an endeavor to portray the principal characteristics of the Italian chemical industry, a brief description of the main sectors is given below, outlining their relative importance in the economy and their relation to each other, together with salient relevant statistics.

Agricultural Chemicals.

161. Despite the notable progress towards industrialization, Italy still remains largely an agricultural economy and, accordingly, agricultural chemicals have been in the forefront of developments in the chemical industry. These fall into two groups: fertilizers—superphosphate, nitrogenous fertilizers and potash; and pesticides—copper sulphate and arsenicals.

(a) *Superphosphate.*

162. This industry depends for its raw materials on

163. In pre-war days the production of sulphuric acid of all grades reached nearly 2,000,000 tons per year. Of this, approximately half went into the manufacture of superphosphate, which averaged for some years before the war approximately 1,500,000 tons a year. This was produced in 75 plants and three-fourths of the capacity was owned by the Montecatini group.

164. The war caused damage or destruction to more than a score of plants, and today there are only 45 active or waiting to resume operations. At the time of liberation, Italy had only two plants working on rock phosphate with a monthly output of 2-3,000 tons. Today, 50,000 tons a month of rock are arriving from Tunisia, and a target of 75,000 tons of superphosphate a month is aimed at. This represents a reactivation of 80 % of maximum present theoretical capacity.

165. Other important outlets for sulphuric acid are in the manufacture of rayon, ammonium sulphate and copper sulphate, in that order of importance.

(b) *Nitrogenous Fertilizers.*

166. There are five different commercial forms in which nitrogen is sold: viz., the nitrates of ammonium, calcium and sodium, ammonium sulphate and calcium cyanamide. Furthermore, there are four different methods for obtaining chemical nitrogen, each of which is of approximately the same importance: viz., (a) coke ovens by direct recovery of ammonia from gases obtained from the distillation of coal and by synthesis from the hydrogen fraction of the gases; (b) from hydrogen obtained in water-gas and producer-gas plants; (c) by electrolysis of water; and (d) from carbide made in electric furnaces from lime and coke. The technical aspect cannot here be dealt with in detail, but it is important to bring out the following:

167. Method (c) is the only truly "autarchic" one in that nothing but hydro-electric power, relatively abundant in Italy, is consumed therein. Unfortunately, this provides less than one-fourth of the total chemical nitrogen required, leaving the rest to be provided from coal, which had to be imported since the quality of domestic deposits is too poor for use in coke ovens.

168. Italy's pre-war nitrogen requirements for agriculture are approximately 135,000 tons per annum. Of this, with normal rainfall, it can produce by hydro-electric power alone approximately 65,000 tons, or nearly half. This already represents a strain on the Italian water power resources so that the other systems were adopted more and more.

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(a) *Superphosphate.*

162. This industry depends for its raw materials on French North Africa for the phosphate rock and mainly on the high-grade pyrites mines in the Maremma District of Tuscany. Although the sulphur content of pyrites is less than 50 %, it is still cheaper than Sicilian sulphur for sulphuric acid production.

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168. Italy's pre-war nitrogen requirements for agriculture are approximately 135,000 tons per annum. Of this, with normal rainfall, it can produce by hydro-electric power alone approximately 65,000 tons, or nearly half. This already represents a strain on the Italian water power resources so that the other systems were adopted more and more.

169. Three large cokeries were built in conjunction with nitrogen-fixation plants, for which the hydrogen was furnished by the fractionation of the coke-oven gases. Thus, at the outbreak of war, the three largest

coke ovens were capable of providing annually 75,000 tons of chemical nitrogen and 1,000,000 tons of coke. One of these plants will remain out of action until the latter part of the year: the other two are operating at one-fourth capacity, partly owing to inadequate maintenance facilities, but mainly owing to the lack of imported coal.

(c) *Copper Sulphate.*

170. To Italy with its important wine-growing industry, the protection of its vines is of paramount importance. There are also other basic crops, such as potatoes, which need copper sulphate protection against fungicides.

171. Italy, normally requires about 125,000 tons of copper sulphate, for which 30,000 tons of copper are consumed. Of this, all but a few thousand tons, produced domestically as a by-product, had to be imported at a cost of approximately $7,000,000 per annum. Despite the loss through war damage of approximately one-third of its pre-war capacity, there still remain some 10 large plants easily capable of turning out the 100,000 tons of copper sulphate that is planned for the 1946-47 campaign.

Electrothermal Industries.

172. Principal activities in this industry are as follows:—

	1939 Production Metric tons
Steel, ferro-alloys and pig iron . .	830,000
Calcium carbide	200,000
Aluminium	35,000
Abrasives	18,000

173. Steel and its alloy, and aluminum are by far the largest consumers of carbon electrodes and of electric power.

174. The production of carbon electrodes represents a sizable industry in itself, which is evident from the fact that nearly 100,000 tons were consumed in 1938. Most of the raw materials necessary for this production: e.g. calcium carbide, carbon bisulphide, sodium sulphide and the electrolytic production of caustic soda, sodium chlorate etc.

Petroleum coke (special calcined) . .	3,800 tons
Petroleum coke (calcined) . . .	4,400 »
Special anthracite	12,000 »
Graphite	1,000 »

176. In the metal industries large quantities are used in the form of anodes in aluminum production; in the steel industries almost as large a tonnage is used in the making of pig iron and steel.

177. Calcium carbide was consumed as follows:

Manufacture of calcium cyanamide .	40 %
Production of acetylene . . .	30 %
Chemical manufacture (acetone, acetic acid, chlorinated hydrocarbons). .	15 %
Lighting and various	15 %

178. The manufacture of abrasives was partly from native alumina, but also depended on the importation of nearly 10,000 tons of superior quality sand from France.

Electrolytic Industry.

179. With relatively ample electric power and salt, both rock and solar, Italy has developed and adequate production of caustic soda and chlorine, which by 1940 amounted to a total of 110,000 tons of caustic soda (100 %) and 95,000 tons of chlorine produced in a score of small plants, the largest of which had a capacity of only 14,650 tons a year of 100 % NaOH.

180. These have not been seriously affected by war damage, but their reactivation has been delayed by lack of transportation and by drastically limited markets, owing to the virtual standstill in both the rayon and soap industries, the two largest consumers.

181. Italy has only two soda ash plants, both owned

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at one-fourth capacity, partly owing to inadequate maintenance facilities, but mainly owing to the lack of imported coal.

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173. Steel and its alloy, and aluminum are by far the largest consumers of carbon electrodes and of electric power.

174. The production of carbon electrodes represents a sizable industry in itself, which is evident from the fact that nearly 100,000 tons were consumed in 1938. Most of the raw materials necessary for this production, amounting to over 80,000 tons, have to be imported.

175. UNRRA has programmed for import during 1946 the following quantities of raw materials essential for the manufacture of carbon electrodes, which are essential to various basic branches of the chemical in-

Petroleum coke (special calcined) . .	3,800 tons
Petroleum coke (calcined)	4,400 »
Special anthracite	12,000 »
Graphite	1,000 »

176. In the metal industries large quantities are used in the form of anodes in aluminum production; in the steel industries almost as large a tonnage is used in the making of pig iron and steel.

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180. These have not been seriously affected by war damage, but their reactivation has been delayed by lack of transportation and by drastically limited markets, owing to the virtual standstill in both the rayon and soap industries, the two largest consumers.

181. Italy has only two soda ash plants, both owned by the Solvay Company. The largest, at Rosignano near Leghorn, has a theoretical capacity of 1,000 tons per day, but owing to grave shortage in coal, has operated at only 10 to 15 % capacity since the liberation. The other Solvay plant at Monfalcone in Venezia Giulia, still remains inactive.

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Synthetic Organic Chemicals.

182. The three principal branches of synthetic organic chemicals are dye-stuffs, medicinals and synthetic resins. In nitrogen, as in most other branches, Montecatini is the leader, producing nearly 50 % of the total, which just before the war had reached approximately 12,000 tons in terms of pure colors. Nearly every type of dyestuff is produced so that, except for specialties, Italy's textile industry needs were satisfied by home production. The two largest-tonnage families of dyes were sulphur dyes, with over 3,000 tons a year of pure colors and nearly 6,000 tons per year of mixtures, and direct dyestuffs, with nearly 2,000 tons of pure colors and over 4,000 tons of mixtures.

183. To produce the foregoing 7 to 8,000 tons of benzol are required: 1,500 tons of toluol; and 1,500 tons of naphthalene, part of which has to be imported to supplement the limited domestic production of coal tar primaries, and in order to assist in the rehabilitation of this section of the Italian chemical industry, UNRRA has planned to import the following materials during 1946:

Benzol (nitration grade) . . .	500 tons
Benzol (industrial grade) . . .	2,500 »
Toluol (nitration grade) . . .	1,270 »
Naphthalene (purified)	500 »
Naphthalene (refined)	500 »

184. The production of organic intermediates is probably the weakest link in the chain of organic synthesis, since there are only two medium-sized factories in Italy of any significance for their manufacture. In 1939, over 20,000 tons of one-ring and 6,500 tons of two- and three-ring aromatic intermediates were produced.

185. The manufacture of synthetic organic medicinal products is largely concentrated at the Montecatini plant at Settimo Torinese. The production of synthetic resins and plastics, highly important industrial products, although growing at an accelerated tempo, is still not large. Even under the stimulus of war, the total output did not surpass 12,000 tons, estimated for 1942, as compared with well over a half-million tons in the U.S. in that year. All principal kinds were produced, such as Bakelite, Urea, Polyvinyl, etc., as well as industrial finishes of the 100 % phenolic, nitrocellulosic and

186. In the important accessory class, viz., solvents and plasticizers, Italy is particularly deficient. Less than a dozen products are made on anything like a commercial scale, compared with the many score available in the leading industrial nations.

Rayon Industry.

187. Italy's remarkable development of the viscose rayon industry in the two decades between the World Wars is probably the most outstanding single development in the chemical industry. This was almost entirely brought about by the SNIA-Viscosa Group. Italy, by 1939, had reached an output of 140,000 tons of filament and staple rayon, which put it in fourth place in world rayon production and in third place as a producer of staple fiber. Approximately 85 % of the total was produced by SNIA-Viscosa with 15 plants owned by it and its affiliates.

188. The Viscose rayon industry, despite every effort, has not been able to surpass 5 to 7 % of normal output, due originally to lack of cellulose and now to severe restriction in coal allotments. Artificial fibers are relatively heavy consumers of coal. (For further discussion, see paras. 234 to 242.)

189. There was also some acetate and synthetic wool production. These are comparatively negligible.

190. The Montecatini nylon plant at Verbania (Novara) deserves special mention. It has been in production since 1942, and has recently been averaging 500 kilos per day of yarn and bristle.

Paper and Pulp.

191. Italy was producing 600,000 tons of all types of paper products before the war, but today production is probably not over one-fifth of normal. Since suitable native sources of cellulose in Italy today are negligible and the industry as such does not enjoy a high economic priority in national rehabilitation, there has been little help furnished, and no supplies under the UNRRA program other than a few thousand tons of resin are being considered.

192. It might be mentioned that the great "autarchic" plant at Torre Viscosa built at huge cost by the SNIA-Viscosa in the province of Udine had proved rather promising in initial tests in 1942 and was destined to supply up to 40 % of Italy's chemical cellulose require-

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Meta-Para Cresol	500 tons
Cresylic Acid	100 »

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192. It might be mentioned that the great "autarchic" plant at Torre Viscosa built at huge cost by the SNIA-Viscosa in the province of Udine had proved rather promising in initial tests in 1942 and was destined to supply up to 40 % of Italy's chemical cellulose requirements. It was most severely damaged by air bombing in 1943 (about 40 % total destruction) and will not be able to resume activities until late in 1947. Since its commercial possibilities have never been completely established, there may exist legitimate doubt as to whether it will ever be rebuilt for its original purpose.

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Oils, Fats and Soaps.

193. Before the war 250,000 tons of soap were produced, requiring 155,000 tons of oils and fats, of which 80,000 tons were imported.

194. Principal source of industrial oils and fats in Italy is "sulphur" oil, which is extracted from olive pressings and which used to provide more than 80 % of native sources of industrial oils and fats.

195. Today, Italy is in the throes of a virtual famine in these basic commodities, which has resulted in the hoarding and black marketing of olive oil pressings. Until the present world allocation policy of not allowing the importation of any oils and fats, excepting for minimum edible purposes, is modified, this industry must remain in a state of suspended animation.

The Future of the Chemical Industry.

196. As has been pointed out, Italy before the war came fourth in order of importance in the European chemical industry. Until its defeat, Germany for the past few decades had appreciably overshadowed Italy in that as soon as any new enterprise showed signs of becoming a serious competitor to German interests, it was either bought out or opposed by various indirect, but effective methods, such as threat of patent suits, "dumping" of chemical products and ruinously low prices, etc. Despite this opposition, Italy has been able to show substantial progress.

197. The share of world markets assigned to Italy in the various pre-war international cartels is not known, but it is believed to have been less than Italy could have secured on a strictly competitive basis, in spite of the handicap inherent in heavy dependence on imported raw materials.

198. Whatever were the basic under-lying causes, the fact is that the Italian market for chemicals was limited: hence Italian chemical operations were held back. Despite the powerful financial resources of Montecatini, it is surprising to see how few really large plants they have constructed. There are no factories in Italy comparable to the gigantic chemical centers to be found in Germany and the US. There are only three nitrogen fixation plants in the country, with an annual capacity in terms of ammonia of 23,000 tons a year. This is to be compared with US practice, where the smallest plant that is regarded as commercially competitive is at least double that figure, with the gigantic DuPont operation capable of producing more than eight times Italy's annual capacity. Similarly, with superphosphate production, the largest Italian plant has an annual capacity of less than 100,000 tons per year, compared with the plant at Baltimore, which can produce three to four times that quantity. This smallness of size has naturally militated against those bold industrial developments which the US, England and Germany have displayed during the war.

199. In the field of applied research, despite the meritorious achievements of individual scientists and engineers, as a whole, in scope of activities and in technical facilities available, Italy has fallen far behind. This is not surprising in view of the grave obstacles placed, during the fascist period, in the way of Italian scientists and engineers travelling abroad periodically for the purpose of studying contemporary developments in other countries.

200. The ill effects of this sequestration of Italian science and technology were mitigated by turning more to Germany for technological development. But it proved to be an unequal partnership, since the more outstanding and basic scientific and engineering developments were not fully divulged by the senior partner.

201. Now that Italy is free to work out its own destiny and Germany, at least for some years to come, will not be in a position to exert anything comparable to its pre-war influence, it is believed that Italy may have a golden opportunity to display to the full its vitality and its technical skill. Italy is currently getting many demands from abroad for synthetic organic chemicals and dyestuffs which, thanks to the negligible destruction in this branch of the industry, could easily have been filled but for the lack of coal and its by-products, viz., tar, benzol, toluol and naphthalene.

202. In the light of the foregoing, it is believed that the prospects for Italian chemical industry are bright, provided business conditions return more nearly to normal and that Italian enterprise rises to meet the challenge over the next few years, in modernizing existing plants, in building new ones, and in energetic development of foreign markets.

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(END OF FIRST SECTION)

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ECONOMIC NOTES

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2. Mr. LaGuardia Tours Italy
3. Further Commodity Prices
4. UNRRA at Rome Exhibition
5. Movements of Ships

FIFTH COUNCIL ON UNRRA'S FUTURE

Next Monday, 5 August, the UNRRA Fifth Council will meet in Geneva. It will have to decide on what aid—if any—is to be given in 1947 to those countries that are now receiving UNRRA help; and, if help is to be continued, how it is to be financed.

As was emphasized by UNRRA's Director General, Mr. LaGuardia, in all his public statements during his visit to Italy last week, UNRRA's funds are due to run out on 31 December, and at the present moment no funds exist for extending operations in Europe beyond that date.

Up to the present month, UNRRA has shipped 14,000,000 tons of supplies. It has received contributions totalling some 3,690 million dollars (£922,500,000 sterling) and has committed practically the entire amount. Its field staff numbers 9,150 and is working in 39 countries. UNRRA employs nationals of 47 countries. It has maintained health services, strengthened and renewed welfare services and has aided in the work of economic rehabilitation. It has assisted in the repatriation of 6,000,000 displaced persons, and has cared for a further 1,000,000 for more than 18 months.

Administration Statement

A statement on future policy has been cir-

sustain a minimum standard of life for their people during 1947." About 1,100 million dollars' (£275,000,000 sterling) worth of food imports may be required for these countries in Europe between August, 1946, and the harvest of 1947. It is likely that these imports will in any case have to be reduced to about 750 million dollars, because of shortages in the supply of such basic foods as cereals and fats. Against this 750 million dollars, UNRRA has available only approximately 300 million dollars to buy food during the second half of 1946. No funds are available at all for 1947.

Food Must Be Shipped

"Whatever the Fifth Council's decision may be regarding the liquidation of UNRRA," the statement continues, "some agency, or agencies, national or international, will have to find the means to procure and ship this food, or some of these importing countries will be in a worse position two years after the war than they were during 1945 and 1946.

"The Council has been asked by the Director General for a specific decision concerning the measures to be adopted for countries which cannot otherwise pay for their deficiencies in food.

"Equally as important as food are the im-

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Administration Statement

A statement on future policy has been circulated by the Administration for preliminary study to each of the 48 member governments of UNRRA. It is expected to come up for discussion at the Council meeting in Geneva.

"All the receiving countries," the statement points out, "now dependent on UNRRA will continue to depend upon further imports to sustain a minimum standard of life for their people during 1947." About 1,100 million dollars' (£275,000,000 sterling) worth of food imports may be required for these countries in Europe between August, 1946, and the harvest of 1947. It is likely that these imports will in any case have to be reduced to about 750 million dollars, because of shortages in the supply of such basic foods as cereals and fats. Against this 750 million dollars, UNRRA has available only approximately 300 million dollars to buy food during the second half of 1946. No funds are available at all for 1947.

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"The Council has been asked by the Director General for a specific decision concerning the measures to be adopted for countries which cannot otherwise pay for their deficiencies in food.

"Equally as important as food are the import needs for seed and fertilizer. Unless these are provided in sufficient quantity to make possible the rehabilitation of the indigenous production of food supplies, large food import needs will continue into 1948. The Administration's best estimates show that, in addition to UNRRA's seed and fertilizer imports

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during 1946, the European countries receiving assistance from UNRRA will require some 60 million dollars for seed for the 1947 crop and some 140 million dollars for fertilizers. They will also need considerably more agricultural draft power and equipment. In this instance, too, countries may be unable to finance their most essential needs for agricultural rehabilitation supplies.

"The Director General strongly recommends that thought be given to the possibility of having loans made by the International Bank for Reconstruction and Development, or other financial institutions" for the purchase of seasonal commodities, such as seeds and fertilizers.

The import needs for certain types of industrial equipment compare in importance with seed and fertilizer. The Administration estimates that the urgent needs for fuel alone, in the European countries receiving UNRRA's assistance, amount to over 150 million dollars, between now and the middle of 1947, whereas UNRRA has available only approximately 60 million dollars which it can use for this purpose until the end of 1946.

Minimum Import Requirements

These items do not by any means cover all of the minimum import requirements of the European countries receiving UNRRA's assistance, for which finance must be found. It should be noted, however, that the import needs of these countries for food, seed, fertilizer and fuel alone, between now and the harvest of 1947, exceed by almost 750 million dollars (£187,500,000 sterling) the funds which UNRRA has available for these supplies. This sum represents less than one-half of one per cent. of the national incomes of the uninvaded member countries of UNRRA.

Requirements other than food, seed, fertilizer and fuel for the European countries, together with the needs of the Far Eastern countries requiring UNRRA's assistance, would amount, at a most conservative estimate, to approximately 750,000,000 dollars.

"Unless the countries now receiving UNRRA's assistance are able to obtain with

much below what it should be, and they will be unable to move from agricultural areas to cities even the food which they themselves have raised."

Receiving Countries Cannot Pay

The financial position of each of the receiving countries was re-examined during May and June this year by the UNRRA Council's special committee of international experts, which advised the Director General in every case that these countries were still unable to pay for their imports with suitable means of foreign exchange. The committee further certified that this position would continue until the end of 1946.

It is hoped that one or two countries may acquire enough foreign exchange which they may be able to use to import urgently needed relief supplies, but account must be taken of the present very disturbed economic, social and political atmosphere of the world, and the fact that normal commercial relations are still very far from being restored. There is no other United Nations organisation able to meet the need for food, seed, fertilizer, fuel and other urgent relief supplies, and there is no present likelihood that the World Bank, which in any event has not yet commenced operations, will be in a position to meet such requests for assistance.

"The Council," continues the statement, "is confronted with a situation requiring it to decide, should it be satisfied that urgent needs exist, whether it is prepared to recommend the provision of further assistance. Should such a decision be reached, it cannot be overemphasized that the funds and the machinery through which these are to be expended must be on hand for operation, and the necessary action authorized well in advance of January, 1947, if the flow of imports is to be maintained beyond that date.

International Responsibility

"The Director General has repeatedly stated that all the good heretofore accomplished by UNRRA might well be destroyed if its mission is suddenly terminated on a fixed date.

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Requirements other than food, seed, fertilizer and fuel for the European countries, together with the needs of the Far Eastern countries requiring UNRRA's assistance, would amount, at a most conservative estimate, to approximately 750,000,000 dollars.

"Unless the countries now receiving UNRRA's assistance are able to obtain within the next six or eight months the foreign exchange necessary to finance these imports, many of their inhabitants will face severe hardship and suffering in 1947," states the Administration memorandum. "They will be unable to seed much of their tillable land, the yield of their land under cultivation will remain

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It is hoped that one or two countries may acquire enough foreign exchange which they may be able to use to import urgently needed relief supplies, but account must be taken of the present very disturbed economic, social and political atmosphere of the world, and the fact that normal commercial relations are still very far from being restored. There is no other United Nations organisation able to meet the need for food, seed, fertilizer, fuel and other urgent relief supplies, and there is no present likelihood that the World Bank, which in any event has not yet commenced operations, will be in a position to meet such requests for assistance.

"The Council," continues the statement, "is confronted with a situation requiring it to decide, should it be satisfied that urgent needs exist, whether it is prepared to recommend the provision of further assistance. Should such a decision be reached, it cannot be overemphasized that the funds and the machinery through which these are to be expended must be on hand for operation, and the necessary action authorized well in advance of January, 1947, if the flow of imports is to be maintained beyond that date.

International Responsibility

"The Director General has repeatedly stated that all the good heretofore accomplished by UNRRA might well be destroyed if its mission is suddenly terminated on a fixed date. He does not intend to convey the idea that UNRRA should be continued, but that some international agency should take over this responsibility with authority and funds to meet the extreme situation which, if otherwise neglected, might affect the economies of more than the receiving countries concerned."

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MR LAGUARDIA TOURS ITALY

Visits to North Italy and Sicily took up two of the five days which the Director General of UNRRA, Mr. Fiorello LaGuardia, spent in Italy in the course of his European tour of UNRRA-aided countries.

Mr. LaGuardia flew to Milan to see for himself the progress of industrial rehabilitation and to study labour relations. He was welcomed at the airport by the UNRRA Regional Director, Mr. A. L. Raffa, and later visited two important iron and steel works, typical of many which are still suffering from the economic disruption of the war, but are being saved from complete idleness by UNRRA supplies, chiefly of fuel.

Production Heavily Reduced

One of the works Mr. LaGuardia visited is operated by a concern which, before the war, was producing monthly an average of 14,000 tons of pig iron and ferrous alloys, compared with 7,500 tons at the present time. Open-hearth furnace steel production has fallen from 17,600 tons a month to about 4,000 tons. Electric furnace steel production, on the other hand, has declined much less—from 4,420 tons a month to 3,560 tons.

The shortage of raw materials is reflected in comparative figures of fuel consumption in all the works operated by this concern. Monthly coal consumption has dropped from 10,150 tons pre-war to no more than 3,400 tons to-day. Consumption of fuel oil has been cut from 700 tons to only 390 tons, and of coke from 6,000 tons to a little more than 1,000 tons.

85,000 Tons of Steel in July

During the period of emergency coal restriction in the spring and early summer this year, rolled steel production throughout the whole of North Italy fell to less than 50,000 tons a month, in contrast with the 85,000 tons which, it is estimated, were produced in July. The [illegible] the minimum required to 11, and more are expected to start up again in the near future.

At one of the works he visited, Mr. LaGuardia met the workers and various workers' representatives with whom he discussed at length many of the problems confronting them—the supply of coal and other fuels, the export of Italian manufactures, wages, food rations and the black market. He was pleased, he said, to see that in Milan the workers were anxious to work, and were doing so. But he urged them to work even harder, especially since, with the end of UNRRA, Italian industry in 1947 would have to maintain itself, and would have to make sacrifices, while struggling to enter world markets with its exports to gain the means of paying for the raw materials, which were an absolute essential for continued existence.

After he had finished his tour of industrial plants Mr. LaGuardia paid a visit to the Mayor of Milan in the City Hall. The Mayor expressed his appreciation of the aid given by UNRRA to Italy and of the interest shown by Mr. LaGuardia in the workers and their problems.

Sub-Bureau of Industrial Rehabilitation

Mr. LaGuardia talked with representatives of the Milan office of the UNRRA Sub-Bureau of Industrial Rehabilitation, which operates in an advisory capacity throughout northern Italy, and is working in close collaboration with the Milan Sub-Commission of the Central Industrial Commission, which controls the allocation of UNRRA industrial raw materials.

After spending a day in the North, the Director General returned to Rome and the next day flew to Palermo. Accompanied by the Regional Director, Mr. C. B. Moses, he called on the Deputy High Commissioner for Sicily, and in the course of interviews with the latter and with the Prefect of Palermo he explained Italy's position in respect of world allocations of grain by the International Emergency Food Council, and expressed his deep concern over the very poor rate of wheat

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The shortage of raw materials is reflected in comparative figures of fuel consumption in all the works operated by this concern. Monthly coal consumption has dropped from 10,150 tons pre-war to no more than 3,400 tons today. Consumption of fuel oil has been cut from 700 tons to only 390 tons, and of coke from 6,000 tons to a little more than 4,000 tons.

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During the period of emergency coal restriction in the spring and early summer this year, rolled steel production throughout the whole of North Italy fell to less than 50,000 tons a month, in contrast with the 85,000 tons which, it is estimated, were produced in July. The latter figure represents the minimum required for railway reconstruction, transport rehabilitation and general construction.

Last March, before the coal shortage, there were 14 open-hearth furnaces in North Italy producing steel. This number was reduced to six in May. By July the number of open-hearth furnaces in operation had risen again

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Mr. LaGuardia was received by the Cardinal Archbishop of Palermo. Before flying back to Rome, he visited a Day Summer Colony near Palermo, where he talked to the doctors and staff, and to many of the 1,000 children who are catered for daily.

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Before leaving Rome last Friday morning for Belgrade, Mr. LaGuardia had an interview with the Minister of Agriculture on the amassing campaign and paid a short visit to one of the Salesian Fathers' hostels in Rome for "Sciuscia" boys.

FURTHER COMMODITY PRICES

The Italian Government and the UNRRA Italy Mission have confirmed the following price recommendations made by the Joint Price Committee at its latest meetings. Price fixing of UNRRA-imported commodities implements Article III (d) iii. of the agreement signed in January, 1946, between the Italian Government and UNRRA Italy Mission, whereby the Government undertakes to consult with the Administration concerning "price policies and specific prices" for UNRRA-imported supplies, and the relationship of such prices to those charged "for similar supplies produced domestically."

This is the second list of commodity price decisions published in *Economic Notes*; the first appeared in issue No. 27 of 19 July.

1) *Cotton Goods* (made for hospitals - imported on 1945 program):

Sheeting for sheets and pillow cases: 70 lire per sq. metre (retail price to consumer).
Towelling: 75 lire per sq. metre (retail price to consumer).
Material for diapers and napkins: 60 lire per sq. metre (retail price to consumer).

2) *Anthracite for electrodes*:
5,250 lire per ton at port. (This price to be re-examined in three months' time.)

3) *Vetch seed*:
45,000 lire per ton FOB Provincial Consorzi Agrari warehouses. (Sales limited to bona fide farmers.)

4) *Forage seed corn*:
25,000 lire per ton FOB Provincial Consorzi Agrari warehouses. (Sales limited to bona fide farmers.)

The Joint Price Committee held another meeting on 30 July, at which further commodity prices were discussed.

UNRRA AT ROME EXHIBITION

UNRRA Italy Mission is participating in the "Mostra delle Attività Romane," the first exhibition of its kind to be held in Rome since the war. The management of the Mostra has provided a pavilion which will house a specially prepared exhibit of the Italy Mission, featuring samples of UNRRA-imported supplies, photographs and models, showing various aspects of UNRRA's relief and rehabilitation program in Italy. The Italian Government Delegation for Relations with UNRRA is cooperating in the project. The Exhibition is due to open on 8 August, at the Piazzale Clodio, Rome.

Messages of appreciation and good wishes have been sent to the organizers of the Mostra by the Director General of UNRRA, Mr. LaGuardia, and by the Chief of the Italy Mission, Mr. S. M. Keeny.

"ECONOMIC SURVEY" SUPPLEMENT

Owing to technical difficulties, it is regretted that the Supplement on "Italian Industry", which was to have appeared with this week's issue of Economic Notes, *has had to be held over until next week, Issue No. 30, of 9 August.*

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MOVEMENTS OF SHIPS

CARGOES OTHER THAN COAL

(JULY 21 - 24 INCLUSIVE)

SHIP	PORT OF ARRIVAL	DATE OF ARRIVAL	ACCOUNT	CARGO	TONS
Andrea Gritti	Genoa	21 July	UNRRA	Corn	3,214
Park Benjamin	"	" "	"	Wheat	6,628
Nira Luckenbach	"	" "	"	General	7,600
Richard Randall	"	22 "	UNRRA-Commercial It. Program	"	4,130
Matia	Ancona	" "	"	"	5,876
Capo Mele	"	" "	"	Phosphates	5,000
Joshua Lippincott	Genoa	" "	UNRRA	"	4,900
Troja	"	23 "	"	General	4,500
Harberton	Naples	" "	"	Copper	3,776
Middleburg Victory	"	" "	"	General	4,288
Edward Bruce	Genoa	24 "	"	Sugar	6,755
Charles Scribner	Castellammare di St.	" "	"	Manganese	1,500
Botnia	Naples - Genoa *	" "	"	Copper	450
Maria Stella	Genoa	" "	"	Wheat	8,175
Stephen Girard	Catania - Syracuse *	" "	"	Rubber	642
				Steel Billets	423
				General	7,000
				Wheat	8,437

* *Arrived at first-named port on the date shown; discharging at the second port later*

LATEST COAL SHIPMENTS

(JULY 21 - 26 INCLUSIVE)

SHIP	PORT OF ARRIVAL	DATE OF ARRIVAL	COUNTRY OF ORIGIN	ACCOUNT	TONS
Ottinge	Civitavecchia	21 July	United Kingdom	UNRRA	3,387
Fort Richelieu	"	" "	South Africa	Brit. Army	8,660
Rudolf Kaufmann	Palermo	" "	United States	UNRRA	4,300
	Reggio C.	26 "			
Edwin Drake	Venice	22 "			4,000
	Ancona	26 "	" "	"	8,505
William F. Nichols	Venice	22 "			
	Ancona	26 "	" "	"	8,161
Andrew Carnegie	Bari	22 "			
James W. Cannon	Civitavecchia	" "	" "	"	8,299
Nathan Clifford	Genoa	" "	" "	"	8,585
John Blair	Venice	" "	" "	"	8,838
Panaghiotis	Savona	" "	" "	"	8,163
Robert Lansing	"	" "	South Africa	Brit. Army	4,804
Miguel de Larrinaga	"	" "	United States	UNRRA	8,168
Lincoln Steffing	Cagliari	23 "	Germany	"	6,757
John Elliot	Genoa	" "	United States	"	8,182
Hiliary A. Herbert	Savona	" "	" "	"	9,038
Charles Piez	Bagnoli	" "	" "	"	8,273
An Loh	"	24 "	" "	"	8,355
Nathaniel Stebbins	"	" "	Germany	"	

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Andrea Gritti	Genoa	21 July	UNRRA	Corn	3,214
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Harberton	Naples	" "	"	Copper	3,776
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Botnia	Naples - Genoa *	" "	"	Copper	450
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LATEST COAL SHIPMENTS

(JULY 21 - 28 INCLUSIVE)

SHIP	PORT OF ARRIVAL	DATE OF ARRIVAL	COUNTRY OF ORIGIN	ACCOUNT	TONS
Ottinge	Civitavecchia	21 July	United Kingdom	UNRRA	3,887
Fort Richelieu	"	" "	South Africa	Brit. Army	8,660
Rudolf Kaufmann	Palermo	" "	United States	UNRRA	4,349
	Reggio C.	26 "			4,000
Edwin Drake	Venice	22 "			
	Ancona	26 "	" "	"	8,505
William F. Nichols	Venice	22 "			
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Andrew Carnegie	Bari	22 "	" "	"	8,299
James W. Cannon	Civitavecchia	" "	" "	"	8,585
Nathan Clifford	Genoa	" "	" "	"	8,838
John Btair	Venice	" "	" "	"	8,163
Panaghiotis	Savona	" "	South Africa	Brit. Army	4,804
Robert Lansing	"	" "	United States	UNRRA	8,168
Miguel de Larrinaga	"	23 "	Germany	"	6,757
Lincoln Steffing	Cagliari	" "	United States	"	8,182
John Elliot	Genoa	" "	" "	"	9,038
Hiliary A. Herbert	Savona	" "	" "	"	8,273
Charles Piez	Bagnoli	24 "	" "	"	8,355
An Loh	"	" "	Germany	"	1,315
Nathaniel Sielsbee	Catania	" "	United States	"	8,820
George Bibb	Genoa	" "	" "	"	8,078
Kelbergen	"	" "	Germany	"	7,151
Walter Ranger	"	" "	United States	"	2,860
Hart Crane	Palermo	25 "	" "	"	8,251
Richard Sewell	Venice	" "	" "	"	8,269
Charles N. Cole	Savona	" "	" "	"	8,802

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August 2, 1946 Vol. I, No. 29

ECONOMIC NOTES

— Published by The Public Information Division, UNRRA Italy Mission, Via di San Nicolò da Tolentino, 76, Rome —

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2. Mr. LaGuardia Tours Italy
3. Further Commodity Prices
4. UNRRA at Rome Exhibition
5. Movements of Ships

FIFTH COUNCIL ON UNRRA'S FUTURE

Next Monday, 5 August, the UNRRA Fifth Council will meet in Geneva. It will have to decide on what aid—if any—is to be given in 1947 to those countries that are now receiving UNRRA help; and, if help is to be continued, how it is to be financed.

As was emphasized by UNRRA's Director General, Mr. LaGuardia, in all his public statements during his visit to Italy last week, UNRRA's funds are due to run out on 31 December, and at the present moment no funds exist for extending operations in Europe beyond that date.

Up to the present month, UNRRA has shipped 14,000,000 tons of supplies. It has received contributions totalling some 3,690 million dollars (£922,500,000 sterling) and has committed practically the entire amount. Its field staff numbers 9,150 and is working in 39 countries. UNRRA employs nationals of 47 countries. It has maintained health services, strengthened and renewed welfare services and has aided in the work of economic rehabilitation. It has assisted in the repatriation of 6,000,000 displaced persons, and has cared for a further 1,000,000 for more than 18 months.

Administration Statement

A statement on future policy has been circulated to the Council by the Director General. It says that "the Administration is convinced that the Council should not attempt to decide the question of the liquidation of UNRRA, but should leave that to the General Assembly of the United Nations. The Administration is also convinced that the Council should not attempt to decide the question of the future of UNRRA, but should leave that to the Economic and Social Council of the United Nations."

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Administration Statement

A statement on future policy has been circulated by the Administration for preliminary study to each of the 48 member governments of UNRRA. It is expected to come up for discussion at the Council meeting in Geneva.

"All the receiving countries," the statement points out, "now dependent on UNRRA will continue to depend upon further imports to sustain a minimum standard of life for their people during 1947." About 1,100 million dollars' (£275,000,000 sterling) worth of food imports may be required for these countries in Europe between August, 1946, and the harvest of 1947. It is likely that these imports will in any case have to be reduced to about 750 million dollars, because of shortages in the supply of such basic foods as cereals and fats. Against this 750 million dollars, UNRRA has available only approximately 300 million dollars to buy food during the second half of 1946. No funds are available at all for 1947.

Food Must Be Shipped

"Whatever the Fifth Council's decision may be regarding the liquidation of UNRRA," the statement continues, "some agency, or agencies, national or international, will have to find the means to procure and ship this food, or some of these importing countries will be in a worse position two years after the war than they were during 1945 and 1946.

"The Council has been asked by the Director General for a specific decision concerning the measures to be adopted for countries which cannot otherwise pay for their deficiencies in food.

"Equally as important as food are the import needs for seed and fertilizer. Unless these are provided in sufficient quantity to make possible the rehabilitation of the indigenous production of food supplies, large food import needs will continue into 1948. The Administration's best estimates show that, in addition to UNRRA's seed and fertilizer imports

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during 1946, the European countries receiving assistance from UNRRA will require some 60 million dollars for seed for the 1947 crop and some 140 million dollars for fertilizers. They will also need considerably more agricultural draft power and equipment. In this instance, too, countries may be unable to finance their most essential needs for agricultural reliabilitation supplies.

"The Director General strongly recommends that thought be given to the possibility of having loans made by the International Bank for Reconstruction and Development, or other financial institutions" for the purchase of seasonal commodities, such as seeds and fertilizers.

The import needs for certain types of industrial equipment compare in importance with seed and fertilizer. The Administration estimates that the urgent needs for fuel alone, in the European countries receiving UNRRA's assistance, amount to over 150 million dollars, between now and the middle of 1947, whereas UNRRA has available only approximately 60 million dollars which it can use for this purpose until the end of 1946.

Minimum Import Requirements

These items do not by any means cover all of the minimum import requirements of the European countries receiving UNRRA's assistance, for which finance must be found. It should be noted, however, that the import needs of these countries for food, seed, fertilizer and fuel alone, between now and the harvest of 1947, exceed by almost 750 million dollars (£187,500,000 sterling) the funds which UNRRA has available for these supplies. This sum represents less than one-half of one per cent. of the national incomes of the uninvaded member countries of UNRRA.

Requirements other than food, seed, fertilizer and fuel for the European countries, together with the needs of the Far Eastern countries requiring UNRRA's assistance, would amount, at a most conservative estimate, to approximately 750,000,000 dollars.

"Unless the countries now receiving UNRRA's assistance are able to obtain with-

much below what it should be, and they will be unable to move from agricultural areas to cities even the food which they themselves have raised."

Receiving Countries Cannot Pay

The financial position of each of the receiving countries was re-examined during May and June this year by the UNRRA Council's special committee of international experts, which advised the Director General in every case that these countries were still unable to pay for their imports with suitable means of foreign exchange. The committee further certified that this position would continue until the end of 1946.

It is hoped that one or two countries may acquire enough foreign exchange which they may be able to use to import urgently needed relief supplies, but account must be taken of the present very disturbed economic, social and political atmosphere of the world, and the fact that normal commercial relations are still very far from being restored. There is no other United Nations organisation able to meet the need for food, seed, fertilizer, fuel and other urgent relief supplies, and there is no present likelihood that the World Bank, which in any event has not yet commenced operations, will be in a position to meet such requests for assistance.

"The Council," continues the statement, "is confronted with a situation requiring it to decide, should it be satisfied that urgent needs exist, whether it is prepared to recommend the provision of further assistance. Should such a decision be reached, it cannot be overemphasized that the funds and the machinery through which these are to be expended must be on hand for operation, and the necessary action authorized well in advance of January, 1947, if the flow of imports is to be maintained beyond that date.

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"Unless the countries now receiving UNRRA's assistance are able to obtain within the next six or eight months the foreign exchange necessary to finance these imports, many of their inhabitants will face severe hardship and suffering in 1947," states the Administration memorandum. "They will be unable to seed much of their tillable land, the yield of their land under cultivation will remain

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The shortage of raw materials is reflected in comparative figures of fuel consumption in all the works operated by this concern. Monthly coal consumption has dropped from 10,150 tons pre-war to no more than 3,400 tons today. Consumption of fuel oil has been cut from 700 tons to only 390 tons, and of coke from 6,000 tons to a little more than 4,000 tons.

85,000 Tons of Steel in July

During the period of emergency coal restriction in the spring and early summer this year, rolled steel production throughout the whole of North Italy fell to less than 50,000 tons a month, in contrast with the 85,000 tons which, it is estimated, were produced in July. The latter figure represents the minimum required to 11, and more are expected to start up again in the near future.

At one of the works he visited, Mr. LaGuardia met the workers and various workers' representatives with whom he discussed at length many of the problems confronting them—the supply of coal and other fuels, the export of Italian manufactures, wages, food rations and the black market. He was pleased, he said, to see that in Milan the workers were anxious to work, and were doing so. But he urged them to work even harder, especially since, with the end of UNRRA, Italian industry in 1947 would have to maintain itself, and would have to make sacrifices, while struggling to enter world markets with its exports to gain the means of paying for the raw materials, which were an absolute essential for continued existence.

After he had finished his tour of industrial plants Mr. LaGuardia paid a visit to the Mayor of Milan in the City Hall. The Mayor expressed his appreciation of the aid given by UNRRA to Italy and of the interest shown by Mr. LaGuardia in the workers and their problems.

Sub-Bureau of Industrial Rehabilitation

Mr. LaGuardia talked with representatives of the Milan office of the UNRRA Sub-Bureau of Industrial Rehabilitation, which operates in an advisory capacity throughout northern Italy, and is working in close collaboration with the Milan Sub-Commission of the Central Industrial Commission, which controls the allocation of UNRRA industrial raw materials.

After spending a day in the North, the Director General returned to Rome and the next day flew to Palermo. Accompanied by the Regional Director, Mr. C. B. Moses, he called on the Deputy High Commissioner for Sicily, and in the course of interviews with the latter and with the Prefect of Palermo he explained Italy's position in respect of world allocations of grain by the International Emergency Food Council, and expressed his deep concern over the very poor rate of wheat

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UNRRA, Mr. Fiorello LaGuardia, spent in Italy in the course of his European tour of UNRRA-aided countries.

Mr. LaGuardia flew to Milan to see for himself the progress of industrial rehabilitation and to study labour relations. He was welcomed at the airport by the UNRRA Regional Director, Mr. A. L. Raffa, and later visited two important iron and steel works, typical of many which are still suffering from the economic disruption of the war, but are being saved from complete idleness by UNRRA supplies, chiefly of fuel.

Production Heavily Reduced

One of the works Mr. LaGuardia visited is operated by a concern which, before the war, was producing monthly an average of 14,000 tons of pig iron and ferrous alloys, compared with 7,500 tons at the present time. Open-hearth furnace steel production has fallen from 17,600 tons a month to about 4,000 tons. Electric furnace steel production, on the other hand, has declined much less—from 4,420 tons a month to 3,560 tons.

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Last March, before the coal shortage, there were 14 open-hearth furnaces in North Italy producing steel. This number was reduced to six in May. By July the number of open-hearth furnaces in operation had risen again

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Mr. LaGuardia was received by the Cardinal-Archbishop of Palermo. Before flying back to Rome, he visited a Day Summer Colony near Palermo, where he talked to the doctors and staff, and to many of the 1,000 children who are catered for daily.

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Before leaving Rome last Friday morning for Belgrade, Mr. LaGuardia had an interview with the Minister of Agriculture on the amassing campaign and paid a short visit to one of the Salesian Fathers' hostels in Rome for "Sciuscia" boys.

FURTHER COMMODITY PRICES

The Italian Government and the UNRRA Italy Mission have confirmed the following price recommendations made by the Joint Price Committee at its latest meetings. Price fixing of UNRRA-imported commodities implements Article III (d) iii. of the agreement signed in January, 1946, between the Italian Government and UNRRA Italy Mission, whereby the Government undertakes to consult with the Administration concerning "price policies and specific prices" for UNRRA-imported supplies, and the relationship of such prices to those charged "for similar supplies produced domestically."

This is the second list of commodity price decisions published in *Economic Notes*; the first appeared in issue No. 27 of 19 July.

1) *Cotton Goods* (made for hospitals - imported on 1945 program):

Sheeting for sheets and pillow cases: 70 lire per sq. metre (retail price to consumer).
Towelling: 75 lire per sq. metre (retail price to consumer).
Material for diapers and napkins: 60 lire per sq. metre (retail price to consumer).

2) *Anthracite for electrodes*:
5,250 lire per ton at port. (This price to be re-examined in three months' time.)

3) *Vetch seed*:
45,000 lire per ton FOB Provincial Consorzi Agrari warehouses. (Sales limited to bona fide farmers.)

4) *Forage seed corn*:
25,000 lire per ton FOB Provincial Consorzi Agrari warehouses. (Sales limited to bona fide farmers.)

The Joint Price Committee held another meeting on 30 July, at which further commodity prices were discussed.

UNRRA AT ROME EXHIBITION

UNRRA Italy Mission is participating in the "Mostra delle Attività Romane," the first exhibition of its kind to be held in Rome since the war. The management of the Mostra has provided a pavilion which will house a specially prepared exhibit of the Italy Mission, featuring samples of UNRRA-imported supplies, photographs and models, showing various aspects of UNRRA's relief and rehabilitation program in Italy. The Italian Government Delegation for Relations with UNRRA is co-operating in the project. The Exhibition is due to open on 8 August, at the Piazzale Clodio, Rome.

Messages of appreciation and good wishes have been sent to the organizers of the Mostra by the Director General of UNRRA, Mr. LaGuardia, and by the Chief of the Italy Mission, Mr. S. M. Keeny.

"ECONOMIC SURVEY" SUPPLEMENT

Owing to technical difficulties, it is regretted that the Supplement on « Italian Industry », which was to have appeared with this week's issue of Economic Notes, *has had to be held over until next week, Issue No. 30, of 9 August.*

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MOVEMENTS OF SHIPS

CARGOES OTHER THAN COAL

(JULY 21 - 24 INCLUSIVE)

SHIP	PORT OF ARRIVAL	DATE OF ARRIVAL	ACCOUNT	CARGO	TONS
Andrea Gritti	Genoa	21 July	UNRRA	Corn	3,214
				Wheat	6,628
Park Benjamin	"	" "	"	General	7,600
Nira Luckenbach	"	" "	"	"	4,130
Richard Randall	"	22 "	UNRRA-Commercial It. Program	"	5,876
Matia	Ancona	" "	"	Phosphates	5,000
Capo Mele	"	" "	"	"	4,900
Joshua Lippincott	Genoa	" "	UNRRA	General	4,500
Troja	"	23 "	"	Copper	3,776
Harberton	Naples	" "	"	General	4,288
Middleburg Victory	"	" "	"	Sugar	6,755
Edward Bruce	Genoa	24 "	"	Manganese	1,500
				Copper	450
Charles Scribner	Castellammare di St.	" "	"	Wheat	8,175
Botnia	Naples - Genoa *	" "	"	Rubber	642
				Steel Billets	423
Maria Stella	Genoa	" "	"	General	7,000
Stephen Girard	Catania - Syracuse *	" "	"	Wheat	8,437

** Arrived at first-named port on the date shown; discharging at the second port later*

LATEST COAL SHIPMENTS

(JULY 21 - 26 INCLUSIVE)

SHIP	PORT OF ARRIVAL	DATE OF ARRIVAL	COUNTRY OF ORIGIN	ACCOUNT	TONS
Ottinge	Civitavecchia	21 July	United Kingdom	UNRRA	3,887
Fort Richelieu	"	" "	South Africa	Brit. Army	8,660
Rudolf Kaufmann	Palermo	" "	United States	UNRRA	4,000
	Reggio C.	26 "			
Edwin Drake	Venice	22 "	" "	"	8,505
	Ancona	26 "			
William F. Nichols	Venice	22 "	" "	"	8,161
	Ancona	26 "			8,299
Andrew Carnegie	Bari	22 "	" "	"	8,585
James W. Cannon	Civitavecchia	" "	" "	"	8,838
Nathan Clifford	Genoa	" "	" "	"	8,163
John Blair	Venice	" "	" "	"	4,804
Panaghiotis	Savona	" "	South Africa	Brit. Army	8,168
Robert Lansing	"	" "	United States	UNRRA	6,757
Miguel de Larrinaga	"	23 "	Germany	"	8,182
Lincoln Steffing	Cagliari	" "	United States	"	9,038
John Elliot	Genoa	" "	" "	"	8,273
Hiliary A. Herbert	Savona	" "	" "	"	8,355
Charles Piez	Bagnoli	24 "	" "	"	1,315
		" "	Germany	"	8,820

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An Loh	"	" "	Germany	"	1,315
Nathaniel Sielsbee	Catania	" "	United States	"	8,820
George Bibb	Genoa	" "	" "	"	8,078
Kelbergen	"	" "	Germany	"	7,151
Walter Ranger	"	" "	United States	"	2,860
Hart Crane	Palermo	25 "	" "	"	8,251
Richard Sewell	Venice	" "	" "	"	8,269
Charles N. Cole	Savona	" "	" "	"	8,802

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July 19, 1946 Vol. I, No. 27

ECONOMIC NOTES

— Published by The Public Information Division, UNRRA Italy Mission, Via di San Nicolò da Tolentino, 78, Rome —

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1. UNRRA and New Bread Ration
2. Progress of UNRRA Welfare
3. Commodity Prices Confirmed
4. Fifth UNRRA Council
5. Survey of Italy's Economy (Supplement)
6. Movements of Ships

UNRRA AND NEW BREAD RATION

The Italian Government's announcement of an increase in the basic bread ration from 200 to 250 grams per person per day brings into high relief the whole question of Italy's grain supply, and the grain import program for which UNRRA will be responsible during the next six months.

The new ration increase applies to some 35,000,000 people, comprising city dwellers, and those other classes of the population which do not grow their own food. The extra 50 grams a day for these 35,000,000 people increases Italy's grain requirements by approximately 50,000 tons of wheat a month—or 600,000 tons in a full year.

Government's Sole Responsibility

In statements to the Press and on the radio, the Head of the UNRRA Italy Mission, Mr. S. M. Keeny has reiterated that "any alteration in the bread ration is the sole responsibility of the Italian Government". UNRRA, he has pointed out, "has a very sympathetic understanding of the Italian people's need for more bread, because it would help the hard-pressed worker to meet his food budget, and would aid the Government's efforts to stamp out the black market. "But immediately there comes the question

amassed. Present estimates of this year's harvest indicate that the total yield will be approximately 6,000,000 tons, as compared with 4,200,000 tons last year.

Better Wheat Harvest

This year's wheat harvest is better than that of a year ago by nearly 2,000,000 tons. But it is still over 1,000,000 tons less than the pre-war average; and even before the war, Italy was a grain importing country. A further factor to be considered is that Italy's population to-day is approximately 3,000,000 greater than it was pre-war.

To meet the ration of 250 grams (about 9 oz.) of bread daily and two kilograms (nearly 4 ½ lbs.) of pasta monthly, plus the supplementary rations now in force, it is estimated that Italy will need about 5,000,000 tons of grain during the consumption year 1946-47. This estimate of 5,000,000 tons makes allowance for reasonable working stocks at the end of the harvest year, to carry over until the new grain is threshed and delivered to the flour mills.

3,150,000 Tons to be Amassed

Present estimates of this year's amassing indicate that approximately 3,150,000 tons

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"But immediately there comes the question of where to get the grain to meet the increased ration in Italy until the 1947 harvest. The Italian amassing program is one source of grain, and the other is the International Emergency Food Council, which allocates all cereals available for export".

According to the returns up to 12 July, 1,046,907 tons of wheat have already been amassed. Present estimates of this year's harvest indicate that the total yield will be approximately 6,000,000 tons, as compared with 4,200,000 tons last year.

Better Wheat Harvest

This year's wheat harvest is better than that of a year ago by nearly 2,000,000 tons. But it is still over 1,000,000 tons less than the pre-war average; and even before the war, Italy was a grain importing country. A further factor to be considered is that Italy's population to-day is approximately 3,000,000 greater than it was pre-war.

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3,150,000 Tons to be Amassed

Present estimates of this year's amassing indicate that approximately 3,150,000 tons of all cereals (including wheat, corn, rye, barley and rice) will be available from Italian sources, thus leaving a net balance to be imported of 1,850,000 tons.

To meet this net deficiency, UNRRA has placed a bid for allocation with the International Emergency Food Council of 1,000,000 tons, for the second half of 1946, and of this,

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UNRRA has undertaken to pay for 750,000 tons. This allocation is not yet firm. What UNRRA can obtain for Italy depends upon crop results throughout the world, and on how much of the world's available grain supplies are allocated to this country.

UNRRA Wheat Delivered Free

All UNRRA wheat will be shipped to Italy free of charge to the Italian Government; but there will still remain a very large deficit which Italy must secure and pay for on her own account from her own limited foreign exchange resources; and UNRRA is greatly concerned that financial difficulties should not stop the Italian people from securing the minimum food supplies they need.

To put the bread ration on a sound basis for the next twelve months, it will be necessary for Italy from her own resources to pay for approximately 1,100,000 tons, at a cost in foreign exchange of about 110,000,000 dollars (£27,500,000 sterling).

The more Italy can rely on home production, the less the country will have to spend abroad on essential food, and the less risk there will be of a shortage of grain next Spring, when the whole world is clamouring for it. A warning has already been given by the Director-General of the United Nations Food and Agricultural Organisation, Sir John Boyd-Orr, that there may be as grave a wheat shortage next Spring as there was this year.

Italy's Fundamental Grain Shortage

The impression, widely current in Italy, that the 50 grams increase in the basic ration is justified by this year's greatly improved harvest, and the success so far of the amassing campaign leaves out of account Italy's fundamental shortage of bread grains, and her shortage of foreign exchange to buy from abroad.

While the higher bread ration consumes only 600,000 tons of the 2,000,000 extra tons available from this year's harvest, it must be

PROGRESS OF UNRRA WELFARE

UNRRA's supplementary feeding program for children and nursing and expectant mothers among Italy's neediest families will continue at least until 31 August. The latest figures received from the Provincial Welfare Committees show that in May approximately 2,000,000 of Italy's neediest mothers and children were receiving UNRRA supplementary food—in addition to the food supplied by UNRRA, and included in the ordinary rations.

Thanks very largely to the program of school feeding, more than half of those in receipt of assistance obtained this supplementary food in the form of cooked meals. Raw rations were distributed to about 850,000 mothers and children. In the Southern Italy region, meals and rations were distributed to more than 500,000 of the needy. In the Central region (including Rome) there were approximately 400,000 in receipt of food; in Emilia and Tuscany, nearly 300,000; in Piedmont and Liguria 120,000; in Lombardy, nearly 180,000; in Veneto, nearly 150,000; in Sicily, a little under 200,000 and in Sardinia, about 70,000.

Holidays for 400,000 Children

Special allocations of UNRRA food have been set aside this year to provide a month's holiday (with extra food) by the sea or in the mountains, for at least 400,000 children, selected from the neediest families. This year the summer camp program has been extended to every province in Italy; and in addition to the "permanent colonies" where children will spend their month's holiday, "day colonies" have also been established to give other children at least a day's outing—and food.

Food at these camps is made up of the ordinary ration, together with the special school supplement and also a special camp supplement, both of which are supplied by UNRRA. The camps began this month and food allocations are at present available for a two months' program. It is hoped, however, to extend camp feeding into September. The children are selected from elementary school children of five to twelve years of age.

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While the higher bread ration consumes only 600,000 tons of the 2,000,000 extra tons available from this year's harvest, it must be remembered that last year's crop was disastrously poor, owing to war and the drought. Furthermore, the task of importing the country's basic grain requirements was, in 1945, undertaken by the Allied Commission and this year by UNRRA, which up to the end of June had imported 728,884 tons of bread grains. At present, neither the grain nor the money in 1947 is assured.

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The colonies are being organised and run by the Ministry of Education, the Pontifical Commission of Assistance, the Gioventù Italiana (Italian Youth Movement) and individual women's groups such as the U.D.I. (Unione Donne Italiane) and Aiuto Cristiano. Provincial Welfare Committees are co-ordinating camp arrangements in each area and are, of

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SURVEY OF ITALY'S ECONOMY

INTRODUCTION TO SURVEY AND THE ROLE OF UNRRA

1. Italy's economic structure is one of peculiar complexity and usually delicate balances. In assessing the problems of the moment, and of the immediate future, attention must be paid not only to Italy's own resources, existing or potential, but also to the history of recent years, and, above all, to the impact of world events; for, like the United Kingdom, Italy to an exceptional degree exists by world trade and is, therefore, peculiarly sensitive to world economic influences.

2. A nation of approximately 46 million people, Italy is relatively poor, and at the same time largely dependent for her very existence upon imported food and imported raw materials.

3. Although able in the immediate pre-war period to produce about 90 % of her food requirements, Italy has never, in spite of intense efforts towards self-sufficiency, been able entirely to feed herself. Some food imports have always been necessary, particularly bread grains, meat and fish.

4. Agriculture is Italy's most important occupation; yet, owing to its mountainous nature, much of the country is not naturally suited to agriculture, although to-day under the pressure of world economic conditions and an increasing population, which has risen by approximately 1,300,000 in the past seven years, all areas capable of producing the barest subsistence have been brought under cultivation.

5. In industry, including handicrafts, which normally employs 5,400,000 people or almost one-third of the total labour force, Italy is to an exceptional degree dependent upon imported raw materials. Such basic

6. Italy's future existence, therefore, depends upon the restoration of exports, the free movement of world trade and emigration.

Italy Pre-War.

7. In the latter years before the war, the fascist regime aimed at making Italy as nearly as possible self-sufficient both in regard to food supplies and industrial raw materials.

8. Although the effort to increase domestic food production by protective and other means did undoubtedly result in a considerable amount of land reclamation, improved wheat cultivation, farm mechanization, and better use of fertilizers, it led, on the other hand, to undue emphasis on the production of bread grains, with consequent sacrifice of animal husbandry and of nutritional levels.

9. In the years between the "Sanctions" period of 1935-36 and Italy's entry into the war in 1940, agricultural prices and production were influenced by virtual economic isolation.

10. In some main branches of industry (e.g. the textile industry, which in 1938 gave employment to 14 % of the whole industrial labour force), the same tendencies toward self-sufficiency produced radical changes. Italy's imports of cotton in the years before the war fell from 225,000 metric tons in 1933 to as low as 107,210 tons in 1936 (the Sanctions year) and in 1938 were only 164,580 tons. In this same period production of pure cotton cloth fell from 83.4 % of cotton production in 1935 to 47.4 % in 1938, while the proportion of mixed cotton cloth increased four-fold from 9.17 % in 1935 to

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SURVEY OF ITALY'S ECONOMY

INTRODUCTION TO SURVEY AND THE ROLE OF UNRRA

1. Italy's economic structure is one of peculiar complexity and usually delicate balances. In assessing the problems of the moment, and of the immediate future, attention must be paid not only to Italy's own resources, existing or potential, but also to the history of recent years, and, above all, to the impact of world events; for, like the United Kingdom, Italy to an exceptional degree exists by world trade and is, therefore, peculiarly sensitive to world economic influences.

2. A nation of approximately 46 million people, Italy is relatively poor, and at the same time largely dependent for her very existence upon imported food and imported raw materials.

3. Although able in the immediate pre-war period to produce about 90 % of her food requirements, Italy has never, in spite of intense efforts towards self-sufficiency, been able entirely to feed herself. Some food imports have always been necessary, particularly bread grains, meat and fish.

4. Agriculture is Italy's most important occupation: yet, owing to its mountainous nature, much of the country is not naturally suited to agriculture, although to-day under the pressure of world economic conditions and an increasing population, which has risen by approximately 1,300,000 in the past seven years, all areas capable of producing the barest subsistence have been brought under cultivation.

5. In industry, including handicrafts, which normally employs 5,400,000 people or almost one-third of the total labour force, Italy is to an exceptional degree dependent upon imported raw materials. Such basic requirements as coal, liquid fuel, iron, copper, cotton, wool, and rubber are either not to be found at all in Italy, or else are available domestically only in relatively small quantities. Of coal alone, Italy pre-war had to import 12 million tons a year, in spite of large-scale development of hydro-electric power.

6. Italy's future existence, therefore, depends upon the restoration of exports, the free movement of world trade and emigration.

Italy Pre-War.

7. In the latter years before the war, the fascist regime aimed at making Italy as nearly as possible self-sufficient both in regard to food supplies and industrial raw materials.

8. Although the effort to increase domestic food production by protective and other means did undoubtedly result in a considerable amount of land reclamation, improved wheat cultivation, farm mechanization, and better use of fertilizers, it led, on the other hand, to undue emphasis on the production of bread grains, with consequent sacrifice of animal husbandry and of nutritional levels.

9. In the years between the "Sanctions" period of 1935-36 and Italy's entry into the war in 1940, agricultural prices and production were influenced by virtual economic isolation.

10. In some main branches of industry (e.g. the textile industry, which in 1938 gave employment to 14 % of the whole industrial labour force), the same tendencies toward self-sufficiency produced radical changes. Italy's imports of cotton in the years before the war fell from 225,000 metric tons in 1933 to as low as 107,210 tons in 1936 (the Sanctions year) and in 1938 were only 164,580 tons. In this same period production of pure cotton cloth fell from 83.1 % of cotton production in 1935 to 47.4 % in 1938, while the proportion of mixed cotton cloth increased four-fold from 9.17 % in 1935 to 39 % in 1938. A corresponding situation prevailed also in the woollen industry.

11. Although Italy's artificial fiber industry was very largely developed between 1936 and the early years of the war, it must be emphasized that the cellulose and coal required both had to be imported.

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12. In each of the years immediately preceding the war, Italy was operating on a heavy budget deficit: and, as in all countries during the war, this deficit increased enormously.

Italy during the War.

13. Italy's economic situation during the war can be briefly summarized. Agriculture, already organized for national self-sufficiency, was rapidly declining, owing to the shortage of fertilizers and the reduction of live-stock, even before the arrival of the Allies in Sicily in 1943. Thereafter agriculture suffered not only from soil exhaustion but from actual destruction as the war moved northwards through the Peninsula.

14. Although war needs served in Italy, as elsewhere, to stimulate industry, particularly such undertakings as the manufacture of artificial rubber, the complete cessation of foreign trade with the greater part of the world exaggerated the pre-war movement towards self-sufficiency and exhausted stocks of many vital raw materials.

Italy after Liberation.

15. When Italy was ultimately liberated in May 1945, the nation was faced with a formidable task of physical reconstruction and financial economic rehabilitation. For the fiscal year 1 July 1945 to 30 June 1946 the estimated deficit was 300 thousand million lire, against a total revenue of no more than 200 thousand million lire. In terms of available foreign currency to cover essential imports of food and fuel, Italy was bankrupt.

16. Contrary, however, to what had at one time been widely feared, and thanks to well-timed action by the partisans, Italy ended the war with her industrial potential largely undamaged. It is estimated that throughout the country war damage as the result of actual fighting, bombing, and German looting and sabotage destroyed about 20 % of the country's industrial capacity.

17. This damage was unevenly distributed both as regards the areas and industries that suffered. Thus, damage in the textile industry estimated at 10 % for the country as a whole was virtually confined to Tuscany and Campania. The northern factories suf-

19. The difficulties of Italian industry in the immediate post-war period were:

(a) lack of raw materials and fuel,
(b) absence, not only of export markets, but of effective home demand, and
(c) maladjustment of prices in relation to the levels prevailing both at home and abroad.

20. To avoid catastrophic unemployment and the consequent risk of unrest during the early post-liberation period, the Government imposed a stand-still order, which compelled factories to keep on their pay-rolls redundant work-people who would normally have been discharged. This order has been relaxed in recent months, but, whether disguised or open, the existing industrial unemployment is in itself a grave problem, and by reducing the purchasing power of the home population tends indirectly still further to depress industry.

21. Italian industry is geared for a big export trade. Before the war, manufactured goods constituted 40 % of the country's exports. The excessively low purchasing power of the home population (due to unemployment and the present unbalance of wages and prices) and the relatively high cost of Italian commodities in terms of world prices has so reduced consumption that there exists in Italy a false and unhealthy glut of a number of badly needed consumer goods, notably textiles.

22. Italy's transport system suffered severely as a result of fighting, German sabotage, and bombing, since railways were targets of first importance. The very large number of bridges and tunnels in mountainous country made it only too easy for the retreating enemy to block both roads and railways. By August 1945 the Italian State Railways estimated the amount of destruction at 400,000 million lire.

23. Widespread war damage and German looting added still further to the strain upon the railways by compelling a return to steam traction (with consequent increased demand upon limited coal stocks) on many hundreds of miles of electric track.

24. Ports and harbors throughout Italy suffered extensive damage. Acute shortage of tyres, spare parts and liquid fuel immobilized a substantial proportion of the available road vehicles.

25. Agriculture, on which all other rehabilitation must finally depend, was in a particularly bad condition

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17. This damage was unevenly distributed both as regards the areas and industries that suffered. Thus, damage in the textile industry estimated at 10 % for the country as a whole was virtually confined to Tuscany and Campania. The northern factories suffered scarcely at all.

18. Reduction in output capacity of the iron and steel industry was 30 % for the country as a whole. Damage in the North was, however, only 15 %. In Campania and Tuscany, on the other hand, it was no less than 90 %.

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25. Agriculture, on which all other rehabilitation must finally depend, was in a particularly bad condition when the fighting ended. The movement of war during the vital spring months of 1945 seriously interfered with sowing. Many thousands of acres were rendered dangerous by still uncleared minefields; much land was requisitioned for military purposes. The labor force was depleted. Soil, through the lack of fertiliser, was

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exhausted. Horses, cattle, and other livestock were seriously depleted through war demands and outright German looting. Many thousands of acres of olive groves, vineyards, and orchards had been destroyed. Drainage and irrigation works were out of action.

26. As the final blow, Italy in 1945 suffered the worst drought in living memory. This, incidentally, affected industry as well as agriculture, since it seriously reduced the power output of hydro-electric installations.

Rehabilitation Period.

27. It was in this atmosphere that the work of rehabilitation began. Throughout 1945 the task of meeting Italy's minimum needs was the responsibility of the Allied Commission. UNRRA, in accordance with the first agreement signed with the Italian Government in March 1945, was last year responsible only for a limited 50 million dollar program of relief and medical care to needy mothers and children, and assistance to displaced persons.

28. From the time of the first landing in Sicily in 1943, the Allies had accepted as a military responsibility the need for supplying essential imports to prevent "disease and unrest."

29. Until August 1945 this import program of approximately 500 million dollars was the responsibility of the Allied Commission and between September and December 1945, was financed by the United States Government through a grant of 100 million dollars (£25 million sterling) administered by the United States Foreign Economic Administration. At the same time, Italy obtained 120 million dollars in foreign currency for its own purchases abroad through the so-called "Troop Pay Dollar Fund," made up of the dollar equivalent of lire paid to American forces in Italy.

30. UNRRA's present program of relief and rehabilitation began in January 1946, when, in accordance with the new agreement signed between the Italian Government and the Italy Mission, UNRRA took over from the Allied Commission the responsibility of providing food, fuel, and other essential supplies.

31. When UNRRA first undertook this task, the program—estimated at 450 million dollars, including freight charges—was based on two assumptions: (1) that the bulk of supplies would be furnished in the early part of 1946 in order to give the greatest impetus to agri-

grains, labor troubles in the United States and other difficulties have made it impossible to adhere to the time-table of deliveries originally planned. Changing conditions and the non-availability of many vital supplies have compelled radical readjustment of Italy's import program.

33. In the second place, international political conditions have made it impossible for Italy to secure the large international loans on which the plans for 1946 were originally based. Apart from UNRRA aid and Troop Pay dollars, Italy's foreign exchange resources in 1946 are likely to be less than 300 million dollars. Thus, the gap which UNRRA aid was to close, namely this year between the end of Allied military responsibility and the assumed ability of Italy to provide for her own needs from the beginning of 1947, has, in fact, widened.

34. Broadly speaking, the bulk of Italy's imports throughout the whole of 1946 will be what UNRRA can supply—and very little else. In total, exclusive of shipping charges (which are financed by a separated account), UNRRA imports into Italy by the end of 1946 will, it is estimated, total 425 million dollars (£106,250,000 sterling) including 34 million dollars (£8,500,000 sterling) spent by UNRRA on relief supplies during 1945.

35. In all, UNRRA plans to bring into Italy during 1946 some 9,000,000 tons of supplies, of which approximately 3,000,000 tons have been delivered by 30 June, while the remaining 6,000,000 tons will be shipped during the latter half of the year.

36. The program of UNRRA aid for 1946 was allocated broadly as follows:

Food	195,689,900	dollars
Agricultural rehabilitation . . .	29,538,500	»
Industrial rehabilitation (including coal and POL)	127,456,600	»
Clothing, Textiles and Footwear .	55,846,000	»
Medical and Sanitation	16,470,000	»
	425,000,000	»

37. These figures are not final. They are to be regarded as a broad, general guide of how the money is distributed, and are subject to modification at any time.

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32. In the event, these assumptions have proved to be wide of the mark. Acute world shortage of bread

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Italy To-Day.

38. Italy, 12 months after liberation, while still faced with enormous difficulties, has advanced far on the road to normality. Agriculture is in much better shape, although 1946 production is only 70 % of the pre-war average.

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39. When the final returns are available it is estimated that this year's wheat crop will be 1,500,000 tons better than that of a year ago. The prospects for 1946-47 should show a further improvement as the fertilizers of which the country has been starved for so long are now becoming available. Greater improvement would be shown if greater amounts of nitrogenous fertilizer could have been made available.

40. The work of restoring the countryside shows some progress. A useful beginning has been made in restoring farm houses in the war-shattered areas. Drainage systems have been partly restored with the assistance of the Allied Military Government. New farming machinery is being made available by UNRRA. UNRRA and domestic production are furnishing necessary pesticides, particularly for vineyards.

41. UNRRA's program of large-scale malaria control in such vital food areas as the Po Valley, Sardinia and elsewhere, is also contributing indirectly to the restoration of the country's agriculture.

42. During the early part of the year UNRRA's procurement and shipment of bread grains was the means of saving hundreds of thousands of Italians from starvation. By the end of June 1946 shipments of cereals by UNRRA to Italy totalled 649,410 tons. UNRRA's program of bread grain imports during the second half of 1946 is designed to develop a sound 12 months plan of imports until the 1947 harvest, whereby one-twelfth will be imported each month, and thus avoid a serious crisis in the spring (see Table 1).

43. The greatest contribution towards the rehabilitation both of industry and of transport has been the provision of fuel. All the coal and all the gasoline, fuel oil and other petroleum products, except for the Italian [illegible] Allied Armed Forces, which Italy imports today, are supplied on UNRRA account. Coal shipments to the end of May totalled 1,369,537 tons. Owing to the long coal stoppage in the United States in April and May coal for industry and for the railways in Italy has had to be severely rationed. But, thanks to the efforts of the Italian Government and UNRRA and the help of the European Coal Organization in allotting supplies of coal from the Ruhr, a breakdown of the essential services has been avoided and the normal supply line of coal to Italy has been reopened;

amount of employment in the country itself. Supplies thus include steel, pig-iron and alloying metals needed for the production of finished steels required in reconstruction. Rubber ranks high in priority for the manufacture of tires for road vehicles and the urgent demand for insulating material in electrical installations. UNRRA imported 400 tons of rubber to 31 May, 1946, against a program for the year of 20,000 tons.

45. Of great importance in the rehabilitation of Italian industry has been the establishment by the Italian Government (at UNRRA's suggestion) of a Central Industrial Commission, operating through sub-commissions, to organize and control the distribution of coal, cotton, wool, petroleum products and other "critical" commodities in short supply.

46. This structure provides Italy with the means of allocating to the best advantage of industry as a whole those raw materials that are in short supply, and at the same time receives detailed records of their use and consumption.

47. In accordance with the 1946 Agreement between the Italian Government and UNRRA a Joint Price Committee has recently been established with power to fix the prices of key commodities. Among those commodities for which prices have already been fixed are coal, wheat, flax-seed, seed-potatoes and farm machinery.

48. A year after the fighting had ended the situation of Italian State Railways is: (a) the working efficiency of the system is restored to less than one-half, the actual haulage being about 60 % of pre-war. Temporary bridges are still in process of reconstruction and the existence in many places of single-track where formerly the line was double-track and other operating difficulties still compel delay. (b) 40,000 wagons and much coaching stock need repair. 2,000 wagons were repaired between 15 April and 15 May 1946 and repairs would be speeded up if more coal were available and allocated to steel manufacture for repair to rolling stock.

49. On the roads, as on the railways, UNRRA's primary contribution has been the provision of fuel. Although Italy actually possesses 15,000 more load-carrying trucks than before the war, actual operational capacity is not proportionately available owing to shortage of tires and tubes and to the general low level of mechanical efficiency.

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44. It is UNRRA's policy in Italy to furnish supplies in the form of raw materials rather than finished products, with the object of saving foreign exchange and with the added advantage of creating the maximum

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50. In the ports there has been marked improvement in the restoration of facilities. In recent months dock laborers in many ports have broken pre-war records for the tonnage of cargo unloaded and at the same time rail clearances have steadily improved. The intake of UNRRA supplies through the ports has risen in April

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1946 to over 1,000,000 tons (total arrivals 1,117,000 tons) and in May 1946 UNRRA imported 550,000 tons (total arrivals 770,000 tons) and these supplies have been handled with a considerable gain of discharge money.

51. Moreover, the ports have been re-equipped with cranes, tugs, barges and stevedore gear procured from Allied military surplus. UNRRA has not provided the funds for the purchase of this equipment but has assisted in locating and procuring it.

Future Economic Outlook.

52. A new phase of Italy's economic reconstruction will begin when UNRRA aid ceases; all programs are based on the assumption that UNRRA shipments to Italy will cease at the end of 1946.

53. Whatever the future of UNRRA may be, it is quite certain that Italy will need substantial financial assistance in 1947 to pay for large imports of food and industrial raw materials. Without such assistance the rehabilitation task which UNRRA will not have been able to complete owing to the assumptions on which UNRRA planned having been falsified by world political and economic factors, will be beyond the powers of Italy. Italy would thus start the year 1947 in circumstances little better from the standpoint of her long-term economic rehabilitation than she would have been at the beginning of 1946 had UNRRA brought little more than bare relief.

54. To maintain a daily average of 1,900 calories per head for Italy's 35,000,000 non-producers of food, it is estimated that the minimum essential food imports in 1947 will amount to about 233,000,000 dollars.

55. By the end of 1946 Italy will have imported goods to the value of 1,000 million dollars, of which UNRRA will have contributed more than half. Import requirements for 1947 of coal, petroleum products and industrial raw materials are estimated tentatively at 486 dollars f.o.b. exporting country. This assumes that the general level of industrial activity in Italy will rise in 1947 to an average of 80 % to 85 % of pre-war. In addition, Italy will need to spend some 50 million dollars on industrial equipment and a further 28 million dollars on fertilizers and agricultural and medical supplies.

56. Including freight charges and invisible items, Italy's bill for 1947 for needed imports would be in possibly secure additional loans of 150 million or 200 million dollars for industrial materials.

58. But, accepting these assumptions, there would still remain a net deficit of between 200 million and 250 million dollars for which no financing is in sight. If Italy receives no additional assistance, a large part of next year's current earnings in foreign exchange will then have to be spent on food, and it will be impossible to provide the 200 million to 250 million dollars required for fuel and industrial materials.

59. The result must be that Italy's industrial recovery will be seriously retarded, exports in 1947 reduced, and the need for large financial assistance prolonged into 1948.

60. The net deficit of 200 million or 250 million dollars is about equal to the necessary food imports in 1947 (233 million dollars). Some special type of relief financing for the purchase of food might be an appropriate means of meeting this deficit. Such an arrangement would enable Italy to spend current earnings on fuel and industrial supplies and rely on special financing to cover food imports.

61. A similar problem is likely to exist in other European countries such as Austria, Hungary, and Yugoslavia. Aid for Italy might, therefore, form part of a comprehensive plan.

62. Special relief financing for the import of food would appear to be a more logical method of overcoming a short-term difficulty than for Italy to be forced to spend upon current food supplies money obtained (if at all) by long-term loan, particularly as any such diversion of loan funds might reduce the amount available for industrial reconstruction.

63. Financial aid in place of physical relief in itself represents a return to more normal economic conditions. With the end of what might be called the period of post-war emergency relief must come also a return to more normal trading. UNRRA in the circumstances of the time has had to procure supplies wherever they could be obtained—often with little regard to competitive costs. This can only be regarded as a short-term policy to meet abnormal conditions.

64. Long-term economic rehabilitation in Italy requires a return to historic sources of supply and re-opening of traditional markets. Economic rehabilitation, too, presupposes an early clarification of Italy's Peace Treaty [illegible] decision on what territorial changes

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56. Including freight charges and invisible items, Italy's bill for 1947 for needed imports would be in the order of 990 million dollars, against which Italy's receipts from exports, shipping earnings and net commercial credits are unlikely to exceed 540 million dollars, leaving a deficit of some 450 million dollars.

57. On present indications the probabilities are that Italy may obtain loans for the 50 million dollars needed in 1947 for equipment and machinery, and could Italy receives no additional assistance, a large part of next year's current earnings in foreign exchange will then have to be spent on food, and it will be impossible to provide the 200 million to 250 million dollars required for fuel and industrial materials.

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60. The net deficit of 200 million or 250 million dollars is about equal to the necessary food imports in 1947 (233 million dollars). Some special type of relief financing for the purchase of food might be an appropriate means of meeting this deficit. Such an arrangement would enable Italy to spend current earnings on fuel and industrial supplies and rely on special financing to cover food imports.

61. A similar problem is likely to exist in other European countries such as Austria, Hungary, and Yugoslavia. Aid for Italy might, therefore, form part of a comprehensive plan.

62. Special relief financing for the import of food would appear to be a more logical method of overcoming a short-term difficulty than for Italy to be forced to spend upon current food supplies money obtained (if at all) by long-term loan, particularly as any such diversion of loan funds might reduce the amount available for industrial reconstruction.

63. Financial aid in place of physical relief in itself represents a return to more normal economic conditions. With the end of what might be called the period of post-war emergency relief must come also a return to more normal trading. UNRRA in the circumstances of the time has had to procure supplies wherever they could be obtained—often with little regard to competitive costs. This can only be regarded as a short-term policy to meet abnormal conditions.

64. Long-term economic rehabilitation in Italy requires a return to historic sources of supply and re-opening of traditional markets. Economic rehabilitation, too, presupposes an early clarification of Italy's Peace Treaty obligations and a decision on what territorial changes, if any, are to be made.

65. The present uncertainty gravely hinders future economic planning, and if there is to be continued progress in 1947 there is urgent need for Italy to make plans soon and to avoid a dangerous lacuna when UNRRA arrivals cease.

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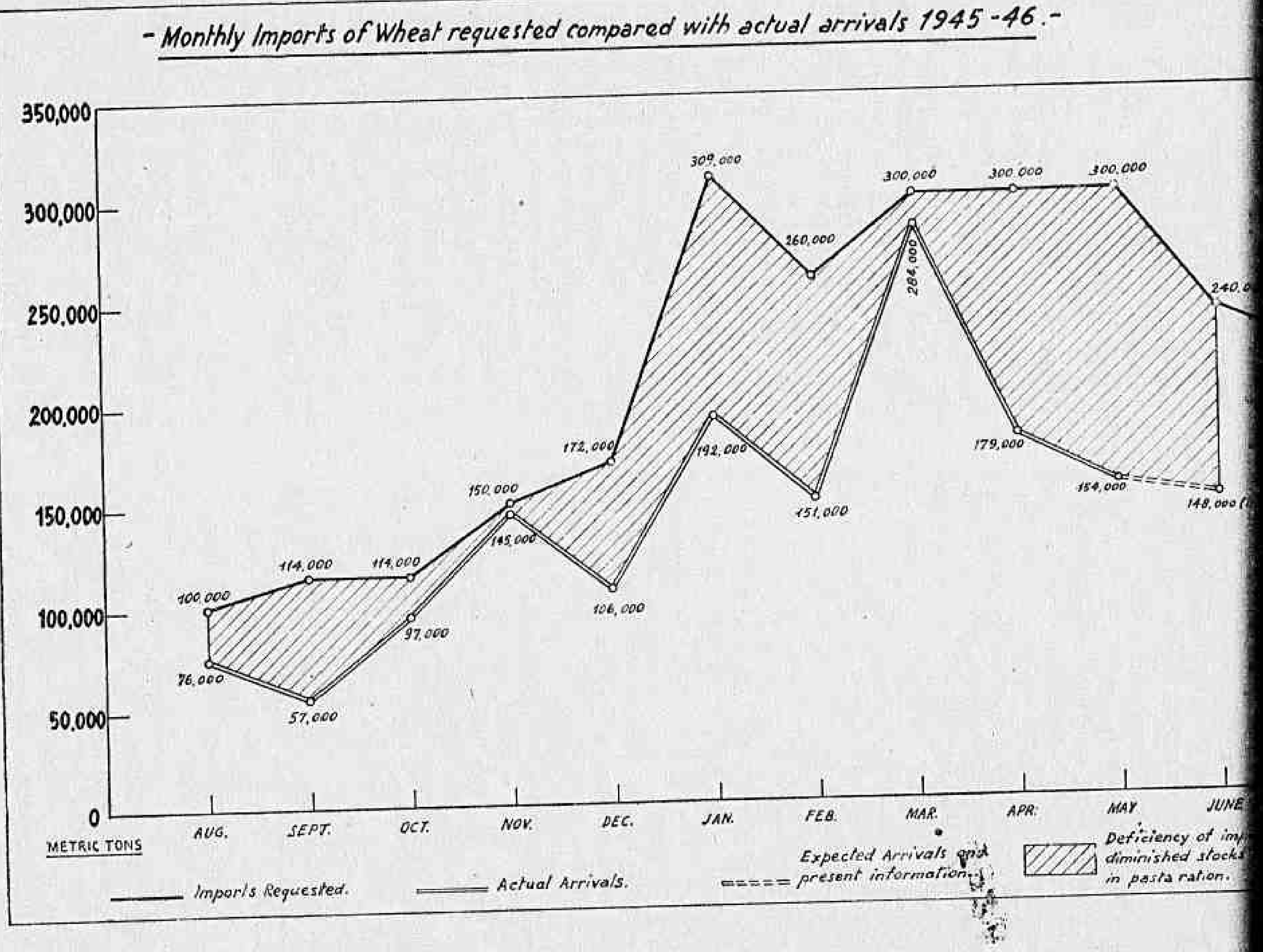
TABLE 1

- Monthly Imports of Wheat requested compared with actual arrivals 1945 -46 .-



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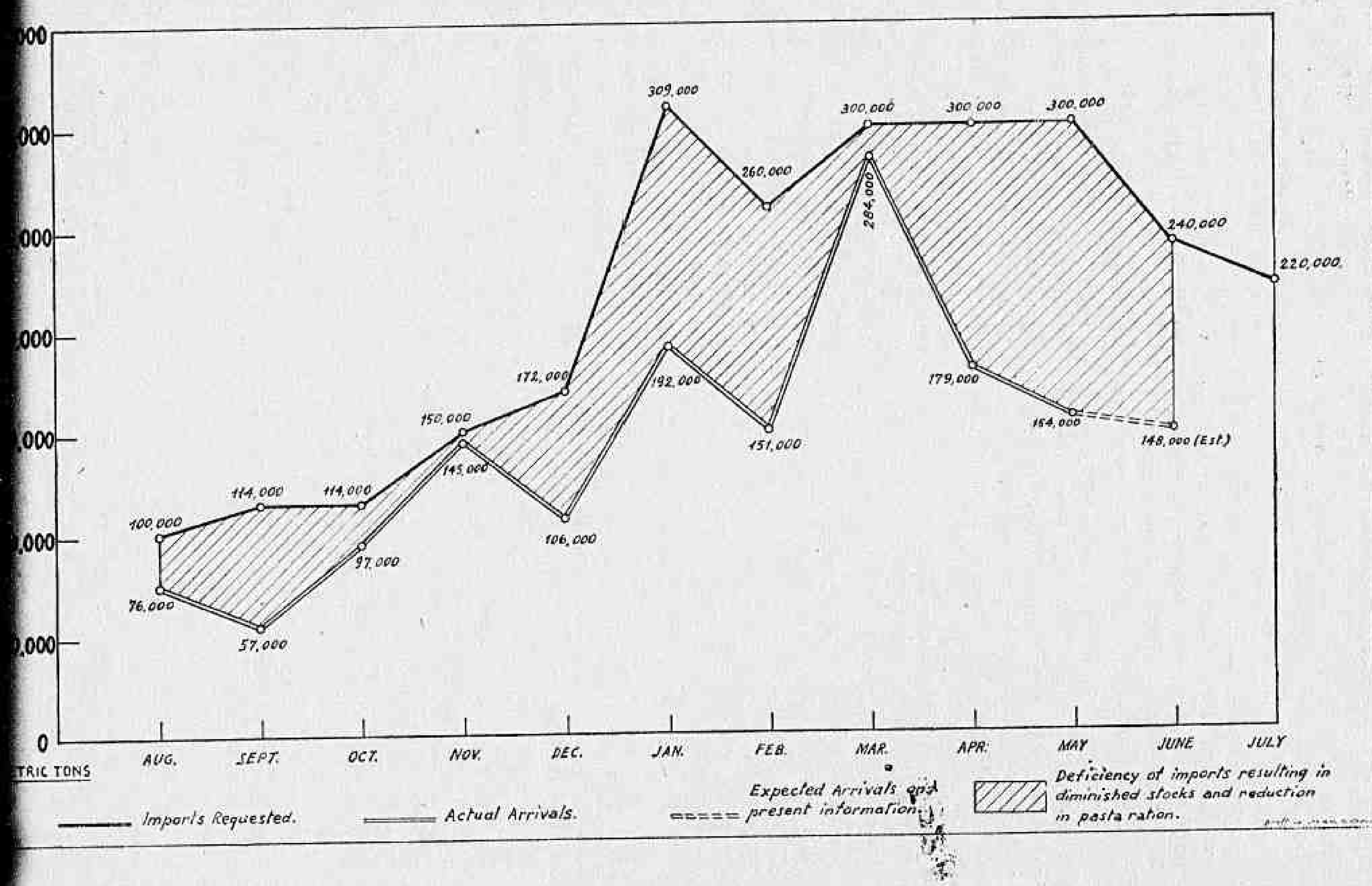
- Monthly Imports of Wheat requested compared with actual arrivals 1945 -46 .-



FINANCE

The General Financial Situation.

1. The probable assistance by UNRRA in 1946 in supplies and services to Italy is estimated at 425 million dollars. The financial and economic position in Italy after liberation was catastrophic and in terms of available foreign currency to cover essential imports, Italy was bankrupt. Hence the need for outside assistance and in particular for the assistance undertaken by UNRRA. As is shown in paragraphs 61 to 70, the application of proceeds in local currency from sales of UNRRA goods to provide inter alia subsidies for bread and coal is under consideration. Knowledge of Italy's present financial position is, therefore, of considerable interest to the UNRRA supplying countries and to the UNRRA administration. The main reasons for Italy's present financial difficulties are, essentially, two: a badly-balanced budget and an acute lack of adequate means of international payment. The present chapter will deal mainly with the first of these: the second will be analyzed later in the Supplement on Balance of Payments.

2. As in all other belligerent countries, in Italy the main financial consequence of World War II was a rapidly-growing unbalance in the Government's budget. The difference between the Government's income and its rapidly-increasing expenditures was made up mainly by borrowing and by an increase in note circulation. This in turn caused a gradual rise in prices and a consequent decline in the value of the country's currency. The development of this process is clearly shown by the figures on Governmental income and expenditure, the growth of the public debt, and of note circulation and prices, given in the tables 1 to 4.

3. As the preceding figures show, between 1939 and 1943 the Governmental deficit, the excess of expenditure over income, grew from 12,000 to 86,000 million lire, the total internal public debt increased from 146,000 to 406,000 million, and the circulation of Bank of Italy notes from 24,000 to 91,000 million lire. (This is the 30 June 1943 figure; on 31 December 1943 the circulation had grown to 157,000 million lire). After the

TABLE 1

Governmental Income and Expenditure

(in millions of lire)

Years		Income	Expenditure		Deficit
			Total	For Military purposes	
1935-36		20,370.7	33,056.9	12,624	— 12,686.2
(1)	»	$ (1,072.1)	$ (1,739.8)	$ (665)	— $ (667.7)
1936-37		24,702.1	40,932.1	16,573	— 16,230.0
1937-38		27,468.0	38,642.1	13,272	— 11,174.1
1938-39		27,575.6	39,853.4	15,028	— 12,277.5
1939-40		32,350.5	60,388.9	27,732	— 28,038.4
(1)	»	$ (1,833.9)	$ (3,050.0)	$ (1,401)	— $ (1,416.1)
1940-41		34,234.2	98,222.8	58,899	— 63,988.6
1941-42		41,223.8	118,569.4	64,241	— 77,345.4
1942-43		18,884 –	135,158.0	83,831	— 86,274.0
(3)	1943-44	41,489.0	229,318.0	—	— 187,829.0
(2)	1944-45	48,000.0	332,000.0	—	— 284,000.0
(3)	1945-46	200,000.0	500,000.0	—	— 300,000.0
(1)	»	$ (888.9)	$ (2,222.2)	—	— $ (1,333.3)

(1) Figures in brackets represent conversion to dollars at then ruling rate of exchange.

(2) Provisional.

(3) Estimate, January 1946.

TABLE 2

Internal Public Debt

(in millions of lire)

Years (June 30)	Consolidated Debt	Redeemable Debt	State Currency	Floating Debt	Total Internal Public debt
1935	9,892	83,935	—	11,882	105,709
1937	53,012	47,958	1,350	23,293	125,613
1939	52,986	49,176	2,122	41,511	145,795
1941	52,967	85,677	3,347	87,950	229,941
1943	52,945	178,069	5,919	168,890	405,823

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3. As the preceding figures show, between 1939 and 1943 the Governmental deficit, the excess of expenditure over income, grew from 12,000 to 86,000 million lire, the total internal public debt increased from 146,000 to 406,000 million, and the circulation of Bank of Italy notes from 24,000 to 91,000 million lire. (This is the 30 June 1943 figure; on 31 December 1943 the circulation had grown to 157,000 million lire). After the beginning of Allied occupation in the summer of 1943 and of active warfare on Italian soil, expenditures and the deficit grew still further while the public debt and note circulation expanded apace. The development of this process and some of its current effects are analyzed in somewhat greater detail in the pages which follow.

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Governmental Income and Expenditure

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			Total	For Military purposes	
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(1)	»	$ (888.9)	$ (2,222.2)	—	— $ (1,333.3)

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5220 TABLE 2

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1941	52,967	85,677	3,347	87,950	229,941
1943	52,945	178,069	5,919	168,890	405,823
1944	52,945	176,059	6,500	201,231	436,735
1945	52,945	206,293	7,281	581,444	847,963
1945 Dec.	52,945	279,146	7,348	598,683	938,122

SOURCE: "Bollettino Mensile di Statistica", (Monthly Bulletin of Statistics) 1945, and Bank of Italy research department.

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TABLE 3

Note Circulation

(In millions of lire)

Years (December 31)	Bank of Italy Notes	State Currency	A. M. Currency	Total note circulation
1935	16,297	647	—	16,944
1937	17,468	1,350	—	18,818
1939	24,432	2,448	—	26,880
1941	49,609	4,150	—	53,759
1943	156,632	6,337	10,926	173,895
1944	248,644	6,337	52,618	307,599
1945	296,021	7,348	86,029 (prov)	389,398
1946 Jan.	290,511	7,348	88,672 (prov)	386,531
Feb.	289,046	—	—	—
March	291,747	—	—	—
April	291,640	—	—	—

SOURCE: "Bollettino Mensile di Statistica", Banca d'Italia and Allied Financial Agency.

TABLE 4

Italian Price Indices

(1938 = 100)

Years and months		General Price Index		Cost of living Index (food)	
1935		(1)	71.0	(3)	78.3
1937		(1)	93.5	(3)	92.6
1939		(1)	101.3	(3)	104.3
1941		(1)	135.8	(3)	147.6
1945	August	(2)	3,163.0	(4)	2,424.0
	September	(2)	3,139.0	(4)	2,639.0
	December	(2)	3,289.0	(4)	3,156.0
1946	January	(2)	3,018.0	(4)	3,391.0
	February	(2)	3,018.0	(4)	3,314.0
	March	(2)	2,864.0		—
	April	(2)	2,795.0		—

The Budget.

4. The Italian Government began the fiscal year 1945-46 with a budget showing receipts of 30,000 million lire, expenditures of 113,000 million and a deficit of 83,000 million lire. It included estimates for only the 36 provinces of Southern and Central Italy then under the administration and jurisdiction of the Italian Government, i.e., the area as far north as the Apennines, including Tuscany but not the Northern Regions of Emilia, Liguria, Piedmont, Lombardy, Veneto, and Venezia Giulia, which were under the control of the Allied Military Government (AMG).

5. Since 1 January 1946, these Regions (excluding Venezia Giulia) have also been under the administration of the Italian Government; in relation to this, speaking on the economic and financial situation in the Consultative Assembly on 22 January 1946 Secretary of the Treasury (1) Corbino stated that for the financial year 1945-46 an expenditure of 500,000 million lire had been budgeted for, covering the whole national territory. Revenue for the same period he estimated at 200,000 million lire. The budget, therefore, shows a deficit of 300,000 million (see Table 1). Since this is the first tentative budget covering the whole of Italy, no information as to allocation of expenditure or probable tax yields is available.

6. To improve the sad situation revealed by Signor Corbino, the Government intends to reduce expenditure on public services and to postpone other expenditure where possible, without jeopardizing productive capacity necessary for economic recovery.

7. On the revenue side it is hoped to increase the yield from ordinary and extraordinary taxation without appreciably affecting the economy of the Italian State. In order to achieve this aim the Secretary of Finance is reorganizing fiscal administration (2) with a view to reducing tax collection costs to a minimum and improving the methods of assessing incomes for taxation. The idea is that by tightening up the efficiency of the administration, as stated, it will be possible to increase the yield from taxation and simul-

(1) The distinction between the functions of the Treasury and the Ministry of Finance is as follows:

a) The Treasury controls the expenditure of the Government and the budget.

b) The Ministry of Finance controls the revenues, collects

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(December 31)	of Italy Notes	Currency	Currency	circulation
1935	16,297	647	—	16,944
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1935	(1)	71.6	(3)	78.3
1938	(1)	93.5	(3)	92.6
1939	(1)	104.3	(3)	104.3
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February	(2)	3,018.0	(4)	3,314.0
March	(2)	2,864.0		—
April	(2)	2,795.0		—
May	(2)	2,723.0		—

(1) Istituto Centrale di Statistica, Rome. (Central Institute of Statistics).

(2) Centro Statistico Aziendale, Florence. (Trade Statistical Center).

(3) Istituto Centrale di Statistica (old series).

(4) Istituto Centrale di Statistica (new series).

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(1) The distinction between the functions of the Treasury and the Ministry of Finance is as follows:

a) The Treasury controls the expenditure of the Government and the budget.

b) The Ministry of Finance controls the revenues, collects the taxes, etc.

(2) By decree of 27 October 1945, it was ruled in the Ministry of Finance that the "Direzione Generale per la Finanza Straordinaria", (General Direction for Extraordinary Finance) should, besides taking over the power and functions of handling fascist profits from the "High Commissioner for Sanctions against fascism", take over the responsibility for extraordinary taxation in general and on war profits in particular.

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taneously reduce the present heavy burden of taxation, which in itself is the cause of widespread tax evasion (1).

8. The Government wishes in any case to avoid calling for a further note issue to cover the budget deficit and the requirements of the Allied Armed Forces.

9. Signor Corbino's plan is to meet these liabilities in the immediate future by encouraging increased investment in short and middle-term Government securities, selling war surpluses and selling imported products bought from foreign loans. Looking further ahead, details have been studied for the issue of a large consolidated 5 % loan, when technical and market conditions will permit. An indication of future policy was given by Secretary of the Treasury Corbino, who, in January 1946, stated his objects as follows:—

(a) To stem the increase in public expenditure while giving State support where such support is necessary.

(b) To resuscitate industrial production so that the income of industry may eventually cover industrial costs.

(c) To re-establish the confidence of the Italian public in the means of payment.

10. The huge deficit is being met by:

(a) Direct sale to the public of Government securities. In April 1945, in fact, the Government announced an issue of five-year 5 % Treasury Bonds at 97½ lire, subscriptions to be closed in May; this loan produced a total of 33,000 million lire. In August 1945 a similar issue of five-year 5 % Treasury Bonds was made in the North at 99 lire and produced 73,000 million lire—a total of over 106,000 million lire.

(b) Borrowing from the Central Bank on "open account." A substantial part of the present sizeable deposits in the commercial banks, which find it difficult to invest their funds suitably under present circumstances, is deposited by these banks with the Bank of Italy, which pays interest on such loans. The Bank of Italy in turn lends the funds to the Treasury. The volume of loans of this sort outstanding on 20 March 1946 was 68,000 million lire.

(c) The continuous sale, through the Bank of Italy, of Italian State Treasury Bonds at maturities of from three months to one year which bear interest at rates varying from 3½ % to 5 %. These short-term State obligations are purchased mainly by commercial banks and other financial institutions as well as by private investors. The confidence shown in Government obligations by the sale of such large issues has been re-assuring and indicates a considerable measure of confidence in the lire even though the absence of other suitable investments may be the principal factor in facilitating these sales.

11. As the figures below show, this trend was considerably accentuated in January and February 1946, that is after the Council of Ministers decided to postpone "sine die" the conversion of the currency (calling in and replacement of the note circulation).

TABLE 5

Aggregate Value of Outstanding Treasury Bonds

(in millions of lire)

1945	June	157,673	
	July	160,371	+ 2,698
	August	161,768	+ 1,397
	September	165,009	+ 3,241
	October	168,730	+ 3,721
	November	173,239	+ 4,509
	December	178,324	+ 5,085
1946	January	(1) 189,496	+ 11,172
	February	(1) 205,300	+ 15,800

(1) Estimated.

Currency Conversion.

12. Closely linked with the Government finances is the question of converting the currency for the sake of uniformity (2) which was scheduled for last October and was again under consideration in January. The technicalities of such a change and the objects which it is hoped will be achieved by it (3) have been the subject of discussions in the press and on political platforms.

13. On 11 January 1946 the Council of Ministers discussed the problem from all angles and decided that

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and the requirements of the Allied Armed Forces.

9. Signor Corbino's plan is to meet these liabilities in the immediate future by encouraging increased investment in short and middle-term Government securities, selling war surpluses and selling imported products bought from foreign loans. Looking further ahead, details have been studied for the issue of a large consolidated 5 % loan, when technical and market conditions will permit. An indication of future policy was given by Secretary of the Treasury Corbino, who, in January 1946, stated his objects as follows:—

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(c) The continuous sale, through the Bank of Italy, of Italian State Treasury Bonds at maturities of from three months to one year which bear interest at rates varying from 3½ % to 5 %.

(1) According to a recent statment by the Secretary of Finance, the general reform of the Italian taxation system will be inspired by the following principles: simplifying and unifying taxes so that there will be few types of taxation; adopting a sliding scale of taxation on the incomes of individuals rather than attempting collections at source; renovating the system of tax collection.

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13. On 11 January 1946 the Council of Ministers discussed the problem from all angles and decided that

(2) The necessity for uniformity arises out of the circulation side by side of old and new Bank of Italy notes, Allied Military lire and State currency.

(3) Determination of the value of notes destroyed or lost on account of the war, the breaking up of hoards of notes, assessment of war profits for the extraordinary property tax etc.

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in view of present difficulties the question of immediate conversion should be postponed "sine die" (1).

14. On this occasion the Secretary of the Treasury's point of view, which won the day, was that bearing in mind the political difficulties (pending political and administrative elections), the technical difficulties (lack of administrative machinery for organizing the conversion in Venezia Giulia and the Colonies during the armistice period), the inadequacy of present internal organization, the insufficiency of the police force, and the financial and psychological difficulties, it would be most unwise to undertake conversion at this time.

15. With little over 15,000 million lire in liquid resources and large disbursements to make in the first months of the year, the Government thought it wise to defer conversion, which it considered would shake the confidence of investors and holders of public bonds.

16. Estimating the reduction in deposits in favor of investments not likely to suffer under currency conversion at 10,000 million lire, and the failure to renew Treasury Bonds for the same reason at a like amount, the Government might well have had to resort to a further note issue of 20,000 million lire. In these circumstances the flight to temporary investments, coupled with additional issue of new notes, presented the danger of a new inflationary cycle which was just what the Government wished to avoid.

17. In the light of the foregoing it would appear that the current budget deficit is, for the time being, covered by the proceeds of sales of Government bonds to the banks and the public. This explains why, to date, note circulation has not increased to the extent that would have been necessary had the burden of meeting the deficit been placed primarily on the Bank of Italy. However, as the Secretary of the Treasury has stated, the danger of being forced to increase further the note issue has not completely disappeared and is likely to remain until the floating debt has been consolidated.

Note Circulation and Bank Deposits.

18. As Table 3 above shows, note circulation in all of Italy totalled about 386,500 million lire at the end of January 1946. Of this, 290,500 million are represented by Bank of Italy notes, 88,700 million by Allied Military currency (AM-lire) and 7,300 million by

19. The increase in the amount of Bank of Italy notes outstanding from the outbreak of war—27,500 million—to the armistice in September 1943—113,000 million—was entirely due to deficit financing. Since September 1943 the increase from 113,000 million to about 296,000 million roughly equals the amount paid to the Germans in Italy by the fascist Government; the Bank of Italy advances to the legitimate Government were negligible.

