1993

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FINANCE SUB-COMMISSION, MONTHLY REPORTS
(DEC. 1942 - JAN. 1944); MAR. - AUG. 1944
(1 OF 2)

3114

HEADQUARTERS
ALLIED CONTROL COMMISSION
FINANCE SUB-COMMISSION
APO 394

21/18.

13071/F

22 August 1944

SUBJECT : Correction in Monthly Report of Finance Sub-Commission for July.

TO : Regional Commissioner
Region I
" II
" III
" IV
" V
" VI
" VII
" VIII
" IX
Senior Civil Affairs Officer
AMG Five Army
" Eight "
R.C., Region "Z"
R.C. & MG Section
Administrative Section
Political Section
All Sub-Commissions, HQ ACC

Regional Finance Officer
Region I
" II
" III
" IV
" V
" VI
" VII
" VIII
" IX
Senior Finance Officer
AMG Five Army
" Eight "

Interior

---

1. Reference is made to Finance Sub-Commission's letter I3071/F of 21 August 1944.

2. It will be appreciated if the following correction is made in the copy of the Report sent to you. The underlined words are the only part of the text which have been altered.

3. On page 5, section II, A I(b) the text should read as follows:-

"The entire deficit was covered by an increase in the floating debt, which rose from 170 billion lire on 30 June 1943, to an estimated 350 billion lire on 30 June, 1944 (this does not include any contingent liability for AM lire paid out by the Allied

Declassified E.O. 12356 Section 3.3/NND No. 785021

Senior Civil Affairs Officer
AMG Five Army
" Eight "
R.C., Region "Z"
R.C. & MG Section
Administrative Section
Political Section
All Sub-Commissions, HQ ACC

Senior [illegible]
AMG Five Army
" Eight "

Interior

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2. It will be appreciated if the following correction is made in the copy of the Report sent to you. The underlined words are the only part of the text which have been altered.

3. On page 5, section II, A I(b) the text should read as follows:-

"The entire deficit was covered by an increase in the floating debt, which rose from 170 billion lire on 30 June 1943, to an estimated 330 billion lire on 30 June, 1944 (this does not include any contingent liability for AM lire paid out by the Allied Financial Agency).

A P Scarborough

Joint Director,
Finance Sub-Commission.

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1997

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2718.

SECRET

HEADQUARTERS
ALLIED CONTROL COMMISSION
FINANCE SUB-COMMISSION
APO 394

2 AUG 1944

13071/F

21 August 1944

SUBJECT: Monthly Report of Finance Sub-Commission.

TO : Regional Commissioner
Region I
" II
" III
" IV
" V
" VI
" VII
" VIII
" IX

Regional Finance Officer
Region I
II
III
IV
V
VI
VII
VIII
IX

Senior Civil Affairs Officer
AMG Five Army
" Eight "

Senior Finance Officer
AMG Five Army
" Eight "

R.C., Region "Z"
HQ & MP Section
Administrative Section
Political Section
All Sub-Commissions, HQ ACC

Interior

Forwarded herewith for your information (and guidance in the case of RFOs and SFOs) is/~~are~~ 1 ~~copies~~ copy/~~copies~~ of the monthly operations report for July 1944 of the Finance Sub-Commission, Headquarters Allied Control Commission.

For Captain ZIMRY W. STONE, USNR:

L. F. Crockett

Colonel,
Joint Director,
Finance Sub-Commission.

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H E A D Q U A R T E R S
ALLIED CONTROL COMMISSION
FINANCE SUB-COMMISSION
APO 394

13071/F

12 August 1944

REPORT OF THE FINANCE SUB-COMMISSION

TO AFC FOR JULY 1944

Colonel T.A. Boley, AC. Colonel A.D. Gentley-Smith	Joint Directors
Lieut. C.M. Willis, (USNR) Major B.T.L. Timsons, Can. Lieut. J.B. Hicks, (USCG) Capt. Andrew Kamarck, U.S.	Joint Editors

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A. Italian Government Decree on Defascistization
B. Revenue Instruction
C. AFA Report
D. Banking Statistics
E. Cost of Living Data
F. Istituto Nazionale Delle Assicurazioni

I. DEFASCISTIZATION

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ATTENDIXES

A. Italian Government Decree on Defascistization
B. Revenue Instruction
C. AFA Report
D. Banking Statistics
E. Cost of Living Data
F. Istituto Nazionale delle Assicurazioni

I. DEFASCISTIZATION

A. General Program

1. The Finance Sub-Commission has undertaken a comprehensive program to defascistize Italian financial institutions. Personnel have been removed from the following financial institutions:-

Banca d'Italia
Istituto Nazionale per i Cambi con l'Estero
(National Foreign Exchange Control Institution)
Regia Zecca (Royal Mint)
Banco di Roma
Credito Italiano
Banca Commerciale Italiana
Banca Nazionale del Lavoro
Cassa di Risparmio
Istituto di Credito Agrario per l'Italia Centrale
Banco Nazionale dell'Agricoltura
I.M.I.
I.R.I.
I.C.F.
Cambi e Valute

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2. The program of the Finance Sub-Commission involves suspension from office of persons subject to defascistization. Definitive judgement will be passed by the Italian Government under the Defascistization Decree of 27th July 1944. Close collaboration has been established between the Italian Government and the Allied Control Commission. The Italian Government is determined to carry out a far-reaching program of defascistization and is wholeheartedly co-operating with the Finance Sub-Commission.

B. Procedure

1. When the vanguard of the Finance Sub-Commission arrived in Rome, it found that the heads of nearly all governmental financial institutions had gone North. General Bencivenga, leader of all the Rome underground forces, had made elaborate preparations to preserve all records and to prepare dossiers on the activities of leading Fascists in each institution. This was achieved through the secret appointment of committees for each institution composed of representatives of the six parties. They had been given full instructions as to their duties during the inter regnum period between the German loss of control and the full establishment of Allied control. The same procedure has been followed in other areas subsequently liberated from the Nazis. When the Allied Military Authorities assumed control of the city, the internal committees continued to function.

2. General Bencivenga, through Order No. 3, replaced in office all persons removed since November 1943 by the Nazis and the Fascist Republicans. This was an ad hoc measure which was intended to be of a temporary duration, since it was understood that it would include numerous persons obviously undesirable.

3. The Regional Commissioner issued a sweeping Order early in July which removed automatically from office a large number of Italians who could be considered ideological Fascists. However, a review procedure was established which made reinstatement possible after investigation. A Commission was organized for this purpose by the terms of the Order. The provisions of this Order were restricted to local institutions only. Owing to the importance attached to the problem, and the particularly sensitive position of financial institutions as such, the Allied Control Commission removed local financial institutions from the scope of the regional Order and concentrated all powers of defascistization in respect thereof in the Finance Sub-Commission.

4. Working under supervision of Finance Sub-Commission officers is a specially trained group of Guardia di Finanza. These officers have proceeded as follows: Printed forms containing a lengthy series of pointed questions are distributed to all personnel. When completed these are turned over to the internal committees of liberation representing the six parties (elected by the personnel). The personnel of these committees

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in each institution. This was achieved through the secret appointment of committees for each institution composed of representatives of the six parties. They had been given full instructions as to their duties during the inter regnum period between the German loss of control and the full establishment of Allied control. The same procedure has been followed in other areas subsequently liberated from the Nazis. When the Allied Military Authorities assumed control of the city, the internal committees continued to function.

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4. Working under supervision of Finance Sub-Commission officers is a specially trained group of Guardie di Finanza. These officers have proceeded as follows: Printed forms containing a lengthy series of pointed questions are distributed to all personnel. When completed these are turned over to the internal committees of liberation representing the six parties (elected by the personnel). The personnel of these committees study and investigate the records and activities of each person on the rolls of the institutions. A written report is attached to each form and signed by all members. The documentation is then sent to the Finance Sub-Commission. A preliminary examination is made by the Guardie di Finanza. The latter report on the documentation submitted by the internal committees. Their recommendations are reviewed. The cases of all officials subject to defascistization occupying high positions in financial institutions are carefully scrutinized and given the personal attention of the Allied officers in question.

5. A series of meetings takes place with the Liberation Committee designed to thrash out all doubtful questions. The committees explain their recommendations. Meetings are also held with senior officials of the institutions. Suspected officials are requested to submit defensive memoranda. As soon as a definitive decision is reached regarding personnel to be removed, conferences are held with the interested ministries, and the Bank of Italy in those instances in which it is concerned. The Government is promptly informed of all decisions taken, and is requested to consider candidates for the position of Commissioners, where such appointments are necessary.

6. During the investigations of particular persons, liaison is maintained with CIC and FSS (American and British military security organizations) to obtain whatever data they may have. Data, interesting from the point of view of security, is turned over to these organizations.

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7. Decisions are referred, with documentation, to the Italian Government organizations concerned with definitive defascistization. A financial committee, composed of representatives of the Ministry of the Treasury and of the Bank of Italy, has been set up for this purpose. Liaison is maintained with this committee, as well as the Italian High Commissioners for "Epurazione". Thus, there is a useful division of labor. The Finance Sub-Commission suspends undesirable persons from office, whereas the Italian Government passes definitive judgment. Ex-Governor Azzolini of the Bank of Italy is at present in the second stage of this process and will shortly come up for that before a special High Court of Justice established by the Italian Government. On the other hand, the Chairman of the Board of the Banco di Roma, Veroi, remains for the time being in the first stage.

8. Persons suspended from office by the Finance Sub-Commission are informed by letter, and are requested not to leave Rome. This request is made in order to facilitate any future steps which the Italian organizations of defascistization may wish to take. In certain instances, this has also provided the military security agencies (CIC and FSS) with an opportunity to complete their investigations regarding the persons involved. Suspended officials have been encouraged to submit any data or information regarding their position under the Fascist Regime.

9. The criteria of defascistization used are substantially those incorporated in a Royal Decree, issued on 27th July 1944, which established the basis for defascistization in all Italy. A copy of the Decree is attached to this report as Appendix A. The Criteria set up in this excellently conceived Decree have been highly useful to the Finance Sub-Commission. Particular attention is given to persons who were politically active Fascists, or who took advantage of the Fascist system to promote their own personal position. It has not proved difficult in practice to determine which officials fall into these categories.

10. The Finance Sub-Commission has concentrated its attention on the financial institutions of the Central Government as well as the head offices of the various banks. However, the smaller banks and financial institutions have not been neglected. The list given below of institutions and officials defascistized should not be taken as a complete list but as an indication of the progress which is being made by the Finance Sub-Commission. Much remains to be done, particularly in areas outside of Rome, such as north Italy, the financial heart of the country.

C. Results of Defascistization to Date

1. The following persons have been removed from office in the institutions indicated:

Organization	Name	Office
(a) Banca d'Italia	Azzolini Vincenzo	Governatore

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C. Results of Defascistization to Date

1. The following persons have been removed from office in the institutions indicated:

	Organization	Name	Office
(a)	Banca d'Italia	Azzolini Vincenzo	Governatore
		Cinquelli Gaetano	Ispettore Generale
		Guidi Carlo Fausto	Capo Servizio
		and 14 other officials	
(b)	R. Zecca	Maltesi Giuseppe	Direttore Generale
		De Bac Procopio	Controllore Capo
		and one other official	
(c)	Istituto Nazionale per i Cambi con l'Estero	Lion Giusto	Direttore Generale
		Viali Ugo	Condirettore
		and 27 other officials	
(d)	Banco di Roma	Verol Giuseppe Pietro	Direttore Generale ed Amministratore Delegato
		Cavanna Filippo	Consigliere d'Amministrazione
		Thaon di Revel Conte Ignazio	Consigliere d'Amministrazione
		Vaselli Conte Romolo	Consigliere d'Amministrazione

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(e)	Credito Italiano	Beraudi Riccardo	Procuratore
		and two other officials	
(f)	Banca Commerciale Italiana	Colleoni Curzio	Procuratore
		Trolamai Corrado	Vice Direttore
		Testi Giovanni	Vice Direttore
		Jacor G. Battista	Vice Direttore
		and two other officials	
(g)	Banca Nazionale del Lavoro	7 officials	
(h)	Cassa di Risparmio	Bottacchio Luigi	Direttore Generale
		Carofoli Corrado	Vice Direttore Generale
		and 5 other officials	
(i)	Istituto Credito Agrario per l'Italia Centrale	Principe Chigi	Presidente
		Principe di Napoli	Vice Presidente
		Nestore Carosi Martinozzi	Direttore Generale
		and 2 other officials	
(j)	Istituto Commercio Estero	Schipani Filippo	Direttore Generale
		Romano Carlo Rendina	Primo Segretario
		and 4 other officials	
(k)	Istituto Mobiliare Italiano	Azzolini Vincenzo	Presidente
		Guido Carlo Fausto	Direttore Generale
		Cao Giovanni	Consigliere d'Amministrazione
		and one other official	
(l)	Banca Nazionale Agricoltura	Armenise Giovanni	Presidente
		Borghese Rodolfo	Amministratore
		Aghemo Antonio	Amministratore
		and 6 other officials	
(m)	Istituto Ricostruzione Industriale	Faronetto Sergio	Vice Direttore Generale
		and 3 other officials	

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and 2 other officials

(j)	Istituto Commercio Estero	Schipani Filippo	Direttore Generale
		Rosano Carlo Rondina	Primo Segretario

and 4 other officials

(k)	Istituto Mobiliare Italiano	Anzolini Vincenzo	Presidente
		Guido Carlo Fausto	Direttore Generale
		Ono Giovanni	Consigliere d'Amministrazione

and one other official

(l)	Banca Nazionale Agricoltura	Armenise Giovanni	Presidente
		Borghese Rodolfo	Amministratore
		Agheno Antonio	Amministratore

and 6 other officials

(m)	Istituto Ricostruzione Industriale	Faronetto Sergio	Vice Direttore Generale

and 3 other officials

(n)	Banco di Santo Spirito	Rossi Passavante Elia	Ispettore

and 7 other officials

(o)	Ministero Scambi e Valute	Ferretti Giuseppe	Ispettore Generale
		Bellerini Elisio	Consigliere Com. II' Classe
		Rosai Aristide	Capo Sezione
		Tulch Mario	Capo Sezione
		Pastore Enrico	Capo Sezione

and 13 other officials

2005

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II. GOVERNMENT FINANCE

A. The Italian Government Deficit

1. Italian State account

(a) As nearly as can be estimated at this time, the Italian governmental deficit for all Italy for the year ending 30 June 1943, amounted to approximately 180 billion lire. This figure includes German occupation expenses but does not include 30 billion lire of Allied occupation expenses. Thus the total excess of disbursements over income on "government account" is well over 200 billion lire for the year, or about 2½ times the enormous deficit of the preceding fiscal year.

(b) The entire deficit was covered by an increase in the floating debt, which rose from 170 billion lire on 30 June, 1943, to an estimated 350 billion lire on 30 June, 1944 (this does not include any contingent liability for Alt lire paid out by the Allied Financial Agency).

(c) At the present time, over 60 per cent of the Italian public debt of almost 600 billion lire (excluding any liability in respect of Alt lire) consists of liabilities with maturities of one year or under. (A table showing the growth of the debt since 1930 is presented in the Statistical Appendix together with a table on the composition of the debt in 30 June 1943).