20. After the end of the war the Bank of Italy, as explained above, has not been obliged to increase its circulation to cover the Government's deficit, mainly because of the influx of funds derived from the sale of five-year bonds and the continuingly successful current sales of three-months to one-year Treasury Bonds.

21. Looking at the balance sheet of the Bank of Italy (see Table 12) we see that in 1945 the note issue increased only half as much as it did in the preceding year (1945: +47,000 million; 1944: +92,000 million); it is worth noticing that the increase took place mostly in the first five months of the year (40,000 million). In the first quarter of 1946 there was a decrease of 4,300 million lire.

22. While the development in the Bank of Italy note circulation was proceeding as described above, the AM-lire circulation increased by regular amounts averaging 2,800 million per month until at the end of 1943 about 86,000 million had been issued (2). In 1945 the AM-lire lire circulation increased 33,400 million lire against 41,700 million in 1944, indicating a slowing down of 8,000 million in the rate of increase during the year. This was due to the cessation of hostilities, movement of Allied troops into Austria, and the repatriation of Allied troops.

23. The issue of State notes of small denomination was discontinued by the Italian Government in 1945, and the increase under this heading is due to the fascist Republican Government continuing to issue these notes in the North.

24. Within the framework of the Government's financial and monetary policy, aimed at curbing the volume of means of payment in order to help deflate prices, the agreement by which the Government assumes responsibility for AM-lire (which was concluded in January) is worth considering. Under the agreement Allied Authorities will discontinue issuing AM-lire and deliver stocks of notes on hand to the Bank of Italy. The Government, on the other hand, is pledged to

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in mind the political difficulties (pending political and administrative elections), the technical difficulties (lack of administrative machinery for organizing the conversion in Venezia Giulia and the Colonies during the armistice period), the inadequacy of present internal organization, the insufficiency of the police force, and the financial and psychological difficulties, it would be most unwise to undertake conversion at this time.

15. With little over 15,000 million lire in liquid resources and large disbursements to make in the first months of the year, the Government thought it wise to defer conversion, which it considered would shake the confidence of investors and holders of public bonds.

16. Estimating the reduction in deposits in favor of investments not likely to suffer under currency conversion at 10,000 million lire, and the failure to renew Treasury Bonds for the same reason at a like amount, the Government might well have had to resort to a further note issue of 20,000 million lire. In these circumstances the flight to temporary investments, coupled with additional issue of new notes, presented the danger of a new inflationary cycle which was just what the Government wished to avoid.

17. In the light of the foregoing it would appear that the current budget deficit is, for the time being, covered by the proceeds of sales of Government bonds to the banks and the public. This explains why, to date, note circulation has not increased to the extent that would have been necessary had the burden of meeting the deficit been placed primarily on the Bank of Italy. However, as the Secretary of the Treasury has stated, the danger of being forced to increase further the note issue has not completely disappeared and is likely to remain until the floating debt has been consolidated.

Note Circulation and Bank Deposits.

18. As Table 3 above shows, note circulation in all of Italy totalled about 386,500 million lire at the end of January 1946. Of this, 290,500 million are represented by Bank of Italy notes, 88,700 million by Allied Military currency (AM-lire) and 7,300 million by State currency (notes of denominations below 50 lire).

(1) For carrying out the conversion of the currency the machinery had been set for printing new notes. By the end of March 1946 1,200 million notes were printed in Italy of an aggregate value of 300,000 million lire.

million roughly equals the amount paid to the Germans in Italy by the fascist Government: the Bank of Italy advances to the legitimate Government were negligible.

20. After the end of the war the Bank of Italy, as explained above, has not been obliged to increase its circulation to cover the Government's deficit, mainly because of the influx of funds derived from the sale of five-year bonds and the continuingly successful current sales of three-months to one-year Treasury Bonds.

21. Looking at the balance sheet of the Bank of Italy (see Table 12) we see that in 1945 the note issue increased only half as much as it did in the preceding year (1945: +47,000 million; 1944: +92,000 million); it is worth noticing that the increase took place mostly in the first five months of the year (40,000 million). In the first quarter of 1946 there was a decrease of 4,300 million lire.

22. While the development in the Bank of Italy note circulation was proceeding as described above, the AM-lire circulation increased by regular amounts averaging 2,800 million per month until at the end of 1945 about 86,000 million had been issued (2). In 1945 the AM-lire lire circulation increased 33,400 million lire against 41,700 million in 1944, indicating a slowing down of 8,000 million in the rate of increase during the year. This was due to the cessation of hostilities, movement of Allied troops into Austria, and the repatriation of Allied troops.

23. The issue of State notes of small denomination was discontinued by the Italian Government in 1945, and the increase under this heading is due to the fascist Republican Government continuing to issue these notes in the North.

24. Within the framework of the Government's financial and monetary policy, aimed at curbing the volume of means of payment in order to help deflate prices, the agreement by which the Government assumes responsibility for AM-lire (which was concluded in January) is worth considering. Under the agreement Allied Authorities will discontinue issuing AM-lire and deliver stocks of notes on hand to the Bank of Italy. The Government, on the other hand, is pledged to supply the currency requirements of the Allied Forces. The Agreement does not affect the ultimate settlement between the Government and the Allies, or remove

(2) Source: Allied Financial Agency.

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the cause of increased circulation for payment of Allied troops, but merely shifts to the Bank of Italy the responsibility for actually providing the currency.

25. Due to the extension of the exchange subsidy (225 lire to the U.S. dollar; 900 lire to one pound sterling, which came into force in January 1946) to payments made to Allied troops, the currency requirements for this purpose increased by 125 % (see paragraphs 49 to 54).

26. To implement the provisions of this agreement a further agreement was entered into by the Treasury and the Bank of Italy, which resulted in the Treasury's being debited in the Bank's Balance Sheet with "Treasury account for AM-lire circulation," 114,000 million being the total of AM-lire issued. The make-up of this figure is shown by a reduction of 22,000 million in the figure for cash and a liability of 92,000 million for AM-lire in circulation (1).

27. The final phases of the change over were completed by 15 March 1946 and, according to the Allied Authorities' requests for lire it appears the future average monthly expenditure will be about 5.800 million lire.

28. In order to arrive at the total volume of means of payment in circulation it is necessary to consider also money substitutes such as cheques. This is especially so in the case of Italy, where cheques are not used in quite the same way as they are in the U.S. or U.K. For instance, the Banks of Italy, Sicily, and Naples, which are Government bankers and whose accounts are subject to Government inspection, are authorized to issue "circular cheques," which are negotiable instruments and legal tender for a period of six months from date of issue. Other large banks are also authorized to issue "circular cheques" though these are not legal tender. Therefore in viewing the following table, the first column shows cheques which are actually legal tender, whereas the second column shows the sum of personal cheques drawn on banks and circular cheques of authorized banks which though not legal tender are certainly currency substitutes.

29. The increased volume of money substitutes in the form of cheques was considerable during 1945 (15.768 millions) though it was only about half of the 1944 (29.069 millions) figure.

30. The trend in the volume of cheque payments was [illegible] the main

TABLE 6

Circulation of means of Payment other than Currency

(in millions of lire)

End of	Cheques (1)	Cheques of Authorised Institutions	Total
1935	924	659	1,583
1937	1,170	901	2,071
1939	1,625	1,433	3,058
1941	2,850	2,788	5,638
1943	(2) 10,504	(2) 6,093	(2) 16,597
1944	(2) 23,244	(2) 22,422	(2) 45,666
1945	(2) 29,888	(2) 31,546	(2) 61,434

(1) Bank of Italy, Bank of Naples, Bank of Sicily.
(2) Provisional.

of the year and was largely due to the shortage of bank notes in the North prior to liberation.

31. This problem originated in November, 1942, when as a result of withdrawals of deposits in favor of hoarding, the banks suffered a severe scarcity of circulating currency. The banks, in order to alleviate the position, encouraged the drawing of cheques, and this step went a long way towards relieving the crisis. Later, the increase of black market transactions, mostly settled in cash, the increase of stocks and notes in the hands of displaced persons and the investment of war profits in bank notes, led to the hoarding of notes issued by the Bank and the Allied Military Authorities for public and military requirements. A relatively small proportion of these notes found their way into deposit accounts.

32. As a matter of fact, while the volume of means of payment increased by about 14 times between December 1939 and June 1945, deposits with banks and saving banks (excluding current accounts of banks) increased only about five times over the same period. On the other hand, it appears that during the second half of 1945 deposits increased 35 % against an 8 % increase in means of payments. This seems to indicate a satisfactory change in trend.

Credit and Banks.

33. The increase in sight and time deposits with the

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sterling, which came into force in January 1946) to payments made to Allied troops, the currency requirements for this purpose increased by 125 % (see paragraphs 49 to 54).

26. To implement the provisions of this agreement a further agreement was entered into by the Treasury and the Bank of Italy, which resulted in the Treasury's being debited in the Bank's Balance Sheet with "Treasury account for AM-lire circulation," 114,000 million being the total of AM-lire issued. The make-up of this figure is shown by a reduction of 22,000 million in the figure for cash and a liability of 92,000 million for AM-lire in circulation (1).

27. The final phases of the change over were completed by 15 March 1946 and, according to the Allied Authorities' requests for lire it appears the future average monthly expenditure will be about 5,800 million lire.

28. In order to arrive at the total volume of means of payment in circulation it is necessary to consider also money substitutes such as cheques. This is especially so in the case of Italy, where cheques are not used in quite the same way as they are in the U.S. or U.K. For instance, the Banks of Italy, Sicily, and Naples, which are Government bankers and whose accounts are subject to Government inspection, are authorized to issue "circular cheques," which are negotiable instruments and legal tender for a period of six months from date of issue. Other large banks are also authorized to issue "circular cheques" though these are not legal tender. Therefore in viewing the following table, the first column shows cheques which are actually legal tender, whereas the second column shows the sum of personal cheques drawn on banks and circular cheques of authorized banks which though not legal tender are certainly currency substitutes.

29. The increased volume of money substitutes in the form of cheques was considerable during 1945 (15,768 millions) though it was only about half of the 1944 (29,069 millions) figure.

30. The trend in the volume of cheque payments was similar to that for Bank of Italy notes: i.e., the main increase took place in the first four to five months

(1) This figure is not comparable with the figure for AM-Lire circulation given in Table 3 because the Allied Financial Agency does not treat lire in the hands of field cashiers as "in circulation" and the Bank of Italy does.

End of	Cheques (1)	of Authorised Institutions	Total
1935	924	659	1,583
1937	1,170	901	2,071
1939	1,625	1,433	3,058
1941	2,850	2,788	5,638
1943	(2) 10,504	(2) 6,093	(2) 16,597
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32. As a matter of fact, while the volume of means of payment increased by about 14 times between December 1939 and June 1945, deposits with banks and saving banks (excluding current accounts of banks) increased only about five times over the same period. On the other hand, it appears that during the second half of 1945 deposits increased 35 % against an 8 % increase in means of payments. This seems to indicate a satisfactory change in trend.

Credit and Banks.

33. The increase in sight and time deposits with the Bank of Italy (see Table 12, items 15 and 16) reflects the position in which the banks have found themselves since the liberation of the areas in which they operate. This position is characterized by an abundance of cash liabilities on account of ever-increasing deposits coupled with an obvious scarcity of safe investments.

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34. The following table shows how bank deposits have increased.

TABLE 7

Bank Deposits

(in millions of lire)

End of	Number of Banks	Deposits	Current Accounts of clients	Total	Current Accounts of banks
1939	307	39,995	20,971	60,966	3,903
1941	306	58,130	35,504	93,634	5,484
1943	365	84,216	59,042	143,258	6,909
1944	363	138,358	110,432	248,785	11,180
1945 – June	365	180,644	124,610	305,254	12,411
Sept.	365	196,627	140,023	336,650	14,457
Dec.	365	240,609	165,977	406,586	18,435
1946 Jan.	365	256,152	170,430	426,582	17,383

35. As it appears from the above table, the rate of increase was very high in 1945 (65 %). In that year, contrary to what had taken place earlier, the rate of increase in deposits (75 %) was higher than the increase in the current accounts of clients (53 %). Also, the rate of increase in the current accounts of banks (68 %) was lower than the rate of increase in deposits, owing to decreased economic activity and to the favorable terms for deposits with the Bank of Issue.

36. The rate of increase in Postal Savings Bank deposits and investment in interest-bearing bonds which cater for people of modest means has been much lower.

TABLE 8

Postal Bank Deposits

(in millions of lire)

End of	Deposits	Interest bearing Bonds	Total
1939	8,242	23,766	32,008
1941	10,426	36,490	46,916
1943	11,815	46,698	58,513
1944	13,246	46,395	59,641
1945	18,570	64,199	82,769

38. The appeal that Postal Savings Bonds have to the lower income groups of savers is obviously owing to the high yield (5 %) and to the favorable terms that characterize them as a form of investment.

39. Large applications for credit by manufacturers are caused by heavy expenditure not balanced by income from the other end of the production cycle. (Many concerns have employees on the payrolls for whom they have no work). Applications for credit from the business world were, up to a few months ago, mostly of a speculative nature to be expected in a period of rising prices and were largely met from outside the banking world.

40. These circumstances cause the banking policy in general to be cautious. As a matter of fact, the banks are examining applications for credit from a point of view of quality and granting only those which are justified by obvious commercial or industrial necessity.

41. Examining the investments in 50 large banks for which data are available, one notices that they decreased from 68,600 million at the end of 1942 to 55,900 million at the end of 1943, while they increased to 57,200 million at the end of 1944 and to 76,500 million by the middle of 1945. It is a known fact that investments increased much more in the second half of 1945 than in the first.

42. At the end of 1942 investments were 64 % of deposits (including current accounts of banks). The percentage fell to 44 by the end of 1943 and to 27 by the end of 1944. On 30 June 1945, while they were 12 % higher than the 1942 level, they were only 28 % of deposits which, in the meantime, had increased 154 %.

43. The lack of real investments induced the banks to invest their cash in State Bonds, in which their holdings increased 166 % from the end of 1942 to 30 June 1945, while the proportion to deposits remained almost unchanged at 30 %.

44. The increased deposits and the scarce investments are reflected in the increase of the cash on hand and of the deposits with other banks and with the Treasury, whose aggregate value was seven times as much in June 1945 as on 31 December 1942.

Stock Exchange.

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37. Secretary Corbino's interpretation of the different trends in the two large classes of deposits (Banks and Postal Savings Banks) is that the lower income groups are generally so impoverished that they are spending not only all their income but are also realizing some of their capital in order to support themselves.

39. Large applications for credit by manufacturers are caused by heavy expenditure not balanced by income from the other end of the production cycle. (Many concerns have employees on the payrolls for whom they have no work). Applications for credit from the business world were, up to a few months ago, mostly of a speculative nature to be expected in a period of rising prices and were largely met from outside the banking world.

40. These circumstances cause the banking policy in general to be cautious. As a matter of fact, the banks are examining applications for credit from a point of view of quality and granting only those which are justified by obvious commercial or industrial necessity.

41. Examining the investments in 50 large banks for which data are available, one notices that they decreased from 68,600 million at the end of 1942 to 55,900 million at the end of 1943, while they increased to 57,200 million at the end of 1944 and to 76,500 million by the middle of 1945. It is a known fact that investments increased much more in the second half of 1945 than in the first.

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44. The increased deposits and the scarce investments are reflected in the increase of the cash on hand and of the deposits with other banks and with the Treasury, whose aggregate value was seven times as much in June 1945 as on 31 December 1942.

Stock Exchange.

45. Government securities had a remarkable appeal for investors and quotations showed a continuous improvement through January 1946. The comparative index calculated from official quotations shows the highest prices for 1945 in December (see Table 13). There has also been increased dealing (see Table 14).

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46. Afterwards, a weakening tendency set in during February and March. This tendency was accentuated by realizations consequent upon the announcement (16 February 1946) of the issue of a 5 % Reconstruction Loan. The 3½ % 1906 loan, after gaining considerably after September 1943 owing to sales of fascist-issued bonds and investments in favor of such a loan, was later neglected, settling at a level almost proportionately equal to the other State bonds. Consolidated and redeemable stocks are weaker, while on the whole long-term Treasury bonds have remained fairly strong.

47. Apart from purely financial considerations, such as the possibility of new fiscal legislation, the stock market is naturally reacting to industrial problems (lack of raw materials, necessity of paying idle workers, etc.) and to schemes for socialization and internal plant control. Although some of these influences are diminishing in effect, the main hindrances to dealing (compulsory registration of all share transactions with the issuing companies, and 3 % surtax on each transaction) remain, since the Government has stated its unwillingness to alter present legislation until the new property tax is adopted. On 23 October 1945 the rule prohibiting term operations (1) was rescinded and was followed by a more active market, with price increases. Thereafter adjustment of these operations by sales and carry over caused prices to fall until December 1945. During the second half of February 1946 a slight hardening was experienced in certain sections of the market, which has since spread to all sections. This tendency was accentuated by the rumors that Italy might be asked to hand over to the Allies some of her industrial plants (particularly in the textile field) and war reparations as well as to pay substantial sums in reparations. (The withdrawal of the obligation to deposit 25 % of all stock and bond transactions of 21 February 1946 has not had an appreciable hardening effect).

48. According to Secretary Corbino, a law for reorganization of the Stock Exchange is under consideration, which will free dealers of many of the irksome controls under which they now labor. As a general conclusion, it can be said that low quotations for industrials are the product of present uncertainty in this field, and the relative stability of Government Securities reveal a satisfactory confidence in the lira.

Exchange Rates.

49. In January, though the official rate of exchange ing power of the lira in relation to international markets.

50. To compensate for the discrepancy between prices in Italy and the rest of the world, the Government created an "Equalization Fund for International Prices," which is administered by the Italian Exchange Office. The system is that all importers obtain foreign currency from the Treasury at a lire cost of the official rate of exchange plus a percentage. The additional lire thus obtained constitute the Fund, from which Italian exporters are paid lire amounting to official rate of exchange plus the same percentage for foreign currency credits created by their operations. As from 17 January 1946 the percentage to be added was fixed at 125 % for settlement of commercial transactions only. Gradually it was extended to other items in the balance of payments in order to bring the domestic market into line with the international currency market.

51. As a matter of fact by Government Decree of 28 January 1946, the additional 125 % has been extended to cover so many types of exchange dealings that it virtually amounts to a change in exchange rate to lire 225 to the dollar and lire 900 to the pound sterling. Transactions specifically covered are:

(a) Receipts and payments under clearing arrangements made prior to 30 November 1945;
(b) Italian and foreign diplomatic and consular expenditures;
(c) Insurance, sea and air transport transactions;
(d) Remittances from abroad;
(e) Payments of private commercial transactions.

52. In accordance with a letter of the Minister of Finance dated 7 March 1946, the additional 125 % is also extended to purchases of gold.

53. Under an agreement concluded between the Government and the Allied Military Authorities during January, the percentage also applies to the payment of Allied troops in Italy (907.31 lire = £1 sterling; 225 lire = $1 U.S.). This privilege has been further extended to diplomatic and consular staffs and to UNRRA non-Italian personnel.

54. After the long period of blocked exchange rates (400 lire to £1 sterling; 100 lire to $1 U.S.), this recent step improves considerably the prospect for the resumption of Italian foreign trade. To this same policy must be related the other provision whereby exporters may freely use 50 % of the foreign currency they get from

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siderably after September 1943 owing to sales of fascist-issued bonds and investments in favor of such a loan, was later neglected, settling at a level almost proportionately equal to the other State bonds. Consolidated and redeemable stocks are weaker, while on the whole long-term Treasury bonds have remained fairly strong.

47. Apart from purely financial considerations, such as the possibility of new fiscal legislation, the stock market is naturally reacting to industrial problems (lack of raw materials, necessity of paying idle workers, etc.) and to schemes for socialization and internal plant control. Although some of these influences are diminishing in effect, the main hindrances to dealing (compulsory registration of all share transactions with the issuing companies, and 3 % surtax on each transaction) remain, since the Government has stated its unwillingness to alter present legislation until the new property tax is adopted. On 23 October 1945 the rule prohibiting term operations (1) was rescinded and was followed by a more active market, with price increases. Thereafter adjustment of these operations by sales and carry over caused prices to fall until December 1945. During the second half of February 1946 a slight hardening was experienced in certain sections of the market, which has since spread to all sections. This tendency was accentuated by the rumors that Italy might be asked to hand over to the Allies some of her industrial plants (particularly in the textile field) and war reparations as well as to pay substantial sums in reparations. (The withdrawal of the obligation to deposit 25 % of all stock and bond transactions of 21 February 1946 has not had an appreciable hardening effect).

48. According to Secretary Corbino, a law for reorganization of the Stock Exchange is under consideration, which will free dealers of many of the irksome controls under which they now labor. As a general conclusion, it can be said that low quotations for industrials are the product of present uncertainty in this field, and the relative stability of Government Securities reveal a satisfactory confidence in the lira.

Exchange Rates.

49. In January, though the official rate of exchange was not altered, the Government took a step in this direction, which has substantially altered the purchas-

(1) The Ministry of the Treasury ruled that for the reestablishment of term operations buyers must deposit 25 % with the clearing and sales must be accompanied by the actual delivery of scrip or a deposit for 25 % of the value.

created an "Equalization Fund for International Prices," which is administered by the Italian Exchange Office. The system is that all importers obtain foreign currency from the Treasury at a lire cost of the official rate of exchange plus a percentage. The additional lire thus obtained constitute the Fund, from which Italian exporters are paid lire amounting to official rate of exchange plus the same percentage for foreign currency credits created by their operations. As from 17 January 1946 the percentage to be added was fixed at 125 % for settlement of commercial transactions only. Gradually it was extended to other items in the balance of payments in order to bring the domestic market into line with the international currency market.

51. As a matter of fact by Government Decree of 28 January 1946, the additional 125 % has been extended to cover so many types of exchange dealings that it virtually amounts to a change in exchange rate to lire 225 to the dollar and lire 900 to the pound sterling. Transactions specifically covered are:

(a) Receipts and payments under clearing arrangements made prior to 30 November 1945;
(b) Italian and foreign diplomatic and consular expenditures;
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52. In accordance with a letter of the Minister of Finance dated 7 March 1946, the additional 125 % is also extended to purchases of gold.

53. Under an agreement concluded between the Government and the Allied Military Authorities during January, the percentage also applies to the payment of Allied troops in Italy (907.31 lire = £1 sterling; 225 lire = $1 U.S.). This privilege has been further extended to diplomatic and consular staffs and to UNRRA non-Italian personnel.

54. After the long period of blocked exchange rates (400 lire to £1 sterling; 100 lire to $1 U.S.), this recent step improves considerably the prospect for the resumption of Italian foreign trade. To this same policy must be related the other provision whereby exporters may freely use 50 % of the foreign currency they get from their exports.

55. No major changes have occurred in the official rates of exchange though there were slight adjustments with currencies within the sterling block to bring them into line with the dollar sterling rate (4.0325 New York) during February.

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56. These adjustments can be seen from the following table of average official rates of exchange.

TABLE 9

Average Official Rates of Exchange

Countries	Currency	1939	Dec. 1945	March 1946	
				Official rate	Commercial rate
Argentina . .	Peso papel	4.434	29.778	25.	56.25
Australia . . .	A. £.	—	323.70	322.60	725.85
Belgium . . .	Franc	3.242	2.2845	2.2845	5.1401
Brazil	Cruzeiro	1.0383	5.417	5.15	11.5875
Canada. . . .	C. $	18.404	90.909	90.909	204.5453
Denmark . . .	Krone	3.911	20.8768	20.8526	46.9184
Egypt	E £.	90.361	415.	413.50	930.375
France. . . .	Franc	0.4836	2.0175	0.8396	1.8891
British India .	Rupee	—	30.349	30.20	67.95
New Zealand .	N. Z. £.	—	325.45	322.60	725.85
Low Countries .	Guilden	10.264	37.7415	37.7415	84.9184
Portugal . . .	Escudo	0.778	4.057	4.057	9.1282
United Kingdom	£.	85.437	400.	403.25	907.3125
Spain	Peseta	2.1302	9.13	9.13	20.5425
United States .	Dollar	19.227	100.	100.	225.
Sweden . . .	Krona	4.617	23.845	23.845	53.65125
Switzerland . .	Franc	4.3352	23.31	23.31	52.4475
Turkey . . .	£. T.	15.13	77.52	77.52	174.42
Union of South Africa. .	S. A. £.	—	403.50	400.70	901.575

SOURCE: Istituto Centrale di Statistica and Economic Analysis Branch, UNRRA Italian Mission.

Gold and Foreign Currency - Open Market.

57. The open market prices of gold and foreign currencies give some indication of the degree of confidence in the lira, though it should be noted that these prices in Italy react in a most sensitive fashion to day-to-day rumors. Since December 1945 the open market prices of gold, gold coins, and officially quoted currencies have tended to drop, with only occasional slight revivals. The only exception to this tendency is the single sterling pound, which in January 1946 surpassed the 1945 record

TABLE 10

Monthly Average of Open Market Prices of Gold, Gold Currencies, and of some Foreign Currencies in Rome

	Gold per gram (1)	Gold Sovereign (2)	Napoleon (3)	Dollar (blue seal) (4)	Single pound sterl. (4)	Swiss franc (4)
1944 December	615	5,732	4,145	251	669	86
1945 January	808	7,341	5,792	334	875	118
February	1,030	9,747	7,294	418	1,029	154
March	1,080	9,531	7,344	410	1,095	147
April	1,088	9,542	7,119	381	1,151	143
May	830	7,222	5,287	283	800	120
June	917	8,504	6,748	291	872	157
July	1,036	9,445	7,168	310	922	175
August	953	8,780	6,766	297	907	162
September	931	8,224	6,198	329	958	144
October	861	7,927	6,001	338	941	130
November	900	8,416	6,451	369	986	135
December	823	7,902	5,975	385	978	129
1946 January	775	7,569	5,681	382	1,117	142
February	634	6,655	4,982	350	1,049	106
March	564	6,158	4,655	304	869	98
April	525	5,875	4,283	281	783	89

(1) Official purchasing price of the Bank of Italy: Lire 253.1869 per gram.

(2) Official price calculated on the official purchasing price of gold of the Bank of Italy taking into account the gold content: Lire 1853.9167.

(3) Official price calculated on the official purchasing price of gold of the Bank of Italy taking into account the gold content: Lire 1470.114.

(4) Official rate in April:

$ = Lire 100; commercial rate: Lire 225.

£ = Lire 403.25; commercial rate: Lire 907.3125.

Sw. Fr. Lire 23.31; commercial rate: Lire 52.4475.

(Source: Bank of Italy).

58. These facts can be correlated to the general downward trend in prices for commodities other than food, and to the Government's policy in postponing the conversion of currency which have induced the populace to realize many temporary investments made to avoid possible losses in currency conversion. There is also a relationship with the percentage arrangements for

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Countries	Currency	1939	Dec. 1945	March 1946	
				Official rate	Commercial rate
Argentina . .	Peso papel	4.434	29.778	25.	56.25
Australia . . .	A. £.	—	323.70	322.60	725.85
Belgium . . .	Franc	3.242	2.2845	2.2845	5.1401
Brazil	Cruzeiro	1.0383	5.417	5.15	11.5875
Canada. . . .	C. $	18.404	90.909	90.909	204.5453
Denmark . . .	Krone	3.914	20.8768	20.8526	46.9184
Egypt	E.£.	90.361	415.	413.50	930.375
France. . . .	Franc	0.4836	2.0175	0.8396	1.8891
British India .	Rupee	—	30.349	30.20	67.95
New Zealand .	N. Z. £.	—	325.45	322.60	725.85
Low Countries .	Gulden	10.264	37.7415	37.7415	84.9184
Portugal . . .	Escudo	0.778	4.057	4.057	9.1282
United Kingdom	£.	85.437	400.	403.25	907.3125
Spain	Peseta	2.1502	9.13	9.13	20.5425
United States .	Dollar	19.227	100.	100.	225.
Sweden . . .	Krona	4.617	23.845	23.845	53.65125
Switzerland . .	Franc	4.3352	23.31	23.31	52.4475
Turkey . . .	£. T.	15.13	77.52	77.52	174.42
Union of South Africa. .	S. A. £.	—	403.50	400.70	901.575

SOURCE: Istituto Centrale di Statistica and Economic Analysis Branch, UNRRA Italian Mission.

Gold and Foreign Currency - Open Market.

57. The open market prices of gold and foreign currencies give some indication of the degree of confidence in the lira, though it should be noted that these prices in Italy react in a most sensitive fashion to day-to-day rumors. Since December 1945 the open market prices of gold, gold coins, and officially quoted currencies have tended to drop, with only occasional slight revivals. The only exception to this tendency is the single sterling pound, which in January 1946 surpassed the 1945 record price, but which has now fallen to below the commercial rate of exchange. The preference of hoarders for gold and gold coins as compared with quoted currencies may seem extraordinary before it is realized that most of these hoarders are relatively uneducated people, who still retain a marked preference for precious metals, and tend to mistrust token paper.

	Gold per gram (1)	Gold Sovereign (2)	Napoleon (3)	Dollar (blue seal) (4)	Single pound sterl. (4)	Swiss franc (4)
1944 December	615	5,732	4,145	251	669	86
1945 January	808	7,344	5,792	334	875	118
February	1,030	9,747	7,294	418	1,029	154
March	1,080	9,581	7,344	410	1,095	147
April	1,088	9,542	7,419	381	1,151	143
May	830	7,222	5,287	283	800	120
June	947	8,594	6,748	291	872	157
July	1,036	9,445	7,468	310	922	175
August	953	8,780	6,766	297	907	162
September	931	8,224	6,198	329	958	144
October	861	7,927	6,001	338	941	139
November	900	8,416	6,151	369	986	133
December	823	7,392	5,975	385	978	129
1946 January	775	7,069	5,681	382	1,117	122
February	634	6,655	4,982	350	1,049	106
March	561	6,158	4,655	304	869	98
April	525	5,875	4,283	281	783	89

(1) Official purchasing price of the Bank of Italy: Lire 253.1869 per gram.

(2) Official price calculated on the official purchasing price of gold of the Bank of Italy taking into account the gold content: Lire 1853.9167.

(3) Official price calculated on the official purchasing price of gold of the Bank of Italy taking into account the gold content: Lire 1470.114.

(4) Official rate in April:

$ = Lire 100: commercial rate: Lire 225.

£ = Lire 403.25: commercial rate: Lire 907.3125.

Sw. Fr. Lire 23.31: commercial rate: Lire 52.4475.

(Source: Bank of Italy).

58. These facts can be correlated to the general downward trend in prices for commodities other than food, and to the Government's policy in postponing the conversion of currency which have induced the populace to realize many temporary investments made to avoid possible losses in currency conversion. There is also a relationship with the percentage arrangements for foreign exchange which reduces the difference between the open market price and the effective rate of exchange. These trends are graphically illustrated in Table 15, which shows indices of open market prices, circulating currency level, and controlled prices. Controlled prices are tending upwards while open market prices are tending downwards (see also Table 10).

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59. The drop in prices for gold and gold coins has been more marked than that for foreign currencies.

60. During the war there were at times wide differences between open market quotations for gold and foreign currencies in Rome, Naples, and Milan, but since the cessation of hostilities these markets have settled down with differences limited to 1 %.

Lira Resources Available to UNRRA.

61. The first agreement between UNRRA and the Italian Government dated 8 March, 1945, covered the limited assistance program for Italy and provided for expenditure in foreign exchange of 50,000,000 dollars.

62. The financial provisions of the agreement provided for the Government's matching the UNRRA expenditure in foreign exchange with lire at the rate of exchange ruling when the foreign exchange expenditure was incurred.

63. From the body of the agreement provision was made also for the expenditure of part of the lire thus made available to assist the displaced persons of other countries and the procurement of local surpluses for the relief and rehabilitation of other areas.

44. In the Italian State budget for the year 1945-46 provision was made for 5,000 million lire in fulfilment of Italy's part of the agreement.

65. The second agreement between UNRRA and the Italian Government signed on 19 January 1946 covered the expenditure of no sipulated amount (the amount might be $450,000,000 including freight) on a relief and rehabilitation program to meet the most urgent needs of Italy. This agreement did not over-rule the first agreement, which was supplementary to it.

66. Financial provisions provided for the setting up of a special proceeds of sale account by the Government. The net proceeds of sales of UNRRA supplies are put into this account and made available to cover UNRRA expenses in Italy, the balance to be expended on relief and rehabilitation projects duly agreed between UNRRA and the Government. The time limit set for the determination of these relief and rehabilitation projects was three years or such longer period as may be agreed by UNRRA or by such successor as UNRRA may designate.

67. The procedures set up by the Italian Government

(b) Before the imported commodities are sold the price is agreed with UNRRA.

(c) I.C.E., after deduction of distribution costs, also agreed with UNRRA, then pass the money into the Treasury account of the Bank of Italy, and funds are made available out of this account.

68. Uncertain factors, consisting mainly of distribution costs and price policy, make it impossible to estimate with any accuracy the total sum that will be available under this agreement. 70,000 million lire is the best approximation at present possible.

69. Table 11 is a statement of the appropriations made and the recommended appropriations of the lire arising out of proceeds of sale of UNRRA goods.

70. The following is a brief description of the expenses and projects enumerated above:—

Item.

1. C.A.S.A.S. is an Italian Government Repair and Rehousing program in which UNRRA is assisting.

2. *Sardinian malarial project*: The Italian Government and Rockefeller Foundation assisted by UNRRA plan to eradicate the anopheles mosquito in Sardinia.

3. *Cotton manufacture*: This item constitutes the manufacturing costs of hospital sheeting, pillow slips and babies napkins from 2,000 tons of raw cotton imported by UNRRA.

4. *Naples cave dwellers*: This project is being handled by the Ministry of Public Works and the Congregational Service League which operates under the aegis of UNRRA, and is rehousing in barracks Neapolitans who were living in caves.

5. *Clothing processing*: This project not only includes the repair and distribution of the second hand clothing and shoes imported as a result of the American clothing drive in 1945, but also the manufacture of essential cotton garments from linen manufactured from imported raw cotton.

(a), (c) and (d) are all payments of account of the sale of these commodities. Distribution costs are being investigated at the present time.

8. These are vehicles urgently required by Public Health Officers in the districts.

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Lira Resources Available to UNRRA.

61. The first agreement between UNRRA and the Italian Government dated 8 March, 1945, covered the limited assistance program for Italy and provided for expenditure in foreign exchange of 50,000,000 dollars.

62. The financial provisions of the agreement provided for the Government's matching the UNRRA expenditure in foreign exchange with lire at the rate of exchange ruling when the foreign exchange expenditure was incurred.

63. From the body of the agreement provision was made also for the expenditure of part of the lire thus made available to assist the displaced persons of other countries and the procurement of local surpluses for the relief and rehabilitation of other areas.

44. In the Italian State budget for the year 1945-46 provision was made for 5,000 million lire in fulfilment of Italy's part of the agreement.

65. The second agreement between UNRRA and the Italian Government signed on 19 January 1946 covered the expenditure of no sipulated amount (the amount might be $450,000,000 including freight) on a relief and rehabilitation program to meet the most urgent needs of Italy. This agreement did not over-rule the first agreement, which was supplementary to it.

66. Financial provisions provided for the setting up of a special proceeds of sale account by the Government. The net proceeds of sales of UNRRA supplies are put into this account and made available to cover UNRRA expenses in Italy, the balance to be expended on relief and rehabilitation projects duly agreed between UNRRA and the Government. The time limit set for the determination of these relief and rehabilitation projects was three years or such longer period as may be agreed by UNRRA or by such successor as UNRRA may designate.

67. The machinery set up by the Italian Government to implement the financial agreement provisions is as follows:—

(a) About 25 agencies are charged with the collection of proceeds of sale from the various commodities imported. These agencies in turn are accountable to Istituto Commercio Estero (I.C.E. - Foreign Trade Commercial Institute).

costs and price policy, make it impossible to estimate with any accuracy the total sum that will be available under this agreement. 70,000 million lire is the best approximation at present possible.

69. Table 11 is a statement of the appropriations made and the recommended appropriations of the lire arising out of proceeds of sale of UNRRA goods.

70. The following is a brief description of the expenses and projects enumerated above:—

Item.

1. C.A.S.A.S. is an Italian Government Repair and Rehousing program in which UNRRA is assisting.

2. *Sardinian malarial project*: The Italian Government and Rockefeller Foundation assisted by UNRRA plan to eradicate the anopheles mosquito in Sardinia.

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4. *Naples cave dwellers*: This project is being handled by the Ministry of Public Works and the Congregational Service League which operates under the aegis of UNRRA, and is rehousing in barracks Neapolitans who were living in caves.

5. *Clothing processing*: This project not only includes the repair and distribution of the second hand clothing and shoes imported as a result of the American clothing drive in 1945, but also the manufacture of essential cotton garments from linen manufactured from imported raw cotton.

(a), (c) and (d) are all payments of account of the sale of these commodities. Distribution costs are being investigated at the present time.

8. These are vehicles urgently required by Public Health Officers in the districts.

9. This item constitutes an advance on account of the administrative costs of I.C.E., which, as explained above, is the main distributive agency of UNRRA imports.

10. An advance on account of the organizational expenses of this institution.

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TABLE 11

Consolidated Lire Fund

PROVISION IN ITALIAN STATE BUDGET 1945-46		Lire
APPROPRIATIONS		5,000,000,000
(1) CASAS	1,000,000,000	
(2) Sardinian malarial project	300,000,000	
(3) Cotton manufacture	457,667,508	
(4) Naples cave dwellers	5,500,000	
(5) Clothing processing	112,500,000	
(6) Mission Administrative Expenses	750,000,000	2,625,667,508
Proceeds of Sales to 30 June, 1946		2,374,332,492
(a) Grain, flour and codfish	950,000,000	
(b) Seed potatoes	90,919,460	
(c) P. O. L.	750,000,000	
(d) Coal	5,000,000,000	6,790,919,460
		9,165,251,952
(7) Appropriation Mission Admin. Expenses	750,000,000	
do	750,000,000	1,500,000,000
		7,665,251,952
RECOMMENDED APPROPRIATIONS		
(8) Commission for Public Health Vehicles	18,850,000	
(9) Financing of Operations: I. C. E.	50,000,000	
(10) " Central Industrial Commission	45,000,000	
(11) Sardinia Locust Campaign	500,000,000	613,850,000
		7,051,401,952
UNDER CONSIDERATION		
(12) Public Health program	1,500,000,000	
(13) CASAS: Transport	446,216,000	
(14) Federazione Consorzi: welfare foodstuffs	249,686,776	
(15) Sardinian Coal Subsidy	1,080,000,000	

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APPROPRIATIONS		
		5,000,000,000
(1) CASAS	1,000,000,000	
(2) Sardinian malarial project	300,000,000	
(3) Cotton manufacture	457,667,508	
(4) Naples cave dwellers	5,500,000	
(5) Clothing processing	112,500,000	
(6) Mission Administrative Expenses	750,000,000	2,625,667,508
Proceeds of Sales to 30 June, 1946		2,374,332,492
(a) Grain, flour and codfish	950,000,000	
(b) Seed potatoes	90,919,460	
(c) P. O. L.	750,000,000	
(d) Coal	5,000,000,000	6,790,919,460
		9,165,251,952
(7) Appropriation Mission Admin. Expenses	750,000,000	
do	750,000,000	1,500,000,000
		7,665,251,952
RECOMMENDED APPROPRIATIONS		
(8) Commission for Public Health Vehicles	18,850,000	
(9) Financing of Operations: I. C. E.	50,000,000	
(10) Central Industrial Commission	45,000,000	
(11) Sardinia Locust Campaign	500,000,000	613,850,000
		7,051,401,952
UNDER CONSIDERATION		
(12) Public Health program	1,500,000,000	
(13) CASAS: Transport	446,216,000	
(14) Federazione Consorzi: welfare foodstuffs	249,686,776	
(15) Sardinian Coal Subsidy	1,080,000,000	
(16) Brown Coal Subsidy	162,500,000	
(17) Bread Subsidy	18,000,000,000	
		21,438,202,776

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11. A payment made to defray the costs of this campaign.

12. A detailed budget is being prepared for submission under this head.

13. Since it now seems possible to procure Army surplus transport passed to the Italian Government, consideration is being given to its purchase, thus affecting a saving in foreign exchange.

14. Foodstuffs, largely oils and fats, were purchased locally to complete the supplementary feeding program in 1945.

15. The proposed subsidy for Sardinian coal.

16. Proposed bread subsidy (1946-47).

Concluding Notes.

71. As the foregoing discussion has shown, the main element in the country's present financial difficulties and in the threat to the stability of its currency, is the unbalance between its current income and expenditures. The problem is undoubtedly a difficult one and the Ministers in the Government have not always agreed either on keeping down expenditures or on increasing revenues. The Government's political composition, comprising six parties from the extreme left to the right, may have been responsible for its lack of determination in resisting demands for new appropriations, although some of these, such as the demand for higher wages and salaries by Government employees are, under present circumstances, really impossible to ignore. Since December 1945, a stronger policy in curbing the increase of outlays has been noticeable. Following the reorganization of the administrative services an increase in revenue has been evident. Other decisions favorably affecting the general financial situation, were:

(a) not to resort further to the Bank of Issue for balancing the budget deficit;

(b) to postpone the currency conversion.

72. These two directives are interdependent, inasmuch as the fear that extraordinary fiscal steps may have been taken in conjunction with the currency conversion has disappeared. Therefore, currency hoarded, or invested temporarily in gold or foreign currency, was put in circulation or disinvested: since investments were lacking owing to a slack economic situation, the currency was either deposited with banks or invested in short-term Treasury bonds. These facts enabled the Treasury to carry on without resort to further inflationary measures.

73. As the improvement is not founded on long-term considerations, it cannot be assumed that the critical period has been definitely overcome. It is also possible that a contrary trend may appear in the near future. If this is the case, and the cause of it is investment of savings in production, the larger revenue from taxation may balance the fall in investments in Treasury bonds; if, on the contrary, the cause of it is lack of confidence in the lira, temporary investments will again increase in price; deposit withdrawals and fall in the circulation of Treasury bonds will cause the banks and the Treasury to resort again to the Bank of Issue, thus directly affecting the price level.

74. In short, the present financial situation is characterized by a temporary equilibrium, which may be the starting point for a substantial improvement, although it does not exclude the possibility that a dangerous situation may arise again.

75. The prime factor for getting on the road to permanent recovery will be a Government resulting from the elections which will inspire confidence and give the necessary stimulus to economic rehabilitation. It should, however, be pointed out that the strength of the policy of the new Government will be conditioned by the international status of Italy and by the regular and continuing import of raw materials. The international status of Italy is of course dependent upon the peace treaty, and it is unlikely that the Government will be able to adopt a really firm policy, as long as it has to govern in the uncertain conditions caused by a state of armistice.

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TABLE 12

Main Items on Balance Sheet of Bank of Italy

(In millions of lire)

	1938 31 Dec.	1944 31 Dec.	1945 31 March	1945 30 June	1945 30 Sept.	1945 31 Dec.	1946 31 March
ASSETS							
1) Gold Reserve	3,674	463	463	463	463	463	536
2) Foreign Assets	152	—	—	—	—	—	—
3) Cash	467	2,679	4,261	6,771	14,874	18,431	1,325
4) Domestic bill holdings	3,704	3,781	3,864	4,449	8,322	9,746	9,998
5) Loans against public securities	3,687	4,123	3,845	5,252	6,424	5,443	6,087
6) Public securities held for own account	769	888	886	893	889	889	887
7) Advances to the Treasury	3,000	203,647	367,690	343,697	343,697	343,697	343,697
8) Advances to I. R. I.	4,708	4,708	4,708	4,708	4,708	4,708	4,708
9) Holdings of bills of Consorzio per sovvenz. industriali	612	41,711	41,411	41,019	40,883	40,753	40,578
10) Advances by clearing department	78	55	25	50	95	241	197
11) Bond investments on behalf of the Treasury	—	—	—	—	—	68,000	68,000
12) Treasury account for the AM lire circulation	—	—	—	—	—	—	114,315
LIABILITIES							
13) Notes in circulation	18,956	248,644	277,302	288,588	283,182	296,021	291,747
14) Cash bonds and circular cheques	905	14,188	15,861	16,714	13,488	13,449	12,097
15) Deposits on current account (sight)	816	24,643	30,914	34,921	38,229	46,865	43,868
16) Time deposits by banks	340	81,897	102,652	108,042	103,350	120,175	122,306
17) Treasury current account	850	(D) 98,383	66,076	27,620	55,476	20,505	35,105
18) AM lire issued:	—	—	—	—	—	—	(114,315)
including: AM lire with the Bank of Italy	—	—	—	—	—	—	(21,859)

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(In millions of lire)

	1938 31 Dec.	1944 31 Dec.	1945 31 March	1945 30 June	1945 30 Sept.	1945 31 Dec.	1946 31 March
ASSETS							
1) Gold Reserve	3,674	463	463	463	463	463	526
2) Foreign Assets	152	—	—	—	—	—	—
3) Cash	467	2,679	4,261	6,771	14,874	18,431	1,325
4) Domestic bill holdings	3,704	3,781	3,864	4,449	8,322	9,746	9,098
5) Loans against public securities	3,687	4,123	3,845	5,252	6,424	5,443	6,087
6) Public securities held for own account	769	888	886	893	889	889	887
7) Advances to the Treasury	3,000	203,647	367,690	343,697	343,697	343,697	343,697
8) Advances to I. R. I.	4,708	4,708	4,708	4,708	4,708	4,708	4,708
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10) Advances by clearing department	78	55	25	50	95	241	197
11) Bond investments on behalf of the Treasury	—	—	—	—	—	68,000	68,000
12) Treasury account for the AM lire circulation	—	—	—	—	—	—	114,315
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13) Notes in circulation	18,956	248,644	277,302	288,588	283,182	296,021	291,747
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15) Deposits on current account (sight)	816	24,643	30,914	34,921	38,229	46,865	43,868
16) Time deposits by banks	340	81,897	102,652	108,042	103,350	120,175	122,306
17) Treasury current account	850	(D) 98,383	66,076	27,620	55,476	20,505	35,105
18) AM lire issued:	—	—	—	—	—	—	(114,315)
including: AM lire with the Bank of Italy	—	—	—	—	—	—	(21,859)
AM lire circulation	—	—	—	—	—	—	92,456
TOTAL Balance Sheet	23,598	399,746	496,949	479,145	496,627	506,606	607,754

(D) Credit balance in the Bank of Italy

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TABLE 13

General Price Index of State Bonds and Shares Quoted on the Italian Stock Exchange

(December 1938 = 100)

	State Bonds (1)	Shares (2)
December 1939	99.3	136.8
» 1940	103.2	149.1
» 1941	100.9	185.8
» 1942	97.8	212.8
» 1943	65.1	424.9
» 1944	—	903.6
January 1945	—	732.6
February 1945	—	746.9
March 1945	—	736.0
April 1945	—	769.2
May 1945	—	—
June 1945	—	673.3
July 1945	102.1	519.4
August 1945	98.9	518.3
September 1945	100.4	508.5
October 1945	101.1	607.5
November 1945	101.7	584.0
December 1945	105.8	517.1
January 1946	109.0	445.0
February 1946	105.6	440.6
March 1946	103.6	364.0

(1) Source : Bank of Italy.
(2) Milan stock exchange index (Gruppo Edison)

TABLE 14

Trade in the Stock Exchanges Securities (1)

	State bonds (millions of lire)	Shares (number in thousands)	Bonds (number in thousands)
1943	2,509.9	3,998	597
1944	5,909.9	7,973	965
1945	6,736.2	7,551	888
1946 January	791.8	2,021	136

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on the Italian Stock Exchange

(December 1938 = 100)

		State Bonds (1)	Shares (2)
December	1939	99.3	136.8
»	1940	103.2	149.1
»	1941	100.9	185.8
»	1942	97.8	212.8
»	1943	65.1	424.9
»	1944	—	903.6
January	1945	—	732.6
February	1945	—	746.9
March	1945	—	736.0
April	1945	—	769.2
May	1945	—	—
June	1945	—	673.3
July	1945	102.1	519.4
August	1945	98.9	518.3
September	1945	100.4	508.5
October	1945	101.1	607.5
November	1945	101.7	584.0
December	1945	105.8	517.1
January	1946	109.9	445.0
February	1946	105.6	440.6
March	1946	103.6	364.0

(1) Source: Bank of Italy.
(2) Milan stock exchange index (Gruppo Edison)

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Trade in the Stock Exchanges Securities (1)

	State bonds (millions of lire)	Shares (number in thousands)	Bonds (number in thousands)
1943	2,609.9	3,098	597
1944	5,909.9	7,973	965
1945	6,796.2	7,551	888
1946 January	791.8	2,021	136
» February	528.1	2,554	95
» March	522.9	1,724	65

(1) Source: Bank of Italy.

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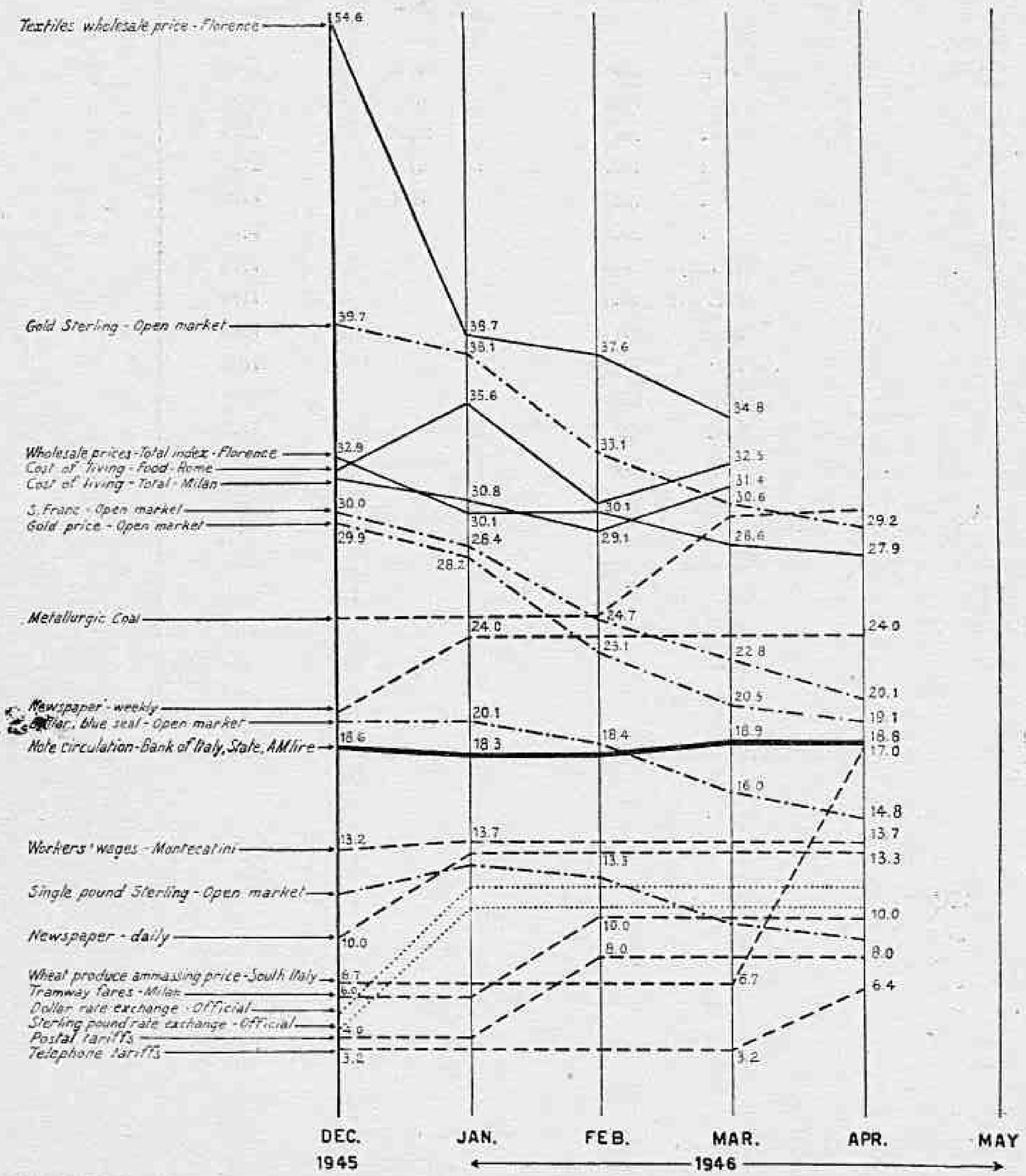
TABLE 15

PRICE AND MONETARY INDICES
1938 = 1



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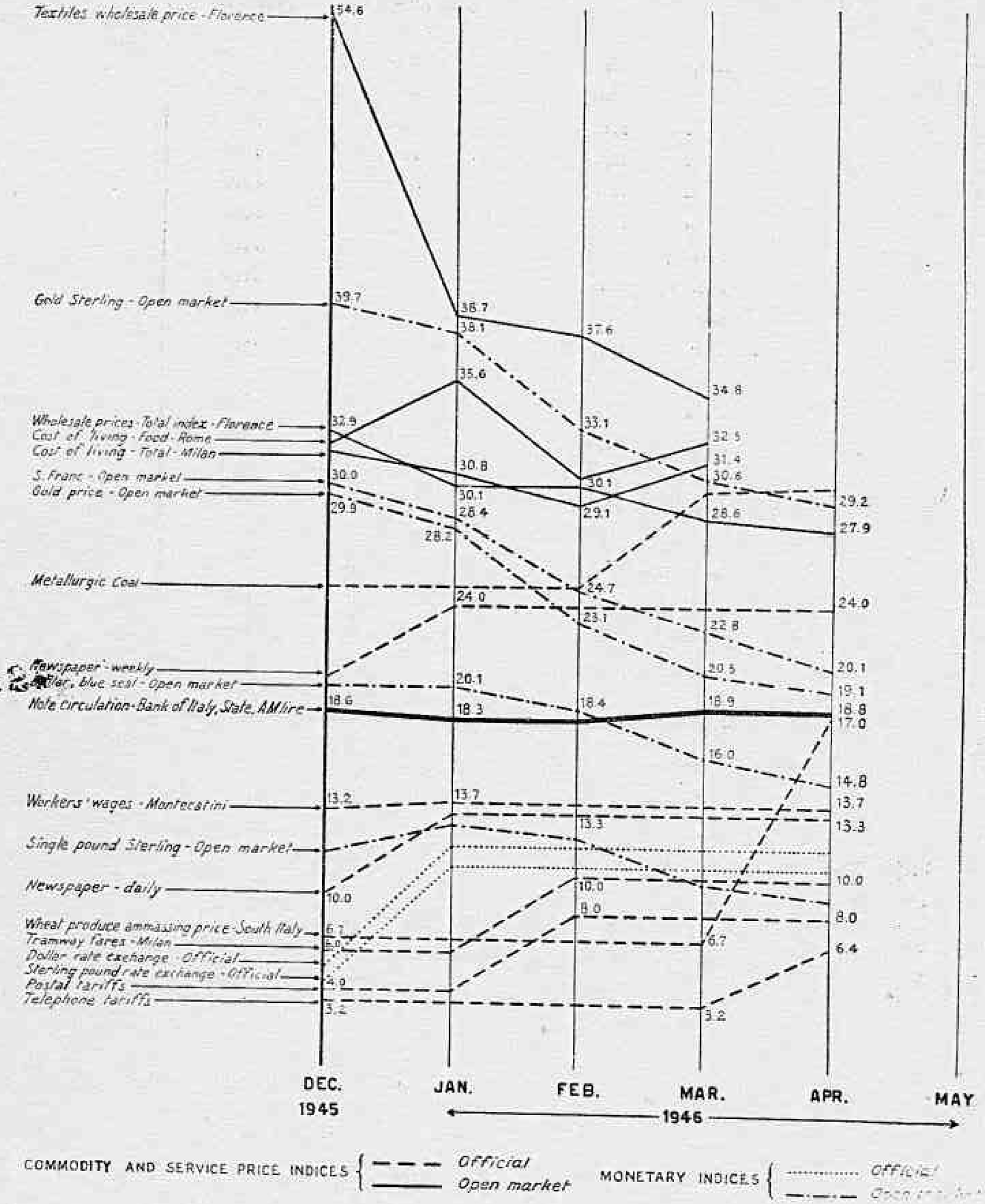
PRICE AND MONETARY INDICES

1938 = 1



COMMODITY AND SERVICE PRICE INDICES { — — Official / ——— Open market

MONETARY INDICES { ····· Official / —·—·— Open market

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MOVEMENTS OF SHIPS

CARGOES OTHER THAN COAL

(JULY 8 - 14 INCLUSIVE)

SHIP	PORT OF ARRIVAL	DATE OF ARRIVAL	ACCOUNT	CARGO	TONS
Terre Haute Victory	Genoa	8 July	UNRRA	Corn Meal Soya Flour	5,000 3,500
Randfontein	"	9 "	"	Copper	450
Leonardo Romero	Messina - Reggio *	12 "	"	Wheat	9,008
James Price	Palermo	13 "	"	"	8,144
Runswick	Genoa	14 "	"	Seed Peas Basic Slag	110 5,404
Frank Irwin	Naples	" "	"	Wheat	8,049
William Rawle	Genoa	"	Ital. Govt.	Maize Quebraco	7,037 837
Fort Sturgeon	"	" "	UNRRA	Wheat	8,500

* *Arrived at first-named port on the date shown; discharging at the second port later*

LATEST COAL SHIPMENTS

(JULY 8 - 13 INCLUSIVE)

SHIP	PORT OF ARRIVAL	DATE OF ARRIVAL	COUNTRY OF ORIGIN	ACCOUNT	TONS
Empire Snipe	Leghorn	8 July	Germany	UNRRA	3,317
E. Marion Crawford	Venice	9 "	United States	"	3,671
	Ancona	13 "	" "	"	4,500
Hartridge	T. Annunziata	10 "	United Kingdom	"	7,003
Gerodimos	Civitavecchia	12 "	Germany	"	4,098
Cherca	Venice	" "	"	"	6,500 1,000 (coke)
Gaeta	"	" "	"	"	7,705
					3,705

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SHIP	PORT OF ARRIVAL	DATE OF ARRIVAL	ACCOUNT	CARGO	TONS
Terre Haute Victory	Genoa	8 July	UNRRA	Corn Meal Soya Flour	5,000 3,500
Randfontein	"	9 "	"	Copper	450
Leonardo Romero	Messina - Reggio *	12 "	"	Wheat	9,008
James Price	Palermo	13 "	"	"	8,144
Runswick	Genoa	14 "	"	Seed Peas Basic Slag	110 5,404
Frank Irwin	Naples	" "	"	Wheat	8,049
William Rawle	Genoa	" "	Ital. Govt.	Maize Quebraco	7,037 837
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LATEST COAL SHIPMENTS

4913

(JULY 8 - 13 INCLUSIVE)

SHIP	PORT OF ARRIVAL	DATE OF ARRIVAL	COUNTRY OF ORIGIN	ACCOUNT	TONS
Empire Snipe	Leghorn	8 July	Germany	UNRRA	3,317
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Gerodimos	Civitavecchia	12 "	Germany	"	4,098
Cherca	Venice	" "	"	"	6,500 1,000 (coke)
Gaeta	"	" "	"	"	7,705
Zyderburg	Palermo	" "	"	"	3,705
Fred E. Joyce	Genoa	13 "	United States	"	8,704

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course, responsible for providing the supplementary food. The Provincial Committees also organised, for summer camp personnel, preliminary training courses in sanitation, camp management and group and individual recreation.

More attention is now being given to long-term projects to be developed by the Italian authorities after UNRRA has gone. In addition to organizing the allocation and distribution of relief supplies, the Provincial Welfare Committees are proving increasingly active in the preparation of plans to co-ordinate welfare work and improve standards throughout the country.

Provincial Nutrition Committees

Nutrition Committees have been set up in each province under the chairmanship of the Medico Provinciale. A five-day Nutrition Conference was held in Padua at the end of May, under the auspices of the Welfare Division, with the object of bringing together Italian nurses and doctors to discuss the food and nutrition problems of the lower-income sections of the population. Similar conferences are scheduled for September in Lombardy, Piedmont and Liguria.

Up till 15 June, UNRRA had distributed 3,132,587 items of clothing and 664,744 pairs of shoes to 858,080 persons. Distribution will continue throughout the summer, particularly in the northern provinces, which came into the UNRRA clothing scheme much later than the rest of the country. In September UNRRA will begin a large distribution program of winter clothing to 1,500,000 needy persons throughout Italy.

Direct Italian Control

The Italian Delegation has undertaken responsibility for all transport from the processing sections (where the clothes and footwear are made up) to the Provincial Committees and to the Communes and assistance centres. This completes the reorganization of the movement of clothing from shipside to consumers in the assistance centres. At

COMMODITY PRICES CONFIRMED

The Italian Government and the UNRRA Italy Mission have confirmed the price recommendations made by the Joint Price Committee at its meetings of 18 and 22 June and 2 July, 1946. This Committee—as stated in *Economic Notes* No. 23, of 21 June—has been set up under the Agreement signed in January, 1946 between the Italian Government and UNRRA. Its purpose is to review price policy in respect of the disposal, by the Italian Government, of UNRRA-imported supplies, which are handed over to the Government free of charge as soon as they are landed in Italy. The Government on its part has undertaken to "discuss and agree" with UNRRA the specific prices to be charged for these supplies and the distribution policy to be followed.

It is in accordance with this undertaking that the following prices have now been agreed:—

1) *Flax seed*:

5,500 lire per quintal to farmers.

2) *Coal*:

2,600 lire per ton CIF to public utilities (excluding handling costs).
3,500 lire per ton CIF to manufacturers (excluding handling costs).

3) *Seed potatoes*:

2.050 lire per quintal CIF to Federazione Consorzi Agrari (excluding handling costs).
3,250 lire per quintal to farmers. (This price includes all handling and distribution charges.)

4) *Insulin*:

vials of	100	units	5cc	12	lire	each
" "	100	"	10 "	18	"	"
" "	200	"	5 "	18	"	"
" "	200	"	10 "	23	"	"
" "	400	"	5 "	20	"	"
" "	400	"	10 "	35	"	"
" "	800	"	12 "	58	"	"

retail price to consumers

5) *Tinplate*:

45 lire per kg. to canning manufacturers. (This price is limited to the 300 tons being imported for the preservation of fish.)

6) *Wheat binders* (Deering, Massey Harris):

Price to farmers, FOB Provincial Consorzi Agrari warehouses:
with cutting-bar of 1.52 metres 70,000 lire each
" " " " 2.10 " 85,000 " "
(These prices valid to 15 July 1946.)

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recreation.

More attention is now being given to long-term projects to be developed by the Italian authorities after UNRRA has gone. In addition to organizing the allocation and distribution of relief supplies, the Provincial Welfare Committees are proving increasingly active in the preparation of plans to co-ordinate welfare work and improve standards throughout the country.

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Direct Italian Control

The Italian Delegation has undertaken responsibility for all transport from the processing sections (where the clothes and footwear are made up) to the Provincial Committees and to the Communes and assistance centres. This completes the reorganization of the movement of clothing from shipside to consumers in the assistance centres. At every point this movement is now under the direct control of the Italian authorities.

The Committee representing the Ministry of Post-war Assistance, the Italian Delegation and UNRRA, which was set up in May to develop more orderly planning in the distribution of clothing is functioning very successfully.

mittee at its meetings of 18 and 22 June and 2 July, 1946. This Committee—as stated in *Economic Notes* No. 23, of 21 June—has been set up under the Agreement signed in January, 1946 between the Italian Government and UNRRA. Its purpose is to review price policy in respect of the disposal, by the Italian Government, of UNRRA-imported supplies, which are handed over to the Government free of charge as soon as they are landed in Italy. The Government on its part has undertaken to "discuss and agree" with UNRRA the specific prices to be charged for these supplies and the distribution policy to be followed.

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" "	400	"	5 "	29	"	"
" "	400	"	10 "	35	"	"
" "	800	"	12 "	58	"	"

(retail price to consumers)

5) *Tinplate*:
   45 lire per kg. to canning manufacturers. (This price is limited to the 300 tons being imported for the preservation of fish.)

6) *Wheat binders* (Deering, Massey Harris):
   Price to farmers, FOB Provincial Consorzi Agrari warehouses:
   with cutting-bar of 1.52 metres 70,000 lire each
   " " " " 2.10 " 85,000 " "
   (These prices valid to 15 July 1946.)

7) *Forage pea seed*:
   25,000 lire per ton. Price to farmers, FOB Provincial Consorzi Agrari warehouses. (This price valid to 31 July, 1946.)

8) *Reaper attachments* (Deering):
   3,000 lire each, FOB Provincial Consorzi Agrari warehouses. Sale is limited to *bona fide* farmers who have more grain to harvest. (Price valid to 15 July, 1946.)

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9) *Ploughs* (Massey Harris, 2-bottomed model):
55,000 lire each, FOB Provincial Consorzi Agrari warehouses. Sale is limited to *bona fide* farmers. (Price valid to 15 August, 1946, after which it will be re-examined for the balance of goods in stock.)

10) *Mowers* (Deering, Bamford, Cockshutt):
35,000 lire each, to farmers, FOB Provincial Consorzi Agrari warehouses. (Price valid to 15 August, 1946).

These prices include distribution costs, except where otherwise stated. They are the legal prices at which commodities are, or have been on sale. Other prices will be published in *Economic Notes* as further decisions are reached on the sale price of UNRRA-imported commodities. The public is notified that once prices have been agreed, and confirmed by the Italian Government and UNRRA, they must in no circumstances be increased.

FIFTH UNRRA COUNCIL

The Fifth Council of the United Nations Relief and Rehabilitation Administration is scheduled to meet in Geneva on 5 August. It is anticipated that representatives of all the 48 member nations of UNRRA will be present.

The chief subject for discussion will be the future relief and rehabilitation policy for 1947. The Council will discuss the supply of commodities to those countries still in need of assistance; care of displaced persons; health; and welfare.

It is expected that industrial and agricultural prospects throughout the world will be reviewed in some detail, together with the formulation of plans to ensure that the termination of UNRRA aid shall not cause serious economic repercussions in assisted countries.

Local UNRRA Missions are closely co-operating with the Governments of receiving countries, with a view to building up stocks and defining long-term projects aimed at easing the transition from UNRRA assistance to national self-reliance.

In view, however, of the present state of world economy, it is anticipated that international co-ordination of supplies and distribution will remain an essential feature of world reconstruction for some years to come.

The Director-General will report at the opening session of the Council on the Administration's activities from 1 January to 30 June, 1946, and on progress made towards economic rehabilitation in assisted countries in Europe and Asia.

SURVEY OF ITALY'S ECONOMY

In order that readers of Economic Notes *may have a more detailed appreciation of the economic situation in Italy at the present time, than is possible in the few pages of* Economic Notes, *the UNRRA Italy Mission has decided to publish in this, and forthcoming issues of* Economic Notes *a series of articles on the following aspects of Italy's economy: food; transport and communications; industry; finance; foreign trade and the balance of payments; prices and cost of living; labour, wages and social insurance; and public health and welfare.*

The supplement to this issue of Economic Notes *contains a general introduction to the Survey, including UNRRA's role in the rehabilitation of Italy, and an appreciation of Italy's financial position. The* Economic Survey *will later be published in book form.*

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MOVEMENTS OF SHIPS

CARGOES OTHER THAN COAL

(JULY 8 - 14 INCLUSIVE)

SHIP	PORT OF ARRIVAL	DATE OF ARRIVAL	ACCOUNT	CARGO	TONS
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Leonardo Romero	Messina - Reggio *	12 ,,	,,	Wheat	9,008
James Price	Palermo	13 ,,	,,	,,	8,144
Runswick	Genoa	14 ,,	,,	Seed Peas Basic Slag	110 5,404
Frank Irwin	Naples	,, ,,	,,	Wheat	8,049
William Rawle	Genoa	,,	Ital. Govt.	Maize Quebraco	7,037 837
Fort Sturgeon	,,	,, ,,	UNRRA	Wheat	8,500

* *Arrived at first-named port on the date shown ; discharging at the second port later*

LATEST COAL SHIPMENTS

(JULY 8 - 13 INCLUSIVE)

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	Ancona	13 ,,	,, ,,	,,	4,500
Hartridge	T. Annunziata	10 ,,	United Kingdom	,,	7,003
Gerodimos	Civitavecchia	12 ,,	Germany	,,	4,098
Cherca	Venice	,, ,,	,,	,,	6,500 1,000 (coke)
Gaeta	,,	,, ,,	,,	,,	7,705

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(JULY 8 - 14 INCLUSIVE)

SHIP	PORT OF ARRIVAL	DATE OF ARRIVAL	ACCOUNT	CARGO	TONS
Terre Haute Victory	Genoa	8 July	UNRRA	Corn Meal Soya Flour	5,000 3,500
Randfoutein	"	9 "	"	Copper	450
Leonardo Romero	Messina - Reggio *	12 "	"	Wheat	9,008
James Price	Palermo	13 "	"	"	8,144
Runswick	Genoa	14 "	"	Seed Peas Basic Slag	110 5,404
Frank Irwin	Naples	" "	"	Wheat	8,049
William Rawle	Genoa	"	Ital. Govt.	Maize Quebraco	7,037 837
Fort Sturgeon	"	" "	UNRRA	Wheat	8,500

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LATEST COAL SHIPMENTS

4913

(JULY 8 - 13 INCLUSIVE)

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Gerodimos	Civitavecchia	12 "	Germany	"	4,098
Cherca	Venice	" "	"	"	(6,500 (1,000 (coke)
Gaeta	"	" "	"	"	7,705
Zyderburg	Palermo	" "	"	"	3,705
Fred E. Joyce	Genoa	13 "	United States	"	8,704

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SURVEY OF ITALY'S ECONOMY

INTRODUCTION TO SURVEY AND THE ROLE OF UNRRA

1. Italy's economic structure is one of peculiar complexity and usually delicate balances. In assessing the problems of the moment, and of the immediate future, attention must be paid not only to Italy's own resources, existing or potential, but also to the history of recent years, and, above all, to the impact of world events; for, like the United Kingdom, Italy to an exceptional degree exists by world trade and is, therefore, peculiarly sensitive to world economic influences.

2. A nation of approximately 46 million people, Italy is relatively poor, and at the same time largely dependent for her very existence upon imported food and imported raw materials.

3. Although able in the immediate pre-war period to produce about 90 % of her food requirements, Italy has never, in spite of intense efforts towards self-sufficiency, been able entirely to feed herself. Some food imports have always been necessary, particularly bread grains, meat and fish.

4. Agriculture is Italy's most important occupation; yet, owing to its mountainous nature, much of the country is not naturally suited to agriculture, although to-day under the pressure of world economic conditions and an increasing population, which has risen by approximately 1,300,000 in the past seven years, all areas capable of producing the barest subsistence have been brought under cultivation.

5. In industry, including handicrafts, which normally employs 5,400,000 people or almost one-third of the total labour force, Italy is to an exceptional degree dependent upon imported raw materials. Such basic

6. Italy's future existence, therefore, depends upon the restoration of exports, the free movement of world trade and emigration.

Italy Pre-War.

7. In the latter years before the war, the fascist regime aimed at making Italy as nearly as possible self-sufficient both in regard to food supplies and industrial raw materials.

8. Although the effort to increase domestic food production by protective and other means did undoubtedly result in a considerable amount of land reclamation, improved wheat cultivation, farm mechanization, and better use of fertilizers, it led, on the other hand, to undue emphasis on the production of bread grains, with consequent sacrifice of animal husbandry and of nutritional levels.

9. In the years between the "Sanctions" period of 1935-36 and Italy's entry into the war in 1940, agricultural prices and production were influenced by virtual economic isolation.

10. In some main branches of industry (e.g. the textile industry, which in 1938 gave employment to 14 % of the whole industrial labour force), the same tendencies toward self-sufficiency produced radical changes. Italy's imports of cotton in the years before the war fell from 225,000 metric tons in 1933 to as low as 107,210 tons in 1936 (the Sanctions year) and in 1938 were only 164,580 tons. In this same period production of pure cotton cloth fell from 83.4 % of cotton production in 1935 to 47.4 % in 1938, while the proportion of mixed cotton cloth increased four-fold from 9.17 % in 1935 to 39 % in 1938. A corresponding situation prevailed also

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2. A nation of approximately 46 million people, Italy is relatively poor, and at the same time largely dependent for her very existence upon imported food and imported raw materials.

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4. Agriculture is Italy's most important occupation: yet, owing to its mountainous nature, much of the country is not naturally suited to agriculture, although to-day under the pressure of world economic conditions and an increasing population, which has risen by approximately 1,300,000 in the past seven years, all areas capable of producing the barest subsistence have been brought under cultivation.

5. In industry, including handicrafts, which normally employs 5,400,000 people or almost one-third of the total labour force, Italy is to an exceptional degree dependent upon imported raw materials. Such basic requirements as coal, liquid fuel, iron, copper, cotton, wool, and rubber are either not to be found at all in Italy, or else are available domestically only in relatively small quantities. Of coal alone, Italy pre-war had to import 12 million tons a year, in spite of large-scale development of hydro-electric power.

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11. Although Italy's artificial fiber industry was very largely developed between 1936 and the early years of the war, it must be emphasized that the cellulose and coal required both had to be imported.

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12. In each of the years immediately preceding the war, Italy was operating on a heavy budget deficit: and, as in all countries during the war, this deficit increased enormously.

Italy during the War.

13. Italy's economic situation during the war can be briefly summarized. Agriculture, already organized for national self-sufficiency, was rapidly declining, owing to the shortage of fertilizers and the reduction of live-stock, even before the arrival of the Allies in Sicily in 1943. Thereafter agriculture suffered not only from soil exhaustion but from actual destruction as the war moved northwards through the Peninsula.

14. Although war needs served in Italy, as elsewhere, to stimulate industry, particularly such undertakings as the manufacture of artificial rubber, the complete cessation of foreign trade with the greater part of the world exaggerated the pre-war movement towards self-sufficiency and exhausted stocks of many vital raw materials.

Italy after Liberation.

15. When Italy was ultimately liberated in May 1945, the nation was faced with a formidable task of physical reconstruction and financial economic rehabilitation. For the fiscal year 1 July 1945 to 30 June 1946 the estimated deficit was 300 thousand million lire, against a total revenue of no more than 200 thousand million lire. In terms of available foreign currency to cover essential imports of food and fuel, Italy was bankrupt.

16. Contrary, however, to what had at one time been widely feared, and thanks to well-timed action by the partisans, Italy ended the war with her industrial potential very largely undamaged. It is estimated that throughout the country war damage as the result of actual fighting, bombing, and German looting and sabotage destroyed about 20 % of the country's industrial capacity.

17. This damage was unevenly distributed both as regards the areas and industries that suffered. Thus, damage in the textile industry estimated at 10 % for the country as a whole was virtually confined to [illegible] The northern factories suf-

19. The difficulties of Italian industry in the immediate post-war period were:

(a) lack of raw materials and fuel,
(b) absence, not only of export markets, but of effective home demand, and
(c) maladjustment of prices in relation to the levels prevailing both at home and abroad.

20. To avoid catastrophic unemployment and the consequent risk of unrest during the early post-liberation period, the Government imposed a stand-still order, which compelled factories to keep on their pay-rolls redundant work-people who would normally have been discharged. This order has been relaxed in recent months, but, whether disguised or open, the existing industrial unemployment is in itself a grave problem, and by reducing the purchasing power of the home population tends indirectly still further to depress industry.

21. Italian industry is geared for a big export trade. Before the war, manufactured goods constituted 40 % of the country's exports. The excessively low purchasing power of the home population (due to unemployment and the present unbalance of wages and prices) and the relatively high cost of Italian commodities in terms of world prices has so reduced consumption that there exists in Italy a false and unhealthy glut of a number of badly needed consumer goods, notably textiles.

22. Italy's transport system suffered severely as a result of fighting, German sabotage, and bombing, since railways were targets of first importance. The very large number of bridges and tunnels in mountainous country made it only too easy for the retreating enemy to block both roads and railways. By August 1945 the Italian State Railways estimated the amount of destruction at 400,000 million lire.

23. Widespread war damage and German looting added still further to the strain upon the railways by compelling a return to steam traction (with consequent increased demand upon limited coal stocks) on many hundreds of miles of electric track.

24. Ports and harbors throughout Italy suffered extensive damage. Acute shortage of tyres, spare parts and liquid fuel immobilized a substantial proportion of the available road vehicles.

25. Agriculture, on which all other rehabilitation must

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17. This damage was unevenly distributed both as regards the areas and industries that suffered. Thus, damage in the textile industry estimated at 10 % for the country as a whole was virtually confined to Tuscany and Campania. The northern factories suffered scarcely at all.

18. Reduction in output capacity of the iron and steel industry was 30 % for the country as a whole. Damage in the North was, however, only 15 %. In Campania and Tuscany, on the other hand, it was no less than 90 %.

prevailing both at home and abroad.

20. To avoid catastrophic unemployment and the consequent risk of unrest during the early post-liberation period, the Government imposed a stand-still order, which compelled factories to keep on their pay-rolls redundant work-people who would normally have been discharged. This order has been relaxed in recent months, but, whether disguised or open, the existing industrial unemployment is in itself a grave problem, and by reducing the purchasing power of the home population tends indirectly still further to depress industry.

21. Italian industry is geared for a big export trade. Before the war, manufactured goods constituted 40 % of the country's exports. The excessively low purchasing power of the home population (due to unemployment and the present unbalance of wages and prices) and the relatively high cost of Italian commodities in terms of world prices has so reduced consumption that there exists in Italy a false and unhealthy glut of a number of badly needed consumer goods, notably textiles.

22. Italy's transport system suffered severely as a result of fighting, German sabotage, and bombing, since railways were targets of first importance. The very large number of bridges and tunnels in mountainous country made it only too easy for the retreating enemy to block both roads and railways. By August 1945 the Italian State Railways estimated the amount of destruction at 100,000 million lire.

23. Widespread war damage and German looting added still further to the strain upon the railways by compelling a return to steam traction (with consequent increased demand upon limited coal stocks) on many hundreds of miles of electric track.

24. Ports and harbors throughout Italy suffered extensive damage. Acute shortage of tyres, spare parts and liquid fuel immobilized a substantial proportion of the available road vehicles.

25. Agriculture, on which all other rehabilitation must finally depend, was in a particularly bad condition when the fighting ended. The movement of war during the vital spring months of 1945 seriously interfered with sowing. Many thousands of acres were rendered dangerous by still uncleared minefields; much land was requisitioned for military purposes. The labor force was depleted. Soil, through the lack of fertiliser, was

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exhausted. Horses, cattle, and other livestock were seriously depleted through war demands and outright German looting. Many thousands of acres of olive groves, vineyards, and orchards had been destroyed. Drainage and irrigation works were out of action.

26. As the final blow, Italy in 1945 suffered the worst drought in living memory. This, incidentally, affected industry as well as agriculture, since it seriously reduced the power output of hydro-electric installations.

Rehabilitation Period.

27. It was in this atmosphere that the work of rehabilitation began. Throughout 1945 the task of meeting Italy's minimum needs was the responsibility of the Allied Commission. UNRRA, in accordance with the first agreement signed with the Italian Government in March 1945, was last year responsible only for a limited 50 million dollar program of relief and medical care to needy mothers and children, and assistance to displaced persons.

28. From the time of the first landing in Sicily in 1943, the Allies had accepted as a military responsibility the need for supplying essential imports to prevent "disease and unrest."

29. Until August 1945 this import program of approximately 500 million dollars was the responsibility of the Allied Commission and between September and December 1945, was financed by the United States Government through a grant of 100 million dollars (£25 million sterling) administered by the United States Foreign Economic Administration. At the same time, Italy obtained 120 million dollars in foreign currency for its own purchases abroad through the so-called "Troop Pay Dollar Fund," made up of the dollar equivalent of lire paid to American forces in Italy.

30. UNRRA's present program of relief and rehabilitation began in January 1946, when, in accordance with the new agreement signed between the Italian Government and the Italy Mission, UNRRA took over from the Allied Commission the responsibility of providing food, fuel, and other essential supplies.

31. When UNRRA first undertook this task, the program—estimated at 450 million dollars, including freight charges—was based on two assumptions: (1) that the bulk of supplies would be furnished in the early part of 1946 in order to give the greatest impetus to agriculture, (2) that the Italian Government would be able to finance a substantial part of the program.

32. In the first place, the shortage of cereals and other grains, labor troubles in the United States and other difficulties have made it impossible to adhere to the time-table of deliveries originally planned. Changing conditions and the non-availability of many vital supplies have compelled radical readjustment of Italy's import program.

33. In the second place, international political conditions have made it impossible for Italy to secure the large international loans on which the plans for 1946 were originally based. Apart from UNRRA aid and Troop Pay dollars, Italy's foreign exchange resources in 1946 are likely to be less than 300 million dollars. Thus, the gap which UNRRA aid was to close, namely this year between the end of Allied military responsibility and the assumed ability of Italy to provide for her own needs from the beginning of 1947, has, in fact, widened.

34. Broadly speaking, the bulk of Italy's imports throughout the whole of 1946 will be what UNRRA can supply—and very little else. In total, exclusive of shipping charges (which are financed by a separated account), UNRRA imports into Italy by the end of 1946 will, it is estimated, total 425 million dollars (£106,250,000 sterling) including 34 million dollars (£8,500,000 sterling) spent by UNRRA on relief supplies during 1945.

35. In all, UNRRA plans to bring into Italy during 1946 some 9,000,000 tons of supplies, of which approximately 3,000,000 tons have been delivered by 30 June, while the remaining 6,000,000 tons will be shipped during the latter half of the year.

36. The program of UNRRA aid for 1946 was allocated broadly as follows:

Food	193,689,900	dollars
Agricultural rehabilitation . . .	29,538,500	»
Industrial rehabilitation (including coal and POL)	127,455,300	»
Clothing, Textiles and Footwear .	55,846,000	»
Medical and Sanitation	16,470,000	»
	425,000,000	»

37. These figures are not final. They are to be regarded as a broad, general guide of how the money is distributed, and are subject to modification at any time.

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31. When UNRRA first undertook this task, the program—estimated at 450 million dollars, including freight charges—was based on two assumptions: (1) that the bulk of supplies would be furnished in the early part of 1946 in order to give the greatest impetus to agricultural and industrial recovery. (2) Italy would herself through normal international loans finance more than half her own imports, especially in the second half of the year.

32. In the event, these assumptions have proved to be wide of the mark. Acute world shortage of bread [illegible] prices have compelled radical readjustment of Italy's import program.

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Italy To-Day.

38. Italy, 12 months after liberation, while still faced with enormous difficulties, has advanced far on the road to normality. Agriculture is in much better shape, although 1946 production is only 70 % of the pre-war average.

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39. When the final returns are available it is estimated that this year's wheat crop will be 1,500,000 tons better than that of a year ago. The prospects for 1946-47 should show a further improvement as the fertilizers of which the country has been starved for so long are now becoming available. Greater improvement would be shown if greater amounts of nitrogenous fertilizer could have been made available.

40. The work of restoring the countryside shows some progress. A useful beginning has been made in restoring farm houses in the war-shattered areas. Drainage systems have been partly restored with the assistance of the Allied Military Government. New farming machinery is being made available by UNRRA. UNRRA and domestic production are furnishing necessary pesticides, particularly for vineyards.

41. UNRRA's program of large-scale malaria control in such vital food areas as the Po Valley, Sardinia and elsewhere, is also contributing indirectly to the restoration of the country's agriculture.

42. During the early part of the year UNRRA's procurement and shipment of bread grains was the means of saving hundreds of thousands of Italians from starvation. By the end of June 1946 shipments of cereals by UNRRA to Italy totalled 649,410 tons. UNRRA's program of bread grain imports during the second half of 1946 is designed to develop a sound 12 months plan of imports until the 1947 harvest, whereby one-twelfth will be imported each month, and thus avoid a serious crisis in the spring (see Table 1).

43. The greatest contribution towards the rehabilitation both of industry and of transport has been the provision of fuel. All the coal and all the gasoline, fuel oil and other petroleum products, except for the Italian [illegible] Allied Armed Forces, which Italy imports today, are supplied on UNRRA account. Coal shipments to the end of May totalled 1,369,537 tons. Owing to the long coal stoppage in the United States in April and May coal for industry and for the railways in Italy has had to be severely rationed. But, thanks to the efforts of the Italian Government and UNRRA and the help of the European Coal Organization in allotting supplies of coal from the Ruhr, a breakdown of the essential services has been avoided and the normal supply line of coal to Italy has been reopened; and it is anticipated that supplies will shortly be arriving at the rate of 600,000 tons a month, or 60 % amount of employment in the country itself. Supplies thus include steel, pig-iron and alloying metals needed for the production of finished steels required in reconstruction. Rubber ranks high in priority for the manufacture of tires for road vehicles and the urgent demand for insulating material in electrical installations. UNRRA imported 400 tons of rubber to 31 May, 1946, against a program for the year of 20,000 tons.

45. Of great importance in the rehabilitation of Italian industry has been the establishment by the Italian Government (at UNRRA's suggestion) of a Central Industrial Commission, operating through sub-commissions, to organize and control the distribution of coal, cotton, wool, petroleum products and other "critical" commodities in short supply.

46. This structure provides Italy with the means of allocating to the best advantage of industry as a whole those raw materials that are in short supply, and at the same time receives detailed records of their use and consumption.

47. In accordance with the 1946 Agreement between the Italian Government and UNRRA a Joint Price Committee has recently been established with power to fix the prices of key commodities. Among those commodities for which prices have already been fixed are coal, wheat, flax-seed, seed-potatoes and farm machinery.

48. A year after the fighting had ended the situation of Italian State Railways is: (a) the working efficiency of the system is restored to less than one-half, the actual haulage being about 60 % of pre-war. Temporary bridges are still in process of reconstruction and the existence in many places of single-track where formerly the line was double-track and other operating difficulties still compel delay. (b) 40,000 wagons and much coaching stock need repair. 2,000 wagons were repaired between 15 April and 15 May 1946 and repairs would be speeded up if more coal were available and allocated to steel manufacture for repair to rolling stock.

49. On the roads, as on the railways, UNRRA's primary contribution has been the provision of fuel. Although Italy actually possesses 15,000 more load-carrying trucks than before the war, actual operational capacity is not proportionately available owing to shortage of tires and tubes and to the general low level of mechanical efficiency.

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44. It is UNRRA's policy in Italy to furnish supplies in the form of raw materials rather than finished products, with the object of saving foreign exchange and with the added advantage of creating the maximum UNRRA imported 400 tons of rubber to 31 May, 1946, against a program for the year of 20,000 tons.

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50. In the ports there has been marked improvement in the restoration of facilities. In recent months dock laborers in many ports have broken pre-war records for the tonnage of cargo unloaded and at the same time rail clearances have steadily improved. The intake of UNRRA supplies through the ports has risen in April

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1946 to over 1,000,000 tons (total arrivals 1,147,000 tons) and in May 1946 UNRRA imported 550,000 tons (total arrivals 770,000 tons) and these supplies have been handled with a considerable gain of discharge money.

51. Moreover, the ports have been re-equipped with cranes, tugs, barges and stevedore gear procured from Allied military surplus. UNRRA has not provided the funds for the purchase of this equipment but has assisted in locating and procuring it.

Future Economic Outlook.

52. A new phase of Italy's economic reconstruction will begin when UNRRA aid ceases; all programs are based on the assumption that UNRRA shipments to Italy will cease at the end of 1946.

53. Whatever the future of UNRRA may be, it is quite certain that Italy will need substantial financial assistance in 1947 to pay for large imports of food and industrial raw materials. Without such assistance the rehabilitation task which UNRRA will not have been able to complete owing to the assumptions on which UNRRA planned having been falsified by world political and economic factors, will be beyond the powers of Italy. Italy would thus start the year 1947 in circumstances little better from the standpoint of her long-term economic rehabilitation than she would have been at the beginning of 1946 had UNRRA brought little more than bare relief.

54. To maintain a daily average of 1,900 calories per head for Italy's 35,000,000 non-producers of food, it is estimated that the minimum essential food imports in 1947 will amount to about 233,000,000 dollars.

55. By the end of 1946 Italy will have imported goods to the value of 1,000 million dollars, of which UNRRA will have contributed more than half. Import requirements for 1947 of coal, petroleum products and industrial raw materials are estimated tentatively at 486 dollars f.o.b. exporting country. This assumes that the general level of industrial activity in Italy will rise in 1947 to an average of 80 % to 85 % of pre-war. In addition, Italy will need to spend some 50 million dollars on industrial equipment and a further 28 million dollars on fertilizers and agricultural and medical supplies.

56. Including freight charges and invisible items, Italy's bill for 1947 for needed imports would be in the order of 990 million dollars, against which Italy's possibly secure additional loans of 150 million or 200 million dollars for industrial materials.

58. But, accepting these assumptions, there would still remain a net deficit of between 200 million and 250 million dollars for which no financing is in sight. If Italy receives no additional assistance, a large part of next year's current earnings in foreign exchange will then have to be spent on food, and it will be impossible to provide the 200 million to 250 million dollars required for fuel and industrial materials.

59. The result must be that Italy's industrial recovery will be seriously retarded, exports in 1947 reduced, and the need for large financial assistance prolonged into 1948.

60. The net deficit of 200 million or 250 million dollars is about equal to the necessary food imports in 1947 (233 million dollars). Some special type of relief financing for the purchase of food might be an appropriate means of meeting this deficit. Such an arrangement would enable Italy to spend current earnings on fuel and industrial supplies and rely on special financing to cover food imports.

61. A similar problem is likely to exist in other European countries such as Austria, Hungary, and Yugoslavia. Aid for Italy might, therefore, form part of a comprehensive plan.

62. Special relief financing for the import of food would appear to be a more logical method of overcoming a short-term difficulty than for Italy to be forced to spend upon current food supplies money obtained (if at all) by long-term loan, particularly as any such diversion of loan funds might reduce the amount available for industrial reconstruction.

63. Financial aid in place of physical relief in itself represents a return to more normal economic conditions. With the end of what might be called the period of post-war emergency relief must come also a return to more normal trading. UNRRA in the circumstances of the time has had to procure supplies wherever they could be obtained—often with little regard to competitive costs. This can only be regarded as a short-term policy to meet abnormal conditions.

64. Long-term economic rehabilitation in Italy requires a return to historic sources of supply and re-opening of traditional markets. Economic rehabilitation, too, presupposes an early clarification of Italy's Peace Treaty obligations and a decision on what territorial changes,

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56. Including freight charges and invisible items, Italy's bill for 1947 for needed imports would be in the order of 990 million dollars, against which Italy's receipts from exports, shipping earnings and net commercial credits are unlikely to exceed 540 million dollars, leaving a deficit of some 450 million dollars.

57. On present indications the probabilities are that Italy may obtain loans for the 50 million dollars needed in 1947 for equipment and machinery, and could Italy receives no additional assistance, a large part of next year's current earnings in foreign exchange will then have to be spent on food, and it will be impossible to provide the 200 million to 250 million dollars required for fuel and industrial materials.

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64. Long-term economic rehabilitation in Italy requires a return to historic sources of supply and re-opening of traditional markets. Economic rehabilitation, too, presupposes an early clarification of Italy's Peace Treaty obligations and a decision on what territorial changes, if any, are to be made.

65. The present uncertainty gravely hinders future economic planning, and if there is to be continued progress in 1947 there is urgent need for Italy to make plans soon and to avoid a dangerous lacuna when UNRRA arrivals cease.

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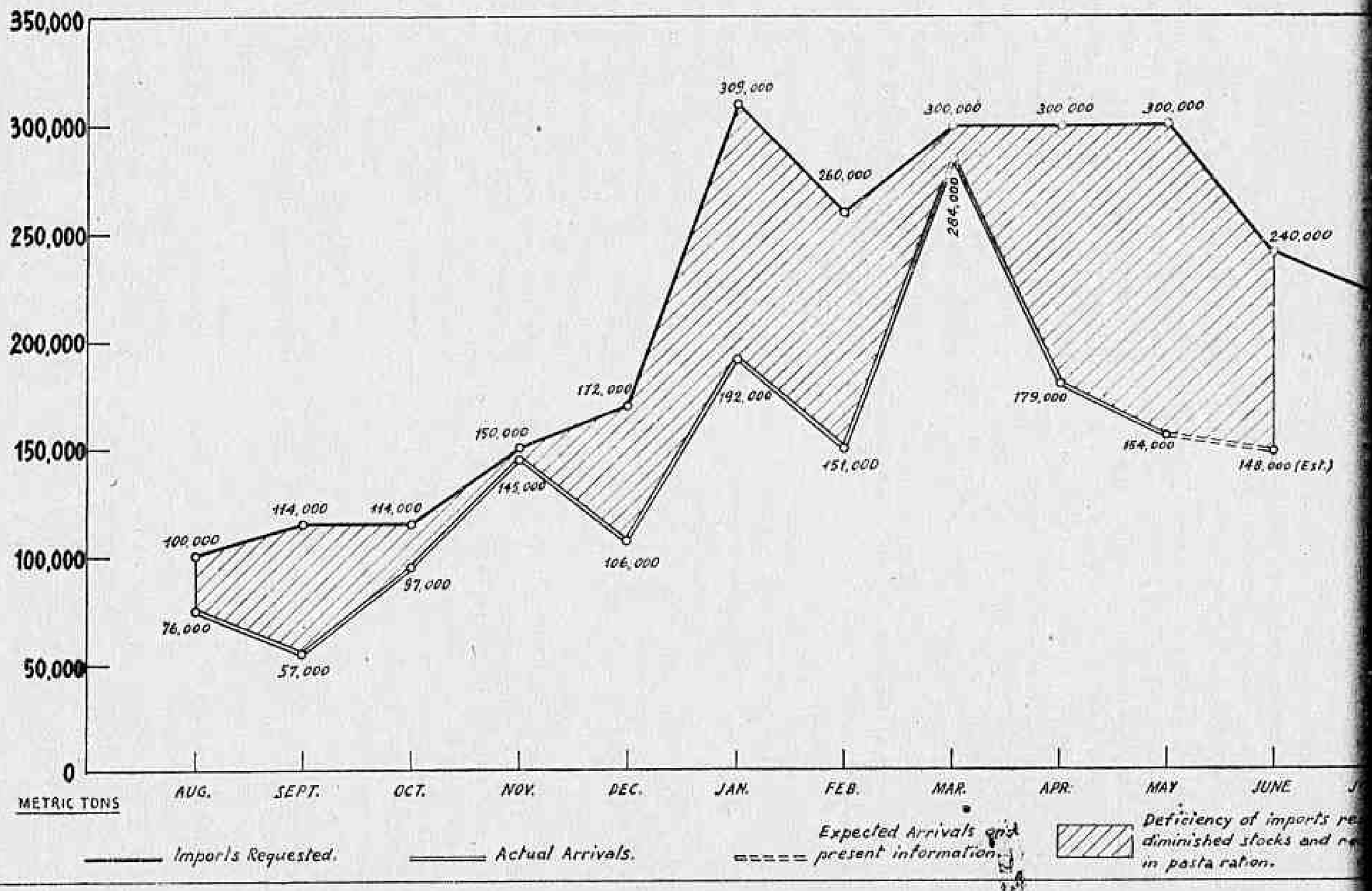
TABLE 1

- Monthly Imports of Wheat requested compared with actual arrivals 1945 -46 .-



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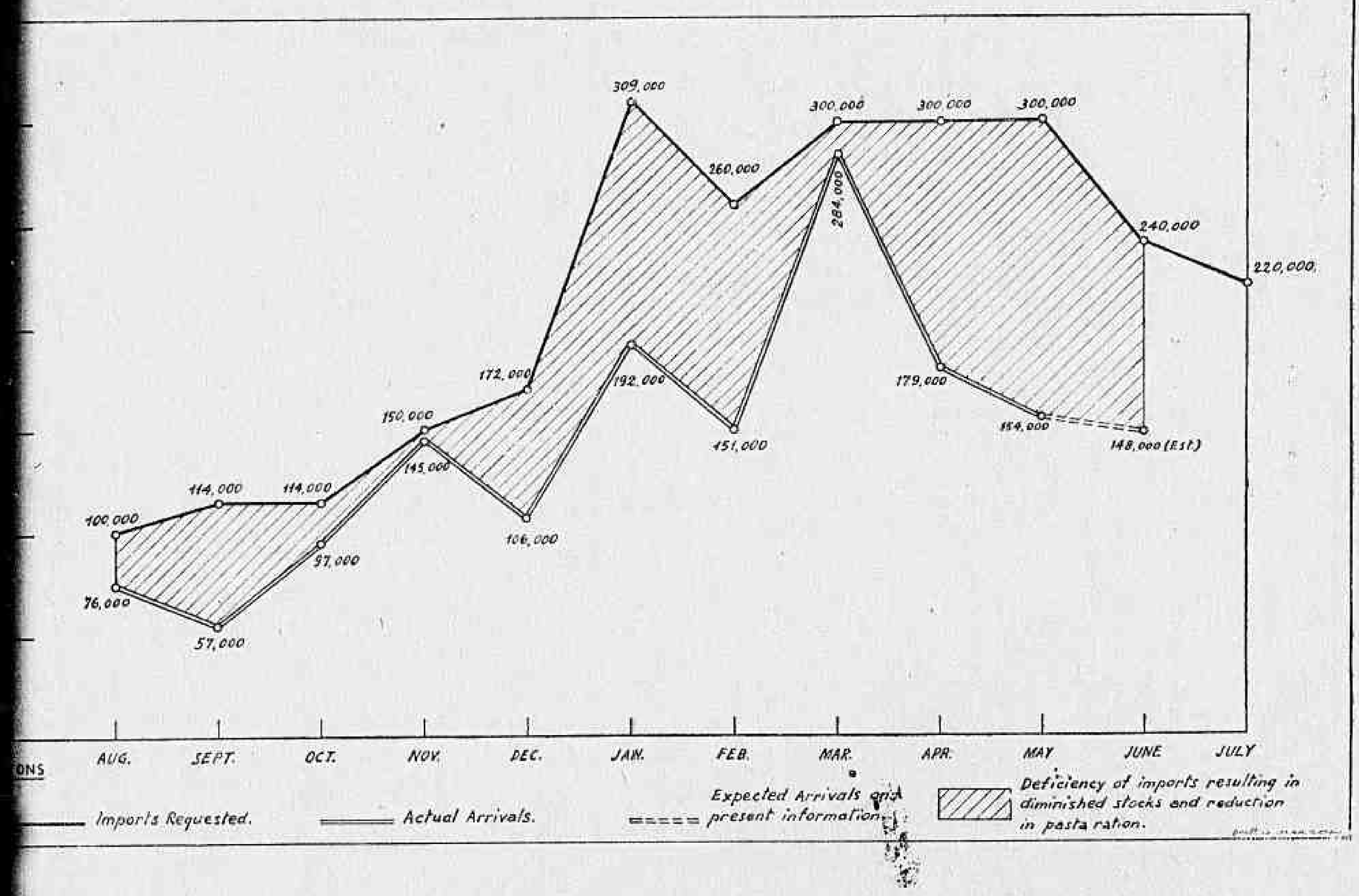

FINANCE

The General Financial Situation.

1. The probable assistance by UNRRA in 1946 in supplies and services to Italy is estimated at 425 million dollars. The financial and economic position in Italy after liberation was catastrophic and in terms of available foreign currency to cover essential imports, Italy was bankrupt. Hence the need for outside assistance and in particular for the assistance undertaken by UNRRA. As is shown in paragraphs 61 to 70, the application of proceeds in local currency from sales of UNRRA goods to provide inter alia subsidies for bread and coal is under consideration. Knowledge of Italy's present financial position is, therefore, of considerable interest to the UNRRA supplying countries and to the UNRRA administration. The main reasons for Italy's present financial difficulties are, essentially, two: a badly-balanced budget and an acute lack of adequate means of international payment. The present chapter will deal mainly with the first of these: the second will be analyzed later in the Supplement on Balance of Payments.

2. As in all other belligerent countries, in Italy the main financial consequence of World War II was a rapidly-growing unbalance in the Government's budget. The difference between the Government's income and its rapidly-increasing expenditures was made up mainly by borrowing and by an increase in note circulation. This in turn caused a gradual rise in prices and a consequent decline in the value of the country's currency. The development of this process is clearly shown by the figures on Governmental income and expenditure, the growth of the public debt, and of note circulation and prices, given in the tables 1 to 4.

3. As the preceding figures show, between 1939 and 1943 the Governmental deficit, the excess of expenditure over income, grew from 12,000 to 86,000 million lire, the total internal public debt increased from 146,000 to 406,000 million, and the circulation of Bank of Italy notes from 24,000 to 91,000 million lire. (This is the 30 June 1943 figure; on 31 December 1943 the circula-

TABLE 1

Governmental Income and Expenditure
(in millions of lire)

Years	Income	Expenditure		Deficit
		Total	For Military purposes	
1935-36	20,370.7	33,056.9	12,624	— 12,686.2
(1) »	$ (1,072.1)	$ (1,739.8)	$ (665)	— $ (667.7)
1936-37	24,702.1	40,932.1	16,573	— 16,230.0
1937-38	27,468.0	38,642.1	13,272	— 11,174.1
1938-39	27,575.6	39,853.4	15,028	— 12,277.5
1939-40	32,350.5	60,388.9	27,732	— 28,038.4
(1) »	$ (1,633.9)	$ (3,050.0)	$ (1,401)	— $ (1,416.1)
1940-41	34,234.2	98,222.8	58,899	— 63,988.6
1941-42	41,223.8	118,569.4	64,241	— 77,345.4
1942-43	48,884 –	135,158.0	83,831	— 86,274.0
(3) 1943-44	41,489.0	229,318.0	—	— 187,829.0
(2) 1944-45	48,000.0	332,000.0	—	— 284,000.0
(3) 1945-46	200,000.0	500,000.0	—	— 300,000.0
(1) »	$ (888.9)	$ (2,222.2)	—	— $ (1,333.3)

(1) Figures in brackets represent conversion to dollars at then ruling rate of exchange.
(2) Provisional.
(3) Estimate. January 1946.