2. Current Statistics for the liberated territory

(a) Due to the move of the Italian Government from Salerno to Rome, the addition of new territories to be covered, and the general transport and communication difficulties, the old statistical reporting system built up laboriously at Salerno has been disrupted. Once the organization of the central government offices at Rome and the reactivation of the Government contacts with the field is accomplished, full and detailed financial information will be available. In the meantime, complete current information on the territories of liberated Italy is not available.

(b) For the area south of the 11 May, 1944, line, the excess of government disbursements over receipts for the month of June amounted to 3.4 billion lire. For the fiscal year ending 30 June 1944, these southern territories, which made up liberated Italy for the bulk of the year, had a deficit of around 34 billion lire for the entire year. (See Appendix D).

(c) Net investment in Government bills (Buoni del Tesoro Ordinarii) in southern Italy during June remained at about the same level as the preceding month (a net investment of 362 million lire). The total net investment for the year in these territories amounted to around 2.6 billion lire, that is, less than 10 per cent of the deficit. The bulk of the deficit of 34 billion lire was covered by funds supplied by the Banca d'Italia.

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(b) For the area south of the 11 May, 1944, line, the excess of government disbursements over receipts for the month of June amounted to 3.4 billion lire. For the fiscal year ending 30 June 1944, these southern territories, which made up liberated Italy for the bulk of the year, had a deficit of around 34 billion lire for the entire year. (See Appendix D).

(c) Net investment in Government bills (Buoni del Tesoro Ordinarii) in southern Italy during June remained at about the same level as the preceding month (a net investment of 562 million lire). The total net investment for the year in these territories amounted to around 2.5 billion lire, that is, less than 10 per cent of the deficit. The bulk of the deficit of 34 billion lire was covered by funds supplied by the Banca d'Italia.

3. Government bond market

(a) Prices of outstanding Government securities reached high levels in Rome just prior to the liberation of the city, with most securities on a 5% basis selling at around 96 and the 3½%, 1906 rente selling at 118. The principal reasons for these high levels reached just prior to liberation appear to have been:

i. Expectations as to what liberation would mean, coupled with exaggerated reports that Government bond prices in liberated Italy were at very high levels;

ii. Refusal of the banks and other investors to invest in new Government bills (Buoni del Tesoro Ordinarii) and, therefore, purchases being concentrated in existing bonds, particularly in bonds issued before the Fascist regime (3½ Rente of 1906);

iii. A general condition of large quantities of liquid purchasing power in existence.

(b) Since the liberation of Rome bond prices have declined somewhat and are now more in line with those in the South. Furthermore, there is now no longer any general inhibition felt as regards the purchase of new Government securities.

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In contrast to the period before liberation, when the total outstanding of the Buoni del Tesoro ordinari (bills with maturities of 1-12 months) was decreasing, a substantial net investment is now taking place in these securities. During July, there was a net investment of over 300 million lire in those securities in the Rome area. This switch to purchase of new securities has reduced part of the upward pressure on bond prices.

(c) The Rome bourse was closed from 3 June to the end of July. On 1 August both the Rome and Naples bourses were reopened, but trading is limited to cash transactions in fixed income securities. The prices registered at the Rome bourse on 1 August show a general decline of around 5 per cent from the 2 June prices, undoubtedly due to the operation of the factors outlined above. Detailed figures on the prices on 2 June and 1 August are given in Appendix D.

(d) The yield on government securities has correspondingly increased from the beginning of June to the beginning of August. Government bond yields have changed as follows:

	1 June 1944	1 August 1944
3½% Rente 1906	2.77	3.29
3½% Redeemable 1934	3.86	4.21
5% Rente	5.33	5.50

One of the most important reasons for the variation in prices and in yields between securities is the expectation that there may be different treatment by the government as between securities.

(e) The Council of Ministers authorized the payment of the 1 September 1944 government bond maturity (5%, Special series, 9 year bonds). These bonds were compulsorily exchanged for the foreign exchange holdings of private Italian individuals and firms in 1935. There is a total of 2,443,112,700 lire outstanding of this series.

4. Government financing of the Granai del Popolo

(a) Until this year the Consorzii, on receiving wheat, have issued paper accepted by the provincial group of participating banks. After sale of the flour to the millers at a much lower price, the Consorzii repaid the participating banks to the extent of the proceeds of sales. The balance, representing the subsidy and the operating costs of the amassing system, more guaranteed by the Government and bore interest ranging from 6 to 7½ until they were liquidated at the end of the fiscal year. Actually these balances have not been liquidated since 1940, so that the financing of the last four crop years has been drawing a high rate of interest.

(b) After conferences with the Ministries of Agriculture and Treasury, the Banca d'Italia and the Corte dei Conti, this system has been changed. The Consorzii have been instructed to submit budgets for operating expenses and will obtain funds as do other governmental agencies, without payment of interest. All participating banks have been instructed to present claims for the outstanding balances of past years for immediate payment, thus [illegible] this interest burden. [illegible]

2008

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the governments as between securities.

(c) The Council of Ministers authorized the payment of the 1 September 1944 government bond maturity (5%, Special series, 3 year bonds). These bonds were compulsorily exchanged for the foreign exchange holdings of private Italian individuals and firms in 1935. There is a total of 2,443,412,750 lire outstanding of this series.

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(b) After conferences with the Ministries of Agriculture and Treasury, the Banca d'Italia and the Corte dei Conti, this system has been changed. The Consorzii have been instructed to submit budgets for operating expenses and will obtain funds as do other governmental agencies, without payment of interest. All participating banks have been instructed to present claims for the outstanding balances of past years for immediate payment, thus ending this interest burden. All participating banks have been instructed to present all balances of the current crop year for payment at a reduced interest rate of 6 per cent, at the end of each thirty day period, thus cutting the effective interest rate on this year's crop to one-half of one per cent.

B. Revenue

1. Tax revision

(a) Tax revision work was delayed during July owing to the necessity of moving the Ministry from Salerno to Rome. However, on 21 July the Minister appointed the following committee to meet at least once a week to study state and local taxation laws:

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Chairman	:	The Minister of Finance	
Vice Chairman:		The Major Secretary of Finance	
Members	:	Prof. Cesare Cardani	(Liberal Party)
		Dev. Antonio Sala, Ing.	(Action Party)
		Prof. Achille Grandi	(Liberal Party)
		Prof. Ezechia Giandi	(Social-Dist Party)
		Sig. Arturo Manzini	(Communist Party)
		Prof. Antonio Pesenti	(Member of the permanent civil service)
		Prof. Ennio Vanoni	(Christian Democrat party)
		Dott. Bruno Visentini	(Action Party)
Secretary	:	Dott. Salvatore Theodoro	

The Committee is empowered to invite any citizen or any civil servant of grade V or higher to attend its meetings, and the Minister has agreed that there should be a representative of this Sub-Commission at all meetings.

(b) The Cabinet approved a decree for War profits taxation on 28 July. Inasmuch as this Sub-Commission had not seen the draft, we have requested that its registration be suspended until the Sub-Commission has had an opportunity to discuss the draft with the Ministry. The proposed decree amends existing law in the following particulars:

(1) Coverage: Income derived from land leases and income derived from black market activities are included amongst the types of income liable for the tax. Also, the sections of existing law that permitted companies to evade the tax on contracts made prior to 1939 are repealed.

(2) Rates and exemptions: The 1938 income figures, in connection with which excess profits are calculated, are increased 50 per cent, thus reducing all calculations of excess profits. In addition, the exemption limit for years beginning 1943 is increased. Thus profits not exceeding 20,000 lire and all war profits made by firms whose total income does not exceed 30,000 lire are exempted. Finally, the former requirement that all excess profits not paid to the State in taxation must be invested in 5 per cent government bonds is changed to a requirement that all such income must be placed in special blocked accounts. The accounts are to earn 3 per cent interest, payable semi-annually, but disposition of the capital amounts of the accounts is to be determined at a later date. (The drafters of the decree intended that the provision for later determination of the disposition of the blocked accounts should refer also to the bonds already issued under the older law, but the sentence in the draft is unclear.)

(3) penalties: Penalties are provided for incorrect declarations. The penalties may be reduced, however, if the accuracy of the income declaration is the result of a "compromise". Disputes already in existence will continue [illegible] Commissions, but new disputes will be heard by

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(5) The Cabinet approved a decree for the Profits taxation on 20 July. Inasmuch as this Sub-Commission had not seen the draft, we have requested that its registration be suspended until the Sub-Commission has had an opportunity to discuss the draft with the Ministry. The proposed decree amends existing law in the following particulars:

(1) Coverage: Income derived from land leases not income derived from black market activities are included amongst the types of income liable for the tax. Also, the sections of existing law that permitted companies to evade the tax on contracts made prior to 1939 are repealed.

(2) rates and exemptions: The 1939 base figures, in comparison with which excess profits are calculated, are increased 50 per cent, thus reducing all calculations of excess profits. In addition, the exemption limit for years beginning 1943 is increased. For profits not exceeding 20,000 lire and all war profits made by those total income does not exceed 30,000 lire are exempted. Finally, the former requirement that all excess profits not paid to the State in taxation must be invested in 5 per cent government bonds is changed to a requirement that all such income must be placed in special blocked accounts. The accounts are to earn 3 per cent interest, payable semi-annually, but disposition of the capital amounts of the accounts is to be determined at a later date. (The drafters of the decree intended that the provision for later determination of the disposition of the blocked accounts should refer also to the bonds already issued under the older law, but the sentence in the draft is unclear.)

(3) penalties: Penalties are provided for incorrect declarations. The penalties may be reduced, however, if the amendment of the income declaration is the result of a "reconciliation". Disputes already in existence will continue to be heard by the Provincial Commissions, but new disputes will be heard by the District Commissions.

(4) assessment time: Power is granted to increase assessments at any time up to 31 December of the year following that in which war profits taxation ceases.

The Sub-Commission's objects to the draft are:

(1) coverage: Profits from the sale of grain are exempted, although at the time the price of wheat was raised to 1,000 lire the then Minister of Finance assured us that undue enrichment would be recaptured through taxation. 1729 Moreover, the inclusion of black market earnings in income liable to the tax is fundamentally wrong. If sufficient evidence is available to assess illegal income for tax purposes, it should be possible to bring the offenders to justice.

(2) rates and exemptions: No increase in rates is provided.

(3) penalties: No provision is made for the confirmation of declarations by the submission of accounts.

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(4) Assessment time: The time during which assessments may be increased is too short.

2. Ministry of Finance

(a) Up to 31 July a total of 1,660 employees of the Ministries of Finance and Treasury had been marooned and issued passes. Of the total personnel employed on 8 September 1943 (4,023), 200 had fled to the north with the Fascist Government and 800 were dismissed. There are, therefore, about 1,500 on the active list who have not as yet been called back to service.

(b) The Director General of personnel is studying the staff problem and forming pools of employees available for specific assignments. The list of those suitable for Interlunio and Vice-Interlunio posts has been completed. 42 such employees are available.

(c) The Libertà Bolli State was reopened on 18 July for the sale of publications to the public. Control of Poligrafico, the state printing office, was turned over to the newly-appointed Commissioner, Sig. Mongitano, on 31 July. Questions of priority on printing work done for AMG, however, will continue to be referred to Finance Sub-Commission. It is proposed to turn over responsibility for the security of the Ministries' buildings to the Ministers early in August.

3. Revenue collections

(a) Owing to the interruption of the activities of the Ministry caused by the move to Rome, complete revenue statistics have not yet been received for the month of June. By the end of July complete figures for the fiscal year which ended 30 June will be available for most liberated provinces, and the Monthly Report for July will show the figures in detail.

At this time June figures are available for 20 of the provinces liberated prior to the offensive of 11 May and for 4 provinces, including Rome, liberated after 11 May. These figures indicate a continued improvement in revenue collections in the old liberated provinces, and, as would be expected, collections considerably below normal for the recently liberated provinces.

State Revenue Receipts
Less Case X

	June 1944	May 1944	April 1944	12 months ending June 1944
	(In millions of lire)			
20 provinces liberated prior to 11 May	480	245	418	2,633
4 provinces liberated				

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3. Revenue collections

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At this time June figures are available for 20 of the provinces liberated prior to the offensive of 11 May and for 4 provinces, including Rome, liberated after 11 May. These figures indicate a continued improvement in revenue collections in the old liberated provinces, and, as could be expected, collections considerably below normal for the recently liberated provinces:

	State Revenue Receipts less Cmc X			
	June 1944	May 1944	April 1944	12 months ending June 1944
	(In millions of lire)			
20 provinces liberated prior to 11 May	480	245	416	2,633
4 provinces liberated after 11 May	237			2,513

(b) To insure prompt and correct collection of State revenue reports a letter of instruction has been prepared and sent to all Finance Officers. A copy of this letter is attached as appendix B.

4. Monopoly and lottery problems

(a) Retail tobacco prices, doubled on 1 January 1944 by the Italian Government, were extended to newly liberated territory on 17 July. The advisability of extending to the new area the increase of 70 per cent in tobacco prices paid to farmers for their 1943 crops is still under consideration. The increase granted by the Fascist Government was only 25 per cent. Most of the 1943 crop is still in curing and packing warehouses. Sale to the State usually begins about one year after harvesting.

Owing to the shortage of electric power, the Rome tobacco factory is working at only 50 per cent of capacity.

(b) Salt is very scarce in the newly liberated territories. The normal ration was 300 grams per person per month, which amount was distributed through February 1944. In March the Germans distributed 200 grams, in April 150 grams, and in May 100 grams. The Allies distributed 50 grams in June and 35 grams in July. Arrangements have been made to issue 100 grams in August.

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(c) Over 4,000 bales of quinine have been found at Palermo. The stock has been blocked pending decision as to its disposition.

(d) Postal difficulties prevent full operation of the Lottery from most liberated Italy. The Finance Sub-Commission has suggested a plan for advance sale of tickets to overcome this difficulty, but no decision on the proposal has yet been taken.

C. Government expenditures

1. Problems of expenditure control

(a) Expenditure authorizations in Rome. When Rome was liberated a special Account was established with a credit of 562 billion lire to permit the payment of government salaries and current expenses in the city of Rome for the month of June. At first it was not clear whether authorizations to use the funds of the account were to be made by CC AGO, by Region IV, or by Rome Region. To resolve this confusion the following division of authority was established:

(1) all State expenditures of the central administration will be controlled by CC AGO;

(2) all State expenditures on the provincial level will be controlled by Region IV;

(3) all other public expenditures (principally communal expenditures) will be controlled by Rome Region.

It was found to be impossible to substitute approved State budgets for expenditures from the special account for the month of July because the Ministries did not have sufficient staff to control their salary payments. Ordinarily lists of payments to be made are prepared by each Division of each Ministry and sent via the Ministers to the Corte Dei Conti and hence to the Directory General of the Treasury. For this work each Ministry formerly had 50 to 100 employees. At present its requirements range from 0 to 35 in the Ministry of War. Accordingly, it has been necessary to continue use of the special account during July.

The Intendente was ordered to provide a statement of the account and a list of all payment orders issued in June. To force the Intendente to provide the list it was necessary to suspend payments from the account on 21 July. The information was then provided and the account was reopened on 23 July. The statement showed that from 1 June to 20 July 337 payment orders had been issued authorizing the expenditure of 239 million lire, and that 93 million lire had been disbursed. Almost half the disbursements were for the account of the Ministry of War.

It is desirable to close the special account as soon as possible and institute orthodox control. To make this possible the ministers of each Ministry have been instructed to prepare budgets for the Rome administration of each section. These have now been received for all Ministries other than Railways. With these budgets it will be possible to revise the formerly approved budgets of the Salerno Government. In the

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will be controlled by the ...;

(2) all State expenditures on the provincial level will be controlled by Region IV;

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The Intendente was ordered to provide a statement of the account and a list of all payment orders issued in June. To free the Intendente to provide the list it was necessary to suspend payments from the account on 21 July. The information was then provided and the account was reopened on 23 July. The statement showed that from 1 June to 20 July 387 payment orders had been issued authorizing the expenditure of 239 million lire, and that 93 million lire had been disbursed. Almost half the disbursements were for the account of the Ministry of War.

It is desirable to close the special account as soon as possible and institute orthodox control. To make this possible the regionlare of each Ministry have been instructed to prepare budgets for the Rome administration of each section. These have now been received for all Ministries other than Railways. With these budgets it will be possible to revise the formerly approved budgets of the Salerno Government. In the meantime the Intendente has been ordered to provide the Sub-Commission with a copy of each payment order issued. A complete statement of the account is now being made, and ultimately it will be audited by the Corte dei Conti.

(b) The Corte dei Conti. Professor Ingrosso, now Minister of Agriculture, has been named President of the Corte dei Conti by the Council of Ministers, This appointment has been approved by AFHQ.

The Corte continued its work without interruption when the government moved from Salerno to Rome and has accomplished a considerable volume of work.

(c) New budget forms. Use of the new budget forms (D) began in A C territory at the beginning of the new fiscal year. The procedure under which the forms are processed through the Intendente offices is working well. The 3-month budget approved for the province of Benevento illustrates the economies that have been made by using the procedure. Interestingly, the largest economy (proportionally) was effected in the budget for the Intendente's office:

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Ministry	Credit Requested	Credit Authorized	Economies Effected
	(in millions of lire)		
Finance	84.9	50.5	34.4
Interior	57.8	45.2	12.6
Public Works	91.7	60.3	31.4
Justice	5.1	3.7	1.4
Public Instruction	18.8	14.1	4.7
Agriculture and Forests	3.2	2.5	.7
Industry, Commerce & Labor	2.1	1.6	.5
Communications	2.4	2.1	.3
	265.1	181.0	85.7
Less: Entrate disponibili	1.7	1.7	-
Total	265.0	179.3	85.7

When the new procedure went into effect, all previous authorizations to spend were cancelled and all cash balances were blocked. Such balances belonging to legitimate prewar/ entities, which could not practically be transferred to the State Treasury, have been considered as "entrate disponibili", and requests for funds have been reduced accordingly. All MFO's have been notified of this arrangement.

A system of 3 monthly budgets is also being set up on the following plan:

(1) offices of the central administration in Rome and provincial state expenditures in Rome province;

(2) State provincial offices for the 27 provinces in Italian Government territory;

(3) the fighting services (Army, Navy, and Air Force).

Inasmuch as the S.B. forms for AMG territory give all the information required for Italian Government territory, the transfer of provinces to the government should be facilitated.

The operation of these budgets will solve the principal difficulty that has in the past prevented accurate estimates of disbursements being made on the basis of authorized expenditures, since the expenditure authorization provided by "ordini di accreditamento", which under normal Italian procedure lost for an indefinite period, will, under the new procedure, be valid for the 3-month period only.

(d) Transfer of provinces. The new budget forms will facilitate the assumption of expenditure control by the Italian government when provinces are returned to it since they will provide an approved budget already in operation. At the request [illegible] finance officers will continue to exercise financial control

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been considered as "entirely disposable", and requests for funds have been reduced accordingly. All AMG's have been notified of this arrangement.

A system of 3-monthly budgets is also being set up on the following plan:

(1) civilian of the central administration in Rome and provincial state expenditures in Rome province;

(2) state provincial offices for the 27 provinces in Italian Government territory;

(3) the fighting services (Army, Navy, and Air Force).

Inasmuch as the S.H.A.E. forms for AMG territory give all the information required for Italian Government territory, the transfer of provinces to the government should be facilitated.

The operation of these budgets will solve the principal difficulty that has in the past prevented accurate estimates of disbursements being made on the basis of authorized expenditures, since the expenditure authorization provided by "ordini di accreditamento", which under normal Italian procedure lost for an indefinite period, will, under the new procedure, be valid for the 3-month period only.

(c) Transfer of provinces. The new budget forms will facilitate the assumption of expenditure control by the Italian government when provinces are returned to it since they will provide an approved budget already in operation. At the request of the government, AMG finance officers will continue to exercise final control until 31 August in the five provinces recently returned to the Italian government.

(d) Issuance of unauthorized circulars. Instances have arisen of administrative instructions, that should have been approved in advance by AMG, being issued without our knowledge. The attention of the Minister has been called to this irregularity and he has been requested to make adequate arrangements to prevent its repetition.

(e) Communal and provincial budgets. The move to Rome has seriously interrupted the project on communal and provincial budgets whose inception was reported last month. It has been learned that the Psolat Government did not complete the approval of all communal and provincial budgets for 1943. It will be necessary to review the unapproved budgets before future grants can be determined.

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To date 358 budgets for the current year have been received, about ⅔ of which have been reviewed by the Ministry of Interior. An analysis of ordinary expenditures in the provinces of Salerno, Potenza, Catanzaro, and Reggio Calabria shows the following approximate breakdown:

	Per cent of total expenditures
Ordinary expenditures	
General	25
Police, sanitation, & hygiene	20
Other	25
Extraordinary expenditures	30
	100

This breakdown may be of use to finance officers in the field. All requests for command funds should be treated with extreme caution and granted only to meet legitimate needs.

2. Expenditure policy decisions

(a) Past due bills. The Minister of the Treasury has issued two circulars giving effect to the policy on past due bills described in last month's report. An Executive Memorandum is now being published to implement the policy in all territory.

(b) Fascist pensions and salaries. A decree has been issued clarifying the status of Fascist pensions in the following manner:

(1) All strictly Fascist pensions are abrogated;

(2) All members of the Black Shirts, all who volunteered for the war in Spain are denied pension rights for such activities;

(3) The pensions of all others holding a rank of grade 6 (Major) or higher are suspended until a board created for the purpose can decide their cases individually;

(4) The pensions of all others below grade 6 will be paid in full.

The result of the decree should be to deny pension rights to all those who attained more than very minor recognition from the Fascist Party.

Concerning Fascist salaries, Prefects were notified prior to the June payment period that no payments should be made to former Senatori, Deputi, or Segretari Litterio, and that payment of "premio di operosita'" was to be limited to State employees actively at work. There was some criticism of this policy on the grounds that it was not uniformly applied. Investigation determined, however, that only 96 proscribed employees were paid for June and 950 were not paid, which, when the confusion of the time is taken into consideration, must be regarded as reasonable. However, it has been

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2. Expenditure policy controls.

(a) Post war bills. The Minister of the Treasury has issued two circulars giving effect to the policy on post war bills described in last month's report. An Executive Memorandum is now being published to implement the policy in AMG territory.

(b) Fascist pensions and salaries. A decree has been issued clarifying the status of Fascist pensions in the following manner:

(1) All strictly Fascist pensions are abrogated;

(2) All members of the Black Shirts, all who volunteered for the war in Spain are denied pension rights for such activities;

(3) The pensions of all others holding a rank of grade 6 (major) or higher are suspended until a board created for the purpose can decide their cases individually;

(4) The pensions of all others below grade 6 will be paid in full.

The result of the decree should be to deny pension rights to all those who attained more than very minor recognition from the Fascist Party.

Concerning Fascist salaries, Intendents were notified prior to the June payment period that no payments should be made to former Gerarchi, Vergic ed Roma, or Seniore Littorio, and that payment of "premio di operosita" was to limited to State employees actively at work. There was some criticism of this policy on the grounds that it was not uniformly applied. Investigation determined, however, that only 96 proscribed employees were paid for June and 956 were not paid, which, when the confusion of the time is taken into consideration, must be regarded as reasonable. However, it has been decided that "premi e contributo accessori" could fairly be withheld on the grounds that employees were not actively at work, and accordingly, permission to make those payments was given on 2 August.

(c) Subsidization of sale of imported supplies. Delay has been encountered in implementing the directive laid down in SCAJAP. This document states that local subsidies in implementing the directive laid down in SCAJAP. This document states that local subsidies shall be provided to finance the sale of imported supplies wherever such supplies cannot otherwise be sold at not more than 6.25 per cent increase over the wholesale prices listed in the directive. The delay was caused by the objection of the Ministry of the Treasury to the principle involved. However, the Minister of the Treasury has now instructed the Minister of the Interior to authorize the provincial officials to provide the subsidies required. A decree has been prepared providing 4.0 billion lire for this purpose.

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(c) Treasury bonds due 1 October. The following table shows the Italian Government's estimate of the amounts of this issue held in each province. About three-fourths of the issue is held in these provinces.

5 per cent Treasury Bonds of 1944
Holdings by Provinces
(in millions of lire)

Arezzo	2.2	Bari	2.6
Grosseto	.2	Brindisi	.2
Livorno	10.7	Foggia	.7
Pisa	7.0	Taranto	.4
Siena	23.6	Lecce	.7
Tuscany	?	Puglia	4.6
Ancona	2.6	Matera	.2
Ascoli Piceno	16.0	Potenza	1.7
Macerata	1.1	Lucania	1.9
Pesaro e Urbino	1.5		
Marche	21.4	Catanzaro	.4
		Cosenza	1.6
Perugia	9.5	Reggio di Calabria	.3
Terni	1.3	Calabria	2.5
Umbria	10.8		
		Agrigento	1.5
Frosinone	2.9	Caltanissetta	1.7
Littoria	.1	Catania	1.7
Rieti	.1	Enna	.1
Roma	618.8	Messina	2.3
Viterbo	1.2	Palermo	4.9
Lazio	623.1	Ragusa	.1
		Siracusa	.2
Aquila	66.0	Trapani	.3
Campobasso	1.6	Sicilia	13.3
Chieti	.6		
Pescara	1.5	Cagliari	2.1
Teramo	.2	Nuoro	-
Abruzzi & Molise	69.9	Sassari	.3
		Sardegna	2.4
Avellino	.9		
Benevento	.5		
Napoli	43.7	Total	943.3
Salerno	4.1		
Campania	49.2		

3. Pi ones on cash disbursements and commitments

(a) Owing to the closing of the Ufficio di Collegamento (Liaison Office) in the Bank of Italy at Salerno, no current data on cash disbursements is available.

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[illegible]	10.8
Frosinone	2.9
Littoria	.1
Rieti	.1
Roma	618.8
Viterbo	1.2
Lazio	633.1
Aquila	66.0
Campobasso	1.6
Chieti	.5
Pescara	1.5
Teramo	.3
Abruzzi & Molise	69.9
Avellino	.9
Benevento	.5
Napoli	43.7
Salerno	4.1
Campania	49.2

Agrigento	1.5
Caltanissetta	1.7
Catania	1.7
Enna	.1
Messina	2.8
Palermo	4.9
Ragusa	.1
Siracusa	.3
Trapani	.3
Sicilia	13.3
Cagliari	2.1
Nuoro	-
Sassari	.3
Sardegna	2.4
Total	843.3

3. Uses on cash disbursements and expenditures

(a) Owing to the closing of the Ufficio di Collegamento (Liaison Office) in the Bank of Italy at Salerno, no current data on cash disbursements is available. This office has now been re-established in Rome and will in future furnish each month, for all liberated Italy, data similar to that formerly supplied at Salerno. Treasury warrants have also been made for the Bank of Italy to supply the Treasury Form # 59, 60, and 61 (Discretionary vensile) each month for all provinces in both A.M.G. and Italian Government territory. To provide working data of past disbursements these forms are being supplied for all months from July 1943.

The budget of the General administration and the provincial civil offices in Rome province for the three months from 1st July to 30th September (See section 1, c above for description) is shown on next page. The budgets for the 27 provinces of Italian Government territory and for the Army, Navy, and Air Force are not yet available.

Accreditamenti issued by the Government in May and June were as shown on the table on page 13).

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Telephone Services	12.5	4.3	16.8	-	-	-	.8	17.6	57.2
Agriculture	9.6	47.6	57.2	-	-	-	-	-	1
State Forests	1	-	1	-	-	-	15.9	4.8	18.7
Industry & Commerce	15.9	1.8	18.7	-	-	-	5.0	30.2	26.2
Press and Information	6.0	20.2	26.2	-	-	-	.7	-	.7
War Production	.7	-	.7	-	-	-	8.4	396.1	404.5
Army	9.4	395.1	404.5	-	-	-	160.4	1.4	161.8
Navy	160.4	1.4	161.8	-	-	-	19.3	-	19.3
Air Force	19.3	-	19.3	-	-	-			
Total	1,280.2	2,340.7	3,620.9	23.2	430.1	834.	1,256.3	1,230.6	5,186.9

Appropriations Issued by the Italian State Government
May and June 1944
(In Billions of Lire)

Ministry	May	June
Finance	46.5	46.5
Exemption	8.0	7.8
Justice	6.9	12.3
Foreign Affairs	.2	.4
Italian Africa	.1	.1
Education	29.1	12.5
Interior	228.3	272.5
Public Works	15.4	1.0
Africa Roads	72.4	
State Railways	130.3	81.6
Agriculture	2.1	.7
Industry and Commerce	6.4	1.1
Popular Culture	.2	
Total Civil	549.2	436.5
Military		
Army	857.2	
Navy	397.5	
Air Force	82.3	
Merchant Marine	11.1	
Total Military	1,328.1	
Total Government	1,877.3	

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(b) Figures on disbursements in Rome of the fascist Government divulged upon the liberation of Rome provide an interesting comparison with the expenditures of the government in liberated Italy. The figures shown below are comparable figures covering expenditures within the budget only.

Comparison of Budget Disbursements of R. Tesoreria of Ang's Italy
with Rome Tesoreria for the period
1 July 1943 to 31 June 1944
(millions of lire)

Ministry	Disbursements in Italian Government Territory	Disbursements by Rome
Finance	1,115.3	4,091.2
Justice	100.7	93.1
Foreign Affairs	4.6	110.2
Italian Africa	2.3	139.6
Education	579.4	294.6
Interior	1,935.3	1,520.3
Public Works	438.2	249.3
Communications	657.1	126.9
Army	6,905.4	11,319.1
Navy	2,048.7	5,215.3
Air Force	716.3	2,391.8
Agriculture	79.8	774.9
Industry & Commerce	19.2	348.0
Popular Culture	1.8	40.2
Foreign Exchange		17.8
War Production		419.2
A.M.G. Lire	50.0	
Total	13,577.9	27,751.8

(c) Other figures obtained in Rome show the expenditures of the War Ministries in Rome, and reflect the creation of the Fascist Republican Army, the increased rates of Army pay, and, probably German military expenses for fortifications. The figures drop sharply in April, reflecting the transfer of the Ministry to Brescia.