TABLE 2

Internal Public Debt
(in millions of lire)

Years (June 30)	Consolidated Debt	Redeemable Debt	State Currency	Floating Debt	Total Internal Public debt
1935	9,892	83,935	—	11,882	105,709
1937	53,012	47,958	1,350	23,293	125,613
1939	52,986	49,176	2,122	41,511	145,795
1941	52,967	85,677	3,347	87,950	229,941

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The General Financial Situation.

1. The probable assistance by UNRRA in 1946 in supplies and services to Italy is estimated at 425 million dollars. The financial and economic position in Italy after liberation was catastrophic and in terms of available foreign currency to cover essential imports, Italy was bankrupt. Hence the need for outside assistance and in particular for the assistance undertaken by UNRRA. As is shown in paragraphs 61 to 70, the application of proceeds in local currency from sales of UNRRA goods to provide inter alia subsidies for bread and coal is under consideration. Knowledge of Italy's present financial position is, therefore, of considerable interest to the UNRRA supplying countries and to the UNRRA administration. The main reasons for Italy's present financial difficulties are, essentially, two: a badly-balanced budget and an acute lack of adequate means of international payment. The present chapter will deal mainly with the first of these: the second will be analyzed later in the Supplement on Balance of Payments.

2. As in all other belligerent countries, in Italy the main financial consequence of World War II was a rapidly-growing unbalance in the Government's budget. The difference between the Government's income and its rapidly-increasing expenditures was made up mainly by borrowing and by an increase in note circulation. This in turn caused a gradual rise in prices and a consequent decline in the value of the country's currency. The development of this process is clearly shown by the figures on Governmental income and expenditure, the growth of the public debt, and of note circulation and prices, given in the tables 1 to 4.

3. As the preceding figures show, between 1939 and 1943 the Governmental deficit, the excess of expenditure over income, grew from 12,000 to 86,000 million lire, the total internal public debt increased from 146,000 to 406,000 million, and the circulation of Bank of Italy notes from 24,000 to 91,000 million lire. (This is the 30 June 1943 figure; on 31 December 1943 the circulation had grown to 157,000 million lire). After the beginning of Allied occupation in the summer of 1943 and of active warfare on Italian soil, expenditures and the deficit grew still further while the public debt and note circulation expanded apace. The development of this process and some of its current effects are analyzed in somewhat greater detail in the pages which follow.

TABLE 1

Governmental Income and Expenditure

(in millions of lire)

Years	Income	Expenditure		Deficit
		Total	For Military purposes	
1935-36	20,370.7	33,056.9	12,624	— 12,686.2
(1) »	$ (1,072.1)	$ (1,739.8)	$ (665)	— $ (667.7)
1936-37	24,702.1	40,932.1	16,573	— 16,230.0
1937-38	27,468.0	38,642.1	13,272	— 11,174.1
1938-39	27,575.6	39,853.4	15,028	— 12,277.5
1939-40	32,350.5	60,388.9	27,732	— 28,038.4
(1) »	$ (1,633.9)	$ (3,050.0)	$ (1,401)	— $ (1,416.1)
1940-41	34,234.2	98,222.8	58,899	— 63,988.6
1941-42	41,223.8	118,569.4	64,241	— 77,345.4
1942-43	18,884 =	135,158.0	83,831	— 86,274.0
(3) 1943-44	41,489.0	229,318.0	—	— 187,829.0
(2) 1944-45	48,000.0	332,000.0	—	— 284,000.0
(3) 1945-46	200,000.0	500,000.0	—	— 300,000.0
(1) »	$ (888.9)	$ (2,222.2)	—	— $ (1,333.3)

(1) Figures in brackets represent conversion to dollars at then ruling rate of exchange.
(2) Provisional.
(3) Estimate, January 1946.

TABLE 2

Internal Public Debt

(in millions of lire)

Years (June 30)	Consolidated Debt	Redeemable Debt	State Currency	Floating Debt	Total Internal Public debt
1935	9,892	83,935	—	11,882	105,709
1937	53,012	47,958	1,350	23,293	125,613
1939	52,986	49,176	2,122	41,511	145,795
1941	52,967	85,677	3,347	87,950	229,941
1943	52,945	178,069	5,919	168,890	405,823
1944	52,945	176,059	6,500	201,231	436,735
1945	52,945	206,293	7,281	581,444	847,963
1945 Dec.	52,945	279,146	7,348	598,683	938,122

SOURCE: "Bollettino Mensile di Statistica" (Monthly Bulletin of Statistics) 1945, and Bank of Italy research department.

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TABLE 3

Note Circulation

(in millions of lire)

Years (December 31)	Bank of Italy Notes	State Currency	A. M. Currency	Total note circulation
1935	16,297	647	—	16,944
1937	17,468	1,350	—	18,818
1939	24,432	2,448	—	26,880
1941	49,609	4,150	—	53,759
1943	156,632	6,337	10,926	173,895
1944	248,644	6,337	52,618	307,599
1945	296,021	7,348	86,029 (prov)	389,398
1946 Jan.	290,511	7,348	88,672 (prov)	386,531
Feb.	289,046	—	—	—
March	291,747	—	—	—
April	291,640	—	—	—

SOURCE: "Bollettino Mensile di Statistica", Banca d'Italia and Allied Financial Agency.

TABLE 4

Italian Price Indices

(1938 = 100)

Years and months		General Price Index		Cost of living Index (food)	
1935		(1)	71.6	(3)	78.3
[illegible]		(1)	93.5	(3)	92.6
1939		(1)	104.3	(3)	104.3
1941		(1)	135.8	(3)	147.6
1945	August	(2)	3,163.0	(4)	2,424.0
	September	(2)	3,139.0	(4)	2,639.0
	December	(2)	3,289.0	(4)	3,156.0
1946	January	(2)	3,018.0	(4)	3,391.0
	February	(2)	3,018.0	(4)	3,314.0
	March	(2)	2,864.0		—
	April	(2)	2,795.0		—
	[illegible]	(2)	[illegible]		

The Budget.

4. The Italian Government began the fiscal year 1945-46 with a budget showing receipts of 30,000 million lire, expenditures of 113,000 million and a deficit of 83,000 million lire. It included estimates for only the 36 provinces of Southern and Central Italy then under the administration and jurisdiction of the Italian Government, i.e., the area as far north as the Apennines, including Tuscany but not the Northern Regions of Emilia, Liguria, Piedmont, Lombardy, Veneto, and Venezia Giulia, which were under the control of the Allied Military Government (AMG).

5. Since 1 January 1946, these Regions (excluding Venezia Giulia) have also been under the administration of the Italian Government; in relation to this, speaking on the economic and financial situation in the Consultative Assembly on 22 January 1946 Secretary of the Treasury (1) Corbino stated that for the financial year 1945-46 an expenditure of 500,000 million lire had been budgeted for, covering the whole national territory. Revenue for the same period he estimated at 200,000 million lire. The budget, therefore, shows a deficit of 300,000 million (see Table 1). Since this is the first tentative budget covering the whole of Italy, no information as to allocation of expenditure or probable tax yields is available.

6. To improve the sad situation revealed by Signor Corbino, the Government intends to reduce expenditure on public services and to postpone other expenditure where possible, without jeopardizing productive capacity necessary for economic recovery.

7. On the revenue side it is hoped to increase the yield from ordinary and extraordinary taxation without appreciably affecting the economy of the Italian State. In order to achieve this aim the Secretary of Finance is reorganizing fiscal administration (2) with a view to reducing tax collection costs to a minimum and improving the methods of assessing incomes for taxation. The idea is that by tightening up the efficiency of the administration, as stated, it will be possible to increase the yield from taxation and simul-

(1) The distinction between the functions of the Treasury and the Ministry of Finance is as follows:

a) The Treasury controls the expenditure of the Government and the budget.

b) The Ministry of Finance controls the revenues, collects

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(Dec. of each year)	Notes	Ohrrency	Currency	Circulation
1935	16,297	647	—	16,944
1937	17,468	1,350	—	18,818
1939	24,432	2,448	—	26,880
1941	49,609	4,150	—	53,759
1943	156,632	6,337	10,926	173,895
1944	248,644	6,337	52,618	307,599
1945	296,021	7,348	86,029 (prov)	389,398
1946 Jan.	290,514	7,348	88,672 (prov)	386,534
Feb.	289,046	—	—	—
March	291,747	—	—	—
April	291,940	—	—	—

SOURCE: -- Bollettino Mensile di Statistica .. Banca d'Italia and Allied Financial Agency.

TABLE 4

Italian Price Indices

(1938 = 100)

Years and months	General Price Index		Cost of living Index (final)	
1935	(1)	71.6	(3)	78.3
1937	(1)	93.5	(3)	92.6
1939	(1)	104.3	(3)	104.3
1941	(1)	135.8	(3)	147.6
1945 August	(2)	3,163.0	(4)	2,424.0
September	(2)	3,139.0	(4)	2,639.0
December	(2)	3,289.0	(4)	3,156.0
1946 January	(2)	3,018.0	(4)	3,391.0
February	(2)	3,018.0	(4)	3,314.0
March	(2)	2,864.0		—
April	(2)	2,795.0		—
May	(2)	2,726.0		—

(1) Istituto Centrale di Statistica, Rome. (Central Institute of Statistics).

(2) Centro Statistica Aziendale, Florence. (Trade Statistical Center).

(3) Istituto Centrale di Statistica (old series).

(4) Istituto Centrale di Statistica (new series).

5. Since 1 January 1946, these Regions (excluding Venezia Giulia) have also been under the administration of the Italian Government; in relation to this, speaking on the economic and financial situation in the Consultative Assembly on 22 January 1946 Secretary of the Treasury (1) Corbino stated that for the financial year 1945-46 an expenditure of 500,000 million lire had been budgeted for, covering the whole national territory. Revenue for the same period he estimated at 200,000 million lire. The budget, therefore, shows a deficit of 300,000 million (see Table 1). Since this is the first tentative budget covering the whole of Italy, no information as to allocation of expenditure or probable tax yields is available.

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7. On the revenue side it is hoped to increase the yield from ordinary and extraordinary taxation without appreciably affecting the economy of the Italian State. In order to achieve this aim the Secretary of Finance is reorganizing fiscal administration (2) with a view to reducing tax collection costs to a minimum and improving the methods of assessing incomes for taxation. The idea is that by tightening up the efficiency of the administration, as stated, it will be possible to increase the yield from taxation and simul-

(1) The distinction between the functions of the Treasury and the Ministry of Finance is as follows:

a) The Treasury controls the expenditure of the Government and the budget.

b) The Ministry of Finance controls the revenues, collects the taxes, etc.

(2) By decree of 27 October 1945, it was ruled in the Ministry of Finance that the "Direzione Generale per la Finanza Straordinaria .. (General Direction for Extraordinary Finance) should, besides taking over the power and functions of handling fascist profits from the "High Commissioner for Sanctions against fascism", take over the responsibility for extraordinary taxation in general and on war profits in particular.

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taneously reduce the present heavy burden of taxation, which in itself is the cause of widespread tax evasion (1).

8. The Government wishes in any case to avoid calling for a further note issue to cover the budget deficit and the requirements of the Allied Armed Forces.

9. Signor Corbino's plan is to meet these liabilities in the immediate future by encouraging increased investment in short and middle-term Government securities, selling war surpluses and selling imported products bought from foreign loans. Looking further ahead, details have been studied for the issue of a large consolidated 5 % loan, when technical and market conditions will permit. An indication of future policy was given by Secretary of the Treasury Corbino, who, in January 1946, stated his objects as follows:—

(a) To stem the increase in public expenditure while giving State support where such support is necessary.

(b) To resuscitate industrial production so that the income of industry may eventually cover industrial costs.

(c) To re-establish the confidence of the Italian public in the means of payment.

10. The huge deficit is being met by:

(a) Direct sale to the public of Government securities. In April 1945, in fact, the Government announced an issue of five-year 5 % Treasury Bonds at 97½ lire, subscriptions to be closed in May; this loan produced a total of 33,000 million lire. In August 1945 a similar issue of five-year 5 % Treasury Bonds was made in the North at 99 lire and produced 73,000 million lire—a total of over 106,000 million lire.

(b) Borrowing from the Central Bank on "open account." A substantial part of the present sizeable deposits in the commercial banks, which find it difficult to invest their funds suitably under present circumstances, is deposited by these banks with the Bank of Italy, which pays interest on such loans. The Bank of Italy in turn lends the funds to the Treasury. The volume of loans of this sort outstanding on 20 March 1946 was 68,000 million lire.

(c) The continuous sale, through the Bank of Italy, of Italian State Treasury Bonds at maturities of from three months to one year which bear interest at rates varying from 3½ % to 5 %. These short-term State obligations are purchased mainly by commercial banks and other financial institutions as well as by private investors. The confidence shown in Government obligations by the sale of such large issues has been re-assuring and indicates a considerable measure of confidence in the lire even though the absence of other suitable investments may be the principal factor in facilitating these sales.

11. As the figures below show, this trend was considerably accentuated in January and February 1946, that is after the Council of Ministers decided to postpone "sine die" the conversion of the currency (calling in and replacement of the note circulation).

TABLE 5

Aggregate Value of Outstanding Treasury Bonds

(in millions of lire)

1945	June	157,673	
	July	160,371	+ 2,698
	August	161,768	+ 1,397
	September	165,009	+ 3,241
	October	168,730	+ 3,721
	November	173,239	+ 4,509
	December	178,324	+ 5,085
1646	January	(1) 189,496	+ 11,172
	February	(1) 205,300	+ 15,800

(1) Estimated.

Currency Conversion.

12. Closely linked with the Government finances is the question of converting the currency for the sake of uniformity (2) which was scheduled for last October and was again under consideration in January. The technicalities of such a change and the objects which it is hoped will be achieved by it (3) have been the subject of discussions in the press and on political platforms.

13. On 11 January 1946 the Council of Ministers discussed the problem from all angles and decided that

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9. Signor Corbino's plan is to meet these liabilities in the immediate future by encouraging increased investment in short and middle-term Government securities, selling war surpluses and selling imported products bought from foreign loans. Looking further ahead, details have been studied for the issue of a large consolidated 5 % loan, when technical and market conditions will permit. An indication of future policy was given by Secretary of the Treasury Corbino, who, in January 1946, stated his objects as follows:—

(a) To stem the increase in public expenditure while giving State support where such support is necessary.

(b) To resuscitate industrial production so that the income of industry may eventually cover industrial costs.

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(b) Borrowing from the Central Bank on "open account." A substantial part of the present sizeable deposits in the commercial banks, which find it difficult to invest their funds suitably under present circumstances, is deposited by these banks with the Bank of Italy, which pays interest on such loans. The Bank of Italy in turn lends the funds to the Treasury. The volume of loans of this sort outstanding on 20 March 1946 was 68,000 million lire.

(c) The continuous sale, through the Bank of Italy, of Italian State Treasury Bonds at maturities of from three months to one year which bear interest at rates varying from 3½ % to 5 %.

(1) According to a recent statment by the Secretary of Finance, the general reform of the Italian taxation system will be inspired by the following principles: simplifying and unifying taxes so that there will be few types of taxation; adopting a sliding scale of taxation on the incomes of individuals rather than attempting collections at source; renovating the system of tax collection.

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11. As the figures below show, this trend was considerably accentuated in January and February 1946, that is after the Council of Ministers decided to postpone "sine die" the conversion of the currency (calling in and replacement of the note circulation).

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13. On 11 January 1946 the Council of Ministers discussed the problem from all angles and decided that

(2) The necessity for uniformity arises out of the circulation side by side of old and new Bank of Italy notes, Allied Military lire and State currency.

(3) Determination of the value of notes destroyed or lost on account of the war, the breaking up of hoards of notes, assessment of war profits for the extraordinary property tax etc.

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in view of present difficulties the question of immediate conversion should be postponed "sine die" (1).

14. On this occasion the Secretary of the Treasury's point of view, which won the day, was that bearing in mind the political difficulties (pending political and administrative elections), the technical difficulties (lack of administrative machinery for organizing the conversion in Venezia Giulia and the Colonies during the armistice period), the inadequacy of present internal organization, the insufficiency of the police force, and the financial and psychological difficulties, it would be most unwise to undertake conversion at this time.

15. With little over 15,000 million lire in liquid resources and large disbursements to make in the first months of the year, the Government thought it wise to defer conversion, which it considered would shake the confidence of investors and holders of public bonds.

16. Estimating the reduction in deposits in favor of investments not likely to suffer under currency conversion at 10,000 million lire, and the failure to renew Treasury Bonds for the same reason at a like amount, the Government might well have had to resort to a further note issue of 20,000 million lire. In these circumstances the flight to temporary investments, coupled with additional issue of new notes, presented the danger of a new inflationary cycle which was just what the Government wished to avoid.

17. In the light of the foregoing it would appear that the current budget deficit is, for the time being, covered by the proceeds of sales of Government bonds to the banks and the public. This explains why, to date, note circulation has not increased to the extent that would have been necessary had the burden of meeting the deficit been placed primarily on the Bank of Italy. However, as the Secretary of the Treasury has stated, the danger of being forced to increase further the note issue has not completely disappeared and is likely to remain until the floating debt has been consolidated.

Note Circulation and Bank Deposits.

18. As Table 3 above shows, note circulation in all of Italy totalled about 386,500 million lire at the end of January 1946. Of this, 290,500 million are represented by Bank of Italy notes, 88,700 million by Allied Military currency (AM-lire) and 7,300 million by State currency (notes of denominations below 50 lire).

19. The increase in the amount of Bank of Italy notes outstanding from the outbreak of war—27,500 million—to the armistice in September 1943—113,000 million—was entirely due to deficit financing. Since September 1943 the increase from 113,000 million to about 296,000 million roughly equals the amount paid to the Germans in Italy by the fascist Government: the Bank of Italy advances to the legitimate Government were negligible.

20. After the end of the war the Bank of Italy, as explained above, has not been obliged to increase its circulation to cover the Government's deficit, mainly because of the influx of funds derived from the sale of five-year bonds and the continuingly successful current sales of three-months to one-year Treasury Bonds.

21. Looking at the balance sheet of the Bank of Italy (see Table 12) we see that in 1945 the note issue increased only half as much as it did in the preceding year (1945: +47,000 million; 1944: +92,000 million); it is worth noticing that the increase took place mostly in the first five months of the year (40,000 million). In the first quarter of 1946 there was a decrease of 4,300 million lire.

22. While the development in the Bank of Italy note circulation was proceeding as described above, the AM-lire circulation increased by regular amounts averaging 2,800 million per month until at the end of 1945 about 86,000 million had been issued (2). In 1945 the AM-lire lire circulation increased 33,400 million lire against 41,700 million in 1944, indicating a slowing down of 8,000 million in the rate of increase during the year. This was due to the cessation of hostilities, movement of Allied troops into Austria, and the repatriation of Allied troops.

23. The issue of State notes of small denomination was discontinued by the Italian Government in 1945, and the increase under this heading is due to the fascist Republican Government continuing to issue these notes in the North.

24. Within the framework of the Government's financial and monetary policy, aimed at curbing the volume of means of payment in order to help deflate prices, the agreement by which the Government assumes responsibility for AM-lire (which was concluded in January) is worth considering. Under the agreement Allied Authorities will discontinue issuing AM-lire and deliver stocks of notes on hand to the Bank of Italy. The Government, on the other hand, is pledged to [illegible] requirements of the Allied Forces,

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in mind the political difficulties (pending political and administrative elections), the technical difficulties (lack of administrative machinery for organizing the conversion in Venezia Giulia and the Colonies during the armistice period), the inadequacy of present internal organization, the insufficiency of the police force, and the financial and psychological difficulties, it would be most unwise to undertake conversion at this time.

15. With little over 15,000 million lire in liquid resources and large disbursements to make in the first months of the year, the Government thought it wise to defer conversion, which it considered would shake the confidence of investors and holders of public bonds.

16. Estimating the reduction in deposits in favor of investments not likely to suffer under currency conversion at 10,000 million lire, and the failure to renew Treasury Bonds for the same reason at a like amount, the Government might well have had to resort to a further note issue of 20,000 million lire. In these circumstances the flight to temporary investments, coupled with additional issue of new notes, presented the danger of a new inflationary cycle which was just what the Government wished to avoid.

17. In the light of the foregoing it would appear that the current budget deficit is, for the time being, covered by the proceeds of sales of Government bonds to the banks and the public. This explains why, to date, note circulation has not increased to the extent that would have been necessary had the burden of meeting the deficit been placed primarily on the Bank of Italy. However, as the Secretary of the Treasury has stated, the danger of being forced to increase further the note issue has not completely disappeared and is likely to remain until the floating debt has been consolidated.

Note Circulation and Bank Deposits.

18. As Table 3 above shows, note circulation in all of Italy totalled about 386,500 million lire at the end of January 1946. Of this, 290,500 million are represented by Bank of Italy notes, 88,700 million by Allied Military currency (AM-lire) and 7,300 million by State currency (notes of denominations below 50 lire).

(1) For carrying out the conversion of the currency the machinery had been set for printing new notes. By the end of March 1946 1,200 million notes were printed in Italy of an aggregate value of 360,000 million lire.

million roughly equals the amount paid to the Germans in Italy by the fascist Government; the Bank of Italy advances to the legitimate Government were negligible.

20. After the end of the war the Bank of Italy, as explained above, has not been obliged to increase its circulation to cover the Government's deficit, mainly because of the influx of funds derived from the sale of five-year bonds and the continuingly successful current sales of three-months to one-year Treasury Bonds.

21. Looking at the balance sheet of the Bank of Italy (see Table 12) we see that in 1945 the note issue increased only half as much as it did in the preceding year (1945: +47,000 million; 1944: +92,000 million); it is worth noticing that the increase took place mostly in the first five months of the year (40,000 million). In the first quarter of 1946 there was a decrease of 4,300 million lire.

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23. The issue of State notes of small denomination was discontinued by the Italian Government in 1945, and the increase under this heading is due to the fascist Republican Government continuing to issue these notes in the North.

24. Within the framework of the Government's financial and monetary policy, aimed at curbing the volume of means of payment in order to help deflate prices, the agreement by which the Government assumes responsibility for AM-lire (which was concluded in January) is worth considering. Under the agreement Allied Authorities will discontinue issuing AM-lire and deliver stocks of notes on hand to the Bank of Italy. The Government, on the other hand, is pledged to supply the currency requirements of the Allied Forces. The Agreement does not affect the ultimate settlement between the Government and the Allies, or remove

(2) Source: Allied Financial Agency.

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the cause of increased circulation for payment of Allied troops, but merely shifts to the Bank of Italy the responsibility for actually providing the currency.

25. Due to the extension of the exchange subsidy (225 lire to the U.S. dollar; 900 lire to one pound sterling, which came into force in January 1946) to payments made to Allied troops, the currency requirements for this purpose increased by 125 % (see paragraphs 49 to 54).

26. To implement the provisions of this agreement a further agreement was entered into by the Treasury and the Bank of Italy, which resulted in the Treasury's being debited in the Bank's Balance Sheet with "Treasury account for AM-lire circulation," 114,000 million being the total of AM-lire issued. The make-up of this figure is shown by a reduction of 22,000 million in the figure for cash and a liability of 92,000 million for AM-lire in circulation (1).

27. The final phases of the change over were completed by 15 March 1946 and, according to the Allied Authorities' requests for lire it appears the future average monthly expenditure will be about 5,800 million lire.

28. In order to arrive at the total volume of means of payment in circulation it is necessary to consider also money substitutes such as cheques. This is especially so in the case of Italy, where cheques are not used in quite the same way as they are in the U.S. or U.K. For instance, the Banks of Italy, Sicily, and Naples, which are Government bankers and whose accounts are subject to Government inspection, are authorized to issue "circular cheques," which are negotiable instruments and legal tender for a period of six months from date of issue. Other large banks are also authorized to issue "circular cheques" though these are not legal tender. Therefore in viewing the following table, the first column shows cheques which are actually legal tender, whereas the second column shows the sum of personal cheques drawn on banks and circular cheques of authorized banks which though not legal tender are certainly currency substitutes.

29. The increased volume of money substitutes in the form of cheques was considerable during 1945 (15,768 millions) though it was only about half of the 1944 (29,069 millions) figure.

30. The trend in the volume of cheque payments was

TABLE 6

Circulation of means of Payment other than Currency

(in millions of lire)

End of	Cheques (1)	Cheques of Authorised Institutions	Total
1935	924	659	1,583
1937	1,170	901	2,071
1939	1,625	1,433	3,058
1941	2,850	2,788	5,638
1943	(2) 10,504	(2) 6,093	(2) 16,597
1944	(2) 23,244	(2) 22,422	(2) 45,666
1945	(2) 29,888	(2) 31,546	(2) 61,434

(1) Bank of Italy, Bank of Naples, Bank of Sicily.
(2) Provisional.

of the year and was largely due to the shortage of bank notes in the North prior to liberation.

31. This problem originated in November, 1942, when as a result of withdrawals of deposits in favor of hoarding, the banks suffered a severe scarcity of circulating currency. The banks, in order to alleviate the position, encouraged the drawing of cheques, and this step went a long way towards relieving the crisis. Later, the increase of black market transactions, mostly settled in cash, the increase of stocks and notes in the hands of displaced persons and the investment of war profits in bank notes, led to the hoarding of notes issued by the Bank and the Allied Military Authorities for public and military requirements. A relatively small proportion of these notes found their way into deposit accounts.

32. As a matter of fact, while the volume of means of payment increased by about 14 times between December 1939 and June 1945, deposits with banks and saving banks (excluding current accounts of banks) increased only about five times over the same period. On the other hand, it appears that during the second half of 1945 deposits increased 35 % against an 8 % increase in means of payments. This seems to indicate a satisfactory change in trend.

Credit and Banks.

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(225 lire to the U.S. dollar; 900 lire to one pound sterling, which came into force in January 1946) to payments made to Allied troops, the currency requirements for this purpose increased by 125 % (see paragraphs 49 to 54).

26. To implement the provisions of this agreement a further agreement was entered into by the Treasury and the Bank of Italy, which resulted in the Treasury's being debited in the Bank's Balance Sheet with "Treasury account for AM-lire circulation," 114,000 million being the total of AM-lire issued. The make-up of this figure is shown by a reduction of 22,000 million in the figure for cash and a liability of 92,000 million for AM-lire in circulation (1).

27. The final phases of the change over were completed by 15 March 1946 and, according to the Allied Authorities' requests for lire it appears the future average monthly expenditure will be about 5,800 million lire.

28. In order to arrive at the total volume of means of payment in circulation it is necessary to consider also money substitutes such as cheques. This is especially so in the case of Italy, where cheques are not used in quite the same way as they are in the U.S. or U.K. For instance, the Banks of Italy, Sicily, and Naples, which are Government bankers and whose accounts are subject to Government inspection, are authorized to issue "circular cheques," which are negotiable instruments and legal tender for a period of six months from date of issue. Other large banks are also authorized to issue "circular cheques" though these are not legal tender. Therefore in viewing the following table, the first column shows cheques which are actually legal tender, whereas the second column shows the sum of personal cheques drawn on banks and circular cheques of authorized banks which though not legal tender are certainly currency substitutes.

29. The increased volume of money substitutes in the form of cheques was considerable during 1945 (15,768 millions) though it was only about half of the 1944 (29,069 millions) figure.

30. The trend in the volume of cheque payments was similar to that for Bank of Italy notes: i.e., the main increase took place in the first four to five months

(1) This figure is not comparable with the figure for AM-Lire circulation given in Table 3 because the Allied Financial Agency does not treat lire in the hands of field cashiers as "in circulation," and the Bank of Italy does.

End of	Cheques (1)	Cheques of Authorised Institutions	Total
1935	924	659	1,583
1937	1,170	901	2,071
1939	1,625	1,433	3,058
1941	2,850	2,788	5,638
1943	(2) 10,504	(2) 6,093	(2) 16,597
1944	(2) 28,244	(2) 22,422	(2) 15,666
1945	(2) 29,888	(2) 31,546	(2) 61,434

(1) Bank of Italy, Bank of Naples, Bank of Sicily.
(2) Provisional.

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31. This problem originated in November, 1942, when as a result of withdrawals of deposits in favor of hoarding, the banks suffered a severe scarcity of circulating currency. The banks, in order to alleviate the position, encouraged the drawing of cheques, and this step went a long way towards relieving the crisis. Later, the increase of black market transactions, mostly settled in cash, the increase of stocks and notes in the hands of displaced persons and the investment of war profits in bank notes, led to the hoarding of notes issued by the Bank and the Allied Military Authorities for public and military requirements. A relatively small proportion of these notes found their way into deposit accounts.

32. As a matter of fact, while the volume of means of payment increased by about 14 times between December 1939 and June 1945, deposits with banks and saving banks (excluding current accounts of banks) increased only about five times over the same period. On the other hand, it appears that during the second half of 1945 deposits increased 35 % against an 8 % increase in means of payments. This seems to indicate a satisfactory change in trend.

Credit and Banks.

33. The increase in sight and time deposits with the Bank of Italy (see Table 12, items 15 and 16) reflects the position in which the banks have found themselves since the liberation of the areas in which they operate. This position is characterized by an abundance of cash liabilities on account of ever-increasing deposits coupled with an obvious scarcity of safe investments.

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34. The following table shows how bank deposits have increased.

TABLE 7

Bank Deposits

(in millions of lire)

End of	Number of Banks	Deposits	Current Accounts of clients	Total	Current Accounts of banks
1939	307	39,995	20,971	60,966	3,903
1941	306	58,130	35,504	93,634	5,481
1943	365	84,216	59,042	143,258	6,909
1944	365	138,358	110,432	248,785	11,180
1945 – June	365	180,644	124,610	305,254	12,411
Sept.	365	196,827	140,023	336,850	14,457
Dec.	365	240,609	165,977	406,586	18,435
1946 Jan.	365	256,152	170,430	426,582	17,383

35. As it appears from the above table, the rate of increase was very high in 1945 (65 %). In that year, contrary to what had taken place earlier, the rate of increase in deposits (75 %) was higher than the increase in the current accounts of clients (53 %). Also, the rate of increase in the current accounts of banks (68 %) was lower than the rate of increase in deposits, owing to decreased economic activity and to the favorable terms for deposits with the Bank of Issue.

36. The rate of increase in Postal Savings Bank deposits and investment in interest-bearing bonds which cater for people of modest means has been much lower.

TABLE 8

Postal Bank Deposits

(in millions of lire)

End of	Deposits	Interest bearing Bonds	Total
1939	8,242	23,766	32,008
1941	10,426	36,490	46,916
1943	11,815	46,698	58,513
1944	13,246	46,395	59,641
1945	18,570	64,199	82,769

38. The appeal that Postal Savings Bonds have to the lower income groups of savers is obviously owing to the high yield (5 %) and to the favorable terms that characterize them as a form of investment.

39. Large applications for credit by manufacturers are caused by heavy expenditure not balanced by income from the other end of the production cycle. (Many concerns have employees on the payrolls for whom they have no work). Applications for credit from the business world were, up to a few months ago, mostly of a speculative nature to be expected in a period of rising prices and were largely met from outside the banking world.

40. These circumstances cause the banking policy in general to be cautious. As a matter of fact, the banks are examining applications for credit from a point of view of quality and granting only those which are justified by obvious commercial or industrial necessity.

41. Examining the investments in 50 large banks for which data are available, one notices that they decreased from 68,600 million at the end of 1942 to 55.900 million at the end of 1943, while they increased to 57.200 million at the end of 1944 and to 76.500 million by the middle of 1945. It is a known fact that investments increased much more in the second half of 1945 than in the first.

42. At the end of 1942 investments were 64 % of deposits (including current accounts of banks). The percentage fell to 44 by the end of 1943 and to 27 by the end of 1944. On 30 June 1945, while they were 12 % higher than the 1942 level, they were only 28 % of deposits which, in the meantime, had increased 154 %.

43. The lack of real investments induced the banks to invest their cash in State Bonds, in which their holdings increased 166 % from the end of 1942 to 30 June 1945, while the proportion to deposits remained almost unchanged at 30 %.

44. The increased deposits and the scarce investments are reflected in the increase of the cash on hand and of the deposits with other banks and with the Treasury, whose aggregate value was seven times as much in June 1945 as on 31 December 1942.

Stock Exchange.

[illegible] had a remarkable appeal for

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1946 Jan.	365	256,152	170,430	426,582	17,383

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37. Secretary Corbino's interpretation of the different trends in the two large classes of deposits (Banks and Postal Savings Banks) is that the lower income groups are generally so impoverished that they are spending not only all their income but are also realizing some of their capital in order to support themselves.

39. Large applications for credit by manufacturers are caused by heavy expenditure not balanced by income from the other end of the production cycle. (Many concerns have employees on the payrolls for whom they have no work). Applications for credit from the business world were, up to a few months ago, mostly of a speculative nature to be expected in a period of rising prices and were largely met from outside the banking world.

40. These circumstances cause the banking policy in general to be cautious. As a matter of fact, the banks are examining applications for credit from a point of view of quality and granting only those which are justified by obvious commercial or industrial necessity.

41. Examining the investments in 50 large banks for which data are available, one notices that they decreased from 68,600 million at the end of 1942 to 55.900 million at the end of 1943, while they increased to 57.200 million at the end of 1944 and to 76,500 million by the middle of 1945. It is a known fact that investments increased much more in the second half of 1945 than in the first.

42. At the end of 1942 investments were 64 % of deposits (including current accounts of banks). The percentage fell to 44 by the end of 1943 and to 27 by the end of 1944. On 30 June 1945, while they were 12 % higher than the 1942 level, they were only 28 % of deposits which, in the meantime, had increased 154 %.

43. The lack of real investments induced the banks to invest their cash in State Bonds, in which their holdings increased 166 % from the end of 1942 to 30 June 1945, while the proportion to deposits remained almost unchanged at 30 %.

44. The increased deposits and the scarce investments are reflected in the increase of the cash on hand and of the deposits with other banks and with the Treasury, whose aggregate value was seven times as much in June 1945 as on 31 December 1942.

Stock Exchange.

45. Government securities had a remarkable appeal for investors and quotations showed a continuous improvement through January 1946. The comparative index calculated from official quotations shows the highest prices for 1945 in December (see Table 13). There has also been increased dealing (see Table 14).

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46. Afterwards, a weakening tendency set in during February and March. This tendency was accentuated by realizations consequent upon the announcement (16 February 1946) of the issue of a 5 % Reconstruction Loan. The 3½ % 1906 loan, after gaining considerably after September 1943 owing to sales of fascist-issued bonds and investments in favor of such a loan, was later neglected, settling at a level almost proportionately equal to the other State bonds. Consolidated and redeemable stocks are weaker, while on the whole long-term Treasury bonds have remained fairly strong.

47. Apart from purely financial considerations, such as the possibility of new fiscal legislation, the stock market is naturally reacting to industrial problems (lack of raw materials, necessity of paying idle workers, etc.) and to schemes for socialization and internal plant control. Although some of these influences are diminishing in effect, the main hindrances to dealing (compulsory registration of all share transactions with the issuing companies, and 3 % surtax on each transaction) remain, since the Government has stated its unwillingness to alter present legislation until the new property tax is adopted. On 23 October 1945 the rule prohibiting term operations (1) was rescinded and was followed by a more active market, with price increases. Thereafter adjustment of these operations by sales and carry over caused prices to fall until December 1945. During the second half of February 1946 a slight hardening was experienced in certain sections of the market, which has since spread to all sections. This tendency was accentuated by the rumors that Italy might be asked to hand over to the Allies some of her industrial plants (particularly in the textile field) and war reparations as well as to pay substantial sums in reparations. (The withdrawal of the obligation to deposit 25 % of all stock and bond transactions of 21 February 1946 has not had an appreciable hardening effect).

48. According to Secretary Corbino, a law for reorganization of the Stock Exchange is under consideration, which will free dealers of many of the irksome controls under which they now labor. As a general conclusion, it can be said that low quotations for industrials are the product of present uncertainty in this field, and the relative stability of Government Securities reveal a satisfactory confidence in the lira.

Exchange Rates.

49. In January, though the official rate of exchange ing power of the lira in relation to international markets.

50. To compensate for the discrepancy between prices in Italy and the rest of the world, the Government created an "Equalization Fund for International Prices," which is administered by the Italian Exchange Office. The system is that all importers obtain foreign currency from the Treasury at a lire cost of the official rate of exchange plus a percentage. The additional lire thus obtained constitute the Fund, from which Italian exporters are paid lire amounting to official rate of exchange plus the same percentage for foreign currency credits created by their operations. As from 17 January 1946 the percentage to be added was fixed at 125 % for settlement of commercial transactions only. Gradually it was extended to other items in the balance of payments in order to bring the domestic market into line with the international currency market.

51. As a matter of fact by Government Decree of 28 January 1946, the additional 125 % has been extended to cover so many types of exchange dealings that it virtually amounts to a change in exchange rate to lire 225 to the dollar and lire 900 to the pound sterling. Transactions specifically covered are:

(a) Receipts and payments under clearing arrangements made prior to 30 November 1945;
(b) Italian and foreign diplomatic and consular expenditures;
(c) Insurance, sea and air transport transactions;
(d) Remittances from abroad;
(e) Payments of private commercial transactions.

52. In accordance with a letter of the Minister of Finance dated 7 March 1946, the additional 125 % is also extended to purchases of gold.

53. Under an agreement concluded between the Government and the Allied Military Authorities during January, the percentage also applies to the payment of Allied troops in Italy (907.31 lire = £1 sterling; 225 lire = $1 U.S.). This privilege has been further extended to diplomatic and consular staffs and to UNRRA non-Italian personnel.

54. After the long period of blocked exchange rates (400 lire to £1 sterling; 100 lire to $1 U.S.), this recent step improves considerably the prospect for the resumption of Italian foreign trade. To this same policy must be related the other provision whereby exporters may freely use 50 % of the foreign currency they get from

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currency after September 1943 owing to sales of fascist-issued bonds and investments in favor of such a loan, was later neglected, settling at a level almost proportionately equal to the other State bonds. Consolidated and redeemable stocks are weaker, while on the whole long-term Treasury bonds have remained fairly strong.

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48. According to Secretary Corbino, a law for reorganization of the Stock Exchange is under consideration, which will free dealers of many of the irksome controls under which they now labor. As a general conclusion, it can be said that low quotations for industrials are the product of present uncertainty in this field, and the relative stability of Government Securities reveal a satisfactory confidence in the lira.

Exchange Rates.

49. In January, though the official rate of exchange was not altered, the Government took a step in this direction, which has substantially altered the purchas-

(1) The Ministry of the Treasury ruled that for the reestablishment of term operations buyers must deposit 25 % with the clearing and sales must be accompanied by the actual delivery of scrip or a deposit for 25 % of the value.

Prices," which is administered by the Italian Exchange Office. The system is that all importers obtain foreign currency from the Treasury at a lire cost of the official rate of exchange plus a percentage. The additional lire thus obtained constitute the Fund, from which Italian exporters are paid lire amounting to official rate of exchange plus the same percentage for foreign currency credits created by their operations. As from 17 January 1946 the percentage to be added was fixed at 125 % for settlement of commercial transactions only. Gradually it was extended to other items in the balance of payments in order to bring the domestic market into line with the international currency market.

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54. After the long period of blocked exchange rates (400 lire to £1 sterling; 100 lire to $1 U.S.), this recent step improves considerably the prospect for the resumption of Italian foreign trade. To this same policy must be related the other provision whereby exporters may freely use 50 % of the foreign currency they get from their exports.

55. No major changes have occurred in the official rates of exchange though there were slight adjustments with currencies within the sterling block to bring them into line with the dollar sterling rate (4.0325 New York) during February.

56. These adjustments can be seen from the following table of average official rates of exchange.

TABLE 9

Average Official Rates of Exchange

Countries	Currency	1939	Dec. 1945	March 1946	
				Official rate	Commercial rate
Argentina . .	Peso papel	4.434	20.778	25.	56.25
Australia . . .	A. £.	—	323.70	322.60	725.85
Belgium . . .	Franc	3.242	2.2845	2.2845	5.1401
Brazil	Cruzeiro	1.0383	5.417	5.15	11.5875
Canada. . . .	C. $	18.404	90.909	90.909	204.5453
Denmark . . .	Krone	3.911	20.8768	20.8526	46.9184
Egypt	E. £.	90.361	415.	413.50	930.375
France. . . .	Franc	0.4836	2.0175	0.8896	1.8891
British India .	Rupee	—	30.349	30.20	67.95
New Zealand .	N. Z. £.	—	323.45	322.60	725.85
Low Countries .	Gulden	10.264	37.7415	37.7415	84.9184
Portugal . . .	Escudo	0.778	4.057	4.057	9.1282
United Kingdom	£.	85.437	400.	403.25	907.3125
Spain	Peseta	2.1502	9.13	9.13	20.5425
United States .	Dollar	19.227	100.	100.	225.
Sweden . . .	Krona	4.617	23.845	23.845	53.65125
Switzerland . .	Franc	4.3852	23.31	23.31	52.4475
Turkey . . .	£. T.	15.13	77.52	77.52	174.42
Union of South Africa. .	S. A. £.	—	403.50	400.70	901.575

SOURCE: Istituto Centrale di Statistica and Economic Analysis Branch, UNRRA Italian Mission.

Gold and Foreign Currency - Open Market.

57. The open market prices of gold and foreign currencies give some indication of the degree of confidence in the lira, though it should be noted that these prices in Italy react in a most sensitive fashion to day-to-day rumors. Since December 1945 the open market prices of gold, gold coins, and officially quoted currencies have tended to drop, with only occasional slight revivals. The only exception to this tendency is the single sterling pound, which in January 1946 surpassed the 1945 record price, but which has now fallen to below the com-

TABLE 10

Monthly Average of Open Market Prices of Gold, Gold Currencies, and of some Foreign Currencies in Rome

	Gold per gram (1)	Gold Sovereign (2)	Napoleon (3)	Dollar (blue seal) (4)	Single pound sterl. (4)	Swiss franc (4)
1944 December	615	5,732	4,145	251	669	86
1945 January	808	7,344	5,792	334	875	118
February	1,030	9,747	7,294	418	1,029	154
March	1,080	9,531	7,344	410	1,095	147
April	1,088	9,542	7,119	381	1,151	143
May	830	7,222	5,287	283	890	120
June	917	8,594	6,748	291	872	157
July	1,036	9,445	7,468	310	922	175
August	953	8,780	6,766	297	907	162
September	931	8,224	6,198	329	958	144
October	861	7,927	6,001	338	941	130
November	900	8,416	6,451	369	986	135
December	823	7,992	5,975	385	978	129
1946 January	775	7,669	5,681	382	1,117	122
February	634	6,655	4,982	350	1,049	106
March	564	6,158	4,655	364	869	98
April	523	5,875	4,283	281	783	89

(1) Official purchasing price of the Bank of Italy: Lire 253.1869 per gram.

(2) Official price calculated on the official purchasing price of gold of the Bank of Italy taking into account the gold content: Lire 1853.9167.

(3) Official price calculated on the official purchasing price of gold of the Bank of Italy taking into account the gold content: Lire 1470.114.

(4) Official rate in April:

$ = Lire 100; commercial rate: Lire 225.

£ = Lire 403.25; commercial rate: Lire 907.3125.

Sw. Fr. Lire 23.31; commercial rate: Lire 52.4475.

(Source: Bank of Italy).

58. These facts can be correlated to the general downward trend in prices for commodities other than food, and to the Government's policy in postponing the conversion of currency which have induced the populace to realize many temporary investments made to avoid possible losses in currency conversion. There is also a relationship with the percentage arrangements for foreign exchange which reduces the difference between

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Countries	Currency	1939	Dec. 1945	March 1946	
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Argentina . .	Peso papel	4.134	29.778	25.	56.25
Australia . . .	A. £.	—	323.70	322.60	725.85
Belgium . . .	Franc	3.242	2.2845	2.2845	5.1401
Brazil	Cruzeiro	1.0383	5.417	5.15	11.5875
Canada. . . .	C. $	18.104	90.909	90.909	204.5453
Denmark . . .	Krone	3.911	20.8768	20.8526	46.9184
Egypt	E £.	90.361	415.	413.50	930.375
France. . . .	Franc	0.4836	2.0175	0.8296	1.8891
British India .	Rupee	—	30.349	30.20	67.95
New Zealand .	N. Z. £.	—	323.45	322.60	725.85
Low Countries .	Guilder	10.264	37.7415	37.7415	84.9184
Portugal . . .	Escudo	0.778	4.057	4.057	9.1282
United Kingdom	£.	85.437	400.	403.25	907.3125
Spain	Peseta	2.1502	9.13	9.13	20.5425
United States .	Dollar	19.227	100.	100.	225.
Sweden . . .	Krona	4.617	23.845	23.845	53.65125
Switzerland . .	Franc	4.3352	23.31	23.31	52.4475
Turkey . . .	£. T.	15.13	77.52	77.52	174.42
Union of South Africa . .	S. A. £.	—	403.50	400.70	901.575

SOURCE: Istituto Centrale di Statistica and Economic Analysis Branch, UNRRA Italian Mission.

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57. The open market prices of gold and foreign currencies give some indication of the degree of confidence in the lira, though it should be noted that these prices in Italy react in a most sensitive fashion to day-to-day rumors. Since December 1945 the open market prices of gold, gold coins, and officially quoted currencies have tended to drop, with only occasional slight revivals. The only exception to this tendency is the single sterling pound, which in January 1946 surpassed the 1945 record price, but which has now fallen to below the commercial rate of exchange. The preference of hoarders for gold and gold coins as compared with quoted currencies may seem extraordinary before it is realized that most of these hoarders are relatively uneducated people, who still retain a marked preference for precious metals, and tend to mistrust token paper.

	Gold per gram (1)	Gold Sovereign (2)	Napoleon (3)	Dollar (blue seal) (4)	Single pound sterl. (4)	Swiss franc (4)
1944 December	615	5,732	4,145	251	669	86
1945 January	808	7,344	5,792	334	875	118
February	1,030	9,717	7,294	418	1,029	154
March	1,080	9,531	7,344	410	1,095	147
April	1,088	9,542	7,419	381	1,151	143
May	830	7,222	5,287	283	800	120
June	917	8,594	6,748	291	872	157
July	1,036	9,445	7,468	319	922	175
August	953	8,780	6,766	297	907	162
September	931	8,224	6,198	329	958	144
October	861	7,927	6,001	338	941	130
November	900	8,416	6,454	369	986	135
December	823	7,092	5,975	385	978	129
1946 January	775	7,669	5,681	382	1,117	122
February	634	6,655	4,982	350	1,049	106
March	564	6,158	4,655	304	869	98
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(1) Official purchasing price of the Bank of Italy: Lire 253.1869 per gram.

(2) Official price calculated on the official purchasing price of gold of the Bank of Italy taking into account the gold content: Lire 1853.9167.

(3) Official price calculated on the official purchasing price of gold of the Bank of Italy taking into account the gold content: Lire 1470.114.

(4) Official rate in April:

$ = Lire 100; commercial rate: Lire 225.

£ = Lire 403.25; commercial rate: Lire 907.3125.

Sw. Fr. Lire 23.31; commercial rate: Lire 52.4475.

(Source: Bank of Italy).

58. These facts can be correlated to the general downward trend in prices for commodities other than food, and to the Government's policy in postponing the conversion of currency which have induced the populace to realize many temporary investments made to avoid possible losses in currency conversion. There is also a relationship with the percentage arrangements for foreign exchange which reduces the difference between the open market price and the effective rate of exchange. These trends are graphically illustrated in Table 13, which shows indices of open market prices, circulating currency level, and controlled prices. Controlled prices are tending upwards while open market prices are tending downwards (see also Table 10).

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59. The drop in prices for gold and gold coins has been more marked than that for foreign currencies.

60. During the war there were at times wide differences between open market quotations for gold and foreign currencies in Rome, Naples, and Milan, but since the cessation of hostilities these markets have settled down with differences limited to 1 %.

Lira Resources Available to UNRRA.

61. The first agreement between UNRRA and the Italian Government dated 8 March, 1945, covered the limited assistance program for Italy and provided for expenditure in foreign exchange of 50,000,000 dollars.

62. The financial provisions of the agreement provided for the Government's matching the UNRRA expenditure in foreign exchange with lire at the rate of exchange ruling when the foreign exchange expenditure was incurred.

63. From the body of the agreement provision was made also for the expenditure of part of the lire thus made available to assist the displaced persons of other countries and the procurement of local surpluses for the relief and rehabilitation of other areas.

44. In the Italian State budget for the year 1945-46 provision was made for 5,000 million lire in fulfilment of Italy's part of the agreement.

65. The second agreement between UNRRA and the Italian Government signed on 19 January 1946 covered the expenditure of no sipulated amount (the amount might be $450,000,000 including freight) on a relief and rehabilitation program to meet the most urgent needs of Italy. This agreement did not over-rule the first agreement, which was supplementary to it.

66. Financial provisions provided for the setting up of a special proceeds of sale account by the Government. The net proceeds of sales of UNRRA supplies are put into this account and made available to cover UNRRA expenses in Italy, the balance to be expended on relief and rehabilitation projects duly agreed between UNRRA and the Government. The time limit set for the determination of these relief and rehabilitation projects was three years or such longer period as may be agreed by UNRRA or by such successor as UNRRA may designate.

67. The machinery set up by the Italian Government to implement the financial agreement provisions is as

(b) Before the imported commodities are sold the price is agreed with UNRRA.

(c) I.C.E., after deduction of distribution costs, also agreed with UNRRA, then pass the money into the Treasury account of the Bank of Italy, and funds are made available out of this account.

68. Uncertain factors, consisting mainly of distribution costs and price policy, make it impossible to estimate with any accuracy the total sum that will be available under this agreement. 70,000 million lire is the best approximation at present possible.

69. Table 11 is a statement of the appropriations made and the recommended appropriations of the lire arising out of proceeds of sale of UNRRA goods.

70. The following is a brief description of the expenses and projects enumerated above:—

Item.

1. C.A.S.A.S. is an Italian Government Repair and Rehousing program in which UNRRA is assisting.

2. *Sardinian malarial project*: The Italian Government and Rockefeller Foundation assisted by UNRRA plan to eradicate the anopheles mosquito in Sardinia.

3. *Cotton manufacture*: This item constitutes the manufacturing costs of hospital sheeting, pillow slips and babies napkins from 2,000 tons of raw cotton imported by UNRRA.

4. *Naples cave dwellers*: This project is being handled by the Ministry of Public Works and the Congregational Service League which operates under the aegis of UNRRA, and is rehousing in barracks Neapolitans who were living in caves.

5. *Clothing processing*: This project not only includes the repair and distribution of the second hand clothing and shoes imported as a result of the American clothing drive in 1945, but also the manufacture of essential cotton garments from linen manufactured from imported raw cotton.

(a), (c) and (d) are all payments of account of the sale of these commodities. Distribution costs are being investigated at the present time.

8. These are vehicles urgently required by Public Health Officers in the districts.

9. This item constitutes an advance on account of

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since the cessation of hostilities these markets have settled down with differences limited to 1 %.

Lira Resources Available to UNRRA.

61. The first agreement between UNRRA and the Italian Government dated 8 March, 1945, covered the limited assistance program for Italy and provided for expenditure in foreign exchange of 50,000,000 dollars.

62. The financial provisions of the agreement provided for the Government's matching the UNRRA expenditure in foreign exchange with lire at the rate of exchange ruling when the foreign exchange expenditure was incurred.

63. From the body of the agreement provision was made also for the expenditure of part of the lire thus made available to assist the displaced persons of other countries and the procurement of local surpluses for the relief and rehabilitation of other areas.

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65. The second agreement between UNRRA and the Italian Government signed on 19 January 1946 covered the expenditure of no sipulated amount (the amount might be $450,000,000 including freight) on a relief and rehabilitation program to meet the most urgent needs of Italy. This agreement did not over-rule the first agreement, which was supplementary to it.

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67. The machinery set up by the Italian Government to implement the financial agreement provisions is as follows:—

(a) About 25 agencies are charged with the collection of proceeds of sale from the various commodities imported. These agencies in turn are accountable to Istituto Commercio Estero (I.C.E. - Foreign Trade Commercial Institute).

funds are made available out of this account.

68. Uncertain factors, consisting mainly of distribution costs and price policy, make it impossible to estimate with any accuracy the total sum that will be available under this agreement. 70,000 million lire is the best approximation at present possible.

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   (a), (c) and (d) are all payments of account of the sale of these commodities. Distribution costs are being investigated at the present time.

8. These are vehicles urgently required by Public Health Officers in the districts.
9. This item constitutes an advance on account of the administrative costs of I.C.E., which, as explained above, is the main distributive agency of UNRRA imports.
10. An advance on account of the organizational expenses of this institution.

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TABLE 11

Consolidated Lire Fund

PROVISION IN ITALIAN STATE BUDGET 1945-46		Lire
APPROPRIATIONS		5,000,000,000
(1) CASAS	1,000,000,000	
(2) Sardinian malarial project	300,000,000	
(3) Cotton manufacture	457,667,508	
(4) Naples cave dwellers	5,500,000	
(5) Clothing processing	112,500,000	
(6) Mission Administrative Expenses	750,000,000	2,625,667,508
Proceeds of Sales to 30 June, 1946		2,374,332,492
(a) Grain, flour and codfish	950,000,000	
(b) Seed potatoes	90,919,460	
(c) P. O. L.	750,000,000	
(d) Coal	5,000,000,000	6,790,919,460
		9,165,251,952
(7) Appropriation Mission Admin. Expenses	750,000,000	
do	750,000,000	1,500,000,000
		7,665,251,952
RECOMMENDED APPROPRIATIONS		
(8) Commission for Public Health Vehicles	18,850,000	
(9) Financing of Operations: I. C. E.	50,000,000	
(10) " Central Industrial Commission	45,000,000	
(11) Sardinia Locust Campaign	500,000,000	613,850,000
		7,051,401,952
UNDER CONSIDERATION		
(12) Public Health program	1,500,000,000	
(13) CASAS: Transport	446,216,000	
(14) Federazione Consorzi: welfare foodstuffs	249,686,776	
(15) Sardinian Coal Subsidy	1,080,000,000	

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APPROPRIATIONS

		5,000,000,000
(1) CASAS	1,000,000,000	
(2) Sardinian malarial project	300,000,000	
(3) Cotton manufacture	457,667,508	
(4) Naples cave dwellers	5,500,000	
(5) Clothing processing	112,500,000	
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(11) Sardinia Locust Campaign	500,000,000	613,850,000
		7,051,401,952

UNDER CONSIDERATION

(12) Public Health program	1,500,000,000	
(13) CASAS: Transport	446,216,000	
(14) Federazione Consorzi: welfare foodstuffs	249,686,776	
(15) Sardinian Coal Subsidy	1,080,000,000	
(16) Brown Coal Subsidy	162,500,000	
(17) Bread Subsidy	18,000,000,000	
		21,438,202,776

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11. A payment made to defray the costs of this campaign.

12. A detailed budget is being prepared for submission under this head.

13. Since it now seems possible to procure Army surplus transport passed to the Italian Government, consideration is being given to its purchase, thus affecting a saving in foreign exchange.

14. Foodstuffs, largely oils and fats, were purchased locally to complete the supplementary feeding program in 1945.

15. The proposed subsidy for Sardinian coal.

16. Proposed bread subsidy (1946-47).

Concluding Notes.

71. As the foregoing discussion has shown, the main element in the country's present financial difficulties and in the threat to the stability of its currency, is the unbalance between its current income and expenditures. The problem is undoubtedly a difficult one and the Ministers in the Government have not always agreed either on keeping down expenditures or on increasing revenues. The Government's political composition, comprising six parties from the extreme left to the right, may have been responsible for its lack of determination in resisting demands for new appropriations, although some of these, such as the demand for higher wages and salaries by Government employees are, under present circumstances, really impossible to ignore. Since December 1945, a stronger policy in curbing the increase of outlays has been noticeable. Following the reorganization of the administrative services an increase in revenue has been evident. Other decisions favorably affecting the general financial situation, were:

(a) not to resort further to the Bank of Issue for balancing the budget deficit;

(b) to postpone the currency conversion.

72. These two directives are interdependent, inasmuch as the fear that extraordinary fiscal steps may have been taken in conjunction with the currency conversion has disappeared. Therefore, currency hoarded, or invested temporarily in gold or foreign currency, was put in circulation or disinvested; since investments were lacking owing to a slack economic situation, the currency was either deposited with banks or invested in short-term Treasury bonds. These facts enabled the Treasury to carry on without resort to further inflationary measures.

73. As the improvement is not founded on long-term considerations, it cannot be assumed that the critical period has been definitely overcome. It is also possible that a contrary trend may appear in the near future. If this is the case, and the cause of it is investment of savings in production, the larger revenue from taxation may balance the fall in investments in Treasury bonds; if, on the contrary, the cause of it is lack of confidence in the lira, temporary investments will again increase in price; deposit withdrawals and fall in the circulation of Treasury bonds will cause the banks and the Treasury to resort again to the Bank of Issue, thus directly affecting the price level.

74. In short the present financial situation is characterized by a temporary equilibrium, which may be the starting point for a substantial improvement, although it does not exclude the possibility that a dangerous situation may arise again.

75. The prime factor for getting on the road to permanent recovery will be a Government resulting from the elections which will inspire confidence and give the necessary stimulus to economic rehabilitation. It should, however, be pointed out that the strength of the policy of the new Government will be conditioned by the international status of Italy and by the regular and continuing import of raw materials. The international status of Italy is of course dependent upon the peace treaty, and it is unlikely that the Government will be able to adopt a really firm policy, as long as it has to govern in the uncertain conditions caused by a state of armistice.

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TABLE 12

Main Items on Balance Sheet of Bank of Italy

(In millions of lire)

	1938 31 Dec.	1944 31 Dec.	1945 31 March	1945 30 June	1945 30 Sept.	1945 31 Dec.	1946 31 March
ASSETS							
1) Gold Reserve	3,674	463	463	463	463	463	526
2) Foreign Assets	152	—	—	—	—	—	—
3) Cash	467	2,679	4,261	6,771	14,874	18,431	1,325
4) Domestic bill holdings	3,704	3,781	3,864	4,449	8,322	9,746	9,098
5) Loans against public securites	3,687	4,123	3,845	5,252	6,424	5,443	6,087
6) Public securities held for own account	769	888	886	893	889	889	887
7) Advances to the Treasury	3,000	203,647	387,690	343,697	343,697	313,697	343,697
8) Advances to I. R. I.	4,708	4,708	4,708	4,708	4,708	4,708	4,708
9) Holdings of bills of Consorzio per sovvenz. industriali	612	41,711	41,411	41,019	40,883	40,753	40,573
10) Advances by clearing department	78	55	25	50	95	241	197
11) Bond investments on behalf of the Treasury	—	—	—	—	—	68,000	68,000
12) Treasury account for the AM lire circulation	—	—	—	—	—	—	114,315
LIABILITIES							
13) Notes in circulation	18,956	248,644	277,302	288,588	283,182	296,021	291,747
14) Cash bonds and circular cheques	905	14,188	15,864	16,714	13,488	13,449	12,097
15) Deposits on current account (sight)	816	24,643	30,914	34,921	38,229	46,865	45,868
16) Time deposits by banks	340	81,897	102,652	108,042	103,350	120,175	122,308
17) Treasury current account	850	(D) 98,383	66,076	27,620	55,476	20,505	35,105
18) AM lire issued:	—	—	—	—	—	—	(114,315)
including: AM lire with the Bank of Italy	—	—	—	—	—	—	(21,859)
							92,456

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7) Advances to the Treasury	3,000	203,647	367,690	343,697	343,697	343,697	343,697
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17) Treasury current account	850	(D) 98,383	66,076	27,620	55,476	20,505	35,105
18) AM lire issued:	—	—	—	—	—	—	(114,315)
including: AM lire with the Bank of Italy	—	—	—	—	—	—	(21,859)
AM lire circulation	—	—	—	—	—	—	92,456
TOTAL Balance Sheet	23,598	399,746	496,949	479,145	496,627	506,606	607,754

(D) Credit balance in the Bank of Italy

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TABLE 13

General Price Index of State Bonds and Shares Quoted on the Italian Stock Exchange

(December 1938 = 100)

		State Bonds (1)	Shares (2)
December	1939	99.3	136.8
»	1940	103.2	149.1
»	1941	100.9	185.8
»	1942	97.8	212.8
»	1943	65.1	424.9
»	1944	—	903.6
January	1945	—	732.6
February	1945	—	746.9
March	1945	—	736.0
April	1945	—	769.2
May	1945	—	—
June	1945	—	673.3
July	1945	102.1	519.4
August	1945	98.9	518.3
September	1945	100.4	508.5
October	1945	101.1	607.5
November	1945	101.7	584.0
December	1945	105.8	517.1
January	1946	109.0	445.0
February	1946	105.6	440.6
March	1946	103.6	364.0

(1) Source: Bank of Italy.
(2) Milan stock exchange index (Gruppo Edison)

TABLE 14

Trade in the Stock Exchanges Securities (1)

	State bonds (millions of lire)	Shares (number in thousands)	Bonds (number in thousands)
1943	2,609.8	3,998	397
1944	5,909.9	7,973	965
1945	6,796.2	7,551	888

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(December 1938 = 100)

		State Bonds (1)	Shares (2)
December	1939	99.3	136.8
»	1940	103.2	149.1
»	1941	100.9	185.8
»	1942	97.8	212.8
»	1943	65.1	424.9
»	1944	—	903.6
January	1945	—	732.6
February	1945	—	746.9
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April	1945	—	769.2
May	1945	—	—
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1945	6,796.2	7,551	888
1946 January	791.8	2,021	136
» February	528.1	2,554	95
» March	522.9	1,724	65

(1) Source : Bank of Italy.

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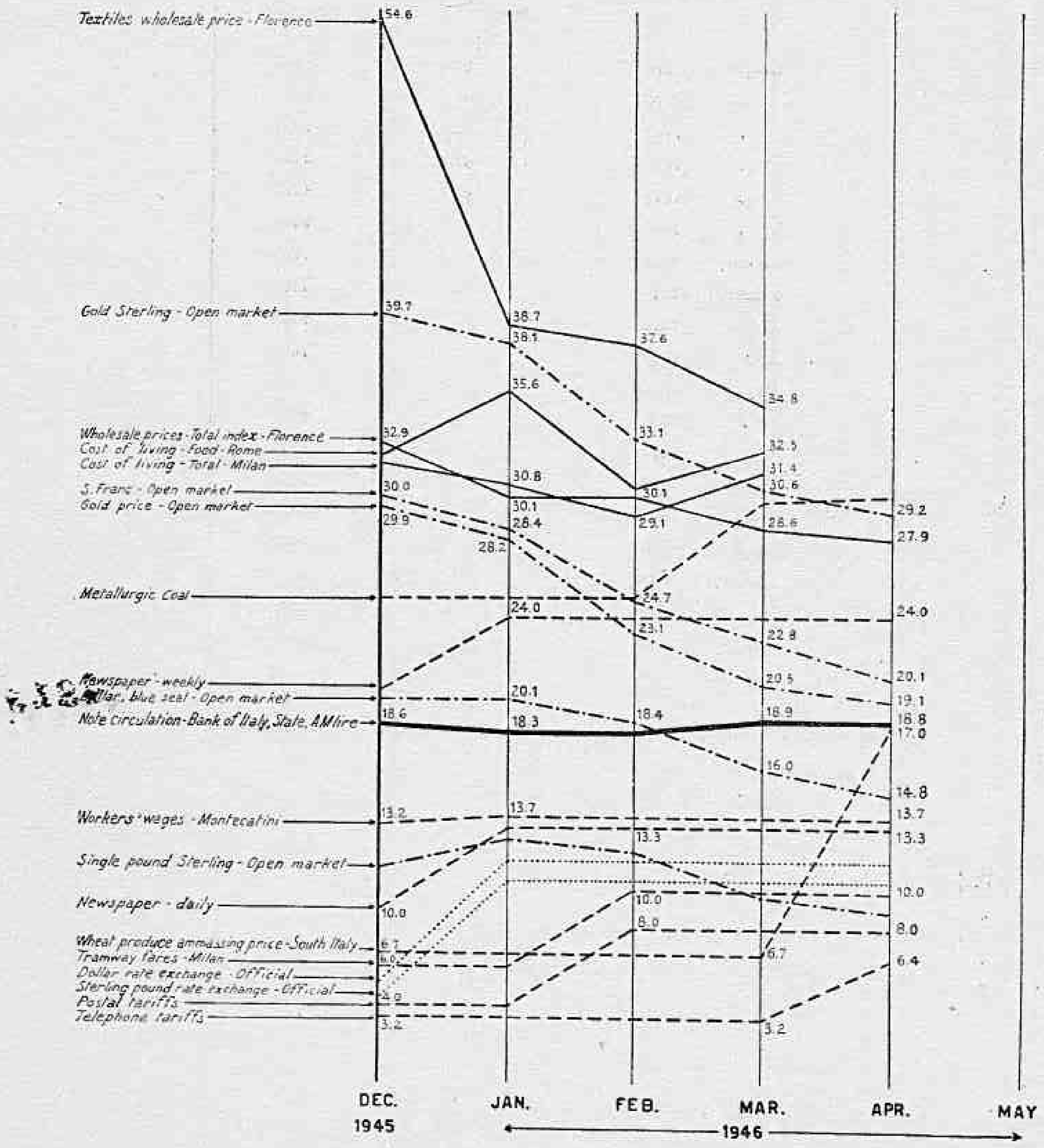
TABLE 15

PRICE AND MONETARY INDICES
1938 = 1



COMMODITY AND SERVICE PRICE INDICES [— — — Official

MONETARY INDICES [..... Official

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1102

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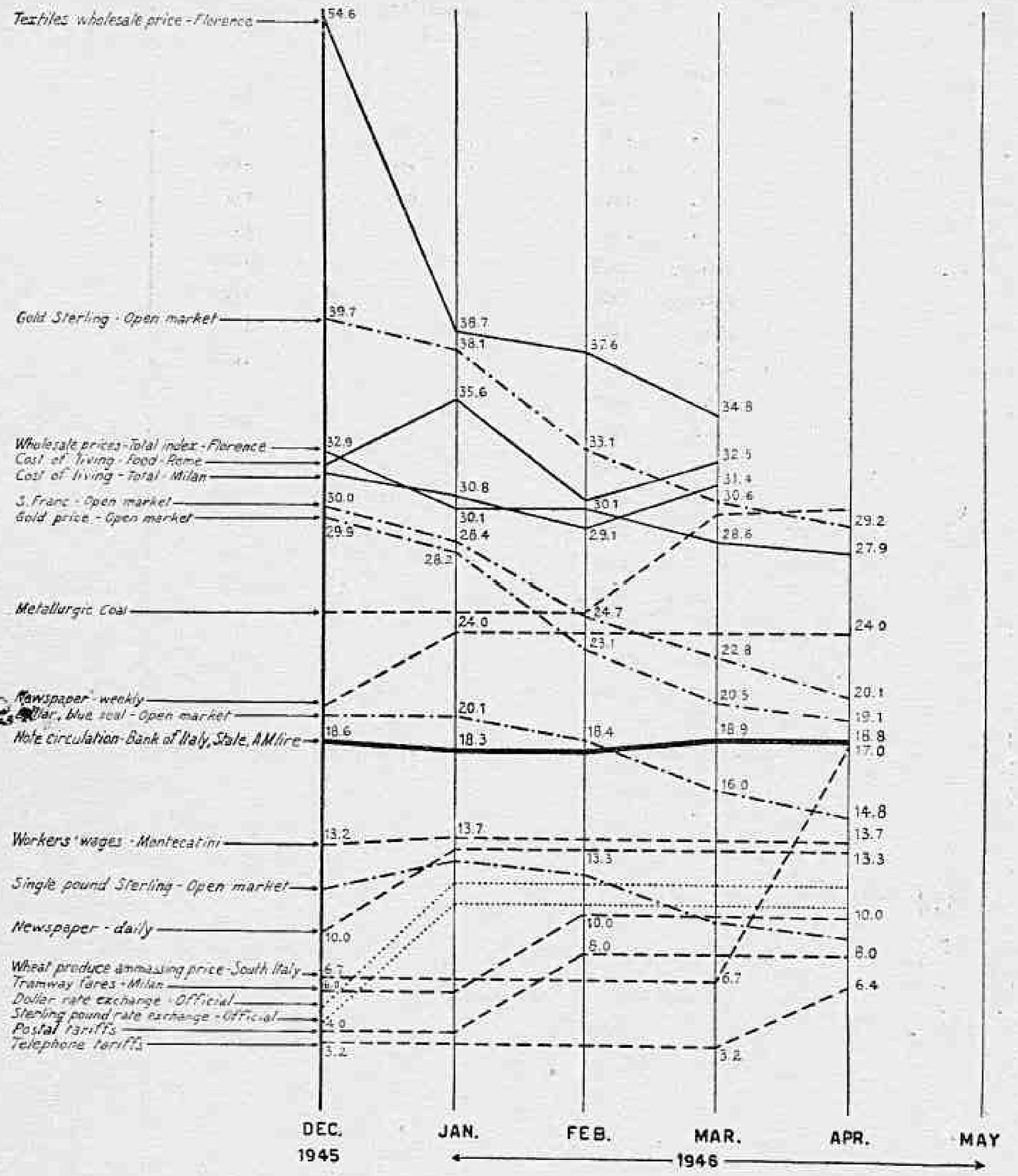

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July 19, 1946

Vol. I, No. 29

ECONOMIC NOTES

— Published by The Public Information Division, UNRRA Italy Mission, Via di San Nicolò da Tolentino, 78, Rome —

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2. Progress of UNRRA Welfare
3. Commodity Prices Confirmed
4. Fifth UNRRA Council
5. Survey of Italy's Economy (Supplement)
6. Movements of Ships

UNRRA AND NEW BREAD RATION

The Italian Government's announcement of an increase in the basic bread ration from 200 to 250 grams per person per day brings into high relief the whole question of Italy's grain supply, and the grain import program for which UNRRA will be responsible during the next six months.

The new ration increase applies to some 35,000,000 people, comprising city dwellers, and those other classes of the population which do not grow their own food. The extra 50 grams a day for these 35,000,000 people increases Italy's grain requirements by approximately 50,000 tons of wheat a month—or 600,000 tons in a full year.

Government's Sole Responsibility

In statements to the Press and on the radio, the Head of the UNRRA Italy Mission, Mr. S. M. Keeny has reiterated that "any alteration in the bread ration is the sole responsibility of the Italian Government". UNRRA, he has pointed out, "has a very sympathetic understanding of the Italian people's need for more bread, because it would help the hard-pressed worker to meet his food budget, and would aid the Government's efforts to stamp out the black market.

amassed. Present estimates of this year's harvest indicate that the total yield will be approximately 6,000,000 tons, as compared with 4,200,000 tons last year.

Better Wheat Harvest

This year's wheat harvest is better than that of a year ago by nearly 2,000,000 tons. But it is still over 1,000,000 tons less than the pre-war average; and even before the war, Italy was a grain importing country. A further factor to be considered is that Italy's population to-day is approximately 3,000,000 greater than it was pre-war.

To meet the ration of 250 grams (about 9 oz.) of bread daily and two kilograms (nearly 4 ½ lbs.) of pasta monthly, plus the supplementary rations now in force, it is estimated that Italy will need about 5,000,000 tons of grain during the consumption year 1946-47. This estimate of 5,000,000 tons makes allowance for reasonable working stocks at the end of the harvest year, to carry over until the new grain is threshed and delivered to the flour mills.

3,150,000 Tons to be Amassed

Present estimates of this year's amassing

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"But immediately there comes the question of where to get the grain to meet the increased ration in Italy until the 1947 harvest. The Italian amassing program is one source of grain, and the other is the International Emergency Food Council, which allocates all cereals available for export".

According to the returns up to 12 July, 1,046,907 tons of wheat have already been amassed. Present estimates of this year's harvest indicate that the total yield will be approximately 6,000,000 tons, as compared with 4,200,000 tons last year.

Better Wheat Harvest

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3,150,000 Tons to be Amassed

Present estimates of this year's amassing indicate that approximately 3,150,000 tons of all cereals (including wheat, corn, rye, barley and rice) will be available from Italian sources, thus leaving a net balance to be imported of 1,850,000 tons.

To meet this net deficiency, UNRRA has placed a bid for allocation with the International Emergency Food Council of 1,000,000 tons, for the second half of 1946, and of this,

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UNRRA has undertaken to pay for 750,000 tons. This allocation is not yet firm. What UNRRA can obtain for Italy depends upon crop results throughout the world, and on how much of the world's available grain supplies are allocated to this country.

UNRRA Wheat Delivered Free

All UNRRA wheat will be shipped to Italy free of charge to the Italian Government; but there will still remain a very large deficit which Italy must secure and pay for on her own account from her own limited foreign exchange resources; and UNRRA is greatly concerned that financial difficulties should not stop the Italian people from securing the minimum food supplies they need.

To put the bread ration on a sound basis for the next twelve months, it will be necessary for Italy from her own resources to pay for approximately 1,100,000 tons, at a cost in foreign exchange of about 110,000,000 dollars (£27,500,000 sterling).

The more Italy can rely on home production, the less the country will have to spend abroad on essential food, and the less risk there will be of a shortage of grain next Spring, when the whole world is clamouring for it. A warning has already been given by the Director-General of the United Nations Food and Agricultural Organisation, Sir John Boyd-Orr, that there may be as grave a wheat shortage next Spring as there was this year.

Italy's Fundamental Grain Shortage

The impression, widely current in Italy, that the 50 grams increase in the basic ration is justified by this year's greatly improved harvest, and the success so far of the amassing campaign leaves out of account Italy's fundamental shortage of bread grains, and her shortage of foreign exchange to buy from abroad.

While the higher bread ration consumes only 600,000 tons of the 2,000,000 extra tons available from this year's harvest, it must be remembered that last year's crop was disas-

PROGRESS OF UNRRA WELFARE

UNRRA's supplementary feeding program for children and nursing and expectant mothers among Italy's neediest families will continue at least until 31 August. The latest figures received from the Provincial Welfare Committees show that in May approximately 2,000,000 of Italy's neediest mothers and children were receiving UNRRA supplementary food—in addition to the food supplied by UNRRA, and included in the ordinary rations.

Thanks very largely to the program of school feeding, more than half of those in receipt of assistance obtained this supplementary food in the form of cooked meals. Raw rations were distributed to about 850,000 mothers and children. In the Southern Italy region, meals and rations were distributed to more than 500,000 of the needy. In the Central region (including Rome) there were approximately 400,000 in receipt of food; in Emilia and Tuscany, nearly 300,000; in Piedmont and Liguria 120,000; in Lombardy, nearly 180,000; in Veneto, nearly 150,000; in Sicily, a little under 200,000 and in Sardinia, about 70,000.

Holidays for 400,000 Children

Special allocations of UNRRA food have been set aside this year to provide a month's holiday (with extra food) by the sea or in the mountains, for at least 400,000 children, selected from the neediest families. This year the summer camp program has been extended to every province in Italy; and in addition to the "permanent colonies" where children will spend their month's holiday, "day colonies" have also been established to give other children at least a day's outing—and food.

Food at these camps is made up of the ordinary ration, together with the special school supplement and also a special camp supplement, both of which are supplied by UNRRA. The camps began this month and food allocations are at present available for a two months' program. It is hoped, however, to extend camp feeding into September. The children are selected from elementary school children of five to twelve years of age.

The colonies are being organised and run by

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While the higher bread ration consumes only 600,000 tons of the 2,000,000 extra tons available from this year's harvest, it must be remembered that last year's crop was disastrously poor, owing to war and the drought. Furthermore, the task of importing the country's basic grain requirements was, in 1945, undertaken by the Allied Commission and this year by UNRRA, which up to the end of June had imported 728,884 tons of bread grains. At present, neither the grain nor the money in 1947 is assured.

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The colonies are being organised and run by the Ministry of Education, the Pontifical Commission of Assistance, the Gioventù Italiana (Italian Youth Movement) and individual women's groups such as the U.D.I. (Unione Donne Italiane) and Aiuto Cristiano. Provincial Welfare Committees are co-ordinating camp arrangements in each area and are, of

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course, responsible for providing the supplementary food. The Provincial Committees also organised, for summer camp personnel, preliminary training courses in sanitation, camp management and group and individual recreation.

More attention is now being given to long-term projects to be developed by the Italian authorities after UNRRA has gone. In addition to organizing the allocation and distribution of relief supplies, the Provincial Welfare Committees are proving increasingly active in the preparation of plans to co-ordinate welfare work and improve standards throughout the country.

Provincial Nutrition Committees

Nutrition Committees have been set up in each province under the chairmanship of the Medico Provinciale. A five-day Nutrition Conference was held in Padua at the end of May, under the auspices of the Welfare Division, with the object of bringing together Italian nurses and doctors to discuss the food and nutrition problems of the lower-income sections of the population. Similar conferences are scheduled for September in Lombardy, Piedmont and Liguria.

Up till 15 June, UNRRA had distributed 3,132,587 items of clothing and 664,744 pairs of shoes to 858,080 persons. Distribution will continue throughout the summer, particularly in the northern provinces, which came into the UNRRA clothing scheme much later than the rest of the country. In September UNRRA will begin a large distribution program of winter clothing to 1,500,000 needy persons throughout Italy.

Direct Italian Control

The Italian Delegation has undertaken responsibility for all transport from the processing sections (where the clothes and footwear are made up) to the Provincial Committees and to the Communes and assistance centres. This completes the reorganization of the movement of clothing from shipside to

COMMODITY PRICES CONFIRMED

The Italian Government and the UNRRA Italy Mission have confirmed the price recommendations made by the Joint Price Committee at its meetings of 18 and 22 June and 2 July, 1946. This Committee—as stated in *Economic Notes* No. 23, of 21 June—has been set up under the Agreement signed in January, 1946 between the Italian Government and UNRRA. Its purpose is to review price policy in respect of the disposal, by the Italian Government, of UNRRA-imported supplies, which are handed over to the Government free of charge as soon as they are landed in Italy. The Government on its part has undertaken to "discuss and agree" with UNRRA the specific prices to be charged for these supplies and the distribution policy to be followed.

It is in accordance with this undertaking that the following prices have now been agreed:—

1) *Flax seed*:
5,500 lire per quintal to farmers.

2) *Coal*:
2,600 lire per ton CIF to public utilities (excluding handling costs).
3,500 lire per ton CIF to manufacturers (excluding handling costs).

3) *Seed potatoes*:
2,050 lire per quintal CIF to Federazione Consorzi Agrari (excluding handling costs).
3,250 lire per quintal to farmers. (This price includes all handling and distribution charges.)

4) *Insulin*:

vials of	100	units	5cc	12 lire	each
" "	100	"	10 "	18 "	"
" "	200	"	5 "	18 "	"
" "	200	"	10 "	23 "	"
" "	400	"	5 "	29 "	"
" "	400	"	10 "	35 "	"
" "	800	"	12 "	58 "	"

retail price to consumers

5) *Tinplate*:
45 lire per kg. to canning manufacturers. (This price is limited to the 300 tons being imported for the preservation of fish.)

6) *Wheat binders* (Deering, Massey Harris):
Price to farmers, FOB Provincial Consorzi Agrari warehouses:
with cutting-bar of 1.52 metres 70,000 lire each
" " " " 2.10 " 85,000 " "

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The Italian Delegation has undertaken responsibility for all transport from the processing sections (where the clothes and footwear are made up) to the Provincial Committees and to the Communes and assistance centres. This completes the reorganization of the movement of clothing from shipside to consumers in the assistance centres. At every point this movement is now under the direct control of the Italian authorities.

The Committee representing the Ministry of Post-war Assistance, the Italian Delegation and UNRRA, which was set up in May to develop more orderly planning in the distribution of clothing is functioning very successfully.

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   Price to farmers, FOB Provincial Consorzi Agrari warehouses:
   with cutting-bar of 1.52 metres 70,000 lire each
   " " " " 2.10 " 85,000 " "
   (These prices valid to 15 July 1946.)

7) *Forage pea seed*:
   25,000 lire per ton. Price to farmers, FOB Provincial Consorzi Agrari warehouses. (This price valid to 31 July, 1946.)

8) *Reaper attachments* (Deering):
   3,000 lire each, FOB Provincial Consorzi Agrari warehouses. Sale is limited to *bona fide* farmers who have more grain to harvest. (Price valid to 15 July, 1946.)

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9) *Ploughs* (Massey Harris, 2 bottomed model):
55,000 lire each, FOB Provincial Consorzi Agrari warehouses. Sale is limited to *bona fide* farmers. (Price valid to 15 August, 1946, after which it will be re-examined for the balance of goods in stock.)

10) *Mowers* (Deering, Bamford, Cockshutt):
35,000 lire each, to farmers. FOB Provincial Consorzi Agrari warehouses. (Price valid to 15 August, 1946).

These prices include distribution costs, except where otherwise stated. They are the legal prices at which commodities are, or have been on sale. Other prices will be published in *Economic Notes* as further decisions are reached on the sale price of UNRRA-imported commodities. The public is notified that once prices have been agreed, and confirmed by the Italian Government and UNRRA, they must in no circumstances be increased.

FIFTH UNRRA COUNCIL

The Fifth Council of the United Nations Relief and Rehabilitation Administration is scheduled to meet in Geneva on 5 August. It is anticipated that representatives of all the 48 member nations of UNRRA will be present.

The chief subject for discussion will be the future relief and rehabilitation policy for 1947. The Council will discuss the supply of commodities to those countries still in need of assistance; care of displaced persons; health; and welfare.

It is expected that industrial and agricultural prospects throughout the world will be reviewed in some detail, together with the formulation of plans to ensure that the termination of UNRRA aid shall not cause serious economic repercussions in assisted countries.

Local UNRRA Missions are closely co-operating with the Governments of receiving countries, with a view to building up stocks and defining long-term projects aimed at easing the transition from UNRRA assistance to national self-reliance.

In view, however, of the present state of world economy, it is anticipated that international co-ordination of supplies and distribution will remain an essential feature of world reconstruction for some years to come.

The Director-General will report at the opening session of the Council on the Administration's activities from 1 January to 30 June, 1946, and on progress made towards economic rehabilitation in assisted countries in Europe and Asia.

SURVEY OF ITALY'S ECONOMY

In order that readers of Economic Notes *may have a more detailed appreciation of the economic situation in Italy at the present time, than is possible in the few pages of* Economic Notes, *the UNRRA Italy Mission has decided to publish in this, and forthcoming issues of* Economic Notes *a series of articles on the following aspects of Italy's economy: food; transport and communications; industry; finance; foreign trade and the balance of payments; prices and cost of living; labour, wages and social insurance; and public health and welfare.*

The supplement to this issue of Economic Notes *contains a general introduction to the Survey, including UNRRA's role in the rehabilitation of Italy, and an appreciation of Italy's financial position. The* Economic Survey *will later be published in book form.*

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MOVEMENTS OF SHIPS

CARGOES OTHER THAN COAL

(JULY 8 - 14 INCLUSIVE)

SHIP	PORT OF ARRIVAL	DATE OF ARRIVAL	ACCOUNT	CARGO	TONS
Terre Haute Victory	Genoa	8 July	UNRRA	Corn Meal Soya Flour	5,000 3,500
Randfontein	"	9 "	"	Copper	450
Leonardo Romero	Messina - Reggio *	12 "	"	Wheat	9,008
James Price	Palermo	13 "	"	"	8,144
Runswick	Genoa	14 "	"	Seed Peas Basic Slag	110 5,404
Frank Irwin	Naples	" "	"	Wheat	8,049
William Rawle	Genoa	"	Ital. Govt.	Maize Quebraco	7,037 837
Fort Sturgeon	"	" "	UNRRA	Wheat	8,500

* *Arrived at first-named port on the date shown: discharging at the second port later*

LATEST COAL SHIPMENTS

(JULY 8 - 13 INCLUSIVE)

SHIP	PORT OF ARRIVAL	DATE OF ARRIVAL	COUNTRY OF ORIGIN	ACCOUNT	TONS
Empire Snipe	Leghorn	8 July	Germany	UNRRA	3,317
E. Marion Crawford	Venice	9 "	United States	"	3,671
	Ancona	13 "	" "	"	4,500
Hartridge	T. Annunziata	10 "	United Kingdom	"	7,003
Gerodimos	Civitavecchia	12 "	Germany	"	4,098
Cherca	Venice	" "	"	"	6,500 1,000 (coke)
Cecil		" "	"	"	7,705

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Terre Haute Victory	Genoa	8 July	UNRRA	Corn Meal	5,000
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Gerodimos	Civitavecchia	12 "	Germany	"	4,098
Cherca	Venice	" "	"	"	6,500 1,000 (coke)
Gaeta	"	" "	"	"	7,705
Zyderburg	Palermo	" "	"	"	3,705
Fred E. Joyce	Genoa	13 "	United States	"	8,704

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SURVEY OF ITALY'S ECONOMY

INTRODUCTION TO SURVEY AND THE ROLE OF UNRRA

1. Italy's economic structure is one of peculiar complexity and usually delicate balances. In assessing the problems of the moment, and of the immediate future, attention must be paid not only to Italy's own resources, existing or potential, but also to the history of recent years, and, above all, to the impact of world events; for, like the United Kingdom, Italy to an exceptional degree exists by world trade and is, therefore, peculiarly sensitive to world economic influences.

2. A nation of approximately 46 million people, Italy is relatively poor, and at the same time largely dependent for her very existence upon imported food and imported raw materials.

3. Although able in the immediate pre-war period to produce about 90 % of her food requirements, Italy has never, in spite of intense efforts towards self-sufficiency, been able entirely to feed her-self. Some food imports have always been necessary, particularly bread grains, meat and fish.

4. Agriculture is Italy's most important occupation: yet, owing to its mountainous nature, much of the country is not naturally suited to agriculture, although to-day under the pressure of world economic conditions and an increasing population, which has risen by approximately 1,300,000 in the past seven years, all areas capable of producing the barest subsistence have been brought under cultivation.

5. In industry, including handicrafts, which normally employs 5,400,000 people or almost one-third of the total labour force, Italy is to an exceptional degree dependent upon imported raw materials. Such basic

6. Italy's future existence, therefore, depends upon the restoration of exports, the free movement of world trade and emigration.

Italy Pre-War.

7. In the latter years before the war, the fascist regime aimed at making Italy as nearly as possible self-sufficient both in regard to food supplies and industrial raw materials.

8. Although the effort to increase domestic food production by protective and other means did undoubtedly result in a considerable amount of land reclamation, improved wheat cultivation, farm mechanization, and better use of fertilizers, it led, on the other hand, to undue emphasis on the production of bread grains, with consequent sacrifice of animal husbandry and of nutritional levels.

9. In the years between the "Sanctions" period of 1935-36 and Italy's entry into the war in 1940, agricultural prices and production were influenced by virtual economic isolation.

10. In some main branches of industry (e.g. the textile industry, which in 1938 gave employment to 14 % of the whole industrial labour force), the same tendencies toward self-sufficiency produced radical changes. Italy's imports of cotton in the years before the war fell from 225,000 metric tons in 1933 to as low as 107,210 tons in 1936 (the Sanctions year) and in 1938 were only 164,580 tons. In this same period production of pure cotton cloth fell from 83.4 % of cotton production in 1935 to 47.4 % in 1938, while the proportion of mixed cotton cloth increased four-fold from 9.17 % in 1935 to

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5. In industry, including handicrafts, which normally employs 5,400,000 people or almost one-third of the total labour force, Italy is to an exceptional degree dependent upon imported raw materials. Such basic requirements as coal, liquid fuel, iron, copper, cotton, wool, and rubber are either not to be found at all in Italy, or else are available domestically only in relatively small quantities. Of coal alone, Italy pre-war had to import 12 million tons a year, in spite of large-scale development of hydro-electric power.

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11. Although Italy's artificial fiber industry was very largely developed between 1936 and the early years of the war, it must be emphasized that the cellulose and coal required both had to be imported.

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12. In each of the years immediately preceding the war, Italy was operating on a heavy budget deficit; and, as in all countries during the war, this deficit increased enormously.

Italy during the War.

13. Italy's economic situation during the war can be briefly summarized. Agriculture, already organized for national self-sufficiency, was rapidly declining, owing to the shortage of fertilizers and the reduction of live-stock, even before the arrival of the Allies in Sicily in 1943. Thereafter agriculture suffered not only from soil exhaustion but from actual destruction as the war moved northwards through the Peninsula.

14. Although war needs served in Italy, as elsewhere, to stimulate industry, particularly such undertakings as the manufacture of artificial rubber, the complete cessation of foreign trade with the greater part of the world exaggerated the pre-war movement towards self-sufficiency and exhausted stocks of many vital raw materials.

Italy after Liberation.

15. When Italy was ultimately liberated in May 1945, the nation was faced with a formidable task of physical reconstruction and financial economic rehabilitation. For the fiscal year 1 July 1945 to 30 June 1946 the estimated deficit was 300 thousand million lire, against a total revenue of no more than 200 thousand million lire. In terms of available foreign currency to cover essential imports of food and fuel, Italy was bankrupt.

16. Contrary, however, to what had at one time been widely feared, and thanks to well-timed action by the partisans, Italy ended the war with her industrial potential very largely undamaged. It is estimated that throughout the country war damage as the result of actual fighting, bombing, and German looting and sabotage destroyed about 20 % of the country's industrial capacity.

17. This damage was unevenly distributed both as regards the areas and industries that suffered. Thus, damage in the textile industry estimated at 10 % for the country as a whole was virtually confined to Tuscany and Campania. The northern factories suf-

19. The difficulties of Italian industry in the immediate post-war period were:

(a) lack of raw materials and fuel.
(b) absence, not only of export markets, but of effective home demand, and
(c) maladjustment of prices in relation to the levels prevailing both at home and abroad.

20. To avoid catastrophic unemployment and the consequent risk of unrest during the early post-liberation period, the Government imposed a stand-still order, which compelled factories to keep on their pay-rolls redundant work-people who would normally have been discharged. This order has been relaxed in recent months, but, whether disguised or open, the existing industrial unemployment is in itself a grave problem, and by reducing the purchasing power of the home population tends indirectly still further to depress industry.

21. Italian industry is geared for a big export trade. Before the war, manufactured goods constituted 40 % of the country's exports. The excessively low purchasing power of the home population (due to unemployment and the present unbalance of wages and prices) and the relatively high cost of Italian commodities in terms of world prices has so reduced consumption that there exists in Italy a false and unhealthy glut of a number of badly needed consumer goods, notably textiles.

22. Italy's transport system suffered severely as a result of fighting, German sabotage, and bombing, since railways were targets of first importance. The very large number of bridges and tunnels in mountainous country made it only too easy for the retreating enemy to block both roads and railways. By August 1945 the Italian State Railways estimated the amount of destruction at 400,000 million lire.

23. Widespread war damage and German looting added still further to the strain upon the railways by compelling a return to steam traction (with consequent increased demand upon limited coal stocks) on many hundreds of miles of electric track.

24. Ports and harbors throughout Italy suffered extensive damage. Acute shortage of tyres, spare parts and liquid fuel immobilized a substantial proportion of the available road vehicles.

25. Agriculture, on which all other rehabilitation must finally depend, was in a particularly bad condition

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14. Although war needs served in Italy, as elsewhere, to stimulate industry, particularly such undertakings as the manufacture of artificial rubber, the complete cessation of foreign trade with the greater part of the world exaggerated the pre-war movement towards self-sufficiency and exhausted stocks of many vital raw materials.

Italy after Liberation.

15. When Italy was ultimately liberated in May 1945, the nation was faced with a formidable task of physical reconstruction and financial economic rehabilitation. For the fiscal year 1 July 1945 to 30 June 1946 the estimated deficit was 300 thousand million lire, against a total revenue of no more than 200 thousand million lire. In terms of available foreign currency to cover essential imports of food and fuel, Italy was bankrupt.

16. Contrary, however, to what had at one time been widely feared, and thanks to well-timed action by the partisans, Italy ended the war with her industrial potential very largely undamaged. It is estimated that throughout the country war damage as the result of actual fighting, bombing, and German looting and sabotage destroyed about 20 % of the country's industrial capacity.

17. This damage was unevenly distributed both as regards the areas and industries that suffered. Thus, damage in the textile industry estimated at 10 % for the country as a whole was virtually confined to Tuscany and Campania. The northern factories suffered scarcely at all.

18. Reduction in output capacity of the iron and steel industry was 30 % for the country as a whole. Damage in the North was, however, only 15 %. In Campania and Tuscany, on the other hand, it was no less than 90 %.

(c) maladjustment of prices in relation to the levels prevailing both at home and abroad.

20. To avoid catastrophic unemployment and the consequent risk of unrest during the early post-liberation period, the Government imposed a stand-still order, which compelled factories to keep on their pay-rolls redundant work-people who would normally have been discharged. This order has been relaxed in recent months, but, whether disguised or open, the existing industrial unemployment is in itself a grave problem, and by reducing the purchasing power of the home population tends indirectly still further to depress industry.

21. Italian industry is geared for a big export trade. Before the war, manufactured goods constituted 40 % of the country's exports. The excessively low purchasing power of the home population (due to unemployment and the present unbalance of wages and prices) and the relatively high cost of Italian commodities in terms of world prices has so reduced consumption that there exists in Italy a false and unhealthy glut of a number of badly needed consumer goods, notably textiles.

22. Italy's transport system suffered severely as a result of fighting, German sabotage, and bombing, since railways were targets of first importance. The very large number of bridges and tunnels in mountainous country made it only too easy for the retreating enemy to block both roads and railways. By August 1945 the Italian State Railways estimated the amount of destruction at 400,000 million lire.

23. Widespread war damage and German looting added still further to the strain upon the railways by compelling a return to steam traction (with consequent increased demand upon limited coal stocks) on many hundreds of miles of electric track.

24. Ports and harbors throughout Italy suffered extensive damage. Acute shortage of tyres, spare parts and liquid fuel immobilized a substantial proportion of the available road vehicles.

25. Agriculture, on which all other rehabilitation must finally depend, was in a particularly bad condition when the fighting ended. The movement of war during the vital spring months of 1945 seriously interfered with sowing. Many thousands of acres were rendered dangerous by still uncleared minefields: much land was requisitioned for military purposes. The labor force was depleted. Soil, through the lack of fertiliser, was

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exhausted. Horses, cattle, and other livestock were seriously depleted through war demands and outright German looting. Many thousands of acres of olive groves, vineyards, and orchards had been destroyed. Drainage and irrigation works were out of action.

26. As the final blow, Italy in 1945 suffered the worst drought in living memory. This, incidentally, affected industry as well as agriculture, since it seriously reduced the power output of hydro-electric installations.

Rehabilitation Period.

27. It was in this atmosphere that the work of rehabilitation began. Throughout 1945 the task of meeting Italy's minimum needs was the responsibility of the Allied Commission. UNRRA, in accordance with the first agreement signed with the Italian Government in March 1945, was last year responsible only for a limited 50 million dollar program of relief and medical care to needy mothers and children, and assistance to displaced persons.

28. From the time of the first landing in Sicily in 1943, the Allies had accepted as a military responsibility the need for supplying essential imports to prevent "disease and unrest."

29. Until August 1945 this import program of approximately 500 million dollars was the responsibility of the Allied Commission and between September and December 1945, was financed by the United States Government through a grant of 100 million dollars (£25 million sterling) administered by the United States Foreign Economic Administration. At the same time, Italy obtained 120 million dollars in foreign currency for its own purchases abroad through the so-called "Troop Pay Dollar Fund," made up of the dollar equivalent of lire paid to American forces in Italy.

30. UNRRA's present program of relief and rehabilitation began in January 1946, when, in accordance with the new agreement signed between the Italian Government and the Italy Mission, UNRRA took over from the Allied Commission the responsibility of providing food, fuel, and other essential supplies.

31. When UNRRA first undertook this task, the program—estimated at 450 million dollars, including freight charges—was based on two assumptions: (1) that the bulk of supplies would be furnished in the early part of 1946 in order to give the greatest impetus to agriculture; (2) that the bulk of Italy's imports would be UNRRA supplies. Both assumptions have proved false.

32. In the first place, the world shortage of foodgrains, labor troubles in the United States and other difficulties have made it impossible to adhere to the time-table of deliveries originally planned. Changing conditions and the non-availability of many vital supplies have compelled radical readjustment of Italy's import program.

33. In the second place, international political conditions have made it impossible for Italy to secure the large international loans on which the plans for 1946 were originally based. Apart from UNRRA aid and Troop Pay dollars, Italy's foreign exchange resources in 1946 are likely to be less than 300 million dollars. Thus, the gap which UNRRA aid was to close, namely this year between the end of Allied military responsibility and the assumed ability of Italy to provide for her own needs from the beginning of 1947, has, in fact, widened.

34. Broadly speaking, the bulk of Italy's imports throughout the whole of 1946 will be what UNRRA can supply—and very little else. In total, exclusive of shipping charges (which are financed by a separated account), UNRRA imports into Italy by the end of 1946 will, it is estimated, total 425 million dollars (£106,250,000 sterling) including 34 million dollars (£8,500,000 sterling) spent by UNRRA on relief supplies during 1945.

35. In all, UNRRA plans to bring into Italy during 1946 some 9,000,000 tons of supplies, of which approximately 3,000,000 tons have been delivered by 30 June, while the remaining 6,000,000 tons will be shipped during the latter half of the year.

36. The program of UNRRA aid for 1946 was allocated broadly as follows:

Food	195,689,900	dollars
Agricultural rehabilitation . . .	29,538,500	"
Industrial rehabilitation (including coal and POL)	127,453,606	"
Clothing, Textiles and Footwear .	55,846,000	"
Medical and Sanitation	16,471,994	"
	425,000,000	"

37. These figures are not final. They are to be regarded as a broad, general guide of how the money is distributed, and are subject to modification at any time.

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31. When UNRRA first undertook this task, the program—estimated at 450 million dollars, including freight charges—was based on two assumptions: (1) that the bulk of supplies would be furnished in the early part of 1946 in order to give the greatest impetus to agricultural and industrial recovery. (2) Italy would herself through normal international loans finance more than half her own imports, especially in the second half of the year.

32. In the event, these assumptions have proved to be wide of the mark. Acute world shortage of bread plies have compelled radical readjustment of Italy's import program.

33. In the second place, international political conditions have made it impossible for Italy to secure the large international loans on which the plans for 1946 were originally based. Apart from UNRRA aid and Troop Pay dollars, Italy's foreign exchange resources in 1946 are likely to be less than 300 million dollars. Thus, the gap which UNRRA aid was to close, namely this year between the end of Allied military responsibility and the assumed ability of Italy to provide for her own needs from the beginning of 1947, has, in fact, widened.

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	425,000,000	»

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Italy To-Day.

38. Italy, 12 months after liberation, while still faced with enormous difficulties, has advanced far on the road to normality. Agriculture is in much better shape, although 1946 production is only 70 % of the pre-war average.

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39. When the final returns are available it is estimated that this year's wheat crop will be 1,500,000 tons better than that of a year ago. The prospects for 1946-47 should show a further improvement as the fertilizers of which the country has been starved for so long are now becoming available. Greater improvement would be shown if greater amounts of nitrogenous fertilizer could have been made available.

40. The work of restoring the countryside shows some progress. A useful beginning has been made in restoring farm houses in the war-shattered areas. Drainage systems have been partly restored with the assistance of the Allied Military Government. New farming machinery is being made available by UNRRA. UNRRA and domestic production are furnishing necessary pesticides, particularly for vineyards.

41. UNRRA's program of large-scale malaria control in such vital food areas as the Po Valley, Sardinia and elsewhere, is also contributing indirectly to the restoration of the country's agriculture.

42. During the early part of the year UNRRA's procurement and shipment of bread grains was the means of saving hundreds of thousands of Italians from starvation. By the end of June 1946 shipments of cereals by UNRRA to Italy totalled 649,410 tons. UNRRA's program of bread grain imports during the second half of 1946 is designed to develop a sound 12 months plan of imports until the 1947 harvest, whereby one-twelfth will be imported each month, and thus avoid a serious crisis in the spring (see Table 1).

43. The greatest contribution towards the rehabilitation both of industry and of transport has been the provision of fuel. All the coal and all the gasoline, fuel oil and other petroleum products, except for the Italian and Allied Armed Forces, which Italy imports today are supplied on UNRRA account. Coal shipments to the end of May totalled 1,369,537 tons. Owing to the long coal stoppage in the United States in April and May coal for industry and for the railways in Italy has had to be severely rationed. But, thanks to the efforts of the Italian Government and UNRRA and the help of the European Coal Organization in allotting supplies of coal from the Ruhr, a breakdown of the essential services has been avoided and the normal supply line of coal to Italy has been reopened; and it is anticipated that supplies will shortly be ar-

amount of employment in the country itself. Supplies thus include steel, pig-iron and alloying metals needed for the production of finished steels required in reconstruction. Rubber ranks high in priority for the manufacture of tires for road vehicles and the urgent demand for insulating material in electrical installations. UNRRA imported 400 tons of rubber to 31 May, 1946, against a program for the year of 20,000 tons.

45. Of great importance in the rehabilitation of Italian industry has been the establishment by the Italian Government (at UNRRA's suggestion) of a Central Industrial Commission, operating through sub-commissions, to organize and control the distribution of coal, cotton, wool, petroleum products and other "critical" commodities in short supply.

46. This structure provides Italy with the means of allocating to the best advantage of industry as a whole those raw materials that are in short supply, and at the same time receives detailed records of their use and consumption.

47. In accordance with the 1946 Agreement between the Italian Government and UNRRA a Joint Price Committee has recently been established with power to fix the prices of key commodities. Among those commodities for which prices have already been fixed are coal, wheat, flax-seed, seed-potatoes and farm machinery.

48. A year after the fighting had ended the situation of Italian State Railways is: (a) the working efficiency of the system is restored to less than one-half, the actual haulage being about 60 % of pre-war. Temporary bridges are still in process of reconstruction and the existence in many places of single-track where formerly the line was double-track and other operating difficulties still compel delay. (b) 40,000 wagons and much coaching stock need repair. 2,000 wagons were repaired between 15 April and 15 May 1946 and repairs would be speeded up if more coal were available and allocated to steel manufacture for repair to rolling stock.

49. On the roads, as on the railways, UNRRA's primary contribution has been the provision of fuel. Although Italy actually possesses 15,000 more load-carrying trucks than before the war, actual operational capacity is not proportionately available owing to shortage of tires and tubes and to the general low level of mechanical efficiency.

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44. It is UNRRA's policy in Italy to furnish supplies in the form of raw materials rather than finished products, with the object of saving foreign exchange and with the added advantage of creating the maximum demand for insulating material in electrical installations. UNRRA imported 400 tons of rubber to 31 May, 1946, against a program for the year of 20,000 tons.

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50. In the ports there has been marked improvement in the restoration of facilities. In recent months dock laborers in many ports have broken pre-war records for the tonnage of cargo unloaded and at the same time rail clearances have steadily improved. The intake of UNRRA supplies through the ports has risen in April

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1946 to over 1,000,000 tons (total arrivals 1,117,000 tons) and in May 1946 UNRRA imported 550,000 tons (total arrivals 770,000 tons) and these supplies have been handled with a considerable gain of discharge money.

51. Moreover, the ports have been re-equipped with cranes, tugs, barges and stevedore gear procured from Allied military surplus. UNRRA has not provided the funds for the purchase of this equipment but has assisted in locating and procuring it.

Future Economic Outlook.

52. A new phase of Italy's economic reconstruction will begin when UNRRA aid ceases; all programs are based on the assumption that UNRRA shipments to Italy will cease at the end of 1946.

53. Whatever the future of UNRRA may be, it is quite certain that Italy will need substantial financial assistance in 1947 to pay for large imports of food and industrial raw materials. Without such assistance the rehabilitation task which UNRRA will not have been able to complete owing to the assumptions on which UNRRA planned having been falsified by world political and economic factors, will be beyond the powers of Italy. Italy would thus start the year 1947 in circumstances little better from the standpoint of her long-term economic rehabilitation than she would have been at the beginning of 1946 had UNRRA brought little more than bare relief.

54. To maintain a daily average of 1,900 calories per head for Italy's 35,000,000 non-producers of food, it is estimated that the minimum essential food imports in 1947 will amount to about 233,000,000 dollars.

55. By the end of 1946 Italy will have imported goods to the value of 1,000 million dollars, of which UNRRA will have contributed more than half. Import requirements for 1947 of coal, petroleum products and industrial raw materials are estimated tentatively at 486 dollars f.o.b. exporting country. This assumes that the general level of industrial activity in Italy will rise in 1947 to an average of 80 % to 85 % of pre-war. In addition, Italy will need to spend some 50 million dollars on industrial equipment and a further 23 million dollars on fertilizers and agricultural and medical supplies.

56. Including freight charges and invisible items, Italy's bill for 1947 for needed imports would be in the order of 990 million dollars, against which Italy's possibly secure additional loans of 150 million or 200 million dollars for industrial materials.

58. But, accepting these assumptions, there would still remain a net deficit of between 200 million and 250 million dollars for which no financing is in sight. If Italy receives no additional assistance, a large part of next year's current earnings in foreign exchange will then have to be spent on food, and it will be impossible to provide the 200 million to 250 million dollars required for fuel and industrial materials.

59. The result must be that Italy's industrial recovery will be seriously retarded, exports in 1947 reduced, and the need for large financial assistance prolonged into 1948.

60. The net deficit of 200 million or 250 million dollars is about equal to the necessary food imports in 1947 (233 million dollars). Some special type of relief financing for the purchase of food might be an appropriate means of meeting this deficit. Such an arrangement would enable Italy to spend current earnings on fuel and industrial supplies and rely on special financing to cover food imports.

61. A similar problem is likely to exist in other European countries such as Austria, Hungary, and Yugoslavia. Aid for Italy might, therefore, form part of a comprehensive plan.

62. Special relief financing for the import of food would appear to be a more logical method of overcoming a short-term difficulty than for Italy to be forced to spend upon current food supplies money obtained (if at all) by long-term loan, particularly as any such diversion of loan funds might reduce the amount available for industrial reconstruction.

63. Financial aid in place of physical relief in itself represents a return to more normal economic conditions. With the end of what might be called the period of post-war emergency relief must come also a return to more normal trading. UNRRA in the circumstances of the time has had to procure supplies wherever they could be obtained—often with little regard to competitive costs. This can only be regarded as a short-term policy to meet abnormal conditions.

64. Long-term economic rehabilitation in Italy requires a return to historic sources of supply and re-opening of traditional markets. Economic rehabilitation, too, presupposes an early clarification of Italy's Peace Treaty obligations and a decision on what territorial changes,

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56. Including freight charges and invisible items, Italy's bill for 1947 for needed imports would be in the order of 990 million dollars, against which Italy's receipts from exports, shipping earnings and net commercial credits are unlikely to exceed 540 million dollars, leaving a deficit of some 450 million dollars.

57. On present indications the probabilities are that Italy may obtain loans for the 50 million dollars needed in 1947 for equipment and machinery, and could next year's current earnings in foreign exchange will then have to be spent on food, and it will be impossible to provide the 200 million to 250 million dollars required for fuel and industrial materials.

59. The result must be that Italy's industrial recovery will be seriously retarded, exports in 1947 reduced, and the need for large financial assistance prolonged into 1948.

60. The net deficit of 200 million or 250 million dollars is about equal to the necessary food imports in 1947 (233 million dollars). Some special type of relief financing for the purchase of food might be an appropriate means of meeting this deficit. Such an arrangement would enable Italy to spend current earnings on fuel and industrial supplies and rely on special financing to cover food imports.

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63. Financial aid in place of physical relief in itself represents a return to more normal economic conditions. With the end of what might be called the period of post-war emergency relief must come also a return to more normal trading. UNRRA in the circumstances of the time has had to procure supplies wherever they could be obtained—often with little regard to competitive costs. This can only be regarded as a short-term policy to meet abnormal conditions.

64. Long-term economic rehabilitation in Italy requires a return to historic sources of supply and re-opening of traditional markets. Economic rehabilitation, too, presupposes an early clarification of Italy's Peace Treaty obligations and a decision on what territorial changes, if any, are to be made.

65. The present uncertainty gravely hinders future economic planning, and if there is to be continued progress in 1947 there is urgent need for Italy to make plans soon and to avoid a dangerous lacuna when UNRRA arrivals cease.

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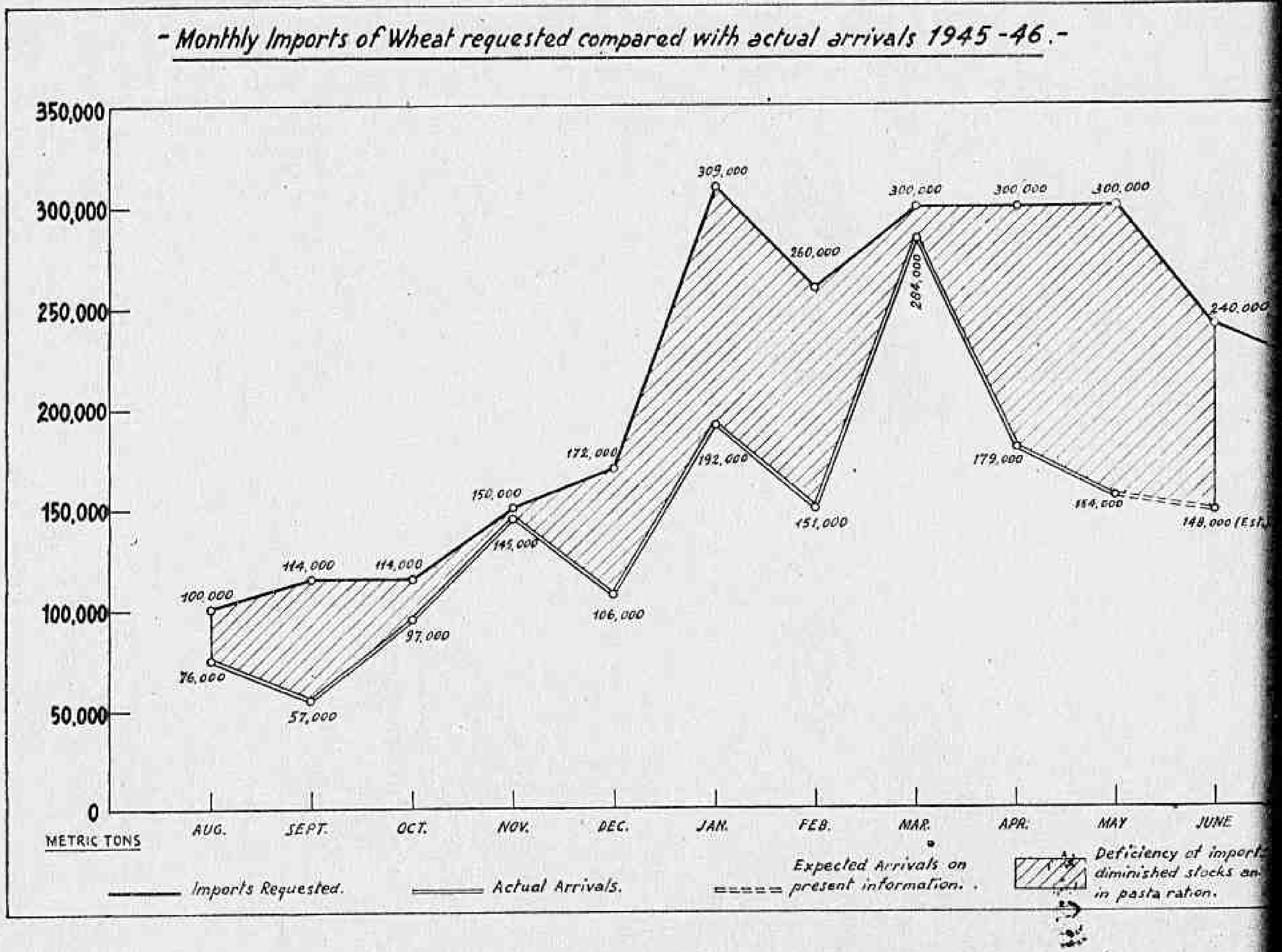
TABLE 1



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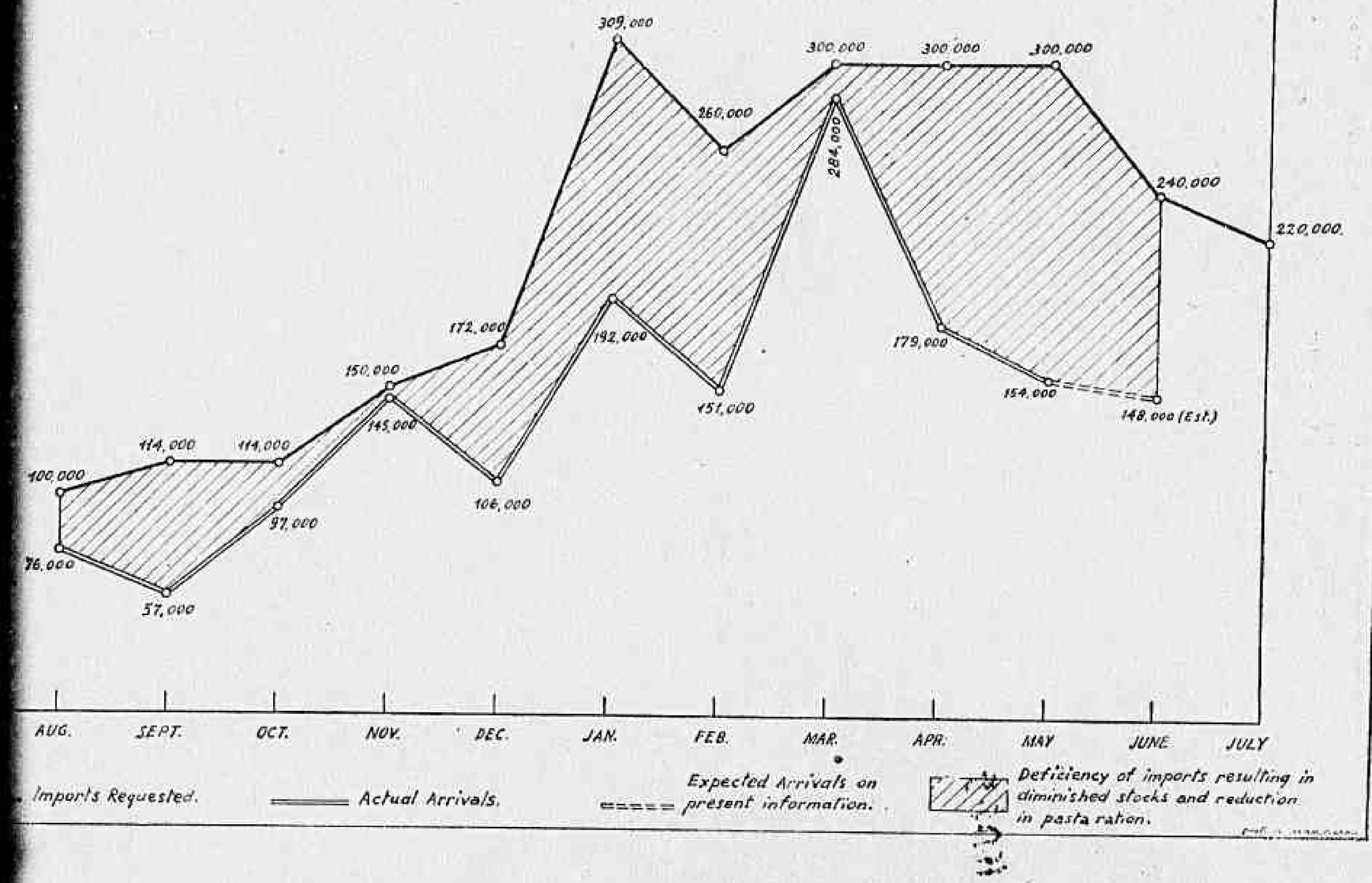
Monthly Imports of Wheat requested compared with actual arrivals 1945 -46 .-



FINANCE

The General Financial Situation.

1. The probable assistance by UNRRA in 1946 in supplies and services to Italy is estimated at 425 million dollars. The financial and economic position in Italy after liberation was catastrophic and in terms of available foreign currency to cover essential imports, Italy was bankrupt. Hence the need for outside assistance and in particular for the assistance undertaken by UNRRA. As is shown in paragraphs 61 to 70, the application of proceeds in local currency from sales of UNRRA goods to provide inter alia subsidies for bread and coal is under consideration. Knowledge of Italy's present financial position is, therefore, of considerable interest to the UNRRA supplying countries and to the UNRRA administration. The main reasons for Italy's present financial difficulties are, essentially, two: a badly-balanced budget and an acute lack of adequate means of international payment. The present chapter will deal mainly with the first of these; the second will be analyzed later in the Supplement on Balance of Payments.

2. As in all other belligerent countries, in Italy the main financial consequence of World War II was a rapidly-growing unbalance in the Government's budget. The difference between the Government's income and its rapidly-increasing expenditures was made up mainly by borrowing and by an increase in note circulation. This in turn caused a gradual rise in prices and a consequent decline in the value of the country's currency. The development of this process is clearly shown by the figures on Governmental income and expenditure, the growth of the public debt, and of note circulation and prices, given in the tables 1 to 4.

3. As the preceding figures show, between 1939 and 1943 the Governmental deficit, the excess of expenditure over income, grew from 12,000 to 86,000 million lire, the total internal public debt increased from 146,000 to 406,000 million, and the circulation of Bank of Italy notes from 24,000 to 91,000 million lire. (This is the 30 June 1943 figure; on 31 December 1943 the circula-

TABLE 1

Governmental Income and Expenditure
(in millions of lire)

	Years	Income	Expenditure		Deficit
			Total	For Military purposes	
	1935-36	20,370.7	33,056.9	12,624	— 12,686.2
(1)	»	$ (1,072.1)	$ (1,739.8)	$ (665)	— $ (667.7)
	1936-37	24,702.1	40,932.1	16,573	— 16,230.0
	1937-38	27,468.0	38,642.1	13,272	— 11,174.1
	1938-39	27,575.6	39,853.4	15,028	— 12,277.5
	1939-40	32,350.5	60,388.9	27,732	— 28,038.4
(1)	»	$ (1,633.9)	$ (3,050.0)	$ (1,401)	— $ (1,416.1)
	1940-41	34,234.2	98,222.8	58,899	— 63,988.6
	1941-42	41,223.8	118,569.4	64,241	— 77,345.4
	1942-43	48,884 –	135,158.0	83,831	— 86,274.0
(3)	1943-44	41,489.0	229,318.0	—	— 187,829.0
(2)	1944-45	48,000.0	332,000.0	—	— 284,000.0
(3)	1945-46	200,000.0	500,000.0	—	— 300,000.0
(1)	»	$ (888.9)	$ (2222.2)	—	— $ (1,333.3)

(1) Figures in brackets represent conversion to dollars at then ruling rate of exchange.
(2) Provisional.
(3) Estimate, January 1946.

TABLE 2

Internal Public Debt
(in millions of lire)

Years (June 30)	Consolidated Debt	Redeemable Debt	State Currency	Floating Debt	Total Internal Public debt
1935	9,892	83,935	—	11,882	105,709
1937	53,012	47,958	1,350	23,293	125,613
1939	52,986	40,176	2,122	41,511	145,795
1941	52,967	85,677	3,347	87,950	229,941

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The General Financial Situation.

1. The probable assistance by UNRRA in 1946 in supplies and services to Italy is estimated at 425 million dollars. The financial and economic position in Italy after liberation was catastrophic and in terms of available foreign currency to cover essential imports, Italy was bankrupt. Hence the need for outside assistance and in particular for the assistance undertaken by UNRRA. As is shown in paragraphs 61 to 70, the application of proceeds in local currency from sales of UNRRA goods to provide inter alia subsidies for bread and coal is under consideration. Knowledge of Italy's present financial position is, therefore, of considerable interest to the UNRRA supplying countries and to the UNRRA administration. The main reasons for Italy's present financial difficulties are, essentially, two: a badly-balanced budget and an acute lack of adequate means of international payment. The present chapter will deal mainly with the first of these: the second will be analyzed later in the Supplement on Balance of Payments.

2. As in all other belligerent countries, in Italy the main financial consequence of World War II was a rapidly-growing unbalance in the Government's budget. The difference between the Government's income and its rapidly-increasing expenditures was made up mainly by borrowing and by an increase in note circulation. This in turn caused a gradual rise in prices and a consequent decline in the value of the country's currency. The development of this process is clearly shown by the figures on Governmental income and expenditure, the growth of the public debt, and of note circulation and prices, given in the tables 1 to 4.

3. As the preceding figures show, between 1939 and 1943 the Governmental deficit, the excess of expenditure over income, grew from 12,000 to 86,000 million lire, the total internal public debt increased from 146,000 to 406,000 million, and the circulation of Bank of Italy notes from 24,000 to 91,000 million lire. (This is the 30 June 1943 figure: on 31 December 1943 the circulation had grown to 157,000 million lire). After the beginning of Allied occupation in the summer of 1943 and of active warfare on Italian soil, expenditures and the deficit grew still further while the public debt and note circulation expanded apace. The development of this process and some of its current effects are analyzed in somewhat greater detail in the pages which follow.

TABLE 1

Governmental Income and Expenditure
(in millions of lire)

Years		Income	Expenditure		Deficit
			Total	For Military purposes	
1935-36		20,370.7	33,056.9	12,624	— 12,686.2
(1)	»	$ (1,972.1)	$ (4,739.8)	$ (665)	— $ (667.7)
1936-37		24,702.1	40,932.1	16,573	— 16,230.0
1937-38		27,468.0	38,642.1	13,272	— 11,174.1
1938-39		27,575.6	39,853.4	15,028	— 12,277.5
1939-40		32,350.5	60,388.9	27,732	— 28,038.4
(1)	»	$ (1,633.9)	$ (3,050.0)	$ (1,401)	— $ (1,416.1)
1940-41		31,231.2	98,222.8	58,899	— 63,988.6
1941-42		41,223.8	118,569.4	64,241	— 77,345.4
1942-43		48,884 –	135,158.0	83,831	— 86,274.0
(3)	1943-44	41,489.0	229,318.0	—	— 187,829.0
(2)	1944-45	48,000.0	332,000.0	—	— 284,000.0
(3)	1945-46	200,000.0	500,000.0	—	— 300,000.0
(1)	»	$ (888.9)	$ (2,222.2)	—	— $ (1,333.3)

(1) Figures in brackets represent conversion to dollars at then ruling rate of exchange.
(2) Provisional.
(3) Estimate, January 1946.

TABLE 2

Internal Public Debt
(in millions of lire)

Years (June 30)	Consolidated Debt	Redeemable Debt	State Currency	Floating Debt	Total internal Public debt
1935	9,892	83,935	—	11,882	105,709
1937	53,012	47,958	1,350	23,293	125,613
1939	52,986	49,176	2,122	41,511	145,795
1941	52,967	85,677	3,347	87,950	229,941
1943	52,945	178,069	5,919	168,890	405,823
1944	52,945	176,059	6,500	201,231	436,735
1945	52,945	206,293	7,281	581,444	847,963
1945 Dec.	52,945	279,146	7,348	598,683	938,122

SOURCE: "Bollettino Mensile di Statistica" (Monthly Bulletin of Statistics) 1945, and Bank of Italy research department.

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TABLE 3

Note Circulation

(in millions of lire)

Years (December 31)	Bank of Italy Notes	State Currency	A. M. Currency	Total note circulation
1935	16,297	647	—	16,944
1937	17,468	1,350	—	18,818
1939	24,432	2,448	—	26,880
1941	49,609	4,150	—	53,759
1943	156,332	6,337	10,926	173,895
1944	248,644	6,337	52,618	307,599
1945	296,021	7,348	86,029 (prov)	389,398
1946 Jan.	290,511	7,348	88,672 (prov)	386,531
Feb.	289,046	—	—	—
March	291,747	—	—	—
April	291,840	—	—	—

SOURCE: "Bollettino Mensile di Statistica", Banca d'Italia and Allied Financial Agency.

TABLE 4

Italian Price Indices

(1938 = 100)

Years and months	General Price Index		Cost of living Index (food)	
1935	(1)	71.6	(3)	78.3
1937	(1)	93.5	(3)	92.6
1939	(1)	104.3	(3)	104.3
1941	(1)	135.8	(3)	147.6
1945 August	(2)	3,163.0	(4)	2,424.0
September	(2)	3,139.0	(4)	2,639.0
[illegible]ber	(2)	3,289.0	(4)	3,156.0
1946 January	(2)	3,018.0	(4)	3,391.0
February	(2)	3,018.0	(4)	3,314.0
March	(2)	2,864.0		—
April	(2)	2,795.0		—
May	(2)	2,725.0		—

The Budget.

4. The Italian Government began the fiscal year 1945-46 with a budget showing receipts of 30,000 million lire, expenditures of 113,000 million and a deficit of 83,000 million lire. It included estimates for only the 36 provinces of Southern and Central Italy then under the administration and jurisdiction of the Italian Government, i.e., the area as far north as the Apennines, including Tuscany but not the Northern Regions of Emilia, Liguria, Piedmont, Lombardy, Veneto, and Venezia Giulia, which were under the control of the Allied Military Government (AMG).

5. Since 1 January 1946, these Regions (excluding Venezia Giulia) have also been under the administration of the Italian Government; in relation to this, speaking on the economic and financial situation in the Consultative Assembly on 22 January 1946 Secretary of the Treasury (1) Corbino stated that for the financial year 1945-46 an expenditure of 500,000 million lire had been budgeted for, covering the whole national territory. Revenue for the same period he estimated at 200,000 million lire. The budget, therefore, shows a deficit of 300,000 million (see Table 1). Since this is the first tentative budget covering the whole of Italy, no information as to allocation of expenditure or probable tax yields is available.

6. To improve the sad situation revealed by Signor Corbino, the Government intends to reduce expenditure on public services and to postpone other expenditure where possible, without jeopardizing productive capacity necessary for economic recovery.

7. On the revenue side it is hoped to increase the yield from ordinary and extraordinary taxation without appreciably affecting the economy of the Italian State. In order to achieve this aim the Secretary of Finance is reorganizing fiscal administration (2) with a view to reducing tax collection costs to a minimum and improving the methods of assessing incomes for taxation. The idea is that by tightening up the efficiency of the administration, as stated, it will be possible to increase the yield from taxation and simul-

(1) The distinction between the functions of the Treasury and the Ministry of Finance is as follows:

a) The Treasury controls the expenditure of the Government and the budget.

b) The Ministry of Finance controls the revenues, collects the taxes, etc.

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1946	January	(2)	3,018.0	(4)	3,391.0
	February	(2)	3,018.0	(4)	3,314.0
	March	(2)	2,864.0		—
	April	(2)	2,795.0		—
	May	(2)	2,725.0		—

(1) Istituto Centrale di Statistica, Rome. (Central Institute of Statistics).

(2) Centro Statistica Aziendale, Florence. (Trade Statistical Center).

(3) Istituto Centrale di Statistica (old series).

(4) Istituto Centrale di Statistica (new series).

the 30 provinces of Southern and Central Italy then under the administration and jurisdiction of the Italian Government, i.e., the area as far north as the Apennines, including Tuscany but not the Northern Regions of Emilia, Liguria, Piedmont, Lombardy, Veneto, and Venezia Giulia, which were under the control of the Allied Military Government (AMG).

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(1) The distinction between the functions of the Treasury and the Ministry of Finance is as follows:

a) The Treasury controls the expenditure of the Government and the budget.

b) The Ministry of Finance controls the revenues, collects the taxes, etc.

(2) By decree of 27 October 1945, it was ruled in the Ministry of Finance that the "Direzione Generale per la Finanza Straordinaria" (General Direction for Extraordinary Finance) should, besides taking over the power and functions of handling fascist profits from the "High Commissioner for Sanctions against fascism", take over the responsibility for extraordinary taxation in general and on war profits in particular.

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taneously reduce the present heavy burden of taxation, which in itself is the cause of widespread tax evasion (1).

8. The Government wishes in any case to avoid calling for a further note issue to cover the budget deficit and the requirements of the Allied Armed Forces.

9. Signor Corbino's plan is to meet these liabilities in the immediate future by encouraging increased investment in short and middle-term Government securities, selling war surpluses and selling imported products bought from foreign loans. Looking further ahead, details have been studied for the issue of a large consolidated 5 % loan, when technical and market conditions will permit. An indication of future policy was given by Secretary of the Treasury Corbino, who, in January 1946, stated his objects as follows:—

(a) To stem the increase in public expenditure while giving State support where such support is necessary.

(b) To resuscitate industrial production so that the income of industry may eventually cover industrial costs.

(c) To re-establish the confidence of the Italian public in the means of payment.

10. The huge deficit is being met by:

(a) Direct sale to the public of Government securities. In April 1945, in fact, the Government announced an issue of five-year 5 % Treasury Bonds at 97½ lire, subscriptions to be closed in May; this loan produced a total of 33,000 million lire. In August 1945 a similar issue of five-year 5 % Treasury Bonds was made in the North at 99 lire and produced 73,000 million lire—a total of over 106,000 million lire.

(b) Borrowing from the Central Bank on "open account." A substantial part of the present sizeable deposits in the commercial banks, which find it difficult to invest their funds suitably under present circumstances, is deposited by these banks with the Bank of Italy, which pays interest on such loans. The Bank of Italy in turn lends the funds to the Treasury. The volume of loans of this sort outstanding on 20 March 1946 was 68,000 million lire.

(c) The continuous sale, through the Bank of Italy, of Italian State Treasury Bonds at maturities of from three months to one year which bear interest at rates varying from 3½ % to 5 %. These short-term State obligations are purchased mainly by commercial banks and other financial institutions as well as by private investors. The confidence shown in Government obligations by the sale of such large issues has been re-assuring and indicates a considerable measure of confidence in the lire even though the absence of other suitable investments may be the principal factor in facilitating these sales.

11. As the figures below show, this trend was considerably accentuated in January and February 1946, that is after the Council of Ministers decided to postpone "sine die" the conversion of the currency (calling in and replacement of the note circulation).

TABLE 5

Aggregate Value of Outstanding Treasury Bonds

(in millions of lire)

1945	June	157,673	
	July	160,371	+ 2,698
	August	161,768	+ 1,397
	September	165,009	+ 3,241
	October	168,730	+ 3,721
	November	173,239	+ 4,509
	December	178,324	+ 5,085
1946	January	(1) 189,496	+ 11,172
	February	(1) 205,300	+ 15,800

(1) Estimated.

Currency Conversion.

12. Closely linked with the Government finances is the question of converting the currency for the sake of uniformity (2) which was scheduled for last October and was again under consideration in January. The technicalities of such a change and the objects which it is hoped will be achieved by it (3) have been the subject of discussions in the press and on political platforms.

13. On 11 January 1946 the Council of Ministers discussed the problem from all angles and decided that

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and the requirements of the Allied Armed Forces.

9. Signor Corbino's plan is to meet these liabilities in the immediate future by encouraging increased investment in short and middle-term Government securities, selling war surpluses and selling imported products bought from foreign loans. Looking further ahead, details have been studied for the issue of a large consolidated 5 % loan, when technical and market conditions will permit. An indication of future policy was given by Secretary of the Treasury Corbino, who, in January 1946, stated his objects as follows:—

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(c) The continuous sale, through the Bank of Italy, of Italian State Treasury Bonds at maturities of from three months to one year which bear interest at rates varying from 3½ % to 5 %.

(1) According to a recent statement by the Secretary of Finance, the general reform of the Italian taxation system will be inspired by the following principles: simplifying and unifying taxes so that there will be few types of taxation; adopting a sliding scale of taxation on the incomes of individuals rather than attempting collections at source; renovating the system of tax collection.

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13. On 11 January 1946 the Council of Ministers discussed the problem from all angles and decided that

(2) The necessity for uniformity arises out of the circulation side by side of old and new Bank of Italy notes, Allied Military lire and State currency.

(3) Determination of the value of notes destroyed or lost on account of the war, the breaking up of hoards of notes, assessment of war profits for the extraordinary property tax etc.

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in view of present difficulties the question of immediate conversion should be postponed "sine die" (1).

14. On this occasion the Secretary of the Treasury's point of view, which won the day, was that bearing in mind the political difficulties (pending political and administrative elections), the technical difficulties (lack of administrative machinery for organizing the conversion in Venezia Giulia and the Colonies during the armistice period), the inadequacy of present internal organization, the insufficiency of the police force, and the financial and psychological difficulties, it would be most unwise to undertake conversion at this time.

15. With little over 15,000 million lire in liquid resources and large disbursements to make in the first months of the year, the Government thought it wise to defer conversion, which it considered would shake the confidence of investors and holders of public bonds.

16. Estimating the reduction in deposits in favor of investments not likely to suffer under currency conversion at 10,000 million lire, and the failure to renew Treasury Bonds for the same reason at a like amount, the Government might well have had to resort to a further note issue of 20,000 million lire. In these circumstances the flight to temporary investments, coupled with additional issue of new notes, presented the danger of a new inflationary cycle which was just what the Government wished to avoid.

17. In the light of the foregoing it would appear that the current budget deficit is, for the time being, covered by the proceeds of sales of Government bonds to the banks and the public. This explains why, to date, note circulation has not increased to the extent that would have been necessary had the burden of meeting the deficit been placed primarily on the Bank of Italy. However, as the Secretary of the Treasury has stated, the danger of being forced to increase further the note issue has not completely disappeared and is likely to remain until the floating debt has been consolidated.

Note Circulation and Bank Deposits.

18. As Table 8 above shows, note circulation in all of Italy totalled about 386,500 million lire at the end of January 1946. Of this, 290,500 million are represented by Bank of Italy notes, 88,700 million by Allied Military currency (AM-lire) and 7,300 million by State currency (notes of denominations below 50 lire).

19. The increase in the amount of Bank of Italy notes outstanding from the outbreak of war—27,500 million—to the armistice in September 1943—113,000 million—was entirely due to deficit financing. Since September 1943 the increase from 113,000 million to about 296,000 million roughly equals the amount paid to the Germans in Italy by the fascist Government; the Bank of Italy advances to the legitimate Government were negligible.

20. After the end of the war the Bank of Italy, as explained above, has not been obliged to increase its circulation to cover the Government's deficit, mainly because of the influx of funds derived from the sale of five-year bonds and the continuingly successful current sales of three-months to one-year Treasury Bonds.

21. Looking at the balance sheet of the Bank of Italy (see Table 12) we see that in 1945 the note issue increased only half as much as it did in the preceding year (1945: +47,000 million; 1944: +92,000 million): it is worth noticing that the increase took place mostly in the first five months of the year (40,000 million). In the first quarter of 1946 there was a decrease of 4,300 million lire.

22. While the development in the Bank of Italy note circulation was proceeding as described above, the AM-lire circulation increased by regular amounts averaging 2,800 million per month until at the end of 1945 about 86,000 million had been issued (2). In 1945 the AM-lire circulation increased 33,400 million lire against 41,700 million in 1944, indicating a slowing down of 8,000 million in the rate of increase during the year. This was due to the cessation of hostilities, movement of Allied troops into Austria, and the repatriation of Allied troops.

23. The issue of State notes of small denomination was discontinued by the Italian Government in 1945, and the increase under this heading is due to the fascist Republican Government continuing to issue these notes in the North.

24. Within the framework of the Government's financial and monetary policy, aimed at curbing the volume of means of payment in order to help deflate prices, the agreement by which the Government assumes responsibility for AM-lire (which was concluded in January) is worth considering. Under the agreement Allied Authorities will discontinue issuing AM-lire and deliver stocks of notes on hand to the Bank of Italy. The Government, on the other hand, is pledged to supply the currency requirements of the Allied Forces. The Agreement does not affect the ultimate settlement

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15. With little over 15,000 million lire in liquid resources and large disbursements to make in the first months of the year, the Government thought it wise to defer conversion, which it considered would shake the confidence of investors and holders of public bonds.

16. Estimating the reduction in deposits in favor of investments not likely to suffer under currency conversion at 10,000 million lire, and the failure to renew Treasury Bonds for the same reason at a like amount, the Government might well have had to resort to a further note issue of 20,000 million lire. In these circumstances the flight to temporary investments, coupled with additional issue of new notes, presented the danger of a new inflationary cycle which was just what the Government wished to avoid.

17. In the light of the foregoing it would appear that the current budget deficit is, for the time being, covered by the proceeds of sales of Government bonds to the banks and the public. This explains why, to date, note circulation has not increased to the extent that would have been necessary had the burden of meeting the deficit been placed primarily on the Bank of Italy. However, as the Secretary of the Treasury has stated, the danger of being forced to increase further the note issue has not completely disappeared and is likely to remain until the floating debt has been consolidated.

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(1) For carrying out the conversion of the currency the machinery had been set for printing new notes. By the end of March 1946 1,200 million notes were printed in Italy of an aggregate value of 300,000 million lire.

million roughly equals the amount paid to the German in Italy by the fascist Government; the Bank of Italy advances to the legitimate Government were negligible.

20. After the end of the war the Bank of Italy, as explained above, has not been obliged to increase its circulation to cover the Government's deficit, mainly because of the influx of funds derived from the sale of five-year bonds and the continuingly successful current sales of three-months to one-year Treasury Bonds.

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23. The issue of State notes of small denomination was discontinued by the Italian Government in 1945, and the increase under this heading is due to the fascist Republican Government continuing to issue these notes in the North.

24. Within the framework of the Government's financial and monetary policy, aimed at curbing the volume of means of payment in order to help deflate prices, the agreement by which the Government assumes responsibility for AM-lire (which was concluded in January) is worth considering. Under the agreement Allied Authorities will discontinue issuing AM-lire and deliver stocks of notes on hand to the Bank of Italy. The Government, on the other hand, is pledged to supply the currency requirements of the Allied Forces. The Agreement does not affect the ultimate settlement between the Government and the Allies, or remove

(2) Source: Allied Financial Agency.

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the cause of increased circulation for payment of Allied troops, but merely shifts to the Bank of Italy the responsibility for actually providing the currency.

25. Due to the extension of the exchange subsidy (225 lire to the U.S. dollar; 900 lire to one pound sterling, which came into force in January 1946) to payments made to Allied troops, the currency requirements for this purpose increased by 125 % (see paragraphs 49 to 54).

26. To implement the provisions of this agreement a further agreement was entered into by the Treasury and the Bank of Italy, which resulted in the Treasury's being debited in the Bank's Balance Sheet with "Treasury account for AM-lire circulation." 114,000 million being the total of AM-lire issued. The make-up of this figure is shown by a reduction of 22,000 million in the figure for cash and a liability of 92,000 million for AM-lire in circulation (1).

27. The final phases of the change over were completed by 15 March 1946 and, according to the Allied Authorities' requests for lire it appears the future average monthly expenditure will be about 5,800 million lire.

28. In order to arrive at the total volume of means of payment in circulation it is necessary to consider also money substitutes such as cheques. This is especially so in the case of Italy, where cheques are not used in quite the same way as they are in the U.S. or U.K. For instance, the Banks of Italy, Sicily, and Naples, which are Government bankers and whose accounts are subject to Government inspection, are authorized to issue "circular cheques," which are negotiable instruments and legal tender for a period of six months from date of issue. Other large banks are also authorized to issue "circular cheques" though these are not legal tender. Therefore in viewing the following table, the first column shows cheques which are actually legal tender, whereas the second column shows the sum of personal cheques drawn on banks and circular cheques of authorized banks which though not legal tender are certainly currency substitutes.

29. The increased volume of money substitutes in the form of cheques was considerable during 1945 (15,768 millions) though it was only about half of the 1944 (29,069 millions) figure.

30. The trend in the volume of cheque payments was similar to that for Bank of Italy notes: i.e., the main

TABLE 6

Circulation of means of Payment other than Currency

(in millions of lire)

End of	Cheques (1)	Cheques of Authorised Institutions	Total
1935	924	659	1,583
1937	1,170	901	2,071
1939	1,625	1,433	3,058
1941	2,850	2,788	5,638
1943	(2) 10,504	(2) 6,093	(2) 16,597
1944	(2) 23,244	(2) 22,422	(2) 45,666
1945	(2) 29,888	(2) 31,546	(2) 61,434

(1) Bank of Italy, Bank of Naples, Bank of Sicily.
(2) Provisional.

of the year and was largely due to the shortage of bank notes in the North prior to liberation.

31. This problem originated in November, 1942, when as a result of withdrawals of deposits in favor of hoarding, the banks suffered a severe scarcity of circulating currency. The banks, in order to alleviate the position, encouraged the drawing of cheques, and this step went a long way towards relieving the crisis. Later, the increase of black market transactions, mostly settled in cash, the increase of stocks and notes in the hands of displaced persons and the investment of war profits in bank notes, led to the hoarding of notes issued by the Bank and the Allied Military Authorities for public and military requirements. A relatively small proportion of these notes found their way into deposit accounts.

32. As a matter of fact, while the volume of means of payment increased by about 14 times between December 1939 and June 1945, deposits with banks and saving banks (excluding current accounts of banks) increased only about five times over the same period. On the other hand, it appears that during the second half of 1945 deposits increased 35 % against an 8 % increase in means of payments. This seems to indicate a satisfactory change in trend.

Credit and Banks.

33. The increase in sight and time deposits with the Bank of Italy (see Table 12, items 15 and 16) reflects

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came into force in January 1946) to payments made to Allied troops, the currency requirements for this purpose increased by 125 % (see paragraphs 49 to 54).

26. To implement the provisions of this agreement a further agreement was entered into by the Treasury and the Bank of Italy, which resulted in the Treasury's being debited in the Bank's Balance Sheet with "Treasury account for AM-lire circulation," 114,000 million being the total of AM-lire issued. The make-up of this figure is shown by a reduction of 22,000 million in the figure for cash and a liability of 92,000 million for AM-lire in circulation (1).

27. The final phases of the change over were completed by 15 March 1946 and, according to the Allied Authorities' requests for lire it appears the future average monthly expenditure will be about 5,800 million lire.

28. In order to arrive at the total volume of means of payment in circulation it is necessary to consider also money substitutes such as cheques. This is especially so in the case of Italy, where cheques are not used in quite the same way as they are in the U.S. or U.K. For instance, the Banks of Italy, Sicily, and Naples, which are Government bankers and whose accounts are subject to Government inspection, are authorized to issue "circular cheques," which are negotiable instruments and legal tender for a period of six months from date of issue. Other large banks are also authorized to issue "circular cheques" though these are not legal tender. Therefore in viewing the following table, the first column shows cheques which are actually legal tender, whereas the second column shows the sum of personal cheques drawn on banks and circular cheques of authorized banks which though not legal tender are certainly currency substitutes.

29. The increased volume of money substitutes in the form of cheques was considerable during 1945 (15,768 millions) though it was only about half of the 1944 (29,069 millions) figure.

30. The trend in the volume of cheque payments was similar to that for Bank of Italy notes: i.e., the main increase took place in the first four to five months

(1) This figure is not comparable with the figure for AM-Lire circulation given in Table 3 because the Allied Financial Agency does not treat lire in the hands of field cashiers as "in circulation,, and the Bank of Italy does.

End of	Cheques (1)	Cheques of Authorised Institutions	Total
1935	924	659	1,583
1937	1,170	901	2,071
1939	1,625	1,433	3,058
1941	2,850	2,788	5,638
1943	(2) 10,594	(2) 6,003	(2) 16,597
1944	(2) 23,244	(2) 22,422	(2) 45,666
1945	(2) 29,888	(2) 31,546	(2) 61,434

(1) Bank of Italy, Bank of Naples, Bank of Sicily.
(2) Provisional.

of the year and was largely due to the shortage of bank notes in the North prior to liberation.

31. This problem originated in November, 1942, when as a result of withdrawals of deposits in favor of hoarding, the banks suffered a severe scarcity of circulating currency. The banks, in order to alleviate the position, encouraged the drawing of cheques, and this step went a long way towards relieving the crisis. Later, the increase of black market transactions, mostly settled in cash, the increase of stocks and notes in the hands of displaced persons and the investment of war profits in bank notes, led to the hoarding of notes issued by the Bank and the Allied Military Authorities for public and military requirements. A relatively small proportion of these notes found their way into deposit accounts.

32. As a matter of fact, while the volume of means of payment increased by about 14 times between December 1939 and June 1945, deposits with banks and saving banks (excluding current accounts of banks) increased only about five times over the same period. On the other hand, it appears that during the second half of 1945 deposits increased 35 % against an 8 % increase in means of payments. This seems to indicate a satisfactory change in trend.

Credit and Banks.

33. The increase in sight and time deposits with the Bank of Italy (see Table 12, items 15 and 16) reflects the position in which the banks have found themselves since the liberation of the areas in which they operate. This position is characterized by an abundance of cash liabilities on account of ever-increasing deposits coupled with an obvious scarcity of safe investments.

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34. The following table shows how bank deposits have increased.

TABLE 7

Bank Deposits

(in millions of lire)

End of	Number of Banks	Deposits	Current Accounts of clients	Total	Current Accounts of banks
1939	307	39,995	20,971	60,966	3,903
1941	306	58,130	35,504	93,694	5,484
1943	365	84,216	59,042	143,258	6,909
1944	365	138,358	110,432	248,785	11,180
1945 – June	365	180,644	124,610	305,254	12,411
Sept.	365	196,627	140,023	336,650	14,457
Dec.	365	240,609	165,977	406,586	18,435
1946 Jan.	365	256,152	170,430	426,582	17,383

35. As it appears from the above table, the rate of increase was very high in 1945 (65 %). In that year, contrary to what had taken place earlier, the rate of increase in deposits (75 %) was higher than the increase in the current accounts of clients (53 %). Also, the rate of increase in the current accounts of banks (68 %) was lower than the rate of increase in deposits, owing to decreased economic activity and to the favorable terms for deposits with the Bank of Issue.

36. The rate of increase in Postal Savings Bank deposits and investment in interest-bearing bonds which cater for people of modest means has been much lower.

TABLE 8

Postal Bank Deposits

(in millions of lire)

End of	Deposits	Interest bearing Bonds	Total
1939	8,242	23,766	32,008
1941	10,426	36,490	46,916
1943	11,815	46,698	58,513
1944	13,246	46,395	59,641
1945	18,570	64,199	82,769

38. The appeal that Postal Savings Bonds have to the lower income groups of savers is obviously owing to the high yield (5 %) and to the favorable terms that characterize them as a form of investment.

39. Large applications for credit by manufacturers are caused by heavy expenditure not balanced by income from the other end of the production cycle. (Many concerns have employees on the payrolls for whom they have no work). Applications for credit from the business world were, up to a few months ago, mostly of a speculative nature to be expected in a period of rising prices and were largely met from outside the banking world.

40. These circumstances cause the banking policy in general to be cautious. As a matter of fact, the banks are examining applications for credit from a point of view of quality and granting only those which are justified by obvious commercial or industrial necessity.

41. Examining the investments in 50 large banks for which data are available, one notices that they decreased from 68,600 million at the end of 1942 to 55.900 million at the end of 1943, while they increased to 57.200 million at the end of 1944 and to 76,500 million by the middle of 1945. It is a known fact that investments increased much more in the second half of 1945 than in the first.

42. At the end of 1942 investments were 64 % of deposits (including current accounts of banks). The percentage fell to 44 by the end of 1943 and to 27 by the end of 1944. On 30 June 1945, while they were 12 % higher than the 1942 level, they were only 28 % of deposits which, in the meantime, had increased 154 %.

43. The lack of real investments induced the banks to invest their cash in State Bonds, in which their holdings increased 166 % from the end of 1942 to 30 June 1945, while the proportion to deposits remained almost unchanged at 30 %.

44. The increased deposits and the scarce investments are reflected in the increase of the cash on hand and of the deposits with other banks and with the Treasury, whose aggregate value was seven times as much in June 1945 as on 31 December 1942.

Stock Exchange.

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Bank Deposits

(in millions of lire)

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1946 Jan.	365	256,152	170,430	426,582	17,383

35. As it appears from the above table, the rate of increase was very high in 1945 (65 %). In that year, contrary to what had taken place earlier, the rate of increase in deposits (75 %) was higher than the increase in the current accounts of clients (53 %). Also, the rate of increase in the current accounts of banks (68 %) was lower than the rate of increase in deposits, owing to decreased economic activity and to the favorable terms for deposits with the Bank of Issue.

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37. Secretary Corbino's interpretation of the different trends in the two large classes of deposits (Banks and Postal Savings Banks) is that the lower income groups are generally so impoverished that they are spending not only all their income but are also realizing some of their capital in order to support themselves.

39. Large applications for credit from industry are caused by heavy expenditure not balanced by income from the other end of the production cycle. (Many concerns have employees on the payrolls for whom they have no work). Applications for credit from the business world were, up to a few months ago, mostly of a speculative nature to be expected in a period of rising prices and were largely met from outside the banking world.

40. These circumstances cause the banking policy in general to be cautious. As a matter of fact, the banks are examining applications for credit from a point of view of quality and granting only those which are justified by obvious commercial or industrial necessity.

41. Examining the investments in 50 large banks for which data are available, one notices that they decreased from 68,600 million at the end of 1942 to 55,900 million at the end of 1943, while they increased to 57,200 million at the end of 1944 and to 76,500 million by the middle of 1945. It is a known fact that investments increased much more in the second half of 1945 than in the first.

42. At the end of 1942 investments were 64 % of deposits (including current accounts of banks). The percentage fell to 44 by the end of 1943 and to 27 by the end of 1944. On 30 June 1945, while they were 12 % higher than the 1942 level, they were only 28 % of deposits which, in the meantime, had increased 154 %.

43. The lack of real investments induced the banks to invest their cash in State Bonds, in which their holdings increased 166 % from the end of 1942 to 30 June 1945, while the proportion to deposits remained almost unchanged at 30 %.

44. The increased deposits and the scarce investments are reflected in the increase of the cash on hand and of the deposits with other banks and with the Treasury, whose aggregate value was seven times as much in June 1945 as on 31 December 1942.

Stock Exchange.

45. Government securities had a remarkable appeal for investors and quotations showed a continuous improvement through January 1946. The comparative index calculated from official quotations shows the highest prices for 1945 in December (see Table 13). There has also been increased dealing (see Table 14).

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46. Afterwards, a weakening tendency set in during February and March. This tendency was accentuated by realizations consequent upon the announcement (16 February 1946) of the issue of a 5 % Reconstruction Loan. The 3½ % 1906 loan, after gaining considerably after September 1943 owing to sales of fascist-issued bonds and investments in favor of such a loan, was later neglected, settling at a level almost proportionately equal to the other State bonds. Consolidated and redeemable stocks are weaker, while on the whole long-term Treasury bonds have remained fairly strong.

47. Apart from purely financial considerations, such as the possibility of new fiscal legislation, the stock market is naturally reacting to industrial problems (lack of raw materials, necessity of paying idle workers, etc.) and to schemes for socialization and internal plant control. Although some of these influences are diminishing in effect, the main hindrances to dealing (compulsory registration of all share transactions with the issuing companies, and 3 % surtax on each transaction) remain, since the Government has stated its unwillingness to alter present legislation until the new property tax is adopted. On 23 October 1945 the rule prohibiting term operations (1) was rescinded and was followed by a more active market, with price increases. Thereafter adjustment of these operations by sales and carry over caused prices to fall until December 1945. During the second half of February 1946 a slight hardening was experienced in certain sections of the market, which has since spread to all sections. This tendency was accentuated by the rumors that Italy might be asked to hand over to the Allies some of her industrial plants (particularly in the textile field) and war reparations as well as to pay substantial sums in reparations. (The withdrawal of the obligation to deposit 25 % of all stock and bond transactions of 21 February 1946 has not had an appreciable hardening effect).

48. According to Secretary Corbino, a law for reorganization of the Stock Exchange is under consideration, which will free dealers of many of the irksome controls under which they now labor. As a general conclusion, it can be said that low quotations for industrials are the product of present uncertainty in this field, and the relative stability of Government Securities reveal a satisfactory confidence in the lira.

Exchange Rates.

49. In January, though the official rate of exchange ing power of the lira in relation to international markets.

50. To compensate for the discrepancy between prices in Italy and the rest of the world, the Government created an "Equalization Fund for International Prices," which is administered by the Italian Exchange Office. The system is that all importers obtain foreign currency from the Treasury at a lire cost of the official rate of exchange plus a percentage. The additional lire thus obtained constitute the Fund, from which Italian exporters are paid lire amounting to official rate of exchange plus the same percentage for foreign currency credits created by their operations. As from 17 January 1946 the percentage to be added was fixed at 125 % for settlement of commercial transactions only. Gradually it was extended to other items in the balance of payments in order to bring the domestic market into line with the international currency market.

51. As a matter of fact by Government Decree of 28 January 1946, the additional 125 % has been extended to cover so many types of exchange dealings that it virtually amounts to a change in exchange rate to lire 225 to the dollar and lire 900 to the pound sterling. Transactions specifically covered are:

(a) Receipts and payments under clearing arrangements made prior to 30 November 1945;
(b) Italian and foreign diplomatic and consular expenditures;
(c) Insurance, sea and air transport transactions;
(d) Remittances from abroad;
(e) Payments of private commercial transactions.

52. In accordance with a letter of the Minister of Finance dated 7 March 1946, the additional 125 % is also extended to purchases of gold.

53. Under an agreement concluded between the Government and the Allied Military Authorities during January, the percentage also applies to the payment of Allied troops in Italy (907.31 lire = £1 sterling; 225 lire = $1 U.S.). This privilege has been further extended to diplomatic and consular staffs and to UNRRA non-Italian personnel.

54. After the long period of blocked exchange rates (400 lire to £1 sterling; 100 lire to $1 U.S.), this recent step improves considerably the prospect for the resumption of Italian foreign trade. To this same policy must be related the other provision whereby exporters may freely use 50 % of the foreign currency they get from

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siderably after September 1943 owing to sales of fascist-issued bonds and investments in favor of such a loan, was later neglected, settling at a level almost proportionately equal to the other State bonds. Consolidated and redeemable stocks are weaker, while on the whole long-term Treasury bonds have remained fairly strong.

47. Apart from purely financial considerations, such as the possibility of new fiscal legislation, the stock market is naturally reacting to industrial problems (lack of raw materials, necessity of paying idle workers, etc.) and to schemes for socialization and internal plant control. Although some of these influences are diminishing in effect, the main hindrances to dealing (compulsory registration of all share transactions with the issuing companies, and 3 % surtax on each transaction) remain, since the Government has stated its unwillingness to alter present legislation until the new property tax is adopted. On 23 October 1945 the rule prohibiting term operations (1) was rescinded and was followed by a more active market, with price increases. Thereafter adjustment of these operations by sales and carry over caused prices to fall until December 1945. During the second half of February 1946 a slight hardening was experienced in certain sections of the market, which has since spread to all sections. This tendency was accentuated by the rumors that Italy might be asked to hand over to the Allies some of her industrial plants (particularly in the textile field) and war reparations as well as to pay substantial sums in reparations. (The withdrawal of the obligation to deposit 25 % of all stock and bond transactions of 21 February 1946 has not had an appreciable hardening effect).

48. According to Secretary Corbino, a law for reorganization of the Stock Exchange is under consideration, which will free dealers of many of the irksome controls under which they now labor. As a general conclusion, it can be said that low quotations for industrials are the product of present uncertainty in this field, and the relative stability of Government Securities reveal a satisfactory confidence in the lira.

Exchange Rates.

49. In January, though the official rate of exchange was not altered, the Government took a step in this direction, which has substantially altered the purchas-

(1) The Ministry of the Treasury ruled that for the reestablishment of term operations buyers must deposit 25 % with the clearing and sales must be accompanied by the actual delivery of scrip or a deposit for 25 % of the value.

Prices," which is administered by the Italian Exchange Office. The system is that all importers obtain foreign currency from the Treasury at a lire cost of the official rate of exchange plus a percentage. The additional lire thus obtained constitute the Fund, from which Italian exporters are paid lire amounting to official rate of exchange plus the same percentage for foreign currency credits created by their operations. As from 17 January 1946 the percentage to be added was fixed at 125 % for settlement of commercial transactions only. Gradually it was extended to other items in the balance of payments in order to bring the domestic market into line with the international currency market.

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54. After the long period of blocked exchange rates (400 lire to £1 sterling; 100 lire to $1 U.S.), this recent step improves considerably the prospect for the resumption of Italian foreign trade. To this same policy must be related the other provision whereby exporters may freely use 50 % of the foreign currency they get from their exports.

55. No major changes have occurred in the official rates of exchange though there were slight adjustments with currencies within the sterling block to bring them into line with the dollar sterling rate (4.0325 New York) during February.

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56. These adjustments can be seen from the following table of average official rates of exchange.

TABLE 9

Average Official Rates of Exchange

Countries	Currency	1939	Dec. 1945	March 1946	
				Official rate	Commercial rate
Argentina . .	Peso papel	4.434	29.778	25.	56.25
Australia . . .	A. £.	—	323.70	322.60	725.85
Belgium . . .	Franc	3.242	2.2845	2.2845	5.1401
Brazil	Cruzeiro	1.0383	5.417	5.15	11.5875
Canada. . . .	C. $	18.404	90.909	90.909	204.5453
Denmark . . .	Krone	3.911	20.8768	20.8526	46.9184
Egypt	E £.	90.364	415.	413.50	930.375
France. . . .	Franc	0.1836	2.0175	0.8396	1.8891
British India .	Rupee	—	30.349	30.20	67.95
New Zealand .	N. Z. £.	—	325.45	322.60	725.85
Low Countries .	Gulden	10.264	37.7415	37.7415	84.9184
Portugal . . .	Escudo	0.778	4.057	4.057	9.1282
United Kingdom	£.	85.437	400.	403.25	907.3125
Spain	Peseta	2.1502	9.13	9.13	20.5425
United States .	Dollar	19.227	100.	100.	225.
Sweden . . .	Krona	4.617	23.845	23.845	53.65125
Switzerland . .	Franc	4.3352	23.31	23.31	52.4475
Turkey . . .	£. T.	15.13	77.52	77.52	174.42
Union of South Africa. .	S. A. £.	—	403.50	400.70	901.575

SOURCE: Istituto Centrale di Statistica and Economic Analysis Branch, UNRRA Italian Mission.

Gold and Foreign Currency - Open Market.

57. The open market prices of gold and foreign currencies give some indication of the degree of confidence in the lira, though it should be noted that these prices in Italy react in a most sensitive fashion to day-to-day rumors. Since December 1945 the open market prices of gold, gold coins, and officially quoted currencies have tended to drop, with only occasional slight revivals. The only exception to this tendency is the single sterling pound, which in January 1946 surpassed the 1945 record price, but which has now fallen to below the com-

TABLE 10

Monthly Average of Open Market Prices of Gold, Gold Currencies, and of some Foreign Currencies in Rome

	Gold per gram (1)	Gold Sovereign (2)	Napoleon (3)	Dollar (blue seal) (4)	Single pound sterl. (4)	Swiss franc (4)
1944 December	615	5,732	4,145	251	669	86
1945 January	808	7,344	5,792	334	875	118
February	1,030	9,747	7,294	418	1,029	154
March	1,080	9,531	7,344	419	1,095	147
April	1,088	9,542	7,119	381	1,151	143
May	830	7,222	5,287	283	800	120
June	917	8,594	6,748	291	872	157
July	1,036	9,445	7,468	310	922	175
August	953	8,780	6,766	297	907	162
September	931	8,224	6,198	329	938	144
October	861	7,927	6,001	338	941	130
November	900	8,416	6,454	369	986	135
December	823	7,992	5,975	385	978	129
1946 January	775	7,689	5,681	382	1,117	122
February	631	6,655	4,982	330	1,049	106
March	564	6,158	4,655	304	869	98
April	525	5,875	4,283	281	783	89

(1) Official purchasing price of the Bank of Italy: Lire 253.1869 per gram.

(2) Official price calculated on the official purchasing price of gold of the Bank of Italy taking into account the gold content: Lire 1853.9167.

(3) Official price calculated on the official purchasing price of gold of the Bank of Italy taking into account the gold content: Lire 1470.114.

(4) Official rate in April:

$ = Lire 100; commercial rate: Lire 225.

£ = Lire 403.25; commercial rate: Lire 907.3125.

Sw. Fr. Lire 23.31; commercial rate: Lire 52.4475.

(Source: Bank of Italy).

58. These facts can be correlated to the general downward trend in prices for commodities other than food, and to the Government's policy in postponing the conversion of currency which have induced the populace to realize many temporary investments made to avoid possible losses in currency conversion. There is also a relationship with the percentage arrangements for foreign exchange which reduces the difference between

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Average Official Rates of Exchange

Countries	Currency	1939	Dec. 1945	March 1946	
				Official rate	Commercial rate
Argentina . . .	Peso papel	1.434	20.778	25.	56.25
Australia . . .	A. £.	—	323.70	322.60	725.85
Belgium . . .	Franc	3.242	2.2845	2.2845	5.1401
Brazil	Cruzeiro	1.0383	5.417	5.15	11.5875
Canada. . . .	C. $	18.404	90.909	90.909	204.5453
Denmark . . .	Krone	3.911	20.8768	20.8526	46.9184
Egypt	E. £.	90.361	415.	413.50	930.375
France. . . .	Franc	0.4836	2.0175	0.8936	1.8891
British India .	Rupee	—	30.349	30.20	67.95
New Zealand .	N. Z. £.	—	325.45	322.60	725.85
Low Countries .	Gulden	10.264	37.7415	37.7415	84.9184
Portugal . . .	Escudo	0.778	4.057	4.057	9.1282
United Kingdom	£.	85.437	400.	403.25	907.3125
Spain	Peseta	2.1502	9.13	9.13	20.5425
United States .	Dollar	19.227	100.	100.	225.
Sweden . . .	Krona	4.617	23.845	23.845	53.65125
Switzerland . .	Franc	4.3352	23.31	23.31	52.4475
Turkey . . .	£. T.	15.13	77.52	77.52	174.42
Union of South Africa . .	S. A. £.	—	403.50	400.70	901.575

SOURCE: Istituto Centrale di Statistica and Economic Analysis Branch, UNRRA Italian Mission.

Gold and Foreign Currency - Open Market.

57. The open market prices of gold and foreign currencies give some indication of the degree of confidence in the lira, though it should be noted that these prices in Italy react in a most sensitive fashion to day-to-day rumors. Since December 1945 the open market prices of gold, gold coins, and officially quoted currencies have tended to drop, with only occasional slight revivals. The only exception to this tendency is the single sterling pound, which in January 1946 surpassed the 1945 record price, but which has now fallen to below the commercial rate of exchange. The preference of hoarders for gold and gold coins as compared with quoted currencies may seem extraordinary before it is realized that most of these hoarders are relatively uneducated people, who still retain a marked preference for precious metals, and tend to mistrust token paper.

		Gold per gram (1)	Gold Sovereign (2)	Napoleon (3)	Dollar (blue seal) (4)	Single pound sterl. (4)	Swiss franc (4)
1944	December	615	5,732	4,145	251	669	86
1945	January	808	7,344	5,792	334	875	118
	February	1,030	9,747	7,294	418	1,029	154
	March	1,080	9,531	7,344	410	1,095	147
	April	1,088	9,542	7,119	381	1,151	143
	May	830	7,229	5,287	283	800	120
	June	917	8,594	6,748	291	872	157
	July	1,936	9,445	7,468	310	922	175
	August	953	8,780	6,786	297	907	182
	September	931	8,224	6,198	329	958	144
	October	861	7,927	6,001	338	941	130
	November	900	8,416	6,454	360	986	135
	December	823	7,902	5,975	385	978	120
1946	January	775	7,869	5,981	382	1,117	122
	February	634	6,655	4,982	350	1,049	106
	March	561	6,158	4,655	304	869	98
	April	525	5,875	4,283	281	783	89

(1) Official purchasing price of the Bank of Italy: Lire 253.1869 per gram.

(2) Official price calculated on the official purchasing price of gold of the Bank of Italy taking into account the gold content: Lire 1853.9167.

(3) Official price calculated on the official purchasing price of gold of the Bank of Italy taking into account the gold content: Lire 1470.114.

(4) Official rate in April:

$ = Lire 100; commercial rate: Lire 225.

£ = Lire 403.25; commercial rate: Lire 907.3125.

Sw. Fr. Lire 23.31; commercial rate: Lire 52.4475.

(Source: Bank of Italy).

58. These facts can be correlated to the general downward trend in prices for commodities other than food, and to the Government's policy in postponing the conversion of currency which have induced the populace to realize many temporary investments made to avoid possible losses in currency conversion. There is also a relationship with the percentage arrangements for foreign exchange which reduces the difference between the open market price and the effective rate of exchange. These trends are graphically illustrated in Table 15, which shows indices of open market prices, circulating currency level, and controlled prices. Controlled prices are tending upwards while open market prices are tending downwards (see also Table 10).

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59. The drop in prices for gold and gold coins has been more marked than that for foreign currencies.

60. During the war there were at times wide differences between open market quotations for gold and foreign currencies in Rome, Naples, and Milan, but since the cessation of hostilities these markets have settled down with differences limited to 1 %.

Lira Resources Available to UNRRA.

61. The first agreement between UNRRA and the Italian Government dated 8 March, 1945, covered the limited assistance program for Italy and provided for expenditure in foreign exchange of 50,000,000 dollars.

62. The financial provisions of the agreement provided for the Government's matching the UNRRA expenditure in foreign exchange with lire at the rate of exchange ruling when the foreign exchange expenditure was incurred.

63. From the body of the agreement provision was made also for the expenditure of part of the lire thus made available to assist the displaced persons of other countries and the procurement of local surpluses for the relief and rehabilitation of other areas.

44. In the Italian State budget for the year 1945-46 provision was made for 5,000 million lire in fulfilment of Italy's part of the agreement.

65. The second agreement between UNRRA and the Italian Government signed on 19 January 1946 covered the expenditure of no sipulated amount (the amount might be $450,000,000 including freight) on a relief and rehabilitation program to meet the most urgent needs of Italy. This agreement did not over-rule the first agreement, which was supplementary to it.

66. Financial provisions provided for the setting up of a special proceeds of sale account by the Government. The net proceeds of sales of UNRRA supplies are put into this account and made available to cover UNRRA expenses in Italy, the balance to be expended on relief and rehabilitation projects duly agreed between UNRRA and the Government. The time limit set for the determination of these relief and rehabilitation projects was three years or such longer period as may be agreed by UNRRA or by such successor as UNRRA may designate.

67. The machinery set up by the Italian Government

(b) Before the imported commodities are sold the price is agreed with UNRRA.

(c) I.C.E., after deduction of distribution costs, also agreed with UNRRA, then pass the money into the Treasury account of the Bank of Italy, and funds are made available out of this account.

68. Uncertain factors, consisting mainly of distribution costs and price policy, make it impossible to estimate with any accuracy the total sum that will be available under this agreement. 70,000 million lire is the best approximation at present possible.

69. Table 11 is a statement of the appropriations made and the recommended appropriations of the lire arising out of proceeds of sale of UNRRA goods.

70. The following is a brief description of the expenses and projects enumerated above:—

Item.

1. C.A.S.A.S. is an Italian Government Repair and Rehousing program in which UNRRA is assisting.

2. *Sardinian malarial project*: The Italian Government and Rockefeller Foundation assisted by UNRRA plan to eradicate the anopheles mosquito in Sardinia.

3. *Cotton manufacture*: This item constitutes the manufacturing costs of hospital sheeting, pillow slips and babies napkins from 2,000 tons of raw cotton imported by UNRRA.

4. *Naples cave dwellers*: This project is being handled by the Ministry of Public Works and the Congregational Service League which operates under the aegis of UNRRA, and is rehousing in barracks Neapolitans who were living in caves.

5. *Clothing processing*: This project not only includes the repair and distribution of the second hand clothing and shoes imported as a result of the American clothing drive in 1945, but also the manufacture of essential cotton garments from linen manufactured from imported raw cotton.

(a), (c) and (d) are all payments on account of the sale of these commodities. Distribution costs are being investigated at the present time.

8. These are vehicles urgently required by Public Health Officers in the districts.

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differences between open market quotations for gold and foreign currencies in Rome, Naples, and Milan, but since the cessation of hostilities these markets have settled down with differences limited to 1 %.

Lira Resources Available to UNRRA.

61. The first agreement between UNRRA and the Italian Government dated 3 March, 1945, covered the limited assistance program for Italy and provided for expenditure in foreign exchange of 50,000,000 dollars.

62. The financial provisions of the agreement provided for the Government's matching the UNRRA expenditure in foreign exchange with lire at the rate of exchange ruling when the foreign exchange expenditure was incurred.

63. From the body of the agreement provision was made also for the expenditure of part of the lire thus made available to assist the displaced persons of other countries and the procurement of local surpluses for the relief and rehabilitation of other areas.

44. In the Italian State budget for the year 1945-46 provision was made for 5,000 million lire in fulfilment of Italy's part of the agreement.

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67. The machinery set up by the Italian Government to implement the financial agreement provisions is as follows:—

(a) About 25 agencies are charged with the collection of proceeds of sale from the various commodities imported. These agencies in turn are accountable to Istituto Commercio Estero (I.C.E. - Foreign Trade Commercial Institute).

the Treasury account of the Bank of Italy, and funds are made available out of this account.

68. Uncertain factors, consisting mainly of distribution costs and price policy, make it impossible to estimate with any accuracy the total sum that will be available under this agreement. 70,000 million lire is the best approximation at present possible.

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(a), (c) and (d) are all payments on account of the sale of these commodities. Distribution costs are being investigated at the present time.

8. These are vehicles urgently required by Public Health Officers in the districts.

9. This item constitutes an advance on account of the administrative costs of I.C.E., which, as explained above, is the main distributive agency of UNRRA imports.

10. An advance on account of the organizational expenses of this institution.

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TABLE 11

Consolidated Lire Fund

PROVISION IN ITALIAN STATE BUDGET 1945-46		Lire
APPROPRIATIONS		5,000,000,000
(1) CASAS	1,000,000,000	
(2) Sardinian malarial project	300,000,000	
(3) Cotton manufacture	457,667,508	
(4) Naples cave dwellers	5,500,000	
(5) Clothing processing	112,500,000	
(6) Mission Administrative Expenses	750,000,000	2,625,667,508
Proceeds of Sales to 30 June, 1946		2,374,332,492
(a) Grain, flour and codfish	950,000,000	
(b) Seed potatoes	90,919,460	
(c) P. O. L.	750,000,000	
(d) Coal	5,000,000,000	6,790,919,460
		9,165,251,952
(7) Appropriation Mission Admin. Expenses	750,000,000	
do	750,000,000	1,500,000,000
		7,665,251,952
RECOMMENDED APPROPRIATIONS		
(8) Commission for Public Health Vehicles	18,850,000	
(9) Financing of Operations: L.C.E.	50,000,000	
(10) " Central Industrial Commission	45,000,000	
(11) Sardinia Locust Campaign	500,000,000	613,850,000
		7,051,401,952
UNDER CONSIDERATION		
(12) Public Health program	1,500,000,000	
(13) CASAS: Transport	446,216,000	
(14) Federazione Consorzi: welfare foodstuffs	249,686,776	
(15) Sardinia: Coal Subsidy	1,080,000,000	

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APPROPRIATIONS		
		5,000,000,000
(1) CASAS	1,000,000,000	
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UNDER CONSIDERATION		
(12) Public Health program	1,500,000,000	
(13) CASAS: Transport	446,216,000	
(14) Federazione Consorzi: welfare foodstuffs	249,686,776	
(15) Sardinian Coal Subsidy	1,080,000,000	
(16) Brown Coal Subsidy	162,500,000	
(17) Bread Subsidy	18,000,000,000	
		21,438,202,776

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11. A payment made to defray the costs of this campaign.

12. A detailed budget is being prepared for submission under this head.

13. Since it now seems possible to procure Army surplus transport passed to the Italian Government, consideration is being given to its purchase, thus affecting a saving in foreign exchange.

14. Foodstuffs, largely oils and fats, were purchased locally to complete the supplementary feeding program in 1945.

15. The proposed subsidy for Sardinian coal.

16. Proposed bread subsidy (1946-47).

Concluding Notes.

71. As the foregoing discussion has shown, the main element in the country's present financial difficulties and in the threat to the stability of its currency, is the unbalance between its current income and expenditures. The problem is undoubtedly a difficult one and the Ministers in the Government have not always agreed either on keeping down expenditures or on increasing revenues. The Government's political composition, comprising six parties from the extreme left to the right, may have been responsible for its lack of determination in resisting demands for new appropriations, although some of these, such as the demand for higher wages and salaries by Government employees are, under present circumstances, really impossible to ignore. Since December 1945, a stronger policy in curbing the increase of outlays has been noticeable. Following the reorganization of the administrative services an increase in revenue has been evident. Other decisions favorably affecting the general financial situation, were:

(a) not to resort further to the Bank of Issue for balancing the budget deficit;

(b) to postpone the currency conversion.

72. These two directives are interdependent, inasmuch as the fear that extraordinary fiscal steps may have been taken in conjunction with the currency conversion has disappeared. Therefore, currency hoarded, or invested temporarily in gold or foreign currency, was put in circulation or disinvested; since investments were lacking owing to a slack economic situation, the currency was either deposited with banks or invested in short-term Treasury bonds. These facts enabled the Treasury to carry on without resort to further inflationary measures.

73. As the improvement is not founded on long-term considerations, it cannot be assumed that the critical period has been definitely overcome. It is also possible that a contrary trend may appear in the near future. If this is the case, and the cause of it is investment of savings in production, the larger revenue from taxation may balance the fall in investments in Treasury bonds; if, on the contrary, the cause of it is lack of confidence in the lira, temporary investments will again increase in price: deposit withdrawals and fall in the circulation of Treasury bonds will cause the banks and the Treasury to resort again to the Bank of Issue, thus directly affecting the price level.

74. In short, the present financial situation is characterized by a temporary equilibrium, which may be the starting point for a substantial improvement, although it does not exclude the possibility that a dangerous situation may arise again.

75. The prime factor for getting on the road to permanent recovery will be a Government resulting from the elections which will inspire confidence and give the necessary stimulus to economic rehabilitation. It should, however, be pointed out that the strength of the policy of the new Government will be conditioned by the international status of Italy and by the regular and continuing import of raw materials. The international status of Italy is of course dependent upon the peace treaty, and it is unlikely that the Government will be able to adopt a really firm policy, as long as it has to govern in the uncertain conditions caused by a state of armistice.

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TABLE 12

Main Items on Balance Sheet of Bank of Italy

(In millions of lire)

	1938 31 Dec.	1944 31 Dec.	1945 31 March	1945 30 June	1945 30 Sept.	1945 31 Dec.	1946 31 March
ASSETS							
1) Gold Reserve	3,674	463	463	463	463	463	526
2) Foreign Assets	152	—	—	—	—	—	—
3) Cash	467	2,679	4,261	6,771	14,874	18,431	1,825
4) Domestic bill holdings	3,704	3,781	3,864	4,449	8,322	9,746	9,998
5) Loans against public securities	3,687	4,123	3,845	5,252	6,424	5,443	6,087
6) Public securities held for own account	769	888	886	893	889	889	887
7) Advances to the Treasury	3,000	203,647	367,690	343,697	343,697	343,697	343,697
8) Advances to I. R. I.	4,708	4,708	4,708	4,708	4,708	4,708	4,708
9) Holdings of bills of Consorzio per sovvenz. industriali	612	41,711	41,411	41,019	40,883	40,753	40,578
10) Advances by clearing department	78	55	25	50	95	241	197
11) Bond investments on behalf of the Treasury	—	—	—	—	—	68,000	68,000
12) Treasury account for the AM lire circulation	—	—	—	—	—	—	114,315
LIABILITIES							
13) Notes in circulation	18,956	248,644	277,302	288,588	283,182	296,021	291,747
14) Cash bonds and circular cheques	905	14,188	15,864	16,714	13,488	13,449	12,097
15) Deposits on current account (sight)	816	24,643	30,914	34,921	38,229	46,865	43,868
16) Time deposits by banks	340	81,897	102,652	108,042	103,350	120,175	122,308
17) Treasury current account	850	(D) 98,383	66,076	27,620	55,476	20,505	35,105
18) AM lire issued:	—	—	—	—	—	—	(114,315)
including: AM lire with the Bank of Italy	—	—	—	—	—	—	(21,859)

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(In millions of lire)

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17) Treasury current account	850	(D) 98,383	66,076	27,620	55,476	20,505	35,105
18) AM lire issued:	—	—	—	—	—	—	(114,315)
including: AM lire with the Bank of Italy	—	—	—	—	—	—	(21,859)
AM lire circulation	—	—	—	—	—	—	92,456
TOTAL Balance Sheet	23,598	399,746	496,949	479,145	496,827	506,606	607,754

(D) Credit balance in the Bank of Italy

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TABLE 13

General Price Index of State Bonds and Shares Quoted on the Italian Stock Exchange

(December 1938 = 100)

		State Bonds (1)	Shares (2)
December	1939	99.3	136.8
»	1940	103.2	149.1
»	1941	100.9	185.8
»	1942	97.8	212.8
»	1943	65.1	424.9
»	1944	—	903.6
January	1945	—	732.6
February	1945	—	746.9
March	1945	—	736.0
April	1945	—	769.2
May	1945	—	—
June	1945	—	673.3
July	1945	102.1	519.4
August	1945	98.9	518.3
September	1945	100.4	508.5
October	1945	101.1	607.5
November	1945	101.7	584.0
December	1945	105.8	517.1
January	1946	109.0	445.0
February	1946	105.6	440.6
March	1946	103.6	364.0

(1) Source: Bank of Italy.
(2) Milan stock exchange index (Gruppo Edison)

TABLE 14

Trade in the Stock Exchanges Securities (1)

	State bonds (millions of lire)	Shares (number in thousands)	Bonds (number in thousands)
1943	2,609.9	3,998	597
1944	5,909.9	7,973	965
1945	6,796.2	7,351	888
1946 January	791.8	2,021	136

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on the Italian Stock Exchange

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» 1942	97.8	212.8
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» 1944	—	903.6
January 1945	—	732.6
February 1945	—	746.9
March 1945	—	736.0
April 1945	—	769.2
May 1945	—	—
June 1945	—	673.3
July 1945	102.1	519.4
August 1945	98.9	518.3
September 1945	100.4	508.5
October 1945	101.1	607.5
November 1945	101.7	584.0
December 1945	105.8	517.1
January 1946	109.0	445.0
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March 1946	103.6	364.0

(1) Source: Bank of Italy.
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1944	5,909.9	7,973	965
1945	6,796.2	7,551	888
1946 January	791.8	2,021	136
» February	528.1	2,554	95
» March	522.9	1,724	65

(1) Source: Bank of Italy.

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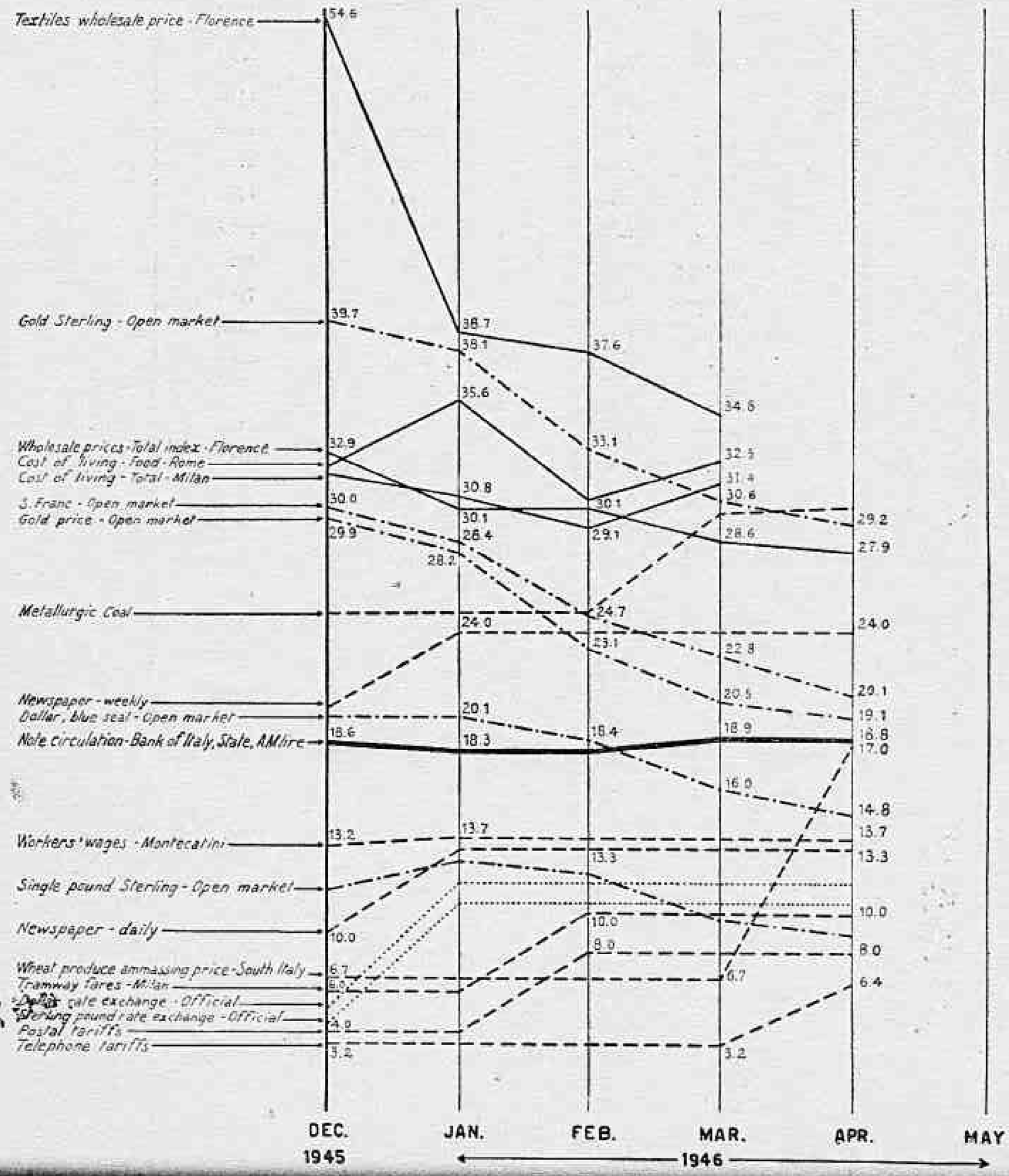
TABLE 15

PRICE AND MONETARY INDICES
1938 = 1



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PRICE AND MONETARY INDICES

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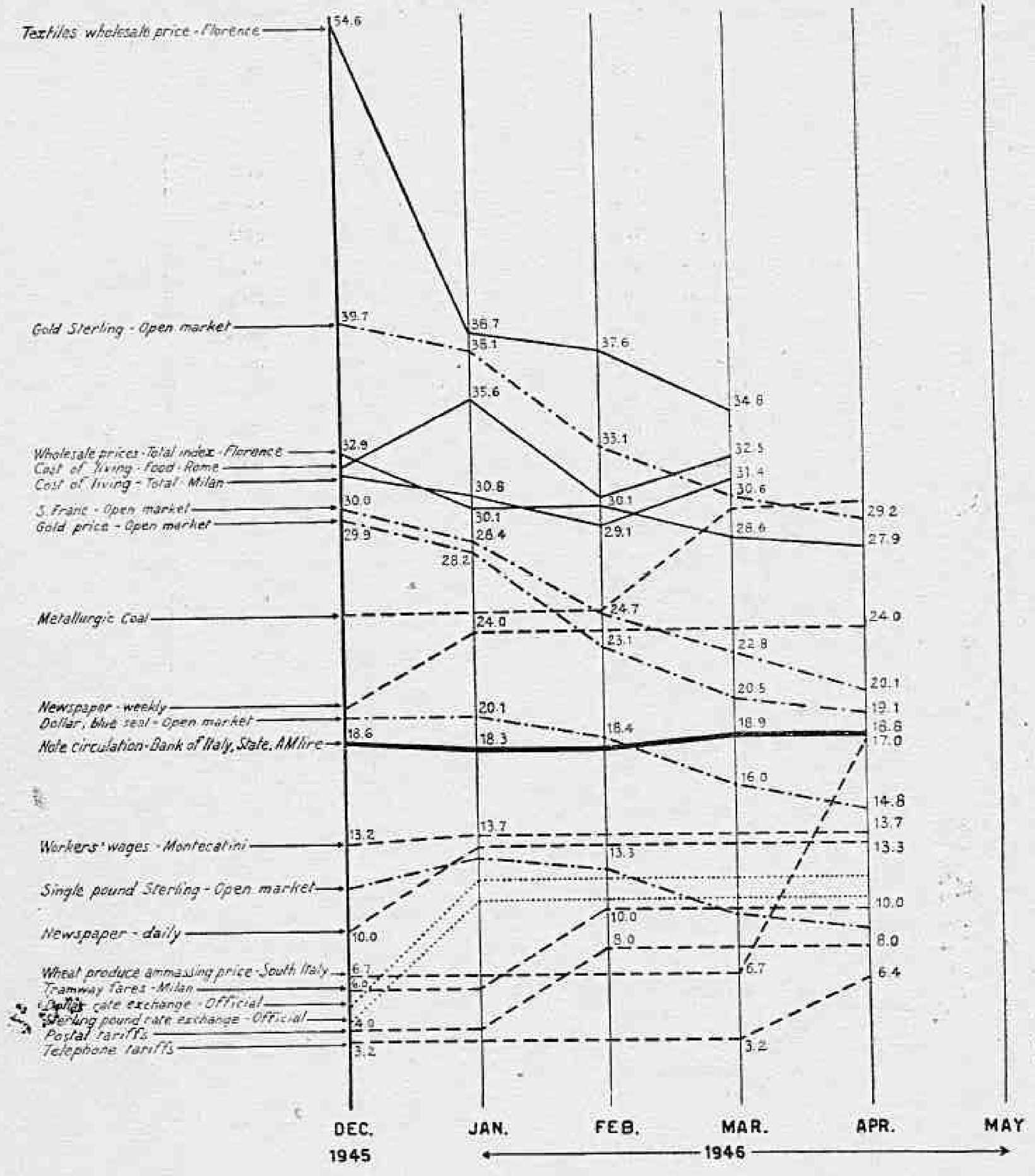

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July 12, 1946 Vol. I, No. 26

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1. Lira Fund Aids Reconstruction
2. UNRRA Imports in June
3. Bogus UNRRA Agents
4. Movements of Ships

LIRA FUND AIDS RECONSTRUCTION

Italian relief and rehabilitation—to which UNRRA has, during 1945 and 1946, allocated approximately 425 million dollars (£106,250,000 sterling), exclusive of shipping charges—will eventually benefit by a further sum, roughly calculated now at 60,000 million lire, representing the net proceeds—after deducting all expenses—of the sale of UNRRA supplies, delivered free of charge to the Italian Government.

The first agreement between UNRRA and the Italian Government, signed in March 1945, provided for the supply by UNRRA, free of charge, of relief goods and services to the value of 50 million dollars (£12,500,000 sterling). Under the financial provisions of this agreement, the Government undertook to allocate a sum in lire matching the UNRRA expenditure in foreign currency, at the rate of exchange ruling when the expenditure was incurred. This, at the then existing rate of 100 lire to the dollar, came to 5,000 million lire.

Proceeds of Sale Account

This year The Lira Fund includes the Proceeds of Sale Account, established under [illegible] Agreement, signed by the Italian Government and UNRRA on March 4, 1946. Whereas the first agreement of 1945 was limited to the provision of certain relief supplies and services, this year's program, which is estimated to cost 391 million dollars (£97,750,000 sterling), exclusive of shipping charges, envisages the supply—free of charge to the Italian Government—of food and basic raw materials for the rehabilitation of industry and agriculture, in addition to the relief program already existing. These goods are sold through controlled marketing channels, and the net proceeds credited to The Lira Fund.

The funds thus provided are intended to be used primarily for financing relief and rehabilitation projects in Italy. One minor charge is the administrative expenses incurred by UNRRA in Italy, in Italian currency.

The Agreement signed in 1946 specifies "net proceeds" as "the proceeds realised, less any expenditure incurred by the Government in transportation, warehousing and distribution, and less any fiscal charges collected by the Government in accordance with current legislation on the sale of supplies."

The machinery set up by the Italian Government to implement the financial provisions of this agreement is as follows:—About 25 Government or quasi-Government agencies are charged with the collection of the proceeds of sale from the various commodities imported. These agencies in turn are accountable to the Istituto Nazionale per il Commercio Estero

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ECONOMIC NOTES

— Published by The Public Information Division, UNRRA Italy Mission, Via di San Nicolò da Tolentino, 78, Rome —

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Proceeds of Sale Account

This year The Lira Fund includes the Proceeds of Sale Account, established under the Supplementary Agreement, signed by the Italian Government and UNRRA in January 1946, which inaugurated a greatly extended program of relief and rehabilitation, to meet the most urgent economic needs of Italy. While the original 50 million dollar program of 1945 was limited to the provision of certain relief supplies and services, this year's program, which is estimated to cost 391 million dollars (£97,750,000 sterling), exclusive of shipping charges, envisages the supply—free of charge to the Italian Government—of food and basic raw materials for the rehabilitation of industry and agriculture, in addition to the relief program already existing. These goods are sold through controlled marketing channels, and the net proceeds credited to The Lira Fund.

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The machinery set up by the Italian Government to implement the financial provisions of this agreement is as follows:—About 25 Government or quasi-Government agencies are charged with the collection of the proceeds of sale from the various commodities imported. These agencies in turn are accountable to the Istituto Nazionale per il Commercio Estero (I.C.E.). The latter, after the deduction of distribution costs agreed with UNRRA, then pays the money into the Treasury account with the Bank of Italy, and funds are made available out of this account.

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All requests for expenditure from the fund on relief and rehabilitation projects must first be reviewed by the Lira Fund Control Committee, before final approval by the Chief of the UNRRA Italy Mission and the President of the Italian Government Delegation. All proposals for expenditure from the Lira Fund must emanate either from the Italian Government or from UNRRA.

Allocations in respect of the following items indicate the uses to which the original sum of 5,000 million lire accruing from the 1945 Agreement have been put up to date:—

	Lire
CASAS (construction and repair of buildings in the war-devastated territory of the Gothic and Gustav lines)	1,000,000,000
Sardinia malaria eradication project	300,000,000
Manufacture of towels, sheets, etc. for Italian hospitals, from UNRRA imported raw cotton	457,667,508
Sorting and repair of UNRRA imported clothing and footwear	112,500,000
Housing 500 bombed-out Neapolitans who were living in caves; associated welfare and medical services	5,500,000
UNRRA Italy Mission program on be-	

Up to the 31 May 1946, a net sum of nearly 7,000 million lire had been paid into The Lira Fund from the sale of UNRRA goods during the present year. The main payments to the fund were as follows:—

	Lire
Foodstuffs	950,000,000
Agriculture	90,919,469
Coal	5,000,000,000
Petroleum products	600,000,000

The sums above are advance payments, pending the final determination of sales and distribution costs. These receipts by no means cover all the commodities imported during this period but only those major commodities for which prices have been agreed by UNRRA and the Government, such as wheat, coal and potatoes. It is a condition of the Supplementary Agreement that UNRRA and the Government must agree the prices of all UNRRA imports.

Further Allocations Planned

Recommendations for the allocation of further large sums for welfare purposes, for the care of displaced persons, for public health projects and social services, are now under consideration.

The size of the fund is affected by the policy agreed upon by the Government and UNRRA that there shall be a single price policy governing both goods imported by UNRRA and those produced domestically. The broad purposes of this policy are to prevent confusion in distribution and, more important, to lower the cost of living and to assist Italy to adjust prices so that she can compete in the international market. The application of this policy may mean that the price fixed for a commodity is much lower than the landed cost.

Control of Bread Prices

An example is wheat, which under prices prevailing until recently yielded to the Lira Fund less than half the landed cost. This meant a severe loss to the funds available for rehabilitation, but it meant that the price of

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Total	2,625,667,508

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Careful and timely use of this fund has enabled UNRRA and the Government to assist in bridging the gap between the two price levels by selling the Italian produced goods to the consumer at the lower price and by paying the Italian producer a moderate subsidy to cover his costs. These are measures taken to meet the present distorted price and cost of living situation on an emergency basis, pending the Government's adoption of plans for orderly reduction of the general price level.

UNRRA IMPORTS IN JUNE

UNRRA supplies arriving in Italy from all parts of the world during June totalled 322,763 gross long tons exclusive of petroleum products. This compares with the May import figure of 434,607 tons (excluding petroleum products).

Since the beginning of the year imports of UNRRA supplies (including petroleum products) have reached a total of over 3,000,000 tons. During both May and June, imports were substantially below March and April levels, primarily as a result of the world-wide shortage of bread-cereals and the interruption in coal shipments which resulted from the coal miners' strike in the United States.

The international character of UNRRA's aid to Italy is illustrated by the very large number of countries from which food and medical, agricultural and industrial supplies were imported last month. Arrivals included grain from Canada, the United States and Argentina, coal from the United Kingdom, the Ruhr and the Persian Gulf, canned fish from Norway, copper from South Africa, cotton from Egypt, soap from Brazil, and medical supplies from Switzerland.

Bread Cereals and Coal

(No figures are as yet available on June imports of gasoline, kerosene and other petroleum products, paid for by UNRRA and imported through military channels.)

Help in the Critical Weeks

Wheat, corn, oats and other UNRRA bread-cereal imports during June helped to tide Italy over the critical pre-harvest weeks when there was little other grain available for rationed bread. Other food imports during June included canned fish and meats, evaporated milk, dry whole milk, coffee, sugar, marmalade, lard, margarine, soup powder and beans.

Industrial imports, in addition to coal and petroleum fuels, included pig-iron, gum rosin, asbestos, copper and tinplate for the industrial rehabilitation program. June arrivals in the UNRRA clothing and footwear program included wool, cotton, used clothing, hides, soling material, tanning extract and soling nails.

Pesticides and fertilizers comprised the greatest part of the agricultural imports which also included mowers, threshers, combine-harvesters, seed, hatching eggs, and gammexane to fight the grasshopper plague in Sardinia.

BOGUS UNRRA AGENTS

An individual posing as an UNRRA representative has been arrested at Bolzano, while attempting to pass himself off as authorized to solicit aid for UNRRA.

Impostors, describing themselves as acting on behalf of, and sent by, UNRRA, are understood to be engaged in similar activities in other Italian towns. UNRRA warns the public to be on its guard against such bogus representatives, and to ascertain whether the individuals actually belong to UNRRA. They must be asked to produce their UNRRA identity card, with attached photograph. The public should, in any case, remember that UNRRA relief and rehabilitation is financed

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Bread Cereals and Coal

The June arrivals included 132,668 tons of bread cereals, 32,715 tons of other foods, 128,835 tons of coal, 8,427 tons of industrial raw materials, 8,791 tons of hides, textiles and clothing, 8,644 tons of agricultural supplies, and 2,683 tons of medical supplies and soap.

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It is pointed out that any person attempting such misrepresentation is liable to prosecution.

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MOVEMENTS OF SHIPS

CARGOES OTHER THAN COAL

(JULY 1 - 6 INCLUSIVE)

SHIP	PORT OF ARRIVAL	DATE OF ARRIVAL	ACCOUNT	CARGO	QUANTITY
Eugene Field	Genoa	1 July	Ital. Program-Commercial	General	7,785 tons
Vulcania	Naples	" "	UNRRA	"	13 cases
Cyrus W. Field	"	" "	"	"	3,159 tons
Lorado Taft	"	" "	"	Wheat	8,418 "
Hilmerist	Brindisi	2 "	"	Cotton and cake	8,500 "
Cervino	Genoa	3 "	"	Corn	6,892 "
Oris	"	" "	"	Cotton	6,843 bales
Fort Island	"	" "	"	General	5,639 tons
Fighting Lee	Venice	" "	"	Corn	7,950 "
Addie Balley Daniels	Leghorn	" "	"	General	8,069 "
Francis S. Key	Genoa	5 "	Ital. Program-Commercial	"	7,625 "
Examiner	Civitavecchia	6 "	UNRRA	"	7,200 "
Francis K. Lane	Castellamare	" "	"	Wheat	8,850 "
George Vickers	Brindisi	" "	UNRRA (Italy and Albania)	"	8,357 "
Risden T. Bennett	Genoa	" "	UNRRA	General	6,150 "
Alfred Victory	Genoa	" "	UNRRA - Commercial	"	6,707 "
Empire Harmony	Genoa	" "	UNRRA	"	3,700 "

LATEST COAL SHIPMENTS

(JULY 1 - 7 INCLUSIVE)

SHIP	PORT OF ARRIVAL	DATE OF ARRIVAL	COUNTRY OF ORIGIN	ACCOUNT	TONS
Invicken *	Savona	29 June	United States	UNRRA	5,600
Samuel Morse	Genoa	1 July	" "	"	8,205
Fort Liard	Venice	" "	South Africa	Brit. Army	8,310
Roger Griswold	Savona	" "	United States	UNRRA	8,362
Ameriki	"	3 "	" "	"	8,408
William H. Moody	Venice	5 "	" "	"	8,217
Chilton Seam	Savona	" "	" "	"	9,576
George Chaffey	"	" "	" "	"	8,496
Empire Harmony	Genoa	6 "	Germany	"	3,719

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Empire Harmony	Genoa	6 "	Germany	"	3,719
Empire Dunnet	Venice	7 "	South Africa	"	9,021
Teresa Schiaffino	Bagnoli	" "	Germany	"	7,611

** Advice received too late for inclusion in last week's shipping list*

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July 12, 1946 Vol. I, No. 26

JUL 12 1946

ECONOMIC NOTES

— Published by The Public Information Division, UNRRA Italy Mission, Via di San Nicolò da Tolentino, 78, Rome —

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4. Movements of Ships

LIRA FUND AIDS RECONSTRUCTION

Italian relief and rehabilitation—to which UNRRA has, during 1945 and 1946, allocated approximately 425 million dollars (£106,250,000 sterling), exclusive of shipping charges—will eventually benefit by a further sum, roughly calculated now at 60,000 million lire, representing the net proceeds—after deducting all expenses—of the sale of UNRRA supplies, delivered free of charge to the Italian Government.

The first agreement between UNRRA and the Italian Government, signed in March 1945, provided for the supply by UNRRA, free of charge, of relief goods and services to the value of 50 million dollars (£12,500,000 sterling). Under the financial provisions of this agreement, the Government undertook to allocate a sum in lire matching the UNRRA expenditure in foreign currency, at the rate of exchange ruling when the expenditure was incurred. This, at the then existing rate of 100 lire to the dollar, came to 5,000 million lire.

Proceeds of Sale Account

This year The Lira Fund includes the of 1945 was limited to the provision of certain relief supplies and services, this year's program, which is estimated to cost 391 million dollars (£97,750,000 sterling), exclusive of shipping charges, envisages the supply—free of charge to the Italian Government—of food and basic raw materials for the rehabilitation of industry and agriculture, in addition to the relief program already existing. These goods are sold through controlled marketing channels, and the net proceeds credited to The Lira Fund.

The funds thus provided are intended to be used primarily for financing relief and rehabilitation projects in Italy. One minor charge is the administrative expenses incurred by UNRRA in Italy, in Italian currency.

The Agreement signed in 1946 specifies "net proceeds" as "the proceeds realised, less any expenditure incurred by the Government in transportation, warehousing and distribution, and less any fiscal charges collected by the Government in accordance with current legislation on the sale of supplies."

The machinery set up by the Italian Government to implement the financial provisions of this agreement is as follows:—About 25 Government or quasi-Government agencies are charged with the collection of the proceeds of sale from the various commodities imported.

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This year The Lira Fund includes the Proceeds of Sale Account, established under the Supplementary Agreement, signed by the Italian Government and UNRRA in January 1946, which inaugurated a greatly extended program of relief and rehabilitation, to meet the most urgent economic needs of Italy. While the original 50 million dollar program of 1945 was limited to the provision of certain relief supplies and services, this year's program, which is estimated to cost 391 million dollars (£97,750,000 sterling), exclusive of shipping charges, envisages the supply—free of charge to the Italian Government—of food and basic raw materials for the rehabilitation of industry and agriculture, in addition to the relief program already existing. These goods are sold through controlled marketing channels, and the net proceeds credited to The Lira Fund.

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Pesticides and fertilizers comprised the greatest part of the agricultural imports which also included mowers, threshers, combine-harvesters, seed, hatching eggs, and gammexane to fight the grasshopper plague in Sardinia.

BOGUS UNRRA AGENTS

An individual posing as an UNRRA representative has been arrested at Bolzano, while attempting to pass himself off as authorized to solicit aid for UNRRA.

Impostors, describing themselves as acting on behalf of, and sent by, UNRRA, are understood to be engaged in similar activities in other Italian towns. UNRRA warns the public to be on its guard against such bogus representatives, and to ascertain whether the individuals actually belong to UNRRA. They must be asked to produce their UNRRA identity card, with attached photograph. The public should, in any case, remember that UNRRA relief and rehabilitation is financed

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to the consumer at the lower price and by paying the Italian producer a moderate subsidy to cover his costs. These are measures taken to meet the present distorted price and cost of living situation on an emergency basis, pending the Government's adoption of plans for orderly reduction of the general price level.

UNRRA IMPORTS IN JUNE

UNRRA supplies arriving in Italy from all parts of the world during June totalled 322,763 gross long tons exclusive of petroleum products. This compares with the May import figure of 434,607 tons (excluding petroleum products).

Since the beginning of the year imports of UNRRA supplies (including petroleum products) have reached a total of over 3,000,000 tons. During both May and June, imports were substantially below March and April levels, primarily as a result of the world-wide shortage of bread-cereals and the interruption in coal shipments which resulted from the coal miners' strike in the United States.

The international character of UNRRA's aid to Italy is illustrated by the very large number of countries from which food and medical, agricultural and industrial supplies were imported last month. Arrivals included grain from Canada, the United States and Argentina, coal from the United Kingdom, the Ruhr and the Persian Gulf, canned fish from Norway, copper from South Africa, cotton from Egypt, soap from Brazil, and medical supplies from Switzerland.

Bread Cereals and Coal

The June arrivals included 132,668 tons of bread cereals, 32,715 tons of other foods, 128,835 tons of coal, 8,427 tons of industrial raw materials, 8,791 tons of hides, textiles and clothing, 8,644 tons of agricultural supplies, and 2,683 tons of medical supplies and soap.

Help in the Critical Weeks

Wheat, corn, oats and other UNRRA bread-cereal imports during June helped to tide Italy over the critical pre-harvest weeks when there was little other grain available for rationed bread. Other food imports during June included canned fish and meats, evaporated milk, dry whole milk, coffee, sugar, marmalade, lard, margarine, soup powder and beans.

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It is pointed out that any person attempting such misrepresentation is liable to prosecution.