Disbursements of War Ministries in Rome Province
1 July 1943 to 31 May 1944
(in millions of lire)

Army	Navy	Air Force

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Public Works	[illegible]	[illegible]
Communications	196.2	389.3
Army	657.1	196.9
Navy	6,805.4	11,319.1
Air Force	2,061.7	5,219.3
Agriculture	716.8	2,391.6
Industry & Commerce	79.8	774.9
Popular Culture	65.3	346.0
Foreign Exchange	1.6	70.2
War Production		17.9
A. A. O. Centre		443.2
	98.2	
Total	13,577.9	27,751.6

(c) Other figures obtained in Rome give the expenditures of the War Ministries in Rome, and reflect the creation of the Fascist Republican Army, the increased rates of Army pay, and, probably German military expenses for fortifications. The figures drop sharply in April, reflecting the transfer of the Industry to Brescia.

Disbursements of War Ministries in Rome Province
1 July 1943 to 31 May 1944
(in millions of lire)

	Army	Navy	Air Force
1943			
July	950	85	55
August	32	124	377
September	926	149	165
October	1,453	508	854
November	1,727	1,639	672
December	2,519	1,309	506
1944			
January	1,729	1,335	102
February	105	57	57
March	1,632	11	42
April	22	3	7
May	213	20	5
	11,319	5,215	3,853

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III. [illegible]

A. Supply of Allied lire currency

1. As indicated in the accounts of the Allied Financial Agency, disbursements of lire to the paymasters of the Allied military forces in June were much larger than in any previous month, and were about twice the monthly rate of disbursements in the early months of 1944. Only a part of this sum was added to the floating reserve of the paymasters, indicating that the payments made to individual troops and to civilians also substantially exceeded the corresponding expenditures in any previous month.

2. As a result of these transactions, the total amount of Allied lire available in Italy, in the United States, and in transit, was reduced to 31,806 million lire at the end of June. This is equivalent to 5.8 monthly disbursements at the June rate. However, only 4 months' supply of 1000-lire and 100-lire notes was available, as these denominations have been drawn most heavily, relative to our stocks.

3. The reserves in Italy were reduced to 12,299 million lire at the end of June, which sum was distributed for the most part at the branches of AFA in Rome, Naples and Bari. A small amount remains at Palermo.

4. However, during the month of July, CCS agreed to begin deliveries on a new order for 50 billion Allied lire shortly, the first shipment to be received on 1 September 1944.

B. Production of new currency for Italy

1. Preliminary

(a) Sometime ago the CCS was duly authorized to explore, on behalf of the Italian Government, the production of non-military lire currency by the fastest possible means, since currency conversion, which is an integral part of the Italian Stabilization and Inflation Control Program, is considered essential to the economic rehabilitation and political resurgence of Italy. Plans for such production are proceeding and in view of all the obstacles, considerable progress may be said to have been made.

(b) The Bank of Italy has given the following as its estimates of new currency required for the stabilization and inflation control program:

Quantity		Denomination	Lira Amount	
75,000,000	(12.5%)	1,000	L. 75,000,000,000	(50%)
75,000,000	(12.5%)	500	" 37,500,000,000	(25%)
300,000,000	(50%)	100	" 30,000,000,000	(20%)
150,000,000	(25%)	50	" 7,500,000,000	(5%)
600,000,000			L.150,000,000,000	

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Berl. A Spin [illegible]

4. However, during the month of July, COS agreed to begin deliveries on a new order for 50 billion AM lire shortly, the first shipment to be received on 1 September 1944.

B. Production of new currency for Italy

1. Preliminary

(a) Sometime ago the COS was duly authorized to explore, on behalf of the Italian Government, the production of non-military lire currency by the fastest possible means, since currency conversion, which is an integral part of the Italian stabilization and Inflation Control Program, is considered essential to the economic rehabilitation and political resurgence of Italy. Plans for such production are proceeding, and in view of all the obstacles, considerable progress may be said to have been made.

(b) The Bank of Italy has given the following as its estimates of new currency required for the stabilization and inflation control program:

Quantity		Denomination	Lire Amount	
75,000,000	(12.5%)	1,000	L. 75,000,000,000	(50%)
75,000,000	(12.5%)	500	" 37,500,000,000	(25%)
300,000,000	(50%)	100	" 30,000,000,000	(20%)
150,000,000	(25%)	50	" 7,000,000,000	(5%)
600,000,000			L.150,000,000,000	

2. Facilities available for printing bank-notes in Italy

(a) A thorough investigation of the facilities for manufacturing and printing bank notes in Italy has been made and very careful consideration has been given to the utilization of these facilities to the maximum. The production of bank notes in Italy is governed chiefly by two factors,

(i) Capacity to manufacture bank note paper, and
(ii) capacity to print or lithograph the notes.

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[illegible] the Banca d'Italia and the following plants for the printing of bank notes:

Name & Address	Used for	Present Condition
1. Banca d'Italia plant, l'Aquila, Italy	Manufacture of bank note paper and for printing	Completely destroyed
2. Cartiera Banca d'Italia, (Officina Carte Valori) 53 Via dei Serpenti, Rome.	Manufacture of bank note paper	Under construction. Paper making machinery salvaged from the l'Aquila plant is being installed here
3. Cartiera L. Sordini & Sons, Falo di Foligno, Italy	Manufacturing of paper	50% destroyed
4. Stabilimento Tipografici, 45 Via Barolini, Rome	Printing	In good condition but with limited capacity
5. Istituto Poligrafico dello Stato. Piazza G. Verdi, Rome	Printing	In good condition but with limited capacity

(b) A representative of the Finance Sub-Commission was sent to l'Aquila (Aquila province) to examine and report on the condition of the Banca d'Italia paper and printing plant there. This large plant, normally employing 600 workers, was completely wrecked by Allied bombing and by German demolition squads. Arrangements have been made through the Transportation Sub-Commission to move whatever paper manufacturing and printing machinery is undamaged, to Rome. The difficulties to be overcome are considerable. There is no power of any kind available in l'Aquila, almost all of the bridges and culverts between Rome and l'Aquila (about 60 miles) are out, requiring detours which the autumn rains may make impassable, and there is an acute shortage of gasoline and transportation. The Bank of Italy sent about 30 workmen to l'Aquila to disassemble the machinery and already several disassembled paper making machines have been moved to Rome. The Transportation Sub-Commission estimates that the moving of the machinery, barring bad weather and other factors beyond their control, will be completed by about September 15, 1944. It is estimated that the conversion of the building where it is to be installed and the installation itself will be completed by about November 1, 1944.

(c) A representative of the Finance Sub-Commission was also sent to Foligno (Perugia province, about 80 miles from Rome) to examine and report on the condition of the paper mill of L. Sordini & Sons. This is a small privately owned paper mill normally employing about 50 workmen which makes paper under contract for the Banca d'Italia. It was about 50% destroyed by German demolition squads. The part of this mill which is left is in relatively good condition and the owners state that only lack of raw materials and a few minor repairs prevent them from resuming operations. As an example of the difficulties encountered, the electric operating equipment at the paper mill was requisitioned by the provincial authorities and, with no power, the machinery which is undamaged cannot be operated. Every assistance has been given to get the Sordini paper mill back into operation again.

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printing plant there. [illegible] wrecked by Allied bombing and by German demolition agents. Arrangements have been made through the Transportation Sub-Commission to move whatever paper manufacturing and printing machinery is undamaged, to Rome. The difficulties to be overcome are considerable. There is no power of any kind available in l'Aquila, almost all of the bridges and culverts between Rome and l'Aquila (about 60 miles) are out, requiring detours which the entire railway system is incapable, and there is an acute shortage of gasoline and transportation. The Bank of Italy sent about 30 workmen to l'Aquila to disassemble the machinery and already several disassembled paper cutting machines have been moved to Rome. The Transportation Sub-Commission estimates that the moving of the machinery, barring bad weather and other factors beyond their control, will be completed by about September 15, 1944. It is estimated that the conversion of the building there it is to be installed and the installation itself will be completed by about November 1, 1944.

(c) A representative of the Finance Sub-Commission was also sent to Foligno (Perugia province, about 80 miles from Rome) to examine and report on the condition of the paper mill of A. Sordini & Sons. This is a small privately owned paper mill normally employing about 50 workmen which makes paper under contract for the Banca d'Italia. It was about 50% destroyed by German demolition agents. The part of this mill which is left is in relatively good condition and the owners state that only lack of raw materials and a few minor repairs prevent them from resuming operations. As an example of the difficulties encountered, the electric converting equipment at the paper mill was requisitioned by the provincial authorities and with no power, the machinery which is undamaged cannot be operated. Every assistance has been given to get the Sordini paper mill back into operation again.

(d) The Industry Sub-Commission has estimated that the Sordini mill will be able to start production of bank-note paper by 1 October 1944, and that the Cartiera Banca d'Italia, Rome, will start production of bank note paper by 1 November 1944.

(e) Careful consideration has been given to other sources of bank note paper in Italy such as the Cartiera Miliani, Fabriano, Province of Ancona, paper mills (about 100 miles from Rome), and to any existing stocks of paper. At present, reports on the condition of the mills at Fabriano, which has been liberated only a few weeks, are quite vague. A representative of the Finance Sub-Commission, together with a representative from the Industry and Commerce Sub-Commissions expect to proceed to Fabriano shortly and to report on conditions there for the production of paper. Judged by the amount of destruction at l'Aquila and Foligno, it is unlikely that the Cartiera Miliani, Fabriano will be undamaged.

(f) In northern Italy plants exist, or did exist, for the production of bank-note paper or for printing in Milan, Bergamo and Novara. This is still enemy-occupied territory and little or no information is available on the present condition of these plants. It is most unlikely, however, in view of our experience with the l'Aquila and Foligno establishments that these plants will not have been damaged, either by Allied bombing or by German demolition agents. Sig. Sordini stated that the only reason his printing plant in Rome had not been damaged or looted by the Germans was that he had been engaged in printing work for the Vatican.

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(e) The Finance Sub-Commission is working very closely with the Industrial Services Sub-Commissions in obtaining and co-ordinating for the Italian all available Italian labor, production facilities, raw materials and other resources.

(h) If the recommendations in the currency stabilization and inflation control program are to be carried out, the new currency should be available within 6 to 7 months. It is physically impossible, under present conditions, to produce 600 billion lire notes in Italy within that period of time. It is problematical under existing conditions whether this amount could be produced in Italy within 2 years.

(i) With our assistance, the Italians expect to be able to produce sufficient paper for the 1,000 lire and 500 lire denomination notes (75,000,000 of each in quantity), representing 25% of the total number of notes required for the program.

(j) They expect to be able to print in the Stabilimi and Poligrafico plants, working 2 shifts of 16 hrs each, all of the 1,000 and 500 denomination notes within 3 months after receipt of the paper stock. This is assuming, of course, that the necessary power, raw materials, fuel, transportation, etc. can be obtained and that the facilities of these firms for producing currency will not be requisitioned for some other purpose.

(k) Discussions are under way for the production in the United States of the 50 and 100 denomination notes representing 75% of the total quantity of the new currency contemplated. Thus it is hoped that with production of the large denomination notes (500's and 1000's) in Italy and the small denomination notes (50's and 100's) in the U.S., the total amount of currency required will be produced within 6 to 7 months. Lengthy discussions have been held with officials of the Italian Ministry of the Treasury and of the Banca d'Italia on this matter and every effort is being made to produce the required amount of currency by February 15, 1945.

C. Review of reserve position of Banca d'Italia

1. The total currency holdings of the Banca d'Italia in liberated Italy amounted to 6,730 billion lire on 19 July, on the basis of preliminary reports, as compared with 6,631 billion lire held on 31 May in the smaller area of Italy which was at that date under Allied control. That is to say, the extension of territory has resulted in a decrease in the currency reserve of the Banca d'Italia, despite the vast larger flow of new lire into circulation which took place in May and June and in spite of the discovery of some currency in Rome and in other cities recently liberated.

2. This decrease of 301 billion in total currency reserve was almost equal to the decline of 306 billions in "free" reserve, after deducting AM balances with the Banca d'Italia, which rose from 3,355 billion lire on 31 May to 3,559 billion lire on 30 June.

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

1. Since the inauguration of the remittance system to the end of July 1944, lists totalling $ 2,996,926.95 and £ 41,572-10-0, covering 70,565 individual remittances,

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contemplated. [illegible] (500's and 100's) in Italy and the small denomination notes (50's and 100's) [illegible] the total amount of currency required will be produced within 6 to 7 months. Lately discussions have been held with officials of the Italian Ministry of the Treasury and of the Banca d'Italia on this matter and every effort is being made to produce the required amount of currency by February 15, 1944.

C. Review of reserve position of Banca d'Italia

1. The total currency holdings of the Banca d'Italia in liberated Italy amounted to 6,330 billion lire on 10 July, on the basis of preliminary reports, as compared with 6,531 billion lire held on 31 May in the smaller area of Italy which was at that date under Allied control. That is to say, the extension of territory has resulted in a decrease in the currency reserve of the Banca d'Italia, despite the much larger flow of new lire into circulation which took place in May and June and in spite of the discovery of some currency in Rome and in other cities recently liberated.

2. This decrease of 201 million in total currency reserve was almost equal to the decline of 206 millions in "gross" reserve, after deducting Axis balances with the Banca d'Italia, which rose from 3,355 million lire on 31 May to 3,359 million lire on 30 June.

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

1. Since the inauguration of the remittance system to the end of July 1944, licenses totalling £ 3,095,926.9s, and £ 41,578-10-0, covering 70,867 individual remittances, have been handed to the Banca di Sicilia and the Banca di Napoli for payment. (These data include licenses totalling £ 206,455.18 and £ 14,389-2-0, covering 12,373 remittances, which were received at the end of July, but not recorded on Bank's books until 1 August.)

2. The Banca d'Italia has expressed its desire to handle remittances in the remaining territory of Italy. However, as the appointment of a Commissario did not take place until the end of July, the requested early in July that the Banca di Napoli be authorized to make payments to beneficiaries resident in the provinces of Rieti, Littoria, Frosinone and Ciampano. The British and U.S. Treasuries have progressively issued licenses to open the service to these provinces, but official notice thereof has not yet reached [illegible].

3. In the near future, the limit for a personal remittance from the United States, without a specific license, will be raised from $ 50 per month per Italian household to $ 500 per month per individual or household, and the same maximum figure will apply to U.S. nationals. The U.K. Treasury will also relax its restrictions on the amounts which may be remitted through the Bank of England on behalf of remitters who are not residents of the "sterling area". This apparently will permit free transfer of funds from Latin American countries to liberated Italy, via sterling, subject to such restriction as may

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be imposed by such Latin American countries themselves. The existing limitations will remain effective so far as contributions from residents of the sterling area to Italy are concerned.

4. When the Banca d'Italia opens accounts with the U.S. and U.K. commercial banks for the purpose of carrying out remittances, it has been recommended to t the existing procedure be modified to require that no offsetting US dollar and sterling accounts with the Banca d'Italia be established by AFA, but merely that the Banca d'Italia agree to make such payments of foreign exchange from these accounts as are requested or ordered by the Finance Sub-Commission, ACC. An official ruling from ACC will be required on this point before the correspondents of the Banca d'Italia can be chosen. This change in procedure would remove these transactions entirely from AFA's accounts, and Banca d'Italia, rather than AFA, would provide the lire with which payments would be effected in Italy.

E. Advances to Allied Military Forces

1. During the month of July the first advances of lire were made to the Brazilian Expeditionary Force, in the approximate amount of 1½ million lire. A suspense account in Brazilian Cruzeiros will be set up in the Bank of Brazil as an offset to these advances, at the rate of 5 lire to one cruzeiro.