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MOVEMENTS OF SHIPS

CARGOES OTHER THAN COAL

(JULY 1 - 6 INCLUSIVE)

SHIP	PORT OF ARRIVAL	DATE OF ARRIVAL	ACCOUNT	CARGO	QUANTITY
Eugene Field	Genoa	1 July	Ital. Program-Commercial	General	7,785 tons
Vulcania	Naples	" "	UNRRA	"	13 cases
Cyrus W. Field	"	" "	"	"	3,159 tons
Lorado Taft	"	" "	"	Wheat	8,418 "
Hilmerist	Brindisi	2 "	"	Cotton and cake	8,500 "
Cervino	Genoa	3 "	"	Corn	6,892 "
Oris	"	" "	"	Cotton	6,843 bales
Fort Island	"	" "	"	General	5,639 tons
Fighting Lee	Venice	" "	"	Corn	7,950 "
Addie Balley Daniels	Leghorn	" "	"	General	8,069 "
Francis S. Key	Genoa	5 "	Ital. Program-Commercial	"	7,625 "
Examiner	Civitavecchia	6 "	UNRRA	"	7,200 "
Francis K. Lane	Castellamare	" "	"	Wheat	8,850 "
George Vickers	Brindisi	" "	UNRRA (Italy and Albania)	"	8,357 "
Risden T. Bennett	Genoa	" "	UNRRA	General	6,150 "
Alfred Victory	Genoa	" "	UNRRA - Commercial	"	6,707 "
Empire Harmony	Genoa	" "	UNRRA	"	3,700 "

LATEST COAL SHIPMENTS

(JULY 1 - 7 INCLUSIVE)

SHIP	PORT OF ARRIVAL	DATE OF ARRIVAL	COUNTRY OF ORIGIN	ACCOUNT	TONS
Invicken *	Savona	29 June	United States	UNRRA	5,600
Samuel Morse	Genoa	1 July	" "	"	8,205
Fort Liard	Venice	" "	South Africa	Brit. Army	8,310
Roger Griswold	Savona	" "	United States	UNRRA	8,362
Ameriki	"	3 "	" "	"	8,408
William H. Moody	Venice	5 "	" "	"	8,217
Chilton Seam	Savona	" "	" "	"	9,576
George Chaffey	"	" "	" "	"	8,496

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Chilton Seam	Savona	" "	" "	"	9,576
George Chaffey	"	" "	" "	"	8,496
Empire Harmony	Genoa	6 "	Germany	"	3,719
Empire Dunnet	Venice	7 "	South Africa	"	9,021
Teresa Schiaffino	Bagnoli	" "	Germany	"	7,611

** Advice received too late for inclusion in last week's shipping list*

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July 5, 1946 Vol. I, No. 25

ECONOMIC NOTES

— Published by The Public Information Division, UNRRA Italy Mission, Via di San Nicolò da Tolentino, 78, Rome —

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2. Industrial Rehabilitation
3. Coal Outlook for July
4. Movements of Ships

NEW HARVEST AMASSING GOES WELL

Latest reports indicate that the amassing campaign for the new harvest is going even better than was expected. Amassing reported up to 30 June totalled 345,000 tons. This is a record figure, and compares with the 138,000 tons amassed in 1942 (which is considered to have been a particularly good year for amassing) and 139,000 tons in 1943, when a special effort was made to secure early deliveries to the amassing pools.

The highest percentages have so far been reported from northern and central Italy. Figures for southern Italy and the islands are somewhat disappointing up to now.

Effect of Increased Prices

The Italian authorities, both government and local, appear to have laid their plans well, and co-operation from the farmers is understood to be more readily forthcoming than in previous years. The results so far achieved show the effects of the increased price which is being paid to farmers this year, and of the premium for early deliveries. Calculated on a sliding scale, according to the date of delivery, this premium began at a maximum of 600 lire per quintal for delivery up to 10 June, and has now progressively fallen to 300 lire per

Agricultural Inspectors, distributing authorities and UNRRA, held two meetings in the course of last month, the first in Bologna, the second in Milan, in the course of which the Director-General in charge of amassing (Ministry of Agriculture) outlined the new amassing policy and stressed the need for the utmost despatch in all operations connected with this year's program.

Last year's procedure of checking farmers in alphabetical order has been discarded. This year, direct determination of yield will be made on a zonal basis, zones being classified according to the type of soil, rainfall and similar factors, and not necessarily on the basis of property boundaries. Large and medium-sized farms will then be inspected and assessed first, after which it will be the turn of the smaller ones. This, it is hoped, will effectively speed up procedure, since 55 per cent. of the wheat delivered to the amassi is brought in by five per cent. of the farmers making deliveries.

Speedier mechanism

The Government has provided 150 jeeps for the amassing campaign, and has authorized provincial authorities to hire other cars if the jeeps are not sufficient. Spot checks at threshing machines will be made instead of hav-

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Representatives of the Ministry of Agriculture, Food Commissariat, Consorzi Agrari, Agricultural Inspectors, distributing authorities and UNRRA, held two meetings in the course of last month, the first in Bologna, the second in Milan, in the course of which the Director-General in charge of amassing (Ministry of Agriculture) outlined the new amassing policy and stressed the need for the utmost despatch in all operations connected with this year's program.

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Speedier mechanism

The Government has provided 150 jeeps for the amassing campaign, and has authorized provincial authorities to hire other cars if the jeeps are not sufficient. Spot checks at threshing machines will be made instead of having checkers stationed continually beside the machines. The Director-General in charge of amassing has absolute telephone priority every evening for communicating with the provinces. This will ensure immediate action where proceedings are unsatisfactory; and in itself

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constitutes a marked improvement over other years, when the exchange of correspondence on amassing matters often precluded the possibility of action until any chance of remedy had been lost.

The penalty for evasion is a fine 20 times the price of the wheat illegally withheld from the amassi. Those guilty of evasion may also be imprisoned. No interference in the operation will be tolerated, nor will the Government allow any unofficial supplementary amassing over and above that prescribed by the law—such as occurred last year when certain mayors ordered quantities of wheat to be set aside for the use of their respective political parties.

INDUSTRIAL REHABILITATION

Total expenditure planned by the UNRRA Italy Mission on industrial rehabilitation this year will exceed 127,000,000 dollars (£31,750,000 sterling) exclusive of freight. Next to food, industrial imports constitute the largest category of aid to Italy and represent 30 per cent. of the whole UNRRA Italy budget for 1946.

As proposed by UNRRA Headquarters in Washington, for approval by the Central Committee of UNRRA, the total industrial procurement will be as follows:—

	Dollars
Industrial fuels	76,500,000
Pig-iron, steel and other basic metals	20,600,000
Rubber and materials for rubber processing	12,400,000
Industrial chemicals and resins .	5,400,000
Asphalt	2,700,000
Lumber	2,500,000
Fire-clays, fire-bricks and asbestos	1,700,000
Vehicles, parts and miscellaneous industrial materials and services	5,700,000
Total	127,500,000

mally employed in industry—but will also help to restore Italy's war shattered economy.

Even if UNRRA is able to secure all the industrial rehabilitation supplies as well as the food and other imports included in its 425,000,000 dollar (£106,250,000 sterling) program for Italy, additional imports valued at upwards of 350,000,000 dollars (plus freight expenditure) would still be necessary this year to restore a satisfactory functioning of the national economy. The only sources of foreign exchange upon which Italy can definitely rely in 1946 will provide exchange resources of under 200,000,000 dollars (£50,000,000 sterling), substantially less than the country's total needs. Hence UNRRA has found it necessary to concentrate on absolute essentials.

For most of the industrial commodities UNRRA plans to import, there is a world shortage and in many cases other war-ravaged countries assisted by UNRRA have an equally urgent need. Some vitally needed items such as cellulose, may have to be eliminated from the Italian program.

Up to 1 June, the UNRRA Italy Mission imported 1,370,000 long tons of coal valued at 10,500,000 dollars (£2,625,000 sterling). An import program of 600,000 tons a month for the rest of the year will bring the total cost for 1946 to 40,775,000 dollars (£10,193,750 sterling), exclusive of freight charges. By 1 June, liquid fuels and fuel oil, to the value of 15,000,000 dollars (£3,750,000 sterling) had been imported. For the whole year, UNRRA's import program will amount to more than 35,000,000 dollars (£8,750,000 sterling), exclusive of freight charges.

More economic sources

At present, UNRRA is encouraging industrial plants to convert to fuel oil wherever possible, to lessen somewhat the country's dependence on coal. UNRRA is also furthering Italy's effort to return to more economic sources of coal, such as Poland and the Ruhr.

Now that the difficulties which arose in the first half of the year have been overcome, shipments of pig-iron, tin, copper and rubber on UNRRA account, are beginning to reach

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UNRRA's industrial import program is designed to provide raw materials rather than finished products, and thereby start a chain reaction of essential industrial activity. This will not only provide goods and jobs—about one-third of the working population is normally employed in industry—but will also provide the goods which the people need to buy with their wages. Without this, the purchasing power of the people would be largely wasted.

Even if the full amount of the 425,000,000 dollar (£106,250,000 sterling) program for Italy, additional imports valued at upwards of 350,000,000 dollars (plus freight expenditure) would still be necessary this year to restore a satisfactory functioning of the national economy. The only sources of foreign exchange upon which Italy can definitely rely in 1946 will provide exchange resources of under 200,000,000 dollars (£50,000,000 sterling), substantially less than the country's total needs. Hence UNRRA has found it necessary to concentrate on absolute essentials.

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Now that the difficulties which arose in the first half of the year have been overcome, shipments of pig-iron, tin, copper and rubber on UNRRA account, are beginning to reach Italy, and a constantly increasing flow of key materials is expected through the rest of the year. A sum of almost 21,000,000 dollars (£5,250,000 sterling) has been allocated for pig-iron, steel, copper, tin, nickel, manganese

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and alloying elements. Contracts for 39,000 tons of pig-iron for Italy have already been placed in Australia, leaving about 100,000 tons to be procured elsewhere.

In the case of steel, UNRRA is making a departure from its principle of providing raw materials rather than finished products, because of the urgent need of steel for transport industries. Over 7,000,000 dollars (£1,750,000 sterling) have been budgeted for finished and semi-finished steel, intended for the construction of new coastwise vessels, the repair of ships in Italy's almost obliterated merchant marine, and the acceleration of railway and port reconstruction. Part of the semi-finished steel will be utilized by the machine-tool and food processing industries.

Steel - Copper - Rubber

Manganese ore for steel making has been procured in South Africa, deliveries of which are scheduled for this month. Nickel for special steels should also be available from the same source this summer. For imports of tin ingots and tin-plate 2,200,000 dollars (£550,000 sterling) have been allocated in the Italy Mission budget. Already 900 tons of UNRRA tin have reached Italy from Great Britain and the United States. No difficulty is anticipated in securing the balance of the tin procurement program.

To help in restoring electric power and the electric railway system, essential to Italian economy, UNRRA plans to spend 3,000,000 dollars (£750,000 sterling) on electrolytic wire-bar copper. Some 2,000 tons have already been procured in Chile for early summer shipment. Fire-refined copper, also in the program, has been shipped from South Africa.

To relieve the serious shortage of automobile tyres and tubes, 11,600,000 dollars (£2,900,000 sterling) have been allocated by UNRRA for the purchase of 20,000 tons of rubber; and, in addition, more than 700,000 dollars (£175,000 sterling) for carbon black, pine-tars, resins and chemicals required for the rubber industry. The first small shipments of rubber reached Italy during May. Synthetic rubber is in very short supply and the bulk of imports of rubber, most of which, it is hoped, will be available in Central America.

Coal-tar chemicals, dye-stuffs, industrial waxes, alcohol, turpentine, glycerine and other chemicals to the value of 5,400,000 dollars (£1,350,000 sterling) are also included in the UNRRA program. Here again, world shortage of many items may affect actual procurement. The metallurgical and chemical industries will also be aided by UNRRA imports of fire-clay, fire-bricks for the production of refractory materials and asbestos for electrical insulation, totalling almost 2,000,000 dollars (£500,000 sterling) in all.

Italy's construction program for destroyed and damaged homes and factories will be facilitated by UNRRA imports, chiefly fuels, for the cement, lime, brick, tile and glass industries. Supplies will also include iron, asbestos and asphalt, in addition to what has been allocated to the basic industries and later transformed into building materials.

Some UNRRA imports primarily intended for relief will also help to stimulate industrial recovery. Textile and leather imports are estimated at 55,000,000 dollars (£13,750,000 sterling). They include raw cotton, raw wool, wool rags, hides, composition soling and tanning extracts.

Foreign trade

Wherever possible, UNRRA also plans to have goods manufactured in Italy for other countries receiving assistance. Italian firms will manufacture cotton yarn and fabrics for export to the UNRRA Mission in Albania and fish-net twine for export to the UNRRA Missions in Yugoslavia, Greece and China (see *Economic Notes* No. 21 of 7 June).

Purchases of basic industrial materials direct by the Italian Government are being carefully co-ordinated with UNRRA imports. Furthermore, since Italy's economic recovery rests on increased foreign trade, UNRRA is fully supporting the Italian Government in the negotiation of trade and barter agreements with other countries. Italy has already arranged to import iron, steel, phosphate-rock,

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While the Italian Government is exploring the possibility of re-establishing Italy's normal sources of timber supply (Austria and Yugoslavia), UNRRA proposes to spend 2,500,000 dollars (£625,000 sterling) upon (£1,350,000 sterling) are also included in the UNRRA program. Here again, world shortage of many items may affect actual procurement. The metallurgical and chemical industries will also be aided by UNRRA imports of fire-clay, fire-bricks for the production of refractory materials and asbestos for electrical insulation, totalling almost 2,000,000 dollars (£500,000 sterling) in all.

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COAL OUTLOOK FOR JULY

Increased coal allocations to Italy from the Ruhr and the expected resumption of regular coal arrivals from the United States have enabled the Italian Government-UNRRA Emergency Coal Committee to allocate 475,000 tons for essential industrial purposes during July, an increase of 50,000 tons over the June allotment. During July the use of household gas is being extended from one-and-a-half hours to two-and-a-half hours daily, as a result of a larger allocation of coal to the gasworks.

Approximately 400,000 tons of coal are scheduled to reach Italy in July. Coal reserves in Italy, stockpiled during the coal crisis, amounted to about 350,000 tons at the end of June; and it is from these reserves that the additional 50,000 tons will be allocated to industry.

At the June meeting of the European Coal Organization in London, Italy was allotted 191,000 tons from Ruhr production for July, the largest allocation to Italy from this source since ECO began to function. This includes 2,000 tons of high-grade anthracite for electrodes, procured despite a continued severe scarcity of this vital coal. Other July allocations to Italy fixed at the ECO meeting were 171,000 tons from the United States, 18,000 tons from South Africa, and 10,000 tons from the United Kingdom.

The Italian Government-UNRRA Emergency Coal Committee will continue to function for the present and will make all coal allocations to Italian industry. It is considered that the committee, created to meet the crisis which resulted from the coal strike in the United States, has built up a valuable body of experience which will continue to be of service to industrial reconstruction during the coming months, as UNRRA shipments of industrial materials increase.

Meanwhile, the Italian Government is encouraging industrial firms to procure coal from other than UNRRA sources, to improve further the general coal situation and re-establish normal coal procurement.

Domestic production

Coal allocations to steel companies by the Emergency Coal Committee are being reviewed with the object of achieving the highest possible production of steel. The recent UNRRA arrivals of 2,000 tons of special anthracite from the Ruhr have made it possible to operate once again heavy electric pig-iron and steel furnaces which were forced to shut down during April. A consignment of 1,000 tons left the Ruhr on 18 June, completing the 3,000 ton allotment for April, May and June.

Sardinian coal production fell slightly below the target of 90,000 tons during May and was substantially short of the goal in June, as a result of the diversion of manpower to the harvest and the anti-locust campaign. It is expected that there will continue to be some difficulty in meeting this target during the summer months, but efforts are being made to maintain domestic production.

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MOVEMENTS OF SHIPS

CARGOES OTHER TRAN COAL

(JUNE 23 - 30 INCLUSIVE)

SHIP	PORT OF ARRIVAL	DATE OF ARRIVAL	ACCOUNT	CARGO	QUANTITY
Josia Barlett	Genoa	23 June	UNRRA	Corn	7,175 tons
Owen Summers	Naples	24 „	„	General	7,384 „
Rio Dante	Genoa	25 „	„	Wheat	7,283 „
Newbarry Victory	Genoa - Trieste *	„ „	„	General	7,130 „
Andalusia	Venice	28 „	It. Govt.	Phosphates	7,360 „
Port Brunswick	Palermo	„ „	UNRRA	Wheat	8,000 „
William Patterson	Genoa	30 „	„	Corn	7,108 „
Risder Tyler Bennet	Naples	„ „	„	General	1,500 „
Svolder	„	„ „	„	Fish	3,840 „

** Arrived at first-named port on the date shown; discharging at the second port later*

LATEST COAL SHIPMENTS

(JUNE 16 - 30 INCLUSIVE)

SHIP	PORT OF ARRIVAL	DATE OF ARRIVAL	COUNTRY OF ORIGIN	ACCOUNT	TONS
Baron Yarborough	Savona	16 June	United Kingdon	UNRRA	5,000
Scottish Monarch	Bagnoli	21 „	South Africa	„	5,210
	Cagliari	25 „			3,000
Van Nuys	Civitavecchia	24 „	United States	„	8,226
Francisco Quinones	Savona	27 „	„ „	„	8,492
Joseph Warren	Genoa	28 „	„ „	„	3,998
Anna H. Schaw	Bagnoli	29 „	„ „	„	8,378
David Lubin	Palermo	30 „	„ „	„	8,334
Samnegros	Bari - Ancona *	„ „	South Africa	„	3,092

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July 5, 1946 Vol. I, No. 25

JUL 5 REC'D

ECONOMIC NOTES

— Published by The Public Information Division, UNRRA Italy Mission, Via di San Nicolò da Tolentino, 78, Rome —

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1. New Harvest Amassing Goes Well
2. Industrial Rehabilitation
3. Coal Outlook for July
4. Movements of Ships

NEW HARVEST AMASSING GOES WELL

Latest reports indicate that the amassing campaign for the new harvest is going even better than was expected. Amassing reported up to 30 June totalled 345,000 tons. This is a record figure, and compares with the 138,000 tons amassed in 1942 (which is considered to have been a particularly good year for amassing) and 139,000 tons in 1943, when a special effort was made to secure early deliveries to the amassing pools.

The highest percentages have so far been reported from northern and central Italy. Figures for southern Italy and the islands are somewhat disappointing up to now.

Effect of Increased Prices

The Italian authorities, both government and local, appear to have laid their plans well, and co-operation from the farmers is understood to be more readily forthcoming than in previous years. The results so far achieved show the effects of the increased price which is being paid to farmers this year, and of the premium for early deliveries. Calculated on a sliding scale, according to the date of delivery, this premium began at a maximum of 600 lire per quintal for delivery up to 10 June, and has now progressively fallen to 300 lire per

Agricultural Inspectors, distributing authorities and UNRRA, held two meetings in the course of last month, the first in Bologna, the second in Milan, in the course of which the Director-General in charge of amassing (Ministry of Agriculture) outlined the new amassing policy and stressed the need for the utmost despatch in all operations connected with this year's program.

Last year's procedure of checking farmers in alphabetical order has been discarded. This year, direct determination of yield will be made on a zonal basis, zones being classified according to the type of soil, rainfall and similar factors, and not necessarily on the basis of property boundaries. Large and medium-sized farms will then be inspected and assessed first, after which it will be the turn of the smaller ones. This, it is hoped, will effectively speed up procedure, since 55 per cent. of the wheat delivered to the amassi is brought in by five per cent. of the farmers making deliveries.

Speedier mechanism

The Government has provided 150 jeeps for the amassing campaign, and has authorized provincial authorities to hire other cars if the jeeps are not sufficient. Spot checks of threshing machines will be made instead of having checkers stationed continually beside the

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Representatives of the Ministry of Agriculture, Food Commissariat, Consorzi Agrari, Agricultural Inspectors, distributing authorities and UNRRA, held two meetings in the course of last month, the first in Bologna, the second in Milan, in the course of which the Director-General in charge of amassing (Ministry of Agriculture) outlined the new amassing policy and stressed the need for the utmost despatch in all operations connected with this year's program.

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The Government has provided 150 jeeps for the amassing campaign, and has authorized provincial authorities to hire other cars if the jeeps are not sufficient. Spot checks at threshing machines will be made instead of having checkers stationed continually beside the machines. The Director-General in charge of amassing has absolute telephone priority every evening for communicating with the provinces. This will ensure immediate action where proceedings are unsatisfactory; and in itself

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constitutes a marked improvement over other years, when the exchange of correspondence on amassing matters often precluded the possibility of action until any chance of remedy had been lost.

The penalty for evasion is a fine 20 times the price of the wheat illegally withheld from the amassi. Those guilty of evasion may also be imprisoned. No interference in the operation will be tolerated, nor will the Government allow any unofficial supplementary amassing over and above that prescribed by the law—such as occurred last year when certain mayors ordered quantities of wheat to be set aside for the use of their respective political parties.

INDUSTRIAL REHABILITATION

Total expenditure planned by the UNRRA Italy Mission on industrial rehabilitation this year will exceed 127,000,000 dollars (£31,750,000 sterling) exclusive of freight. Next to food, industrial imports constitute the largest category of aid to Italy and represent 30 per cent. of the whole UNRRA Italy budget for 1946.

As proposed by UNRRA Headquarters in Washington, for approval by the Central Committee of UNRRA, the total industrial procurement will be as follows:—

	Dollars
Industrial fuels	76,500,000
Pig-iron, steel and other basic metals	20,600,000
Rubber and materials for rubber processing	12,400,000
Industrial chemicals and resins .	5,400,000
Asphalt	2,700,000
Lumber	2,500,000
Fire-clays, fire-bricks and asbestos	1,700,000
Vehicles, parts and miscellaneous industrial materials and services	5,700,000
Total . . .	127,500,000

mally employed in industry—but will also help to restore Italy's war shattered economy.

Even if UNRRA is able to secure all the industrial rehabilitation supplies as well as the food and other imports included in its 425,000,000 dollar (£106,250,000 sterling) program for Italy, additional imports valued at upwards of 350,000,000 dollars (plus freight expenditure) would still be necessary this year to restore a satisfactory functioning of the national economy. The only sources of foreign exchange upon which Italy can definitely rely in 1946 will provide exchange resources of under 200,000,000 dollars (£50,000,000 sterling), substantially less than the country's total needs. Hence UNRRA has found it necessary to concentrate on absolute essentials.

For most of the industrial commodities UNRRA plans to import, there is a world shortage and in many cases other war-ravaged countries assisted by UNRRA have an equally urgent need. Some vitally needed items such as cellulose, may have to be eliminated from the Italian program.

Up to 1 June, the UNRRA Italy Mission imported 1,370,000 long tons of coal valued at 10,500,000 dollars (£2,625,000 sterling). An import program of 600,000 tons a month for the rest of the year will bring the total cost for 1946 to 40,775,000 dollars (£10,193,750 sterling), exclusive of freight charges. By 1 June, liquid fuels and fuel oil, to the value of 15,000,000 dollars (£3,750,000 sterling) had been imported. For the whole year, UNRRA's import program will amount to more than 35,000,000 dollars (£8,750,000 sterling), exclusive of freight charges.

More economic sources

At present, UNRRA is encouraging industrial plants to convert to fuel oil wherever possible, to lessen somewhat the country's dependence on coal. UNRRA is also furthering Italy's effort to return to more economic sources of coal, such as Poland and the Ruhr.

Now that the difficulties which arose in the first half of the year have been overcome, shipments of pig-iron, tin, copper and rubber

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Total . . .	127,500,000

UNRRA's industrial import program is designed to provide raw materials rather than finished products, and thereby start a chain reaction of essential industrial activity. This will not only provide goods and jobs—about one-third of the working population is normally employed in industry—but will also provide exports to pay for imports. Even with the 425,000,000 dollar (£106,250,000 sterling) program for Italy, additional imports valued at upwards of 350,000,000 dollars (plus freight expenditure) would still be necessary this year to restore a satisfactory functioning of the national economy. The only sources of foreign exchange upon which Italy can definitely rely in 1946 will provide exchange resources of under 200,000,000 dollars (£50,000,000 sterling), substantially less than the country's total needs. Hence UNRRA has found it necessary to concentrate on absolute essentials.

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Now that the difficulties which arose in the first half of the year have been overcome, shipments of pig-iron, tin, copper and rubber on UNRRA account, are beginning to reach Italy, and a constantly increasing flow of key materials is expected through the rest of the year. A sum of almost 21,000,000 dollars (£5,250,000 sterling) has been allocated for pig-iron, steel, copper, tin, nickel, manganese

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and alloying elements. Contracts for 39,000 tons of pig-iron for Italy have already been placed in Australia, leaving about 100,000 tons to be procured elsewhere.

In the case of steel, UNRRA is making a departure from its principle of providing raw materials rather than finished products, because of the urgent need of steel for transport industries. Over 7,000,000 dollars (£1,750,000 sterling) have been budgeted for finished and semi-finished steel, intended for the construction of new coastwise vessels, the repair of ships in Italy's almost obliterated merchant marine, and the acceleration of railway and port reconstruction. Part of the semi-finished steel will be utilized by the machine-tool and food processing industries.

Steel - Copper - Rubber

Manganese ore for steel making has been procured in South Africa, deliveries of which are scheduled for this month. Nickel for special steels should also be available from the same source this summer. For imports of tin ingots and tin-plate 2,200,000 dollars (£550,000 sterling) have been allocated in the Italy Mission budget. Already 900 tons of UNRRA tin have reached Italy from Great Britain and the United States. No difficulty is anticipated in securing the balance of the tin procurement program.

To help in restoring electric power and the electric railway system, essential to Italian economy, UNRRA plans to spend 3,000,000 dollars (£750,000 sterling) on electrolytic wire-bar copper. Some 2,000 tons have already been procured in Chile for early summer shipment. Fire-refined copper, also in the program, has been shipped from South Africa.

To relieve the serious shortage of automobile tyres and tubes, 11,600,000 dollars (£2,900,000 sterling) have been allocated by UNRRA for the purchase of 20,000 tons of rubber; and, in addition, more than 700,000 dollars (£175,000 sterling) for carbon black, pine-tars, resins and chemicals required for the rubber industry. The first small shipments of rubber reached Italy during May. Synthetic rubber is in very short supply and the bulk of [illegible] crude rubber imports of lumber, most of which, it is hoped, will be available in Central America.

Coal-tar chemicals, dye-stuffs, industrial waxes, alcohol, turpentine, glycerine and other chemicals to the value of 5,400,000 dollars (£1,350,000 sterling) are also included in the UNRRA program. Here again, world shortage of many items may affect actual procurement. The metallurgical and chemical industries will also be aided by UNRRA imports of fire-clay, fire-bricks for the production of refractory materials and asbestos for electrical insulation, totalling almost 2,000,000 dollars (£500,000 sterling) in all.

Italy's construction program for destroyed and damaged homes and factories will be facilitated by UNRRA imports, chiefly fuels, for the cement, lime, brick, tile and glass industries. Supplies will also include iron, asbestos and asphalt, in addition to what has been allocated to the basic industries and later transformed into building materials.

Some UNRRA imports primarily intended for relief will also help to stimulate industrial recovery. Textile and leather imports are estimated at 55,000,000 dollars (£13,750,000 sterling). They include raw cotton, raw wool, wool rags, hides, composition soling and tanning extracts.

Foreign trade

Wherever possible, UNRRA also plans to have goods manufactured in Italy for other countries receiving assistance. Italian firms will manufacture cotton yarn and fabrics for export to the UNRRA Mission in Albania and fish-net twine for export to the UNRRA Missions in Yugoslavia, Greece and China (see *Economic Notes* No. 21 of 7 June).

Purchases of basic industrial materials direct by the Italian Government are being carefully co-ordinated with UNRRA imports. Furthermore, since Italy's economic recovery rests on increased foreign trade, UNRRA is fully supporting the Italian Government in the negotiation of trade and barter agreements with other countries. Italy has already arranged to import iron, steel, phosphate-rock, lumber, cellulose and other products from

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While the Italian Government is exploring the possibility of re-establishing Italy's normal sources of timber supply (Austria and Yugoslavia), UNRRA proposes to spend 2,500,000 dollars (£625,000 sterling) upon chemicals to the value of 5,400,000 dollars (£1,350,000 sterling) are also included in the UNRRA program. Here again, world shortage of many items may affect actual procurement. The metallurgical and chemical industries will also be aided by UNRRA imports of fire-clay, fire-bricks for the production of refractory materials and asbestos for electrical insulation, totalling almost 2,000,000 dollars (£500,000 sterling) in all.

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COAL OUTLOOK FOR JULY

Increased coal allocations to Italy from the Ruhr and the expected resumption of regular coal arrivals from the United States have enabled the Italian Government-UNRRA Emergency Coal Committee to allocate 475,000 tons for essential industrial purposes during July, an increase of 50,000 tons over the June allotment. During July the use of household gas is being extended from one-and-a-half hours to two-and-a-half hours daily, as a result of a larger allocation of coal to the gasworks.

Approximately 400,000 tons of coal are scheduled to reach Italy in July. Coal reserves in Italy, stockpiled during the coal crisis, amounted to about 350,000 tons at the end of June; and it is from these reserves that the additional 50,000 tons will be allocated to industry.

At the June meeting of the European Coal Organization in London, Italy was allotted 191,000 tons from Ruhr production for July, the largest allocation to Italy from this source since ECO began to function. This includes 2,000 tons of high-grade anthracite for electrodes, procured despite a continued severe scarcity of this vital coal. Other July allocations to Italy fixed at the ECO meeting were 171,000 tons from the United States, 18,000 tons from South Africa, and 10,000 tons from the United Kingdom.

The Italian Government-UNRRA Emergency Coal Committee will continue to function for the present and will make all coal allocations to Italian industry. It is considered that the committee, created to meet the crisis which resulted from the coal strike in the United States, has built up a valuable body of experience which will continue to be of service to industrial reconstruction during the coming months, as UNRRA shipments of industrial materials increase.

Meanwhile, the Italian Government is encouraging industrial firms to procure coal from other than UNRRA sources, to improve further the general coal situation and re-establish normal coal procurement.

Domestic production

Coal allocations to steel companies by the Emergency Coal Committee are being reviewed with the object of achieving the highest possible production of steel. The recent UNRRA arrivals of 2,000 tons of special anthracite from the Ruhr have made it possible to operate once again heavy electric pig-iron and steel furnaces which were forced to shut down during April. A consignment of 1,000 tons left the Ruhr on 18 June, completing the 3,000 ton allotment for April, May and June.

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June 28, 1946 Vol. I, No. 24

ECONOMIC NOTES

— Published by The Public Information Division, UNRRA Italy Mission, Via di San Nicolò da Tolentino, 78, Rome —

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2. Transport Survey
3. Tanning Tenders Invited
4. Movements of Ships

RATIONING WORLD SUPPLIES

New and simplified procedure has been established in Washington for the procurement of «reserved commodities» which are subject to international allocation by the Combined Allocation Authorities known as the « Combined Boards ». (The Combined Food Board has now been superseded by the International Emergency Food Council, according to reports from Washington). This procedure affects those commodities in short supply which appear on the international Reserved Commodity List. Its purpose is to define the respective spheres of UNRRA and the different governments in relation to the Boards.

Allocations by the Combined Boards are made to UNRRA or the governments—not, in any circumstances, to individual importers. In Italy, the Ministry for Foreign Trade handles all import enquiries for R.C.L. commodities. Italian firms and private individuals should, therefore, make any application, bid or query relating to these commodities direct to the Ministry for Foreign Trade and under no circumstances to UNRRA Italy Mission or its Regional Offices. The Mission is constantly receiving such enquiries, but can take no action as these must, in every case, be channelled through the proper Italian authorities.

hides (skins and leathers), coal and coke, and certain textiles.

The world supply of these products falls far short of world requirements, and a system virtually tantamount to international rationing has, therefore, had to be introduced. The allocations of these staple commodities has accordingly been entrusted to international agencies known as Combined Boards, or Committees, whose duty it is to ensure equitable world distribution of insufficient stocks. UNRRA, in fulfilment of its obligations towards assisted nations, has to submit its requests to the Combined Boards like any other receiving country, and endeavour to obtain the utmost share of allocations, in competition with other claimants.

UNRRA Objectives

UNRRA's primary object in this connection has been the procurement of vitally needed supplies for which the nations receiving relief and rehabilitation have no means of paying, owing to their lack of foreign assets, gold or barter commodities to offer in exchange. Now that urgent relief and "first aid" rehabilitation have in some measure been achieved, assisted nations are beginning to resume

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The list of reserved commodities covers the following items:

Food and Agriculture: Animal feeding stuffs, cereals, cocoa, dairy products, fats and oils, fertilizers, fish, fruit, meat, pulses, seeds, spices, sugar, tea, and edible nuts.

Industry and General: Soap, tin, rubber, hides (skins and leathers), coal and coke, and certain textiles.

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UNRRA's primary object in this connection has been the procurement of vitally needed supplies for which the nations receiving relief and rehabilitation have no means of paying, owing to their lack of foreign assets, gold or barter commodities to offer in exchange. Now that urgent relief and "first aid" rehabilitation have in some measure been achieved, assisted nations are beginning to resume international trade and conclude commercial treaties and barter agreements. They thus have an opportunity to submit their own requests for certain shipments to the Combined Boards, and pay in currency or kind for the required portion of the commodity which the allocating agency may assign to them.

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The new procedure

This development—a wholesome sign of economic improvement in war-stricken countries—had given rise to a certain amount of confusion. The matter has now been settled by an agreement lately reached in Washington between the U.S. State Department, UNRRA Head Office, UNRRA Italy Mission and the Italian Technical Delegation in Washington. The procedure henceforth to be adopted will be as follows:

(1) All supplies specifically for the Italian Armed Forces are claimed for before the Boards, and procured, by the Italian Government;

(2) With that sole exception, the total Italian requirements of all commodities which appear in the UNRRA Program of Operations will be claimed for by UNRRA, even if they are over and above what UNRRA will actually be able to pay for;

(3) All other commodities that do not appear in the UNRRA Program of Operations will be claimed for directly by the Italian Government;

(4) If the Italian Government wishes, in the case of an UNRRA commodity, to buy some part of the allocation with its own Italian Government funds, or have it bought through commercial channels, the arrangement to that end will be handled as an UNRRA sub-allocation to the Italian Government. The reverse procedure applies for commodities required by UNRRA and claimed for before the Boards by the Government.

Arrangements under this agreement and any amendments of it with regard to particular commodities will be made direct between the Italian Government and the UNRRA Italy Mission in Rome.

Point (4) aims at simplifying procedure in the event of the Italian Government wishing to make its own payment arrangements for a commodity, or portion thereof, listed on the call for an item already allocated to the Italian Government, the latter may sub-allocate to UNRRA, and the item will then be procured as part of the relief and rehabilitation program. Italy has everything to gain by supporting and protecting the world allocation system, and everything to lose by evading it.

TRANSPORT SURVEY

A comprehensive survey of Italy's transport situation is being made by the Inland Transport Division of the UNRRA Italy Mission, to ascertain the present and future carrying capacity of Italy's road and rail transport, and to assess more accurately fuel requirements and allocations of petroleum products.

The UNRRA Mission is also developing recommendations based on this survey for the consideration of the Italian Government. The general objectives are to assure maximum utilization by the transportation services of the materials imported by UNRRA and to develop programs for the production of transportation equipment that will be more closely related to actual requirements. Some of the pertinent facts revealed by the survey are given in this preliminary review.

The enquiry has revealed that the operation both of road and rail transport is still far inferior to that of pre-war years. Railroad permanent way, rolling stock and communication equipment have all suffered from direct war damage and lack of maintenance and renewal due to the war. Roads have suffered from inadequate maintenance and heavy war traffic. A large percentage of the road bridges was destroyed. Fuel for the railways and road transport, for which Italy is almost exclusively dependent on UNRRA, is not adequate for all the traffic requirements of the country, although sufficient for essential purposes.

There were 89,593 load-carrying vehicles in circulation in 1939, with a capacity of 191,975 tons. The corresponding figures in March 1946 were 105,646 with a capacity of 211,688 tons. There were, moreover, approximately

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Point (4) aims at simplifying procedure in the event of the Italian Government wishing to make its own payment arrangements for a commodity, or portion thereof, listed on the UNRRA program and already allocated to UNRRA by the Combined Boards. In this case, UNRRA will sub-allocate the item concerned to the Italian Government and the UNRRA funds thus released will be used for some other Italian requirement. Conversely, should the fulfilment of the UNRRA program Italy has everything to gain by supporting and protecting the world allocation system, and everything to lose by evading it.

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There were 89,593 load-carrying vehicles in circulation in 1939, with a capacity of 191,975 tons. The corresponding figures in March 1946 were 105,646 with a capacity of 211,688 tons. There were, moreover, approximately 40,000 trucks obtained from Allied military surplus and captured enemy materials of which an estimated 50 per cent. can eventually be placed in operating condition. These are now held by ARAR (the Italian Government Agency for the reception and disposal of war-surplus), but are not in circulation.

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Present handicaps

The numerical increase over the 1939 figure is not reflected in increased haulage, since lack of loads, high operating costs and the shortage and consequent high cost of tyres, tubes and spare parts handicap maximum utilization. A large number of the vehicles in use are inherently unsuited for commercial truck haulage since they are former Army vehicles built for speed and durability without regard to running costs. Many of them are designed to run on high octane non-commercial motor spirit. In the course of the UNRRA survey detailed investigation of 3,300 trucks throughout Italy, and a cross-section poll of 19 trucking firms in the Rome area, revealed that only 2,142 of the trucks were operationally efficient, while no more than about 50 per cent. of the operating capacity was used.

Buses in public service have, on the other hand, dropped from 6,928 (1939) to 3,830 (March 1946), passenger cars from 287,962 to 97,709, and motor cycles from 149,490 to 40,648. The general level of operating efficiency in these categories is low.

A noteworthy reversal of the trend generally apparent before the war is the successful competition of railroad transport with road haulage. Comparative rates for short trips and for quality items such as shoes do not differ greatly. For bulk items and essential commodities such as wheat, wheat flour and pasta, road transport cannot compete with the special rail tariffs.

The present excess of road transport facilities over requirements is expected to last until the surplus is absorbed by increased transport requirements resulting from industrial and commercial rehabilitation and the normal replacement of less efficient units. Italy's planned vehicle production for 1946 is:

	units per year
Heavy trucks (over 6 tons) .	16,000
Medium trucks (3 to 6 tons)	18,000
Passenger cars	35,000
Heavy trailers	15,000
Medium trailers	9,000

ing, but stock movement is retarded to some extent by high prices. Spare parts for vehicles of Allied origin (approximately 10 per cent. of the country's load carrying potential) have been in short supply. The Italian Government has however recently received from American and British surplus disposal a stock of spare parts (estimated to be worth 8,000,000 dollars). This stock consists of surplus items remaining after the dismantling of Army depots. They are what has been left over from Army requirements and will need careful selection and classification before they are available for distribution some months hence.

UNRRA Program

The tyre situation is unsatisfactory and that of tubes still more so. Standard American and British sizes are unsuited to Italian large trucks and small passenger cars, while there is limited production of Italian sizes in the United States and in the United Kingdom. The UNRRA Italy Mission has budgeted for raw materials for the manufacture of tyres in Italian factories, but the program does not include the importation of the completed tyres or tubes. The program aims at covering all materials required to utilise existing plant capacity for an expected production of 600,000 tyres and tubes for trucks and buses, 380,000 tyres and tubes for passenger cars and 30,000 tyres and tubes for motorcycles.

The program is seriously delayed owing to the lack of coal supplies and also to such factors as the need for conserving grain for food, instead of using it as an essential ingredient in the manufacture of synthetic rubber. In fact, none of the synthetic rubber for this program has been received.

Restrictions on the use of petroleum products for passenger cars and buses have resulted in the conversion of large numbers of passenger cars for trucking purposes. Simultaneously, large profits have been earned by truck operators unlawfully using their vehicles to carry passengers at exorbitant rates.

Issues of UNRRA-imported fuel during

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To date, production has been far below schedule. Fulfilment of the Italian manufacturing program is largely dependent on the importation of raw materials and coal, included in the UNRRA program.

The position in regard to spare parts for Italian trucks and cars is constantly improving. Large stocks of spare parts (estimated to be worth 8,000,000 dollars) have been in short supply. The Italian Government has however recently received from American and British surplus disposal a stock of spare parts (estimated to be worth 8,000,000 dollars). This stock consists of surplus items remaining after the dismantling of Army depots. They are what has been left over from Army requirements and will need careful selection and classification before they are available for distribution some months hence.

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Issues of UNRRA-imported fuel during May were as follows:

	Gasoline (tons)	*Diesel Oil* (tons)
Passenger cars . . .	3,680	300
Buses	1,351	1,800
Civilan trucks . . .	9,789	7,316
Italian State Railways	1,419	1,150

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Supplies of fuel and tyres for the black market are obtained from the pilferage of military stores, from enemy dumps, and by way of illegal diversions from authorised distribution channels. Three main groups are involved in this illegal traffic:

a) truck operators engaged in black market activities, involving road movement of essential or rationed commodities;

b) truck operators transporting luxury or speculative items for which fuel is not legally allocated;

c) private motorists using black market fuel and tyres for non-essential purposes.

The highway system requires extensive repairing, particularly in central and southern Italy. Of the 805 steel road bridges existing in 1939, 630 were destroyed, as were 12,930 of the 22,670 other bridges. To implement highway rehabilitation, UNRRA plans to supply 100,000 tons of asphalt at an estimated cost of 3,500,000 dollars (£875,000 sterling) excluding freight.

Italian State Railways

The Italian State Railways have prepared a five-part reconstruction program, designed to be carried through in 10 years at an anticipated cost of 400,000 million lire. Italian ingenuity and Allied co-operation have already achieved a remarkable measure of railway rehabilitation (see *Economic Notes* of April 19), but even on the assumption that raw materials are readily available and Italy has the necessary foreign assets, at least five years will be required to restore the Italian railroad system to pre-war efficiency.

Freight haulage has now reached about 60 per cent. of the pre-war average. The figures for steam and electric locomotives and diesel cars in service show a decrease from 5,533 in June 1939 to 2,937 in March, 1946. But while more than 50 per cent. of the pre-war locomotives and diesel cars are in service,

Rolling Stock

Serviceable passenger rolling stock is less than one third of the 1939 figure (1,722 against 6,350), and effective carrying capacity is little more than 10 per cent of pre-war, owing to reductions in speed.

The total number of freight cars has decreased from 125,956 in 1939 to 79,850 in March 1946, due to bombing, German looting and other war damage. At the present time there are some 40,000 damaged freight cars which could be put back into service but present workshop facilities only permit of repairs to 2,000 cars a month. Given additional coal this number could be greatly increased.

The very short supply of railroad freight cars has been aggravated by the necessity for converting closed cars into passenger coaches to meet the heavy demand for passenger services. Stocks of tarpaulin sheets for goods wagons have been reduced from 40,000 pre-war, to about 3,000 now, thus necessitating the use of more closed cars.

Though Italian State Railway rates have been increased roughly by 400 per cent. and more, over pre-war figures, existing tariffs do not cover costs, and the operation of the system is a constant drain on the Italian Treasury. The fact that railroads have not increased in proportion to the general level of prices, has made abnormal demands on the very limited railroad facilities.

Railroad efficiency is further hampered by single line working in place of pre-war double track, and the removal—for more urgent use elsewhere—of track from sidings and marshalling yards. In some instances the whole track has been removed, and the original railbed used as a highway. Repairs carried out under the stress of military necessity and civilian urgency were in the nature of makeshifts, completely inadequate from the standpoint of permanent reconstruction. In the North,

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Freight haulage has now reached about 60 per cent. of the pre-war average. The figures for steam and electric locomotives and diesel cars in service show a decrease from 5,533 in June 1939 to 2,937 in March, 1946. But while more than 50 per cent. of the pre-war locomotives and diesel cars are in service, the condition of some of them is such that total efficiency is considerably below 50 per cent. Enormous damage suffered by railway repair works in Italy makes the servicing and repair of locomotives a matter of serious concern.

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TANNING TENDERS INVITED

Tanneries in Campania have already been invited to submit bids for the tanning of 544 tons of raw hides, imported by UNRRA and now in Naples warehouses. Payment will be made in lire and imported tanning extract will be supplied. Closing date for bids is 30 June.

This is the first importation of UNRRA hides. They are to help to provide shoes for needy groups of the population. It represents also another project in the UNRRA program to further industrial rehabilitation by promoting wherever possible the manufacture of UNRRA materials in Italy.

Tanners bidding for the work are required personally to inspect the hides before submitting bids. Transportation of the hides from the warehouses to the tanneries and free storage for the finished leather for a maximum of three months after completion of the contract must be included in the bids. Payment will be made after testing and approval of the finished leather upon receipt of notice that it is ready for delivery.

Tenders must also include the following information: (1) the exact yield of finished leather to be produced; (2) the quantity of dry tanning extract needed; (3) the price per kilogram for tanning; (4) the date of completion of deliveries.

UNRRA reserves the right to reject any bids from firms which, in the judgment of UNRRA officials, are not capable of guaranteeing satisfactory performance.

MOVEMENTS OF SHIPS

(JUNE 17 - 23 INCLUSIVE)

SHIP	PORT OF ARRIVAL	DATE OF ARRIVAL	ACCOUNT	CARGO	QUANTITY
Fort Bambino	Naples	17 June	UNRRA	Miners' Pit Helmets	—
John Holland	Naples - Genoa *	" "	"	Wheat flour	6,615 tons
				Cotton	743 "
Foreland	Naples	" "	"	General	—
Silver Star	"	" "	"	"	—
Bridgepool	Castellamare - T. Annunz. *	" "	"	Oats	7,113 tons
Cattaro	Naples	18 "	"	Med. Supplies	13 "
John Hathorn	Castellamare - T. Annunz. *	" "	"	Wheat	8,049 "
Thompson Lykes	Genoa	" "	It. Govt. - UNRRA	General	4,000 "
Langlee Gale	"	19 "	UNRRA	Oats	8,501 "
Fort McLaughlin	"	" "	UNRRA - Comml.	General	7,000 "
Almira Lykes	"	" "	It. Govt. - UNRRA	General - Comml.	4,085 "
Pelorum	Catania - Palermo *	21 "	UNRRA	Wheat	7,231 "
Fort Boise	Naples	" "	"	General - Food	1,760 "

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Fort Boise	Naples	" "	"	General - Food	1,760 "
Reuben Tipton	Genoa	22 "	UNRRA - Comml.	General	3,825 "
Margaret Brent	Castellamare-Civitavecchia *	23 "	UNRRA	Oats	8,244 "
Erria	Genoa	" "	"	General	5,393 "

* *Arrived at first-named port on the date shown; discharging at the second port later*

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June 28, 1946 Vol. I, No. 24

ECONOMIC NOTES

— Published by The Public Information Division, UNRRA Italy Mission, Via di San Nicolò da Tolentino, 78, Rome —

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2. Transport Survey
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4. Movements of Ships

RATIONING WORLD SUPPLIES

New and simplified procedure has been established in Washington for the procurement of «reserved commodities» which are subject to international allocation by the Combined Allocation Authorities known as the «Combined Boards». (The Combined Food Board has now been superseded by the International Emergency Food Council, according to reports from Washington). This procedure affects those commodities in short supply which appear on the international Reserved Commodity List. Its purpose is to define the respective spheres of UNRRA and the different governments in relation to the Boards.

Allocations by the Combined Boards are made to UNRRA or the governments—not, in any circumstances, to individual importers. In Italy, the Ministry for Foreign Trade handles all import enquiries for R.C.L. commodities. Italian firms and private individuals should, therefore, make any application, bid or query relating to these commodities direct to the Ministry for Foreign Trade and under no circumstances to UNRRA Italy Mission or its Regional Offices. The Mission is constantly receiving such enquiries, but can take no action as these must, in every case, be channelled through the proper Italian authorities.

The list of reserved commodities covers the hides (skins and leathers), coal and coke, and certain textiles.

The world supply of these products falls far short of world requirements, and a system virtually tantamount to international rationing has, therefore, had to be introduced. The allocations of these staple commodities has accordingly been entrusted to international agencies known as Combined Boards, or Committees, whose duty it is to ensure equitable world distribution of insufficient stocks. UNRRA, in fulfilment of its obligations towards assisted nations, has to submit its requests to the Combined Boards like any other receiving country, and endeavour to obtain the utmost share of allocations, in competition with other claimants.

UNRRA Objectives

UNRRA's primary object in this connection has been the procurement of vitally needed supplies for which the nations receiving relief and rehabilitation have no means of paying, owing to their lack of foreign assets, gold or barter commodities to offer in exchange. Now that urgent relief and "first [illegible] habilitation have in some measure been achieved, assisted nations are beginning to resume

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The list of reserved commodities covers the following items:

Food and Agriculture: Animal feeding stuffs, cereals, cocoa, dairy products, fats and oils, fertilizers, fish, fruit, meat, pulses, seeds, spices, sugar, tea, and edible nuts.

Industry and General: Soap, tin, rubber, hides (skins and leathers), coal and coke, and certain textiles.

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(2) With that sole exception, the total Italian requirements of all commodities which appear in the UNRRA Program of Operations will be claimed for by UNRRA, even if they are over and above what UNRRA will actually be able to pay for;

(3) All other commodities that do not appear in the UNRRA Program of Operations will be claimed for directly by the Italian Government;

(4) If the Italian Government wishes, in the case of an UNRRA commodity, to buy some part of the allocation with its own Italian Government funds, or have it bought through commercial channels, the arrangement to that end will be handled as an UNRRA sub-allocation to the Italian Government. The reverse procedure applies for commodities required by UNRRA and claimed for before the Boards by the Government.

Arrangements under this agreement and any amendments of it with regard to particular commodities will be made direct between the Italian Government and the UNRRA Italy Mission in Rome.

Point (4) aims at simplifying procedure in the event of the Italian Government wishing to make its own payment arrangements for a commodity, or portion thereof, listed on the [illegible] already allocated to the Italian Government, the latter may sub-allocate to UNRRA, and the item will then be procured as part of the relief and rehabilitation program. Italy has everything to gain by supporting and protecting the world allocation system, and everything to lose by evading it.

TRANSPORT SURVEY

A comprehensive survey of Italy's transport situation is being made by the Inland Transport Division of the UNRRA Italy Mission, to ascertain the present and future carrying capacity of Italy's road and rail transport, and to assess more accurately fuel requirements and allocations of petroleum products.

The UNRRA Mission is also developing recommendations based on this survey for the consideration of the Italian Government. The general objectives are to assure maximum utilization by the transportation services of the materials imported by UNRRA and to develop programs for the production of transportation equipment that will be more closely related to actual requirements. Some of the pertinent facts revealed by the survey are given in this preliminary review.

The enquiry has revealed that the operation both of road and rail transport is still far inferior to that of pre-war years. Railroad permanent way, rolling stock and communication equipment have all suffered from direct war damage and lack of maintenance and renewal due to the war. Roads have suffered from inadequate maintenance and heavy war traffic. A large percentage of the road bridges was destroyed. Fuel for the railways and road transport, for which Italy is almost exclusively dependent on UNRRA, is not adequate for all the traffic requirements of the country, although sufficient for essential purposes.

There were 89,593 load-carrying vehicles in circulation in 1939, with a capacity of 191,975 tons. The corresponding figures in March 1946 were 105,646 with a capacity of 211,688 tons. There were, moreover, approximately 40,000 trucks obtained from Allied military

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tries—had given rise to a certain amount of confusion. The matter has now been settled by an agreement lately reached in Washington between the U.S. State Department, UNRRA Head Office, UNRRA Italy Mission and the Italian Technical Delegation in Washington. The procedure henceforth to be adopted will be as follows:

(1) All supplies specifically for the Italian Armed Forces are claimed for before the Boards, and procured, by the Italian Government;

(2) With that sole exception, the total Italian requirements of all commodities which appear in the UNRRA Program of Operations will be claimed for by UNRRA, even if they are over and above what UNRRA will actually be able to pay for;

(3) All other commodities that do not appear in the UNRRA Program of Operations will be claimed for directly by the Italian Government;

(4) If the Italian Government wishes, in the case of an UNRRA commodity, to buy some part of the allocation with its own Italian Government funds, or have it bought through commercial channels, the arrangement to that end will be handled as an UNRRA sub-allocation to the Italian Government. The reverse procedure applies for commodities required by UNRRA and claimed for before the Boards by the Government.

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Point (4) aims at simplifying procedure in the event of the Italian Government wishing to make its own payment arrangements for a commodity, or portion thereof, listed on the UNRRA program and already allocated to UNRRA by the Combined Boards. In this case, UNRRA will sub-allocate the item concerned to the Italian Government and the UNRRA funds thus released will be used for some other Italian requirement. Conversely, should the fulfilment of the UNRRA program Italy has everything to gain by supporting and protecting the world allocation system, and everything to lose by evading it.

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There were 89,593 load-carrying vehicles in circulation in 1939, with a capacity of 191,975 tons. The corresponding figures in March 1946 were 105,646 with a capacity of 211,688 tons. There were, moreover, approximately 40,000 trucks obtained from Allied military surplus and captured enemy materials of which an estimated 50 per cent. can eventually be placed in operating condition. These are now held by ARAR (the Italian Government Agency for the reception and disposal of war-surplus), but are not in circulation.

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Present handicaps

The numerical increase over the 1939 figure is not reflected in increased haulage, since lack of loads, high operating costs and the shortage and consequent high cost of tyres, tubes and spare parts handicap maximum utilization. A large number of the vehicles in use are inherently unsuited for commercial truck haulage since they are former Army vehicles built for speed and durability without regard to running costs. Many of them are designed to run on high octane non-commercial motor spirit. In the course of the UNRRA survey detailed investigation of 3,300 trucks throughout Italy, and a cross-section poll of 19 trucking firms in the Rome area, revealed that only 2,142 of the trucks were operationally efficient, while no more than about 50 per cent. of the operating capacity was used.

Buses in public service have, on the other hand, dropped from 6,928 (1939) to 3,830 (March 1946), passenger cars from 287,962 to 97,709, and motor cycles from 149,490 to 40,648. The general level of operating efficiency in these categories is low.

A noteworthy reversal of the trend generally apparent before the war is the successful competition of railroad transport with road haulage. Comparative rates for short trips and for quality items such as shoes do not differ greatly. For bulk items and essential commodities such as wheat, wheat flour and pasta, road transport cannot compete with the special rail tariffs.

The present excess of road transport facilities over requirements is expected to last until the surplus is absorbed by increased transport requirements resulting from industrial and commercial rehabilitation and the normal replacement of less efficient units. Italy's planned vehicle production for 1946 is:

	units per year
Heavy trucks (over 6 tons) .	16,000
Medium trucks (3 to 6 tons)	18,000
Passenger cars	35,000
Heavy trailers	15,000
Medium trailers	9,000

ing, but stock movement is retarded to some extent by high prices. Spare parts for vehicles of Allied origin (approximately 10 per cent. of the country's load carrying potential) have been in short supply. The Italian Government has however recently received from American and British surplus disposal a stock of spare parts (estimated to be worth 8,000,000 dollars). This stock consists of surplus items remaining after the dismantling of Army depots. They are what has been left over from Army requirements and will need careful selection and classification before they are available for distribution some months hence.

UNRRA Program

The tyre situation is unsatisfactory and that of tubes still more so. Standard American and British sizes are unsuited to Italian large trucks and small passenger cars, while there is limited production of Italian sizes in the United States and in the United Kingdom. The UNRRA Italy Mission has budgeted for raw materials for the manufacture of tyres in Italian factories, but the program does not include the importation of the completed tyres or tubes. The program aims at covering all materials required to utilise existing plant capacity for an expected production of 600,000 tyres and tubes for trucks and buses, 380,000 tyres and tubes for passenger cars and 30,000 tyres and tubes for motorcycles.

The program is seriously delayed owing to the lack of coal supplies and also to such factors as the need for conserving grain for food, instead of using it as an essential ingredient in the manufacture of synthetic rubber. In fact, none of the synthetic rubber for this program has been received.

Restrictions on the use of petroleum products for passenger cars and buses have resulted in the conversion of large numbers of passenger cars for trucking purposes. Simultaneously, large profits have been earned by truck operators unlawfully using their vehicles to carry passengers at exorbitant rates.

Issues of UNRRA-imported fuel during

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To date, production has been far below schedule. Fulfilment of the Italian manufacturing program is largely dependent on the importation of raw materials and coal, included in the UNRRA program.

The position in regard to spare parts for Italian trucks and cars is constantly improved. Government has however recently received from American and British surplus disposal a stock of spare parts (estimated to be worth 8,000,000 dollars). This stock consists of surplus items remaining after the dismantling of Army depots. They are what has been left over from Army requirements and will need careful selection and classification before they are available for distribution some months hence.

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Issues of UNRRA-imported fuel during May were as follows:

	Gasoline (tons)	*Diesel Oil* (tons)
Passenger cars . . .	3,680	300
Buses	1,351	1,800
Civilan trucks . . .	9,789	7,316
Italian State Railways	1,419	1,150

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Supplies of fuel and tyres for the black market are obtained from the pilferage of military stores, from enemy dumps, and by way of illegal diversions from authorised distribution channels. Three main groups are involved in this illegal traffic:

a) truck operators engaged in black market activities, involving road movement of essential or rationed commodities;

b) truck operators transporting luxury or speculative items for which fuel is not legally allocated;

c) private motorists using black market fuel and tyres for non-essential purposes.

The highway system requires extensive repairing, particularly in central and southern Italy. Of the 805 steel road bridges existing in 1939, 630 were destroyed, as were 12,930 of the 22,670 other bridges. To implement highway rehabilitation, UNRRA plans to supply 100,000 tons of asphalt at an estimated cost of 3,500,000 dollars (£875,000 sterling) excluding freight.

Italian State Railways

The Italian State Railways have prepared a five-part reconstruction program, designed to be carried through in 10 years at an anticipated cost of 400,000 million lire. Italian ingenuity and Allied co-operation have already achieved a remarkable measure of railway rehabilitation (see *Economic Notes* of April 19), but even on the assumption that raw materials are readily available and Italy has the necessary foreign assets, at least five years will be required to restore the Italian railroad system to pre-war efficiency.

Freight haulage has now reached about 60 per cent. of the pre-war average. The figures for steam and electric locomotives and diesel cars in service show a decrease from 5,533 in June 1939 to 2,937 in March, 1946. But while more than 50 per cent. of the pre-war locomotives and diesel cars are in service, the condition of many of them is such that

Rolling Stock

Serviceable passenger rolling stock is less than one third of the 1939 figure (1,722 against 6,350), and effective carrying capacity is little more than 10 per cent of pre-war, owing to reductions in speed.

The total number of freight cars has decreased from 125,956 in 1939 to 79,850 in March 1946, due to bombing, German looting and other war damage. At the present time there are some 40,000 damaged freight cars which could be put back into service but present workshop facilities only permit of repairs to 2,000 cars a month. Given additional coal, this number could be greatly increased.

The very short supply of railroad freight cars has been aggravated by the necessity for converting closed cars into passenger coaches to meet the heavy demand for passenger services. Stocks of tarpaulin sheets for goods wagons have been reduced from 40,000 pre-war, to about 3,000 now, thus necessitating the use of more closed cars.

Though Italian State Railway rates have been increased roughly by 400 per cent. and more, over pre-war figures, existing tariffs do not cover costs, and the operation of the system is a constant drain on the Italian Treasury. The fact that railroads have not increased in proportion to the general level of prices, has made abnormal demands on the very limited railroad facilities.

Railroad efficiency is further hampered by single line working in place of pre-war double track, and the removal—for more urgent use elsewhere—of track from sidings and marshalling yards. In some instances the whole track has been removed, and the original railbed used as a highway. Repairs carried out under the stress of military necessity and civilian urgency were in the nature of makeshifts, completely inadequate from the standpoint of permanent reconstruction. In the North,

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Freight haulage has now reached about 60 per cent. of the pre-war average. The figures for steam and electric locomotives and diesel cars in service show a decrease from 5,533 in June 1939 to 2,937 in March, 1946. But while more than 50 per cent. of the pre-war locomotives and diesel cars are in service, the condition of some of them is such that total efficiency is considerably below 50 per cent. Enormous damage suffered by railway repair works in Italy makes the servicing and repair of locomotives a matter of serious concern.

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TANNING TENDERS INVITED

Tanneries in Campania have already been invited to submit bids for the tanning of 544 tons of raw hides, imported by UNRRA and now in Naples warehouses. Payment will be made in lire and imported tanning extract will be supplied. Closing date for bids is 30 June.

This is the first importation of UNRRA hides. They are to help to provide shoes for needy groups of the population. It represents also another project in the UNRRA program to further industrial rehabilitation by promoting wherever possible the manufacture of UNRRA materials in Italy.

Tanners bidding for the work are required personally to inspect the hides before submitting bids. Transportation of the hides from the warehouses to the tanneries and free storage for the finished leather for a maximum of three months after completion of the contract must be included in the bids. Payment will be made after testing and approval of the finished leather upon receipt of notice that it is ready for delivery.

Tenders must also include the following information: (1) the exact yield of finished leather to be produced; (2) the quantity of dry tanning extract needed; (3) the price per kilogram for tanning; (4) the date of completion of deliveries.

UNRRA reserves the right to reject any bids from firms which, in the judgment of UNRRA officials, are not capable of guaranteeing satisfactory performance.

MOVEMENTS OF SHIPS

(JUNE 17 - 23 INCLUSIVE)

SHIP	PORT OF ARRIVAL	DATE OF ARRIVAL	ACCOUNT	CARGO	QUANTITY
Fort Bambino	Naples	17 June	UNRRA	Miners' Pit Helmets	—
John Holland	Naples - Genoa *	" "	"	Wheat flour	6,615 tons
				Cotton	743 "
Foreland	Naples	" "	"	General	—
Silver Star	"	" "	"	"	—
Bridgepool	Castellamare - T. Annunz. *	" "	"	Oats	7,113 tons
Cattaro	Naples	18 "	"	Med. Supplies	13 "
John Hathorn	Castellamare - T. Annunz. *	" "	"	Wheat	8,049 "
Thompson Lykes	Genoa	" "	It. Govt. - UNRRA	General	4,000 "
Langlee Gale	"	19 "	UNRRA	Oats	8,501 "
Fort McLaughlin	"	" "	UNRRA - Comml.	General	7,000 "
Almira Lykes	"	" "	It. Govt. - UNRRA	General - Comml.	4,085 "
Pelorum	Catania - Palermo *	21 "	UNRRA	Wheat	7,261 "
Fort Boise	Naples	" "	"	General - Food	1,760 "
				General	3,925 "

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Almira Lykes	"	" "	It. Govt. - UNRRA	General - Comml.	4,085 "
Pelorum	Catania - Palermo *	21 "	UNRRA	Wheat	7,264 "
Fort Boise	Naples	" "	"	General - Food	1,760 "
Reuben Tipton	Genoa	22 "	UNRRA - Comml.	General	3,825 "
Margaret Brent	Castellamare-Civitavecchia *	23 "	UNRRA	Oats	8,244 "
Erria	Genoa	" "	"	General	5,393 "

** Arrived at first-named port on the date shown; discharging at the second port later*

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ECONOMIC NOTES

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1. Joint Price Committee
2. UNRRA Helps Food Drive
3. Medical Rehabilitation
4. Movements of Ships

JOINT PRICE COMMITTEE

The first meeting of the new Joint Price Committee set up by the Italian Government and UNRRA was held in Rome this week. The Committee's function is to review price policy in regard to UNRRA-imported supplies and settle other financial problems arising in connection with the disposal of UNRRA supplies by the Italian Government. The Chairman of the Committee will be Mr. Harlan Cleveland, Deputy Chief of Mission for Requirements and Distribution. Prices have already been agreed for essential commodities such as coal, wheat, flax-seed, seed potatoes, tinplate, penicillin and insulin. Prices of other commodities will be fixed later.

Implementing the Agreement

This Committee has been set up under the 1946 Agreement between the Italian Government and UNRRA, which states that "to enable the Administration effectively to discharge its responsibilities, the Government will discuss and agree with UNRRA its policies and plans for the distribution of UNRRA supplies." The Government is under agreement to consult with UNRRA concerning "price policies and specific prices [illegible] and their relationship to

All UNRRA relief and rehabilitation supplies are provided free to the Italian Government. Furthermore, the Government does not sign to pay for them at a later date, nor are they related to military occupation charges.

Source of Lira Fund

That does *not* mean that UNRRA goods are distributed free to individuals. But it does mean that the nation benefits by their sale. By the end of May UNRRA had imported approximately 600,000 tons of bread grains for example, and nearly 1,400,000 tons of coal. That grain was sold to the flour mills; the coal was sold to the factories. The proceeds went to a special Lira Fund to be devoted to still further expenditure on relief and rehabilitation.

In accordance with Article V of the 1946 Agreement "the net proceeds of the sale, lease or other transfer of relief and rehabilitation supplies and services furnished by UNRRA... shall be devoted to relief and rehabilitation purposes." The Government is under pledge to pay into a special account (known as the Lira Fund) the proceeds derived from the sale or lease of these UNRRA supplies and has agreed to furnish UNRRA with statements [illegible] and disbursements

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The earlier agreement signed in 1945 between the Italian Government and UNRRA for the limited 50,000,000 dollar relief program contained a somewhat similar provision under which the Government promised to match in lire the cost in foreign exchange incurred by UNRRA for services and supplies.

It was from funds derived under the 1945 Agreement that 1,000 million lire were allocated to the C.A.S.A.S. scheme and nearly 460,000,000 lire to the manufacture in Italy of hospital linen from UNRRA-imported raw cotton.

The Government is entitled to deduct from the proceeds derived from the sale of UNRRA imports, transportation, warehousing and distribution charges and current fiscal dues, such as Purchase Tax. By a legal decision of UNRRA headquarters, however, UNRRA goods are not liable to customs duties. This legal decision provides, nevertheless, within the discretion of the Chief of Mission, that "where price policy makes it desirable, for administrative convenience, the equivalent of existing customs charges may be added to the price, provided the proceeds of such charges are added to the Lira Fund."

UNRRA HELPS FOOD DRIVE

Special harvest liaison officers have been appointed by the UNRRA Italy Mission to help Italian agricultural officials in the Compartments and Provinces to secure speedy gathering and threshing of the harvest and delivery to the peoples' granaries. With the prospect of a good harvest this year and the fixing of wheat prices which farmers in general seem to regard as satisfactory, it is hoped that the Government's new amassing measures will bring in a high percentage of the available 1946 grain crop.

The liaison officers who have been appointed to some of the UNRRA Regions will examine delays and difficulties as they arise and make recommendations to the responsible Italian officials. Their function will be purely ad-

amassed, Italy can save about 1,000,000 dollars (£250,000 sterling) on food imports. Even under favourable circumstances, Italy will need to spend approximately 200,000,000 dollars (£50,000,000 sterling) on food imports during 1946-47. Of this UNRRA will contribute approximately 87,000,000 dollars (£21,750,000 sterling) for the procurement of food up to the end of December. But after that date, Italy will be responsible for obtaining, and paying for, her own basic supplies. In view of Italy's present difficulty in securing foreign loans and her inadequate foreign exchange resources, the need for reducing food import requirements is obvious.

Food and Foreign Exchange

Necessary food purchases will limit the amount of foreign exchange available for the purchase of raw materials and long term equipment needed to revive Italy's industry. Further, it is anticipated that available world stocks of grain and other essential foods will continue to be short in 1946-47. No certainty exists, therefore, that Italy will obtain all the food imports she needs even though she possesses the available funds to pay for them.

According to preliminary and unofficial forecasts, this year's wheat crop is estimated to yield approximately 5,700,000 tons, of which, after allowance is made for legal retentions, there will remain a theoretical maximum of some 2,125,000 tons available for amassing. Although very much better than last year's abnormally low wheat crop, this year's harvest is still only 79.2 per cent. of the pre-war average.

Imports and UNRRA plans

To ensure a daily bread ration of 200 grams (7 ozs.) and the restoration of the monthly pasta ration of 2,000 grams (approximately 4 ½ lbs.) it is anticipated that Italy may need to import during the 1946-47 crop year, approximately 1,500,000 tons of grain. Of this, UNRRA plans to supply 750,000 tons at the

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UNRRA HELPS FOOD DRIVE

Special harvest liaison officers have been appointed by the UNRRA Italy Mission to help Italian agricultural officials in the Compartments and Provinces to secure speedy gathering and threshing of the harvest and delivery to the peoples' granaries. With the prospect of a good harvest this year and the fixing of wheat prices which farmers in general seem to regard as satisfactory, it is hoped that the Government's new amassing measures will bring in a high percentage of the available 1946 grain crop.

The liaison officers who have been appointed to some of the UNRRA Regions will examine delays and difficulties as they arise and make recommendations to the responsible Italian officials. Their function will be purely advisory.

Meeting in Rome this week, the UNRRA Regional Directors examined Italy's food supply position. For every 10,000 tons of wheat under favourable circumstances, Italy will need to spend approximately 200,000,000 dollars (£50,000,000 sterling) on food imports during 1946-47. Of this UNRRA will contribute approximately 87,000,000 dollars (£21,750,000 sterling) for the procurement of food up to the end of December. But after that date, Italy will be responsible for obtaining, and paying for, her own basic supplies. In view of Italy's present difficulty in securing foreign loans and her inadequate foreign exchange resources, the need for reducing food import requirements is obvious.

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In the past few months, owing to the acute world shortage of supplies, it has been impos-

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sible for the Italian Government or UNRRA to plan ahead. An undue proportion of effort has had to be devoted to shifts and devices to prevent starvation. With the new harvest now coming in and the assurance that UNRRA food imports will continue for the next six or seven months, it should become possible to build up substantial reserve stocks and establish Italy's food position on a more stable basis, with adequate forward planning of supplies.

Emergency amassing returns for the week ended 14 June show a total of 39,634 tons of wheat and 20,416 tons of rice amassed since 1 May, 1946.

MEDICAL REHABILITATION

Medical supplies, hospital units, technical apparatus and the services of expert personnel are now being provided throughout Italy, in accordance with UNRRA's medical relief and rehabilitation program. Co-operation with the Italian High Commissioner for Hygiene and Public Health has enabled good progress to be made in ascertaining, and partly fulfilling, the vital requirements of the population. Italian and UNRRA personnel have been able to combat disease, prevent the spread of epidemics and start implementing plans to improve national health in future years.

The second general distribution of medical supplies, valued at 713,746 dollars (£178,436 sterling) and weighing over 600 tons, was completed early in May. The special distributions of 47,660,000 units of insulin, 10,000 vials of liver extract and 25 tons of anaesthetic ether, were completed in April. In these two months, 150 tons of absorbent cotton and 66 tons of soap for hospital use, were also delivered to the provinces. The third general distribution of medical and hospital supplies, consisting of drugs, dressings and surgical requisites, valued at approximately 500,000 dollars

Deliveries of penicillin rose from 3,000 vials (distributed in January to 23 centres) to 20,000 vials (distributed in May to the capital cities of 94 provinces, including Sicily and Sardinia, but excluding Venezia Giulia). Plans are now being drawn up by the High Commissioner for Hygiene and Public Health for the manufacture of penicillin in Italy as a State-controlled enterprise. The plant is being given by UNRRA.

The despatch of hospital units to 10 Italian war-stricken towns has been completed this week. La Spezia (ospedale civile), Messina, Foggia and Salerno have each received a 200-bed unit, while 40-bed units have gone to Guardiagrele, Civitavecchia, Castelnuovo Garfagnana, Nocera Inferiore, Frosinone and Minturno. UNRRA hospital installations now total 11, the first being the 200-bed hospital opened at Carbonia, Sardinia, on 20 March, 1946. Hospital supplies, comprising altogether 250 beds, 350 mattresses and 200 mattress covers have been sent to Terme di Acqui and to La Spezia (sanatorium). Another 100 beds and mattresses have gone to Rimini. Beds and mattresses have also gone to the hospitals at Fossombrone, Palestrina, and Ceprano and to the home for postpolio cases at Ariccia near Rome.

A 40-bed hospital unit usually contains, in addition to actual beds and mattresses, 200 sheets, drugs, soap, kitchenware, an autoclave for sterilising, surgical and obstetrical equipment and an operating table. The larger units are still more substantially equipped.

Supplies and employment

The 1,000 tons of raw cotton which UNRRA imported several months ago for special manufacture by the Italian textile industry has now been made up into 3,350,000 square metres of towelling, sheeting and other hospital items which are at present in course of distribution to hospitals and kindred institu-

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Among other general items of medical equipment are 95 ambulances which will shortly be distributed, in addition to 85 distributed last year.

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The sharp increase in tuberculosis among the Italian population as a result of war conditions is causing serious concern to the authorities. UNRRA has imported 14 X-ray units, nine of which have already been allocated to hospitals and sanatoria, where they have been assembled and operated, for instruction, by two UNRRA technicians. In addition to supplying films, photofluorographic material and chest-covers for mass radiofluorographic surveys, UNRRA workers have examined over 40,000 persons. An UNRRA representative is attached to the TBC Advisory Committee of the Italian Health Department, and plans are almost ready for a National Photofluorographic Centre to be set up with UNRRA assistance.

Malaria Control

The malaria control program for 1946 (excluding Sardinia, where other arrangements are being made) has been completed in central-southern Italy and Sicily; and work has now started in the Po Valley, Veneto and Udine province. This scheme, the first of its kind to be tried in Italy, aims at adulto mosquito control, and mainly consists of spraying five per cent. DDT kerosene solution over living quarters, outhouses, stables, chicken coops. It is being carried out in conjunction with the Italian authorities' work on larvicidal control. About 150,000,000 square feet of wall surface have so far been sprayed with over 70,000 gallons of kerosene and 23 tons of 100 per cent. DDT. The North Italy operation will involve treatment of a further 150,000,000 square feet of wall surface—which will require 70,000 gallons of kerosene and 20 tons of DDT.

The operations are carried out by nine to 21 malaria control units, according to the area and the seasonal requirements. Work has been confined to the most highly malarious areas and to economically important centres of the country, such as the food-producing

Epidemic Control

UNRRA has been able to assist the Italian authorities in dealing with local outbreaks of epidemic diseases, which have been overcome at the outset, thanks to prompt and concerted action. When the first cases of plague were reported from Taranto last year, UNRRA arranged for two rat extermination specialists to be flown to Italy. The district was surveyed, supplies of grain and chemical substances were provided for poison and bait, and DDT spray was used against the microbe-bearing fleas. The campaign was highly successful, and no cases have been reported since November, 1945.

Officials of the Italian Government and UNRRA are now discussing a disinfestation scheme designed to cover prisons and other community buildings through the country.

UNRRA has also arranged for six Italian scientists to be given an opportunity to study latest medical developments abroad. Two of these specialists will leave shortly for Toronto, Canada, where they will be instructed in the large-scale manufacture of penicillin. The other four will spend a month in England to study modern methods of mass radiography in the control of tuberculosis.

Import of Raw Materials

While UNRRA's task in 1945 was limited to providing relief supplies for certain sections of the population, the 1946 policy is considerably more comprehensive, and aims at meeting nationwide requirements. In future relief will no longer be the main objective. Emphasis has increasingly been placed on the importation of pharmaceutical raw materials, with a view to supplying the Italian people with non-indigenous drugs and to promoting the rehabilitation of Italy's pharmaceutical in-

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In Sardinia a special program will soon get under way, aimed at entirely eradicating the malaria-bearing *anopheles* mosquito from the island.

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MOVEMENTS OF SHIPS

CARGOES OTHER THAN COAL

(JUNE 11 - 16 INCLUSIVE)

SHIP	PORT OF ARRIVAL	DATE OF ARRIVAL	ACCOUNT	CARGO	QUANTITY
Elmira Victory	Naples	11 June	UNRRA	General	6,215 tons
John P. Holland	Genoa	12 "	UNRRA / Comm'l	Wheat	6,615 "
				Cotton	743 bales
Ines Corrado	"	13 "	UNRRA	Wheat	7,000 tons
Lee Sang	"	14 "	"	Cotton	1,816 bales
				Seed cake	508 tons
Halaula Victory	"	" "	It. Govt.	General	7,678 "
Minerva	"	15 "	UNRRA	Oats	7,000 "
Jared Ingersoll	Cagliari	" "	"	Wheat	8,000 "
Harrit Tubman	Genoa	16 "	"	Oats	8,545 "
St. Midwell	"	" "	"	Salt Fish	681 "
Samarina	Naples	" "	"	Copper Sulphate	4,266 "
				General	740 "
Hobert Victory	Leghorn	" "	"	Food	6,973 "

RECENT COAL SHIPMENTS

(MAY 14 - JUNE 16 INCLUSIVE)

SHIP	PORT OF ARRIVAL	DATE OF ARRIVAL	COUNTRY OF ORIGIN	ACCOUNT	TONS
Lot Whitcome	Venice / Ancona	14 May / 18 "	U. S.	UNRRA	7,860
Fort Latraitc	Savona	15 "	U. K.	"	8,600
Fort La Praire	Naples / Salerno	21 " / 24 "	South Africa	Brit. Army	8,895
Empire Envoy	Savona	22 "	" "	UNRRA	8,324
Lyman Steward	Catania / Reggio C.	27 " / 30 "	U. S.	"	8,366
Longlebrook	Savona	28 "	Bahrein Is.	"	7,470
Ida M. Tarbell	"	30 "	U. S.	"	7,908
Glamorgan Seam	"	" "	"	"	9,804
Miguel de Larrinaga	Venice	31 "	Germany	"	6,800
Empire Nairobi	Bari	" "	South Africa	Brit. Army	8,173
Tintern Abbey	Genoa	" "	Germany	UNRRA	6,700
Howard Coffin	Civitavecchia	4 June	Bahrein Is.	"	8,308
Harpalyce	Genoa	6 "	South Africa	Brit. Army	9,380

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Fort Marrin	Venice	7 „	„ „	„	9,441
John Elliot	Savona	9 „	U. S.	UNRRA	8,782
Kelbergen	Venice	13 „	U. K.	„	6,340
Roger Sherman	Messina	15 „	U. S.	„	8,386

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June 21, 1946 Vol. II, No. 23

ECONOMIC NOTES

— Published by The Public Information Division, UNRRA Italy Mission, Via di San Nicolò da Tolentino, 78, Rome —

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1. Joint Price Committee
2. UNRRA Helps Food Drive
3. Medical Rehabilitation
4. Movements of Ships

JOINT PRICE COMMITTEE

The first meeting of the new Joint Price Committee set up by the Italian Government and UNRRA was held in Rome this week. The Committee's function is to review price policy in regard to UNRRA-imported supplies and settle other financial problems arising in connection with the disposal of UNRRA supplies by the Italian Government. The Chairman of the Committee will be Mr. Harlan Cleveland, Deputy Chief of Mission for Requirements and Distribution. Prices have already been agreed for essential commodities such as coal, wheat, flax-seed, seed potatoes, tinplate, penicillin and insulin. Prices of other commodities will be fixed later.

Implementing the Agreement

This Committee has been set up under the 1946 Agreement between the Italian Government and UNRRA, which states that "to enable the Administration effectively to discharge its responsibilities, the Government will discuss and agree with UNRRA its policies and plans for the distribution of UNRRA supplies." The Government is under agreement to consult with UNRRA concerning "price policies and specific prices for such supplies and their relationship to

All UNRRA relief and rehabilitation supplies are provided free to the Italian Government. Furthermore, the Government does not sign to pay for them at a later date, nor are they related to military occupation charges.

Source of Lira Fund

That does *not* mean that UNRRA goods are distributed free to individuals. But it does mean that the nation benefits by their sale. By the end of May UNRRA had imported approximately 600,000 tons of bread grains for example, and nearly 1,400,000 tons of coal. That grain was sold to the flour mills; the coal was sold to the factories. The proceeds went to a special Lira Fund to be devoted to still further expenditure on relief and rehabilitation.

In accordance with Article V of the 1946 Agreement "the net proceeds of the sale, lease or other transfer of relief and rehabilitation supplies and services furnished by UNRRA... shall be devoted to relief and rehabilitation purposes." The Government is under pledge to pay into a special account (known as the Lira Fund) the proceeds derived from the sale or lease of these UNRRA supplies and has agreed to furnish UNRRA with statements [illegible] payments into and disbursements

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contained a somewhat similar provision under which the Government promised to match in lire the cost in foreign exchange incurred by UNRRA for services and supplies.

It was from funds derived under the 1945 Agreement that 1,000 million lire were allocated to the C.A.S.A.S. scheme and nearly 460,000,000 lire to the manufacture in Italy of hospital linen from UNRRA-imported raw cotton.

The Government is entitled to deduct from the proceeds derived from the sale of UNRRA imports, transportation, warehousing and distribution charges and current fiscal dues, such as Purchase Tax. By a legal decision of UNRRA headquarters, however, UNRRA goods are not liable to customs duties. This legal decision provides, nevertheless, within the discretion of the Chief of Mission, that "where price policy makes it desirable, for administrative convenience, the equivalent of existing customs charges may be added to the price, provided the proceeds of such charges are added to the Lira Fund."

UNRRA HELPS FOOD DRIVE

Special harvest liaison officers have been appointed by the UNRRA Italy Mission to help Italian agricultural officials in the Compartments and Provinces to secure speedy gathering and threshing of the harvest and delivery to the peoples' granaries. With the prospect of a good harvest this year and the fixing of wheat prices which farmers in general seem to regard as satisfactory, it is hoped that the Government's new amassing measures will bring in a high percentage of the available 1946 grain crop.

The liaison officers who have been appointed to some of the UNRRA Regions will examine delays and difficulties as they arise and make recommendations to the responsible Italian officials. Their function will be purely advisory.

Meeting in Rome this week, the UNRRA Regional Directors examined Italy's food supply position. For every 10,000 tons of wheat need to spend approximately [illegible] lars (£50,000,000 sterling) on food imports during 1946-47. Of this UNRRA will contribute approximately 87,000,000 dollars (£21,750,000 sterling) for the procurement of food up to the end of December. But after that date, Italy will be responsible for obtaining, and paying for, her own basic supplies. In view of Italy's present difficulty in securing foreign loans and her inadequate foreign exchange resources, the need for reducing food import requirements is obvious.

Food and Foreign Exchange

Necessary food purchases will limit the amount of foreign exchange available for the purchase of raw materials and long term equipment needed to revive Italy's industry. Further, it is anticipated that available world stocks of grain and other essential foods will continue to be short in 1946-47. No certainty exists, therefore, that Italy will obtain all the food imports she needs even though she possesses the available funds to pay for them.

According to preliminary and unofficial forecasts, this year's wheat crop is estimated to yield approximately 5,700,000 tons, of which, after allowance is made for legal retentions, there will remain a theoretical maximum of some 2,125,000 tons available for amassing. Although very much better than last year's abnormally low wheat crop, this year's harvest is still only 79.2 per cent. of the pre-war average.

Imports and UNRRA plans

To ensure a daily bread ration of 200 grams (7 ozs.) and the restoration of the monthly pasta ration of 2,000 grams (approximately 4 ½ lbs.) it is anticipated that Italy may need to import during the 1946-47 crop year, approximately 1,500,000 tons of grain. Of this, UNRRA plans to supply 750,000 tons at the rate of 125,000 tons a month between July and December.

In the past few months, owing to the acute world shortage of supplies, it has been impos-

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sible for the Italian Government or UNRRA to plan ahead. An undue proportion of effort has had to be devoted to shifts and devices to prevent starvation. With the new harvest now coming in and the assurance that UNRRA food imports will continue for the next six or seven months, it should become possible to build up substantial reserve stocks and establish Italy's food position on a more stable basis, with adequate forward planning of supplies.

Emergency amassing returns for the week ended 14 June show a total of 39,684 tons of wheat and 20,416 tons of rice amassed since 1 May, 1946.

MEDICAL REHABILITATION

Medical supplies, hospital units, technical apparatus and the services of expert personnel are now being provided throughout Italy, in accordance with UNRRA's medical relief and rehabilitation program. Co-operation with the Italian High Commissioner for Hygiene and Public Health has enabled good progress to be made in ascertaining, and partly fulfilling, the vital requirements of the population. Italian and UNRRA personnel have been able to combat disease, prevent the spread of epidemics and start implementing plans to improve national health in future years.

The second general distribution of medical supplies, valued at 713,746 dollars (£178,436 sterling) and weighing over 600 tons, was completed early in May. The special distributions of 47,660,000 units of insulin, 10,000 vials of liver extract and 25 tons of anaesthetic ether, were completed in April. In these two months, 150 tons of absorbent cotton and 66 tons of soap for hospital use, were also delivered to the provinces. The third general distribution of medical and hospital supplies, consisting of drugs, dressings and surgical requisites, valued at approximately 500,000 dollars

Deliveries of penicillin rose from 3,000 vials (distributed in January to 23 centres) to 20,000 vials (distributed in May to the capital cities of 94 provinces, including Sicily and Sardinia, but excluding Venezia Giulia). Plans are now being drawn up by the High Commissioner for Hygiene and Public Health for the manufacture of penicillin in Italy as a State-controlled enterprise. The plant is being given by UNRRA.

The despatch of hospital units to 10 Italian war-stricken towns has been completed this week. La Spezia (ospedale civile), Messina, Foggia and Salerno have each received a 200-bed unit, while 40-bed units have gone to Guardiagrele, Civitavecchia, Castelnuovo Garfagnana, Nocera Inferiore, Frosinone and Minturno. UNRRA hospital installations now total 11, the first being the 200-bed hospital opened at Carbonia, Sardinia, on 20 March, 1946. Hospital supplies, comprising altogether 250 beds, 350 mattresses and 200 mattress covers have been sent to Terme di Acqui and to La Spezia (sanatorium). Another 100 beds and mattresses have gone to Rimini. Beds and mattresses have also gone to the hospitals at Fossombrone, Palestrina, and Ceprano and to the home for postpolio cases at Ariccia near Rome.

A 40-bed hospital unit usually contains, in addition to actual beds and mattresses, 200 sheets, drugs, soap, kitchenware, an autoclave for sterilising, surgical and obstetrical equipment and an operating table. The larger units are still more substantially equipped.

Supplies and employment

The 1,000 tons of raw cotton which UNRRA imported several months ago for special manufacture by the Italian textile industry has now been made up into 3,350,000 square metres of towelling, sheeting and other hospital items which are at present in course of distribution to hospitals and kindred institu-

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Among other general items of medical equipment are 95 ambulances which will shortly be distributed, in addition to 85 distributed last year.

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The sharp increase in tuberculosis among the Italian population as a result of war conditions is causing serious concern to the authorities. UNRRA has imported 14 X-ray units, nine of which have already been allocated to hospitals and sanatoria, where they have been assembled and operated, for instruction, by two UNRRA technicians. In addition to supplying films, photofluorographic material and chest-covers for mass radiofluorographic surveys, UNRRA workers have examined over 40,000 persons. An UNRRA representative is attached to the TBC Advisory Committee of the Italian Health Department, and plans are almost ready for a National Photofluorographic Centre to be set up with UNRRA assistance.

Malaria Control

The malaria control program for 1946 (excluding Sardinia, where other arrangements are being made) has been completed in central-southern Italy and Sicily; and work has now started in the Po Valley, Veneto and Udine province. This scheme, the first of its kind to be tried in Italy, aims at adulto mosquito control, and mainly consists of spraying five per cent. DDT kerosene solution over living quarters, outhouses, stables, chicken coops. It is being carried out in conjunction with the Italian authorities' work on larvicidal control. About 150,000,000 square feet of wall surface have so far been sprayed with over 70,000 gallons of kerosene and 23 tons of 100 per cent. DDT. The North Italy operation will involve treatment of a further 150,000,000 square feet of wall surface—which will require 70,000 gallons of kerosene and 20 tons of DDT.

The operations are carried out by nine to 21 malaria control units, according to the area and the seasonal requirements. Work has been confined to the most highly malarious areas and to economically important centres of the country, such as the food-producing districts.

Epidemic Control

UNRRA has been able to assist the Italian authorities in dealing with local outbreaks of epidemic diseases, which have been overcome at the outset, thanks to prompt and concerted action. When the first cases of plague were reported from Taranto last year, UNRRA arranged for two rat extermination specialists to be flown to Italy. The district was surveyed, supplies of grain and chemical substances were provided for poison and bait, and DDT spray was used against the microbe-bearing fleas. The campaign was highly successful, and no cases have been reported since November, 1945.

Officials of the Italian Government and UNRRA are now discussing a disinfestation scheme designed to cover prisons and other community buildings through the country.

UNRRA has also arranged for six Italian scientists to be given an opportunity to study latest medical developments abroad. Two of these specialists will leave shortly for Toronto, Canada, where they will be instructed in the large-scale manufacture of penicillin. The other four will spend a month in England to study modern methods of mass radiography in the control of tuberculosis.

Import of Raw Materials

While UNRRA's task in 1945 was limited to providing relief supplies for certain sections of the population, the 1946 policy is considerably more comprehensive, and aims at meeting nationwide requirements. In future relief will no longer be the main objective. Emphasis has increasingly been placed on the importation of pharmaceutical raw materials, with a view to supplying the Italian people with non-indigenous drugs and to promoting the rehabilitation of Italy's pharmaceutical in-

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In Sardinia a special program will soon get under way, aimed at entirely eradicating the malaria-bearing *anopheles* mosquito from the island.

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MOVEMENTS OF SHIPS

CARGOES OTHER THAN COAL

(JUNE 11 - 16 INCLUSIVE)

SHIP	PORT OF ARRIVAL	DATE OF ARRIVAL	ACCOUNT	CARGO	QUANTITY
Elmira Victory	Naples	11 June	UNRRA	General	6,215 tons
John P. Holland	Genoa	12 „	UNRRA / Comm'l	Wheat	6,615 „
				Cotton	743 bales
Ines Corrado	„	13 „	UNRRA	Wheat	7,000 tons
Lee Sang	„	14 „	„	Cotton	1,816 bales
				Seed cake	508 tons
Halaula Victory	„	„ „	It. Govt.	General	7,678 „
Minerva	„	15 „	UNRRA	Oats	7,000 „
Jared Ingersoll	Cagliari	„ „	„	Wheat	8,000 „
Harrit Tubman	Genoa	16 „	„	Oats	8,545 „
St. Midwell	„	„ „	„	Salt Fish	681 „
Samarina	Naples	„ „	„	Copper Sulphate	4,266 „
				General	740 „
Hobert Victory	Leghorn	„ „	„	Food	6,973 „

RECENT COAL SHIPMENTS

(MAY 14 - JUNE 16 INCLUSIVE)

SHIP	PORT OF ARRIVAL	DATE OF ARRIVAL	COUNTRY OF ORIGIN	ACCOUNT	TONS
Lot Whitcome	Venice / Ancona	14 May / 18 „	U. S.	UNRRA	7,860
Fort Latraite	Savona	15 „	U. K.	„	8,600
Fort La Praire	Naples / Salerno	21 „ / 24 „	South Africa	Brit. Army	8,895
Empire Envoy	Savona	22 „	„ „	UNRRA	8,324
Lyman Steward	Catania / Reggio C.	27 „ / 30 „	U. S.	„	8,366
Longlebrook	Savona	28 „	Bahrein Is.	„	7,470
Ida M. Tarbell	„	30 „	U. S.	„	[illegible]
Glamorgan Seam	„	„ „	„	„	9,804
Miguel de Larrinaga	Venice	31 „	Germany	„	6,800
Empire Nairobi	Bari	„ „	South Africa	Brit. Army	8,173
Tintern Abbey	Genoa	„ „	Germany	UNRRA	6,700
Howard Coffin	Civitavecchia	4 June	Bahrein Is.	„	8,308
Harpalyce	Genoa	6 „	South Africa	Brit. Army	9,380

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Howard Coffin	Civitavecchia	4 June	Bahrein Is.	„	8,308
Harpalyce	Genoa	6 „	South Africa	Brit. Army	9,380
Fort Marrin	Venice	7 „	„ „	„	9,441
John Elliot	Savona	9 „	U. S.	UNRRA	8,782
Kelbergen	Venice	13 „	U. K.	„	6,340
Roger Sherman	Messina	15 „	U. S.	„	8,386

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June 14, 1946

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ECONOMIC NOTES

— Published by The Public Information Division, UNRRA Italy Mission, Via di San Nicolò da Tolentino, 78, Rome —

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3. Farm Machinery
4. Movements of Ships

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When the budget for the second half year is approved by the Central Committee the "second-half" funds will be added to those allocated up to June 30. The result will be a general program to the end of December 1946, which will represent UNRRA aid to Italy from the beginning. The total figure tentatively allocated to Italy (subject to Central Committee action) is 425,000,000 dollars (£106,250,000 sterling)—to which must be added the cost of shipping these goods to Italy.

One General Program

The import program for the first six months of this year has of necessity been changed many times and it would no longer be realistic to talk about estimated and programmed arrivals. The main interest at present lies in actual performances. When the Central Committee approves the financial proposals for the remaining period, it will be possible to present

these items actually reached Italian ports or were on the high seas at that date. The dollar equivalents are stated in round figures.

Foon	Metric Tons	Dollars
Cereals	644,636	52,000,000
Soya Flour	4,248	520,000
Milk	34,503	11,800,000
Fats	10,348	3,600,000
Sugar	18,141	2,180,000
Coffee	3,532	700,000
Fish, canned	4,224	1,500,000
Fish, dry	10,079	2,550,000
Meat	5,758	3,450,000
Dehydrated soup	6,578	2,260,000
TEXTILES		
Raw cotton	20,081	10,300,000
Raw wool (clean weight)	4,579	510,000
Hides	361	140,000
AGRICULTURE		
Fertilizers:		
Ammonium Nitrate	9,459	600,000
Pesticides:		
Copper sulphate	5,825	650,000
Seeds:		
Potatoes	10,011	1,300,000
Peas	443	100,000
Flax	202	500,000
Vetch	701	130,000
Tinplate	400	50,000
INDUSTRIAL REHABILITATION		

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Below are given the figures of major commodities shipped to Italy up to June 5. All these items actually reached Italian ports or were on the high seas at that date. The dollar equivalents are stated in round figures.

Foon	Metric Tons	Dollars
Cereals	644,636	52,000,000
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Peas	443	100,000
Flax	202	500,000
Vetch	701	130,000
Tinplate	400	50,000
INDUSTRIAL REHABILITATION		
Coal	1,436,124	11,500,000
Petroleum products (about)	700,000	17,745,000
Iron and Steel	348	21,000
Rubber	377	200,000
Copper	2,300	630,000
Tin Ingots	400	500,000
Asbestos	1,100	40,000

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Italy has, thus, received approximately 3,000,000 tons of supplies of an estimated value of 130,000,000 dollars (£32,500,000 sterling)—against the 425,000,000 dollars (£106,250,000 sterling) budgeted up to the end of December, 1946.

Forecasts of availability for the second half of the year are in general brighter, especially in the field of industrial rehabilitation. In fact, many commodities for which funds have already been committed in the course of the first half year (pig iron, copper wire bars, rubber, chemicals, etc.) should be arriving at Italian ports in the next months in increasing quantities.

FOOD CONSERVATION PLANS

The latest returns for the emergency amassing campaign show that 38,123 tons of bread cereals and 15,096 tons of rice had been brought in by June 7. During the period 1-7 June, the collection of bread cereals amounted to 4,438 tons. UNRRA imports of bread cereals between 1 May and 7 June were 160,680 tons.

Wheat collections are thus 30,000 tons short of the target which the Italian Government fixed at 68,500 tons, although UNRRA had recommended that it should be a minimum of 150,000 tons. Rice collections have reached the Government's minimum target figure of 15,000 tons.

Local reductions in the bread ration have consequently been inevitable, together with a temporary suspension of the pasta ration throughout the country. The critical period is expected to last for two or three weeks. The Italian Government is making strenuous efforts to encourage early threshing and delivery of the new harvest to the collection centres. By 23 June it is expected that 40,000 tons of the new harvest will be collected, and the total should be considerably more by the end of the month.

UNRRA Regional Co-operation

agricultural organisations and enforcement authorities in getting the maximum amount of grain collected from the 1946 harvest.

Long-term plans, covering Italy's requirements of bread cereals for the next twelve months, are now being worked out by Italian Government officials and the Italy Mission. The Mission's aim is to assist in building up stocks to ensure a minimum of 200 grams of bread daily and 2,000 grams of pasta (or the rice equivalent) monthly until the 1946-47 crop has been harvested. No plan will, however, achieve a success unless effective food control is instituted, from the farm to the restaurant and the street market.

The Government has already authorized drastic action with the new decree abolishing luxury meals in restaurants and restricting meals in all restaurants, hotels and inns to three specific courses. Only bread and pasta of the legal extraction rate of 91 per cent. and 80 per cent. respectively may be served. There is to be no pastry of any kind. The daily menu, giving prices, service percentage and any other cost item, must be displayed outside the premises.

Britain's Policy

The measures now to be enforced in Italy are in many respects similar to those adopted by the United Kingdom to meet war and post-war emergency conditions. Rationing, introduced in the latter country during the very first months of the war, is still in operation now, after nearly seven years. The extraction rate of flour has recently gone up from 85 to 90 per cent. and the weekly fat ration has been cut down from 2 oz. (56 grams) to 1 oz. (28 grams). British food stocks have fallen from 6,200,000 tons in 1944 to 4,800,000 tons in 1945 and to about 3,900,000 tons now.

In every restaurant, including hotel establishments, a three-course meal is served, costing up to a maximum of five shillings (225 lire). This has proved an effective device for restricting excessive food consumption and stamping out luxury meals. The only modification is a permitted "house charge"—to cover

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(£106,250,000 sterling) budgeted up to the end of December, 1946.

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The latest returns for the emergency amassing campaign show that 38,123 tons of bread cereals and 15,096 tons of rice had been brought in by June 7. During the period 1-7 June, the collection of bread cereals amounted to 4,438 tons. UNRRA imports of bread cereals between 1 May and 7 June were 160,680 tons.

Wheat collections are thus 30,000 tons short of the target which the Italian Government fixed at 68,500 tons, although UNRRA had recommended that it should be a minimum of 150,000 tons. Rice collections have reached the Government's minimum target figure of 15,000 tons.

Local reductions in the bread ration have consequently been inevitable, together with a temporary suspension of the pasta ration throughout the country. The critical period is expected to last for two or three weeks. The Italian Government is making strenuous efforts to encourage early threshing and delivery of the new harvest to the collection centres. By 23 June it is expected that 40,000 tons of the new harvest will be collected, and the total should be considerably more by the end of the month.

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Food and Wages

Side by side with this strict control of food consumption, there has been a vast increase in food production. Millions of acres of pasture lands have been ploughed up, enabling grain production to rise from 5,400,000 tons in 1939 to 9,700,000 tons in 1943. Imports of foodstuffs and fodder fell from 22,300,000 tons pre-war to 11,300,000 in 1943. Thanks to strict Government control of food stocks and prices the cost of living has increased only by 32 per cent. compared with 1938, and average wages by over 48 per cent.

Conditions are certainly different in the two countries, but nevertheless the achievement of the United Kingdom (where the "Black Market" is virtually non-existent) is evidence of what a food importing country can do to increase home production, and at the same time ensure fair distribution at controlled prices of available food supplies. UNRRA

SUPPLEMENTARY AMASSING PROGRESS

COMPARTMENT	STOCKS April 30	AMASSING TARGET	ACTUAL AMASSING 1 May - 7 June 1946	UNRRA ARRIVALS 1 May - 7 June 1946
Piemonte. . . . . qls.	42,510	59,000	47,824	168,690
Liguria. . . . . "	81,397	2,700	2,440	77,720
Lombardia. . . . . "	89,384	73,400	56,323	269,690
Veneto and Venezia Tridentina "	166,671	89,900	46,429	131,780
Emilia . . . . . "	89,316	118,000	90,126	68,860
Toscana . . . . . "	91,110	60,500	42,853	45,910
Marche . . . . . "	130,813	58,000	19,818	—
Umbria . . . . . "	87,826	27,000	16,217	4854
Lazio . . . . . "	133,046	27,500	9,405	95,330
Abruzzi and Molise . . . "	56,422	37,000	6,468	12,170
Campania . . . . . "	96,754	27,500	11,082	265,590
Puglie . . . . . "	35,687	16,200	10,269	133,240
Lucania . . . . . "	36,174	14,000	2,689	3,240

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Puglie . . . . . "	35,687	16,200	10,269	133,240
Lucania . . . . . "	36,174	14,000	2,689	3,240
Calabria . . . . . "	50,804	13,000	6,265	83,630
Sicilia . . . . . "	111,622	49,500	9,575	180,950
Sardegna . . . . . "	25,579	12,000	3,450	70,000
Total	1,325,115	685,200	381,233	1,606,800

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will continue to supply Italy with grain until the end of the year but only vigorous measures of self-help within the country will increase the amounts of supplies UNRRA can secure for Italy from the allocation authorities, and thereby serve to reduce the anxieties of the lean months before the harvest of 1947.

FARM MACHINERY

Farm machinery to assist in the harvest has arrived in Italy from Canada and the United States under the UNRRA agricultural program and is now being distributed to the provinces by Italian Government agencies. The UNRRA equipment which includes binders, mowers, reaper attachments and spare parts, has been arriving at Italian ports since late April and additional shipments of mowers from the United Kingdom are expected soon.

The machinery has been consigned to the Federazione Consorzi Agrari which is responsible for distribution to the provinces on the basis of a joint plan developed by the Ministry of Agriculture and Forestry and the UNRRA Italy Mission.

Arrivals within the past few weeks include 415 animal-drawn binders, 75 tractor-drawn binders, 603 animal drawn mowers and some hundreds of accessories.

The last consignment of farm tractors under the Allied Commission program, has reached Italian ports. This completes the total of 754 tractors to be received under this program, which has provided 608 thirty-five horse-power and 66 twenty-five horse-power Minneapolis-Moline tractors and 80 forty-five horse-power Case tractors. Two hundred tractors are scheduled to be consigned by the Italian Government to the Consorzi Agrari for use in 40 tractor pools in the provinces on a rental basis and the remainder is being sold directly to farmers. The tractors were made available to Italy in spite of great demand for them in Canada and the United States—in order to assist in the solution of Italy's food problem.

Recent arrivals under the UNRRA and Allied Commission program also include tractor-ploughs and spare parts, which will be utilised in preparation for the autumn sowing. A total of 250 tractor-ploughs and 607 cases of spare parts have been supplied on Allied Commission account and 230 tractor-ploughs on UNRRA account. Under UNRRA direction, a large demonstration of this farm machinery and equipment is scheduled to take place at Bologna on 23 June.