F. AFA Accounting

1. Centralization at Headquarters

Pursuant to Executive Memorandum No. 64, dated 21 June, 1944, all bookkeeping and preparation of accounts for Allied Financial Agency (with the exception of certain bookkeeping records maintained for AFA by the Regional Accountants of Regions IV and V which will be taken over in August) were centralized at Headquarters. The new ledgers were opened with the 30 June 1944 balances as shown in the Allied Financial Consolidated Statements of Receipts and Disbursements, and thereafter the posting of entries arising from AFA branch transactions and transactions of Sub-Accounts in the Field was begun. The new controlled records are being posted by means of bookkeeping machines requisitioned for this purpose.

2. June Statement of Receipts and Disbursements

The AFA branch statements for the month of June were consolidated in the usual way, and the consolidated Statement was prepared for distribution.

3. Advances to Other Allied Forces

A new form, F/D 13 (c), was printed for use in connection with claim adjustments with the British Control Commission in respect of A. M.G.O. advanced by them to

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F. AFA Accounting

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2. June Statement of Receipts and Disbursements

The AFA branch statements for the month of June were consolidated in the usual way, and the consolidated Statement was prepared for distribution.

3. Advances to Other Allied Forces

A new form, T/F 13 (a), was printed for use in connection with adjustments with the British Command Paymaster in respect of AC lire advanced by him to British Dominion, and other Allied forces (specified in TAC Airgram No. 159). A supply of this form has been sent to the AFA branches concerned, who in turn have advised the Paymaster that as soon as he has furnished the necessary data and related receipts adjustments will be made, in order that such advances will be properly reflected in AFA's accounts.

4. Supplies Accredited for Export

Instructions regarding the accounting treatment of disbursements for supplies purchased for stockpiling pending export were prepared and sent to all AFA branches.

5. Funds for United Nations Representatives in Italy

A new form, T/F 12 (a), was prepared for the use of AFA branches in connection with the making of temporary advances to duly accredited representatives of United Nations for the purpose of meeting the personal and office expenses of such representatives in Italy. In accordance with TAC 216 this new form provides that such advances will be repaid to AFA as promptly as possible by means of funds transferred through the remittance plan by the United Nations' governments concerned.

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6. [redacted] Finance Mission to ACC

The points of criticism relating to financial accounting (as distinct from supply or commodity accounting) have been met prior to the receipt of the Report, with the exception of the suggestion that Collectors of Revenue report their receipts direct to ACC HQ, so that these could be checked independently of the reports of Sub-Accountants, with whom the collections are deposited. During the month, instructions covering this matter were prepared for distribution to Collectors of Revenue, and hereafter the verification suggested by the Mission will be incorporated in the co-ordination procedure.

G. Measures against counterfeiting of Allied

1. In response to a request from Finance Sub-Commission in ACC, the U.S. Treasury Department prepared and forwarded a list of persons convicted in the United States on counterfeiting charges and deported to Italy. As these counterfeiters were involved in "plant" cases (production of completely forged notes), and as this is the type of counterfeiting which may reasonably be expected to increase in Italy in the future, the names, records, and photographs of the listed individuals were sent to Public Safety Sub-Commission for an investigation into their present whereabouts and activities.

IV. BANKING, POSTAL SAVINGS, AND OTHER FINANCIAL INSTITUTIONS

A. Central Banking Developments

1. The Central Administration of the Banco d'Italia is in process of systematizing its relations with the branches which were cut off from it prior to the liberation of Rome. During the period of separation, the territories in southern Italy had been directed by the then Commissioner of the Banco d'Italia, Arturo Atti, to continue to prepare the usual statements for forwarding to the Central Administration. With the change in management of the Banco d'Italia, occurring through removal of the Governor, Azzolini, and the resumption of the active direction by the Vice-Director General, Introna, (now Commissioner), the Central Administration has been concerned to re-assume its directive position in relation to the branches. The numerical and accounting statements of the branches are now, therefore, being despatched to Rome.

2. On 29 July, Niccolò Introna, Deputy Director General, was named by the Council of Ministers as Commissioner of the Banco d'Italia, and Alberto Pettinati, Director of the Bari and Naples branches, as Vice-Commissioner. Arturo Atti, the Commissioner named last winter for southern Italy, died during July. Introna, the new Commissioner, is a career man, having been with the Banco d'Italia from its foundation. Pettinati was the Vice-Commissioner in southern Italy and continues in that post. Vincenzo Azzolini, the former Governor , has now been imprisoned by the Italian Government.

3. For the purpose of showing the exact changes in the position [illegible] Banco

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IV. BANKING, POSTAL SAVINGS,
AND OTHER FINANCIAL INSTITUTIONS

A. General Banking Developments

1. The General Administration of the Bank d'Italia is in process of reconciling its relations with the branches which were cut off from it during the liberation of Rome. During the period of separation, the branches in southern Italy had been directed by the Vice-Commissioner of the Bank d'Italia, Arturo Ali, to continue to prepare the usual statements for forwarding to the General Administration. With the change in management of the Bank d'Italia, ensuring shortly after the Government, headed by Ivanoe Bonomi, (now Co-Minister), the General Administration has been instructed to re-assume its directive position in relation to the branches. The second (accounting) statements of the branches are now, therefore, being requested to Rome.

2. On 29 July, Nicolo Introna, Deputy Director General, was named by the Council of Ministers as Co-Minister of the Bank d'Italia, and Alberto Beneduce, Director of the Rome and Naples branches, as Vice-Co-Minister. Arturo Ali, who co-ordinated rural loan matters for southern Italy, died during July. Introna, the new Co-Minister, is a career man, having been with the Bank d'Italia from its formation. Beneduce was the Vice-Co-Minister in southern Italy and continues in the same post. Whereas Azzolini, the former Governor , has now been imprisoned by the Fascist government.

3. For the purpose of showing the exact changes in the position of the Bank d'Italia during the course of the war, the balance sheets for 31 December, 1939, and 31 December, 1945, are reproduced in the Statistical Appendix. The balance sheet for the latter date is completely dominated by the financial needs of the Government. Total funds made available to the State and State agencies totalled 74 billion lire on 31 December, 1939, and 191 billion lire on 31 December, 1945. (If advances on Government bonds are included, these figures become 78 billion and 191 billion lire respectively.) In essence, the Bank d'Italia met the demands of the Government during the years by increasing its bank notes in circulation from 24 to 193 billion, by doubling 35 billion lire of funds deposited with it by the Treasury, and by increasing its discount credits outstanding to 7 billion.

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future of Italy. The Finance Sub-Commission's adviser to I.R.I. has made arrangements to re-activate the organization. A team consisting of a representative each from the Ministry of Finance, Onofrio Pomponi, and the Ministry of the Treasury, Biagio Portia, who are technically competent and work well together, have been put in as temporary heads until the powers-that-be come to a final decision as to the control of I.R.I. The most probable outcome is that the Board of Directors of I.R.I. will consist of a sufficient number of Ministers or their representatives to give representation to the major national economic and political interests. The actual operation of I.R.I. would be conducted by a technician as Managing Director within the lines of general policy laid down by the Board.

C. Commercial Banking

1. As of the end of June 1944, total deposits in banks in all Italy are estimated to total around 170 billion lire. The latest Bankitalia figures supplied by the Inspectorate, for September 1943, give a total of 143 billion lire. The nine banks included in the categories of "institutions of public law" and "banks of national interest"(i.e. banks without stockholders or owned by I.R.I. such Banco di Napoli and Banco Commerciale Italiana) hold not quite half of all the deposits.

2. The latest figures on Government securities owned by the banks show that they held, as of 30 September 1943, 64 billion lire of securities; that is, considerably less than half of total banking assets were invested in Government securities. It is particularly to be noted that whereas the nine leading banks hold almost half of the total deposits, they hold only about a third of the total amount of Government bonds owned by the banks. As the nine leading banks were all theoretically subject to direct Government control, the foregoing figures are a good indication of the lack of efficiency of Fascist banking and credit controls. This indication is well substantiated by other experience in this field. (The Statistical Tables on deposits and Government bonds holdings are given in Statistical Appendix, Appendix B.)

D. Postal Savings

(a) For the first month in any period for which we have information there appears to have been a decisive shift in postal savings bond investment from a net outflow of funds to a net inflow.

(b) As the principal mechanism of saving used by small savers in Italy, the status of investment in these bonds is highly important. The shift in June was probably caused by the availability of new postal savings bonds certificates and by investment of the first harvest proceeds in agricultural districts.

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E. Other Financial Developments

1. Financing of ocean transport

(a) Two related problems arose during July in connection with the financing of cargoes transported by water for ACC account. The Mediterranean Shipping Board has requested payment for freight carried for ACC account, and a new method of financing the operations of COGENA (an association of Italian schooner owners) was adopted. Previously, COGENA had been financed by the Shipping Sub-Commission with funds drawn by the British Command Pay Office from the Allied Financial Agency. Inasmuch as this financial problem is clearly an internal one and therefore a matter for the Italian Government, arrangements were made for the Government to provide COGENA with the necessary funds. No payments will be made to COGENA for cargoes carried on behalf of the Allied Forces or ACC. In accordance with the terms of the Armistice and AMG Administrative Memoranda Nos. 95 and 51, these charges will be borne by the Italian Government when it finances COGENA's operating deficit.

(b) With respect to MEDO's request, Finance Sub-Commission replied that the movement of cargoes for ACC is in reality a service rendered to the Italian civilian economy (food supplies, etc.). In view of this, such charges should be treated in the same way as, for example, food imported for civilian consumption, for which no immediate payment is made. MEDO is itself applying the same principle, in that Italian ocean-going vessels are chartered to MEDO, but the question of remuneration to Italy for the services of these vessels has been deferred. All such elements - the value of services provided by Italy and rendered to Italy must be considered in an ultimate financial settlement. It was therefore suggested to MEDO that vessels under charter to it continue to carry cargoes for ACC without any immediate payments. Careful records should of course be kept, in order that this service may be taken into consideration in the future.

2. Savings Bank Officials

As new territory is liberated in the north several savings banks have been found from which all officers have fled. Prior to Fascism there were various methods of selecting these officers, giving due weight to different elements in the community. Under Fascism all of these officers were appointed by the Ministry of Finance. It has been agreed by the Minister of the Treasury that as officers are removed or places are found vacant no permanent appointments shall be made but Commissioners will be appointed to hold office only until the pre-Fascist system can be reinstituted.

3. Revision of Proclamations and General Orders

In conjunction with the Legal Sub-Commission, Finance Sub-Commission reconsidered the various policy statements embodied in the outstanding Proclamations and General Orders. Extensive revisions were made and drafts thereof submitted to the Legal Sub-Commission.

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V. PRICES AND THE COST OF LIVING

A. Appendix E to this Report reproduces all the data currently available on the cost of living in the capital cities of 24 provinces of liberated Italy. Previously, this Report has contained cost of living figures for Naples. The data in Appendix E are calculated for all 24 provinces on approximately the same basis as that previously used for Naples, the differences being fully explained in the appendix.

For all provinces for which July data are available, the cost of living dropped sharply in that month, a result of the increase in the bread ration which took effect on 1 July, of the current wheat harvest which is now available, and of the current harvest of other important food crops.

B. The price of bread in liberated Italy, a subject that has been extensively discussed in ACC, and reported in detail in previous numbers of the Monthly Report, was fixed during July at 5 lire per kilogram. The decision to fix the price at that point was taken after it became obvious that agreement between ACC and the Government was impossible as the Government consistently advocated an "economic"(i.e. full cost) price for bread

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VI. INSURANCE

A. Commercial Insurance

1. Italian Government

Dott. Beniamino Vigeriti, of the Commercial Insurance Section of the Ministry of Industry, Commerce and Labor, has been charged with re-forming the former Servizio dell'Assicurazione of the Ministry of Corporations as a Section of the Ministry of Industry, Commerce and Labor, using the most technically qualified men available in Rome. It has been emphasized that this is a matter of pressing importance. Occupation of Rome, where there are a number of insurance offices authorized to take charge in liberated Italy, is bringing insurance problems which are of a highly technical nature and require examination not so much from the point of view of companies individually, but on a national basis. While a reorganized Advisory Committee will go some way towards meeting this problem, it is obvious that the representatives on it of the Ministry of Industry, Commerce and Labor must be men highly qualified in insurance problems. There are a number of such men in Rome from whom the Government can make a selection, subject to satisfactory political backgrounds.

2. Existing condition of Rome offices

All insurance offices in Rome had been closed (except for premium collections and expenses) by order of Rome Region on 24 June, and the earliest efforts were directed to obtaining sufficient data from them to decide upon reopening. Several distinct categories were immediately apparent:

(a) The group comprising the Istituto Nazionale delle Assicurazioni, Praevidentia, and Assicurazioni d'Italia, where the Boards of Administration had been replaced by the Commissioner, Dr. Alfredo de Liguoro, appointed by decree in May, and sent to Rome on Italian Government orders and with ACC approval, to take charge of these parastatal concerns.

(b) Other companies with Head Offices in Rome, of which both the Compagnia di Roma and the Unione Italiana di Riassicurazione required special consideration.

(c) Companies whose Head Offices were in the north, which had arranged for specially staffed and equipped offices in Rome, to act as Head Offices for liberated territory. The two most important of this group were Assicurazioni Generali di Venezia, and Riunione Adriatica di Sicurta'.

(d) Foreign Companies, comprising five French companies in the same categories as (b) or (c) above, two German companies, and agencies of three British companies.

There were in Naples Commissioners appointed for several companies by the Government, with powers extended to AMG territory. While it had originally been intended

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All insurance offices in Rome had been closed (except for premium collections and expenses) by order of Rome Region on 24 June, and the earliest efforts were directed to obtaining sufficient data from them to decide upon reopening. Several distinct categories were immediately apparent:

(a) The group comprising the Istituto Nazionale delle Assicurazioni, Previdentia, and Assicurazioni d'Italia, where the Boards of Administration had been replaced by the Commissioner, Dr. Alfredo de Figuera, appointed by decree in May, and sent to Rome on Italian Government orders and with ACC approval, to take charge of these parastatal concerns.

(b) Other companies with Head Offices in Rome, of which both the Compagnia di Roma and the Unione Italiana di Riassicurazione required special consideration.

(c) Companies whose Head Offices were in the north, which had arranged for specially staffed and equipped offices in Rome, to act as Head Offices for liberated territory. The two most important of this group were Assicurazioni Generali di Venezia, and Riunione Adriatica di Sicurta'.

(d) Foreign Companies, comprising five French companies in the same categories as (b) or (c) above, two German companies, and agencies of three British companies.

There were in Naples Commissioners appointed for several companies by the Government, with powers extended to AMG territory. While it had originally been intended to bring all such Commissioners to Rome to take charge of their companies' affairs, it became apparent that in some instances of Companies in Group (c) above, the officials in Rome were not only better qualified men holding specific authority from their Head Offices, but were also the superiors of their own Commissioners, who, although selected from the best men available at the time of their appointment, did not possess all the qualifications strictly desirable.

At a meeting with the Minister of Industry, Commerce and Labor it was decided that the appointment of Commissioner should be cancelled by the Government in cases where it was agreed that the Rome management was of a superior grade to the Commissioner.

3. Conditions of reopening

In the meantime attention was given to the formulation of restrictions it might be desirable to impose, and the following were agreed with the Italian Government representatives:

(a) Operations on quotas of reinsurance given to, or accepted from, companies remaining closed, to be suspended;

(b) Operations on any part of the portfolio referring to foreign countries, or to foreign companies not opened for liberated territory, to be suspended;

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(c) No payment to be made to any person, corporation or other concern whose bank account is blocked under ACC/AMG orders, without approval of the Finance Sub-Commission;

(d) The obligation of "cessioni legali" to the Istituto Nazionale delle Assicurazioni to remain in force for life insurances;

(e) New risks in other branches to be limited to those the Rome managements are authorized by their principals to accept, to those located in liberated territory, and in accordance with Italian law;

(f) No operation to be undertaken which would violate any order of ACC/AMG or of the Italian Government.

4. Non-Italian companies

In accordance with arrangements previously made, the agencies of the three British Companies, which were without any controlling authority, were turned over to the Director of Property Control. The Companies effected are:

Alliance
Liverpool London & Globe
Commercial Union

The Italian Head Offices for all three are in Milan under Italian management, and fresh arrangements are contemplated for them when Milan is reached, by which time the Director of Property Control should have received instructions from London.

After further consultation with the French authorities it was agreed to treat the French companies in the same way as Italian offices of similar calibre, it being understood, however, that negotiations might take place to bring them under the control of superior offices located in the territory under the control of the Provisional French Government. The French authorities also mentioned the companies "Assonia" and "Paterna" as being of majority French ownership. There is no substantial organization for either in Rome.

It is the intention of the Italian authorities to appoint a sequestrator for the two German companies; one, Donubio - Concordia, has its Italian Head Office in Rome and appears to be in working condition. The officers of the other, the Mannheim, have been evacuated north, leaving a minor official (Italian) with authority to settle claims, and some funds for this purpose.

5. Italian Companies

Investigation of data furnished by companies was completed by 12 July and on 14 July a number of companies were instructed to resume their activities for all liberated Italy the restrictions reported above.

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Alliance
Liverpool London & Globe
Commercial Union

The Italian Head Offices for all these are in Milan under Italian management, and fresh arrangements are contemplated for them when Milan is reached, by which time the Director of Property Control should have received instructions from London.

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5. Italian Companies

Investigation of data furnished by companies was completed by 12 July and on 14 July a number of companies were instructed to resume their activities for all liberated Italy the restrictions reported above.

In view of the peculiar character of the Compagnia di Roma and the Unione Italiana di Riassicurazioni, it was decided, in conjunction with the Government representative, to leave them closed until such time as investigation can be made into their functioning.

6. Insurance Intelligence

It is difficult to appraise with any degree of exactitude the insurance intelligence available from the half-dozen Head Offices in Rome. The chief institutions of any value in this respect are the Istituto Nazionale delle Assicurazioni, the Compagnia di Roma, and the Unione Italiana di Riassicurazione.

The Istituto Nazionale deals primarily with life insurances, although it does conduct small reinsurances in other branches, chiefly in conjunction with the Unione Italiana and its own subsidiary Assicurazione d'Italia. A preliminary report of the conditions in the Head Office at the time of the liberation of Rome is attached as Appendix F.

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The Compagnia di Roma and the Unione Italiana offer a different problem. Upon notification from them that their technical records were intact, contact was made through ACC Information Division with the Intelligence Services, to a representative of which the possibilities were explained. It is, however, beyond the resources of the Insurance Department to undertake any large-scale investigation of technical records. The Department could, however, request the companies to do the work, if an indication should be given of the specific type of information required by London and Washington, e.g. names of persons whose property it is desired to investigate, a record of insurance upon whom, or upon whose property, might be of assistance. Both as a test on completeness of records, and as an example of the information available on insured persons and property, details of two life, two fire and two transport policies picked at random have been called for from both the Unione Italiana di Rinsicurazione and the Compagnia di Roma.

7. Arrangements have now been made on the following lines, after consultation with Sections of the Finance Sub-Commission dealing with other financial institutions, on a national basis. Expurgation of the Istituto Nazionale delle Assicurazione and its subsidiaries (para-statal concerns) will be left to the Government to arrange with the Commissioner, who has already taken steps to obtain political histories of the staff. Such of the managements and directorates as are in Rome of all commercial insurance offices having a national sphere of responsibility will be screened by means of "Schede Personali" sent out by the Insurance Department and referred to the Security Branch. When once such managements and directorates have been established as satisfactory, they will in turn be made responsible for dealing with their employees, utilising, if they so desire, the services of any staff Committee in their office. The exact terms of reference to be given to the management have yet to be formulated, but will be uniform with those used by the rest of the Sub-Commission.

Dispatch of "Schede Personali" for managements and directorates at a national level has been finished, completion of screening being now dependent on the speed with which they are returned and can be dealt with.

Offices which have not a national significance, such as local branches, agencies, cash offices and the like, will comply with Regional orders on the subject.

Personnel of managements and directorates found unsatisfactory will be dismissed by orders direct to their companies up to the date of the hand-over of Rome to the Italian Government, with a copy to the Government for confirmatory action afterwards. After the hand-over, names of such persons will be sent to the Government for necessary action. Names of all such personnel, and also those of insurance personnel proved satisfactory, will be communicated in future monthly reports.

B. Social Insurance

1. Extension of social insurance to direct employees of the Allied forces

(a) Recent pressures have forced quickening of consideration of coverage of

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Offices having a national sphere of responsibility will be screened by means of "Schede Personali" sent out by the Insurance Department and referred to the Security Branch. When once such managements and directorates have been established as satisfactory, they will in turn be made responsible for dealing with their employees, utilizing, if they so desire, the services of any staff Committee in their office. The exact terms of reference to be given to the management have yet to be formulated, but will be uniform with those used by the rest of the Sub-Commission.

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B. Social Insurance

1. Extension of social insurance to direct employees of the Allied Forces

(a) Recent pressures have forced quickening of consideration of coverage of direct employees of Allied Forces in Italy under social insurance laws. Documents made available following the fall of Rome make clear that the Germans provided such coverage for their direct employees. Italians in this area cannot understand why we have not already done so. In Sicily this gap in coverage has recently become a source of serious agitation.

(b) On 15 May 1944 the local Resources Board for Italy approved extension of Italian social insurance benefits to direct employees of Allied Forces and requested ACC to develop a plan for such extension that would be acceptable to the Italian Government and Allied Forces. The Italian Government had already agreed to bear the cost of the following coverages in addition to accidental injury or death which are already covered:

(i) sickness of worker or dependent
(ii) unemployment
(iii) pensions for invalidity or old age
(iv) tuberculosis
(v) marriage and birth allowances

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(c) The principal problems have been, on the one hand, to determine the minimum information required for assuring payment of benefits to the workers involved, and for enabling the Italian Government to accumulate the necessary reserves to meet such payments; and on the other hand, to devise a method by which Allied Forces can supply such information with a minimum of recording, tabulation and reporting.

(d) A plan has been prepared and submitted for approval of appropriate committees of HQ, Allied Armies in Italy. It proposes that Allied Forces assume responsibility for

(i) preparation of a "Worker's Social Insurance Card" for each direct employee, the cards to be kept on file during the period of employment

(ii) commencement of coverage as of the first pay-period after the effective date decided upon, the file being then constituted (but units able and willing to do so may provide retro-active coverage to actual dates on which employment commenced where verifiable)

(iii) surrender of the card with appropriate certification upon termination of employment or interruption by illness, the card to form the basis for establishing both right to benefit and amount of contribution due from the Italian Government.

(iv) preparation of a "Worker's Employment Status Report" to be issued to such workers as during employment, shall apply for medical care for a dependent member of their families or for a marriage or birth allowance.

2. Military allowances under Proclamation No. 4

(a) As was announced in the June Report of this Sub-Commission, (Social Insurance, para 3) a directive was issued by the Acting Chief Commissioner and implemented by an instruction to provincial offices of Istituto Nazionale della Previdenza Sociale, changing the status of military allowances. The purpose of the changes was to encourage military personnel in enemy-occupied territory to cooperate with Allied Forces. In order further to regularize the situation, Proclamation No. 4 has now been formally amended, and Article I, Section 4 has been replaced by a Section 4 reading as follows:

"Every company, institution, corporation, body and person engaged in the administration of any Social Insurance or Social Welfare Scheme shall continue to receive and collect all contributions payable under such Scheme, and to make all benefits, indemnity and other payments due or payable under any such Scheme, provided the same was legally in force prior to 8 September 1943, except payments of family allowances and military benefits to dependents of persons in Germany or other enemy or enemy occupied territory known to be cooperating with the enemy".

(b) The Acting Chief Commissioner's directive and the "Previdenza" instruction remain in effect as detailed implementation of the amended section. The underlined portions of the amended section are of greatest interest. The phrase "legally in force prior to 8th September 1943" is related to the provision of the directive [illegible] by the Fascist Republican Government. The phrase

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(b) The Acting Chief Commissioner's directive and the "Previdenza" instruction remain in effect as detailed implementation of the amended section. The underlined portions of the amended section are of greatest interest. The phrase "legally in force prior to 8th September 1943" is related to the provision of the directive (para 2 c) outlawing changes made by the Fascist Republican Government. The phrase "known to be cooperating with the enemy" is related both to the exclusion of those who subsequently joined the Fascist Republican or German Armies, (para 2 a) and to the inclusion of those still imprisoned (para 2 d) or who have participated in patriot actions (para 2 e).

3. Status of family allowances of dependents of civil servants transferred to the north

The revised section (Article I, section 4 of Proclamation No. 4) quoted above, not only refers to military benefits but to "family allowances", and thus applies as regards civil servants who left their families to serve units transferred to the North by the Fascist Republican Government. The transfers took place under regulations established subsequent to 8 September 1943, and the allowances arranged were not "legally in effect on 8 September 1943". The persons concerned must be regarded as "known to be cooperating with the enemy". The present Italian Government agrees with this interpretation, and officials of the competent Ministry (Industry, Commerce, and Labor) have categorically stated that they do not wish these allowances to be paid. Hardship cases, will, of course, be taken care of by public assistance.

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4. Abrogation of pensions to Fascist

(a) The possibility referred to in the June Report (Social Insurance, para 7) has been realized in a decree now agreed upon. This Sub-Commission had originally objected to two pension decrees passed by the first Badoglio Government ; No. 95 (published 25 March 1944) increasing state pensions, because no adequate provision was included to prevent recipients of pensions for "Fascist merits" from receiving those increases; and No. 102 (published 20 April 1944) which not only continued pensions to the dissolved Fascist Militia, but actually provided them on more favourable terms. The decree just adopted takes care of both matters. It repeals the second law as well as earlier laws providing pensions to the Fascist Militia and other benefits for persons of "Fascist merit", and revokes pensions and benefits already granted under the terms of these laws. This removes the necessity for an amendment to the pension increase bill since those at which it would be directed will have been eliminated altogether from the pension system.

(b) The new decree abrogates the following laws: that of 20 April, 1924, providing more favorable pension treatment to members of the dissolved militia; that of 24 December, 1925, providing benefits to families of "Fascist martyrs", during the period between 1919 and 1923; that of 24 March 1930 extending benefits to additional persons injured in the "Fascist cause"; that of 12 June 1931, extending benefits to widows and orphans of "Fascist martyrs"; and the provision in Art. 3 para 3 of the decree of 6 December 1943 permitting competent Ministries to grant pensions to members of the dissolved militia equivalent to those for military of similar rank. It also revokes pensions and allowances already granted under these laws as well as those conceded to citizens for "Fascist merits" under special laws adopted after 28 October 1922. The right to receive normal pension for regular governmental service rendered apart from that in Fascist organizations, is reserved to claimants concerned. The "Opera di Previdenza della M.V.S.N.", created 27 March, 1924, to handle pensions and benefit funds of the Militia, is abolished and its funds will be liquidated by the Ministry of the Treasury which will retain for the State any sums not disbursed. Actual contributions made to the dissolved agency will be reimbursed (minus any benefits already received) but not at a rate exceeding L. 1,000 monthly. All war pensions for service in the Spanish Civil War are revoked. The pension rights of the technical militia (rail, postal-telegraph, forest, highway and port) are protected for those of grade 8 or below. Other members of these militia can apply for a pension, but must prove to an investigation commission that their appointment or promotion was not based on "Fascist merits".

(c) Action has already been initiated to extend this decree, as well as the state pension increase decree (No. 89) to military government territory.

5. Medical fees for sickness insurance

(a) The sickness insurance organization (Istituto Nazionale per l'Assistenza di Malattie ai Lavoratori) maintains two systems of payment for medical services.

(i) Physicians employed by the Institute are paid a salary;

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(c) Action has already been initiated to extend this decree, as well as the state pension increase decree (No. 85) to military government territory.

5. Medical fees for sickness insurance

(a) The sickness insurance organization (Istituto Nazionale per l'Assistenza di Malattie ai Lavoratori) maintains two systems of payment for medical services.

(i) Physicians employed by the Institute are paid a salary;

(ii) More often the patient is treated by a physician of his own choice and the latter is paid a fee based on the number of insured workers in the area he serves, or the number of visits he makes to homes of these workers. The fees are notoriously small. Funds are set aside, at rates varying from 8.6 lire per insured worker for agricultural workers to 13.2 lire per family member for industrial workers. These are then distributed among the doctors either on the basis of workers or family members in the area, or the number of visits reported.

(b) The fees had not been raised during our occupation, although living costs have risen sharply and other income have been increased. Recently the hardship which this has occasioned many doctors has led to action or threats of action by medical societies. The provincial medical syndicate of Brindisi resolved on 5 June to cease collaborating with the Institute and to declare its contract void as from 30 June. It was persuaded to withdraw from this position by the Prefect who explained that he could not tolerate any "strike" doctors. Similar measures have developed elsewhere, but as yet no case of refusal to attend a patient has been attested.

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(c) Impressed by these pressures, and aware that there was merit in the arguments of the doctors, the Ministry of Industry, Commerce, and Labor directed the Institute to increase its fees 50% effective 1 June, and so to notify the provincial offices by telegram. This was done on 28 June as regards the following provinces: Agrigento, Avellino, Bari, Brindisi, Cagliari, Caltanissetta, Catania, Catanzaro, Cosenza, Enna, Foggia (in July, Lecce, Matera, Messina, Napoli (in July), Nuoro, Palermo, Potenza, Ragusa, Reggio Calabria, Salerno, Sassari, Siracusa, Taranto and Trapani. Subsequently on 10 July a letter of instruction was sent out, setting forth in greater detail and with some departures from a flat 50% increase, the nature of the adjustment. Thus staff physicians were granted the graduated increase of 70%, 60%, 30%, etc. provided for other public employees last winter. Extension of these increases to Military Government Territory has been requested by the National Commissioner.

(d) Two problems are involved in this matter:

(i) the necessities of the doctors who have faced a rising living cost with fixed compensation,

and (ii) the need of workers and their families for adequate medical service.

The contemplated increase, already effected in most of Italian Government territory may answer the first problem, but can make no important contribution to solving the second problem. Re-examination of the medical standards of the Institute, needlessly complex and commonly inadequate, is required. If solution of this longer-range problem requires a more generous medical scale, the contribution for sickness insurance must also be reconsidered.