MOVEMENTS OF SHIPS

CARGOES OTHER THAN COAL

(JUNE 3 - 9 INCLUSIVE)

SHIP	PORT OF ARRIVAL	DATE OF ARRIVAL	ACCOUNT	CARGO	TONS
Ada Gortham	Genoa	3 June	Commercial	General	3,600
Sagoland	"	" "	"	Cotton	2,922
Nord Farer	"	4 "	UNRRA	Oats	7,390
Vindeggen	"	" "	Commercial	General & Food	4,448
Edward Rutledge	Naples	" "	UNRRA	Food - General	5,627
Green Mountain	Genoa	5 "	Commercial	Cotton	4,989
Northwestern Victory	Bari	6 "	It. Govt.	Wheat Flour	8,413
T. S. Gold	Genoa	" "	"	General	7,074

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T. S. Gold	Genoa	" "	"	General	7,074
Exford	"	7 "	UNRRA	Lard	1,082
Henry Ward Beecher	"	" "	It. Govt.	Nitrates	8,400
Benny Skou	Naples	8 "	UNRRA	Food - General	6,213
A. Th. Jonasson	"	9 "	"	Cotton (bales)	252

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The Supply Conference held at UNRRA Headquarters in Washington during May has resulted in concrete proposals for the allocation of funds to all UNRRA receiving countries for the second half of the year, to be submitted for approval to the Central Committee.

When the budget for the second half year is approved by the Central Committee the "second-half" funds will be added to those allocated up to June 30. The result will be a general program to the end of December 1946, which will represent UNRRA aid to Italy from the beginning. The total figure tentatively allocated to Italy (subject to Central Committee action) is 425,000,000 dollars (£106,250,000 sterling)—to which must be added the cost of shipping these goods to Italy.

One General Program

The import program for the first six months of this year has of necessity been changed many times and it would no longer be realistic to talk about estimated and programmed arrivals. The main interest at present lies in actual performances. When the Central Committee approves the financial proposals for the remaining period, it will be possible to present a detailed breakdown of the one general program.

These items actually reached Italian ports or were on the high seas at that date. The dollar equivalents are stated in round figures.

	Metric Tons	Dollars
Food		
Cereals	644,636	52,000,000
Soya Flour	4,248	520,000
Milk	34,503	11,800,000
Fats	10,348	3,600,000
Sugar	18,141	2,180,000
Coffee	3,532	700,000
Fish, canned	4,224	1,500,000
Fish, dry	10,079	2,550,000
Meat	5,758	3,450,000
Dehydrated soup	6,378	2,260,000
Textiles		
Raw cotton	20,081	10,300,000
Raw wool (clean weight)	4,579	510,000
Hides	361	140,000
Agriculture		
Fertilizers:		
Ammonium Nitrate	9,459	600,000
Pesticides:		
Copper sulphate	5,825	650,000
Seeds:		
Potatoes	10,011	1,300,000
Peas	443	100,000
Flax	202	500,000
Vetch	701	130,000
Tinplate	400	50,000
Industrial Rehabilitation		
Coal	1,436,124	11,500,000

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Below are given the figures of major commodities shipped to Italy up to June 5. All these items actually reached Italian ports or were on the high seas at that date. The dollar equivalents are stated in round figures.

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Industrial Rehabilitation		
Coal	1,436,124	11,500,000
Petroleum products (about)	700,000	17,745,000
Iron and Steel	348	21,000
Rubber	377	200,000
Copper	2,300	630,000
Tin Ingots	400	500,000
Asbestos	1,100	40,000

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Italy has, thus, received approximately 3,000,000 tons of supplies of an estimated value of 130,000,000 dollars (£32,500,000 sterling)—against the 425,000,000 dollars (£106,250,000 sterling) budgeted up to the end of December, 1946.

Forecasts of availability for the second half of the year are in general brighter, especially in the field of industrial rehabilitation. In fact, many commodities for which funds have already been committed in the course of the first half year (pig iron, copper wire bars, rubber, chemicals, etc.) should be arriving at Italian ports in the next months in increasing quantities.

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UNRRA Regional Co-operation

agricultural organisations and enforcement authorities in getting the maximum amount of grain collected from the 1946 harvest.

Long-term plans, covering Italy's requirements of bread cereals for the next twelve months, are now being worked out by Italian Government officials and the Italy Mission. The Mission's aim is to assist in building up stocks to ensure a minimum of 200 grams of bread daily and 2,000 grams of pasta (or the rice equivalent) monthly until the 1946-47 crop has been harvested. No plan will, however, achieve a success unless effective food control is instituted. from the farm to the restaurant and the street market.

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Lombardia. . . . . "	89,384	73,400	56,323	269,690
Veneto and Venezia Tridentina "	166,671	89,900	46,429	131,780
Emilia . . . . . "	89,316	118,000	90,126	68,860
Toscana . . . . . "	91,110	60,500	42,853	45,910
Marche . . . . . "	130,813	58,000	19,818	—
Umbria . . . . . "	87,826	27,000	16,217	—
Lazio . . . . . "	133,046	27,500	9,405	455
Abruzzi and Molise . . . "	56,422	37,000	6,468	12,170
Campania . . . . . "	96,754	27,500	11,082	265,590
Puglie . . . . . "	35,687	16,200	10,269	133,240
Lucania . . . . . "	36,174	14,000	2,689	3,240
Calabria	50,804	12,000	6,056	23,620

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of them serving some 5,000,000 meals a week. Their social value to the community in providing cheap food and relieving domestic labour makes their retention likely.

The United Kingdom's consumption of bread—which, apart from potatoes, vegetables and fruit, is one of the few important food items not so far rationed—has always been small compared with other countries and has risen little during the war years. The supply of flour per head for civilian consumption, was as follows:—

1934-38 average	195 lbs.	(88,5	kilograms)
1943 "	230 "	(104,4	")
1944 "	229 "	(104,0	")

The 1936-40 average of wheat per head for Italy was 171 kilograms (376 lbs.). Reckoning a low extraction rate of 80 per cent., this means that the supply of flour per head averaged 300 lbs. (136 kgs.). While the British diet is fairly complete, though far from plentiful, the United Kingdom produces much

seasons of the year.

Food and Wages

Side by side with this strict control of food consumption, there has been a vast increase in food production. Millions of acres of pasture lands have been ploughed up, enabling grain production to rise from 5,400,000 tons in 1939 to 9,700,000 tons in 1943. Imports of foodstuffs and fodder fell from 22,300,000 tons pre-war to 11,300,000 in 1943. Thanks to strict Government control of food stocks and prices the cost of living has increased only by 32 per cent. compared with 1938, and average wages by over 48 per cent.

Conditions are certainly different in the two countries, but nevertheless the achievement of the United Kingdom (where the "Black Market" is virtually non-existent) is evidence of what a food importing country can do to increase home production, and at the same time ensure fair distribution at controlled prices of available food supplies. UNRRA

SUPPLEMENTARY AMASSING PROGRESS

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Calabria . . . . . "	50,804	13,000	6,265	83,630
Sicilia . . . . . "	111,622	49,500	9,575	180,950
Sardegna . . . . . "	25,579	12,000	3,450	70,000
Total	1,325,115	685,200	381,233	1,606,800

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will continue to supply Italy with grain until the end of the year but only vigorous measures of self-help within the country will increase the amounts of supplies UNRRA can secure for Italy from the allocation authorities, and thereby serve to reduce the anxieties of the lean months before the harvest of 1947.

FARM MACHINERY

Farm machinery to assist in the harvest has arrived in Italy from Canada and the United States under the UNRRA agricultural program and is now being distributed to the provinces by Italian Government agencies. The UNRRA equipment which includes binders, mowers, reaper attachments and spare parts, has been arriving at Italian ports since late April and additional shipments of mowers from the United Kingdom are expected soon.

The machinery has been consigned to the Federazione Consorzi Agrari which is responsible for distribution to the provinces on the basis of a joint plan developed by the Ministry of Agriculture and Forestry and the UNRRA Italy Mission.

Arrivals within the past few weeks include 415 animal-drawn binders, 75 tractor-drawn binders, 603 animal drawn mowers and some hundreds of accessories.

The last consignment of farm tractors under the Allied Commission program, has reached Italian ports. This completes the total of 754 tractors to be received under this program, which has provided 608 thirty-five horse-power and 66 twenty-five horse-power Minneapolis-Moline tractors and 80 forty-five horse-power Case tractors. Two hundred tractors are scheduled to be consigned by the Italian Government to the Consorzi Agrari for use in 40 tractor pools in the provinces on a rental basis and the remainder is being sold directly to farmers. The tractors were made available to Italy in spite of great demand for them in Canada and the United States—in order to assist in the solution of Italy's food problem.

Recent arrivals under the UNRRA and Allied Commission program also include tractor-ploughs and spare parts, which will be utilised in preparation for the autumn sowing. A total of 230 tractor-ploughs and 607 cases of spare parts have been supplied on Allied Commission account and 230 tractor-ploughs on UNRRA account. Under UNRRA direction, a large demonstration of this farm machinery and equipment is scheduled to take place at Bologna on 23 June.

MOVEMENTS OF SHIPS

CARGOES OTHER THAN COAL

(JUNE 3 - 9 INCLUSIVE)

SHIP	PORT OF ARRIVAL	DATE OF ARRIVAL	ACCOUNT	CARGO	TONS
Ada Gortham	Genoa	3 June	Commercial	General	3,600
Sagoland	"	" "	"	Cotton	2,922
Nord Farer	"	4 "	UNRRA	Oats	7,390
Vindeggen	"	" "	Commercial	General & Food	4,448
Edward Rutledge	Naples	" "	UNRRA	Food - General	5,627
Green Mountain	Genoa	5 "	Commercial	Cotton	4,989
Northwestern Victory	Bari	6 "	It. Govt.	Wheat Flour	8,413
T. S. Gold	Genoa	" "	"	General	7,074

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Exford	"	7 "	UNRRA	Lard	1,082
Henry Ward Beecher	"	" "	It. Govt.	Nitrates	8,400
Benny Skou	Naples	8 "	UNRRA	Food - General	6,213
A. Th. Jonasson	"	9 "	"	Cotton (bales)	252

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June 7, 1946

Vol. I, No. 21

ECONOMIC NOTES

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CONTENTS

1. Improved coal situation
2. Food and amassing
3. UNRRA Import programm
4. Italian Export Trade
5. Movements of Ships

IMPROVED COAL SITUATION

June coal allocations to Italian industries and railroads from the UNRRA-import stockpile have been increased by 75,000 tons over the 350,000 tons originally programmed by the Emergency Coal Committee. Although the end of the United States coal strike will not improve the coal situation until late July when resumed shipments begin to arrive, the crisis has been relieved by the careful conservation measures taken by the UNRRA-Italian Government Emergency Coal Committee and the successful representations of UNRRA and Government officials at the London meetings of the European Coal Organization in May. June allocations of Ruhr coal to Italy have been fixed at 123,200 tons.

Of the additional 75,000 tons allotted from Italy's carefully hoarded reserve by the Coal Committee, 15,000 tons will go to railroads and 60,000 to food factories, fertilizer works, gasworks, steel and general engineering industries, with first priority to those affecting sustenance.

Increased Allocations

The Coal Committee hopes to increase the [illegible] tons for rail-

marshalling of resources to combat the grasshopper plague.

Food and coal are intertwined in Europe's entire fuel supply picture. At the E.C.O. conference held in Paris on 21-23 May, at which Europe's coal outlook for the next twelve months was examined at length, it was pointed out that shortage of food had resulted in an increase of absenteeism among Ruhr miners. The next two months, critical with respect to food, may be desperate for Ruhr coal production. The miners are receiving substantially less than the minimum food actually necessary for such hard labour and this is reflected in their output. Great Britain is making special efforts to provide food for the Ruhr in order to maintain coal output.

Ruhr Production Problems

The problem is aggravated by the shortage of housing and transport. Approximately 1,000,000 homes were substantially damaged in the Ruhr, scene of the heaviest blows of the war against Germany. Shortage of building materials and transport has slowed repairs.

There is also an acute shortage of mining supplies and out of 148 hard coal mines in the Ruhr, only six escaped damage entirely. As [illegible] output of 90,000,000

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Increased Allocations

The Coal Committee hopes to increase the July allotment of coal to 475,000 tons for railroads and essential industries, with a further increase in August, as coal arrivals become normal. Meanwhile, the May target of 90,000 tons of Sardinian coal may not be met, production having fallen off slightly because of the marshalling of resources to combat the grasshopper plague.

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There is also an acute shortage of mining supplies and out of 148 hard coal mines in the Ruhr, only six escaped damage entirely. As compared with a pre-war output of 90,000,000 tons per annum, current production is about half that figure.

Because of similar problems in other coal producing areas of Europe, the E.C.O. Paris

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Conference estimated that the available supplies of coal for Europe for the twelve-month period ending in June 1947 would be from 25 to 45 per cent. below total demands.

In light of the serious delay in post-war recovery of Europe which will result from such a shortage, the E.C.O. passed the following resolutions:

Resolution I.

At this Conference held in Paris under the auspices of the European Coal Organization during the period 21 to 28 May at which 21 nations and four international organizations are represented, it is resolved:—

To draw the special attention of all Governments and of the heads of all international organizations concerned to the facts:—

a) that unless exceptional measures are taken at once, the shortage of solid fuel in Europe over the ensuing twelve months is likely to be such as to cause widespread unemployment and seriously to retard post-war recovery:

b) that this catastrophe can be avoided only if effective steps are taken (i) to ensure adequate food for miners, particularly underground workers; (ii) to provide special incentives to attract recruitment of labour to the mines; (iii) to give special priority to the manufacture and distribution of mining equipment and mining supplies generally, and (iv) to ensure the availability of adequate facilities to lift and transport every ton of coal mined;

c) that the above measures are not designed solely for the benefit of the coal mining industry, but are essential if dislocation of almost all industries including food processing, is to be avoided;

d) that the application of the above measures cannot in itself result in fulfilment of the minimum needs of Europe unless accompanied by rigid control of consumption of coal in Germany and maximum export of coal from that country.

Resolution II

of trading in coal, including bilateral agreements;

b) the advisability of taking special account of certain end uses, as steel, when recommending the allocation of coal and coke.

Italy's present relatively favourable position in regard to coal stocks represents a striking example of national self-discipline and foresight. Although the situation is now easier, the problem of eking out supplies will remain for the whole of next year. For the future stability of Italy's national economy, therefore, it will be necessary to continue to plan allocations according to a definite program of priorities. It is essential also for the success of this planned economy that industry should carry out faithfully and promptly the directives issued by the Government.

FOOD AND AMASSING

This week's amassing returns show that 33,685 tons of bread cereals had been brought in by 31 May, which was still 34,815 tons below the Government's target figure of 68,500 tons. Rice amassing reached 13,790 tons. It will be recalled that UNRRA specified a target figure of 150,000 tons as necessary to maintain the ration. Imports of bread cereals during May were 154,187 tons.

Preliminary figures for UNRRA imports of food other than cereals into Italy during May show a total of 41,500 tons. Among the main items are 14,780 tons of sugar, 6,980 tons of fats, 7,160 tons of condensed, evaporated and dried milk. Fish (canned, dried, salted), and meat (including meat preparation and sausages) amount to 4,720 and 4,700 tons respectively. The balance is accounted for by coffee (mainly distributed to refugee camps), soya flour, dehydrated soup, dried vegetables and miscellaneous foodstuffs.

Government's New Measures

Italy harvest prospects show a marked improvement on last year's (see *Economic Notes*

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d) that the application of the above measures cannot in itself result in fulfilment of the minimum needs of Europe unless accompanied by rigid control of consumption of coal in Germany and maximum export of coal from that country.

Resolution II.

That urgent examination be made by E.C.O. of:

a) the possibility of increasing coal production by the adoption of special methods

Italy's present relatively favourable position in regard to coal stocks represents a striking example of national self-discipline and foresight. Although the situation is now easier, the problem of eking out supplies will remain for the whole of next year. For the future stability of Italy's national economy, therefore, it will be necessary to continue to plan allocations according to a definite program of priorities. It is essential also for the success of this planned economy that industry should carry out faithfully and promptly the directives issued by the Government.

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Government's New Measures

Italy harvest prospects show a marked improvement on last year's (see *Economic Notes* No. 15). Provided the farmers deliver maximum quotas to the people's granaries and consumption is strictly and fairly rationed, Italy's reliance on imports can be kept within reasonable limits. A determined effort to

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pay a fair price to farmers, level out discrepancies in food distribution and enforce compliance with regulations is now a major objective of Italy's internal policy. The first steps have already been taken with the repeal last month of the law on amassing passed in October 1945, and the publication of the new amassing decree, and the decree abolishing luxury meals in restaurants.

At the request of the Italian Government, the Chief of the UNRRA Italy Mission, Mr. S. M. Keeny, has formally set out his suggestions for more effective control of Italy's food stocks. Writing on May 22 to Signor Alcide De Gasperi, he suggested that:—

a) Amassing retentions should be limited to those prevailing in 1945, and oats should be amassed as well.

b) The machinery for amassing should be greatly strengthened.

c) Appropriate steps should be taken to prevent loss of grain through excessive feeding to animals.

d) There should be a greatly strengthened agricultural drive for 1947.

e) The entire black market for bread should be abolished and strenuous efforts made to abolish the distribution of food through luxury restaurants.

Italian Premier's Reply

In reply to Mr. Keeny, the Prime Minister stated that the inclusion of oats in the 1946 amassing decree was inadvisable for technical and practical reasons, but that the Government would consider the matter later on. He further assured the Chief of the UNRRA Italy Mission that "everything possible is being done to make a success of the amassing campaign," both as regards "control of the areas cultivated by each single cereal producer," and "the determination of the actual production obtained, together with a check kept on threshing operations and a reinforced surveillance of the mills."

SUPPLEMENTARY AMASSING PROGRESS

COMPARTMENT	STOCKS April 30	AMASSING TARGET	ACTUAL AMASSING 1 - 31 May 1946	UNRRA ARRIVALS 1 - 31 May 1946
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UNRRA IMPORT PROGRAMM

Tentative figures for UNRRA's program of imports into Italy during the second half of the year have now been provisionally agreed upon in Washington where they await consideration and approval by the UNRRA Central Committee which is scheduled to meet this month. In anticipation, however, of this approval, a preliminary procurement and shipping program has already been mapped out.

On his return to Rome after a four weeks' visit to Washington to submit the new program, Mr. Harlan Cleveland, Deputy Chief of Mission for Requirements and Distribution, reports that the outlook for the future is reasonably satisfactory. In most major categories of food and liquid fuel, supplies should be forthcoming in roughly their present volume through the rest of the year. On the important item of coal, it is hoped to reach during the second half of the year a rate of 600,000 tons per month, once large shipments from the United States are again possible.

9,000,000 Tons of Supplies

This represents a shifting to the second half of the year of the maximum flow of UNRRA supplies to Italy. As originally planned, UNRRA shipments were to be concentrated largely in the first six months of 1946, and to taper off very steeply during the third and fourth quarters of the year. But owing to world shortages, United States work stoppages and other difficulties outside UNRRA's control, it has been impossible to procure or ship many of the supplies programmed for delivery in the early months of the year. Approximately 3,000,000 tons of the 9,000,000 tons of supplies which UNRRA plans to bring into Italy this year have so far been delivered. The remaining 6,000,000 tons are due to arrive during the next eight months, June 1946 through January 1947.

This re-arrangement of time-table does *not* mean that there will be any substantial ad-

of activity in this country will have spent a total of approximately 500,000,000 dollars (£125,000,000 sterling) on the purchase of supplies and their shipment overseas. Of that sum, less than 50 million dollars were spent in 1945, and the rest represents the 1946 program.

Although world shortages and other difficulties have so far prevented realisation of the program as it was originally planned, it is anticipated that the program for the second half of the year will, in fact, be realised, since most of the supplies it is proposed to import, will tend to become much more readily procurable. In place of the hand to mouth procurement policy on major commodities to which force of circumstances has compelled UNRRA to resort in recent months, it should now become gradually possible to plan the future program on a more stable economic basis—not for a few weeks ahead, but with an eye on the needs of the next eight months, as far as UNRRA is concerned, and for the next year or two from the standpoint of the Italian Government and people.

This is particularly necessary for food, which together with coal and petroleum products absorb by far the greatest part of the UNRRA funds available for Italy. In collaboration with the Italian Government UNRRA is examining the problem of how best to minimise next year's shortages. Italy as a grain importing country, will need to be continually and realistically aware of the difficulties that arise from the continued world shortage of bread grains. Some deficit there must be in Italy's total supply of bread grains—imported and home-grown. But active steps are being taken to reduce that deficit to the minimum.

Fats in Better Supply

While procurement of bread grains and sugar may continue to be difficult, the supply situation with other foods, notably fats, is now somewhat easier, and UNRRA hopes to increase imports substantially during the second

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of imports into Italy during the second half of the year have now been provisionally agreed upon in Washington where they await consideration and approval by the UNRRA Central Committee which is scheduled to meet this month. In anticipation, however, of this approval, a preliminary procurement and shipping program has already been mapped out.

On his return to Rome after a four weeks' visit to Washington to submit the new program, Mr. Harlan Cleveland, Deputy Chief of Mission for Requirements and Distribution, reports that the outlook for the future is reasonably satisfactory. In most major categories of food and liquid fuel, supplies should be forthcoming in roughly their present volume through the rest of the year. On the important item of coal, it is hoped to reach during the second half of the year a rate of 600,000 tons per month, once large shipments from the United States are again possible.

9,000,000 Tons of Supplies

This represents a shifting to the second half of the year of the maximum flow of UNRRA supplies to Italy. As originally planned, UNRRA shipments were to be concentrated largely in the first six months of 1946, and to taper off very steeply during the third and fourth quarters of the year. But owing to world shortages, United States work stoppages and other difficulties outside UNRRA's control, it has been impossible to procure or ship many of the supplies programmed for delivery in the early months of the year. Approximately 3,000,000 tons of the 9,000,000 tons of supplies which UNRRA plans to bring into Italy this year have so far been delivered. The remaining 6,000,000 tons are due to arrive during the next eight months, June 1946 through January 1947.

This re-arrangement of time-table does *not* mean that there will be any substantial addition to UNRRA's total expenditure on relief and rehabilitation in Italy. The total will be approximately the same. In all, by the end of 1946 UNRRA during its two years

sum, less than 50 million dollars were spent in 1945, and the rest represents the 1946 program.

Although world shortages and other difficulties have so far prevented realisation of the program as it was originally planned, it is anticipated that the program for the second half of the year will, in fact, be realised, since most of the supplies it is proposed to import, will tend to become much more readily procurable. In place of the hand to mouth procurement policy on major commodities to which force of circumstances has compelled UNRRA to resort in recent months, it should now become gradually possible to plan the future program on a more stable economic basis—not for a few weeks ahead, but with an eye on the needs of the next eight months, as far as UNRRA is concerned, and for the next year or two from the standpoint of the Italian Government and people.

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Fats in Better Supply

While procurement of bread grains and sugar may continue to be difficult, the supply situation with other foods, notably fats, is now somewhat easier, and UNRRA hopes to increase imports substantially during the second half of the year. With the aim of increasing food crops next year, special emphasis will also be laid on importing, in time for autumn and next spring's planting seasons, seeds, fertilisers, pesticides, and other agricultural supplies.

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Reference is made elsewhere in this issue to the improved coal situation. Within the next eight weeks it is hoped to establish Italy's coal consumption at a level of 500,000 tons a month, as an intermediate step in the attainment of the higher target mentioned above. This represents a little less than 50 per cent. of Italy's normal coal consumption before the war. Supplies of gasoline and other petroleum products will be maintained at roughly the same level as at present and will continue to arrive in a steady flow until the end of the year. These supplies should prove sufficient to meet Italy's vital needs but, as has been frequently stated in *Economic Notes*, will not permit of luxury use.

ITALIAN EXPORT TRADE

Italian textile manufacturers have been invited to submit bids to the UNRRA Italy Mission for the manufacture of approximately 900 tons of cotton yarn and fabrics for export to the UNRRA Albanian Mission. 300 tons of cotton calico cloth and 600 tons of cotton yarn for machine weaving and knitting are required.

Any Italian firm may make bids for all or part of the contracts, which will be given to those companies making the lowest bids on any part of the requirements. Payment for processing and transporting the material will be made entirely in lire.

This project is a further step in UNRRA's efforts to have some goods manufactured in Italy for export to other receiving countries, as part of the industrial rehabilitation program for Italy. Bids have already been accepted and contracts are now being drawn for the production of 250 tons of fish-net twine in Italy for export to UNRRA Missions in Yugoslavia, Greece and China (*).

NOTE

(*) Full information on specifications and contracts is available from the Milan office of UNRRA's Sub-Bureau of Industrial Rehabilitation located in the Montecatini Building, or from the Headquarters Office of the Sub-Bureau in Rome.

MOVEMENTS OF SHIPS

CARGOES OTHER THAN COAL

(MAY 27 - JUNE 2 INCLUSIVE)

SHIP	PORT OF ARRIVAL	DATE OF ARRIVAL	ACCOUNT	CARGO	TONS
Geo. E. Pickett	Genoa	27 May	UNRRA / It. Gov.t	General	5,920
Edwin Knowles	Naples	" "	UNRRA	Food/General	4,554
Fantoff	Genoa	28 "	It. Gov.t	Fish	1,019
Greenland	Naples	" "	UNRRA	General	4844
Herdis	"	29 "	"	Food/General	6,500
Susanna	Genoa	" "	It. Govt.	Fish	900
Cypria	"	30 "	UNRRA	Copra	4,903
Sollund	"	" "	It. Govt.	Wool	201
Johann Printz	Leghorn	" "	UNRRA	Food/General	7,303
John A. Donald	Naples	1 June	"	" "	5,000

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John A. Donald	Naples	1 June	"	" "	5,000
Accunah Abell	Civitavecchia	2 "	"	" "	7,176
Seps	Genoa	" "	It. Comm.	Cotton	668
Samoa	"	" "	UNRRA	Copper	900

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June 7, 1946 Vol. I, No. 21

ECONOMIC NOTES

— Published by The Public Information Division, UNRRA Italy Mission, Via di San Nicolò da Tolentino, 78, Rome —

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1. Improved coal situation
2. Food and amassing
3. UNRRA Import programm
4. Italian Export Trade
5. Movements of Ships

IMPROVED COAL SITUATION

June coal allocations to Italian industries and railroads from the UNRRA-import stockpile have been increased by 75,000 tons over the 350,000 tons originally programmed by the Emergency Coal Committee. Although the end of the United States coal strike will not improve the coal situation until late July when resumed shipments begin to arrive, the crisis has been relieved by the careful conservation measures taken by the UNRRA-Italian Government Emergency Coal Committee and the successful representations of UNRRA and Government officials at the London meetings of the European Coal Organization in May. June allocations of Ruhr coal to Italy have been fixed at 123,200 tons.

Of the additional 75,000 tons allotted from Italy's carefully hoarded reserve by the Coal Committee, 15,000 tons will go to railroads and 60,000 to food factories, fertilizer works, gasworks, steel and general engineering industries, with first priority to those affecting sustenance.

Increased Allocations

The Coal Committee hopes to increase the July allotment of coal to 475,000 tons for railmarshalling of resources to combat the grasshopper plague.

Food and coal are intertwined in Europe's entire fuel supply picture. At the E.C.O. conference held in Paris on 21-23 May, at which Europe's coal outlook for the next twelve months was examined at length, it was pointed out that shortage of food had resulted in an increase of absenteeism among Ruhr miners. The next two months, critical with respect to food, may be desperate for Ruhr coal production. The miners are receiving substantially less than the minimum food actually necessary for such hard labour and this is reflected in their output. Great Britain is making special efforts to provide food for the Ruhr in order to maintain coal output.

Ruhr Production Problems

The problem is aggravated by the shortage of housing and transport. Approximately 1,000,000 homes were substantially damaged in the Ruhr, scene of the heaviest blows of the war against Germany. Shortage of building materials and transport has slowed repairs.

There is also an acute shortage of mining supplies and out of 148 hard coal mines in the Ruhr, only six escaped damage entirely. As

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Increased Allocations

The Coal Committee hopes to increase the July allotment of coal to 475,000 tons for railroads and essential industries, with a further increase in August, as coal arrivals become normal. Meanwhile, the May target of 90,000 tons of Sardinian coal may not be met, production having fallen off slightly because of the marshalling of resources to combat the grasshopper plague.

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There is also an acute shortage of mining supplies and out of 148 hard coal mines in the Ruhr, only six escaped damage entirely. As compared with a pre-war output of 90,000,000 tons per annum, current production is about half that figure.

Because of similar problems in other coal producing areas of Europe, the E.C.O. Paris

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Conference estimated that the available supplies of coal for Europe for the twelve-month period ending in June 1947 would be from 25 to 45 per cent. below total demands.

In light of the serious delay in post-war recovery of Europe which will result from such a shortage, the E.C.O. passed the following resolutions:

Resolution I.

At this Conference held in Paris under the auspices of the European Coal Organization during the period 21 to 23 May at which 21 nations and four international organizations are represented, it is resolved:—

To draw the special attention of all Governments and of the heads of all international organizations concerned to the facts:—

a) that unless exceptional measures are taken at once, the shortage of solid fuel in Europe over the ensuing twelve months is likely to be such as to cause widespread unemployment and seriously to retard post-war recovery;

b) that this catastrophe can be avoided only if effective steps are taken (i) to ensure adequate food for miners, particularly underground workers; (ii) to provide special incentives to attract recruitment of labour to the mines; (iii) to give special priority to the manufacture and distribution of mining equipment and mining supplies generally, and (iv) to ensure the availability of adequate facilities to lift and transport every ton of coal mined;

c) that the above measures are not designed solely for the benefit of the coal mining industry, but are essential if dislocation of almost all industries including food processing, is to be avoided;

d) that the application of the above measures cannot in itself result in fulfilment of the minimum needs of Europe unless accompanied by rigid control of consumption of coal in Germany and maximum export of coal from that country.

Resolution II.

of trading in coal, including bilateral agreements;

b) the advisability of taking special account of certain end uses, as steel, when recommending the allocation of coal and coke.

Italy's present relatively favourable position in regard to coal stocks represents a striking example of national self-discipline and foresight. Although the situation is now easier, the problem of eking out supplies will remain for the whole of next year. For the future stability of Italy's national economy, therefore, it will be necessary to continue to plan allocations according to a definite program of priorities. It is essential also for the success of this planned economy that industry should carry out faithfully and promptly the directives issued by the Government.

FOOD AND AMASSING

This week's amassing returns show that 33,685 tons of bread cereals had been brought in by 31 May, which was still 34,815 tons below the Government's target figure of 68,500 tons. Rice amassing reached 13,790 tons. It will be recalled that UNRRA specified a target figure of 150,000 tons as necessary to maintain the ration. Imports of bread cereals during May were 154,187 tons.

Preliminary figures for UNRRA imports of food other than cereals into Italy during May show a total of 41,500 tons. Among the main items are 14,780 tons of sugar, 6,980 tons of fats, 7,160 tons of condensed, evaporated and dried milk. Fish (canned, dried, salted), and meat (including meat preparation and sausages) amount to 4,720 and 4,700 tons respectively. The balance is accounted for by coffee (mainly distributed to refugee camps), soya flour, dehydrated soup, dried vegetables and miscellaneous foodstuffs.

Government's New Measures

Italy harvest prospects show a marked improvement on last year's (see *Economic Notes*

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d) that the application of the above measures cannot in itself result in fulfilment of the minimum needs of Europe unless accompanied by rigid control of consumption of coal in Germany and maximum export of coal from that country.

Resolution II.

That urgent examination be made by E.C.O. of:

a) the possibility of increasing coal production by the adoption of special methods of certain end uses, as steel, when recommending the allocation of coal and coke.

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Government's New Measures

Italy harvest prospects show a marked improvement on last year's (see *Economic Notes* No. 15). Provided the farmers deliver maximum quotas to the people's granaries and consumption is strictly and fairly rationed, Italy's reliance on imports can be kept within reasonable limits. A determined effort to

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pay a fair price to farmers, level out discrepancies in food distribution and enforce compliance with regulations is now a major objective of Italy's internal policy. The first steps have already been taken with the repeal last month of the law on amassing passed in October 1945, and the publication of the new amassing decree, and the decree abolishing luxury meals in restaurants.

At the request of the Italian Government, the Chief of the UNRRA Italy Mission, Mr. S. M. Keeny, has formally set out his suggestions for more effective control of Italy's food stocks. Writing on May 22 to Signor Alcide De Gasperi, he suggested that:—

a) Amassing retentions should be limited to those prevailing in 1945, and oats should be amassed as well.

b) The machinery for amassing should be greatly strengthened.

c) Appropriate steps should be taken to prevent loss of grain through excessive feeding to animals.

d) There should be a greatly strengthened agricultural drive for 1947.

e) The entire black market for bread should be abolished and strenuous efforts made to abolish the distribution of food through luxury restaurants.

Italian Premier's Reply

In reply to Mr. Keeny, the Prime Minister stated that the inclusion of oats in the 1946 amassing decree was inadvisable for technical and practical reasons, but that the Government would consider the matter later on. He further assured the Chief of the UNRRA Italy Mission that "everything possible is being done to make a success of the amassing campaign," both as regards "control of the areas cultivated by each single cereal producer," and "the determination of the actual production obtained, together with a check kept on threshing operations and a reinforced surveillance of the mills."

SUPPLEMENTARY AMASSING PROGRESS

COMPARTMENT	STOCKS April 30	AMASSING TARGET	ACTUAL AMASSING 1-31 May 1946	UNRRA ARRIVALS 1-31 May 1946
Piemonte . . . . qls.	42,510	59,000	37,432	158,690
Liguria . . . . . „	81,397	2,700	2,126	77,720
Lombardia . . . . . „	89,384	73,400	49,321	269,690
Veneto and Venezia Tridentina „	166,671	89,900	40,790	131,780
Emilia . . . . . „	89,316	118,000	85,300	41,910
Toscana . . . . . „	91,110	60,500	39,187	45,910
Marche . . . . . „	130,813	58,000	18,017	—
Umbria . . . . . „	87,826	27,000	13,831	—
Lazio . . . . . „	133,046	27,500	8,864	95,330
Abruzzi and Molise . . . „	56,422	37,000	5,128	12,170
Campania . . . . . „	96,754	27,500	8,768	237,410
Puglie . . . . . „	35,687	16,200	9,841	133,240
Lucania . . . . . „	36,174	14,000	2,446	3,240

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Calabria . . . . . „	50,804	13,000	4,117	83,630
Sicilia . . . . . „	111,622	49,500	8,987	180,950
Sardegna . . . . . „	25,579	12,000	2,698	70,000
Total	1,325,115	685,200	336,853	1,541,670

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UNRRA IMPORT PROGRAMM

Tentative figures for UNRRA's program of imports into Italy during the second half of the year have now been provisionally agreed upon in Washington where they await consideration and approval by the UNRRA Central Committee which is scheduled to meet this month. In anticipation, however, of this approval, a preliminary procurement and shipping program has already been mapped out.

On his return to Rome after a four weeks' visit to Washington to submit the new program, Mr. Harlan Cleveland, Deputy Chief of Mission for Requirements and Distribution, reports that the outlook for the future is reasonably satisfactory. In most major categories of food and liquid fuel, supplies should be forthcoming in roughly their present volume through the rest of the year. On the important item of coal, it is hoped to reach during the second half of the year a rate of 600,000 tons per month, once large shipments from the United States are again possible.

9,000,000 Tons of Supplies

This represents a shifting to the second half of the year of the maximum flow of UNRRA supplies to Italy. As originally planned, UNRRA shipments were to be concentrated largely in the first six months of 1946, and to taper off very steeply during the third and fourth quarters of the year. But owing to world shortages, United States work stoppages and other difficulties outside UNRRA's control, it has been impossible to procure or ship many of the supplies programmed for delivery in the early months of the year. Approximately 3,000,000 tons of the 9,000,000 tons of supplies which UNRRA plans to bring into Italy this year have so far been delivered. The remaining 6,000,000 tons are due to arrive during the next eight months, June 1946 through January 1947.

This re-arrangement of time-table does *not* of activity in this country will have spent a total of approximately 500,000,000 dollars (£125,000,000 sterling) on the purchase of supplies and their shipment overseas. Of that sum, less than 50 million dollars were spent in 1945, and the rest represents the 1946 program.

Although world shortages and other difficulties have so far prevented realisation of the program as it was originally planned, it is anticipated that the program for the second half of the year will, in fact, be realised, since most of the supplies it is proposed to import, will tend to become much more readily procurable. In place of the hand to mouth procurement policy on major commodities to which force of circumstances has compelled UNRRA to resort in recent months, it should now become gradually possible to plan the future program on a more stable economic basis—not for a few weeks ahead, but with an eye on the needs of the next eight months, as far as UNRRA is concerned, and for the next year or two from the standpoint of the Italian Government and people.

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This represents a shifting to the second half of the year of the maximum flow of UNRRA supplies to Italy. As originally planned, UNRRA shipments were to be concentrated largely in the first six months of 1946, and to taper off very steeply during the third and fourth quarters of the year. But owing to world shortages, United States work stoppages and other difficulties outside UNRRA's control, it has been impossible to procure or ship many of the supplies programmed for delivery in the early months of the year. Approximately 3,000,000 tons of the 9,000,000 tons of supplies which UNRRA plans to bring into Italy this year have so far been delivered. The remaining 6,000,000 tons are due to arrive during the next eight months, June 1946 through January 1947.

This re-arrangement of time-table does *not* mean that there will be any substantial addition to UNRRA's total expenditure on relief and rehabilitation in Italy. The total will be approximately the same. In all, by the end of 1946 UNRRA during its two years in 1945, and the rest represents the 1946 program.

Although world shortages and other difficulties have so far prevented realisation of the program as it was originally planned, it is anticipated that the program for the second half of the year will, in fact, be realised, since most of the supplies it is proposed to import, will tend to become much more readily procurable. In place of the hand to mouth procurement policy on major commodities to which force of circumstances has compelled UNRRA to resort in recent months, it should now become gradually possible to plan the future program on a more stable economic basis—not for a few weeks ahead, but with an eye on the needs of the next eight months, as far as UNRRA is concerned, and for the next year or two from the standpoint of the Italian Government and people.

This is particularly necessary for food, which together with coal and petroleum products absorb by far the greatest part of the UNRRA funds available for Italy. In collaboration with the Italian Government UNRRA is examining the problem of how best to minimise next year's shortages. Italy as a grain importing country, will need to be continually and realistically aware of the difficulties that arise from the continued world shortage of bread grains. Some deficit there must be in Italy's total supply of bread grains—imported and home-grown. But active steps are being taken to reduce that deficit to the minimum.

Fats in Better Supply

While procurement of bread grains and sugar may continue to be difficult, the supply situation with other foods, notably fats, is now somewhat easier, and UNRRA hopes to increase imports substantially during the second half of the year. With the aim of increasing food crops next year, special emphasis will also be laid on importing, in time for autumn and next spring's planting seasons, seeds, fertilisers, pesticides, and other agricultural supplies.

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Reference is made elsewhere in this issue to the improved coal situation. Within the next eight weeks it is hoped to establish Italy's coal consumption at a level of 500,000 tons a month, as an intermediate step in the attainment of the higher target mentioned above. This represents a little less than 50 per cent. of Italy's normal coal consumption before the war. Supplies of gasoline and other petroleum products will be maintained at roughly the same level as at present and will continue to arrive in a steady flow until the end of the year. These supplies should prove sufficient to meet Italy's vital needs but, as has been frequently stated in *Economic Notes*, will not permit of luxury use.

ITALIAN EXPORT TRADE

Italian textile manufacturers have been invited to submit bids to the UNRRA Italy Mission for the manufacture of approximately 900 tons of cotton yarn and fabrics for export to the UNRRA Albanian Mission. 300 tons of cotton calico cloth and 600 tons of cotton yarn for machine weaving and knitting are required.

Any Italian firm may make bids for all or part of the contracts, which will be given to those companies making the lowest bids on any part of the requirements. Payment for processing and transporting the material will be made entirely in lire.

This project is a further step in UNRRA's efforts to have some goods manufactured in Italy for export to other receiving countries, as part of the industrial rehabilitation program for Italy. Bids have already been accepted and contracts are now being drawn for the production of 250 tons of fish-net twine in Italy for export to UNRRA Missions in Yugoslavia, Greece and China (*).

NOTE

(*) Full information on specifications and contracts is available from the Milan office of UNRRA's Sub-Bureau of Industrial Rehabilitation located in the Montecatini Building, or from the Headquarters Office of the Sub-Bureau in Rome.

MOVEMENTS OF SHIPS

CARGOES OTHER THAN COAL

(MAY 27 - JUNE 2 INCLUSIVE)

SHIP	PORT OF ARRIVAL	DATE OF ARRIVAL	ACCOUNT	CARGO	TONS
Geo. E. Pickett	Genoa	27 May	UNRRA / It. Gov.t	General	5,920
Edwin Knowles	Naples	" "	UNRRA	Food/General	4,554
Fantoff	Genoa	28 "	It. Gov.t	Fish	1,019
Greenland	Naples	" "	UNRRA	General	4843
Herdis	"	29 "	"	Food/General	6,500
Susanna	Genoa	" "	It. Govt.	Fish	900
Cypria	"	30 "	UNRRA	Copra	4,903
Sollund	"	" "	It. Govt.	Wool	201
Johann Printz	Leghorn	" "	UNRRA	Food/General	7,303
John A. Donald	Naples	1 June	"	" "	5,000

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John A. Donald	Naples	1 June	"	" "	5,000
Accunah Abell	Civitavecchia	2 "	"	" "	7,176
Seps	Genoa	" "	It. Comm.	Cotton	668
Samoa	"	" "	UNRRA	Copper	900

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May 31, 1946 Vol. I, No. 20

ECONOMIC NOTES

— Published by The Public Information Division, UNRRA Italy Mission, Via di San Nicolò da Tolentino, 78, Rome —

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1. Allocation and use of imported industrial supplies
2. Supplementary Amassing Campaign
3. Proper use of Gasoline
4. Visit of UNRRA'S Deputy Director-General
5. Movements of Ships

ALLOCATION AND USE OF IMPORTED INDUSTRIAL SUPPLIES

The procedures covering the allocation of industrial supplies imported under the 1946 agreement have been finally established by the Italian Government, which three weeks ago published a decree establishing a Central Industrial Commission to organize and control the distribution of "critical" imported commodities. We are advised that this decree has now been implemented by a further decree of the Ministry of Industry and Commerce, which has received final approval by the Interministerial Committee for Reconstruction and which has been formally agreed to by the Prime Minister and the Ministry of Industry and Commerce. The Italian Delegation was advised on May 24 to this effect and formally communicated this decision to the Italy Mission.

This plan for providing UNRRA and the Italian Government with the necessary information for the maintenance of records and for the allocation of industrial supplies was jointly developed as long ago as December, 1945. In accordance with that plan, the Government published a legislative Decree on April 20, which set up a Central Industrial Commission to organise and control the dis-

Responsibility

Procurement of imported raw materials included in the UNRRA program is the responsibility of the UNRRA Italy Mission, acting with the concurrence of the Italian Government. The preparation of allocation programs, in accordance with which these supplies are to be distributed, is the responsibility of the Italian government with UNRRA concurrence. Actual distribution of supplies—within the agreed allocations—is the responsibility of the Italian Government. Detailed records, however, are furnished to UNRRA, showing how the commodities imported have been distributed.

The critical raw materials affected by the new procedure are the large dollar-value items such as coal, cotton, wool, rubber, gasoline, kerosene, diesel oil, fuel oil, hides, and copper. According to the plan, the critical list, however, is subject to revision at any time. Items may be added, or dropped, as changing circumstances require. It is anticipated that no item will be removed from the critical list, except by mutual agreement between UNRRA and the Italian Government.

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Central Industrial Commission

The Central Industrial Commission, set up by the Italian Government, is attached to the Ministry of Industry and Commerce. The

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Undersecretary of State for Industry is chairman of the Commission, which includes among its members the Director-General of Industry and Mines, representatives of the Treasury, the Ministry of Labour and the National Research Council, the Italian Delegation for Relations with UNRRA, and representatives of industrialists, industrial workers and industrial engineers. The Minister of Industry and Commerce will have power to appoint experts to the Commission; and ministerial or professional representatives may from time to time be co-opted to deal with specific problems.

The actual work of processing allocation requests will be in the hands of one or more sub-commissions. In these sub-commissions will sit representatives of the Ministry of Industry and Commerce and the Ministry of Labour, together with representatives of local chambers of commerce, agriculture and industry, local industrialists, local traders, local workers, engineers and experts.

The Central Commission, through the sub-commission structure, will assist in the industrial reconstruction of Italy in any manner in which the organization may be utilized. The concentration of personnel thoroughly familiar with industrial problems should be particularly useful for many purposes.

Procedure for individual concerns

In the procedure which has been established, to secure an initial allocation of raw materials, individual concerns are required to supply the sub-commission for their area with detailed information regarding what is to be produced during the next six months, plans for disposing of the finished goods, pre-war production

SUPPLEMENTARY AMASSING PROGRESS

The following table shows that only 35 per cent of the emergency campaign target had been attained by May 24. UNRRA imports covering the same period were 143,142 tons against 24,259 tons of domestic production additionally brought in to the people's granaries.

The target figures were exceeded by Novara, Cremona, Sondrio, Varese, Forli, Livorno, Lecce and Siracusa with 200, 108, 277, 115, 102, 118, 114, and 112 per cent respectively of the expected quota. At the opposite end were Como, Naples and Caltanisetta with 2, 2 and 3 per cent.

The leading region is Liguria with 59 per cent, the lowest Abruzzi and Molise with 8 per cent.

COMPARTMENT	STOCKS April 30	AMASSING TARGET	ACTUAL AMASSING 1-24 May 1946	UNRRA ARRIVALS 1-24 May 1946
Piemonte . . . . qls.	42,510	59,000	24,116	158,690
Liguria . . . . . „	81,397	2,700	1,602	103,020
Lombardia . . . . . „	89,384	73,400	35,259	244,590
Veneto and Venezia Tridentina „	166,671	89,900	27,005	131,780
Emilia . . . . . „	89,316	118,000	61,607	41,910
Toscana . . . . . „	91,110	60,500	30,377	42,000
Marche . . . . . „	130,813	58,000	13,293	—
Umbria . . . . . „	87,826	27,000	11.221	—
Lazio . . . . . „	133,046	27,500	7,437	95,330
Abruzzi and Molise . . . „	56,422	37,000	3,151	12,170
Campania . . . . . „	96,754	27,500	4,620	209,960
Puglie . . . . . „	35,687	16,200	8,974	133,240
Lucania . . . . . „	36,174	14,000	2,331	3,240
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Calabria . . . . . „	50,804	13,000	1,697	101,630
Sicilia . . . . . „	111,622	49,500	7,757	83,860
Sardegna . . . . . „	25,579	12,000	2,140	70,000
Total	1,325,115	685,200	242,587	1,431,420

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events, clubs and beaches. UNRRA considers this a flagrant misuse of essential gasoline and has asked the Ministry of Industry and Commerce to take proper measures to prevent such exhibitions. UNRRA has pointed out further that the unnecessary circulation of private cars is consuming precious rubber supplies which are needed for essential work. Non-essential motoring also requires additional repair and maintenance which consumes copper, iron, solder, acetylene and other scarce materials more vitally needed in other activities.

Gambling versus Fishing

A communication to Mr. S. M. Keeny, Chief of the UNRRA Italy Mission, from a cooperative society of fishermen reports: "Here we see hundreds of luxury cars which come from far off, with permits for 'industrial and commercial necessity' but which, in fact, bring their rich proprietors to gamble at the Casino. Every day the long distance motor bus services increase; dozens of 'pullmans' leave daily for Milan, Turin, Florence, Genoa, Rome, etc. These services could well be dispensed with at the present critical time... Even motor races are organized.

"In this way hundreds of thousands of gallons of kerosene and petrol are wasted, whilst the fishermen receive only an allotment of Diesel oil for ten working days for trawlers and petrol for three working days for the motor boats...

"This does not seem fair... especially as their work is useful for feeding the population."

The UNRRA Mission has brought this and other paradoxes to the attention of the proper Government authorities.

UNRRA'S duty

In response to a recommendation from the Royal Automobile Club of Italy that automobile circulation restrictions be lifted, UNRRA states: "We cannot agree that the in the main paid for with UNRRA funds, which materials could more profitably be used for essential purposes in the rehabilitation of the Italian economy.

"Whilst UNRRA is paying for the gasoline imported into Italy, 100 per cent. of it must be used for absolutely essential purposes and no justification can be found for any other use. We therefore oppose most strongly your request to abolish the circulation permits."

Ineffectual control of gasoline use may still further enhance the difficulties attendant on UNRRA Italy Mission's efforts to implement its program.

Other countries

It should be realized that other UNRRA countries are not even getting enough gasoline to assure their essential circulation. Justifications based on the contention that the gasoline used for unauthorized purposes is not UNRRA gasoline do not appear reasonable. It is in any case imported gasoline, there being no domestic production in Italy. It has also been maintained that the numbers of motorists and the quantity of gasoline involved are relatively small in relation to the program. This again is beside the point, and in any case, the impressions and effects are bad and will do Italy considerable harm. Nothing less than the utmost co-operation on the part of everyone concerned in this as in other economic departments, will expedite Italy's recovery.

VISIT OF UNRRA'S DEPUTY DIRECTOR-GENERAL

Mr. Ivan Iliuschenko, Deputy Director-General in charge of Supplies for UNRRA's European Regional Office, this week paid a visit to Rome and conferred with officials of the Italy Mission on price policies for UNRRA goods and distribution measures which will insure equitable allocation of relief and rehabilitation supplies and also on procurement and

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UNRRA'S duty

In response to a recommendation from the Royal Automobile Club of Italy that automobile circulation restrictions be lifted, UNRRA states: "We cannot agree that the abolition of circulation permits would prevent the misuse of gasoline and, as such abolition would obviously increase the number of vehicles in circulation, it would most certainly increase the use of rubber and other materials for essential purposes in the rehabilitation of the Italian economy.

"Whilst UNRRA is paying for the gasoline imported into Italy, 100 per cent. of it must be used for absolutely essential purposes and no justification can be found for any other use. We therefore oppose most strongly your request to abolish the circulation permits."

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He reported that England's reconversion from war to peace production is resulting in

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some difficulties in procurement from countries receiving UNRRA assistance. As a result, it is not always possible to procure relief and rehabilitation supplies at the time when they would be most helpful, Mr. Iliuschenko said.

Agricultural supplies easier

The European Regional Office is trying to procure more coal for Italy from German production. In recent weeks, UNRRA's chief European office was able to provide Italy with gammexine in record time to combat the current locust plague in Sardinia. In general, Mr. Iliuschenko reported, agricultural supplies programmed for Italy from United Kingdom sources are not so tight as industrial items.

With UNRRA since November 1943, Mr. Iliuschenko served as USSR alternate UNRRA Council member and as vice-chairman of the Council's Committee for Europe until January of this year when he was appointed Deputy Director-General and Chief of Supply in the European Office. An economist by training, he served with the USSR Ministry for Foreign Trade between 1939 and November 1943 on transport and supply problems during the war, including Lend-Lease.

The Deputy Director-General has lately visited France in connection with military surplus and the UNRRA Mission Headquarters at Prague, Vienna and Belgrade on supply, distribution and pricing problems. He will return to London this week.

MOVEMENTS OF SHIPS

CARGOES OTHER THAN COAL

(MAY 20 - 26 INCLUSIVE)

SHIP	PORT OF ARRIVAL	DATE OF ARRIVAL	ACCOUNT	CARGO	TONS
Vulcania	Naples	21 May	UNRRA / Comm'l	Misc./Food	400
George P. McKay	Genoa	22 „	UNRRA	Oats/Soya Flour	7,401
Cape Alava	Naples	„ „	„	Misc./Food	5,588
Thomas Janasson	Genoa	„ „	Commercial	Cotton	2,138
Voluntas	„	23 „	UNRRA	Corn	7,800
Vittorio Veneto	„	„ „	„	„	6,500
Bravo	„	„ „	„	Fish	1,742
Winifred L. Smith	Genoa/Naples *	24 „	British / Comm'l	General	5,000
Joseph Story	Palermo	25 „	UNRRA	Wheat	7,910
Condesa	Naples	„ „	„	Maize	4,880
William Wilkens	Genoa	„ „	It. Govt.	General	6,695
Braga	„	„ „	Commercial	General/Food	1,687

** Arrived at first-named port on the date shown; discharging at the second port later*

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ALLOCATION AND USE OF IMPORTED INDUSTRIAL SUPPLIES

The procedures covering the allocation of industrial supplies imported under the 1946 agreement have been finally established by the Italian Government, which three weeks ago published a decree establishing a Central Industrial Commission to organize and control the distribution of "critical" imported commodities. We are advised that this decree has now been implemented by a further decree of the Ministry of Industry and Commerce, which has received final approval by the Interministerial Committee for Reconstruction and which has been formally agreed to by the Prime Minister and the Ministry of Industry and Commerce. The Italian Delegation was advised on May 24 to this effect and formally communicated this decision to the Italy Mission.

This plan for providing UNRRA and the Italian Government with the necessary information for the maintenance of records and for the allocation of industrial supplies was jointly developed as long ago as December, 1945. In accordance with that plan, the Government published a legislative Decree on April 20, which set up a Central Industrial Commission to organise and control the distribution of such "critical" commodities as coal, cotton, wool and petroleum products, procured by UNRRA for Italian relief and rehabilitation. Recent developments have finalized this program.

Responsibility

Procurement of imported raw materials included in the UNRRA program is the responsibility of the UNRRA Italy Mission, acting with the concurrence of the Italian Government. The preparation of allocation programs, in accordance with which these supplies are to be distributed, is the responsibility of the Italian government with UNRRA concurrence. Actual distribution of supplies—within the agreed allocations—is the responsibility of the Italian Government. Detailed records, however, are furnished to UNRRA, showing how the commodities imported have been distributed.

The critical raw materials affected by the new procedure are the large dollar-value items such as coal, cotton, wool, rubber, gasoline, kerosene, diesel oil, fuel oil, hides, and copper. According to the plan, the critical list, however, is subject to revision at any time. Items may be added, or dropped, as changing circumstances require. It is anticipated that no item will be removed from the critical list, except by mutual agreement between UNRRA and the Italian Government.

Central Industrial Commission

The Central Industrial Commission, set up by the Italian Government, is attached to the Ministry of Industry and Commerce. The

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and the raw materials now required. Thereafter, authorised consumers will furnish monthly returns, showing the finished goods produced and despatched, together with full particulars of critical raw materials received, in stock and actually used. They will be required not only to state their requirements for the following month but to estimate requirements and production for three months ahead in order to guide procurement of essential supplies.

The collection and processing of these requests will be the task of the sub-commissions, which are to be kept fully informed of the availability of all controlled materials. Subject to the final approval of the Ministry of Industry and Commerce and UNRRA, the sub-commissions will have power to accept, refuse or modify applications from individual firms. The applications submitted by industrialists to the sub-commissions will form the basis of each month's allocations program, which will be jointly agreed—on the national level—by the Italian Government and UNRRA.

Prices and distribution

The prices to be charged for critical materials delivered to Italian industry are the subject of special discussions, which are still continuing. All materials imported by UNRRA for relief and rehabilitation become the property of the Italian Government; and in so far as is practicable, it is proposed that the Government should sell them direct to the manufacturers for processing or use.

Distributors, or jobbers, are only to be employed where a large number of small allocations is to be made within a particular area, or where direct allocation to the consumer is impractical.

Northern Sub-commission

Fortunately, the northern sub-commission contemplated in this plan has been function-

authority and finances, has done much to facilitate the industrial program.

The final establishment and implementation of the commission structure should greatly facilitate the allocation and use of UNRRA industrial supplies. Adequate provision has been made for the financing of the organization, so that it can be promptly established on a permanent basis.

Rational allocation basis

The plan for making allocation requests and the method of processing such requests provides the Italian Government with a rational basis for making allocation of materials in short supply and at the same time provides UNRRA with necessary reports concerning the use of imported supplies. Also the commission structure created to administer this procedure has the advantage of providing a non-political organization for fixing general industrial policies normally requiring Government action. It should play an important part in restoring Italy to a competitive position in world markets.

PROPER USE OF GASOLINE

Increasing use of automobiles for non-essential purposes in recent weeks has prompted Mr. S. M. Keeny, Chief of the UNRRA Italy Mission, to call upon the Italian people and the Government for greater efforts in putting a halt to gasoline and tire consumption in luxury motoring. "The Italian people have it in their power either to build or destroy the good-will of the people of the United Nations by the extent to which they make proper use of UNRRA goods, a gift from United Nations taxpayers," Mr. Keeny declared. "Continued use of motor-cars by Italian motorists for pleasure, sport and other luxury purposes in the face of an insufficient supply of motor fuel and rubber for full maintenance of es-

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Distributors, or jobbers, are only to be employed where a large number of small allocations is to be made within a particular area, or where direct allocation to the consumer is impractical.

Northern Sub-commission

Fortunately, the northern sub-commission contemplated in this plan has been functioning since March and has handled the allocation of about 75 % of total UNRRA industrial supplies to date. This organization, functioning under adverse conditions with respect to facilitate the allocation and use of UNRRA industrial supplies. Adequate provision has been made for the financing of the organization, so that it can be promptly established on a permanent basis.

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Recently, gasoline has been used for automobile races at San Remo and on the Rome-Ostia highway. Private motor-cars in increasing numbers have been appearing at sporting

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events, clubs and beaches. UNRRA considers this a flagrant misuse of essential gasoline and has asked the Ministry of Industry and Commerce to take proper measures to prevent such exhibitions. UNRRA has pointed out further that the unnecessary circulation of private cars is consuming precious rubber supplies which are needed for essential work. Non-essential motoring also requires additional repair and maintenance which consumes copper, iron, solder, acetylene and other scarce materials more vitally needed in other activities.

Gambling versus Fishing

A communication to Mr. S. M. Keeny, Chief of the UNRRA Italy Mission, from a cooperative society of fishermen reports: "Here we see hundreds of luxury cars which come from far off, with permits for 'industrial and commercial necessity' but which, in fact, bring their rich proprietors to gamble at the Casino. Every day the long distance motor bus services increase; dozens of 'pullmans' leave daily for Milan, Turin, Florence, Genoa, Rome, etc. These services could well be dispensed with at the present critical time... Even motor races are organized.

"In this way hundreds of thousands of gallons of kerosene and petrol are wasted, whilst the fishermen receive only an allotment of Diesel oil for ten working days for trawlers and petrol for three working days for the motor boats...

"This does not seem fair... especially as their work is useful for feeding the population."

The UNRRA Mission has brought this and other paradoxes to the attention of the proper Government authorities.

UNRRA'S duty

In response to a recommendation from the Royal Automobile Club of Italy that automobile circulation restrictions be lifted, UNRRA states: "We cannot agree that the in the main paid for with UNRRA funds, which materials could more profitably be used for essential purposes in the rehabilitation of the Italian economy.

"Whilst UNRRA is paying for the gasoline imported into Italy, 100 per cent. of it must be used for absolutely essential purposes and no justification can be found for any other use. We therefore oppose most strongly your request to abolish the circulation permits."

Ineffectual control of gasoline use may still further enhance the difficulties attendant on UNRRA Italy Mission's efforts to implement its program.

Other countries

It should be realized that other UNRRA countries are not even getting enough gasoline to assure their essential circulation. Justifications based on the contention that the gasoline used for unauthorized purposes is not UNRRA gasoline do not appear reasonable. It is in any case imported gasoline, there being no domestic production in Italy. It has also been maintained that the numbers of motorists and the quantity of gasoline involved are relatively small in relation to the program. This again is beside the point, and in any case, the impressions and effects are bad and will do Italy considerable harm. Nothing less than the utmost co-operation on the part of everyone concerned in this as in other economic departments, will expedite Italy's recovery.

VISIT OF UNRRA'S DEPUTY DIRECTOR-GENERAL

Mr. Ivan Iliuschenko, Deputy Director-General in charge of Supplies for UNRRA's European Regional Office, this week paid a visit to Rome and conferred with officials of the Italy Mission on price policies for UNRRA goods and distribution measures which will insure equitable allocation of relief and rehabilitation supplies and also on procurement and

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In response to a recommendation from the Royal Automobile Club of Italy that automobile circulation restrictions be lifted, UNRRA states: "We cannot agree that the abolition of circulation permits would prevent the misuse of gasoline and, as such abolition would obviously increase the number of vehicles in circulation, it would most certainly increase the use of rubber and other materials

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He reported that England's reconversion from war to peace production is resulting in

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some difficulties in procurement from countries receiving UNRRA assistance. As a result, it is not always possible to procure relief and rehabilitation supplies at the time when they would be most helpful, Mr. Iliuschenko said.

Agricultural supplies easier

The European Regional Office is trying to procure more coal for Italy from German production. In recent weeks, UNRRA's chief European office was able to provide Italy with gammexine in record time to combat the current locust plague in Sardinia. In general, Mr. Iliuschenko reported, agricultural supplies programmed for Italy from United Kingdom sources are not so tight as industrial items.

With UNRRA since November 1943, Mr. Iliuschenko served as USSR alternate UNRRA Council member and as vice-chairman of the Council's Committee for Europe until January of this year when he was appointed Deputy Director-General and Chief of Supply in the European Office. An economist by training, he served with the USSR Ministry for Foreign Trade between 1939 and November 1943 on transport and supply problems during the war, including Lend-Lease.

The Deputy Director-General has lately visited France in connection with military surplus and the UNRRA Mission Headquarters at Prague, Vienna and Belgrade on supply, distribution and pricing problems. He will return to London this week.

MOVEMENTS OF SHIPS

CARGOES OTHER THAN COAL

(MAY 20 - 26 INCLUSIVE)

SHIP	PORT OF ARRIVAL	DATE OF ARRIVAL	ACCOUNT	CARGO	TONS
Vulcania	Naples	21 May	UNRRA / Comm'l	Misc./Food	400
George P. McKay	Genoa	22 "	UNRRA	Oats/Soya Flour	7,401
Cape Alava	Naples	" "	"	Misc./Food	5,588
Thomas Janasson	Genoa	" "	Commercial	Cotton	2,138
Voluntas	"	23 "	UNRRA	Corn	7,800
Vittorio Veneto	"	" "	"	"	6,500
Bravo	"	" "	"	Fish	1,742
Winifred L. Smith	Genoa/Naples *	24 "	British / Comm'l	General	5,000
Joseph Story	Palermo	25 "	UNRRA	Wheat	7,910
Condesa	Naples	" "	"	Maize	2,098
William Wilkens	Genoa	" "	It. Govt.	General	6,694
Braga	"	" "	Commercial	General/Food	1,687

** Arrived at first-named port on the date shown; discharging at the second port later*

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May 24, 1946 Vol. I, No. 19

ECONOMIC NOTES

— Published by The Public Information Division, UNRRA Italy Mission, Via di San Nicolò da Tolentino, 78, Rome —

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5. Movements of Ships

ITALY'S BREAD RATION AND WORLD FOOD SUPPLY

World production is not expected to return to normal before 1950, and it is therefore imperative that every country should make its own long-term plans to reduce the gap between food supply and demand.

Results to date of the emergency amassing campaign show that from 1 May to 17 May, 14,095 of the 68,500 tons wheat target had been brought in, plus 8,280 tons of rice. The accompanying table shows comparative data between the amounts delivered to the people's granaries in response to the Government's appeal, and the amounts imported by UNRRA.

The provinces of Novara and Sondrio have exceeded their target, while Cremona has already reached 90 per cent. of its target figure. The provinces of Bergamo, La Spezia, Reggio Emilia, Leghorn and Taranto have already brought in more than 60 per cent of the emergency quota.

The grain situation today in Italy is self-evident. Domestic production—notwithstanding the highly satisfactory results so far achieved in the above provinces—has not yet fulfilled minimum expectations and the allocations by the Combined Food Board have not come up to UNRRA Italy Mission's requirements.

World Production Slump

According to the White Paper published by the British Government in April 1946 the

SUPPLEMENTARY AMASSING PROGRESS

COMPARTMENT	STOCKS April 30	AMASSING TARGET	ACTUAL AMASSING 1-17 May 1946	UNRRA ARRIVALS 1-17 May 1946
Piemonte	42.510	59.000	9.617	98.690
Liguria	81.397	2.700	741	76.420
Lombardia	89.384	73.400	24.668	169.170
Veneto and Venezia Tridentina	166.671	89.900	15.337	66.680
Emilia	89.316	118.000	36.939	31.910
Toscana	91.110	60.500	16.863	42.000
Marche	130.813	58.000	7.305	4849
Umbria	87.826	27.000	6.348	—
Lazio	133.046	27.500	5.279	95.330
Abruzzi e Molise	56.422	37.000	1.655	8.080
Campania	96.754	27.500	2.321	132.000

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Puglie	35.687	16.200	7.411	133.240
Lucania	36.174	14.000	2.189	3.240
Calabria	50.804	13.000	500	101.630
Sicilia	111.622	49.500	2.768	83.860
Sardegna	25.579	12.000	1.012	50.000
Total	1.325.115	685.200	140.953	1,092.250

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estimated 1945-46 crop in the four main exporting countries compares with their respective pre-war averages as follows (figures in millions of tons): U.S. 30.1 (19.2 pre-war average), Canada 8.1 (7.1); Argentina 4.0 (6.5); Australia 3.0 (4.1).

In Continental Europe, excluding U.S.S.R., production of bread grains (wheat and rye) during last autumn amounted to only 31 million tons compared with 46 million a year earlier and a pre-war average of 59 million tons.

The rise in production of pre-war averages in North America, Argentina and Australia of 9.2 million tons was therefore more than counter-balanced by the tremendous drop in European production of 28 million tons.

Rice Crops

Estimated stocks in all four countries have declined, especially in the U.S.

While the world supply has fallen, demand has become proportionately acute. Continental Europe's stated import requirements for the year July 1945 to June 1946 amount to 15.6 million tons of bread grains as compared with a pre-war total of 3.7 million tons. Even if these quantities could be obtained, total supplies in Europe would be about 25 per cent. less than during an average pre-war year.

The other deficit countries (India, China, French North Africa, South Africa and certain others) present a similar picture, stated import requirements for 1945-46 amounting to 10.7 millions tons compared with a pre-war import of 2.4 million tons.

In the two principal rice-exporting countries, Burma and Siam, 1946 production is estimated at only 4.9 million tons against a pre-war average of 8.4 million tons. According to United States estimates, rice production in China has fallen by 6.5 million tons (17 per cent.) and in Japan by 2.5 million (20 per cent.) below pre-war average.

World-wide droughts have further contributed to lower crops. Europe, particularly the Mediterranean area, and French North Africa, suffered considerably in 1945. Wheat production in the Union of South Africa fell [illegible] New Zealand was

Future Prospects

The White Paper emphasizes the fact that present difficulties are unlikely to disappear with the next harvest. An expected increase in production in the former war zones, and the unlikelihood of a repetition of last season's disastrous droughts will be offset by a heavy fall in exportable supplies, due to virtual exhaustion of stocks accumulated during the war. One new factor which might afford considerable relief would be good crops and a large exportable surplus in the U.S.S.R.

Far Eastern production of vegetable oils and sugar has declined to a point where imports for relief are required in certain areas, whereas before the war, the Far East exported substantial quantities to Europe and America.

Before the war about 1.75 million tons (in terms of oil) were imported into Europe and America from Manchuria, the Netherlands East Indies, the Philippine islands and Malaya. It is not expected that these countries will be able to export more than 250 to 300 thousand tons, owing to reduced production, difficulties of collection and increased local consumption. Declines have been registered in European, Indian and tropical Africa production.

No Delay

The urgent need for a combined effort by every nation must be realised before it is too late. Only by careful planning and the fullest co-operation on the part of governments and farmers can an adequate food supply be ensured. Italy, like every other country, has now three months left in which to decide on agricultural policy in regard to next year's crops. That policy, and the means to implement it, must be ready by autumn.

FISHING INDUSTRY REHABILITATION

Initial assistance provided by the Allied authorities to Italian fishing industry, which the war had brought to a standstill, has now developed into a comprehensive long-term plan drawn up by UNRRA in cooperation with the Italian authorities. Italy's 5,300

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World-wide droughts have further contributed to lower crops. Europe, particularly the Mediterranean area, and French North Africa, suffered considerably in 1945. Wheat production in the Union of South Africa fell from 0.5 to 0.3 million tons. New Zealand was hit during late 1945 and early 1946, while India's drought, still in progress, constitutes a veritable calamity which will probably reduce grain crops alone by some 7 million tons.

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Initial assistance provided by the Allied authorities to Italian fishing industry, which the war had brought to a standstill, has now developed into a comprehensive long-term plan drawn up by UNRRA in cooperation with the Italian authorities. Italy's 5,300 miles of seaboard has always afforded wide spread seafaring activity and a means of livelihood to many thousands of fishermen and merchant sailors.

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Though the Mediterranean is one of the poorest fishing grounds in Europe, the Italian fishing industry with its large and up-to-date fleet, provided as much as 200,000 tons of food annually. Power fishing was carried out by some 1,400 units of which approximately 1,300 were engaged in deep-sea trawl-fishing and fitted with 50 to 300 H.P. engines. Coastal or mid-water fishing with fixed nets, bow nets and fish lines gave employment to about 30,000 sail and row boats.

Ocean Fishing

There was also a small but efficient ocean fishing fleet, consisting of about 25 units with a gross tonnage of 12,000 tons, which operated off the coast of North West Africa (Mauretania), Newfoundland and Iceland. The official annual yields were stated as follows:

	Tons
Coast fishing	130,000
Tuna	3,000
Pond	7,000
Shellfish bridings	8,000
Fresh waters fishing	10,000
North Western Africa (frozen fish by trawlers)	5,000
Newfoundland and Iceland (salted fish by trawlers)	6,000
Total	169,000

Many Italian authorities give the total catch as nearer 200,000 tons, on the grounds that fishermen would report lower figures in order to evade harbour dues and other liabilities. About 130,000 men were employed in the industry, and the value of the total catch was estimated at over 8,490,000 dollars (£2,122,500).

After the 8th September 1943, the Italian fishing activities were greatly reduced. The smaller craft had largely been damaged or destroyed; the larger fishing vessels had been requisitioned for mine-sweeping. Equipment such as nets, hemp and cotton twines, steel cables, and other essential gear were either looted or destroyed and could not be replaced.

Extent of Damage

Access to fishing grounds was made very difficult, either because of restrictions imposed by the Allied Naval Authorities for military reasons, or because mines and wreckage made sailing unsafe. Havoc had been caused to inland waters, where during the war period, fishing by explosives and poisons had been extensively practised, with the consequent destruction of stock and particularly of minnows.

Rehabilitation of the fishing industry is now proceeding. Mined beaches are being cleared and obstructions of ports and channels removed. Sunken motor fishing vessels, rowing and sails boats are being salvaged and repairs carried out on damaged and partially destroyed craft. Steps have been taken to secure de-requisition of units of the fishing fleet as military necessities have ceased.

Reconstruction Imports

Over 1,000 tons of supplies provided by the Allies substantially contributed to the re-equipment and repair of fishing craft. Rehabilitation of net factories, workshops and shipyards has been planned, and petroleum products imported by UNRRA are supplied to fishermen through local agencies of the Comitato Italiano Petroli.

Large quantities of raw cotton have been supplied by the Allied Commission and later by UNRRA. UNRRA has requested an allocation of 500 tons of manilla fibre and 500 tons of coir yarn, which are still in considerably short supply. UNRRA is also importing 300 tons of linseed oil for the manufacture of paints.

The chief handicap to rehabilitation of power-driven fishing craft was fuel shortage. Allocations of UNRRA procured fuel through the Italian Government Agency, CIP, have now reached approximately: Diesel oil 62 %, Kerosene 68 % and Gasoline 35 % of demand, enabling craft to operate on an average of some 16 days a month.

Inland Waters

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were engaged in deep-sea trawl-fishing and fitted with 50 to 300 H.P. engines. Coastal or mid-water fishing with fixed nets, bow nets and fish lines gave employment to about 30,000 sail and row boats.

Ocean Fishing

There was also a small but efficient ocean fishing fleet, consisting of about 25 units with a gross tonnage of 12,000 tons, which operated off the coast of North West Africa (Mauretania), Newfoundland and Iceland. The official annual yields were stated as follows:

	Tons
Coast fishing	130,000
Tuna	3,000
Pond	7,000
Shellfish bridings	8,000
Fresh waters fishing	10,000
North Western Africa (frozen fish by trawlers)	5,000
Newfoundland and Iceland (salted fish by trawlers)	6,000
Total . . .	169,000

Many Italian authorities give the total catch as nearer 200,000 tons, on the grounds that fishermen would report lower figures in order to evade harbour dues and other liabilities. About 130,000 men were employed in the industry, and the value of the total catch was estimated at over 8,490,000 dollars (£2,122,500).

After the 8th September 1943, the Italian fishing activities were greatly reduced. The smaller craft had largely been damaged or destroyed; the larger fishing vessels had been requisitioned for mine-sweeping. Equipment such as nets, hemp and cotton twines, steel cables, and other essential gear were either looted or destroyed and could not be replaced. Many fishermen had sunk their craft so as to avoid seizure by the Germans. Shipyards, workshops, net factories and refrigerating plants had been rendered useless by bombing or sabotage.

sailing unsafe. Havoc had been caused to inland waters, where during the war period, fishing by explosives and poisons had been extensively practised, with the consequent destruction of stock and particularly of minnows.

Rehabilitation of the fishing industry is now proceeding. Mined beaches are being cleared and obstructions of ports and channels removed. Sunken motor fishing vessels, rowing and sails boats are being salvaged and repairs carried out on damaged and partially destroyed craft. Steps have been taken to secure de-requisition of units of the fishing fleet as military necessities have ceased.

Reconstruction Imports

Over 1,000 tons of supplies provided by the Allies substantially contributed to the re-equipment and repair of fishing craft. Rehabilitation of net factories, workshops and shipyards has been planned, and petroleum products imported by UNRRA are supplied to fishermen through local agencies of the Comitato Italiano Petroli.

Large quantities of raw cotton have been supplied by the Allied Commission and later by UNRRA. UNRRA has requested an allocation of 500 tons of manilla fibre and 500 tons of coir yarn, which are still in considerably short supply. UNRRA is also importing 300 tons of linseed oil for the manufacture of paints.

The chief handicap to rehabilitation of power-driven fishing craft was fuel shortage. Allocations of UNRRA procured fuel through the Italian Government Agency, CIP, have now reached approximately: Diesel oil 62 %, Kerosene 68 % and Gasoline 35 % of demand, enabling craft to operate on an average of some 16 days a month.

Inland Waters

After a lapse of six years, an Italian ocean-going trawler has been able to operate outside Mediterranean water. The rebuilding, refitting and fuelling of larger units is now under consideration and plans in this connection have

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been submitted to UNRRA. Re-stocking of lakes and rivers has been materially assisted by one consignment of 70,000 rainbow trout eggs flown to Italy from the United States. UNRRA has already arranged for a second load of 70,000 trout eggs to be flown from Wisconsin during the month of May. The minnows have been distributed to experimental breeding ponds throughout Italy.

Self-Help

Staff members of UNRRA Fisheries Branch, working in close conjunction with local authorities, are at present making inspections of all Italian fishing ports.

Apart from the fact that the high nutritive value of fish proteins and fats help to make up the deficiencies of the average diet, it is essential that Italy should be given every opportunity to produce her own food, so as to relieve the acute shortage and ease her dependency on imports. Such fish, or portions of it, as are not consumed directly as food, may be converted into essential by-products such as industrial oils, vitamin A and D bearing oils, livestock and poultry feeds and fertilizers.

THE PETROL STRIKE

The end of the eight-day petrol strike was greeted with relief by the Italian people in the area affected, no less than by the officials of UNRRA Italy Mission. Appreciation was also felt at the strikers' action in agreeing to UNRRA's request that petrol workers be allowed to continue operating in connection with supplies for UNRRA's essential services. This instance of cooperation was a gratifying sign that the task which UNRRA is endeavouring to carry out on behalf of Italy's relief and rehabilitation is fully realised.

The smooth operation of ports and transport throughout the country is vital to Italian economy. The flow of imported goods must on no account be checked if the country is to progress towards normality. During the recent strike, UNRRA Italy Mission was

Sp[illegible] Essential

The feeding of Italy's population and the country's long-term reconstruction depend on the speed with which goods can be imported and distributed. Battered ports provide insufficient berthing and warehousing accommodation. The task of unloading and clearing ships is immensely difficult, and Italian dock workers rose splendidly to the occasion in April when record clearance times were achieved.

Bottlenecks arising from delay in transferring goods from quays to transit warehouses and finally removing them from port areas entail financial and shipping space losses. Railroad haulage is entirely inadequate.

Tonnage lying idle in ports means so much less shipping space for supplies to devastated areas throughout the world, the revival of seaborne trade, repatriation of prisoners, and possibilities of ocean travel.

About 50 per cent. of all UNRRA imports —with the exception of coal and cotton—are unloaded in the area affected by the recent strike. This means that the distributing of food, cereals, fertilizers, raw materials and other essential commodities might have been delayed to the point where they could not have been used to the fullest advantage.

The harvesting period is now approaching, when speed in gathering in, amassing and marketing crops will be a major factor in the battle against hunger. UNRRA has succeeded in increasing its procurements to meet seasonal requirements, and the extent of the Administration's effort may be judged by the following figures for July totals:

Petrol (barrels)	210,000
Kerosene (June: 140,000 barrels)	190,000
Diesel oil (June: 210,000 barrels)	240,000

If Italy is unable to make use of these supplies, the nation's low food level may have to undergo still further adjustments.

Vital Needs

It has already been emphasized in *Economic Notes* that the world supply situation in regard

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The smooth operation of ports and transport throughout the country is vital to Italian economy. The flow of imported goods must on no account be checked if the country is to progress towards normality. During the recent strike, UNRRA Italy Mission was compelled to request suspension of all kerosene loading in the United States till further notice, so as to avoid excessive pressure on Italy's limited tank storage accomodation. Complete stoppage of petroleum imports might have been necessary had the strike continued.

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Vital Needs

It has already been emphasized in *Economic Notes* that the world supply situation in regard to some petroleum products is still critical. These products, like other supplies imported into Italy under the UNRRA program, are delivered free of charge to the Italian Government. They are paid for by the contributing nations of the United Nations Relief and

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Rehabilitation Administration, many of which have themselves to accept supply restrictions in order to provide assistance elsewhere.

Months of careful planning in Rome and Washington may well be nullified, should fuel not be immediately and plentifully available during the next few critical weeks. Transport of agricultural labor and machinery, the timely application of fertilizers to the major crops of rice and corn and to the summer vegetable crops, and the use of power-driven farm machinery, will all be jeopardised.

Petroleum products are the sinews of war in the struggle now being waged against plant parasites throughout Italy. Any halt in the flow of supplies may jeopardise this and next year's crop.

Sardinia's entire population, aided by UNRRA personnel, fuel, transport and supplies, is fighting day and night in a desparate attempt to crush the unprecedented plague of grasshoppers.

The petrol strike caused delays in round-the-clock delivery of vital supplies urgently needed for transport of reconnaissance units and grasshopper fighters, and the operation of chemical warfare devices, flame-throwers and other technical apparatus. Italian and UNRRA experts had to postpone inspection of the campaign's progress, through lack of transport from Rome. Nor is Italy's mainland secure, for there are sporadic infestations throughout central and southern Italy. Grasshoppers are also reported in Sicily.

Insecticides and fungicides are vital for the protection of Italian agriculture which has suffered seriously as a result of inevitable neglect and war-damage in the past few years. Lack of liquid fuel would deny these materials to the farmer. It would also react on Italy's renascent fishing industry and hence on the general food situation.

The effect of transportation shortage on UNRRA's relief activity materialised during the recent strike, when milk for nursing mothers could not be collected. This is one more reminder that hundreds of thousands of mothers, babies and school-children, now receiving UNRRA food, will go hungry if

COMPARATIVE COSTS AND WAGES

Recent statements in the United States and British Press purporting to show that the cost of living is low and wages adequate in Italy are not borne out by official or private evidence.

Comparative data compiled by UNRRA Division of Operations Analysis from British and Italian sources prove that the bulk of the Italian population for the past few years has been living on a bare subsistence level. Income of weekly wage earners, lower-salaried officials and the white collared class in general does not even cover food requirements.

The monthly salary of an Italian Cabinet Minister is about £25, plus a monthly cost-of-living allowance of £10.0.0; the corresponding figures for an Undersecretary of State are £20 and £8. A skilled worker with three dependents receives an average weekly wage of £2.4.5, including all allowances and bonuses.

In Great Britain the average weekly wage for an adult was £6.1.4. in July 1945 (according to the Ministry of Labour Gazzette for March 1946) since when it has increased rather than diminished.

When dealing with the cost of living in Italy it should be remembered that the official ration provides about 690 calories per day and consists of:

Bread	7	oz per	day
Pasta	17,5	" "	month
Oil	6,5	" "	"
Sugar	3,5	" "	"

Medical authorities hold that 2000 calories per day is the minimum essential for basic subsistence. The average calorie intake per person per day in the United States is 3000 calories.

The Italian must therefore secure the food equivalent of calories additional to the official 690 on the open or black market, where prices compare with official British figures as follows:

		LONDON (Official) s. d.	ROME (Black Market) s. d.
Bread	4 lbs.	0.9	6.4
Flour	6 "	1.3	9.1

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Bread	4 lbs.	0.9	6.4	
Flour	6 "	1.3	9.1	
Sugar	per lb.	0.4	11.6	
Bacon	" "	1.10 ½	4.8	
Milk	" qt.	0.9	1.3	p. litre
Butter	" lb.	1.8	7.4	
Pasta	" "	—	2.3	
Oil	" litre	—	10.5	

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			(Open Market)
Potatoes	7 lbs.	0.8 1/2	3.10
Eggs	each	0.2	0.4
Meat	per lb.	—	4.6
Beans	" "	—	1.8

With the serious setbacks the country's economy has suffered and the stoppage of normal imports, the excess of demand over supply has entirely upset the balance between income and expenditure during the past few years. Clothing, medicines, sanitary supplies, footwear, building materials and other daily-use commodities virtually disappeared. Controls came to be regarded as an anachronism, there being nothing left to distribute or allocate.

At present, with UNRRA supplies reaching the country, limited quantities of food and essential materials are providing a foundation for recovery. Industry, agriculture, transport and communications are gradually recovering from the chaos of war, and a system of controls is being re-established and enforced.

Nevertheless, as pointed out in a recent report of the UNRRA Welfare and Repatriation Division, "it is generally recognised that courage and energy are dependent upon a reasonable diet."

Wage increases vary according to regions. The following representative figures show an average increase of 11 times over the 1938 earnings (1938=1):

	MILAN (March)	GENOA (Feb.)	FLORENCE (Jan.)
Labourer	15.6	10.1	18.8
Skilled labourer	11.8	—	12.2
Clerical employee	8.3	9.5	
Technical employee	7.3		
Executive	8.7		

Food prices on the other hand have increased over 30 times. The following figures show increases by February 1946 (1938=1):

North Italy	32.3
Central Italy	33.7
South Italy	35.7
Italian islands	29.8

In a disrupted economy, the few available commodities inevitably tend to accumulate uneconomically in certain places or in certain hands.

Superficial impressions gleaned by casual visitors are an unsatisfactory criterion by which to assess the true state of affairs. The foregoing study of conditions existant throughout Italy will afford a more accurate picture of the real state of the nation's economic life.

MOVEMENTS OF SHIPS

CARGOES OTHER THAN COAL

(MAY 13 - 19 INCLUSIVE)

SHIP	PORT OF ARRIVAL	DATE OF ARRIVAL	ACCOUNT	CARGO	TONS
Patrick Henry	Bari	13 May	UNRRA	Wheat	7,998
Sidney Sherman	Genoa	" "	"	Wheat / Food	8,230
Alexander Park	Naples	14 "	UNRRA & Comm'l	Food	750
Runswick	T. Annunziata	" "	UNRRA	Fertilizer	5,600
Bravo	Genoa	" "	"	Fish	1,742
Canvasback	"	15 "	UNRRA & Comm'l	Food	180
Robert Broussard	Civitav.-Leghorn	" "	UNRRA	Sugar	8,300
Dansborg	Castellammare	" "	"	Oats	8,149
Nicholas Bidole	Genoa	" "	"	Flour / Cotton	7,335
James Oliver	"	" "	"	Wheat	8,350
Webb Miller	Naples	17 "	"	Soap	1,450
		19 "		Ambulances / Sulphates	1,324

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Hickory Isle	"	19 "	"	Ambulances / Sulphates	1,324
Lucien Labaudt	Genoa	" "	"	Wheat	8,160
Clyde L. Seavey	Castellamm. - T. Annunz. *	" "	"	"	8,175
Sutherland	Naples	" "	"	Rubber	92

** Arrived at first-named port on the date shown; discharging at the second port later*

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ECONOMIC NOTES

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1. Italy's bread ration and world food supply
2. Fishing industry rehabilitation
3. The petrol strike
4. Comparative costs and wages
5. Movements of Ships

ITALY'S BREAD RATION AND WORLD FOOD SUPPLY

World production is not expected to return to normal before 1950, and it is therefore imperative that every country should make its own long-term plans to reduce the gap between food supply and demand.

Results to date of the emergency amassing campaign show that from 1 May to 17 May, 14,095 of the 68,500 tons wheat target had been brought in, plus 8,280 tons of rice. The accompanying table shows comparative data between the amounts delivered to the people's granaries in response to the Government's appeal, and the amounts imported by UNRRA.

The provinces of Novara and Sondrio have exceeded their target, while Cremona has already reached 90 per cent. of its target figure. The provinces of Bergamo, La Spezia, Reggio Emilia, Leghorn and Taranto have already brought in more than 60 per cent of the emergency quota.

The grain situation today in Italy is self-evident. Domestic production—notwithstanding the highly satisfactory results so far achieved in the above provinces—has not yet fulfilled minimum expectations and the allocations by the Combined Food Board have not come up to UNRRA Italy Mission's requirements.

World Production Slump

According to the White Paper published by the British Government in April 1946 the

SUPPLEMENTARY AMASSING PROGRESS

COMPARTMENT	STOCKS April 30	AMASSING TARGET	ACTUAL AMASSING 1-17 May 1946	UNRRA ARRIVALS 1-17 May 1946
Piemonte	42.510	59.000	9.617	98.690
Liguria	81.397	2.700	741	76.420
Lombardia	89.384	73.400	24.668	169.170
Veneto and Venezia Tridentina	166.671	89.900	15.337	66.488
Emilia	89.316	118.000	36.939	31.910
Toscana	91.110	60.500	16.863	42.000
Marche	130.813	58.000	7.305	—
Umbria	87.826	27.000	6.348	—
Lazio	133.046	27.500	5.279	95.330
Abruzzi e Molise	56.422	37.000	1.655	8.080
Campania	96.754	27.500	2.321	132.000
	85.687	16.200	7.411	133.240

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Campania	96.754	27.500	2.321	132.000
Puglie	35.687	16.200	7.411	133.240
Lucania	36.174	14.000	2.189	3.240
Calabria	50.804	13.000	500	101.630
Sicilia	111.622	49.500	2.768	83.860
Sardegna	25.579	12.000	1.012	50.000
Total	1.325.115	685.200	140.953	1,092.250

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estimated 1945-46 crop in the four main exporting countries compares with their respective pre-war averages as follows (figures in millions of tons): U.S. 30.1 (19.2 pre-war average), Canada 8.1 (7.1); Argentina 4.0 (6.5); Australia 3.0 (4.1).

In Continental Europe, excluding U.S.S.R., production of bread grains (wheat and rye) during last autumn amounted to only 31 million tons compared with 46 million a year earlier and a pre-war average of 59 million tons.

The rise in production of pre-war averages in North America, Argentina and Australia of 9.2 million tons was therefore more than counter-balanced by the tremendous drop in European production of 28 million tons.

Rice Crops

Estimated stocks in all four countries have declined, especially in the U.S.

While the world supply has fallen, demand has become proportionately acute. Continental Europe's stated import requirements for the year July 1945 to June 1946 amount to 15.6 million tons of bread grains as compared with a pre-war total of 3.7 million tons. Even if these quantities could be obtained, total supplies in Europe would be about 25 per cent. less than during an average pre-war year.

The other deficit countries (India, China, French North Africa, South Africa and certain others) present a similar picture, stated import requirements for 1945-46 amounting to 10.7 millions tons compared with a pre-war import of 2.4 million tons.

In the two principal rice-exporting countries, Burma and Siam, 1946 production is estimated at only 4.9 million tons against a pre-war average of 8.4 million tons. According to United States estimates, rice production in China has fallen by 6.5 million tons (17 per cent.) and in Japan by 2.5 million (20 per cent.) below pre-war average.

World-wide droughts have further contributed to lower crops. Europe, particularly the Mediterranean area, and French North Africa, suffered considerably in 1945. Wheat production in the Union of South Africa fell

Fu[illegible]e Prospects

The White Paper emphasizes the fact that present difficulties are unlikely to disappear with the next harvest. An expected increase in production in the former war zones, and the unlikelihood of a repetition of last season's disastrous droughts will be offset by a heavy fall in exportable supplies, due to virtual exhaustion of stocks accumulated during the war. One new factor which might afford considerable relief would be good crops and a large exportable surplus in the U.S.S.R.

Far Eastern production of vegetable oils and sugar has declined to a point where imports for relief are required in certain areas, whereas before the war, the Far East exported substantial quantities to Europe and America.

Before the war about 1.75 million tons (in terms of oil) were imported into Europe and America from Manchuria, the Netherlands East Indies, the Philippine islands and Malaya. It is not expected that these countries will be able to export more than 250 to 300 thousand tons, owing to reduced production, difficulties of collection and increased local consumption. Declines have been registered in European, Indian and tropical Africa production.

No Delay

The urgent need for a combined effort by every nation must be realised before it is too late. Only by careful planning and the fullest co-operation on the part of governments and farmers can an adequate food supply be ensured. Italy, like every other country, has now three months left in which to decide on agricultural policy in regard to next year's crops. That policy, and the means to implement it, must be ready by autumn.

FISHING INDUSTRY REHABILITATION

Initial assistance provided by the Allied authorities to Italian fishing industry, which the war had brought to a standstill, has now developed into a comprehensive long-term plan drawn up by UNRRA in cooperation with the Italian authorities. Italy's 5,800

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average), Canada 8.1 (7.1); Argentina 4.0 (6.5); Australia 3.0 (4.1).

In Continental Europe, excluding U.S.S.R., production of bread grains (wheat and rye) during last autumn amounted to only 31 million tons compared with 46 million a year earlier and a pre-war average of 59 million tons.

The rise in production of pre-war averages in North America, Argentina and Australia of 9.2 million tons was therefore more than counter-balanced by the tremendous drop in European production of 28 million tons.

Rice Crops

Estimated stocks in all four countries have declined, especially in the U.S.

While the world supply has fallen, demand has become proportionately acute. Continental Europe's stated import requirements for the year July 1945 to June 1946 amount to 15.6 million tons of bread grains as compared with a pre-war total of 3.7 million tons. Even if these quantities could be obtained, total supplies in Europe would be about 25 per cent. less than during an average pre-war year.

The other deficit countries (India, China, French North Africa, South Africa and certain others) present a similar picture, stated import requirements for 1945-46 amounting to 10.7 millions tons compared with a pre-war import of 2.4 million tons.

In the two principal rice-exporting countries, Burma and Siam, 1946 production is estimated at only 4.9 million tons against a pre-war average of 8.4 million tons. According to United States estimates, rice production in China has fallen by 6.5 million tons (17 per cent.) and in Japan by 2.5 million (20 per cent.) below pre-war average.

World-wide droughts have further contributed to lower crops. Europe, particularly the Mediterranean area, and French North Africa, suffered considerably in 1945. Wheat production in the Union of South Africa fell from 0.5 to 0.3 million tons. New Zealand was hit during late 1945 and early 1946, while India's drought, still in progress, constitutes a veritable calamity which will probably reduce grain crops alone by some 7 million tons.

with the next harvest [illegible]
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FISHING INDUSTRY REHABILITATION

Initial assistance provided by the Allied authorities to Italian fishing industry, which the war had brought to a standstill, has now developed into a comprehensive long-term plan drawn up by UNRRA in cooperation with the Italian authorities. Italy's 5,300 miles of seaboard has always afforded wide spread seafaring activity and a means of livelihood to many thousands of fishermen and merchant sailors.

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Though the Mediterranean is one of the poorest fishing grounds in Europe, the Italian fishing industry with its large and up-to-date fleet, provided as much as 200,000 tons of food annually. Power fishing was carried out by some 1,400 units of which approximately 1,300 were engaged in deep-sea trawl-fishing and fitted with 50 to 300 H.P. engines. Coastal or mid-water fishing with fixed nets, bow nets and fish lines gave employment to about 30,000 sail and row boats.

Ocean Fishing

There was also a small but efficient ocean fishing fleet, consisting of about 25 units with a gross tonnage of 12,000 tons, which operated off the coast of North West Africa (Mauretania), Newfoundland and Iceland. The official annual yields were stated as follows:

	Tons
Coast fishing	130,000
Tuna	3,000
Pond	7,000
Shellfish bridings	8,000
Fresh waters fishing	10,000
North Western Africa (frozen fish by trawlers)	5,000
Newfoundland and Iceland (salted fish by trawlers)	6,000
Total	169,000

Many Italian authorities give the total catch as nearer 200,000 tons, on the grounds that fishermen would report lower figures in order to evade harbour dues and other liabilities. About 130,000 men were employed in the industry, and the value of the total catch was estimated at over 8,490,000 dollars (£2,122,500).

After the 8th September 1943, the Italian fishing activities were greatly reduced. The smaller craft had largely been damaged or destroyed; the larger fishing vessels had been requisitioned for mine-sweeping. Equipment such as nets, hemp and cotton twines, steel cables, and other essential gear were either

Extent of Damage

Access to fishing grounds was made very difficult, either because of restrictions imposed by the Allied Naval Authorities for military reasons, or because mines and wreckage made sailing unsafe. Havoc had been caused to inland waters, where during the war period, fishing by explosives and poisons had been extensively practised, with the consequent destruction of stock and particularly of minnows.

Rehabilitation of the fishing industry is now proceeding. Mined beaches are being cleared and obstructions of ports and channels removed. Sunken motor fishing vessels, rowing and sails boats are being salvaged and repairs carried out on damaged and partially destroyed craft. Steps have been taken to secure de-requisition of units of the fishing fleet as military necessities have ceased.

Reconstruction Imports

Over 1,000 tons of supplies provided by the Allies substantially contributed to the re-equipment and repair of fishing craft. Rehabilitation of net factories, workshops and shipyards has been planned, and petroleum products imported by UNRRA are supplied to fishermen through local agencies of the Comitato Italiano Petroli.

Large quantities of raw cotton have been supplied by the Allied Commission and later by UNRRA. UNRRA has requested an allocation of 500 tons of manilla fibre and 500 tons of coir yarn, which are still in considerably short supply. UNRRA is also importing 300 tons of linseed oil for the manufacture of paints.

The chief handicap to rehabilitation of power-driven fishing craft was fuel shortage. Allocations of UNRRA procured fuel through the Italian Government Agency, CIP, have now reached approximately: Diesel oil 62 %, Kerosene 68 % and Gasoline 35 % of demand, enabling craft to operate on an average of some 16 days a month.

Inland Waters

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After the 8th September 1943, the Italian fishing activities were greatly reduced. The smaller craft had largely been damaged or destroyed; the larger fishing vessels had been requisitioned for mine-sweeping. Equipment such as nets, hemp and cotton twines, steel cables, and other essential gear were either looted or destroyed and could not be replaced. Many fishermen had sunk their craft so as to avoid seizure by the Germans. Shipyards, workshops, net factories and refrigerating plants had been rendered useless by bombing or sabotage.

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Inland Waters

After a lapse of six years, an Italian ocean-going trawler has been able to operate outside Mediterranean water. The rebuilding, refitting and fuelling of larger units is now under consideration and plans in this connection have

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been submitted to UNRRA. Re-stocking of lakes and rivers has been materially assisted by one consignment of 70,000 rainbow trout eggs flown to Italy from the United States. UNRRA has already arranged for a second load of 70,000 trout eggs to be flown from Wisconsin during the month of May. The minnows have been distributed to experimental breeding ponds throughout Italy.

Self-Help

Staff members of UNRRA Fisheries Branch, working in close conjunction with local authorities, are at present making inspections of all Italian fishing ports.

Apart from the fact that the high nutritive value of fish proteins and fats help to make up the deficiencies of the average diet, it is essential that Italy should be given every opportunity to produce her own food, so as to relieve the acute shortage and ease her dependency on imports. Such fish, or portions of it, as are not consumed directly as food, may be converted into essential by-products such as industrial oils, vitamin A and D bearing oils, livestock and poultry feeds and fertilizers.

THE PETROL STRIKE

The end of the eight-day petrol strike was greeted with relief by the Italian people in the area affected, no less than by the officials of UNRRA Italy Mission. Appreciation was also felt at the strikers' action in agreeing to UNRRA's request that petrol workers be allowed to continue operating in connection with supplies for UNRRA's essential services. This instance of cooperation was a gratifying sign that the task which UNRRA is endeavouring to carry out on behalf of Italy's relief and rehabilitation is fully realised.

The smooth operation of ports and transport throughout the country is vital to Italian economy. The flow of imported goods must on no account be checked if the country is to progress towards normality. During the recent strike, UNRRA Italy Mission was compelled to request suspension of all kerosene

Speed Essential

The feeding of Italy's population and the country's long-term reconstruction depend on the speed with which goods can be imported and distributed. Battered ports provide insufficient berthing and warehousing accommodation. The task of unloading and clearing ships is immensely difficult, and Italian dock workers rose splendidly to the occasion in April when record clearance times were achieved.

Bottlenecks arising from delay in transferring goods from quays to transit warehouses and finally removing them from port areas entail financial and shipping space losses. Railroad haulage is entirely inadequate.

Tonnage lying idle in ports means so much less shipping space for supplies to devastated areas throughout the world, the revival of seaborne trade, repatriation of prisoners, and possibilities of ocean travel.

About 50 per cent. of all UNRRA imports —with the exception of coal and cotton—are unloaded in the area affected by the recent strike. This means that the distributing of food, cereals, fertilizers, raw materials and other essential commodities might have been delayed to the point where they could not have been used to the fullest advantage.

The harvesting period is now approaching, when speed in gathering in, amassing and marketing crops will be a major factor in the battle against hunger. UNRRA has succeeded in increasing its procurements to meet seasonal requirements, and the extent of the Administration's effort may be judged by the following figures for July totals:

Petrol (barrels)	210,000
Kerosene (June: 140,000 barrels)	190,000
Diesel oil (June: 210,000 barrels)	240,000

If Italy is unable to make use of these supplies, the nation's low food level may have to undergo still further adjustments.

Vital Needs

It has already been emphasized in *Economic Notes* that the world supply situation in regard to some petroleum products is still critical. These products, like other supplies imported

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The smooth operation of ports and transport throughout the country is vital to Italian economy. The flow of imported goods must on no account be checked if the country is to progress towards normality. During the recent strike, UNRRA Italy Mission was compelled to request suspension of all kerosene loading in the United States till further notice, so as to avoid excessive pressure on Italy's limited tank storage accomodation. Complete stoppage of petroleum imports might have been necessary had the strike continued.

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Rehabilitation Administration, many of which have themselves to accept supply restrictions in order to provide assistance elsewhere.

Months of careful planning in Rome and Washington may well be nullified, should fuel not be immediately and plentifully available during the next few critical weeks. Transport of agricultural labor and machinery, the timely application of fertilizers to the major crops of rice and corn and to the summer vegetable crops, and the use of power-driven farm machinery, will all be jeopardised.

Petroleum products are the sinews of war in the struggle now being waged against plant parasites throughout Italy. Any halt in the flow of supplies may jeopardise this and next year's crop.

Sardinia's entire population, aided by UNRRA personnel, fuel, transport and supplies, is fighting day and night in a desparate attempt to crush the unprecedented plague of grasshoppers.

The petrol strike caused delays in round-the-clock delivery of vital supplies urgently needed for transport of reconnaissance units and grasshopper fighters, and the operation of chemical warfare devices, flame-throwers and other technical apparatus. Italian and UNRRA experts had to postpone inspection of the campaign's progress, through lack of transport from Rome. Nor is Italy's mainland secure, for there are sporadic infestations throughout central and southern Italy. Grasshoppers are also reported in Sicily.

Insecticides and fungicides are vital for the protection of Italian agriculture which has suffered seriously as a result of inevitable neglect and war-damage in the past few years. Lack of liquid fuel would deny these materials to the farmer. It would also react on Italy's renascent fishing industry and hence on the general food situation.

The effect of transportation shortage on UNRRA's relief activity materialised during the recent strike, when milk for nursing mothers could not be collected. This is one more reminder that hundreds of thousands of mothers, babies and school-children, now receiving UNRRA food, will go hungry if

COMPARATIVE COSTS AND WAGES

Recent statements in the United States and British Press purporting to show that the cost of living is low and wages adequate in Italy are not borne out by official or private evidence.

Comparative data compiled by UNRRA Division of Operations Analysis from British and Italian sources prove that the bulk of the Italian population for the past few years has been living on a bare subsistence level. Income of weekly wage earners, lower-salaried officials and the white collared class in general does not even cover food requirements.

The monthly salary of an Italian Cabinet Minister is about £25, plus a monthly cost-of-living allowance of £10.0.0; the corresponding figures for an Undersecretary of State are £20 and £8. A skilled worker with three dependents receives an average weekly wage of £2.4.5, including all allowances and bonuses.

In Great Britain the average weekly wage for an adult was £6.1.4. in July 1945 (according to the Ministry of Labour Gazzette for March 1946) since when it has increased rather than diminished.

When dealing with the cost of living in Italy it should be remembered that the official ration provides about 690 calories per day and consists of:

Bread	7	oz	per day
Pasta	17,5	"	" month
Oil	6,5	"	" "
Sugar	3,5	"	" "

Medical authorities hold that 2000 calories per day is the minimum essential for basic subsistence. The average caloric intake per person per day in the United States is 3000 calories.

The Italian must therefore secure the food equivalent of calories additional to the official 690 on the open or black market, where prices compare with official British figures as follows:

		LONDON (Official) s. d.	ROME (Black Market) s. d.
Bread	4 lbs.	0.9	6.4
Flour	6	1.3	9.1

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1926

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The effect of transportation shortage on UNRRA's relief activity materialised during the recent strike, when milk for nursing mothers could not be collected. This is one more reminder that hundreds of thousands of mothers, babies and school-children, now receiving UNRRA food, will go hungry if transport is not available. Hence the need for unremitting co-operation on all sides, so that no undue share of the present burdens shall fall on any one section of the population to the detriment of all.

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1926

		LONDON (Official) s. d.	ROME (Black Market) s. d.	
Bread	4 lbs.	0.9	6.4	
Flour	6 „	1.3	9.1	
Sugar	per lb.	0.4	11.6	
Bacon	„ „	1.10 ½	4.8	
Milk	„ qt.	0.9	1.3	p. litre
Butter	„ lb.	1.8	7.4	
Pasta	„ „	—	2.3	
Oil	„ litre	—	10.5	

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			(Open Market)
Potatoes	7 lbs.	0.8 ½	3.10
Eggs	each	0.2	0.4
Meat	per lb.	—	4.6
Beans	„ „	—	1.8

With the serious setbacks the country's economy has suffered and the stoppage of normal imports, the excess of demand over supply has entirely upset the balance between income and expenditure during the past few years. Clothing, medicines, sanitary supplies, footwear, building materials and other daily-use commodities virtually disappeared. Controls came to be regarded as an anachronism, there being nothing left to distribute or allocate.

At present, with UNRRA supplies reaching the country, limited quantities of food and essential materials are providing a foundation for recovery. Industry, agriculture, transport and communications are gradually recovering from the chaos of war, and a system of controls is being re-established and enforced.

Nevertheless, as pointed out in a recent report of the UNRRA Welfare and Repatriation Division, "it is generally recognised that courage and energy are dependent upon a reasonable diet."

Wage increases vary according to regions. The following representative figures show an average increase of 11 times over the 1938 earnings (1938=1):

	MILAN (March)	GENOA (Feb.)	FLORENCE (Jan.)
Labourer	15.6	10.1	18.8
Skilled labourer	11.8	—	12.2
Clerical employee	8.3	9.5	
Technical employee	7.3		
Executive	8.7		

Food prices on the other hand have increased over 30 times. The following figures show increases by February 1946 (1938=1):

North Italy	32.3
Central Italy	33.7
South Italy	35.7
Italian islands	29.8

In a disrupted economy, the few available commodities inevitably tend to accumulate uneconomically in certain places or in certain hands.

Superficial impressions gleaned by casual visitors are an unsatisfactory criterion by which to assess the true state of affairs. The foregoing study of conditions existant throughout Italy will afford a more accurate picture of the real state of the nation's economic life.

MOVEMENTS OF SHIPS

CARGOES OTHER THAN COAL

(MAY 13 - 19 INCLUSIVE)

SHIP	PORT OF ARRIVAL	DATE OF ARRIVAL	ACCOUNT	CARGO	TONS
Patrick Henry	Bari	13 May	UNRRA	Wheat	7,998
Sidney Sherman	Genoa	„ „	„	Wheat / Food	8,230
Alexander Park	Naples	14 „	UNRRA & Comm'l	Food	750
Runswick	T. Annunziata	„ „	UNRRA	Fertilizer	5,600
Bravo	Genoa	„ „	„	Fish	1,742
Canvasback	„	15 „	UNRRA & Comm'l	Food	180
Robert Broussard	Civitav.-Leghorn	„ „	UNRRA	Sugar	8,300
Danesborg	Castellammare	„ „	„	Oats	8,149
Nicholas Bidole	Genoa	„ „	„	Flour / Cotton	7,335
James Oliver	„	„ „	„	Wheat	8,350
Webb Miller	Naples	17 „	„	Soap	1,450

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Bravo	Genoa	" "	"	Fish	1,742
Canvasback	"	15 "	UNRRA & Comm'l	Food	180
Robert Broussard	Civitav. - Leghorn *	" "	UNRRA	Sugar	8,300
Daneborg	Castellammare	" "	"	Oats	8,149
Nicholas Bidole	Genoa	" "	"	Flour / Cotton	7,335
James Oliver	"	" "	"	Wheat	8,350
Webb Miller	Naples	17 "	"	Soap	1,450
Hickory Isle	"	19 "	"	Ambulances / Sulphates	1,324
Lucien Labaudt	Genoa	" "	"	Wheat	8,160
Clyde L. Seavey	Castellamm. - T. Annunz. *	" "	"	"	8,175
Sutherland	Naples	" "	"	Rubber	92

** Arrived at first-named port on the date shown; discharging at the second port later*

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April 5, 1946 Vol. I, No. 12

ECONOMIC NOTES

— Published by The Public Relations Division, UNRRA Italy Mission, Via di San Nicola da Tolentino, 78, Rome —

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1. UNRRA Announces its Italian Budget
2. Dock Speed-Up Ordered
3. Argentina Sends Maize
4. Movements of Ships

UNRRA ANNOUNCES ITS ITALIAN BUDGET

Estimates of how it is planned to spend 359,440,100 dollars (£89,860,025 sterling) voted by the Central Committee of UNRRA for the first six months of 1946 were announced by the Italy Mission this week. These estimates, which have been agreed with the Italian Government, have been submitted to UNRRA Headquarters in Washington for procurement. How far this program will be met is now limited only by the extent to which world shortage of supplies makes it impossible to procure in full the commodities Italy has requested.

The total sum available for the purchase of supplies until June 30 under the 1946 Agreement with Italy will be 325,440,100 dollars (£81,360,025 sterling). The remainder, namely 34,000,000 dollars (£8,500,000 sterling) represents payments for goods delivered, or ordered, during 1945 on a program of direct relief. The money voted covers the actual cost of supplies, delivered free on board. Shipping charges are covered by a separate appropriation.

Expenditure on Food

Expenditure during the second half of the year to complete the program by the end of 1946 has been tentatively set at 37,599,900 rehabilitation, agricultural rehabilitation and medical and sanitary services. Allocations under these four headings are approximately as shown in the following table:—

	Dollars
Food	176,147,000
Industrial rehabiliation (including textiles and hides) . . .	124,522,000
Agricultural rehabilitation . .	15,686,000
Medical and sanitary	6,035,000
	322,390,000
Not yet allocated	3,050,100
	325,440,100

Includer under the heading of " food " is the sum of 10,500,000 dollars for the Welfare Program. The textile appropriation which forms part of the vote for industrial rehabilitation, also includes provision for welfare services.

While the vote of the Central Committee has fixed the total budget appropriation available to the Italy Mission until June 30, 1946, the Mission—in collaboration with the Italian Government—can make periodic adjustments of the proportion to be spent under any particular heading. The budgetary allocations take into account present needs, experienced deliveries during the past three months and

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Expenditure on Food

Expenditure during the second half of the year to complete the program by the end of 1946 has been tentatively set at 57,599,900 dollars (£14,399,975 sterling); but this estimate will be subject to further consideration at a later meeting of the Central Committee.

Substantially more than half the 325,000,000 dollars budgeted for the first six months of 1946 is allocated for the purchase of food. The other main categories are industrial rehabilitation, agricultural rehabilitation and medical and sanitary services. Allocations under these four headings are approximately as shown in the following table:—

	Dollars
Food	176,147,000
Industrial rehabiliation (including textiles and hides) . . .	124,522,000
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While the vote of the Central Committee has fixed the total budget appropriation available to the Italy Mission until June 30, 1946, the Mission—in collaboration with the Italian Government—can make periodic adjustments of the proportion to be spent under any particular heading. The budgetary allocations take into account present needs, experience of deliveries during the past three months and the best estimates of the availability of supplies. But many factors may operate to cause radical modifications in the allocation of funds —within the total appropriation—before June 30 next.

Most of the money voted for food will be spent on bread-stuffs. The present figures are

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based on Italian needs up to the end of June, 1946. In view, however, of the uncertainty of supplies, due to world shortage, modifications are inevitable. The over-riding consideration throughout will be availability of supplies. The negotiations on food, which Mr. W. J. Legg (Head of the UNRRA Italy Mission Sub-Bureau of Relief Supply) has been conducting in Washington are not yet complete. In the light, however, of the warnings by the Director-General of UNRRA, by Mr. Hoover and others, actual procurement during the first half of this year of such critical food commodities as cereals, fats and sugar will probably fall short of the estimates. The funds thereby released will be available for re-allocation.

Coal and Liquid Fuel

Among the largest items of expenditure in the program of imports for industrial rehabilitation are the appropriations for coal and liquid fuel (comprising gasoline, diesel oil, kerosene and fuel oil). It is planned to spend 16,800,000 dollars on importing 2,395,000 tons of coal during the first six months of this year. Expenditure on liquid fuel during the same period will amount to 18,185,000 dollars.

It must be emphasised that coal imports may be seriously affected by the coal strike in the United States. Negotiations are now in progress to re-establish imports of coal from the Ruhr, and also from Silesia; and it is anticipated that 36,000 tons of coking smalls and 3,000 tons of anthracite for electrodes will come from the Ruhr during April, May and June. By the end of May, 18,000 tons should have arrived. A major problem is that of transportation. Negotiations for rail delivery are now being conducted with E.C.I.T.O., the body concerned with all international rail movement in Europe. It is possible, however, that some at least of the coal will be delivered by barge to Antwerp or Rotterdam, and thence by ship to Italy.

Ruhr Coal will not Fill Gap

By whatever means they arrive, these deliv-

The significance of the Ruhr deliveries lies not in the quantity of coal Italy is to receive, but in the fact that they mark the recommencement of trade with one of Italy's major sources of fuel supply in normal times.

Procurement for Italy of finished and semi-finished steel, as well as pig-iron, during the first half of 1946, is to be considerably greater than was originally planned. The figure now proposed is 230,000 tons, at a cost of approximately 11,100,000 dollars. The budget allows for the importation of 12,000 tons of copper, 1,200 tons of tin and 1,500 tons of nickel. Industrial chemicals are included at a total cost of 3,200,000 dollars, and asbestos, clays and refractories at a total cost of over 2,000,000 dollars.

Bigger Rubber Imports

In the original estimates of Italy's minimum requirements, prepared at the end of last year, a figure of 12,000 tons was suggested for rubber imports on UNRRA account, with a possible increase to 15,000 tons. Under the revised program, it is now proposed to import 20,000 tons of rubber, at a cost of 11,000,000 dollars, and at the same time to increase imports of carbon black and other industrial raw materials required for the processing of synthetic rubber in Italy.

The textile program, providing for the import of raw cotton and wool (some of which has already arrived) will enable goods to be produced for those needy sections of the Italian population which cannot buy adequate clothing and textiles at present prices.

Of particular significance, in view of the world food situation, is the greater emphasis now given to agricultural rehabilitation. Expenditure under this heading has been increased by approximately 50 per cent., since the first estimates were prepared at the end of 1945. The chief increase is the very much larger appropriation now made for the purchase of fertiliser. Under this heading alone, expenditure has been set tentatively at 7,500,000 dollars—or about half the total allocation. But actual deliveries, especially in the case of nitrates, will depend upon avail-

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Ruhr Coal will not Fill Gap

By whatever means they arrive, these deliveries will, however, represent no more than three per cent. of the supplies programmed to reach Italy during the next three months. Under no circumstances could they fill the gap, should the coal strike cause a serious reduction in shipments from the United States. of fuel supply in normal times.

Procurement for Italy of finished and semi-finished steel, as well as pig-iron, during the first half of 1946, is to be considerably greater than was originally planned. The figure now proposed is 230,000 tons, at a cost of approximately 11,100,000 dollars. The budget allows for the importation of 12,000 tons of copper, 1,200 tons of tin and 1,500 tons of nickel. Industrial chemicals are included at a total cost of 3,200,000 dollars, and asbestos, clays and refractories at a total cost of over 2,000,000 dollars.

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Included in the budget allocation for medical and sanitary supplies is the item of 500,000 dollars for the purchase of equipment to manufacture penicillin in Italy, under the auspices of the Italian Government. The plan is still under discussion, but if it is successful a considerable quantity of Italian-made penicillin should become available in 1947. Distribution of penicillin imported by UNRRA will be increased in April from 5,000 to 10,000 vials per month.

For the Sardinia anti-malaria program, UNRRA's contribution in foreign currency has been put tentatively at 400,000 dollars. This figure is in addition to the 300,000,000 lire to be provided for the project from the special lire fund created, under the UNRRA agreements with Italy, to finance relief and rehabilitation. Expenditure on malaria control in Sardinia, and also on the penicillin project, is likely to extend into the second half of the year; but with these exceptions, it is intended that the six months' medical budget included in the present vote should cover operations for the whole year. To stimulate Italy's own pharmaceutical industry, emphasis is placed upon the importation of raw materials, wherever that is practicable.

DOCK SPEED-UP ORDERED

Clearance of Allied shipping at the maximum possible speed is ordered in an urgent directive issued to Port Commandants by the Merchant Shipping Department of the Italian Ministry of Marine. "Public interest must in the present emergency be given absolute priority over all private interests," states the directive. "Port Commandants, as long as the present abnormal conditions prevail, are at all times to exercise over-riding authority in the regulation of port traffic whenever the action of interested parties might disturb, or not sufficiently safeguard, important national interests.

"This is more than ever necessary at the present time, since it has been decided by the relief, the result would be a corresponding reduction of our imports."

[The above statement is not strictly accurate. Shipping costs—including such items as demurrage—are not a charge against the budgets of individual nations, but are met from a general fund in which freight charges are pooled. Savings in freight charges, however, will increase the total amount available for the purchase of supplies—EDITOR.]

Bulk cargoes, such as wheat or coal, must be discharged at the accepted rate of 1,000 tons a day, and Port Commandants are ordered personally to ensure that this is done. The Ministry deplores recent instances in which ships with no more than 150 or 200 tons of cargo still to be unloaded have had to wait in port an extra day, when a few hours' overtime and a greater sense of responsibility on the part of the dockers would have cleared them the day before. The directive ends with a stiffly worded demand for action by Port Commandants and "explicit assurances" on their part that action has been taken.

It is to be added that, in the experience of UNRRA officials, the criticism implied in the letter from the Ministry of Marine should be directed only to certain ports. In general, according to UNRRA observations, Italian dock labourers have a good record for expeditious handling of cargo.

ARGENTINA SENDS MAIZE

By special arrangement made in Washington, UNRRA will pay both the ocean freight and the loading charges, totalling approximately £68,000 sterling (272,000 dollars), on the shipment of 15,000 tons of maize (corn) due to be despatched from Argentina to Italy about 10 April in the *Vittorio Veneto* and *Voluntas*, two of the seven cargo vessels sold to Argentina early in the War, and now bought back by the Italian Government. The supplies are being delivered to Italy on UNRRA account. The *Vittorio Veneto* and the *Voluntas* are the first of the seven ships to return to Italy.

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"This is more than ever necessary at the present time, since it has been decided by the Allied Authorities that, from now onwards, demurrage in foreign currency at the rate of 1,700 dollars per day must be paid whenever vessels are not discharged within the fixed number of lay-days. As this payment would be made out of UNRRA funds for Italian of individual nations, but are met from a general fund in which freight charges are pooled. Savings in freight charges, however, will increase the total amount available for the purchase of supplies—EDITOR.]

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Italy will, in the first instance, be responsible for the ocean freight charges, but a corresponding amount will be credited to the UNRRA Italian fund, and payment will be made to the Italian Government in the form of extra supplies for relief and rehabilitation.

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MOVEMENTS OF SHIPS

CARGOES OTHER THAN COAL

(MARCH 25 - 31 INCLUSIVE)

SHIP	PORT OF ARRIVAL	DATE OF ARRIVAL	ACCOUNT	CARGO	TONS
Franklin H. King	Bari - Ancona *	25 Mar.	UNRRA	Wheat	8,223
F. A. C. Muhlenburg	Castellammare - Salerno *	26 "	"	"	7,982
John Bartram	Venice	27 "	"	"	8,114
L. A. Sengteller	Venice	28 "	"	"	8,170
Pierre Soule	Bari - Crotone *	29 "	"	"	7,848
Stephen Girard	Genoa	30 "	"	"	7,942

* *Arrived at first-named port on the date shown; discharging at the second port later*

LATEST COAL SHIPMENTS

(MARCH 23 - 31 INCLUSIVE)

SHIP	PORT OF ARRIVAL	DATE OF ARRIVAL	ACCOUNT	SHIP	PORT OF ARRIVAL	DATE OF ARRIVAL	ACCOUNT
Billy Sunday	Genoa	23 Mar.	UNRRA	John Evans	Catania	28 Mar.	UNRRA
James Shureman	Palermo	24 "	"	John Gorrie	Genoa	" "	"
Benjamin Chew	Savona	25 "	"	George Eldbridge	Venice	" "	"
Benjamin Coston	Genoa	" "	"	William Brewster	Bagnoli	29 "	"
Cushing Eelis	Bagnoli	" "	"	Mary Dodge *	Savona	" "	"
Cyrus Brady	Bari	26 "	"	William S. Clark	Genoa	" "	"
Henry Clay	Genoa	" "	"	Francis Jenkins	Genoa	" "	"
George Read	Genoa	" "	"	John Gallup	Genoa	" "	"
William R. Davies	Reggio C.	" "	"	William T. Coleman	Venice	" "	"
Empire Sumner	Civitav.	27 "	Brit. Arm.	Earl Lyman	Ancona	30 "	"
Floyd Bennet	Civitav.	" "	UNRRA	Nathan S. Davis	Genoa	" "	"

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(MARCH 25 - 31 INCLUSIVE)

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Benjamin Coston	Genoa	„ „	„	William Brewster	Bagnoli	29 „	„
Cushing Eelis	Bagnoli	„ „	„	Mary Dodge *	Savona	„ „	„
Cyrus Brady	Bari	26 „	„	William S. Clark	Genoa	„ „	„
Henry Clay	Genoa	„ „	„	Francis Jenkins	Genoa	„ „	„
George Read	Genoa	„ „	„	John Gallup	Genoa	„ „	„
William R. Davies	Reggio C.	„ „	„	William T. Coleman	Venice	„ „	„
Empire Sumner	Civitav.	27 „	Brit. Arm.	Earl Lyman	Ancona	30 „	„
Floyd Bennet	Civitav.	„ „	UNRRA	Nathan S. Davis	Genoa	„ „	„
Richmond P. Hobson	Piombino	„ „	„	Samuel Ingham	Bari	31 „	„
Jesse Applegate	Taranto	„ „	„				

** Arrived Savona instead of Genoa*

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MAR 22 RECD

March. 22, 1946 Vol. I, No. 10

ECONOMIC NOTES

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1. 1,675 Million Lire for Relief
2. De Gasperi Appeals for Food
3. Future of UNNRA
4. Movements of Ships

1,675 MILLION LIRE FOR RELIEF

Expenditure on relief and rehabilitation projects, totalling more than 1,675 million lire, has been approved by the Joint Committee, representing the Italian Government and UNRRA. Included in this sum is the allocation of 1,000 million lire for the C.A.S.A.S. scheme, details of which were announced in last week's issue of *Economic Notes*. The Joint Committee has also approved the expenditure of:— (1) 457,667,508 lire on the manufacture of cotton goods for the High Commissariat of Health and Hygiene and the Ministry of Post-War Assistance; (2) 112,500,000 lire on processing clothing for relief services; (3) 100,000,000 lire on malaria control in Sardinia; and (4) 5,500,000 lire on assistance for cave dwellers in Naples. This expenditure will be made from the special lire fund created under the UNRRA Agreement with Italy. It will be supplemented by expenditure in foreign exchange from UNRRA funds, chiefly on the C.A.S.A.S. project, and also on malaria control in Sardinia.

Cotton for Sheets and Towels

As part of its health and welfare program, UNRRA last December imported 2,000 tons of raw cotton for manufacture into sheets, pillow cases, towels, shirts, linen cloths and metres of cloth have been obtained, states Mr. S. M. Keeny, Head of the UNRRA Italy Mission. The cost is slightly lower than the corresponding cost in the United States. Thus, manufacture in Italy has served the double purpose of giving work to Italian mills and at the same time providing much needed supplies at a reasonable figure.

Allocation of Cloth

A total of 4,580,000 square metres will be allocated for Public Health services, and to hospitals and other kindred institutions. The Displaced Persons' Services will receive 4,900,000 square metres, which are being made up partly in ordinary industrial undertakings and partly in camps and charity workshops. For these supplies, the Joint Committee has voted 457,667,508 lire — a sum which, however, refers only to manufacturing costs.

The Processing Section of the UNRRA Bureau of Relief Services has already manufactured 120,000 pieces of underwear from its share of UNRRA cotton cloth. Expenditure is approved for the manufacture of 1,600,000 items of underwear and 300,000 items of bed linen, for distribution among Displaced Persons. These figures represent about half the proposed quantity to be manufactured. The second part of the program will be undertaken in the latter half of the year. Work has

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For the period 15 December, 1945, to 30 June next, the UNRRA Bureau of Relief Services is authorised by the Joint Committee to spend 112,500,000 lire on clothing processing. Reporting on the work done in the used clothing departments, the Head of the Bureau of Relief Services, Mr. A. A. Sorieri, informed the Joint Committee that more than 30,000 bales of clothing, representing some 4,000,000 garments, had been sorted and repaired, and 600,000 pairs of shoes processed, of which 452,000 had needed repair.

The Section, at the moment, has on hand for sorting and repair, some 940 tons of used clothing from United States and Canadian clothing drives, while a further 160 tons are still to arrive. This represents very nearly 2,000,000 garments, of which it is anticipated nearly 500,000 will need repair. The average cost of repair has worked out at the very low figure of 15 lire per garment. Shoe processing has hitherto been chiefly confined to the repair of new, damaged shoes. At the present moment the Section has on hand some 300,600 pairs of such shoes, of which all but 60,000 are expected to need repair. From Army sources the Section expects to receive 395,000 pairs of mismated boots, from which, it is anticipated, 240,000 serviceable pairs of boots will be available.

Work for Displaced Persons

The Section at present employs in its 67 workshops 1,694 people, the great majority of whom are themselves Italian Displaced Persons. It has developed from the workshops first started in Southern Italy by the Voluntary Societies Refugee Section of the Italian Displaced Persons' Branch of UNRRA.

Good progress has been made on the practical work in connection with the project for malaria control in Sardinia, stated Mr. Keeny, in recommending to the Joint Committee an appropriation of 100,000,000 lire as an advance for further operations. This allocation is inclusive of the 15,000,000 lire already voted by the Joint Committee last November. Of the 200 vehicles required, 40 have already been sent to Sardinia; all materials have been or-

DE GASPERI APPEALS FOR FOOD

The following message has been transmitted by the Italian Prime Minister, Signor Alcide De Gasperi, to Mr. Harry Truman, President of the United States:

"The Italian people have noted with grateful appreciation your personal interest in overcoming the serious food crisis which threatens Europe and, most of all, Italy. We are hopeful that the action you are taking will truly relieve the sufferings which the world food situation has imposed on Italy to a greater degree that any other country of Europe.

Grain Stocks nearly Exhausted

"Italy's own stocks of grains, decimated especially by lack of rain and fertiliser, are nearly exhausted. We are, therefore, compelled to depend very heavily on imports of cereals until the next harvest. Therefore, the inability of UNRRA to secure sufficient grains to maintain our basic ration is a source of great concern to the Italian Government and people.

"As early as last December my Government had to suspend the monthly distribution of 'pasta' and rice in most provinces of Southern and Central Italy; then at the end of January we felt able to restore one quarter of this ration. The monthly ration of 'pasta' and rice is now 500 grams per month per person, instead of the 2,000 grams, which has been the basic ration for the last year. If the situation deteriorates further we shall have to cancel this ration again.

Bread and Pasta

"I would stress particularly, Mr. President, that the Italian people, unlike some other peoples, depend for their food very largely on bread and 'pasta'—especially since most other food items simply are not available these days. I must point out further that the amount of food which an Italian can buy on his ration card is barely 500 ca-

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ing. Reporting on the work done in the used clothing departments, the Head of the Bureau of Relief Services, Mr. A. A. Sorieri, informed the Joint Committee that more than 30,000 bales of clothing, representing some 4,000,000 garments, had been sorted and repaired, and 600,000 pairs of shoes processed, of which 452,000 had needed repair.

The Section, at the moment, has on hand for sorting and repair, some 940 tons of used clothing from United States and Canadian clothing drives, while a further 160 tons are still to arrive. This represents very nearly 2,000,000 garments, of which it is anticipated nearly 500,000 will need repair. The average cost of repair has worked out at the very low figure of 15 lire per garment. Shoe processing has hitherto been chiefly confined to the repair of new, damaged shoes. At the present moment the Section has on hand some 300,600 pairs of such shoes, of which all but 60,000 are expected to need repair. From Army sources the Section expects to receive 395,000 pairs of mismated boots, from which, it is anticipated, 240,000 serviceable pairs of boots will be available.

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Continued on Page 4

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"As early as last December my Government had to suspend the monthly distribution of 'pasta' and rice in most provinces of Southern and Central Italy; then at the end of January we felt able to restore one quarter of this ration. The monthly ration of 'pasta' and rice is now 300 grams per month per person, instead of the 2,000 grams, which has been the basic ration for the last year. If the situation deteriorates further we shall have to cancel this ration again.

Bread and Pasta

"I would stress particularly, Mr. President, that the Italian people, unlike some other peoples, depend for their food very largely on bread and 'pasta'—especially since most other food items simply are not available these days. I must point out further that the amount of food which an Italian can buy on his ration-card is barely 700 calories a day. This amount is obviously insufficient to prevent serious malnutrition, disease and other dangerous physical consequences to the whole Italian population, and particularly to children and young people.

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"The prospect that this situation might get even worse, judging from everything we can learn about the supplies available and the allocations of those supplies made in Washington, prompts me to appeal directly to you. Our minimum need is for 300,000 tons of imported bread grains each month from now until the next harvest. We place our trust, Mr. President, in your intervention to prevent a continuation, or worsening of a situation which is already unbearable. I am grateful to you and I have faith in the generosity of the American people."—DE GASPERI.

The gravity of the present wheat shortage throughout the world is emphasized by recent advices received by the UNRRA Italy Mission from Headquarters in Washington. During the first six months of 1946 the world need for imported wheat is estimated to be 19,500,000 tons. To meet this, the grain exporting countries, notably the United States, Canada, Australia and Argentina, have available no more than 11,500,000 tons, leaving a deficiency of 8,000,000 tons.

UNRRA Cuts Wheat Demand

UNRRA requirements of wheat during the first six months of the year for Europe and China have been cut to approximately 3,200,000 tons, on the understanding that an additional million tons of substitute grains, such as rye, barley, oats and corn (maize) will be available. In January, in spite of this reduction, no more than 56 per cent. of the deliveries requested were made available to UNRRA by the supplying countries.

A series of crop disasters—almost without precedent in modern times— has vastly increased the needs of hundreds of millions of people, in scores of countries, for imported food. Exports from the producing countries have been stepped up well beyond normal; but in face of overwhelming need, they still fall far short of what is required, after the most destructive war in history.

"In these circumstances, no nation which [illegible] not even Great Britain her-

how much he—and every member of UNRRA—deplores our tragic inability to deliver larger amounts of food and other supplies to the countries receiving UNRRA aid. It is a matter of deep concern to all of us that available supplies are so small in relation to the need. Italy's grain shortage is the gravest problem which we in this Mission have to face.

"I can assure the people of Italy that we are doing our utmost to meet her needs. But I must repeat the warnings given many times during the past three months to the Governments which UNRRA serves, that the outlook is highly critical, and deliveries are certain to fall far below the level UNRRA would wish to attain."

Low Ammassing Figure

Italy's wheat shortage is aggravated by the comparatively low percentage of wheat actually amassed. It is estimated that no more than 65 per cent. of the supplies theoretically available for the country's 35,000,000 non-producers have, in fact, been available for distribution through the national rationing system. UNRRA has repeatedly impressed upon the Italian Government the urgent need of a vigorous amassing policy.

In respect of rice also, there has been similar lack of success in the Government's amassing program. Of the 300,000 tons considered to be a reasonable target figure, no more than 180,000 tons have so far been amassed. This is all the more unfortunate, since in normal times Italy is not only able to produce all the rice she needs, but has available a surplus for export. In 1938 this surplus amounted to approximately 21,000 tons of polished and semi-polished rice.

World Shortage of Rice

A world shortage of rice, as grave as that of wheat, not only rules out any attempt to supplement wheat rations by using rice, but has, in fact, increased the world demand for wheat itself. So great is the demand for rice in the Far East that no rice whatsoever is being imported into European countries. In

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Washington, prompts me to appeal directly to you. Our minimum need is for 300,000 tons of imported bread grains each month from now until the next harvest. We place our trust, Mr. President, in your intervention to prevent a continuation, or worsening of a situation which is already unbearable. I am grateful to you and I have faith in the generosity of the American people."—DE GASPERI.

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A series of crop disasters—almost without precedent in modern times— has vastly increased the needs of hundreds of millions of people, in scores of countries, for imported food. Exports from the producing countries have been stepped up well beyond normal; but in face of overwhelming need, they still fall far short of what is required, after the most destructive war in history.

"In these circumstances, no nation which imports grain—not even Great Britain herself—can hope to receive supplies that are in any way near enough to satisfy pressing and legitimate needs," states Mr. S. M. Keeny, Head of the UNRRA Italy Mission. "A few days prior to the announcement of his retirement, I was asked by the Director-General of UNRRA, Mr. Herbert H. Lehman, to say of deep[illegible] plies are so small in relation to the need. Italy's grain shortage is the gravest problem which we in this Mission have to face.

"I can assure the people of Italy that we are doing our utmost to meet her needs. But I must repeat the warnings given many times during the past three months to the Governments which UNRRA serves, that the outlook is highly critical, and deliveries are certain to fall far below the level UNRRA would wish to attain."

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Strenuous efforts have been made by UNRRA in Italy to procure substitute grains. As announced in *Economic Notes*, it has

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already been agreed to include a substantial proportion of corn and barley in the monthly grain shipments, and to mix 20 per cent. of oatmeal in the standard flour for bread. Up to the present, one ship has arrived with a cargo of oats for milling in Italy. Some low-fat-content soya flour has also been procured, but none has yet arrived.

So far, no barley or corn has been obtained since, in fact, the world shortage of these grains is almost as great as it is for wheat. Although, as the result of big importations of seed potatoes in January and February, this year's potato crop is expected to show a substantial increase, transportation difficulties may preclude extensive use of potatoes as a substitute for grain.

In an effort to secure the maximum allocation to meet Italy's urgent needs, Mr. W. J. Legg, Head of UNRRA's Sub-Bureau of Relief Supply in Italy, is now in Washington negotiating future procurements.

FUTURE OF UNRRA

References to the future of world relief by Mr. Herbert H. Lehman, is his letter to the Central Committee announcing his resignation from the position of Director-General of UNRRA, have raised the question, as yet unanswered: What is to follow, when UNRRA ceases to function? So far as Italy is concerned, the existing program is due to be completed at the end of 1946, and no extension is at present contemplated.

In Mr. Lehman's view, the general world situation will not have been restored to normal by the time UNRRA is due to end. "It is my earnest hope," he states in his letter of resignation, "that at the Council meeting that is about to convene, and at the next meeting which will be held during the summer, action will be taken to provide for the transfer to other organisations of those activities of UNRRA which will inevitably be left unfinished if, as at present is indicated, UNRRA will cease to function in a little more than a

the "only thing that has stood between millions of people and starvation." In addition to providing food and other supplies, it has rendered countless—and valuable—services in the field of health, welfare and agricultural and industrial rehabilitation.

"UNRRA has not only provided material aid to many millions of people," Mr. Lehman adds, "but, in so doing, has given fresh hope to those millions of men and women—a hope that the United Nations, by continuing to work together effectively, can, in fact, establish good will and understanding amongst men. Much has already been accomplished to justify the hopes that countless suffering human beings have placed in this organization. Much remains to be done."

1,675 MILLION LIRE FOR RELIEF

Continued from Page 2

The Sardinia malaria control project, a combined operation in which UNRRA, the Italian Government and the Rockefeller Foundation are collaborating, is estimated to cost a total of 300,000,000 lire. Arrangements with the Rockefeller Foundation and the High Commissariat for Health and Hygiene are now being completed, and a Decree, establishing the Government agency to operate the project, is expected to be published within one month.

Homes for Cave-Dwellers

The Joint Committee's vote of 5,500,000 lire represents an important step in the project to re-house 500 war-homeless Neapolitans who have been living under appalling conditions in caves. This project, initiated by the Congregational Service Committee and helped in its early stages by a loan of 1,500,000 lire from the UNRRA Italy Mission, will be completed by May 31. By that time, the cave dwellers will be re-housed in decent homes built from Army salvage material on a plot of land given by the City of Naples. The work goes further than the mere provision of

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In Mr. Lehman's view, the general world situation will not have been restored to normal by the time UNRRA is due to end. "It is my earnest hope," he states in his letter of resignation, "that at the Council meeting that is about to convene, and at the next meeting which will be held during the summer, action will be taken to provide for the transfer to other organisations of those activities of UNRRA which will inevitably be left unfinished if, as at present is indicated, UNRRA will cease to function in a little more than a year from now. It is probable, in my opinion, that further assistance—particularly in providing food and agricultural rehabilitation—will have to be extended beyond this year."

UNRRA has already sent more than 6,000,000 tons of supplies to the distressed peoples of the world, he says. It has been the field of health, welfare and agriculture and industrial rehabilitation.

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MOVEMENTS OF SHIPS

CARGOES OTHER THAN COAL

(MARCH 11 - 18 INCLUSIVE)

SHIP	PORT OF ARRIVAL	DATE OF ARRIVAL	ACCOUNT	CARGO
Eli Whitney	Genoa	11 Mar.	UNRRA	Wheat
Frank Gilbreath	Venice	" "	"	"
Lucy Stone	Genoa	12 "	FEA/It. Govt.	General
Rebecca Boone	Genoa - Leghorn *	" "	UNRRA	Wheat
Marina Raskova	Civitavecchia	13 "	"	"
Jos. Lee	Castellammare	14 "	"	"
Henry Blood	Messina - Crotone *	" "	"	"
Leslie Shaw	Castellammare	15 "	FEA	"
John Eaton	Civitavecchia	" "	It. Govt.	Flour
John Morton	Genoa	17 "	UNRRA	Wheat
Jos. Story	Castellammare	" "	It. Govt.	"
Juliet Lowe	Naples	18 "	UNRRA	General
John G. Hibben	Palermo	" "	"	Wheat
Thos. Bickett	Bari	" "	"	"

** Arrived at first-named port on the date shown; discharging at the second port later*

LATEST COAL SHIPMENTS

(MARCH 10 - 17 INCLUSIVE)

SHIP	PORT OF ARRIVAL	DATE OF ARRIVAL	ACCOUNT	SHIP	PORT OF ARRIVAL	DATE OF ARRIVAL	ACCOUNT
John S. Williams	Venice	10 Mar.	UNRRA	Lawrence D. Tyson	Genoa	13 Mar.	FEA
Joseph Wing	Genoa	11 "	"	Henry Sibley	"	" "	UNRRA
Daniel Drake	Piombino	16 "	"	Jeremiah S. Black	Venice	" "	"
Jean P. Chateau	Salerno	11 "	"	Grant Wood	"	" "	"
Richmond Hill	Piombino	" "	"	Sylvester Gardner	Bari	14 "	"
Ocean Vagrant	Savona	" "	Brit.Army	W. D. Bloxam	Taranto	" "	"
Henry Thoreau	Bagnoli	" "	"	Thomas B. Reid	Civitav.	" "	"
Joseph Pulitzer	Torre Annunz.	14 "	"	Janet Lord Reper	Bagnoli	" "	"
	Genoa	12 "	UNRRA	Thomas Sully	Genoa	" "	"
	Catania	" "	"	James Lane	"	16 "	"

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SHIP	PORT OF ARRIVAL	DATE OF ARRIVAL	ACCOUNT	CARGO
Eli Whitney	Genoa	11 Mar.	UNRRA	Wheat
Frank Gilbreath	Venice	" "	"	"
Lucy Stone	Genoa	12 "	FEA/It. Govt.	General
Rebecca Boone	Genoa - Leghorn *	" "	UNRRA	Wheat
Marina Raskova	Civitavecchia	13 "	"	"
Jos. Lee	Castellammare	14 "	"	"
Henry Blood	Messina - Crotone *	" "	"	"
Leslie Shaw	Castellammare	15 "	FEA	"
John Eaton	Civitavecchia	" "	It. Govt.	Flour
John Morton	Genoa	17 "	UNRRA	Wheat
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Juliet Lowe	Naples	18 "	UNRRA	General
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Thos. Bickett	Bari	" "	"	"

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Henry Thoreau	Genoa	12 "	UNRRA	Thomas Sully	Genoa	" "	"
Joseph Pulitzer	Catania	" "	"	James Lane	"	16 "	"
Robert Forbes	Venice	" "	"	Knute Rockne	"	" "	"
Kenneth A. J. Mackenzie	Genoa	" "	"	Arthur Davis	Palermo	" "	"
Benjamin Williams	Savona	" "	"	Richard Hobson	Genoa	17 "	"
Hoke Smith	Ancona	13 "	"	Philip Barbour	"	" "	"
Sam M. Jackson	Genoa	" "	"				

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MAR 22 RECD

March. 22, 1946 Vol. I, No. 10

ECONOMIC NOTES

— Published by The Public Relations Division, UNRRA Italy Mission, Via di San Nicola da Tolentino, 78, Rome —

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2. De Gasperi Appeals for Food
3. Future of UNNRA
4. Movements of Ships

1,675 MILLION LIRE FOR RELIEF

Expenditure on relief and rehabilitation projects, totalling more than 1,675 million lire, has been approved by the Joint Committee, representing the Italian Government and UNRRA. Included in this sum is the allocation of 1,000 million lire for the C.A.S.A.S. scheme, details of which were announced in last week's issue of *Economic Notes*. The Joint Committee has also approved the expenditure of:— (1) 457,667,508 lire on the manufacture of cotton goods for the High Commissariat of Health and Hygiene and the Ministry of Post-War Assistance; (2) 112,500,000 lire on processing clothing for relief services; (3) 100,000,000 lire on malaria control in Sardinia; and (4) 5,500,000 lire on assistance for cave dwellers in Naples. This expenditure will be made from the special lire fund created under the UNRRA Agreement with Italy. It will be supplemented by expenditure in foreign exchange from UNRRA funds, chiefly on the C.A.S.A.S. project, and also on malaria control in Sardinia.

Cotton for Sheets and Towels

As part of its health and welfare program, UNRRA last December imported 2,000 tons of raw cotton for manufacture into sheets, pillow cases, towels, shirts, linen cloths and metres of cloth have been obtained, states Mr. S. M. Keeny, Head of the UNRRA Italy Mission. The cost is slightly lower than the corresponding cost in the United States. Thus, manufacture in Italy has served the double purpose of giving work to Italian mills and at the same time providing much needed supplies at a reasonable figure.

Allocation of Cloth

A total of 4,580,000 square metres will be allocated for Public Health services, and to hospitals and other kindred institutions. The Displaced Persons' Services will receive 4,900,000 square metres, which are being made up partly in ordinary industrial undertakings and partly in camps and charity workshops. For these supplies, the Joint Committee has voted 457,667,508 lire — a sum which, however, refers only to manufacturing costs.

The Processing Section of the UNRRA Bureau of Relief Services has already manufactured 120,000 pieces of underwear from its share of UNRRA cotton cloth. Expenditure is approved for the manufacture of 1,600,000 items of underwear and 300,000 items of bed linen, for distribution among displaced Persons. These figures represent about half the proposed quantity to be manufactured. The second part of the program will be undertaken in the latter half of the year. Work has

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For the period 15 December, 1945, to 30 June next, the UNRRA Bureau of Relief Services is authorised by the Joint Committee to spend 112,500,000 lire on clothing processing. Reporting on the work done in the used clothing departments, the Head of the Bureau of Relief Services, Mr. A. A. Sorieri, informed the Joint Committee that more than 30,000 bales of clothing, representing some 4,000,000 garments, had been sorted and repaired, and 600,000 pairs of shoes processed, of which 452,000 had needed repair.

The Section, at the moment, has on hand for sorting and repair, some 940 tons of used clothing from United States and Canadian clothing drives, while a further 160 tons are still to arrive. This represents very nearly 2,000,000 garments, of which it is anticipated nearly 500,000 will need repair. The average cost of repair has worked out at the very low figure of 15 lire per garment. Shoe processing has hitherto been chiefly confined to the repair of new, damaged shoes. At the present moment the Section has on hand some 800,600 pairs of such shoes, of which all but 60,000 are expected to need repair. From Army sources the Section expects to receive 895,000 pairs of mismated boots, from which, it is anticipated, 240,000 serviceable pairs of boots will be available.

Work for Displaced Persons

The Section at present employs in its 67 workshops 1,694 people, the great majority of whom are themselves Italian Displaced Persons. It has developed from the workshops first started in Southern Italy by the Voluntary Societies Refugee Section of the Italian Displaced Persons' Branch of UNRRA.

Good progress has been made on the practical work in connection with the project for malaria control in Sardinia, stated Mr. Keeny, in recommending to the Joint Committee an appropriation of 100,000,000 lire as an advance for further operations. This allocation is inclusive of the 15,000,000 lire already voted by the Joint Committee last November. Of the 200 vehicles required, 40 have already been sent to Sardinia; all materials have been or-

DE GASPERI APPEALS FOR FOOD

The following message has been transmitted by the Italian Prime Minister, Signor Alcide De Gasperi, to Mr. Harry Truman, President of the United States:

"The Italian people have noted with grateful appreciation your personal interest in overcoming the serious food crisis which threatens Europe and, most of all, Italy. We are hopeful that the action you are taking will truly relieve the sufferings which the world food situation has imposed on Italy to a greater degree that any other country of Europe.

Grain Stocks nearly Exhausted

"Italy's own stocks of grains, decimated especially by lack of rain and fertiliser, are nearly exhausted. We are, therefore, compelled to depend very heavily on imports of cereals until the next harvest. Therefore, the inability of UNRRA to secure sufficient grains to maintain our basic ration is a source of great concern to the Italian Government and people.

"As early as last December my Government had to suspend the monthly distribution of 'pasta' and rice in most provinces of Southern and Central Italy; then at the end of January we felt able to restore one quarter of this ration. The monthly ration of 'pasta' and rice is now 500 grams per month per person, instead of the 2,000 grams, which has been the basic ration for the last year. If the situation deteriorates further we shall have to cancel this ration again.

Bread and Pasta

"I would stress particularly, Mr. President, that the Italian people, unlike some other peoples, depend for their food very largely on bread and 'pasta'—especially since most other food items simply are not available these days. I must point out further that the amount of food which an Italian

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Continued on Page 4

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Bread and Pasta

"I would stress particularly, Mr. President, that the Italian people, unlike some other peoples, depend for their food very largely on bread and 'pasta'—especially since most other food items simply are not available these days. I must point out further that the amount of food which an Italian can buy on his ration-card is barely 700 calories a day. This amount is obviously insufficient to prevent serious malnutrition, disease and other dangerous physical consequences to the whole Italian population, and particularly to children and young people.

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"The prospect that this situation might get even worse, judging from everything we can learn about the supplies available and the allocations of those supplies made in Washington, prompts me to appeal directly to you. Our minimum need is for 300,000 tons of imported bread grains each month from now until the next harvest. We place our trust, Mr. President, in your intervention to prevent a continuation, or worsening of a situation which is already unbearable. I am grateful to you and I have faith in the generosity of the American people."—DE GASPERI.

The gravity of the present wheat shortage throughout the world is emphasized by recent advices received by the UNRRA Italy Mission from Headquarters in Washington. During the first six months of 1946 the world need for imported wheat is estimated to be 19,500,000 tons. To meet this, the grain exporting countries, notably the United States, Canada, Australia and Argentina, have available no more than 11,600,000 tons, leaving a deficiency of 8,000,000 tons.

UNRRA Cuts Wheat Demand

UNRRA requirements of wheat during the first six months of the year for Europe and China have been cut to approximately 3,200,000 tons, on the understanding that an additional million tons of substitute grains, such as rye, barley, oats and corn (maize) will be available. In January, in spite of this reduction, no more than 56 per cent. of the deliveries requested were made available to UNRRA by the supplying countries.

A series of crop disasters—almost without precedent in modern times— has vastly increased the needs of hundreds of millions of people, in scores of countries, for imported food. Exports from the producing countries have been stepped up well beyond normal; but in face of overwhelming need, they still fall far short of what is required, after the most destructive war in history.

"In these circumstances, no nation which imports grain—not even Great Britain her-

how much he—and every member of UNRRA—deplores our tragic inability to deliver larger amounts of food and other supplies to the countries receiving UNRRA aid. It is a matter of deep concern to all of us that available supplies are so small in relation to the need. Italy's grain shortage is the gravest problem which we in this Mission have to face.

"I can assure the people of Italy that we are doing our utmost to meet her needs. But I must repeat the warnings given many times during the past three months to the Governments which UNRRA serves, that the outlook is highly critical, and deliveries are certain to fall far below the level UNRRA would wish to attain."

Low Ammassing Figure

Italy's wheat shortage is aggravated by the comparatively low percentage of wheat actually amassed. It is estimated that no more than 65 per cent. of the supplies theoretically available for the country's 35,000,000 non-producers have, in fact, been available for distribution through the national rationing system. UNRRA has repeatedly impressed upon the Italian Government the urgent need of a vigorous amassing policy.

In respect of rice also, there has been similar lack of success in the Government's amassing program. Of the 300,000 tons considered to be a reasonable target figure, no more than 180,000 tons have so far been amassed. This is all the more unfortunate, since in normal times Italy is not only able to produce all the rice she needs, but has available a surplus for export. In 1938 this surplus amounted to approximately 21,000 tons of polished and semi-polished rice.

World Shortage of Rice

A world shortage of rice, as grave as that of wheat, not only rules out any attempt to supplement wheat rations by using rice, but has, in fact, increased the world demand for wheat itself. So great is the demand for rice in the Far East that no rice whatsoever is being imported into European countries. In spite of this, the supplies available for India,

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the allocations of those supplies made in Washington, prompts me to appeal directly to you. Our minimum need is for 300,000 tons of imported bread grains each month from now until the next harvest. We place our trust, Mr. President, in your intervention to prevent a continuation, or worsening of a situation which is already unbearable. I am grateful to you and I have faith in the generosity of the American people."—DE GASPERI.

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A series of crop disasters—almost without precedent in modern times— has vastly increased the needs of hundreds of millions of people, in scores of countries, for imported food. Exports from the producing countries have been stepped up well beyond normal; but in face of overwhelming need, they still fall far short of what is required, after the most destructive war in history.

"In these circumstances, no nation which imports grain—not even Great Britain herself—can hope to receive supplies that are in any way near enough to satisfy pressing and legitimate needs," states Mr. S. M. Keeny, Head of the UNRRA Italy Mission. "A few days prior to the announcement of his retirement, I was asked by the Director-General of UNRRA, Mr. Herbert H. Lehman, to say of deep concern to all of us that available supplies are so small in relation to the need. Italy's grain shortage is the gravest problem which we in this Mission have to face.

"I can assure the people of Italy that we are doing our utmost to meet her needs. But I must repeat the warnings given many times during the past three months to the Governments which UNRRA serves, that the outlook is highly critical, and deliveries are certain to fall far below the level UNRRA would wish to attain."

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Strenuous efforts have been made by UNRRA in Italy to procure substitute grains. As announced in *Economic Notes*, it has

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already been agreed to include a substantial proportion of corn and barley in the monthly grain shipments, and to mix 20 per cent. of oatmeal in the standard flour for bread. Up to the present, one ship has arrived with a cargo of oats for milling in Italy. Some low-fat-content soya flour has also been procured, but none has yet arrived.

So far, no barley or corn has been obtained since, in fact, the world shortage of these grains is almost as great as it is for wheat. Although, as the result of big importations of seed potatoes in January and February, this year's potato crop is expected to show a substantial increase, transportation difficulties may preclude extensive use of potatoes as a substitute for grain.

In an effort to secure the maximum allocation to meet Italy's urgent needs, Mr. W. J. Legg, Head of UNRRA's Sub-Bureau of Relief Supply in Italy, is now in Washington negotiating future procurements.

FUTURE OF UNRRA

References to the future of world relief by Mr. Herbert H. Lehman, is his letter to the Central Committee announcing his resignation from the position of Director-General of UNRRA, have raised the question, as yet unanswered: What is to follow, when UNRRA ceases to function? So far as Italy is concerned, the existing program is due to be completed at the end of 1946, and no extension is at present contemplated.

In Mr. Lehman's view, the general world situation will not have been restored to normal by the time UNRRA is due to end. "It is my earnest hope," he states in his letter of resignation, "that at the Council meeting that is about to convene, and at the next meeting which will be held during the summer, action will be taken to provide for the transfer to other organisations of those activities of UNRRA which will inevitably be left unfinished if, as at present is indicated, UNRRA will cease to function in a little more than a year from now. It is probable, in my opinion, the "only thing that has stood between millions of people and starvation." In addition to providing food and other supplies, it has rendered countless—and valuable—services in the field of health, welfare and agricultural and industrial rehabilitation.

"UNRRA has not only provided material aid to many millions of people," Mr. Lehman adds, "but, in so doing, has given fresh hope to those millions of men and women—a hope that the United Nations, by continuing to work together effectively, can, in fact, establish good will and understanding amongst men. Much has already been accomplished to justify the hopes that countless suffering human beings have placed in this organization. Much remains to be done."

1,675 MILLION LIRE FOR RELIEF

Continued from Page 2

The Sardinia malaria control project, a combined operation in which UNRRA, the Italian Government and the Rockefeller Foundation are collaborating, is estimated to cost a total of 300,000,000 lire. Arrangements with the Rockefeller Foundation and the High Commissariat for Health and Hygiene are now being completed, and a Decree, establishing the Government agency to operate the project, is expected to be published within one month.

Homes for Cave-Dwellers

The Joint Committee's vote of 5,500,000 lire represents an important step in the project to re-house 500 war-homeless Neapolitans who have been living under appalling conditions in caves. This project, initiated by the Congregational Service Committee and helped in its early stages by a loan of 1,500,000 lire from the UNRRA Italy Mission, will be completed by May 31. By that time, the cave dwellers will be re-housed in decent homes built from Army salvage material on a plot of land given by the City of Naples. The work goes further than the mere provision of homes. The Congregational Service Commit-

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UNRRA has already sent more than 6,000,000 tons of supplies to the distressed peoples of the world, he says. It has been and industrial rehabilitation.

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MOVEMENTS OF SHIPS

CARGOES OTHER THAN COAL

(MARCH 11 - 18 INCLUSIVE)

SHIP	PORT OF ARRIVAL	DATE OF ARRIVAL	ACCOUNT	CARGO
Eli Whitney	Genoa	11 Mar.	UNRRA	Wheat
Frank Gilbreath	Venice	" "	"	"
Lucy Stone	Genoa	12 "	FEA/It. Govt.	General
Rebecca Boone	Genoa - Leghorn *	" "	UNRRA	Wheat
Marina Raskova	Civitavecchia	13 "	"	"
Jos. Lee	Castellammare	14 "	"	"
Henry Blood	Messina - Crotone *	" "	"	"
Leslie Shaw	Castellammare	15 "	FEA	"
John Eaton	Civitavecchia	" "	It. Govt.	Flour
John Morton	Genoa	17 "	UNRRA	Wheat
Jos. Story	Castellammare	" "	It. Govt.	"
Juliet Lowe	Naples	18 "	UNRRA	General
John G. Hibben	Palermo	" "	"	Wheat
Thos. Bickett	Bari	" "	"	"

** Arrived at first-named port on the date shown; discharging at the second port later*

LATEST COAL SHIPMENTS

(MARCH 10 - 17 INCLUSIVE)

SHIP	PORT OF ARRIVAL	DATE OF ARRIVAL	ACCOUNT	SHIP	PORT OF ARRIVAL	DATE OF ARRIVAL	ACCOUNT
John S. Williams	Venice	10 Mar.	UNRRA	Lawrence D. Tyson	Genoa	13 Mar.	FEA
Joseph Wing	Genoa	11 "	"	Henry Sibley	"	" "	UNRRA
	Piombino	16 "	"	Jeremiah S. Black	Venice	" "	"
Daniel Drake	Salerno	11 "	"	Grant Wood	"	" "	"
Jean P. Chateau	Piombino	" "	"	Sylvester Gardner	Bari	14 "	
Richmond Hill	Savona	" "	Brit.Army	W. D. Bloxam	Taranto	" "	
Ocean Vagrant	Bagnoli	" "	"	Thomas B. Reid	Civitav.	" "	"
	Torre Annunz.	14 "	"	Janet Lord Reper	Bagnoli	" "	"
Henry Thoreau	Genoa	12 "	UNRRA	Thomas Sully	Genoa	" "	"
Joseph Pulitzer	Catania	" "	"	James Lane	"	16 "	"

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Eli Whitney	Genoa	11 Mar.	UNRRA	Wheat
Frank Gilbreath	Venice	" "	"	"
Lucy Stone	Genoa	12 "	FEA/It. Govt.	General
Rebecca Boone	Genoa - Leghorn *	" "	UNRRA	Wheat
Marina Raskova	Civitavecchia	13 "	"	"
Jos. Lee	Castellammare	14 "	"	"
Henry Blood	Messina - Crotone *	" "	"	"
Leslie Shaw	Castellammare	15 "	FEA	"
John Eaton	Civitavecchia	" "	It. Govt.	Flour
John Morton	Genoa	17 "	UNRRA	Wheat
Jos. Story	Castellammare	" "	It. Govt.	"
Juliet Lowe	Naples	18 "	UNRRA	General
John G. Hibben	Palermo	" "	"	Wheat
Thos. Bickett	Bari	" "	"	"

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Jean P. Chateau	Piombino	" "	"	Grant Wood	"	" "	"
Richmond Hill	Savona	" "	Brit.Army	Sylvester Gardner	Bari	14 "	"
Ocean Vagrant	Bagnoli Torre Annunz.	" " 14 "	" "	W. D. Bloxam	Taranto	" "	"
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Joseph Pulitzer	Catania	" "	"	Janet Lord Reper	Bagnoli	" "	"
Robert Forbes	Venice	" "	"	Thomas Sully	Genoa	" "	"
Kenneth A. J. Mackenzie	Genoa	" "	"	James Lane	"	16 "	"
Benjamin Williams	Savona	" "	"	Knute Rockne	"	" "	"
Hoke Smith	Ancona	13 "	"	Arthur Davis	Palermo	" "	"
Sam M. Jackson	Genoa	" "	"	Richard Hobson	Genoa	17 "	"
				Philip Barbour	"	" "	"

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March. 15, 1946 Vol. I, No. 9

ECONOMIC NOTES

— Published by The Public Relations Division, UNRRA Italy Mission, Via di San Nicola da Tolentino, 78, Rome —

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1. C. A. S. A. S. Housing Scheme
2. UNRRA Price Policy
3. Movements of Ships

C. A. S. A. S. HOUSING SCHEME

A minimum of 1,000 million lire is to be spent on a program of house-building and house repair in the war devastated regions of Emilia, Tuscany, Lazio and Abbruzzi. The program is to be financed by an allocation from the special relief and rehabilitation fund created by the sale in Italy of UNRRA supplies delivered free to the Italian Government. In addition, substantial foreign currency expenditure has been approved by UNRRA for transport, and other charges involving payments abroad. The new housing project represents the logical next step in UNRRA's program of assisting war-displaced and homeless Italians to return to real homes. By these measures, it is planned to empty the barracks, camps and dispersal areas where the homeless are now congregated. The experience of UNRRA in Italy has clearly demonstrated that such a program is essential to meet the special needs of the existing emergency situation.

Homes for More Than 100,000

The work will be undertaken by C.A.S.A.S. (Centro Autonomo Soccorsi ai Senzatetto), a joint autonomous body composed of UNRRA, the Italian Government and official Government agencies. Within the next six months, it is planned to build about 1,800 four-roomed dwellings, estimated to provide accommodation

The areas to receive assistance will be those that suffered most during the prolonged fighting on the Gothic and Gustav Lines. In general, it is proposed to limit the work to the following provinces:—

Emilia: Ravenna, Bologna, Forlì.
Tuscany: Apuania, Lucca, Livorno, Pisa.
Lazio: Frosinone, Latina, Roma.
Abbruzzi: Chieti, Campobasso, Aquila.

Method of Finance

The first six months' program will be financed by the allocation of 1,000 million lire from the special relief and rehabilitation fund, and also by those grants normally payable from Government funds under the Italian War Damage Act. In accordance with Decree No. 305, of 9 June, 1945, a war damage grant may be made up to a maximum of 50 per cent. of the cost, according to a householder's means, and subject to a limit of 300,000 lire. As an essential feature of the C.A.S.A.S. program is to provide houses for needy persons, it is anticipated that, in practice, Government grants will be the maximum allowable.

UNRRA will provide the necessary transport, consisting of approximately 1,000 vehicles; and will procure as much as possible of the materials, equipment and machinery as are required for the development of the program,

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The first six months' program will be financed by the allocation of 1,000 million lire from the special relief and rehabilitation fund, and also by those grants normally payable from Government funds under the Italian War Damage Act. In accordance with Decree No. 305, of 9 June, 1945, a war damage grant may be made up to a maximum of 50 per cent. of the cost, according to a householder's means, and subject to a limit of 300,000 lire. As an essential feature of the C.A.S.A.S. program is to provide houses for needy persons, it is anticipated that, in practice, Government grants will be the maximum allowable.

UNRRA will provide the necessary transport, consisting of approximately 1,000 vehicles; and will procure as much as possible of the materials, equipment and machinery as are required for the development of the program, and are obtainable from war salvage, Army surplus or other sources. Finally, UNRRA will make available such of its own and Voluntary Society personnel as may be found necessary to assist in the effective execution of the program.

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Homeless and Homes Destroyed

The urgency of this and similar undertakings is clearly indicated by the following figures of homeless and of homes destroyed. It is estimated that:—

Needy, homeless war-displaced Italians	total	854,000
Rooms destroyed	"	1,706,587
Rooms heavily damaged .	"	939,740
Rooms lightly damaged . .	"	3,201,508

The official Government estimate of the number of persons who previously occupied rooms destroyed or too severely damaged to be habitable is 3,450,000. But, in estimating the number of homeless, regard has been paid to those who are in *real* need; and, in default of alternative accommodation, are living under conditions of severe hardship in camps or in billets. To these must be added those, still more unfortunate, who are sheltering in caves to house repair; they have not engaged in new construction. Since last June these units have made possible the repair of 5,334 rooms and have rehoused 16,228 persons. The repair work they are now carrying out in Abbruzzi, Frosinone, Latina, Apuania and Bologna will be absorbed into the C.A.S.A.S. program. The valuable work of the Friends' Devastated Area Group in the Abbruzzi, hitherto undertaken independently of UNRRA by members of the American Friends' Service Committee and the British Friends' Ambulance Unit, is also being incorporated in the C.A.S.A.S. program.

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Emphasis will continue to be laid upon house repair, wherever that is practicable, rather than upon new construction, since by this means more people can be rehoused in permanent homes in less time. It is a fundamental principle of the C.A.S.A.S. project to provide *permanent* homes. The money will *not* be spent upon so-called temporary barracks, since it is almost certain that these unsatisfactory, emergency shelters would become permanent and would thus perpetuate the abnormal, and often unsanitary, conditions under which so many thousands of Italians are at present living.

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Where houses can be repaired for less than the 300,000 lire maximum prescribed by Decree No. 305, the owners will receive assistance from C.A.S.A.S., on the understanding that they and the able-bodied members of their families actively participate in the work. C.A.S.A.S. will collaborate with the Genio Civile in making the State war-damage grant, normally payable only on the completion of repairs, quickly available, in the form of building materials. C.A.S.A.S. will choose the areas where it is to operate and, in consultation with the local authorities, select the needy persons to be helped. The building materials will be purchased by the Genio Civile, or the owners themselves; and these materials will be delivered in C.A.S.A.S. trucks, free of road transportation charges, from railhead to the towns or villages where they are needed. Owners will thus benefit to the extent of the difference between purchase and local delivery prices.

Classes Eligible for Homes

All those who, before the War, rented the houses they lived in, and own neither house nor land, and, in addition, deserving persons who formerly owned small houses now so far damaged as to be beyond repair, will be eligible to occupy the new houses to be built by C.A.S.A.S. They will pay a nominal rent, and will have the right later to buy their houses on an amortisation basis. C.A.S.A.S. will pay the building costs: the ground will normally be provided by the Communes concerned. It is intended that the houses shall be turned over to the Communes and the occupants chosen by the communal authorities, in collaboration with C.A.S.A.S.

Prospective owners, wherever possible, will help in building their own homes. The work will be done through local co-operative building societies, or through local contractors on a competitive basis, with the proviso that, where prices and terms are approximately equal, preference will be given to local co-operatives. On present estimates, new houses will cost approximately 400,000 lire each. While they will in all parts of Italy be uniform in regard to accommodation and services family will in every case consist of three rooms and a kitchen, together with the normal services. In general design they will be similar to the 32 houses built last year with UNRRA assistance at Velletri, Cisterna and Ortona under the experimental program inaugurated by the High Commissariat for Refugees, which has now been absorbed into the Ministry of Post-War Assistance. It is hoped, however, to introduce various improvements such as better windows, pre-fabricated plumbing units and, wherever possible, dual purpose fire-places for cooking and general heating, all designed not merely to add to the general comfort of the house but also to increase the "home" atmosphere.

Economy and Simplicity

Construction is simple, and does not call for skilled technicians. Rubble from ruined buildings can be used; wood can be salvaged. For the 32 experimental houses built last year the wood was recovered from air-raid shelters in Rome and made into doors and window-frames at the Italian Displaced Persons camp at Cinecittà. Hinges and similar metal-work were made in part at Forte Aurelia, and other camps for Italian Displaced Persons, from metal salvage and scrap obtained from the Allied Forces.

UNRRA PRICE POLICY

What prices are to be charged for UNRRA goods? With this issue, it is proposed to publish the first of a series of short articles, re-stating the principles on which UNRRA policy is based. Price policy is governed by Basic Resolution No. 7, passed at the first session of the UNRRA Council in November, 1948, and specifically "written into" the Agreement signed with Italy this year.

This Resolution lays down "that at no time shall relief and rehabilitation supplies be used as a political weapon, and no discrimination shall be made in the distribution of relief supplies because of race, creed or political belief." Responsibility for the distribution of supplies should be borne by the government of the

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The houses will be either separate cottages or composite blocks to accommodate two or, at the most, four families. The unit for each

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to facilitate the flow of supplies into proper hands, and to avoid maladjustments in the price structure of the areas."

On the question of Black Market control, the Resolution specifically requires that the "distribution of relief and rehabilitation supplies should take place under effective rationing and price controls. The suppression of Black Markets should not be left to general pronouncements and decrees, but should be the subject of active measures of enforcement applied vigorously and unremittingly."

Where distribution is made through private trade, the Government must ensure that the earnings of private traders are "no more than is fair and reasonable." The fullest possible use must be made of the normal agencies of distribution, "to the particular ends of combating inflation and restoring normal economic activity"—provided, however, that this can be done without sacrifice of adequate control.

The final paragraph of the Resolution lays down as a fundamental principle that in the distribution of relief and rehabilitation supplies there should "under all circumstances" be the fullest working co-operation between UNRRA and the government of the country receiving supplies.

MOVEMENTS OF SHIPS

CARGOES OTHER THAN COAL

(MARCH 5 - 11 INCLUSIVE)

SHIP	PORT OF ARRIVAL	DATE OF ARRIVAL	ACCOUNT	CARGO
James Kimball	Palermo	6 Mar.	UNRRA	Wheat
John Isaacson	Venice	" "	"	"
Ford Nichols	Naples	" "	It. Govt.	General
Thomas Johnson	Civitavecchia	8 "	UNRRA	Wheat
Laura Keene	Naples	9 "	"	"
F. Willard	Catania	" "	FEA	"
Joseph Lee	Castellammare	*10 "	UNRRA	"

* *Confirmation of arrival not yet received.*

LATEST COAL SHIPMENTS

(MARCH 3 - 10 INCLUSIVE)

SHIP	PORT OF ARRIVAL	DATE OF ARRIVAL	ACCOUNT	SHIP	PORT OF ARRIVAL	DATE OF ARRIVAL	ACCOUNT
John W. Meldrum	Genoa	3 Mar.	UNRRA	David Lubin	Venice	5 Mar.	FEA
Benito Juarez	"	" "	"	Kirby Smith	Genoa	" "	UNRRA
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Hoke Smith	Venice	5 "	"	Thomas Power	Genoa	" "	"
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March. 15, 1946 Vol. I, No. 9

ECONOMIC NOTES

— Published by The Public Relations Division, UNRRA Italy Mission, Via di San Nicola da Tolentino, 78, Rome —

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Homes for More Than 100,000

The work will be undertaken by C.A.S.A.S. (Centro Autonomo Soccorsi ai Senzatetto), a joint autonomous body composed of UNRRA, the Italian Government and official Government agencies. Within the next six months, it is planned to build about 1,800 four-roomed dwellings, estimated to provide accommodation

The areas to receive assistance will be those that suffered most during the prolonged fighting on the Gothic and Gustav Lines. In general, it is proposed to limit the work to the following provinces:—

Emilia: Ravenna, Bologna, Forlì.
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What is now to be done by C.A.S.A.S. represents a development and an extension of the work done by the UNRRA Voluntary Society units attached to the Italian Displaced Persons Branch. Their work has been limited

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work they are now carrying out in Abbruzzi, Frosinone, Latina, Apuania and Bologna will be absorbed into the C.A.S.A.S. program. The valuable work of the Friends' Devastated Area Group in the Abbruzzi, hitherto undertaken independently of UNRRA by members of the American Friends' Service Committee and the British Friends' Ambulance Unit, is also being incorporated in the C.A.S.A.S. program.

House Repair First

Emphasis will continue to be laid upon house repair, wherever that is practicable, rather than upon new construction, since by this means more people can be rehoused in permanent homes in less time. It is a fundamental principle of the C.A.S.A.S. project to provide *permanent* homes. The money will *not* be spent upon so-called temporary barracks, since it is almost certain that these unsatisfactory, emergency shelters would become permanent and would thus perpetuate the abnormal, and often unsanitary, conditions under which so many thousands of Italians are at present living.

"Homes—and Work" are the twin objectives of this housing program. The aim is to provide houses where families may live normal lives and where, above all, those now condemned to idleness in camps may once more earn their living by following their ordinary trades. In assessing the number of *needy* war homeless, one factor of considerable importance is that lack of houses is stopping many from going back to work. The new rehousing scheme is designed further to help employment in the devastated areas by the use, as far as possible, of local materials and by the employment of local craftsmen.

Aid for « Little » Men

The C.A.S.A.S. program is one of self-help. To the fullest possible extent the labour of war-displaced persons will be used. Those to be rehoused will be "little" men with insufficient resources to re-establish themselves on their own account, but who—once they are re-established—will themselves contribute towards the work of rehabilitation and reconstruction.

Where houses can be repaired for less than the 300,000 lire maximum prescribed by Decree No. 305, the owners will receive assistance from C.A.S.A.S., on the understanding that they and the able-bodied members of their families actively participate in the work. C.A.S.A.S. will collaborate with the Genio Civile in making the State war-damage grant, normally payable only on the completion of repairs, quickly available, in the form of building materials. C.A.S.A.S. will choose the areas where it is to operate and, in consultation with the local authorities, select the needy persons to be helped. The building materials will be purchased by the Genio Civile, or the owners themselves; and these materials will be delivered in C.A.S.A.S. trucks, free of road transportation charges, from railhead to the towns or villages where they are needed. Owners will thus benefit to the extent of the difference between purchase and local delivery prices.

Classes Eligible for Homes

All those who, before the War, rented the houses they lived in, and own neither house nor land, and, in addition, deserving persons who formerly owned small houses now so far damaged as to be beyond repair, will be eligible to occupy the new houses to be built by C.A.S.A.S. They will pay a nominal rent, and will have the right later to buy their houses on an amortisation basis. C.A.S.A.S. will pay the building costs: the ground will normally be provided by the Communes concerned. It is intended that the houses shall be turned over to the Communes and the occupants chosen by the communal authorities, in collaboration with C.A.S.A.S.

Prospective owners, wherever possible, will help in building their own homes. The work will be done through local co-operative building societies, or through local contractors on a competitive basis, with the proviso that, where prices and terms are approximately equal, preference will be given to local co-operatives. On present estimates, new houses will cost approximately 400,000 lire each. While they will in all parts of Italy be uniform [illegible] accommodation and services family will in every case consist of three rooms and a kitchen, together with the normal services. In general design they will be similar to the 32 houses built last year with UNRRA assistance at Velletri, Cisterna and Ortona under the experimental program inaugurated by the High Commissariat for Refugees, which has now been absorbed into the Ministry of Post-War Assistance. It is hoped, however, to introduce various improvements such as better windows, pre-fabricated plumbing units and, wherever possible, dual purpose fire-places for cooking and general heating, all designed not merely to add to the general comfort of the house but also to increase the "home" atmosphere.

Economy and Simplicity

Construction is simple, and does not call for skilled technicians. Rubble from ruined buildings can be used; wood can be salvaged. For the 32 experimental houses built last year the wood was recovered from air-raid shelters in Rome and made into doors and window-frames at the Italian Displaced Persons camp at Cinecittà. Hinges and similar metal-work were made in part at Forte Aurelia, and other camps for Italian Displaced Persons, from metal salvage and scrap obtained from the Allied Forces.

UNRRA PRICE POLICY

What prices are to be charged for UNRRA goods? With this issue, it is proposed to publish the first of a series of short articles, re-stating the principles on which UNRRA policy is based. Price policy is governed by Basic Resolution No. 7, passed at the first session of the UNRRA Council in November, 1943, and specifically "written into" the Agreement signed with Italy this year.

This Resolution lays down "that at no time shall relief and rehabilitation supplies be used as a political weapon, and no discrimination shall be made in the distribution of relief supplies because of race, creed or political belief." Responsibility for the distribution of supplies should be borne by the government of the

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The houses will be either separate cottages or composite blocks to accommodate two or, at the most, four families. The unit for each assistance at Velletri, Cisterna and Ortona under the experimental program inaugurated by the High Commissariat for Refugees, which has now been absorbed into the Ministry of Post-War Assistance. It is hoped, however, to introduce various improvements such as better windows, pre-fabricated plumbing units and, wherever possible, dual purpose fire-places for cooking and general heating, all designed not merely to add to the general comfort of the house but also to increase the "home" atmosphere.

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to facilitate the flow of supplies into proper hands, and to avoid maladjustments in the price structure of the areas."

On the question of Black Market control, the Resolution specifically requires that the "distribution of relief and rehabilitation supplies should take place under effective rationing and price controls. The suppression of Black Markets should not be left to general pronouncements and decrees, but should be the subject of active measures of enforcement applied vigorously and unremittingly."

Where distribution is made through private trade, the Government must ensure that the earnings of private traders are "no more than is fair and reasonable." The fullest possible use must be made of the normal agencies of distribution, "to the particular ends of combating inflation and restoring normal economic activity"—provided, however, that this can be done without sacrifice of adequate control.

The final paragraph of the Resolution lays down as a fundamental principle that in the distribution of relief and rehabilitation supplies there should "under all circumstances" be the fullest working co-operation between UNRRA and the government of the country receiving supplies.

MOVEMENTS OF SHIPS

CARGOES OTHER THAN COAL

(MARCH 5 - 11 INCLUSIVE)

SHIP	PORT OF ARRIVAL	DATE OF ARRIVAL	ACCOUNT	CARGO
James Kimball	Palermo	6 Mar.	UNRRA	Wheat
John Isaacson	Venice	* " "	"	"
Ford Nichols	Naples	" "	It. Govt.	General
Thomas Johnson	Civitavecchia	8 "	UNRRA	Wheat
Laura Keene	Naples	9 "	"	"
F. Willard	Catania	" "	FEA	"
Joseph Lee	Castellammare	*10 "	UNRRA	"

* *Confirmation of arrival not yet received.*

LATEST COAL SHIPMENTS

(MARCH 3 - 10 INCLUSIVE)

SHIP	PORT OF ARRIVAL	DATE OF ARRIVAL	ACCOUNT	SHIP	PORT OF ARRIVAL	DATE OF ARRIVAL	ACCOUNT
John W. Meldrum	Genoa	3 Mar.	UNRRA	David Lubin	Venice	5 Mar.	FEA
Benito Juarez	"	" "	"	Kirby Smith	Genoa	" "	UNRRA
Brand Whitlock	Bari	4 "	FEA	Dudley Hughes	Ancona	8 "	FEA
	Taranto	8 "	"	W. D. Bloxham	Bari	9 "	UNRRA

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Daniel Drake	Civitav.	4 "	UNRRA	Thomas McDonough	Venice	" "	"
Hoke Smith	Venice	5 "	"	Thomas Power	Genoa	" "	"
Maris Sigman	Civitav.	" "	"	John Paul Jones	"	10 "	"
Jean P. Chatean	Genoa	" "	"				

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March. 8, 1946 Vol. I, No. 8

UNRRA

ECONOMIC NOTES

— Published by The Public Relations Division, UNRRA Italy Mission, Via di San Nicola da Tolentino, 78, Rome —

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1. Italy's Economic Needs
2. UNRRA Takes over
3. UNRRA Regional Directors
4. Movements of Ships

ITALY'S ECONOMIC NEEDS

Italian Government negotiations with the Export-Import Bank for a 25,000,000 dollar loan for cotton, reported this week to have reached the final stages, are a reminder that Italy is taking active measures of self-help over and above the aid that is coming to her from UNRRA. Another recent example of the same trend is the conclusion of the agreement with France for the supply of 500,000 tons of Tunisian phosphate rock during 1946, for the production of superphosphate fertilizer. Reference to the weekly "Movements of Ships" table in these Notes will show that a substantial proportion of the vessels now unloading at Italian ports are carrying cargo on Italian Government account.

UNRRA Imports

Vital as is the assistance to be provided by UNRRA in the 1946 program, the 375,000,000 dollars' worth of imports which Italy is to receive do not represent all that is needed from abroad, nor was it ever intended that they should do so. In the supply of foodstuffs, UNRRA is responsible for as high a proportion as 70 per cent. of the country's total requirements (and nearly 100 per cent. of actual imports). In coal it also provides the major proportion. But in all the other main branches of imports UNRRA's share is substantially less than half the total requirements. To enable Italian industry to make its full contribution to national reconstruction, they are unlikely to exceed 150,000,000 dollars, and that equilibrium between imports and exports will not be achieved before 1950. During the period of rather more than three years, from the first landings in Sicily until the completion of the UNRRA program at the end of this year, Italy will have received, from Allied sources and from UNRRA, help to the value of approximately 1,000 million dollars.

Subsidies Must End

But, with the completion of this year's program, will come the end of the subsidy period. From then onwards Italy's economy must pay its own way. Four measures of self-help have been suggested by Mr. Harlan Cleveland, now UNRRA Deputy Chief of Mission for Requirements and Distribution:

1. Italy must ensure that the limited quantities of imported supplies which she receives are put to such use as will best serve national reconstruction.
2. Every effort must be made to lower internal price levels.
3. There must be adequate foreign financing of imports of basic reconstruction materials.
4. There must be the fullest participation of private and commercial interests, here and abroad, in Italy's international trade.

It is specifically laid down by the UNRRA Council that supplies—not only in Italy but in all countries receiving assistance—shall contribute directly to the relief of the people, and

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The most optimistic estimates of what Italy can herself export in payment for these necessary "normal" imports indicate that in 1946 they are unlikely to exceed 150,000,000 dollars, and that equilibrium between imports and exports will not be achieved before 1950. During the period of rather more than three years, from the first landings in Sicily until the completion of the UNRRA program at the end of this year, Italy will have received, from Allied sources and from UNRRA, help to the value of approximately 1,000 million dollars.

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It is specifically laid down by the UNRRA Council that supplies—not only in Italy but in all countries receiving assistance—shall contribute directly to the relief of the people, and that whatever steps are taken to rehabilitate production shall be those that are directly or indirectly necessary to provide the population with the essentials of civilised living, without discrimination. UNRRA cotton, for instance, must be used, not for the production of fancy

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goods in the luxury market, but to make clothes for those who really need them and at prices they can afford to pay.

Such a policy further implies that food must be distributed in the fairest possible way, and at prices that will enable a family to spend on food at most only 50 per cent. of its legitimate income (as in pre-war days) instead of possibly 150 per cent. or 200 per cent.—which forces the family on to the Black Market both to earn money and to buy food. In so far as supplies of coal, petroleum products and industrial raw materials are concerned, it is a cardinal point of UNRRA policy that these supplies shall be allocated strictly according to the ability of each industry and each individual undertaking to contribute to the work of national rehabilitation.

Lastly, in respect of agriculture—which will be largely helped by UNRRA during the present year—it is in accordance with basic UNRRA principles that aid in the form of seed and fertilizers should go to those farmers who observe their country's laws on amassing and rationing. It cannot be too strongly emphasised that the use to which supplies are put is a matter of absorbing interest in the countries which are contributing them.

Economic Price Levels

There are signs that internal price levels in Italy are falling from "pathological" to more economic levels. At some stage it will be necessary for Italy to decide on the level at which those internal prices are eventually to be stabilised. The flow of free imports provided by UNRRA during the next few months should provide an opportunity systematically to "break" the excessive free market prices now prevailing for so many key commodities.

Italy's need for foreign credits has still to be met. The gap between her minimum import requirements for 1946 and what UNRRA can supply, together with the small amount Italy can herself pay for, is in the order of half a billion dollars. Where, however, it can be demonstrated that, project by project, foreign financing now will not only contribute

UNRRA TAKES OVER

Full responsibility for the delivery of basic relief and rehabilitation supplies to Italy has been assumed by UNRRA, with effect from March 1. The principles on which the program is to be administered have been restated by the Head of the Italian Mission, Mr. S. M. Keeny. UNRRA is a civilian organisation, he says, operating on the basis of a civilian agreement with the Italian Government. UNRRA operates *through* the Italian Government. But, Mr. Keeny adds, "we shall ask, if necessary, for quick action to get the supplies to the people who need them most, at fair prices.

No Supply Bottlenecks

"UNRRA will not tolerate goods being brought into the country and held in warehouses for long periods for any reason whatever. The purpose of UNRRA supplies is to help people—and help them in 1946."

Everything brought by UNRRA into Italy is delivered free to the Italian Government. The Government is under no obligation to pay either now, or in the future. Wherever the recipients can pay for goods, they will do so; and all funds derived from these sales (after the deduction of distribution costs) will be credited to a special account and used only for rehabilitation projects. These funds are to be spent by the Government within three years. "The emphasis is *not* on what UNRRA will do, but on what the Italians themselves will do. The basic responsibility is that of the Italian Government, but UNRRA will help as much as it can."

What New Program Means

With its new responsibilities UNRRA this year will spend on supplies for Italy approximately 10 times the amount spent on the limited program of relief last year. This, Mr. Keeny points out, does not represent a great new body of relief assistance. It is merely a method of financing the same kinds of supplies that were coming in last year, at approximately the same level, until normal credit and normal trade can be restored.

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Although UNRRA has assumed the responsibility for importing the commodities essential for Italy's relief, the last few shipments under the Allied Commission's program (mostly the F.E.A. 100,000,000 dollar interim program) have still to arrive. Owing to shipping and

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other transportation difficulties, for example, there has been a considerable overlap of F.E.A. and UNRRA wheat deliveries. Some 109,000 tons of UNRRA wheat had been shipped by the end of February. During March, deliveries, both on FEA and UNRRA account, are expected to exceed 200,000 tons.

In a situation where the whole world is gravely short of wheat, Italy is "getting a good break," states Mr. Harlan Cleveland, formerly Acting Vice-President of Allied Commission in charge of the Economic Section and now UNRRA Deputy Chief of Mission for Requirements and Distribution. "We are doing everything we can to bring the maximum amount of wheat and other grains into the country during this critical period."

In respect of fuel, Mr. Cleveland points out that the last loadings of coal under the Allied Commission FEA program have been completed. Approximately 84,000 tons of UNRRA coal destined for Italy are now on the high seas. During March Italy should receive about 400,000 tons. Imports of petroleum products for civilian requirements are still being handled by the Military Authorities at UNRRA's request. They are, however, paid for by UNRRA.

UNRRA REGIONAL DIRECTORS

Regional offices, to take local charge of UNRRA activities, have now been established throughout Italy, Sicily and Sardinia. Eight regions have been created. They cover the whole country, except Venezia Giulia and Zara, which remain outside the jurisdiction of UNRRA in Italy. Directors have been appointed to every region, with the exception of the Rome Region, which for the moment remains under the control of UNRRA Italian Mission Headquarters.

This measure of decentralisation has been made necessary by the increase in the size and scope of the UNRRA program in Italy. The regional directors will act as the chief representatives of UNRRA in the provinces under their control. They will supervise and Distribution will maintain strict, centralised control, since the allocation of supplies must, of necessity, be decided in consultation with the Italian Government. The operation of the camps for Displaced Persons also remains under central control.

The new UNRRA regional offices are an extension and a development of the district offices organised originally to undertake UNRRA's limited welfare program. Their purpose is solely to carry out UNRRA's task of relief and rehabilitation, in accordance with the vastly extended program under the 1946 agreement with the Italian Government.

Below are the eight regions and the names of the directors:

ROME REGION:
Comprising: Lazio, Abbruzzi-Molise (less the province of Campobasso), Umbria, and Marche.
Headquarters: Rome.
Director: Not yet appointed.

MILAN REGION:
Comprising: Lombardy.
Headquarters: Milan.
Director: Mr. A. L. Raffa.

NAPLES REGION:
Comprising: Campania, Lucania, Puglie, Calabria and the province of Campobasso.
Headquarters: Naples.
Director: Mr. C. Hanson-Abbott.

FLORENCE REGION:
Comprising: Tuscany and Emilia.
Headquarters: Florence.
Director: Mr. A. Ellison.

GENOA REGION:
Comprising: Piedmont and Liguria.
Headquarters: Genoa.
Director: Mr. L. Koenigsbert.

PADUA REGION:
Comprising: Venezia Tridentina and Veneto (and later such parts of Venezia Giulia as may be allocated to Italy after the Peace Treaty).
Headquarters: Padua.
Director: Mr. D. Morley-Fletcher.

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Below are the eight regions and the names of the directors:

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Comprising: Lazio, Abbruzzi-Molise (less the province of Campobasso), Umbria, and Marche.
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Comprising: Lombardy.
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Comprising: Campania, Lucania, Puglie, Calabria and the province of Campobasso.
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MOVEMENTS OF SHIPS

CARGOES OTHER THAN COAL

(FEBRUARY 25 - MARCH 4 INCLUSIVE)

SHIP	PORT OF ARRIVAL	DATE OF ARRIVAL	ACCOUNT	CARGO
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Benjamin Bonneville	Genoa	" "	"	"
Elisha Otis	"	" "	It. Govt.	General
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Thomas Hill	Catania	" "	"	"
John Bidwell	Genoa	" "	FEA	"
George Pope	"	28 "	UNRRA	"
Alex Shephard	Naples	1 Mar.	"	Foodstuffs
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Stephen Gambril	Bari	2 "	UNRRA	"
Robert Stuart	Catania	" "	It. Govt.	Flour
Notre Dame Victory	Genoa	" "	It. Govt. FEA	General
William Hoard	"	" "	It. Govt.	General
Richard Gatling	Venice	3 "	UNRRA	Oats
Nick Stoner	Castellammare	" "	FEA	Wheat
Stephen Beasley	Genoa	" "	It. Govt. FEA	General
Ford Nichols	Naples	*4 "	" " "	"
Lica Maersk	Genoa	* " "	UNRRA	"
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* *Confirmation of arrival not yet received.*

COAL

(FEBRUARY 24 - MARCH 3 INCLUSIVE)

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James O'Kelly	Savona	24 Feb.	FEA	Philip C. Shera	Reg. Cal.	27 Feb.	FEA
Horace Williams	Venice	25 "	"	Moses Cleveland	Genoa	28 "	"
Samaustral	"	" "	Brit. Army	Van Louis	Naples	" "	"
Erastus Smith	"	" "	FEA	Thomas Kearns	Palermo	1 Mar.	UNRRA
[illegible]	[illegible]	[illegible]	[illegible]	Paul Hamilton Hayne	Savona	[illegible]	FEA

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George [illegible]ffey	Bari	" "	FEA	Roger Shermann	Genoa	2 "	"
Mingo Seam	Savona	" "	"	Anne Howard Shaw	Venice	" "	"
Charles G. Coutant	Genoa	27 "	"	James Manning.	Bagnoli	3 "	"
Rachel Jackson	"	" "	"				

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March 8, 1946 Vol. I, No. 8

UNRRA

ECONOMIC NOTES

— Published by The Public Relations Division, UNRRA Italy Mission, Via di San Nicola da Tolentino, 78, Rome —

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1. Italy's Economic Needs
2. UNRRA Takes over
3. UNRRA Regional Directors
4. Movements of Ships

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Italian Government negotiations with the Export-Import Bank for a 25,000,000 dollar loan for cotton, reported this week to have reached the final stages, are a reminder that Italy is taking active measures of self-help over and above the aid that is coming to her from UNRRA. Another recent example of the same trend is the conclusion of the agreement with France for the supply of 500,000 tons of Tunisian phosphate rock during 1946, for the production of superphosphate fertilizer. Reference to the weekly "Movements of Ships" table in these Notes will show that a substantial proportion of the vessels now unloading at Italian ports are carrying cargo on Italian Government account.

UNRRA Imports

Vital as is the assistance to be provided by UNRRA in the 1946 program, the 375,000,000 dollars' worth of imports which Italy is to receive do not represent all that is needed from abroad, nor was it ever intended that they should do so. In the supply of foodstuffs, UNRRA is responsible for as high a proportion as 70 per cent. of the country's total requirements (and nearly 100 per cent. of actual imports). In coal it also provides the major proportion. But in all the other main branches of imports UNRRA's share is substantially less than half the total requirements. To enable Italian industry to make its full contribution to national reconstruction, they are unlikely to exceed 150,000,000 dollars, and that equilibrium between imports and exports will not be achieved before 1950. During the period of rather more than three years, from the first landings in Sicily until the completion of the UNRRA program at the end of this year, Italy will have received, from Allied sources and from UNRRA, help to the value of approximately 1,000 million dollars.

Subsidies Must End

But, with the completion of this year's program, will come the end of the subsidy period. From then onwards Italy's economy must pay its own way. Four measures of self-help have been suggested by Mr. Harlan Cleveland, now UNRRA Deputy Chief of Mission for Requirements and Distribution:

1. Italy must ensure that the limited quantities of imported supplies which she receives are put to such use as will best serve national reconstruction.
2. Every effort must be made to lower internal price levels.
3. There must be adequate foreign financing of imports of basic reconstruction materials.
4. There must be the fullest participation of private and commercial interests, here and abroad, in Italy's international trade.

It is specifically laid down by the UNRRA Council that supplies—not only in Italy but in all countries receiving assistance—shall contribute directly to the relief of the people, and

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The most optimistic estimates of what Italy can herself export in payment for these necessary "normal" imports indicate that in 1946 they are unlikely to exceed 150,000,000 dollars, and that equilibrium between imports and exports will not be achieved before 1950. During the period of rather more than three years, from the first landings in Sicily until the completion of the UNRRA program at the end of this year, Italy will have received, from Allied sources and from UNRRA, help to the value of approximately 1,000 million dollars.

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It is specifically laid down by the UNRRA Council that supplies—not only in Italy but in all countries receiving assistance—shall contribute directly to the relief of the people, and that whatever steps are taken to rehabilitate production shall be those that are directly or indirectly necessary to provide the population with the essentials of civilised living, without discrimination. UNRRA cotton, for instance, must be used, not for the production of fancy

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goods in the luxury market, but to make clothes for those who really need them and at prices they can afford to pay.

Such a policy further implies that food must be distributed in the fairest possible way, and at prices that will enable a family to spend on food at most only 50 per cent. of its legitimate income (as in pre-war days) instead of possibly 150 per cent. or 200 per cent.—which forces the family on to the Black Market both to earn money and to buy food. In so far as supplies of coal, petroleum products and industrial raw materials are concerned, it is a cardinal point of UNRRA policy that these supplies shall be allocated strictly according to the ability of each industry and each individual undertaking to contribute to the work of national rehabilitation.

Lastly, in respect of agriculture—which will be largely helped by UNRRA during the present year—it is in accordance with basic UNRRA principles that aid in the form of seed and fertilizers should go to those farmers who observe their country's laws on amassing and rationing. It cannot be too strongly emphasised that the use to which supplies are put is a matter of absorbing interest in the countries which are contributing them.

Economic Price Levels

There are signs that internal price levels in Italy are falling from "pathological" to more economic levels. At some stage it will be necessary for Italy to decide on the level at which those internal prices are eventually to be stabilised. The flow of free imports provided by UNRRA during the next few months should provide an opportunity systematically to "break" the excessive free market prices now prevailing for so many key commodities.

Italy's need for foreign credits has still to be met. The gap between her minimum import requirements for 1946 and what UNRRA can supply, together with the small amount Italy can herself pay for, is in the order of half a billion dollars. Where, however, it can be demonstrated that, project by project, foreign financing now will not only contribute

UNRRA TAKES OVER

Full responsibility for the delivery of basic relief and rehabilitation supplies to Italy has been assumed by UNRRA, with effect from March 1. The principles on which the program is to be administered have been restated by the Head of the Italian Mission, Mr. S. M. Keeny. UNRRA is a civilian organisation, he says, operating on the basis of a civilian agreement with the Italian Government. UNRRA operates *through* the Italian Government. But, Mr. Keeny adds, "we shall ask, if necessary, for quick action to get the supplies to the people who need them most, at fair prices.

No Supply Bottlenecks

"UNRRA will not tolerate goods being brought into the country and held in warehouses for long periods for any reason whatever. The purpose of UNRRA supplies is to help people—and help them in 1946."

Everything brought by UNRRA into Italy is delivered free to the Italian Government. The Government is under no obligation to pay either now, or in the future. Wherever the recipients can pay for goods, they will do so: and all funds derived from these sales (after the deduction of distribution costs) will be credited to a special account and used only for rehabilitation projects. These funds are to be spent by the Government within three years. "The emphasis is *not* on what UNRRA will do, but on what the Italians themselves will do. The basic responsibility is that of the Italian Government, but UNRRA will help as much as it can."

What New Program Means

With its new responsibilities UNRRA this year will spend on supplies for Italy approximately 10 times the amount spent on the limited program of relief last year. This, Mr. Keeny points out, does not represent a great new body of relief assistance. It is merely a method of financing the same kinds of supplies that were coming in last year, at approximately the same level, until normal credit and normal trade can be restored.

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Although UNRRA has assumed the responsibility for importing the commodities essential for Italy's relief, the last few shipments under the Allied Commission's program (mostly the F.E.A. 100,000,000 dollar interim program) have still to arrive. Owing to shipping and

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other transportation difficulties, for example, there has been a considerable overlap of F.E.A. and UNRRA wheat deliveries. Some 109,000 tons of UNRRA wheat had been shipped by the end of February. During March, deliveries, both on FEA and UNRRA account, are expected to exceed 200,000 tons.

In a situation where the whole world is gravely short of wheat, Italy is "getting a good break," states Mr. Harlan Cleveland, formerly Acting Vice-President of Allied Commission in charge of the Economic Section and now UNRRA Deputy-Chief of Mission for Requirements and Distribution. "We are doing everything we can to bring the maximum amount of wheat and other grains into the country during this critical period."

In respect of fuel, Mr. Cleveland points out that the last loadings of coal under the Allied Commission FEA program have been completed. Approximately 84,000 tons of UNRRA coal destined for Italy are now on the high seas. During March Italy should receive about 400,000 tons. Imports of petroleum products for civilian requirements are still being handled by the Military Authorities at UNRRA's request. They are, however, paid for by UNRRA.

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SHIP	PORT OF ARRIVAL	DATE OF ARRIVAL	ACCOUNT	SHIP	PORT OF ARRIVAL	DATE OF ARRIVAL	ACCOUNT
James O'Kelly	Savona	24 Feb.	FEA	Philip C. Shera	Reg. Cal.	27 Feb.	FEA
Horace Williams	Venice	25 "	"	Moses Cleveland	Genoa	28 "	"
Samaustral	"	" "	Brit. Army	Van Louis	Naples	" "	"
Erastus Smith	"	" "	FEA	Thomas Kearns	Palermo	1 Mar.	UNRRA
Fort Kutney	Civitav.	26 "	Brit. Army	Paul Hamilton Hayne	Savona	" "	FEA
George Chaffey	Bari	" "	FEA	Roger Shermann	Genoa	2 "	"
Mango Seam	Savona	" "	"	Anne Howard Shaw	Venice	" "	"
Charles G. Coutant	Genoa	27 "	"	James Manning	Bagnoli	3 "	"
Rachel Jackson	"	" "	"				

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March. 8, 1946 Vol. I, No: 8

MAR 1 1 RECD

UNRRA

ECONOMIC NOTES

— Published by The Public Relations Division, UNRRA Italy Mission, Via di San Nicola da Tolentino, 78, Rome —

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1. Italy's Economic Needs
2. UNRRA Takes over
3. UNRRA Regional Directors
4. Movements of Ships

ITALY'S ECONOMIC NEEDS

Italian Government negotiations with the Export-Import Bank for a 25,000,000 dollar loan for cotton, reported this week to have reached the final stages, are a reminder that Italy is taking active measures of self-help over and above the aid that is coming to her from UNRRA. Another recent example of the same trend is the conclusion of the agreement with France for the supply of 500,000 tons of Tunisian phosphate rock during 1946, for the production of superphosphate fertilizer. Reference to the weekly "Movements of Ships" table in these Notes will show that a substantial proportion of the vessels now unloading at Italian ports are carrying cargo on Italian Government account.

UNRRA Imports

Vital as is the assistance to be provided by UNRRA in the 1946 program, the 375,000,000 dollars' worth of imports which Italy is to receive do not represent all that is needed from abroad, nor was it ever intended that they should do so. In the supply of foodstuffs, UNRRA is responsible for as high a proportion as 70 per cent. of the country's total requirements (and nearly 100 per cent. of actual imports). In coal it also provides the major proportion. But in all the other main branches of imports UNRRA's share is substantially less than half the total requirements. To enable Italian industry to make its

they are unlikely to exceed 150,000,000 dollars, and that equilibrium between imports and exports will not be achieved before 1950. During the period of rather more than three years, from the first landings in Sicily until the completion of the UNRRA program at the end of this year, Italy will have received, from Allied sources and from UNRRA, help to the value of approximately 1,000 million dollars.

Subsidies Must End

But, with the completion of this year's program, will come the end of the subsidy period. From then onwards Italy's economy must pay its own way. Four measures of self-help have been suggested by Mr. Harlan Cleveland, now UNRRA Deputy Chief of Mission for Requirements and Distribution:

1. Italy must ensure that the limited quantities of imported supplies which she receives are put to such use as will best serve national reconstruction.
2. Every effort must be made to lower internal price levels.
3. There must be adequate foreign financing of imports of basic reconstruction materials.
4. There must be the fullest participation of private and commercial interests, here and abroad, in Italy's international trade.

It is specifically laid down by the UNRRA Council that supplies—not only in Italy but in all countries receiving assistance—shall con-

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The most optimistic estimates of what Italy can herself export in payment for these necessary "normal" imports indicate that in 1946 they are unlikely to exceed 150,000,000 dollars, and that equilibrium between imports and exports will not be achieved before 1950. During the period of rather more than three years, from the first landings in Sicily until the completion of the UNRRA program at the end of this year, Italy will have received, from Allied sources and from UNRRA, help to the value of approximately 1,000 million dollars.

Subsidies Must End

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2. Every effort must be made to lower internal price levels.
3. There must be adequate foreign financing of imports of basic reconstruction materials.
4. There must be the fullest participation of private and commercial interests, here and abroad, in Italy's international trade.

It is specifically laid down by the UNRRA Council that supplies—not only in Italy but in all countries receiving assistance—shall contribute directly to the relief of the people, and that whatever steps are taken to rehabilitate production shall be those that are directly or indirectly necessary to provide the population with the essentials of civilised living, without discrimination. UNRRA cotton, for instance, must be used, not for the production of fancy

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goods in the luxury market, but to make clothes for those who really need them and at prices they can afford to pay.

Such a policy further implies that food must be distributed in the fairest possible way, and at prices that will enable a family to spend on food at most only 50 per cent. of its legitimate income (as in pre-war days) instead of possibly 150 per cent. or 200 per cent.—which forces the family on to the Black Market both to earn money and to buy food. In so far as supplies of coal, petroleum products and industrial raw materials are concerned, it is a cardinal point of UNRRA policy that these supplies shall be allocated strictly according to the ability of each industry and each individual undertaking to contribute to the work of national rehabilitation.

Lastly, in respect of agriculture—which will be largely helped by UNRRA during the present year—it is in accordance with basic UNRRA principles that aid in the form of seed and fertilizers should go to those farmers who observe their country's laws on amassing and rationing. It cannot be too strongly emphasised that the use to which supplies are put is a matter of absorbing interest in the countries which are contributing them.

Economic Price Levels

There are signs that internal price levels in Italy are falling from "pathological" to more economic levels. At some stage it will be necessary for Italy to decide on the level at which those internal prices are eventually to be stabilised. The flow of free imports provided by UNRRA during the next few months should provide an opportunity systematically to "break" the excessive free market prices now prevailing for so many key commodities.

Italy's need for foreign credits has still to be met. The gap between her minimum import requirements for 1946 and what UNRRA can supply, together with the small amount Italy can herself pay for, is in the order of half a billion dollars. Where, however, it can be demonstrated that project by project,

UNRRA TAKES OVER

Full responsibility for the delivery of basic relief and rehabilitation supplies to Italy has been assumed by UNRRA, with effect from March 1. The principles on which the program is to be administered have been restated by the Head of the Italian Mission, Mr. S. M. Keeny. UNRRA is a civilian organisation, he says, operating on the basis of a civilian agreement with the Italian Government. UNRRA operates *through* the Italian Government. But, Mr. Keeny adds, "we shall ask, if necessary, for quick action to get the supplies to the people who need them most, at fair prices.

No Supply Bottlenecks

"UNRRA will not tolerate goods being brought into the country and held in warehouses for long periods for any reason whatever. The purpose of UNRRA supplies is to help people—and help them in 1946."

Everything brought by UNRRA into Italy is delivered free to the Italian Government. The Government is under no obligation to pay either now, or in the future. Wherever the recipients can pay for goods, they will do so; and all funds derived from these sales (after the deduction of distribution costs) will be credited to a special account and used only for rehabilitation projects. These funds are to be spent by the Government within three years. "The emphasis is *not* on what UNRRA will do, but on what the Italians themselves will do. The basic responsibility is that of the Italian Government, but UNRRA will help as much as it can."

What New Program Means

With its new responsibilities UNRRA this year will spend on supplies for Italy approximately 10 times the amount spent on the limited program of relief last year. This, Mr. Keeny points out, does not represent a great new body of relief assistance. It is merely a method of financing the same kinds of supplies that were coming in last year, at approximately the same level, until normal credit and normal trade can be restored.

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Although UNRRA has assumed the responsibility for importing the commodities essential for Italy's relief, the last few shipments under the Allied Commission's program (mostly the F.E.A. 100,000,000 dollar interim program) have still to arrive. Owing to shipping and

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other transportation difficulties, for example, there has been a considerable overlap of F.E.A. and UNRRA wheat deliveries. Some 109,000 tons of UNRRA wheat had been shipped by the end of February. During March, deliveries, both on FEA and UNRRA account, are expected to exceed 200,000 tons.

In a situation where the whole world is gravely short of wheat, Italy is "getting a good break," states Mr. Harlan Cleveland, formerly Acting Vice-President of Allied Commission in charge of the Economic Section and now UNRRA Deputy Chief of Mission for Requirements and Distribution. "We are doing everything we can to bring the maximum amount of wheat and other grains into the country during this critical period."

In respect of fuel, Mr. Cleveland points out that the last loadings of coal under the Allied Commission FEA program have been completed. Approximately 84,000 tons of UNRRA coal destined for Italy are now on the high seas. During March Italy should receive about 400,000 tons. Imports of petroleum products for civilian requirements are still being handled by the Military Authorities at UNRRA's request. They are, however, paid for by UNRRA.

UNRRA REGIONAL DIRECTORS

Regional offices, to take local charge of UNRRA activities, have now been established throughout Italy, Sicily and Sardinia. Eight regions have been created. They cover the whole country, except Venezia Giulia and Zara, which remain outside the jurisdiction of UNRRA in Italy. Directors have been appointed to every region, with the exception of the Rome Region, which for the moment remains under the control of UNRRA Italian Mission Headquarters.

This measure of decentralisation has been made necessary by the increase in the size and scope of the UNRRA program in Italy. The regional directors will act as the chief representatives of UNRRA in the provinces under their control. They will supervise and direct all local UNRRA activities and are empowered to allocate supplies. Distribution will maintain strict, centralised control, since the allocation of supplies must, of necessity, be decided in consultation with the Italian Government. The operation of the camps for Displaced Persons also remains under central control.