6. Situation at national offices of principal social insurance institutes

(a) In two out of three of the national offices of principal social insurance institutes, the Committee of National Liberation had already installed Commissioners and Committees before the arrival of the Italian Government or the legally appointed National Commissioners. This has resulted in some personnel difficulties which have posed a delicate problem both for the Italian Government and ACC. The Committee of National Liberation has done valuable service in Rome before its fall, and is still carrying on activities of an extra-legal character in enemy occupied Italy with our blessing. The problem is one of persuading the Committee to accept orderly legal procedure without provoking a feeling that its past services here or present services in unliberated areas are unappreciated. This objective is gradually being achieved.

(b) The head offices transferred to the North were established at the following points: "Providenza" at Vittorio Veneto, "Infortuni" at Lecce and "Malattie" at Varese. Substantial sums were also transferred, as indicated in the accompanying table based on reports to the Regional Labor Officer.

Status of Assets of Head Offices of Three Social Insurance Institutes

(in thousands of lire)

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The contemplated increase, already effected in most of Italian Government territory may answer the first problem, but can make no important contribution to solving the second problem. Re-examination of the medical standards of the Institute, needlessly complex and commonly inadequate, is required. If solution of this longer-range problem requires a more generous medical scale, the contribution for sickness insurance must also be reconsidered.

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(b) The head offices transferred to the North were established at the following points: "Providenza" at Vittorio Veneto, "Infortuni" at Lecco and "Malattie" at Varese. Substantial sums were also transferred, as indicated in the accompanying table based on reports to the Regional Labor Officer.

Status of Assets of Head Offices of Three Social Insurance Institutes

(in thousands of lire)

	Infortuni		Malattie		Providenza	
	Rome	North	Rome	North	Rome	North
Deposits, Bank	66,059	---	17,163	91,581	239,000	361,287
Deposits, Postal	1,776	---	7,019	10,000	96,000	176,000
Bonds, face value	1,595,825	1,333,361	12,493	561,486	2,611,037	7,670,058
Cash	2,879	---	13,435	44,199	15,000	---
Other holdings	7,156	---	---	---	40,000	23,000
	1,673,640	1,333,361	48,110	718,661	3,001,037	8,230,346

The figures for Malattie are not accurate (see para 8).

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As indicated, most of the transferred assets were in the form of bonds. It has been ascertained that such bonds as were transferred are known by amount, category and even individual numbers at Rome. Measures looking to protection and possible reconstitution of these assets are at present receiving careful consideration.

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7. Ente della Mutualita'

The cashier and accountant of Istituto Nazionale per l'Assistenza di Malattie ai Lavoratori (called Ente della Mutualita' in Northern Italy) attempted last winter to block the transfer North of the funds of the Institute by the Republican Fascist Government. They withdrew L. 10,305,000 in cashier's checks from the Banca d'Italia and took vault receipts for L. 863,000,000 in bonds on deposit with the Banca Nazionale del Lavoro. They kept these through many difficult months, while living in the underground. When following the fall of Rome a small clique attempted to reconstitute the Ente while barring the bulk of its personnel, the two men refused to surrender these assets to the "rump" direction-general. Instead they announced in the press (Ricostruzione, 12 July and L'Italia Libera, 16 July) that they would transfer them only to the competent Ministry. Having arranged a contact with the men, the Finance Sub-Commission made an appointment for them with the Minister concerned (Industry, Commerce and Labor), witnessed the transfer and obtained a duplicate receipt for the checks and vault slips.

8. Expurgation of national employees of social insurance institutes

Steps had already been taken at the regional level, under the terms of an order issued by the Commissioner for Rome Region, to purge the national offices of social insurance institutes of Fascist personnel. Some employees have already been suspended as a result of this action. We have, for example, a list of some 70 employees of Previdenza's national, provincial and other Rome units who were suspended for this reason. Their total Rome personnel exceeds 1,700. Further suspensions are receiving consideration at the national level. This matter is being closely through the National Commissioners of the several Institutes.

9. Insurance of workmen in Tripolitania and Eritrea

No further action is being taken with the Italian Government regarding extension of the arrangement for workmen's compensation (Infortuni organization) to civilian employees of Allied Forces in the former Italian Africa, referred to in the May report. Information now available from the Middle East indicates that activities of that Infortuni organization have been resumed in Tripolitania and Eritrea under British Military Administration. This resumption is not to be regarded as a resumption of the former activities of Infortuni. The branches concerned must be considered separate entities operating under different laws under control of HQ, BMA. The Italian Government and the Commissario of Infortuni in Rome have been advised accordingly.

VII. ACCOUNTING SUB-SECTION

A. ACC Accounting to show Italian indebtedness

1. TAM 228 from the Combined Chiefs of Staff was received setting out the accounting procedure whereby the U.S. War Department, the British War Office and ACC will provide and accumulate figures to show Italy's indebtedness to the various Allied countries.

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Italian Institutes of Fascist personnel. Some employees have already been suspended as a result of this action. We have, for example, a list of some 70 employees of Providenza's national, provincial and other Rome units who were suspended for this reason. Their total Rome personnel exceeds 1,700. Further suspensions are receiving consideration at the national level. This matter is being closely through the National Commissioners of the several Institutes.

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VII. ACCOUNTING SUB-SECTION

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B. Supply Accounting

1. Supply accounts for the month of May (OA) are being reviewed and prepared for consolidation at Headquarters. Reports for May have been submitted by all Regions, except I, IV and V. In this respect the position is not as favorable as at the close of the preceding month, when Economics and Supply Division reports had been received from all Regions except I and VII. The delay in Region I is attributable to insufficient personnel during previous months. More recently, as the work in arrears was being brought up to date, the accounting staff was required to devote a large part of its time to taking of inventories and effecting collections in connection with the transfer of the entire ESD stock in Sicily to an agent of the Italian Government. In Region IV

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the delay has been due to the difficulty in securing a record of stock transactions during the rapid advance of the 5th Army in May and June. In Region V the same situation prevailed in connection with the advancing 8th Army. Progress reports received from the Supply Accountants in each of the foregoing Regions, however, indicate that their May accounts are in course of preparation and will be forwarded in the near future to ACC.

2. In view of the rapid movement of the 5th and 8th Armies it is hoped to effect arrangements whereby two officers operating under the technical direction of the Chief Accountant will move with these Armies and account to their supply accounts with the records of the Regions in which the armies are operating. Aside from these officers two other Regional Supply Accountants have been assigned to the forward area Regions VIII and IV. This reassignment of personnel has placed a heavy burden on the supply accounting organizations in rear areas, which until recently was wholly inadequate. To distribute the present staff most advantageously on the basis of available personnel, plans are now in the course of development to consolidate all supply accounting in the present Regions II, III and VII under one unit with headquarters at Naples.

3. In this connection it should be stated that the supply accounting personnel has never been entirely adequate to discharge the enormous volume of work. Under the existing system, considering the scope and magnitude of the supply program, an inordinate number of small sales are made. Not only from an accounting, but also from an administrative standpoint, steps should be taken to sell imports at dockside to an Italian government agency, to be distributed by it under the supervision of ACC/AMG. Negotiations with this end in view have been carried on for some time, and it is now hoped that an Italian Ministry of Supply will be formed which would undertake such work. With the further expansion of liberated territory the need becomes more urgent.

4. The arrangement for distributing petroleum, oil, and lubricants in rear areas through the medium of the Comitato Italiano Petroli, (CIP), both for the Italian armed forces and authorized civilian users, has proved satisfactory. This arrangement has the advantage of application of the advantages to be derived in dealing wherever possible through the medium of Italian agency or organization. Some difficulty still exists in securing the accounting for POL issued in forward areas prior to the time when CIP could properly function and take over distributing and accounting. Instructions have been issued that all sales made by AMG before CIP is established in an area should be treated as sales made on behalf of CIP, and minimum detail records maintained to enable CIP later to take over all post transactions as soon as it is in a position to function in the area.

5. Accounts through 30 April 1944 have been developed for coal released by the Allied Armies for public utilities, industries, and other essential consumers (i.e. hospitals, bakeries, etc.). The basic information on army coal releases has been obtained from the Coal Section, ACC. In the past, difficulties have been experienced as the result of coal issued by the armed forces but not reported to the Supply Accountants. Some of this coal was released by the Army without reference to ACC/AMG, and some issued in conjunction with the Regional Public Utility Officers who through misunderstanding did not report the deliveries to the supply accountants. To secure accounting for these transactions, orders were issued that the Regional Supply Accountants are to get in touch with all AMG officers making such issues, and obtain a record of price deliveries [illegible] be brought up to date and maintained hence-

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4. The arrangement for distributing petroleum, oil, and lubricants in rear areas through the medium of the Comitato Italiano Petroli, (CIP), both for the Italian armed forces and authorized civilian users, has proved satisfactory. This arrangement has been an indication of the advantages to be derived in dealing wherever possible through an Italian Agency or organization. Some difficulty still exists in securing the [illegible] for POL issued in forward areas prior to the time when CIP could properly [illegible] and take over distributing and accounting. Instructions have been issued that [illegible] made by AFA before CIP is established in an area should be treated as sales made on behalf of CIP, and minimum detail records maintained to enable CIP later to take over all past transactions as soon as it is in a position to function in the area.

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6. The accounting for medical supplies under Executive Memorandum 34, dated 29 February 1944, is rendered by the Public Health Sub-Commission to the Chief Accountant, Finance Sub-Commission. Due to the delay in issuing the memorandum and thereafter in transmitting price lists to the Regions, accounting for these transactions was exceedingly difficult. In view of this fact an experienced officer from the Chief Accountant's staff was assigned to develop the necessary accounts on a Headquarters level. Unfortunately the records prior to 31 March 1944, were neglected in several Regions, and are in such condition that a complete accounting was virtually impossible. From the available records an attempt was made to ascertain total imported medical supplies and medical supplies drawn from the armies; the sale, other issues, and the inventories on hand as of 31 May 1944. While the quantities imported and drawn from the Armies can be accounted with a fair degree of accuracy, the items and quantities constituting [illegible] and free issues could not practically be separated because of the absence of essential records. Furthermore two of the regions did not have records of the physical stocks on hand as of 31 May 1944, so that the consolidated inventory on that date was incomplete. Payments for sales are made to AFA or Finance Officers, so that the proceeds collected can be accurately ascertained. On the basis of the information at hand, a tentative statement of the value of supplies received, the proceeds of sales of supplies, the computed value of free or unaccounted for issues (including supplies subject to subsequent accounting) and the value of the stock on hand as reported on 31 May 1944, has been prepared.

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7. Accounting for issues to the Italian Army, previously unsatisfactory because of the form in which such information was received, is gradually being brought under accounting control. Bulk issues are now reported in quantities only (for pricing at a higher level) and depot issues by U.S. Army units in quantities and prices, although there is still some difficulty in securing adequate information. For British depot issues, arrangements were made to secure a report on quantities, in connection with which a statement of prices would later be furnished by the British Financial Advisor to complete the reports received from depots. At the same time an arrangement was made with the Army Sub-Commission for a preliminary administrative review of all depot issues, and, upon approval thereof, to forward it to the Chief Accountant for entry.

8. During the month special instructions were issued to regulate the accounting for newsprint allocated by the Allied Publication Control Board. Under the new procedure, the Regional Newsprint Officer, or, where no newsprint officer has been designated, the regional supply officer officer, is made accountable for receiving, warehousing, safeguarding, and issuing such stock. As sales are made to authorized users the Regional Supply Accountant, acting upon notification from the Newsprint Officer, draws an issue voucher for billing the customer, it is the responsibility of the Newsprint Officer to see that payment for such sales is made to AFL or a Finance Officer.

9. Specific instructions have been issued relative to the handling of Italian salt and matches. In case of salt produced locally ACC/AMG transports, stores, and distributes salt in forward areas, reporting such transactions to the Salt Monopoly which makes the collections for its own account. These items do not enter into ACC/AMG financial records. In the case of matches produced locally, some purchases had been made by ACC/AMG for resale to distributors. Orders were issued that this practice be discontinued and in the future Italian matches be placed in ordinary trade channels. The small amount of local purchases and sales by ACC/AMG will of course be taken into the accounts of ACC/AMG.

10. During the month consolidated accounts through 30 April 1944 were prepared for subsistence and supplies received from British Army Depots and issued by the Internees and Displaced Persons Sub-Commission. The accounts for this activity contain the detail of all consolidation issued. The May reports for such issues are now in the course of review for entry in the Headquarters records.

C. Financial Accounting Re-organization

1. The centralization at Headquarters of the accounting for Regions I, II, III, VI and VII was effected during the month and the new Headquarters books opened. The accounts for Region IV will be brought into the centralized system as from 31 July, 1944.

2. Reports from these Regions are now being received and processed, but there will be a slight delay in preparing the June Revenue and Expenditure Accounts, owing to the reorganization and the transfer of the Headquarters from Naples to Rome.

3. The centralization has been [illegible]

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2. Specific instructions have been issued relative to the handling of Italian salt and matches. In case of salt produced locally ACC/AMG transports, stores, and distribution salt in forward areas, reporting such transactions to the Salt Monopoly which makes the collections for its own account. These items do not enter into ACC/AMG financial records. In the case of matches produced locally, some purchases had been made by ACC/AMG for resale to distributors. Orders were issued that this practice be discontinued and in the future Italian matches be placed in ordinary trade channels. The small amount of prior purchases and sales by ACC/AMG will of course be taken into the accounts of ACC/AMG.

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2. Reports from these Regions are now being received and processed, but there will be a slight delay in preparing the June Revenue and Expenditure Accounts, owing to the reorganization and the transfer of the Headquarters from Naples to Rome.

3. The centralization has been further extended by a partial application thereof to Forward Regions. It is agreed that in forward Regions a Regional Accountant Officer is necessary and that Sub-Accountants' reports should be examined and checked on the spot and any queries thereon dealt with by the Regional Accountant. It has however been decided that the Regional Accountant in forward Regions will not maintain Regional books or prepare Regional Accounts; he will instead transmit all checked and corrected Sub-Accountants' reports to the Chief Accountant at ACC Headquarters, where they will be entered in the Headquarters records.

4. One of the more important results of this centralization is that all original documents and vouchers are now forwarded to Headquarters and Sub-Accountants' reports are audited by Headquarters staff.

D. ACC/AMG Accounts

1. Consolidated Revenue Expenditure Accounts for all Regions were prepared for the month of May 1944.

2. G-5 AFHQ were requested to inform the Combined Chiefs of Staff of our intention to abandon any segregation in accounts as between AMG and ACC on the grounds that (a) the difference between AMG and ACC is largely a question of channels of administration and any future consideration of these accounts will be made on the basis of the nature of

the transactions irrespective of whether they were carried out by ACC or AMG, (b) the same AFA branches may serve both ACC and AMG territory, (c) some Regions include both ACC and AMG territory and (d) accounts are on a cash basis and segregation between AMG and ACC is therefore meaningless since, for example, revenue arising while a territory was under AMG may not be collected and recorded until the territory has passed to ACC conditions.

3. The various instructions emanating from military headquarters and from ACC, on the subject of payment of civilian employees, have been reviewed and report submitted suggesting that a clear uniform directive be issued to all ACC/AMG Regions.

4. A revised version of Establishment Memorandum No. 5 dealing with the authorisation required in connection with purchases for messes, billets, and offices was drafted and submitted to the Establishment Officer.

5. An audit of the accounts of Region III prior to their centralisation at Headquarters reveals that it will be necessary to make a thorough investigation into the classification of the expenditure in the past.