The new UNRRA regional offices are an extension and a development of the district offices organised originally to undertake UNRRA's limited welfare program. Their purpose is solely to carry out UNRRA's task of relief and rehabilitation, in accordance with the vastly extended program under the 1946 agreement with the Italian Government.

Below are the eight regions and the names of the directors:

ROME REGION:
Comprising: Lazio, Abbruzzi-Molise (less the province of Campobasso), Umbria, and Marche.
Headquarters: Rome.
Director: Not yet appointed.

MILAN REGION:
Comprising: Lombardy.
Headquarters: Milan.
Director: Mr. A. L. Raffa.

NAPLES REGION:
Comprising: Campania, Lucania, Puglie, Calabria and the province of Campobasso.
Headquarters: Naples.
Director: Mr. C. Hanson-Abbott.

FLORENCE REGION:
Comprising: Tuscany and Emilia.
Headquarters: Florence.
Director: Mr. A. Ellison.

GENOA REGION:
Comprising: Piedmont and Liguria.
Headquarters: Genoa.
Director: Mr. L. Koenigsbert.

PADUA REGION:
Comprising: Venezia Tridentina and Veneto (and later such parts of Venezia Giulia as may be allocated to Italy after the Peace Treaty).
Headquarters: Padua.
Director: Mr. D. Morley-Fletcher.

SICILY REGION:

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This measure of decentralisation has been made necessary by the increase in the size and scope of the UNRRA program in Italy. The regional directors will act as the chief representatives of UNRRA in the provinces under their control. They will supervise and direct all local UNRRA activities and are empowered to negotiate direct with local government and administrative officials. They will maintain close liaison with officials of the Italian Delegation, within their regions.

These powers are limited in two important respects. The Bureau of Requirements and under central control.

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Headquarters: Padua.
Director: Mr. D. Morley-Fletcher.

SICILY REGION:
Headquarters: Palermo.
Director: Mr. C. B. Moses.

SARDINIA REGION:
Headquarters: Cagliari.
Director: Mr. F. Collins.

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MOVEMENTS OF SHIPS

CARGOES OTHER THAN COAL

(FEBRUARY 25 - MARCH 4 INCLUSIVE)

SHIP	PORT OF ARRIVAL	DATE OF ARRIVAL	ACCOUNT	CARGO
William McLennan	Civitavecchia	26 Feb.	UNRRA	Wheat
Benjamin Bonneville	Genoa	" "	"	"
Elisha Otis	"	" "	It. Govt.	General
Henry George	Cagliari	27 "	UNRRA	Wheat
Thomas Hill	Catania	" "	"	"
John Bidwell	Genoa	" "	FEA	"
George Pope	"	28 "	UNRRA	"
Alex Shephard	Naples	1 Mar.	"	Foodstuffs
George Mackay	Genoa	" "	It. Govt.	Wheat
Stephen Gambril	Bari	2 "	UNRRA	"
Robert Stuart	Catania	" "	It. Govt.	Flour
Notre Dame Victory	Genoa	" "	It. Govt. FEA	General
William Hoard	"	" "	It. Govt.	General
Richard Gatling	Venice	3 "	UNRRA	Oats
Nick Stoner	Castellammare	" "	FEA	Wheat
Stephen Beasley	Genoa	" "	It. Govt. FEA	General
Ford Nichols	Naples	*4 "	" " "	"
Lica Maersk	Genoa	* " "	UNRRA	"
Julius Rosenwald	Naples	* " "	UNRRA	Wheat

* *Confirmation of arrival not yet received.*

COAL

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Erastus Smith	"	" "	FEA	Thomas Kearns	Palermo	1 Mar.	UNRRA
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Erastus Smith	"	" "	FEA	Thomas Kearns	Palermo	1 Mar.	UNRRA
Fort Kutney	Civitav.	26 "	Brit. Army	Paul Hamilton Hayne	Savona	" "	FEA
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Mingo Seam	Savona	" "	"	Anne Howard Shaw	Venice	" "	"
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March. 1, 1946

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UNRRA

ECONOMIC NOTES

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3. Movements of Ships

UNRRA HELPS EXPORTS

Trade deals, with the assistance of UNRRA, between Italy and Greece, Yugoslavia, Czechoslovakia and Poland are now being actively discussed. One substantial deal with Greece has gone through. In some cases payment will be by barter; in others Italy will acquire foreign credits. The majority of the deals are with Greece and Yugoslavia. While this inter-Mission trade between Italy and the Balkan States has not so far reached large proportions, it is expected to expand considerably, since, in the absence of normal trade and diplomatic relations, UNRRA, through its Local Resources Division, provides a channel by which trade can be conducted.

Work for Italy

Even where normal trade relations exist, UNRRA in its capacity of a buyer and distributor of supplies, provides a natural channel for much international trade. The surpluses of one nation—even though that nation is itself in receipt of relief—represent the relief goods needed by another. The possibility of using part of Italy's industrial potential to produce manufactured goods required by UNRRA in other countries has been the subject of preliminary discussions in Washington. In at least one case the principle has been accepted, namely, in the decision to employ Italian mills to make fishnet twine from Egyptian cotton for the Balkans and China.

normal transportation costs. Before agreeing the prices, UNRRA requires to see the actual quotations submitted by the producers. No profits are earned either by UNRRA or the Italian Government.

Balkan Trade Deals

Italy has already, as a gift to UNRRA, made available 10,000 tons of salt, for which there exists a substantial demand in Czechoslovakia, and more especially in Yugoslavia. Negotiations are now proceeding, through the respective UNRRA Missions, for the sale to these two countries of further quantities.

By means of a barter deal, Greece has received from Sicily 4,000 tons of sulphur, valued at 40,000,000 lire. The account is to be settled by Greek shipments of colophony (resin) required for such purposes as the manufacture of soap and varnish. (So far the return shipments from Greece have not arrived). Another trade deal with Greece—in which negotiations are almost complete—is for 10,000 press pads, to re-equip olive oil extraction plant. This deal, when completed, will bring business worth 4,000,000 lire to manufacturers in and around Naples.

In furtherance of UNRRA's agricultural rehabilitation program in Greece, negotiations are now proceeding to obtain from Italy supplies of carbon bisulphide. Cork, for the rehabilitation of the fishing industry in Greece, Yugoslavia, Albania and also in Poland, is yet another commodity which, it is hoped, Italy will be able to supply. This will benefit Tuscany and Sardinia. The total value of the

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Trade deals are negotiated through the Italian Government, which is responsible for paying the producers, and in its turn receives either foreign credits or barter goods for sale on Government account in Italy. Prices of goods sold in UNRRA inter-Mission trade deals are those charged by the producers, plus normal transportation costs. Before agreeing the prices, UNRRA requires to see the actual quotations submitted by the producers. No profits are earned either by UNRRA or the Italian Government.

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Needy Mothers and Children

They were the advance guard of nearly half a million needy mothers and children in the North to whom UNRRA plans to bring relief. Estimates of those in urgent need of relief are as follows:—

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When supplementary welfare feeding was first begun last year, the greater part of the food was distributed raw to mothers, for home consumption. To-day, emphasis is being laid increasingly upon the provision of midday meals in schools. School feeding programs are now in operation in many hundreds of State schools, Church schools and private schools. UNRRA food is distributed also to 1,500 re-

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Not only has school feeding served as a convenient means of distributing food to needy children, but the promise of food has been an effective inducement to local authorities to secure the earlier de-requisitioning of school buildings and the restoration of educational facilities. The promise of a midday meal has brought back to school children who for the past three years have been without education and without direction or discipline.

In some provinces there is evidence that the offer of supplementary food has been the means of re-starting social services. At Leghorn, the UNRRA welfare representative in co-operation with the Town Major succeeded in having an institution for deaf and dumb children de-requisitioned and restored to its proper function.

In the central provinces of Chieti and Pesaro, two child welfare experiments have been started. One is the organisation of the Villaggio dei Fanciulli della Strada at Lanciano, Chieti, where delinquent boys are being cared for in cottage homes under a system in which the boys themselves largely manage their own affairs and organise their own discipline. The other is the establishment, under the supervision of the Anti-Tubercular Association, of a feeding and occupation centre for children in the parish of St. Lucia, Pesaro.

UNRRA Supplementary Food

Italy's basic ration for those of four years and upwards is estimated to provide about 630 calories a day. Children under four receive approximately 810 calories. UNRRA's supplementary food represents an addition of approximately 750 calories. It includes powdered and condensed milk, semolina, sugar, fats, dried or tinned fish and dried egg.

Lack of fats—due to world shortage—is at the moment causing grave concern, since without the essential fats it is impossible to provide cooked meals in schools and institutions. The possibility was even discussed of discontinuing the supplementary child-feeding program: but, at the request of the Italian Government, the present program will continue at least until

As at present organised, five ration scales are in operation. Children up to one year receive daily between five and six ounces of condensed or evaporated milk, a little semolina and a minute quantity of sugar. From one year to three they receive almost the same amount of milk, less sugar, but some bread, fats and vegetables. The next age group is four to eight. For this group the ration includes a small quantity of fish, and still a substantial quantity of milk. The last age group for children is from eight to 15. Even for the eldest children, there is an allocation of dried or condensed milk.

The final class comprises nursing or expectant mothers. They have a daily milk ration roughly equal to that of the babies and, in addition, receive sugar, extra bread, fats, vegetables, fish and dried egg.

Metod of Distribution

UNRRA does not itself distribute the food, except in camps which it directly administers. UNRRA's policy is to work through the Italian Government, which in turn organises the actual distribution of the food through public or private bodies. Food is distributed in bulk to the responsible authorities in each province. UNRRA's task is to advise and supervise. A close watch is, in fact, kept over every phase of food distribution right down until a bowl of soup, a mug of milk or a ration of bread is handed to a needy mother or child.

Food for babies and very young children is supplied either as uncooked rations for home consumption, or as cooked meals at centres maintained by welfare organisations, the chief of which are the *asili* (kindergartens) both public and private, day nurseries and maternity clinics and public and private babies' homes. Pre-natal and post-natal food is provided for the mothers at centres specially set up by provincial and communal committees.

Day Nurseries

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Day Nurseries

Some tens of thousands of young children, up to the age of six, are cared for at nurseries and kindergartens, where a midday meal is provided, thanks to UNRRA food supplies. Wherever possible, the children receive, in addition, something light in the morning and again in the afternoon. With UNRRA help

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many factories are now able to maintain nurseries where women employees may leave their children during the day. These factories are now to be found in the most of the big industrial centres. But for the food supplied by UNRRA, the day nurseries maintained by welfare organisations and in the factories could scarcely operate.

MOVEMENTS OF SHIPS

CARGOES OTHER THAN COAL

(FEBRUARY 18-25 INCLUSIVE)

SHIP	PORT OF ARRIVAL	ESTIMATED DATE OF ARRIVAL	ACCOUNT	CARGO
Jefferson City Victory	Genoa	20 Feb.	FEA It. Govt.	General
Meroe	Naples	" "	It. Govt.	Wool
Samindora	"	" "	" "	"
Attleboro Victory	"	" "	FEA It. Govt.	Steel, Wheat
Furnifold Simmons	Bari Ancona	21 "	FEA	Wheat
Frank Gilbreath	Venice	22 "	UNRRA	"
Benjamin Bonneville	Genoa Leghorn	23 "	"	"
Wm. McClennan	Civitav. Castellammare	" "	"	Oats
Mahlon Pitney	Palermo	24 "	"	Wheat
George Pope	Genoa Leghorn	" "	"	Wheat, Oats
Rutgers Victory	Genoa	" "	FEA It. Govt.	Cotton, Ammonium Nitrate, Soup
Henry George	Cagliari	25 "	UNRRA	Wheat
Francis Willard	Venice	" "	It. Govt.	"

COAL

(FEBRUARY 18-24 INCLUSIVE)

SHIP	PORT OF ARRIVAL	DATE OF ARRIVAL	ACCOUNT	SHIP	PORT OF ARRIVAL	DATE OF ARRIVAL	ACCOUNT
John Carlisle	Cagliari	18 Feb.	FEA	John Hanson	Venice	22 Feb.	FEA
Johan Printz	Bagnoli	19 "	"	Philip C. Shera	Catania	23 "	"
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Elihu Root	Savona	" "	"	John Gordon	Genoa	" "	"

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March 1, 1946 Vol. I, No. 7

UNRRA

ECONOMIC NOTES

— Published by The Public Relations Division, UNRRA Italy Mission, Via di San Nicola da Tolentino, 78, Rome —

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2. Welfare in the North
3. Movements of Ships

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Trade deals, with the assistance of UNRRA, between Italy and Greece, Yugoslavia, Czechoslovakia and Poland are now being actively discussed. One substantial deal with Greece has gone through. In some cases payment will be by barter; in others Italy will acquire foreign credits. The majority of the deals are with Greece and Yugoslavia. While this inter-Mission trade between Italy and the Balkan States has not so far reached large proportions, it is expected to expand considerably, since, in the absence of normal trade and diplomatic relations, UNRRA, through its Local Resources Division, provides a channel by which trade can be conducted.

Work for Italy

Even where normal trade relations exist, UNRRA in its capacity of a buyer and distributor of supplies, provides a natural channel for much international trade. The surpluses of one nation—even though that nation is itself in receipt of relief—represent the relief goods needed by another. The possibility of using part of Italy's industrial potential to produce manufactured goods required by UNRRA in other countries has been the subject of preliminary discussions in Washington. In at least one case the principle has been accepted, namely, in the decision to employ Italian mills to make fishnet twine from Egyptian cotton for the Balkans and China.

Trade deals are negotiated through the normal transportation costs. Before agreeing the prices, UNRRA requires to see the actual quotations submitted by the producers. No profits are earned either by UNRRA or the Italian Government.

Balkan Trade Deals

Italy has already, as a gift to UNRRA, made available 10,000 tons of salt, for which there exists a substantial demand in Czechoslovakia, and more especially in Yugoslavia. Negotiations are now proceeding, through the respective UNRRA Missions, for the sale to these two countries of further quantities.

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In the central provinces of Chieti and Pesaro, two child welfare experiments have been started. One is the organisation of the Villaggio dei Fanciulli della Strada at Lanciano, Chieti, where delinquent boys are being cared for in cottage homes under a system in which the boys themselves largely manage their own affairs and organise their own discipline. The other is the establishment, under the supervision of the Anti-Tubercular Association, of a feeding and occupation centre for children in the parish of St. Lucia, Pesaro.

UNRRA Supplementary Food

Italy's basic ration for those of four years and upwards is estimated to provide about 630 calories a day. Children under four receive approximately 810 calories. UNRRA's supplementary food represents an addition of approximately 750 calories. It includes powdered and condensed milk, semolina, sugar, fats, dried or tinned fish and dried egg.

Lack of fats—due to world shortage—is at the moment causing grave concern, since without the essential fats it is impossible to provide cooked meals in schools and institutions. The possibility was even discussed of discontinuing the supplementary child-feeding program: but, at the request of the Italian Government, the present program will continue at least until

As at present organised, five ration scales are in operation. Children up to one year receive daily between five and six ounces of condensed or evaporated milk, a little semolina and a minute quantity of sugar. From one year to three they receive almost the same amount of milk, less sugar, but some bread, fats and vegetables. The next age group is four to eight. For this group the ration includes a small quantity of fish, and still a substantial quantity of milk. The last age group for children is from eight to 15. Even for the eldest children, there is an allocation of dried or condensed milk.

The final class comprises nursing or expectant mothers. They have a daily milk ration roughly equal to that of the babies and, in addition, receive sugar, extra bread, fats, vegetables, fish and dried egg.

Metod of Distribution

UNRRA does not itself distribute the food, except in camps which it directly administers. UNRRA's policy is to work through the Italian Government, which in turn organises the actual distribution of the food through public or private bodies. Food is distributed in bulk to the responsible authorities in each province. UNRRA's task is to advise and supervise. A close watch is, in fact, kept over every phase of food distribution right down until a bowl of soup, a mug of milk or a ration of bread is handed to a needy mother or child.

Food for babies and very young children is supplied either as uncooked rations for home consumption, or as cooked meals at centres maintained by welfare organisations, the chief of which are the *asili* (kindergartens) both public and private, day nurseries and maternity clinics and public and private babies' homes. Pre-natal and post-natal food is provided for the mothers at centres specially set up by provincial and communal committees.

Day Nurseries

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Day Nurseries

Some tens of thousands of young children, up to the age of six, are cared for at nurseries and kindergartens, where a midday meal is provided, thanks to UNRRA food supplies. Wherever possible, the children receive, in addition, something light in the morning and again in the afternoon. With UNRRA help

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many factories are now able to maintain nurseries where women employees may leave their children during the day. These factories are now to be found in the most of the big industrial centres. But for the food supplied by UNRRA, the day nurseries maintained by welfare organisations and in the factories could scarcely operate.

MOVEMENTS OF SHIPS

CARGOES OTHER THAN COAL

(FEBRUARY 18-25 INCLUSIVE)

SHIP	PORT OF ARRIVAL	ESTIMATED DATE OF ARRIVAL	ACCOUNT	CARGO
Jefferson City Victory	Genoa	20 Feb.	FEA It. Govt.	General
Meroe	Naples	" "	It. Govt.	Wool
Samindora	"	" "	" "	"
Attleboro Victory	"	" "	FEA It. Govt.	Steel, Wheat
Furnifold Simmons	Bari Ancona	21 "	FEA	Wheat
Frank Gilbreath	Venice	22 "	UNRRA	"
Benjamin Bonneville	Genoa Leghorn	23 "	"	"
Wm. McClennan	Civitav. Castellammare	" "	"	Oats
Mahlon Pitney	Palermo	24 "	"	Wheat
George Pope	Genoa Leghorn	" "	"	Wheat, Oats
Rutgers Victory	Genoa	" "	FEA It. Govt.	Cotton, Ammonium Nitrate, Soup
Henry George	Cagliari	25 "	UNRRA	Wheat
Francis Willard	Venice	" "	It. Govt.	"

COAL

(FEBRUARY 18-24 INCLUSIVE)

SHIP	PORT OF ARRIVAL	DATE OF ARRIVAL	ACCOUNT	SHIP	PORT OF ARRIVAL	DATE OF ARRIVAL	ACCOUNT
John Carlisle	Cagliari	18 Feb.	FEA	John Hanson	Venice	22 Feb.	FEA

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John Carlisle	Cagliari	18 Feb.	FEA	John Hanson	Venice	22 Feb.	FEA
Johan Printz	Bagnoli	19 "	"	Philip C. Shera	Catania	23 "	"
Albert Ryder	Civitav.	" "	U. S. Army	Dudley Hughes	Venice	" "	"
Lyman Stewart	Venice	21 "	FEA	Beckley Seam	Genoa	24 "	"
Elihu Root	Savona	" "	"	John Gordon	Genoa	" "	"

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UNRRA

ECONOMIC NOTES

— PUBLISHED BY UNRRA ITALIAN MISSION, VIA DI SAN NICOLA DA TOLENTINO 78, ROME, ITALY —

CONTENTS

1. Italian Agriculture
2. Rubber Production
3. Woollen Industry
4. Movements of Ships

ITALIAN AGRICULTURE

The shipments of seed potatoes which have been arriving from the United Kingdom in recent weeks represent the beginning of a substantial program of agricultural rehabilitation to be undertaken jointly by the Italian Government and UNRRA during the present year.

Under the 1946 Program proposed by the Italian Government and A. C. it was originally planned to allocate approximately 10,000,000 dollars (£ 2,500,000 sterling) to the purchase of seed, fertiliser, oilseed cake and other agricultural supplies. Requirements have now been considerably increased. The new schedule of agricultural supplies to be imported by UNRRA at an estimated cost of 12,269,250 dollars (£3,067,312 sterling) has this month been submitted to Washington, and is now under consideration. In addition, deliveries have yet to be completed of some 4,000,000 dollars' (£1,000,000 sterling) worth of tractors, reapers and binders, combine harvesters and other agricultural machinery ordered prior to the 1946 UNRRA program.

Imports of Fertiliser

The revised figure includes the expenditure of 900,000 dollars (£225,000 sterling) on 50,000 tons of superphosphate and 1,600,000 dollars (£400,000 sterling) on 40,000 tons of potash fertiliser, neither of which were included in the original UNRRA allocations. By far the largest item of expenditure is 5,070,000 dollars are dollar *equivalents* of all foreign currencies available to UNRRA.)

As an index of what these imports mean in any program of agricultural rehabilitation, it is conservatively estimated that one ton of superphosphate, when properly balanced with nitrate, will increase the crop yield of wheat per hectare (about two-and-a-half acres) by at least three tons. With adequate supplies of fertiliser, potato yields can be increased by 130 per cent.

Effects of War

During the War Italian consumption of fertilisers was heavily reduced, partly owing to interruption of imports and partly owing to the fact that Italian fertiliser factories were engaged in war production. In 1942 imports of rock phosphates had fallen to 44 per cent. of the 1939 figure. Imports of sodium nitrate had ceased. No figures are available for the years following 1942, but it is well known that farmers were able to secure only a very small fraction of their requirements.

This has inevitably resulted in a serious decline in soil fertility. In 1943, although the area under wheat was five per cent. higher than the average for the five pre-war years, 1935 to 1939 inclusive, the total harvest was smaller, since the actual yield per hectare was no less than 19 per cent. below pre-war average.

Lack of fertiliser is but one of the many factors which have produced the present serious decline in Italian agricultural output. Not

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Lack of fertiliser is but one of the many factors which have produced the present serious decline in Italian agricultural output. Not least of the causes was last year's disastrous drought. As for direct war damage, much of the devastated farmland has already been restored, although it will be years before replanted olive groves, vineyards and orchards become productive.

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The total area of farmland which has been, or still is, unproductive as the result of bombing, shelling or requisitioning for military purposes is estimated by the Italian Ministry of Agriculture to be several thousand acres. The exact amount is difficult to ascertain.

Littoria Province received the greatest damage; but, on the other hand, most of the Po Valley suffered very little from war operations, while, in general, the areas most seriously damaged were in the mountains and consequently, from the agricultural point of view, the poorest. Land reclamation schemes suffered much as the result of the war; but reconstruction operations, which were started, with Allied assistance, immediately after the fighting had finished, have been so far successful that a considerable part of the damage has been made good.

Fewer Draught Animals

The War was responsible for a serious reduction in the number of draught animals. Between 1942 and 1944 the number of horses in all Italy fell from 770,000 to 667,000, the decline being proportionately much more severe in Central and Southern Italy than in the North. Oxen declined by 120,000 and draught cows by 228,000. In certain of the war areas—along the Gothic Line, and more especially in Emilia, in the province of Frosinone and in Littoria—losses were far higher than the national average. In Littoria they amounted to 78 per cent. The position has now, however, been greatly relieved, thanks to re-stocking by the Allies and the Italian Government.

Yet another severe handicap to Italian agriculture is the present shortage of livestock concentrates. In the revised estimate of requirements it has, therefore, been proposed that UNRRA should import 50,600 tons of oilseed cake, or two-and-a-half times the quantity originally suggested. It is not yet known whether this amount will actually be available.

It is in the light of these deficiencies that production for 1944-45. It must be borne in mind, however, that two specially adverse factors affecting production in 1944-45 were (1) that fighting was actually in progress in certain areas during the sowing season, and (2) that Italy, in common with other Mediterranean countries, suffered one of the worst droughts of modern times.

Home Food Production

	Average for 1936-38 Metric Tons	Actual for 1944-45 Metric Tons
Wheat	7,453,083	4,206,333
Rye	138,300	78,944
Barley	224,596	124,299
Rice	780,700	415,446
Corn (Maize)	3,128,800	1,415,823
Potatoes	2,931,123	1,526,034
Olive oil	251,553	96,325

Production figures for the following food commodities are for the pre-war period only, since no reliable figures are available for the year, 1944-45.

	Metric Tons
Sugar	316,603
Butter	52,586
Eggs	328,869
Milk	1,583,160

Present production of these commodities is also very low in relation to pre-war figures.

Planned restoration of Italy's agriculture would go a long way not only towards relieving the domestic food situation, but also towards restoring the national economy. Italy is essentially an agricultural country. More than 40 per cent. of her population is rural, while nearly half of all those gainfully employed are engaged in agriculture. By large-scale land reclamation, and by increasing crop yields per acre through more careful selection of seed, and better methods of farming, Italy, in the years immediately preceding the War, so far increased domestic food production as

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It is in the light of these deficiencies that figures of agricultural production last year must be viewed. How far it fell short of what is possible is clearly indicated in the following comparative table which shows the average production for some of the more important crops and food products during the pre-war period, 1936-38, and the actual production (2) that Italy, in common with other Mediterranean countries, suffered one of the worst droughts of modern times.

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While, in some respects, this intensive agricultural drive was economically unsound, agricultural exports, nevertheless, accounted for two-fifths of Italy's total export trade, and thus created substantial foreign credits for the purchase of essential imports.

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RUBBER PRODUCTION

Slowly as yet, but already with notable effect, the wheels have begun to turn once more in the rubber industry.

At Tivoli the Pirelli works, using American synthetic rubber, have been producing passenger-car tyres since October last, and output is now in excess of 100 tyres per day. At their works in Milan where production began in January of tyres of all types (including a substantial proportion of heavy-duty tyres), output is expected very shortly to exceed 200 tyres per day. Rayon plants are now once more at work producing the rayon fabric which is essential in synthetic rubber tyres. Michelin have not yet begun production of automotive tyres, but it is anticipated that they will start shortly.

Both Michelin and Pirelli are already producing tyres for bicycles from reclaimed rubber. Output has now been stepped-up almost to normal production. An incidental, but by no means negligible, activity has been the production of rubber soles and heels, also from reclaimed rubber. Output is now very substantial and the availability of this alternative to leather has helped considerably to relieve the acute foot-wear shortage.

These developments have been made possible by imports received under the Military and Transitional Programs. Supplies ordered in accordance with those programs are now only just beginning to arrive in quantity. Substantial imports of synthetic rubber and the essential supplementary materials at an estimated cost of more than 8,000,000 dollars have been included in the new UNRRA program, but it is expected that some time yet will elapse before these supplies start to arrive.

Urgent Tyre Needs

Italy's need of tyres and tubes is immense and urgent, since lack of them is causing serious bottle-necks in distribution by truck transportation. Rubber is at present being allocated almost entirely to their manufacture, The target figure for bicycle sizes is 6,500,000. Motorcycle requirements total 35,000 tyres and tubes. Of paramount importance also, is the production of such industrial equipment as transmission belting and conveyor-bands and communications material, such as insulated cables. As with tyres, this equipment is an essential pre-requisite to large-scale rehabilitation.

Priority in the distribution of tyres for private passenger vehicles is given by the Italian Authorities to doctors, industrial executives and establishments engaged in work of special importance. Truck tyres are available only to those concerns engaged in work of national importance. Bicycle tyres are issued only to those who can prove their need to use a bicycle to go to and from their work or for transportation in connection with their business.

Import Program

It is in view of the key character of the rubber industry in Italy that UNRRA's share of the 30,000 tons of natural and synthetic rubber which it is planned to import during 1946 has been set at the higher of the two alternative estimates considered, namely, 15,000 tons. Last year under the Transitional Program provision was made to import 4,000 tons of rubber. Some has already arrived but deliveries are not yet complete. The great bulk of these imports will comprise synthetic rubber imported from the United States, but it is hoped that a proportion will be made up of natural rubber derived from British sources of supply. It is, in fact, essential that some natural rubber should be included in the imports since tyres cannot be made wholly of synthetic rubber but must include a proportion of natural rubber.

The import program is a "rounded" one, that is to say, it includes delivery not only of natural and synthetic rubber, but of such essential manufacturing ingredients as carbon black and cellulose for high-tenacity rayon. The policy throughout will be to import the raw materials. Not only is this more eco-

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Italy's need of tyres and tubes is immense and urgent, since lack of them is causing serious bottle-necks in distribution by truck transportation. Rubber is at present being allocated almost entirely to their manufacture, to meet essential needs. It is estimated that the minimum requirements this year are in the order of 400,000 to 500,000 tyres and tubes for passenger-cars and cars that have been converted to goods-carrying, rather more than 200,000 tyres and tubes for medium-size trucks and approximately 400,000 tyres and tubes for large trucks and trailers.

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In view of the present world situation, it is fortunate that production of synthetic rubber, which was only at the experimental stage before the war, was, under the stress of wartime conditions, extensively developed in the

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major warring countries. In such essential ancillary ingredients as carbon black, Italy has never been self-supporting. Under war conditions home production of carbon black reached 1,500 tons in 1942, but even this figure is far below the total of 12,000 tons of carbon black and lamp black needed if the full 1946 production program is to be carried out.

No general statistics of what the Italian rubber industry achieved during the war are available and in the absence of such statistics no estimate can, at the moment, be made of present-day production capacity, particularly in view of the set-blacks inflicted upon the industry by Allied bombing and German looting and sabotage. Broadly speaking, however, the principal rubber-manufacturing plants have survived the war with their production capacity intact. In normal times the industry was not only capable of meeting Italian requirements, but of providing a surplus for export. Given an adequate flow of raw materials it can be effectively re-established.

WOOLLEN INDUSTRY

Under the 1946 UNRRA Program 14,000 tons (scoured) of raw wool are scheduled to be delivered during the early months of the year, on UNRRA account. In all, on UNRRA and other account, it is hoped to import during 1946 a total of 48,700 tons (scoured) of raw wool, while home production is expected to yield a further 1,590 tons.

In addition to raw wool, it is planned to import some 24,000 tons of wool rags of which approximately half—11,000 tons—will be supplied on the UNRRA program. As with cotton, so with wool, the urgent clothing needs of the Italian population are to be met by the importation of raw materials, since Italy's large productive capacity can fully supply home needs. After Italy's own essential needs have been met there will remain a substantial number of spindles for both worsted and carded wool and some thousands of looms which, it has been suggested, might be employed in [illegible] woollen goods for relief in metric tons of pure wool fabric and 1,864 tons of wool yarns, and a favourable, although much smaller, export balance of mixed fabrics.

The woollen mills have survived the war virtually intact. Only in comparatively small spinning centres in Calabria, Campania and Abruzzi and Molise has serious damage been sustained. Spindles—all carded wool and none worsted—in these provinces account altogether for less than two-and-a-half per cent. of the total, while the number of looms is no more than one-half per cent. In Piedmont, Veneto, Tuscany and Lombardy, where virtually the entire industry—both worsted and woollen—is concentrated, the potential exists for full-scale production—given the raw materials, the coal and the necessary electric power to work the mills.

Italy's woollen industry was hampered by shortage of raw materials, *before* the war, while, of course, during the war all imports ceased. This was particularly so of the worsted section of the industry which, owing to "starvation," except for such domestic supplies as were available, has had to endure a long period of inactivity.

Interference with normal sources of supply began as long ago as 1934 when the Fascist Government inaugurated its campaign for textile self-sufficiency. In accordance with that policy, raw wool imports, which in 1933 rose as high as 91,838 metric tons, fell in 1938 to as low as 37,649 tons—with a corresponding sharp increase in production of mixed woollen cloth and artificial wool fibres. In order to operate under this cramping policy of self-sufficiency which, in the war years was, of course, forced upon the industry, much machinery has had to be adapted for use with artificial fibres.

Present Policy

Present policy with regard to the allocation of imports is designed to correct the unnatural tendencies of recent years and to stimulate the worsted section of the industry. With that end in view the first 1,200 tons of raw wool imported has, experimentally, been allocated

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reached 1,500 tons in 1942, but even this figure is far below the total of 12,000 tons of carbon black and lamp black needed if the full 1946 production program is to be carried out.

No general statistics of what the Italian rubber industry achieved during the war are available and in the absence of such statistics no estimate can, at the moment, be made of present-day production capacity, particularly in view of the set-blacks inflicted upon the industry by Allied bombing and German looting and sabotage. Broadly speaking, however, the principal rubber-manufacturing plants have survived the war with their production capacity intact. In normal times the industry was not only capable of meeting Italian requirements, but of providing a surplus for export. Given an adequate flow of raw materials it can be effectively re-established.

WOOLLEN INDUSTRY

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In addition to raw wool, it is planned to import some 24,000 tons of wool rags of which approximately half—11,000 tons—will be supplied on the UNRRA program. As with cotton, so with wool, the urgent clothing needs of the Italian population are to be met by the importation of raw materials, since Italy's large productive capacity can fully supply home needs. After Italy's own essential needs have been met there will remain a substantial number of spindles for both worsted and carded wool and some thousands of looms which, it has been suggested, might be employed in producing essential woollen goods for relief in other areas.

Under the 1945 Transitional Program 2,911 metric tons (scoured) of raw wool have so far been imported. These imports represent the first beginnings in the long process of re-establishing an industry, which in 1938 had established a net export balance of some 8,965 tons of woollen cloth. The woollen mills have survived the war virtually intact. Only in comparatively small spinning centres in Calabria, Campania and Abruzzi and Molise has serious damage been sustained. Spindles—all carded wool and none worsted—in these provinces account altogether for less than two-and-a-half per cent. of the total, while the number of looms is no more than one-half per cent. In Piedmont, Veneto, Tuscany and Lombardy, where virtually the entire industry—both worsted and woollen—is concentrated, the potential exists for full-scale production—given the raw materials, the coal and the necessary electric power to work the mills.

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Present Policy

Present policy with regard to the allocation of imports is designed to correct the unnatural tendencies of recent years and to stimulate the worsted section of the industry. With that end in view the first 1,200 tons of raw wool imported has, experimentally, been allocated in the ratio of 55 per cent. to the worsted spindles and 45 per cent. to the carded wool spindles, after the deduction of small amounts for the knitting, hat and felt industries. All wool imported comes under the control of the Associazione Laniera Italiana, which is itself a member of the Comitato delle Fibre Tessili,

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in the North. The Associazione was responsible for the original allocation, and now has the whole question under review.

Allocations of UNRRA wool will, of course, be subject to special considerations because of the necessity of making certain that the finished products are such as to provide essential goods needed by the Italian people, at prices which they can afford to pay. Discussions on the best way to follow this policy will be carried on in the next few weeks before the first UNRRA shipments arrive.

MOVEMENTS OF SHIPS

(CARGOES OTHER THAN COAL)

(FEBRUARY 1-18 INCLUSIVE)

SHIP	PORT OF ARRIVAL	DATE OF ARRIVAL	ACCOUNT	CARGO
J. C. Blackburn	Genoa	11 Feb.	FEA	Wheat
Harry Gluckman	Genoa	12 "	For Switzerland	"
Henry Rainey	Genoa	13 "	For Switzerland	"
Joseph Emery	Castellamare Salerno	16 "	UNRRA	"
Arthur Riggs	Civitavecchia	16 "	UNRRA	"
James Devereaux	Genoa	16 "	FEA	"
Thos. Hill	Catania Syracuse	*17 "	UNRRA	"
Geo. Mackay	Leghorn	*18 "	It. Govt.	"
Francis Smith	Genoa	11 "	Commercial	Cotton
Jose Benitez	Genoa Naples	11 "	It. Govt., Commercial	Cotton, Steel
Nancy Lykes	Genoa	12 "	It. Govt., Commercial	" "
Geo. Flanders	Genoa Leghorn	15 "	It. Govt.	Copper, Nitrate

* *Expected date of arrival*

COAL

(FEBRUARY 11-17 INCLUSIVE)

SHIP	PORT OF ARRIVAL	DATE OF ARRIVAL	ACCOUNT	SHIP	PORT OF ARRIVAL	DATE OF ARRIVAL	ACCOUNT
James McHenry	Bari	11 Feb.	FEA	Stephen Furdeck	Venice	15 Feb.	FEA
	Ancona	17 "		Orland Loomis	Genoa	16 "	U. S. Army
Benjamin H. Bristow	Civitav.	11 "	"	Henry M. Rice	Venice	" "	FEA
Brander Matthews	Genoa	12 "	"	Fort Brandon	Civitav.	4785	British Army
Fort Senneville	Genoa	" "	British Army	Finley P. Dunne	Bari	" "	FEA
[illegible] Hedlam	Genoa	" "	FEA	R. S. Wilson	Genoa	" "	FEA

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Brander Matthews	Genoa	12 „	„	Fort Brandon	Civitav.	478	British Army
Fort Senneville	Genoa	„ „	British Army	Finley P. Dunne	Bari	„ „	FFA
Anson Burlingam	Genoa	„ „	FEA	R. S. Wilson	Genoa	„ „	FEA
John Carlisle	Savona	„ „	„	Nelson Dingley	Venice	„ „	FEA
Andrew Carnegie	Palermo	13 „	„	William Rayburn	Venice	„ „	FEA
Carter B. Axton	Genoa	14 „	„				
Pittsburg Seam	Savona	15 „	„				

NOTE: Several coal shipments for which only estimated dates of arrival could be given last week are included in the above table, in view of the more detailed information now available.

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UNRRA

ECONOMIC NOTES

— PUBLISHED BY UNRRA ITALIAN MISSION, VIA DI SAN NICOLA DA TOLENTINO 78, ROME, ITALY —

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2. Rubber Production
3. Woollen Industry
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ITALIAN AGRICULTURE

The shipments of seed potatoes which have been arriving from the United Kingdom in recent weeks represent the beginning of a substantial program of agricultural rehabilitation to be undertaken jointly by the Italian Government and UNRRA during the present year.

Under the 1946 Program proposed by the Italian Government and A. C. it was originally planned to allocate approximately 10,000,000 dollars (£ 2,500,000 sterling) to the purchase of seed, fertiliser, oilseed cake and other agricultural supplies. Requirements have now been considerably increased. The new schedule of agricultural supplies to be imported by UNRRA at an estimated cost of 12,269,250 dollars (£3,067,312 sterling) has this month been submitted to Washington, and is now under consideration. In addition, deliveries have yet to be completed of some 4,000,000 dollars' (£1,000,000 sterling) worth of tractors, reapers and binders, combine harvesters and other agricultural machinery ordered prior to the 1946 UNRRA program.

Imports of Fertiliser

The revised figure includes the expenditure of 900,000 dollars (£225,000 sterling) on 50,000 tons of superphosphate and 1,600,000 dollars (£400,000 sterling) on 40,000 tons of potash fertiliser, neither of which were included in the original UNRRA allocations. By far the largest item of expenditure is 5,070,000 dol- [illegible] 70,000 tons of are dollar *equivalents* of all foreign currencies available to UNRRA.)

As an index of what these imports mean in any program of agricultural rehabilitation, it is conservatively estimated that one ton of superphosphate, when properly balanced with nitrate, will increase the crop yield of wheat per hectare (about two-and-a-half acres) by at least three tons. With adequate supplies of fertiliser, potato yields can be increased by 130 per cent.

Effects of War

During the War Italian consumption of fertilisers was heavily reduced, partly owing to interruption of imports and partly owing to the fact that Italian fertiliser factories were engaged in war production. In 1942 imports of rock phosphates had fallen to 44 per cent. of the 1939 figure. Imports of sodium nitrate had ceased. No figures are available for the years following 1942, but it is well known that farmers were able to secure only a very small fraction of their requirements.

This has inevitably resulted in a serious decline in soil fertility. In 1943, although the area under wheat was five per cent. higher than the average for the five pre-war years, 1935 to 1939 inclusive, the total harvest was smaller, since the actual yield per hectare was no less than 19 per cent. below pre-war average.

4705

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Lack of fertiliser is but one of the many factors which have produced the present serious decline in Italian agricultural output. Not least of the causes was last year's disastrous drought. As for direct war damage, much of the devastated farmland has already been restored, although it will be years before replanted olive groves, vineyards and orchards become productive.

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The total area of farmland which has been, or still is, unproductive as the result of bombing, shelling or requisitioning for military purposes is estimated by the Italian Ministry of Agriculture to be several thousand acres. The exact amount is difficult to ascertain.

Littoria Province received the greatest damage; but, on the other hand, most of the Po Valley suffered very little from war operations, while, in general, the areas most seriously damaged were in the mountains and consequently, from the agricultural point of view, the poorest. Land reclamation schemes suffered much as the result of the war: but reconstruction operations, which were started, with Allied assistance, immediately after the fighting had finished, have been so far successful that a considerable part of the damage has been made good.

Fewer Draught Animals

The War was responsible for a serious reduction in the number of draught animals. Between 1942 and 1944 the number of horses in all Italy fell from 770,000 to 667,000, the decline being proportionately much more severe in Central and Southern Italy than in the North. Oxen declined by 120,000 and draught cows by 228,000. In certain of the war areas—along the Gothic Line, and more especially in Emilia, in the province of Frosinone and in Littoria—losses were far higher than the national average. In Littoria they amounted to 78 per cent. The position has now, however, been greatly relieved, thanks to re-stocking by the Allies and the Italian Government.

Yet another severe handicap to Italian agriculture is the present shortage of livestock concentrates. In the revised estimate of requirements it has, therefore, been proposed that UNRRA should import 50,600 tons of oilseed cake, or two-and-a-half times the quantity originally suggested. It is not yet known whether this amount will actually be available.

It is in the light of these deficiencies that

duction for 1944-45. It must be borne in mind, however, that two specially adverse factors affecting production in 1944-45 were (1) that fighting was actually in progress in certain areas during the sowing season, and (2) that Italy, in common with other Mediterranean countries, suffered one of the worst droughts of modern times.

Home Food Production

	Average for 1936-38 Metric Tons	Actual for 1944-45 Metric Tons
Wheat	7,453,083	4,206,333
Rye	138,300	78,944
Barley	224,596	124,299
Rice	780,700	415,446
Corn (Maize)	3,128,800	1,415,823
Potatoes	2,931,123	1,526,034
Olive oil	251,553	96,325

Production figures for the following food commodities are for the pre-war period only, since no reliable figures are available for the year, 1944-45.

	Metric Tons
Sugar	316,603
Butter	52,586
Eggs	328,860
Milk	1,583,160

Present production of these commodities is also very low in relation to pre-war figures.

Planned restoration of Italy's agriculture would go a long way not only towards relieving the domestic food situation, but also towards restoring the national economy. Italy is essentially an agricultural country. More than 40 per cent. of her population is rural, while nearly half of all those gainfully employed are engaged in agriculture. By large-scale land reclamation, and by increasing crop yields per acre through more careful selection of seed, and better methods of farming, Italy, in the years immediately preceding the War, so far increased domestic food production as

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It is in the light of these deficiencies that figures of agricultural production last year must be viewed. How far it fell short of what is possible is clearly indicated in the following comparative table which shows the average production for some of the more important crops and food products during the pre-war period, 1936-38, and the actual production in certain areas during the sowing season, and (2) that Italy, in common with other Mediterranean countries, suffered one of the worst droughts of modern times.

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While, in some respects, this intensive agricultural drive was economically unsound, agricultural exports, nevertheless, accounted for two-fifths of Italy's total export trade, and thus created substantial foreign credits for the purchase of essential imports.

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RUBBER PRODUCTION

Slowly as yet, but already with notable effect, the wheels have begun to turn once more in the rubber industry.

At Tivoli the Pirelli works, using American synthetic rubber, have been producing passenger-car tyres since October last, and output is now in excess of 100 tyres per day. At their works in Milan where production began in January of tyres of all types (including a substantial proportion of heavy-duty tyres), output is expected very shortly to exceed 200 tyres per day. Rayon plants are now once more at work producing the rayon fabric which is essential in synthetic rubber tyres. Michelin have not yet begun production of automotive tyres, but it is anticipated that they will start shortly.

Both Michelin and Pirelli are already producing tyres for bicycles from reclaimed rubber. Output has now been stepped-up almost to normal production. An incidental, but by no means negligible, activity has been the production of rubber soles and heels, also from reclaimed rubber. Output is now very substantial and the availability of this alternative to leather has helped considerably to relieve the acute foot-wear shortage.

These developments have been made possible by imports received under the Military and Transitional Programs. Supplies ordered in accordance with those programs are now only just beginning to arrive in quantity. Substantial imports of synthetic rubber and the essential supplementary materials at an estimated cost of more than 8,000,000 dollars have been included in the new UNRRA program, but it is expected that some time yet will elapse before these supplies start to arrive.

Urgent Tyre Needs

Italy's need of tyres and tubes is immense and urgent, since lack of them is causing serious bottle-necks in distribution by truck transportation. Rubber is at present being allocated almost entirely to their manufacture, to meet essential needs. It is estimated that

The target figure for bicycle sizes is 6,500,000. Motorcycle requirements total 35,000 tyres and tubes. Of paramount importance also, is the production of such industrial equipment as transmission belting and conveyor-bands and communications material, such as insulated cables. As with tyres, this equipment is an essential pre-requisite to large-scale rehabilitation.

Priority in the distribution of tyres for private passenger vehicles is given by the Italian Authorities to doctors, industrial executives and establishments engaged in work of special importance. Truck tyres are available only to those concerns engaged in work of national importance. Bicycle tyres are issued only to those who can prove their need to use a bicycle to go to and from their work or for transportation in connection with their business.

Import Program

It is in view of the key character of the rubber industry in Italy that UNRRA's share of the 30,000 tons of natural and synthetic rubber which it is planned to import during 1946 has been set at the higher of the two alternative estimates considered, namely, 15,000 tons. Last year under the Transitional Program provision was made to import 4,000 tons of rubber. Some has already arrived but deliveries are not yet complete. The great bulk of these imports will comprise synthetic rubber imported from the United States, but it is hoped that a proportion will be made up of natural rubber derived from British sources of supply. It is, in fact, essential that some natural rubber should be included in the imports since tyres cannot be made wholly of synthetic rubber but must include a proportion of natural rubber.

The import program is a "rounded" one, that is to say, it includes delivery not only of natural and synthetic rubber, but of such essential manufacturing ingredients as carbon black and cellulose for high-tenacity rayon. The policy throughout will be to import the raw materials. Not only is this more economical of money, time and materials, but it

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Italy's need of tyres and tubes is immense and urgent, since lack of them is causing serious bottle-necks in distribution by truck transportation. Rubber is at present being allocated almost entirely to their manufacture, to meet essential needs. It is estimated that the minimum requirements this year are in the order of 400,000 to 500,000 tyres and tubes for passenger-cars and cars that have been converted to goods-carrying, rather more than 200,000 tyres and tubes for medium-size trucks and approximately 400,000 tyres and tubes for large trucks and trailers.

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In view of the present world situation, it is fortunate that production of synthetic rubber, which was only at the experimental stage before the war, was, under the stress of wartime conditions, extensively developed in the

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major warring countries. In such essential ancillary ingredients as carbon black, Italy has never been self-supporting. Under war conditions home production of carbon black reached 1,500 tons in 1942, but even this figure is far below the total of 12,000 tons of carbon black and lamp black needed if the full 1946 production program is to be carried out.

No general statistics of what the Italian rubber industry achieved during the war are available and in the absence of such statistics no estimate can, at the moment, be made of present-day production capacity, particularly in view of the set-blacks inflicted upon the industry by Allied bombing and German looting and sabotage. Broadly speaking, however, the principal rubber-manufacturing plants have survived the war with their production capacity intact. In normal times the industry was not only capable of meeting Italian requirements, but of providing a surplus for export. Given an adequate flow of raw materials it can be effectively re-established.

WOOLLEN INDUSTRY

Under the 1946 UNRRA Program 14,000 tons (scoured) of raw wool are scheduled to be delivered during the early months of the year, on UNRRA account. In all, on UNRRA and other account, it is hoped to import during 1946 a total of 48,700 tons (scoured) of raw wool, while home production is expected to yield a further 4,500 tons.

In addition to raw wool, it is planned to import some 24,000 tons of wool rags of which approximately half—11,000 tons—will be supplied on the UNRRA program. As with cotton, so with wool, the urgent clothing needs of the Italian population are to be met by the importation of raw materials, since Italy's large productive capacity can fully supply home needs. After Italy's own essential needs have been met there will remain a substantial number of spindles for both worsted and carded wool and some thousands of looms which, it has been suggested, might be employed in producing essential woollen goods for relief in metric tons of pure wool fabric and 1,864 tons of wool yarns, and a favourable, although much smaller, export balance of mixed fabrics.

The woollen mills have survived the war virtually intact. Only in comparatively small spinning centres in Calabria, Campania and Abruzzi and Molise has serious damage been sustained. Spindles—all carded wool and none worsted—in these provinces account altogether for less than two-and-a-half per cent. of the total, while the number of looms is no more than one-half per cent. In Piedmont, Veneto, Tuscany and Lombardy, where virtually the entire industry—both worsted and woollen—is concentrated, the potential exists for full-scale production—given the raw materials, the coal and the necessary electric power to work the mills.

Italy's woollen industry was hampered by shortage of raw materials, *before* the war, while, of course, during the war all imports ceased. This was particularly so of the worsted section of the industry which, owing to "starvation," except for such domestic supplies as were available, has had to endure a long period of inactivity.

Interference with normal sources of supply began as long ago as 1934 when the Fascist Government inaugurated its campaign for textile self-sufficiency. In accordance with that policy, raw wool imports, which in 1933 rose as high as 91,838 metric tons, fell in 1938 to as low as 37,649 tons—with a corresponding sharp increase in production of mixed woollen cloth and artificial wool fibres. In order to operate under this cramping policy of self-sufficiency which, in the war years was, of course, forced upon the industry, much machinery has had to be adapted for use with artificial fibres.

Present Policy

Present policy with regard to the allocation of imports is designed to correct the unnatural tendencies of recent years and to stimulate the worsted section of the industry. With that end in view the first 1,200 tons of raw wool imported has, experimentally, been allocated

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Under the 1945 Transitional Program 2,911 metric tons (scoured) of raw wool have so far been imported. These imports represent the first beginnings in the long process of re-establishing an industry, which in 1938 had established a net export balance of some 8,965 tons.

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Present Policy

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in the North. The Associazione was responsible for the original allocation, and now has the whole question under review.

Allocations of UNRRA wool will, of course, be subject to special considerations because of the necessity of making certain that the finished products are such as to provide essential goods needed by the Italian people, at prices which they can afford to pay. Discussions on the best way to follow this policy will be carried on in the next few weeks before the first UNRRA shipments arrive.

MOVEMENTS OF SHIPS

(CARGOES OTHER THAN COAL)

(FEBRUARY 1-18 INCLUSIVE)

SHIP	PORT OF ARRIVAL	DATE OF ARRIVAL	ACCOUNT	CARGO
J. C. Blackburn	Genoa	11 Feb.	FEA	Wheat
Harry Gluckman	Genoa	12 "	For Switzerland	"
Henry Rainey	Genoa	13 "	For Switzerland	"
Joseph Emery	Castellamare Salerno	16 "	UNRRA	"
Arthur Riggs	Civitavecchia	16 "	UNRRA	"
James Devereaux	Genoa	16 "	FEA	"
Thos. Hill	Catania Syracuse	*17 "	UNRRA	"
Geo. Mackay	Leghorn	*18 "	It. Govt.	"
Francis Smith	Genoa	11 "	Commercial	Cotton
Jose Benitez	Genoa Naples	11 "	It. Govt., Commercial	Cotton, Steel
Nancy Lykes	Genoa	12 "	It. Govt., Commercial	" "
Geo. Flanders	Genoa Leghorn	15 "	It. Govt.	Copper, Nitrate

* *Expected date of arrival*

COAL

(FEBRUARY 11-17 INCLUSIVE)

SHIP	PORT OF ARRIVAL	DATE OF ARRIVAL	ACCOUNT	SHIP	PORT OF ARRIVAL	DATE OF ARRIVAL	ACCOUNT
James McHenry	Bari	11 Feb.	FEA	Stephen Furdeck	Venice	15 Feb.	FEA
	Ancona	17 "		Orland Loomis	Genoa	16 "	U.S. Army
Benjamin H. Bristow	Civitav.	11 "	"	Henry M. Rice	Venice	" "	FEA
Brander Matthews	Genoa	12 "	"	Fort Brandon	Civitav.	17 "	British Army
Fort Senneville	Genoa	" "	British Army	Finley P. Dunne	Bari	" "	FEA
Anson Burlingam	Genoa	" "	FEA	R. S. Wilson	Genoa	" "	FEA

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Anson Burlingam	Genoa	" "	FEA	Finley P. Dunne	Bari	" "	FEA
John Carlisle	Savona	" "	"	R. S. Wilson	Genoa	" "	FEA
Andrew Carnegie	Palermo	13 "	"	Nelson Dingley	Venice	" "	FEA
Carter B. Axton	Genoa	14 "	"	William Rayburn	Venice	" "	FEA
Pittsburg Seam	Savona	15 "	"				

NOTE: Several coal shipments for which only estimated dates of arrival could be given last week are included in the above table, in view of the more detailed information now available.

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February 15, 1946

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UNRRA

ECONOMIC NOTES

— PUBLISHED BY UNRRA ITALIAN MISSION, VIA DI SAN NICOLA DA TOLENTINO 78, ROME, ITALY —

CONTENTS

1. Shipping Problems
2. Sugar, Fats And Meat.
3. Movements of Ships.

SHIPPING PROBLEMS

To provide a week by week picture of what ships are arriving at Italian ports and what goods are coming into the country, these Notes will in future include a weekly summary of ship movements and principal imports. The first of these summaries covers the period from February 1 until Monday, February 11, but with subsequent issues the period will be one week only—from Monday noon to Monday noon.

For January, the shipping and import situation was, briefly, as follows:—

Number of ocean-going ships arrived at Italian ports with civilian supplies . . 71

Principal Imports:

Wheat	186,811	metric tons
Other Foods	9,274	» »
Coal	289,832	» »
Miscellaneous Non-food	39,042	» »

Principal Ports of Discharge:

Genoa	21 ships
Venice	11 »
Savona	6 »
Naples	5 »
[illegible]	5 »

counting both those on FEA account and those on UNRRA account. Of the 89 ships, 51 will carry coal, estimated at about 400,000 tons. Of the FEA ships (other than coal) seven will load with flour, one with cotton and nitrates and five with general cargo, details of which are not at present available. The UNRRA ships (other than coal) will, according to tentative program estimates, load approximately 227,000 metric tons of supplies for delivery during March, of which 170,000 metric tons will be bulk wheat, 16,000 tons wheat flour, another 15,500 tons oats and approximately 4,500 tons rye flour, rolled oats and cornmeal. UNRRA shipments are expected also to include approximately 10,500 tons of condensed and dried milk, as well as 1,000 tons of sardines. Supplementing FEA deliveries of coal from the Western Hemisphere, will be approximately 16,000 tons of coal shipped on UNRRA account from South Africa. It must be emphasised that these figures are *tentative*.

February loadings, for delivery during March, are expected to clear the bulk of the outstanding FEA supplies. March loading on FEA account will be small. From then on, the bulk of Italy's basic supplies will be shipped by UNRRA.

4775

Availability of Supplies

What UNRRA can achieve will, to a considerable extent, depend upon factors over

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What UNRRA can achieve will, to a considerable extent, depend upon factors over which UNRRA as an international body, has only limited control—or sometimes none at all. Over-riding all else is the question of availability.

The discussions which have just been completed in London regarding the future of the

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shipping "pool," which is to end on March 2, must by their very nature have a most intimate bearing upon the whole future of Italian rehabilitation. As this issue goes to Press, details of the decisions arrived at in London are not available in Rome. How far the individual nations will exercise control—as is recommended—in the interim period, which will follow the winding up of the United Maritime Authority—the so-called "pool"—cannot be stated, but one fact is incontestable: Orderly availability of the world's shipping is as much a matter of international concern as the orderly availability of such basic commodities as grain. For Italy in particular, shipping availability is of special importance since her imports are at the present time almost 100 per cent sea-borne, and they reach Italy in largely non-Italian shipping.

The availability of shipping depends in its turn upon factors, some temporary some permanent, of great diversity. Securing actual shipping tonnage is by no means the only problem to be solved. Indeed, shortage of shipping tonnage is not at the moment the most pressing of those problems. Of greater urgency are such questions as whether the cargo a particular ship is chartered to carry can, in fact, be made available for loading at the port, when required; whether a ship can, in fact, be manned and whether at the port of discharge facilities exist for the proper handling, and onward despatch, of the cargo.

Manning Difficulties

Unprecedent snow-storms, for instance, in the United States during December reacted immediately upon loading schedules at the ports. As mentioned in a previous issue, inland transportation difficulties have prevented delivery to the seaboard of the grain which the Argentine Government has promised as a gift to Italy. Another serious consideration at the present time is the shortage of crews to man the ships that are available to carry the cargoes. In some cases this shortage is a passing phase. In December, for example, a substantial number of men were not available for

A further serious difficulty which hampers the orderly movement of shipping is the inability of all war ravaged importing countries to clear the ships quickly, owing to war damage in the ports themselves, and, above all, owing to the inadequacy of internal transportation systems. This is undoubtedly true of Italy. Lack of railway wagons, lack of locomotives and lack of fuel all combine to cause delay in the "turn-round" of ships at the ports—delay which is aggravated further by the destruction of port facilities. Yet another cause of delay in "turn-round" is the uneven flow of shipping. A port's capacity depends not so much on what it can handle per year, but on the number of ships it can accommodate at any one period of time. In Genoa, recently, three Swiss ships, which arrived within a week, could not discharge their cargo because no berths were available. But while these difficulties remain serious, it must be recorded that strenuous and effective efforts have been, and are being, made by the Italian Authorities to overcome them.

Reducing Road Haulage

In view of the present serious state of road and rail transportation in Italy, the aim is always to deliver cargo to the port nearest to where the supplies are needed, thereby reducing inland haulage to a minimum. Practical considerations make it impossible always to carry out such a policy. Phosphates from Chile, for example, consigned to provinces for which Ancona was the obvious port could not be landed there direct, owing to the fact that Ancona, a comparatively shallow-draught port, could not accommodate fully-laden, ocean-going freighters.

A much asked question is: What is to be done with the merchant shipping tonnage which prior to the War belonged to Italy? How far it can be used to serve Italian needs depends, first, upon the final settlement of treaty terms between the United Nations and Italy and, secondly, upon the adjustments which will result from the London decision to wind up U. M. A.

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Italian—or former Italian—shipping can be divided into three classes:

(1). Ships under 300 tons gross, comprising schooners and other coastal vessels.

(2). Ships over 300 tons gross employed in Italian coastwise traffic and

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(3). Ships over 300 tons gross employed in the shipping "pool" under the control of U. M. A., outside Italian waters.

Coastal ships in Class I, totalling 50,000 tons gross have, since July 1 last, been operated under the direct control of the Italian Ministry of Marine through "Cogena," i.e. the Comitato Gestione Navi. Ships in Class II, totalling some 100,000 tons gross, are at the present time operated under the control of the Italian Government working in collaboration with U. M. A. Their future is obviously dependent upon the arrangements which will follow the winding up of U. M. A. Ships outside Italian waters, of which the gross tonnage is somewhat over 150,000, are, with few exceptions, in the U. M. A. shipping "pool."

Argentine Deal

So far, no practical results have come of the deal with Argentina, by which the Italian Government bought back seven ships, of an average of 5,000 tons gross, which were sold to Argentina at the beginning of the War. On paper, all the negotiations are complete and for one of the ships a charter party has already been signed for the trip from Argentina back to Italy; but the exact date of departure is not known. Some of the other ships have still to complete voyages under the Argentine flag before they become available for transfer. It is, further, a condition of sale that the ships must be handed back to Italy in the same condition they were in when they were sold to Argentina. The necessary surveys and repairs are expected to involve substantial delays before the ships are physically in a condition to sail for Italy. On the other hand, it is certain that their return to the Mediterranean for use in the Italian trade would be a substantial gain.

The destiny of Italian shipping is not controlled by UNRRA; but UNRRA will look with a benign eye on any increase in the ships

SUGAR, FATS AND MEAT

Sugar supplies are likely to be a cause of anxiety during the coming months until domestic production brings relief in October. With sugar, as with wheat, the reason for anxiety is the same; world shortage. In compiling their import requirements for 1946, the Italian Government based their figures on a tentative monthly ration of 500 grams per person and an allotment of 60,000 tons for special concessions and the manufacture of fruit preserves. Even at the time, however, when this figure was first put forward, the world shortage was such that import requirements were at once pruned from a theoretical optimum of 238,000 tons to 152,000 tons, of which UNRRA was asked to contribute a total of 82,000 tons.

On this basis, it was hoped to increase the monthly ration to 300 grams a month, and maintain it at this figure until October, when distribution of home-grown, and home-processed sugar could begin. (Although the harvest is in mid-August, it is estimated that none of the new season's sugar can be on the market before October at the earliest.) In present circumstances, however, not only must any thought of increasing the sugar ration be put aside, but the possibility must also be faced of a cut in the existing ration (200 grams per month per normal consumer) before the new harvest is processed and on the market. The necessity for this, it must once again be emphasised, is due entirely to world shortages. The reduction in imports during 1946, now seen to be inevitable, will apply not only to Italy but to all those countries bidding for a share in the depleted world stocks of sugar. Early forecasts of the 1946 domestic sugar crop are satisfactory and present estimates point to a yield of 130,000 tons—just sufficient to maintain the present ration after the harvest without recourse to imports.

Ration Fluctuations

A point to be noted in regard to the rationing of sugar and of other subsidiary foods is

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The destiny of Italian shipping is not controlled by UNRRA; but UNRRA will look with a benign eye on any increase in the ships available to Italy. For to the extent that Italian ships can carry the hundred or so shiploads of UNRRA supplies that will come into Italy monthly, UNRRA (and the United Nations) are saving good money, that can be spent on relief and rehabilitation if it does not need to be spent on freight.

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A point to be noted in regard to the rationing of sugar and of other subsidiary foods is that the actual value of the ration will necessarily have to be based on a month to month allocation. Unlike the bread ration, where plans are laid far ahead to ensure a fixed scale, rations of subsidiary foods are likely to show month to month fluctuations, according to the availability of supplies.

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Fat Ration

In respect of another of the subsidiary foods included in the UNRRA program, namely fats, it now seems probable that the level of imports tentatively planned for 1946 will not be reached, although reductions are unlikely to be as proportionately drastic as in the case of sugar. This should cause little surprise, since as with sugar, preliminary estimates put forward by the Italian Government were reduced as it seemed "very unlikely that such a large import program could ever be fully implemented, because of the world-wide shortage of fats, oils and oil-bearing seeds."

Import Requirements

Total requirements on the basis of a monthly ration of 250 grams for each of the 36,000,000 non-producers in the country, plus higher rations for certain special classes, would represent 150,000 tons a year. This would involve importing some 108,000 tons, on the assumption that 42,000 tons would be available from domestic sources for distribution to ration card holders. Total home production of fats and oils is estimated to be 190,000 tons—or more than four times what is available for distribution in the general ration. The difficulty lies, however, in collecting animal fat, while olive growers are by law allowed to retain 15 kgs. per person. Of the 2,300,000 pigs which, it is estimated, will be killed this year, some 2,000,000 will be slaughtered on individual farms and smaller establishments, where no practicable means exist of securing the by-products for general distribution. Only 300,000 pigs will be processed in industrial establishments where fats *can* be recovered. So far as olive oil is concerned, the only possible emergency measure for increasing output—and one that can only be applied to a severely limited extent—would be to secure more intensive extraction.

Meat

With regard to meat, it is to be emphasised that not only is there no official ration, but it is Government policy to stop the slaughter of livestock, in order to make good the severe losses incurred during—and after—the war. Under Ministry of Agriculture Order, it is an offence to slaughter cattle, except where animals are sick or too old for work.

The German Army policy of living off the land was responsible for large-scale slaughter, and as the Germans retreated from Southern Italy they drove large herds along with them. The inclusion of Indian troops among the British Forces fighting in Italy necessitated the slaughter of large quantities of sheep, in order to meet the special food requirements prescribed by Indian religion and custom.

The British Army authorities have replaced most of the meat they took in the form of live sheep with equivalent supplies of preserved meat; but, while such an exchange satisfies immediate food requirements, it does nothing to restock depleted flocks. Not the least of the causes of a reduction in livestock was last year's severe drought, which involved heavy enforced slaughter of sheep and goats, particularly in Southern Italy and Sardinia.

In the very limited program of meat importation envisaged in 1946 it is proposed tentatively to import a total of some 52,000 tons of meat, of which UNRRA's share will be 24,600 tons in the form of canned meat to facilitate distribution. It is also hoped to import a total of some 7,000 tons of frozen meat (of which UNRRA's quota wil be 2,330 tons) to serve the double purpose of reviving the preserved meat industry and at the same time providing a means of utilising meat scrap which would otherwise be wasted.

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Movements of Ships

(PERIOD FEBRUARY 1-11 INCLUSIVE)

CARGOES OTHER THAN COAL

SHIP	PORT OF ARRIVAL	DATE OF ARRIVAL	ACCOUNT	CARGO
John W. Davis	Venice	4 Feb.	It. Govt., FEA	Steel, Food and General
George Baker	Messina Reggio	6 Feb.	UNRRA	Wheat, Bulk
Benj Grierson	Castellamare	10 Feb.	FEA	" "
Joel Palmer	Palermo	11 Feb.	It. Govt.	" "
Julia Shaw	Genoa	6 Feb.	FEA	" "
Cleveland Forbes	Naples	11 Feb.	FEA	" "
Billy Mitchell	Bari Ancona	3 Feb.	FEA	" "
Wm. Fargo	Genoa	2 Feb.	It. Govt.	Cotton, Copper
John McMillan	Naples Savona	8 Feb.	It. Govt.	" "
Adoniram Judson	Venice	2 Feb.	It. Govt.	" "
Cetus	Catania Bari	2 Feb.	UNRRA	Seed Potatoes
Rutenjell	Leghorn	7 Feb.	UNRRA	" "
Mitchell Palmer	Savona	4 Feb.	It. Govt.	Manganese
Jas. Wilder	Naples Catania	7 Feb.	It. Govt.	Sodium Nitrate
Wm. Dobson	Naples	4 Feb.	It. Govt., FEA	Food, Steel, General
Sidney Edgerton	Genoa Naples	8 Feb.	It. Govt.	Rails
Purdue Victory	Genoa	7 Feb.	It. Govt.	Food and General
St. John Victory	Civitavecchia	10 Feb.	UNRRA	" " "
Rufus Peckham	Venice	9 Feb.	It. Govt., FEA	" " "
Becket Bend	Naples	2 Feb.	UNRRA	Codfish
Joyce Kilmer	Bari Ancona	2 Feb.	FEA	Wheat, Bulk

COAL

SHIP	PORT OF ARRIVAL	ESTIMATED DATE OF ARRIVAL	SHIP	PORT OF ARRIVAL	ESTIMATED DATE OF ARRIVAL
Wilfred R. Bellevue	Civitavecchia		Robert S. Bean	Genoa Savona	
John Marshall	Leghorn	1 Feb.	Carter B. Axton	Genoa Savona	7 Feb.
Samuel Blatchford	Genoa Savona		Glamorgan Seam	Genoa Savona	
Redstone Seam	Genoa Savona		Robert Y. Hayne	Bagnoli	
John Ross	Venice	2 Feb.	Zarembo	Piombino	8 Feb.
Norman E. Mack	Genoa Savona		Henry M. Rice	Bari	
Atlanta City	Venice		Fort Seneville	Bari	
Gaeta	Genoa Savona	3 Feb.	Samgalleon	Ancona	
Wm. Bryan	Venice		Edera	Genoa Savona	
Henry Waterson	Civitavecchia		Teresa Schiaffino	Genoa Savona	9 Feb.
Edwins Nettleton	Genoa Savona		Eugene Field	Venice	
Ocean Wayfairer	Venice	4 Feb.	Edwin W. Scripps	Reggio	
Wm. Bradford	Venice		Chilton Seam	Genoa Savona	10 Feb.

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George Baker	Messina Reggio	6 Feb.	UNRRA	Wheat, Bulk
Benj Grierson	Castellamare	10 Feb.	FEA	" "
Joel Palmer	Palermo	11 Feb.	It. Govt.	" "
Julia Shaw	Genoa	6 Feb.	FEA	" "
Cleveland Forbes	Naples	11 Feb.	FEA	" "
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Wm. Bradford	Venice		Chilton Seam	Genoa Savona	10 Feb.
Banner Seam	Genoa Savona		John R. McQuigg	Genoa Savona	
John Chandler	Genoa Savona		Benj. H. Bristow	Civitavecchia	
Ocean Verity	Venice	5 Feb.	Mitchell J. Stone	Leghorn	11 Feb.
Woodrow Wilson	Bagnoli		James McHenry	Bari	
Thomas Condon	Ancona	6 Feb.	Andrew Carnegie	Palermo	
Colabee	Reggio				

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February 15, 1946

Vol. I, No. 5

UNRRA

ECONOMIC NOTES

— PUBLISHED BY UNRRA ITALIAN MISSION, VIA DI SAN NICOLA DA TOLENTINO 78, ROME, ITALY —

CONTENTS

1. Shipping Problems.
2. Sugar, Fats And Meat.
3. Movements of Ships.

SHIPPING PROBLEMS

To provide a week by week picture of what ships are arriving at Italian ports and what goods are coming into the country, these Notes will in future include a weekly summary of ship movements and principal imports. The first of these summaries covers the period from February 1 until Monday, February 11, but with subsequent issues the period will be one week only—from Monday noon to Monday noon.

For January, the shipping and import situation was, briefly, as follows:—

Number of ocean-going ships arrived at Italian ports with civilian supplies . . 71

Principal Imports:

Wheat	186,811	metric tons
Other Foods	9,274	» »
Coal	289,832	» »
Miscellaneous Non-food	39,042	» »

Principal Ports of Discharge:

Genoa	21 ships
Venice	11 »
Savona	6 »
Naples	5 »

counting both those on FEA account and those on UNRRA account. Of the 89 ships, 51 will carry coal, estimated at about 400,000 tons. Of the FEA ships (other than coal) seven will load with flour, one with cotton and nitrates and five with general cargo, details of which are not at present available. The UNRRA ships (other than coal) will, according to tentative program estimates, load approximately 227,000 metric tons of supplies for delivery during March, of which 170,000 metric tons will be bulk wheat, 16,000 tons wheat flour, another 15,500 tons oats and approximately 4,500 tons rye flour, rolled oats and cornmeal. UNRRA shipments are expected also to include approximately 10,500 tons of condensed and dried milk, as well as 1,000 tons of sardines. Supplementing FEA deliveries of coal from the Western Hemisphere, will be approximately 16,000 tons of coal shipped on UNRRA account from South Africa. It must be emphasised that these figures are *tentative*.

February loadings, for delivery during March, are expected to clear the bulk of the outstanding FEA supplies. March loading on FEA account will be small. From then on, the bulk of Italy's basic supplies will be shipped by UNRRA.

Availability of Supplies

What UNRRA can achieve will, to a considerable extent, depend upon factors over

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What UNRRA can achieve will, to a considerable extent, depend upon factors over which UNRRA as an international body, has only limited control—or sometimes none at all. Over-riding all else is the question of availability.

The discussions which have just been completed in London regarding the future of the

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shipping "pool," which is to end on March 2, must by their very nature have a most intimate bearing upon the whole future of Italian rehabilitation. As this issue goes to Press, details of the decisions arrived at in London are not available in Rome. How far the individual nations will exercise control—as is recommended—in the interim period, which will follow the winding up of the United Maritime Authority—the so-called "pool"—cannot be stated, but one fact is incontestable: Orderly availability of the world's shipping is as much a matter of international concern as the orderly availability of such basic commodities as grain. For Italy in particular, shipping availability is of special importance since her imports are at the present time almost 100 per cent sea-borne, and they reach Italy in largely non-Italian shipping.

The availability of shipping depends in its turn upon factors, some temporary some permanent, of great diversity. Securing actual shipping tonnage is by no means the only problem to be solved. Indeed, shortage of shipping tonnage is not at the moment the most pressing of those problems. Of greater urgency are such questions as whether the cargo a particular ship is chartered to carry can, in fact, be made available for loading at the port, when required; whether a ship can, in fact, be manned and whether at the port of discharge facilities exist for the proper handling, and onward despatch, of the cargo.

Manning Difficulties

Unprecedent snow-storms, for instance, in the United States during December reacted immediately upon loading schedules at the ports. As mentioned in a previous issue, inland transportation difficulties have prevented delivery to the seaboard of the grain which the Argentine Government has promised as a gift to Italy. Another serious consideration at the present time is the shortage of crews to man the ships that are available to carry the cargoes. In some cases this shortage is a passing phase. In December, for example, a substantial number of men were not available for

A further serious difficulty which hampers the orderly movement of shipping is the inability of all war ravaged importing countries to clear the ships quickly, owing to war damage in the ports themselves, and, above all, owing to the inadequacy of internal transportation systems. This is undoubtedly true of Italy. Lack of railway wagons, lack of locomotives and lack of fuel all combine to cause delay in the "turn-round" of ships at the ports—delay which is aggravated further by the destruction of port facilities. Yet another cause of delay in "turn-round" is the uneven flow of shipping. A port's capacity depends not so much on what it can handle per year, but on the number of ships it can accommodate at any one period of time. In Genoa, recently, three Swiss ships, which arrived within a week, could not discharge their cargo because no berths were available. But while these difficulties remain serious, it must be recorded that strenuous and effective efforts have been, and are being, made by the Italian Authorities to overcome them.

Reducing Road Haulage

In view of the present serious state of road and rail transportation in Italy, the aim is always to deliver cargo to the port nearest to where the supplies are needed, thereby reducing inland haulage to a minimum. Practical considerations make it impossible always to carry out such a policy. Phosphates from Chile, for example, consigned to provinces for which Ancona was the obvious port could not be landed there direct, owing to the fact that Ancona, a comparatively shallow-draught port, could not accommodate fully-laden, ocean-going freighters.

A much asked question is: What is to be done with the merchant shipping tonnage which prior to the War belonged to Italy? How far it can be used to serve Italian needs depends, first, upon the final settlement of treaty terms between the United Nations and Italy and, secondly, upon the adjustments which will result from the London decision to wind up U. M. A.

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Italian—or former Italian—shipping can be divided into three classes:

(1). Ships under 300 tons gross, comprising schooners and other coastal vessels.

(2). Ships over 300 tons gross employed in Italian coastwise traffic and

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(3). Ships over 300 tons gross employed in the shipping "pool" under the control of U. M. A., outside Italian waters.

Coastal ships in Class I, totalling 50,000 tons gross have, since July 1 last, been operated under the direct control of the Italian Ministry of Marine through "Cogena," i.e. the Comitato Gestione Navi. Ships in Class II, totalling some 100,000 tons gross, are at the present time operated under the control of the Italian Government working in collaboration with U. M. A. Their future is obviously dependent upon the arrangements which will follow the winding up of U. M. A. Ships outside Italian waters, of which the gross tonnage is somewhat over 150,000, are, with few exceptions, in the U. M. A. shipping "pool."

Argentine Deal

So far, no practical results have come of the deal with Argentina, by which the Italian Government bought back seven ships, of an average of 5,000 tons gross, which were sold to Argentina at the beginning of the War. On paper, all the negotiations are complete and for one of the ships a charter party has already been signed for the trip from Argentina back to Italy; but the exact date of departure is not known. Some of the other ships have still to complete voyages under the Argentine flag before they become available for transfer. It is, further, a condition of sale that the ships must be handed back to Italy in the same condition they were in when they were sold to Argentina. The necessary surveys and repairs are expected to involve substantial delays before the ships are physically in a condition to sail for Italy. On the other hand, it is certain that their return to the Mediterranean for use in the Italian trade would be a substantial gain.

The destiny of Italian shipping is not controlled by UNRRA; but UNRRA will look with a benign eye on any increase in the ships

SUGAR, FATS AND MEAT

Sugar supplies are likely to be a cause of anxiety during the coming months until domestic production brings relief in October. With sugar, as with wheat, the reason for anxiety is the same; world shortage. In compiling their import requirements for 1946, the Italian Government based their figures on a tentative monthly ration of 500 grams per person and an allotment of 60,000 tons for special concessions and the manufacture of fruit preserves. Even at the time, however, when this figure was first put forward, the world shortage was such that import requirements were at once pruned from a theoretical optimum of 238,000 tons to 152,000 tons, of which UNRRA was asked to contribute a total of 82,000 tons.

On this basis, it was hoped to increase the monthly ration to 300 grams a month, and maintain it at this figure until October, when distribution of home-grown, and home-processed sugar could begin. (Although the harvest is in mid-August, it is estimated that none of the new season's sugar can be on the market before October at the earliest.) In present circumstances, however, not only must any thought of increasing the sugar ration be put aside, but the possibility must also be faced of a cut in the existing ration (200 grams per month per normal consumer) before the new harvest is processed and on the market. The necessity for this, it must once again be emphasised, is due entirely to world shortages. The reduction in imports during 1946, now seen to be inevitable, will apply not only to Italy but to all those countries bidding for a share in the depleted world stocks of sugar. Early forecasts of the 1946 domestic sugar crop are satisfactory and present estimates point to a yield of 130,000 tons—just sufficient to maintain the present ration after the harvest without recourse to imports.

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The destiny of Italian shipping is not controlled by UNRRA; but UNRRA will look with a benign eye on any increase in the ships available to Italy. For to the extent that Italian ships can carry the hundred or so shiploads of UNRRA supplies that will come into Italy monthly, UNRRA (and the United Nations) are saving good money, that can be spent on relief and rehabilitation if it does not need to be spent on freight.

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In respect of another of the subsidiary foods included in the UNRRA program, namely fats, it now seems probable that the level of imports tentatively planned for 1946 will not be reached, although reductions are unlikely to be as proportionately drastic as in the case of sugar. This should cause little surprise, since as with sugar, preliminary estimates put forward by the Italian Government were reduced as it seemed "very unlikely that such a large import program could ever be fully implemented, because of the world-wide shortage of fats, oils and oil-bearing seeds."

Import Requirements

Total requirements on the basis of a monthly ration of 250 grams for each of the 36,000,000 non-producers in the country, plus higher rations for certain special classes, would represent 150,000 tons a year. This would involve importing some 108,000 tons, on the assumption that 42,000 tons would be available from domestic sources for distribution to ration card holders. Total home production of fats and oils is estimated to be 190,000 tons—or more than four times what is available for distribution in the general ration. The difficulty lies, however, in collecting animal fat, while olive growers are by law allowed to retain 15 kgs. per person. Of the 2,300,000 pigs which, it is estimated, will be killed this year, some 2,000,000 will be slaughtered on individual farms and smaller establishments, where no practicable means exist of securing the by-products for general distribution. Only 300,000 pigs will be processed in industrial establishments where fats *can* be recovered. So far as olive oil is concerned, the only possible emergency measure for increasing output—and one that can only be applied to a severely limited extent—would be to secure more intensive extraction.

Meat

With regard to meat, it is to be emphasised that not only is there no official ration, but it is Government policy to stop the slaughter of livestock, in order to make good the severe losses incurred during—and after—the war. Under Ministry of Agriculture Order, it is an offence to slaughter cattle, except where animals are sick or too old for work.

The German Army policy of living off the land was responsible for large-scale slaughter, and as the Germans retreated from Southern Italy they drove large herds along with them. The inclusion of Indian troops among the British Forces fighting in Italy necessitated the slaughter of large quantities of sheep, in order to meet the special food requirements prescribed by Indian religion and custom.

The British Army authorities have replaced most of the meat they took in the form of live sheep with equivalent supplies of preserved meat; but, while such an exchange satisfies immediate food requirements, it does nothing to restock depleted flocks. Not the least of the causes of a reduction in livestock was last year's severe drought, which involved heavy enforced slaughter of sheep and goats, particularly in Southern Italy and Sardinia.

In the very limited program of meat importation envisaged in 1946 it is proposed tentatively to import a total of some 52,000 tons of meat, of which UNRRA's share will be 24,000 tons in the form of canned meat to facilitate distribution. It is also hoped to import a total of some 7,000 tons of frozen meat (of which UNRRA's quota wil be 2,330 tons) to serve the double purpose of reviving the preserved meat industry and at the same time providing a means of utilising meat scrap which would otherwise be wasted.

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Movements of Ships

(PERIOD FEBRUARY 1-11 INCLUSIVE)

CARGOES OTHER THAN COAL

SHIP	PORT OF ARRIVAL	DATE OF ARRIVAL	ACCOUNT	CARGO
John W. Davis	Venice	4 Feb.	It. Govt., FEA	Steel, Food and General
George Baker	Messina Reggio	6 Feb.	UNRRA	Wheat, Bulk
Benj Grierson	Castellamare	10 Feb.	FEA	" "
Joel Palmer	Palermo	11 Feb.	It. Govt.	" "
Julia Shaw	Genoa	6 Feb.	FEA	" "
Cleveland Forbes	Naples	11 Feb.	FEA	" "
Billy Mitchell	Bari Ancona	3 Feb.	FEA	" "
Wm. Fargo	Genoa	2 Feb.	It. Govt.	Cotton, Copper
John McMillan	Naples Savona	8 Feb.	It. Govt.	" "
Adoniram Judson	Venice	2 Feb.	It. Govt.	" "
Cetus	Catania Bari	2 Feb.	UNRRA	Seed Potatoes
Rutenjell	Leghorn	7 Feb.	UNRRA	" "
Mitchell Palmer	Savona	4 Feb.	It. Govt.	Manganese
Jas. Wilder	Naples Catania	7 Feb.	It. Govt.	Sodium Nitrate
Wm. Dobson	Naples	4 Feb.	It. Govt., FEA	Food, Steel, General
Sidney Edgerton	Genoa Naples	8 Feb.	It. Govt.	Rails
Purdue Victory	Genoa	7 Feb.	It. Govt.	Food and General
St. John Victory	Civitavecchia	10 Feb.	UNRRA	" " "
Rufus Peckham	Venice	9 Feb.	It. Govt., FEA	" " "
Becket Bend	Naples	2 Feb.	UNRRA	Codfish
Joyce Kilmer	Bari Ancona	2 Feb.	FEA	Wheat, Bulk

COAL

SHIP	PORT OF ARRIVAL	ESTIMATED DATE OF ARRIVAL	SHIP	PORT OF ARRIVAL	ESTIMATED DATE OF ARRIVAL
Wilfred R. Bellevue	Civitavecchia		Robert S. Bean	Genoa Savona	
John Marshall	Leghorn	1 Feb.	Carter B. Axton	Genoa Savona	7 Feb.
Samuel Blatchford	Genoa Savona		Glamorgan Seam	Genoa Savona	
Redstone Seam	Genoa Savona	2 Feb.	Robert Y. Hayne	Bagnoli	
John Ross	Venice		Zarembo	Piombino	8 Feb.
Norman E. Mack	Genoa Savona		Henry M. Rice	Bari	
Atlanta City	Venice	3 Feb.	Fort Seneville	Bari	
Gaeta	Genoa Savona		Samgulleon	Ancona	
Wm. Bryan	Venice		Edera	Genoa Savona	9 Feb.
Henry Waterson	Civitavecchia		Teresa Schiaffino	Genoa Savona	
Edwins Nettleton	Genoa Savona		Eugene Field	Venice	
Ocean Wayfairer	Venice	4 Feb.	Edwin W. Scripps	Reggio	
Wm. Bradford	Venice		Chilton Seam	Genoa Savona	10 Feb.

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George Baker	Messina Reggio	6 Feb.	UNRRA	Wheat, Bulk
Benj Grierson	Castellamare	10 Feb.	FEA	" "
Joel Palmer	Palermo	11 Feb.	It. Govt.	" "
Julia Shaw	Genoa	6 Feb.	FEA	" "
Cleveland Forbes	Naples	11 Feb.	FEA	" "
Billy Mitchell	Bari Ancona	3 Feb.	FEA	" "
Wm. Fargo	Genoa	2 Feb.	It. Govt.	Cotton, Copper
John McMillan	Naples Savona	8 Feb.	It. Govt.	" "
Adoniram Judson	Venice	2 Feb.	It. Govt.	" "
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Wm. Bradford	Venice		Chilton Seam	Genoa Savona	
Banner Seam	Genoa Savona	5 Feb.	John R. McQuigg	Genoa Savona	
John Chandler	Genoa Savona		Benj. H. Bristow	Civitavecchia	11 Feb.
Ocean Verity	Venice		Mitchell J. Stone	Leghorn	
Woodrow Wilson	Bagnoli		James McHenry	Bari	
Thomas Condon	Ancona	6 Feb.	Andrew Carnegie	Palermo	
Colabee	Reggio				

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FEB 16 RECD

February 15, 1946 Vol. I. No. 5

UNRRA

ECONOMIC NOTES

— PUBLISHED BY UNRRA ITALIAN MISSION, VIA DI SAN NICOLA DA TOLENTINO 78, ROME, ITALY —

CONTENTS

1. Shipping Problems.
2. Sugar, Fats And Meat.
3. Movements of Ships.

SHIPPING PROBLEMS

To provide a week by week picture of what ships are arriving at Italian ports and what goods are coming into the country, these Notes will in future include a weekly summary of ship movements and principal imports. The first of these summaries covers the period from February 1 until Monday, February 11, but with subsequent issues the period will be one week only—from Monday noon to Monday noon.

For January, the shipping and import situation was, briefly, as follows:—

Number of ocean-going ships arrived at Italian ports with civilian supplies . . 71

Principal Imports:

Wheat	186,811	metric tons
Other Foods	9,274	» »
Coal	289,832	» »
Miscellaneous Non-food	39,042	» »

Principal Ports of Discharge:

Genoa	21 ships
Venice	11 »
Savona	6 »
Naples	5 »
Bari	5 »

counting both those on FEA account and those on UNRRA account. Of the 89 ships, 51 will carry coal, estimated at about 400,000 tons. Of the FEA ships (other than coal) seven will load with flour, one with cotton and nitrates and five with general cargo, details of which are not at present available. The UNRRA ships (other than coal) will, according to tentative program estimates, load approximately 227,000 metric tons of supplies for delivery during March, of which 170,000 metric tons will be bulk wheat, 16,000 tons wheat flour, another 15,500 tons oats and approximately 4,500 tons rye flour, rolled oats and cornmeal. UNRRA shipments are expected also to include approximately 10,500 tons of condensed and dried milk, as well as 1,000 tons of sardines. Supplementing FEA deliveries of coal from the Western Hemisphere, will be approximately 16,000 tons of coal shipped on UNRRA account from South Africa. It must be emphasised that these figures are *tentative*.

February loadings, for delivery during March, are expected to clear the bulk of the outstanding FEA supplies. March loading on FEA account will be small. From then on, the bulk of Italy's basic supplies will be shipped by UNRRA.

Availability of Supplies

What UNRRA can achieve will, to a considerable extent, depend upon factors over

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What UNRRA can achieve will, to a considerable extent, depend upon factors over which UNRRA as an international body, has only limited control—or sometimes none at all. Over-riding all else is the question of availability.

The discussions which have just been completed in London regarding the future of the

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shipping "pool," which is to end on March 2, must by their very nature have a most intimate bearing upon the whole future of Italian rehabilitation. As this issue goes to Press, details of the decisions arrived at in London are not available in Rome. How far the individual nations will exercise control—as is recommended—in the interim period, which will follow the winding up of the United Maritime Authority—the so-called "pool"—cannot be stated, but one fact is incontestable: Orderly availability of the world's shipping is as much a matter of international concern as the orderly availability of such basic commodities as grain. For Italy in particular, shipping availability is of special importance since her imports are at the present time almost 100 per cent sea-borne, and they reach Italy in largely non-Italian shipping.

The availability of shipping depends in its turn upon factors, some temporary some permanent, of great diversity. Securing actual shipping tonnage is by no means the only problem to be solved. Indeed, shortage of shipping tonnage is not at the moment the most pressing of those problems. Of greater urgency are such questions as whether the cargo a particular ship is chartered to carry can, in fact, be made available for loading at the port, when required: whether a ship can, in fact, be manned and whether at the port of discharge facilities exist for the proper handling, and onward despatch, of the cargo.

Manning Difficulties

Unprecedent snow-storms, for instance, in the United States during December reacted immediately upon loading schedules at the ports. As mentioned in a previous issue, inland transportation difficulties have prevented delivery to the seaboard of the grain which the Argentine Government has promised as a gift to Italy. Another serious consideration at the present time is the shortage of crews to man the ships that are available to carry the cargoes. In some cases this shortage is a passing phase. In December, for example, a substantial number of men were not available for

A further serious difficulty which hampers the orderly movement of shipping is the inability of all war ravaged importing countries to clear the ships quickly, owing to war damage in the ports themselves, and, above all, owing to the inadequacy of internal transportation systems. This is undoubtedly true of Italy. Lack of railway wagons, lack of locomotives and lack of fuel all combine to cause delay in the "turn-round" of ships at the ports—delay which is aggravated further by the destruction of port facilities. Yet another cause of delay in "turn-round" is the uneven flow of shipping. A port's capacity depends not so much on what it can handle per year, but on the number of ships it can accommodate at any one period of time. In Genoa, recently, three Swiss ships, which arrived within a week, could not discharge their cargo because no berths were available. But while these difficulties remain serious, it must be recorded that strenuous and effective efforts have been, and are being, made by the Italian Authorities to overcome them.

Reducing Road Haulage

In view of the present serious state of road and rail transportation in Italy, the aim is always to deliver cargo to the port nearest to where the supplies are needed, thereby reducing inland haulage to a minimum. Practical considerations make it impossible always to carry out such a policy. Phosphates from Chile, for example, consigned to provinces for which Ancona was the obvious port could not be landed there direct, owing to the fact that Ancona, a comparatively shallow-draught port, could not accommodate fully-laden, ocean-going freighters.

A much asked question is: What is to be done with the merchant shipping tonnage which prior to the War belonged to Italy? How far it can be used to serve Italian needs depends, first, upon the final settlement of treaty terms between the United Nations and Italy and, secondly, upon the adjustments which will result from the London decision to wind up U. M. A.

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Italian—or former Italian—shipping can be divided into three classes:

(1). Ships under 300 tons gross, comprising schooners and other coastal vessels.

(2). Ships over 300 tons gross employed in Italian coastwise traffic and

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(3). Ships over 300 tons gross employed in the shipping "pool" under the control of U. M. A., outside Italian waters.

Coastal ships in Class I, totalling 30,000 tons gross have, since July 1 last, been operated under the direct control of the Italian Ministry of Marine through "Cogena," i.e. the Comitato Gestione Navi. Ships in Class II, totalling some 100,000 tons gross, are at the present time operated under the control of the Italian Government working in collaboration with U. M. A. Their future is obviously dependent upon the arrangements which will follow the winding up of U. M. A. Ships outside Italian waters, of which the gross tonnage is somewhat over 150,000, are, with few exceptions, in the U. M. A. shipping "pool."

Argentine Deal

So far, no practical results have come of the deal with Argentina, by which the Italian Government bought back seven ships, of an average of 5,000 tons gross, which were sold to Argentina at the beginning of the War. On paper, all the negotiations are complete and for one of the ships a charter party has already been signed for the trip from Argentina back to Italy; but the exact date of departure is not known. Some of the other ships have still to complete voyages under the Argentine flag before they become available for transfer. It is, further, a condition of sale that the ships must be handed back to Italy in the same condition they were in when they were sold to Argentina. The necessary surveys and repairs are expected to involve substantial delays before the ships are physically in a condition to sail for Italy. On the other hand, it is certain that their return to the Mediterranean for use in the Italian trade would be a substantial gain.

The destiny of Italian shipping is not controlled by UNRRA; but UNRRA will look with a benign eye on any increase in the ships

SUGAR, FATS AND MEAT

Sugar supplies are likely to be a cause of anxiety during the coming months until domestic production brings relief in October. With sugar, as with wheat, the reason for anxiety is the same; world shortage. In compiling their import requirements for 1946, the Italian Government based their figures on a tentative monthly ration of 500 grams per person and an allotment of 60,000 tons for special concessions and the manufacture of fruit preserves. Even at the time, however, when this figure was first put forward, the world shortage was such that import requirements were at once pruned from a theoretical optimum of 238,000 tons to 152,000 tons, of which UNRRA was asked to contribute a total of 82,000 tons.

On this basis, it was hoped to increase the monthly ration to 300 grams a month, and maintain it at this figure until October, when distribution of home-grown, and home-processed sugar could begin. (Although the harvest is in mid-August, it is estimated that none of the new season's sugar can be on the market before October at the earliest.) In present circumstances, however, not only must any thought of increasing the sugar ration be put aside, but the possibility must also be faced of a cut in the existing ration (200 grams per month per normal consumer) before the new harvest is processed and on the market. The necessity for this, it must once again be emphasised, is due entirely to world shortages. The reduction in imports during 1946, now seen to be inevitable, will apply not only to Italy but to all those countries bidding for a share in the depleted world stocks of sugar. Early forecasts of the 1946 domestic sugar crop are satisfactory and present estimates point to a yield of 130,000 tons—just sufficient to maintain the present ration after the harvest without recourse to imports.

Ration Fluctuations

A point to be noted in regard to the rationing of sugar and of other subsidiary foods is

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Coastal ships in Class I, totalling 50,000 tons gross have, since July 1 last, been operated under the direct control of the Italian Ministry of Marine through "Cogena," i.e. the Comitato Gestione Navi. Ships in Class II, totalling some 100,000 tons gross, are at the present time operated under the control of the Italian Government working in collaboration with U. M. A. Their future is obviously dependent upon the arrangements which will follow the winding up of U. M. A. Ships outside Italian waters, of which the gross tonnage is somewhat over 150,000, are, with few exceptions, in the U. M. A. shipping "pool."

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The destiny of Italian shipping is not controlled by UNRRA; but UNRRA will look with a benign eye on any increase in the ships available to Italy. For to the extent that Italian ships can carry the hundred or so shiploads of UNRRA supplies that will come into Italy monthly, UNRRA (and the United Nations) are saving good money, that can be spent on relief and rehabilitation if it does not need to be spent on freight.

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A point to be noted in regard to the rationing of sugar and of other subsidiary foods is that the actual value of the ration will necessarily have to be based on a month to month allocation. Unlike the bread ration, where plans are laid far ahead to ensure a fixed scale, rations of subsidiary foods are likely to show month to month fluctuations, according to the availability of supplies.

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Fat Ration

In respect of another of the subsidiary foods included in the UNRRA program, namely fats, it now seems probable that the level of imports tentatively planned for 1946 will not be reached, although reductions are unlikely to be as proportionately drastic as in the case of sugar. This should cause little surprise, since as with sugar, preliminary estimates put forward by the Italian Government were reduced as it seemed "very unlikely that such a large import program could ever be fully implemented, because of the world-wide shortage of fats, oils and oil-bearing seeds."

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The German Army policy of living off the land was responsible for large-scale slaughter, and as the Germans retreated from Southern Italy they drove large herds along with them. The inclusion of Indian troops among the British Forces fighting in Italy necessitated the slaughter of large quantities of sheep, in order to meet the special food requirements prescribed by Indian religion and custom.

The British Army authorities have replaced most of the meat they took in the form of live sheep with equivalent supplies of preserved meat: but, while such an exchange satisfies immediate food requirements, it does nothing to restock depleted flocks. Not the least of the causes of a reduction in livestock was last year's severe drought, which involved heavy enforced slaughter of sheep and goats, particularly in Southern Italy and Sardinia.

In the very limited program of meat importation envisaged in 1946 it is proposed tentatively to import a total of some 52,000 tons of meat, of which UNRRA's share will be 24,000 tons in the form of canned meat to facilitate distribution. It is also hoped to import a total of some 7,000 tons of frozen meat (of which UNRRA's quota wil be 2,330 tons) to serve the double purpose of reviving the preserved meat industry and at the same time providing a means of utilising meat scrap which would otherwise be wasted.

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Movements of Ships

(PERIOD FEBRUARY 1-11 INCLUSIVE)

CARGOES OTHER THAN COAL

SHIP	PORT OF ARRIVAL	DATE OF ARRIVAL	ACCOUNT	CARGO
John W. Davis	Venice	4 Feb.	It. Govt., FEA	Steel, Food and General
George Baker	Messina Reggio	6 Feb.	UNRRA	Wheat, Bulk
Benj Grierson	Castellamare	10 Feb.	FEA	" "
Joel Palmer	Palermo	11 Feb.	It. Govt.	" "
Julia Shaw	Genoa	6 Feb.	FEA	" "
Cleveland Forbes	Naples	11 Feb.	FEA	" "
Billy Mitchell	Bari Ancona	3 Feb.	FEA	" "
Wm. Fargo	Genoa	2 Feb,	It. Govt.	Cotton, Copper
John McMillan	Naples Savona	8 Feb.	It. Govt.	" "
Adoniram Judson	Venice	2 Feb.	It. Govt.	" "
Cetus	Catania Bari	2 Feb.	UNRRA	Seed Potatoes
Rutenjell	Leghorn	7 Feb.	UNRRA	" "
Mitchell Palmer	Savona	4 Feb.	It. Govt.	Manganese
Jas. Wilder	Naples Catania	7 Feb.	It. Govt.	Sodium Nitrate
Wm. Dobson	Naples	4 Feb.	It. Govt., FEA	Food. Steel. General
Sidney Edgerton	Genoa Naples	8 Feb.	It. Govt.	Rails
Purdue Victory	Genoa	7 Feb.	It. Govt.	Food and General
St. John Victory	Civitavecchia	10 Feb.	UNRRA	" " "
Rufus Peckham	Venice	9 Feb.	It. Govt., FEA	" " "
Becket Bend	Naples	2 Feb.	UNRRA	Codfish
Joyce Kilmer	Bari Ancona	2 Feb.	FEA	Wheat, Bulk

COAL

SHIP	PORT OF ARRIVAL	ESTIMATED DATE OF ARRIVAL	SHIP	PORT OF ARRIVAL	ESTIMATED DATE OF ARRIVAL
Wilfred R. Bellevue	Civitavecchia		Robert S. Bean	Genoa Savona	
John Marshall	Leghorn	1 Feb.	Carter B Axton	Genoa Savona	7 Feb.
Samuel Blatchford	Genoa Savona		Glamorgan Seam	Genoa Savona	
Redstone Seam	Genoa Savona		Robert Y. Hayne	Bagnoli	
John Ross	Venice	2 Feb.	Zarembo	Piombino	
Norman E. Mack	Genoa Savona		Henry M. Rice	Bari	8 Feb.
Atlanta City	Venice		Fort Seneville	Bari	
Gaeta	Genoa Savona	3 Feb.	Samgalleon	Ancona	
Wm. Bryan	Venice		Edera	Genoa Savona	
Henry Waterson	Civitavecchia		Teresa Schiaffino	Genoa Savona	9 Feb.
Edwins Nettleton	Genoa Savona		Eugene Field	Venice	
Ocean Wayfairer	Venice	4 Feb.	Edwin W. Scripps	Reggio	
Wm. Bradford	Venice		Chilton Seam	Genoa Savona	10 Feb.
Peter Sarstedt	Genoa Savona		John B. McQuiz	Genoa Savona	

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John W. Davis	Venice	4 Feb.	It. Govt., FEA	Steel, Food and General
George Baker	Messina Reggio	6 Feb.	UNRRA	Wheat, Bulk
Benj Grierson	Castellamare	10 Feb.	FEA	" "
Joel Palmer	Palermo	11 Feb.	It. Govt.	" "
Julia Shaw	Genoa	6 Feb.	FEA	" "
Cleveland Forbes	Naples	11 Feb.	FEA	" "
Billy Mitchell	Bari Ancona	3 Feb.	FEA	" "
Wm. Fargo	Genoa	2 Feb.	It. Govt.	Cotton, Copper
John McMillan	Naples Savona	8 Feb.	It. Govt.	" "
Adoniram Judson	Venice	2 Feb.	It. Govt.	" "
Cetus	Catania Bari	2 Feb.	UNRRA	Seed Potatoes
Rutenjell	Leghorn	7 Feb.	UNRRA	" "
Mitchell Palmer	Savona	4 Feb.	It. Govt.	Manganese
Jas. Wilder	Naples Catania	7 Feb.	It. Govt.	Sodium Nitrate
Wm. Dobson	Naples	4 Feb.	It. Govt., FEA	Food, Steel, General
Sidney Edgerton	Genoa Naples	8 Feb.	It. Govt.	Rails
Purdue Victory	Genoa	7 Feb.	It. Govt.	Food and General
St. John Victory	Civitavecchia	10 Feb.	UNRRA	" " "
Rufus Peckham	Venice	9 Feb.	It. Govt., FEA	" " "
Becket Bend	Naples	2 Feb.	UNRRA	Codfish
Joyce Kilmer	Bari Ancona	2 Feb.	FEA	Wheat, Bulk

COAL

SHIP	PORT OF ARRIVAL	ESTIMATED DATE OF ARRIVAL	SHIP	PORT OF ARRIVAL	ESTIMATED DATE OF ARRIVAL
Wilfred R. Bellevue	Civitavecchia	1 Feb.	Robert S. Bean	Genoa Savona	7 Feb.
John Marshall	Leghorn		Carter B Axton	Genoa Savona	
Samuel Blatchford	Genoa Savona		Glamorgan Seam	Genoa Savona	
Redstone Seam	Genoa Savona	2 Feb.	Robert Y. Hayne	Bagnoli	8 Feb.
John Ross	Venice		Zarembo	Piombino	
Norman E. Mack	Genoa Savona	3 Feb.	Henry M. Rice	Bari	
Atlanta City	Venice		Fort Seneville	Bari	
Gaeta	Genoa Savona		Samgalleon	Ancona	9 Feb.
Wm. Bryan	Venice		Edera	Genoa Savona	
Henry Waterson	Civitavecchia		Teresa Schiafino	Genoa Savona	
Edwins Nettleton	Genoa Savona	4 Feb.	Eugene Field	Venice	
Ocean Wayfairer	Venice		Edwin W. Scripps	Reggio	10 Feb.
Wm. Bradford	Venice		Chilton Seam	Genoa Savona	
Banner Seam	Genoa Savona		John R. McQuigg	Genoa Savona	
John Chandler	Genoa Savona	5 Feb.	Benj. H. Bristow	Civitavecchia	11 Feb.
Ocean Verity	Venice		Mitchell J. Stone	Leghorn	
Woodrow Wilson	Bagnoli		James McHenry	Bari	
Thomas Condon	Ancona	6 Feb.	Andrew Carnegie	Palermo	
Colabee	Reggio				

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