E. AFA Accounts

1. Consolidated Accounts as at 30 June were completed.

2. A new Payment Voucher (F/F 13 o) was designed and printed. It will be used in connection with reimbursement payments by AFA to British Paymasters of sums advanced by the latter to Dominion, Colonial and certain Allied armed forces.

J J Fuller

Joint Director,
Finance Sub-Commission.

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Joint Director,
Finance Sub-Commission.

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APPENDIX A.

THE

DEGREE

AS TO

SANCTIONS AGAINST FASCISM

Part I - Crimes

Part II - Purging

Part III - Enrichment

Part IV - Fascist Funds

Part V - The High Commissioner

Part VI - Miscellaneous

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Part I -

Part II - Purging

Part III - Enrichment

Part IV - Fascist Funds

Part V - The High Commissioner

Part VI - Miscellaneous

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PUNISHMENT OF CRIMES

PART I

1. All penal provisions issued to safeguard institutions and political organizations created by fascism are hereby repealed.

Decisions already pronounced by virtue of such provisions are hereby annulled.

2. Members of the Government and high ranking members of fascism, guilty of annulling the guarantees given under the constitution, of destroying the liberty of the people, of creating the fascist regime, of compromising and betraying the fortunes of the country bringing it to the present disaster shall be punished by penal servitude for life and, in cases where the responsibility is greater, by death.

They shall be tried by a High Court of Justice composed of a President and eight members, chosen by the Council of Ministers, from among high ranking judicial officials serving now or in retirement and from among other persons of unquestionable rectitude.

3. Those who organized fascist squads, committing acts of violence and pillage and those who promoted and directed the revolt of 28 October 1922 shall be punished according to Art.120 of the Penal Code 1889.

Those who promoted and directed the Coup d'Etat of 3 January 1925 and those who have since contributed by relevant action to maintain the fascist regime in power shall be punished in accordance with Art 118 of the aforesaid code.

Whosoever has committed any other crime for fascist reasons or taking advantage of the political situation created by fascism shall be punished according to the laws obtaining at the time of the crime.

4. Those crimes described in the preceding Article shall be tried by the Court of Assise, by the Tribunali and by the Preters according to their respective jurisdiction.

The Court of Assise shall be composed of two judicial officials as described in the law as to the constitution of the Courts of Assize, and of five lay judges chosen by lot from special lists of citizens of unblemished moral and political behavior.

5. Whosoever whether a member of the Armed Forces or not, after 8 September 1943 has committed a crime against loyalty and the military defence of the State, by any kind whatsoever of action collaboration help or assistance given to the German invader shall be punished according to the provisions of the Military Penal Code of War.

Members of the armed forces shall be tried by Military Courts, civilians by ordinary Courts.

6. Any limitation of time with regard to the offence or the punishment thereof shall not apply to any person guilty of, any crime described in this decree, who because of the existence of the fascist regime have not been punished.

For the same reason amnesties and pardons granted after 28 October 1922 in respect of any crime described in this decree shall be invalid, any already granted shall be revoked.

The High Commissioner may propose the revocation of any royal pardon already

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The Court of Assize shall be composed of two judicial officials as described in the law as to the constitution of the Courts of Assize, and of five lay judges chosen by lot from special lists of citizens of unblemished moral and political behavior.

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The High Commissioner may propose the revocation of any royal pardon already granted.

When a decision regarding any such crimes has been influenced by any moral coercion resulting from fascism, such decision may be declared to be legally non-existent.

Declarations in this respect shall be made by a Section of the Supreme Court of Cassation appointed by the Minister of Justice.

The provisions of this decree shall not apply in regard to any crimes punishable by imprisonment for three years or less.

7. The punishment prescribed for any crime described in this part may be reduced by up to one quarter and imprisonment for not less than five years may be substituted for a sentence of death or of imprisonment for life: a. If the accused had before the outbreak of this war either retired from political life or had been openly opposed to fascism;

b. if the accused has actively participated in the struggle against the Germans
c. Where general extenuating circumstances exist imprisonment for 30 years shall be substituted for penal servitude for life and other penalties shall be reduced by one sixth.

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The guilty party shall be declared not punishable if he distinguished himself by special acts of valour in the struggle against the Germans.

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8. Any person who for fascist reasons or, by taking advantage of the political situation created by fascism has committed acts particularly serious which while not being offences in the eyes of the law are nevertheless contrary to the rules of social and political integrity shall be subjected to temporary disqualification from holding any public office or to loss of political rights for a period of not more than ten years.

Whenever such a person is deemed to be a danger to society he may be sent to an agricultural colony or a labor institution for a period of not less than one or more than ten years.

The provisions contained in this Article shall be administered by a Provincial Commission presided over by a judicial official and composed of two other members chosen by lot from among the lay judges described in Art. 4.

As regards members of the legislative assemblies or other institutions who by their votes or actions contributed to the maintennance of the fascist regime and made war possible, they shall be dismissed from their office on decision of the High Court described in Art 2, without prejudice to any of the other provisions set out in this Decree in so far as they may be applicable.

9. Without prejudice to any legal action, the property of any citizen who has betrayed his country placing himself voluntarily and actively at the service of the German invaders shall be forfeited to the State.

In penal proceedings such forfeitures shall be pronounced by a judicial authority competent to pronounce sentence of condemnation. In other cases referred to them by the High Commissioner, by the Tribunals territorially competent.

10. In regard to any matter not specifically provided for by this part the rules of the Code of Penal Procedure shall obtain whensoever may be applicable.

PART II. PURGING OF THE ADMINISTRATION

11. Officials and employees of the following bodies shall be subject to opuration proceedings:-

(1) civil and military State Administrations, even if autonomous;
(2) local authorities and other public bodies and institutions;
(3) special concerns operating under public authorities or bodies and private concerns recognized by the State as controlling public utility undertakings or concerns having nation-wide interests.

12. The following shall be dismissed from service:
(1) any person, particularly if when holding high office, who has by participating actively in the political life of fascism or by showing himself as a consistent apologist of fascism, shown that he is unworthy of serving the State;
(2) any person who has obtained an appointment or promotion through favouritism of the party or of fascist officials of high rank.

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(2) any person who has obtained an appointment or promotion through favouritism of the party or of fascist officials of high rank.

13. Any employee who has been guilty of fascist bias incompetence or corrupt practices such as have been introduced by fascism into public administration, shall be likewise dismissed.

Whenever evidence of an offence is found during an epuration proceeding, such evidence shall be reported to the competent authority.

14. Any person who has held the position of "squadrista" or "sansepolcrista" or "antemarcia", "Marcia su Roma", "Scimpa Littoria" or who has been an officer in the Fascist Militia if he has been guilty of Fascist partisanship or improper conduct shall be dismissed from his office or employment, but if not so guilty he may be awarded less severe punishment.

15. Any person who has received undue promotion or any preference in any competitive examinations because of his fascist position may in lieu of dismissal be reduced in rank or be returned to his former position.

16. Any person who has after 8 September 1943 distinguished himself in the struggle against the Germans may be excused from dismissal or other disciplinary measure.

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17. Any employee, who after 8 September 1943, moved to North Italy with or has pledged allegiance to or has in any way collaborated with the (Republican) Fascist Government shall be dismissed.

Punishment of lesser degree may be awarded to such as show that he or his relatives were exposed to serious threats or danger.

Any person who by his acts has effectively aided the patriots or has undermined the work of the Germans or of the (Republican) Fascist Government which they were apparently serving, may be excused from punishment.

In every case an account shall be made of the allowances that were due under the original terms of employment and of any excess payment which may actually have been received. Any special allowance or sum granted or paid on account of any transfer to the North will be disallowed.

18. The Commission of first instance to hear epuration proceedings will be a Commission to be established in every Ministry or autonomous authority or body. When personnel of different classes of functions is employed in a Ministry more than one Commission may be established in that Ministry.

Such Commissions will be appointed by the Competent Minister and will be composed of a judicial or administrative magistrate either serving or retired, who will preside over them, and of the Chief of personnel of of an official of the Administration, and of a third member nominated by the High Commissioner for the Sanctions Against Fascism.

A Commission to be appointed by a Prefect composed of a judicial official, either serving or retired, an official of the Prefecture, and a member to be nominated by the High Commissioner, will be instituted for Communes, Provinces, Public Welfare Institutions and bodies under the control of the local authorities.

According to the provisions set out in the preceding paragraphs substitute members may be appointed and the Commission may be divided into Sub-Commissions.

19. Not less than ten days shall be allowed to an employee whose dismissal is proposed to prepare his defence.

The Commissions, or any member delegated by them, shall have the power to examine witnesses, to require the production of deeds and documents from judicial or administrative authorities and may personally hear the concerned party if he applies for such a hearing.

20. The finding of the Commission of the first instance shall be communicated to the High Commissioner and to the party concerned. The interested party may within three days, and the High Commissioner within twenty days appeal to a central Commission appointed by the President of the Council of Ministers and composed of a president, two officials of the central administration, two judicial or administrative magistrates serving or retired and two other members nominated by the High Commissioner for Sanctions against Fascism.

In the same manner substitute members may be appointed and the Commission may be divided into sub-commissions.

21. Dismissed from office, in accordance with the finding of the Commissions, shall be carried out by the authority which normally has such power.

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In the same manner substitute members may be appointed and the Commission may be divided into sub-commissions.

21. Dismissed from office, in accordance with the finding of the Commissions, shall be carried out by the authority which normally has such power.

The same authority shall put into effect the punishments hereby authorized in accordance with the finding of the Commission.

22. Any employee dismissed from office shall be entitled to such pension privileges as may be due to him according to the provisions then in force.

In more serious cases forfeiture of pension privileges may be ordered.

Any employee the subject of epuration proceedings may be suspended from office. In such cases he shall receive, for his support, his salary without any other further allowance. Suspension from office shall be ordered by the competent Minister, or in cases under para 3 of Art 18 by the Prefect.

23. Commissions responsible for inspecting the registers shall be set up in each professional association or other body responsible for keeping registers of professional men, artists and skilled workers shall apply the principles set out in the preceding articles.

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Such Commissions shall be appointed by the competent Minister or by any authority designated by him, and shall be composed of a President, a member nominated by the body keeping the register in question and of a member nominated by the High Commissioner for Sanctions against Fascism.

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An appeal against a finding of a Commission may be lodged within the time set out by Art 20, to a Central Commission which shall be established, for each professional association or body, by the competent Minister and composed of a President, of two judicial or administrative judges, serving or retired, of four members nominated by the professional associations and of two other members nominated by the High Commissioner for Sanctions against Fascism.

In less serious cases a temporary suspension from the exercise of a profession, art or trade may be ordered in lieu of being struck off the register.

24. An employee dismissed from office may appeal to the State Council only on grounds of incompetence (i.e. of the Commission or officer concerned).

25. The proceedings set forth in this part shall be initiated within 6 months of this decree becoming effective.

Any proceeding before the Commission of First Instance shall be ended within three months after its initiation.

For the territory not yet liberated and for that part which has been liberated but not yet restored to the administration of the Italian Government, the time limit indication in the first paragraph is extended to six months after the restoration of such territories to the Italian Administration.

PART III — DISPOSAL OF PROFITS DERIVED FROM THE REGIME

26. Profit derived from participation in or adherence to the fascist regime shall be forfeited to the State regardless whether or not a penal proceeding is instituted for acts constituting an offence.

An increase of property obtained after the 28 October by persons holding public offices or in any way engaged in political activity as a fascist shall be presumed to constitute a profit derived from the regime unless the party concerned shall show that such increase was derived from a legitimate source and this shall be the case even if the property acquired has ceased to belong to the same person.

Such presumption shall likewise apply to increases in property of the ascendants, descendants and spouse of any person, who even if not a member of the fascist party, maintained relations as associate or client with the persons indicated in the first paragraph.

In assessing increase of property consideration shall be given to property in any way acquired or held through intermediaries.

27. Specific property constituting profit derived from the regime and owned by the debtor (Note: Without any explanation the decree uses the word "debtor" to denote the person who has acquired profit from the regime) may be forfeited to the State.

28. The entire property of the debtor is liable for the satisfaction of the assessed debt to the State as profit derived from the regime.

In cases contemplated by the 3rd para of Art 26 persons set out in first paragraph of the said Article shall be liable jointly with their spouse, associates

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An increase of property obtained after the 28 October by persons holding public offices or in any way engaged in political activity as a fascist shall be presumed to constitute a profit derived from the regime unless the party concerned shall show that such increase was derived from a legitimate source and this shall be the case even if the property acquired has ceased to belong to the same person.

Such presumption shall likewise apply to increases in property of the ascendants, descendants and spouse of any person, who even if not a member of the fascist party, maintained relations as associate or client with the persons indicated in the first paragraph.

In assessing increases of property consideration shall be given to property in any way acquired or held through intermediaries.

27. Specific property constituting profit derived from the regime and owned by the debtor (Note: Without any explanation the decree uses the word "debtor" to denote the person who has acquired profit from the regime) may be forfeited to the State.

28. The entire property of the debtor is liable for the satisfaction of the assessed debt to the State as profit derived from the regime.

In cases contemplated by the 3rd para of Art 26 persons set out in first paragraph of the said Article shall be liable jointly with their spouse, associates or clients.

29. If the property of the debtor is not sufficient to pay the amounts owed to the State the following dealings with property (by the debtor) shall be considered void:

(1) transfers made by the debtor without valuable consideration during the five years prior to 25 July 1943;
(2) any disposition made after such date.

As far as the State is concerned property acquired within the five year period prior to 25 July 1943 by the spouse of the debtor shall for the purpose of satisfying the State's claim for profit derived from the regime be considered as belonging to the debtor.

30. The investigation and assessing of the amount of the profit derived from the regime shall be within the jurisdiction of a Special Section of the Provincial Commission for Taxation, comprised of the President of the Tribunal or a judge delegated by him and of four Commissioners appointed by the Minister of Finance on the nomination of the Prefect from citizens of proven probity and competence.

The Special Section shall initiate the investigation on an information by the High Commissioner or by a finance or taxation officer or on one signed by a private citizen.

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The said Section shall also adjudicate complaints of the debtor or of the finance office against the proposed reassessment of the profit derived from the regime.

The hearing shall be open to the public and both the Avvocatura dello State and the person the subject of the investigation may adduce evidence in rebuttal; the latter may choose to be represented by a procuratore legale or by an avvocato.

The decision shall be communicated to the debtor, to the finance office concerned and to the High Commissioner.

31. The Special Section of the Provincial Commission shall have all the powers of investigation, entry, search, control and inquiry, conferred upon the agents for direct taxation and upon the administrative commissions for investigation of extraordinary war profits.

The privilege to abstain from testimony in cases set out in Art 352 of the CPP shall not apply.

A person summoned as witness or expert who does not faithfully carry out his duties in giving false evidence shall be punished in accordance with Articles 366, 372 and 373 of the CP.

Any person who fails to comply with other requests of the Section shall be punished by imprisonment up to six months or by fine from 300 to 5,000 lire.

Administrative or other bodies having knowledge of cases in which profit has been derived from the regime, shall immediately report the same to the High Commissioner. Any person responsible for making any such report who fails to do so shall be punished in accordance with the preceding paragraph.

Personnel of the judicial police or of other administrative or technical branches of the administration may be assigned to the Special Section for the execution of its duties.

32. The debtor and the Avvocatura dello State may within thirty days lodge an appeal against the decisions of the Special Section of the Provincial Commissioner. The High Commissioner may also appeal within 60 days.

The appeal shall be adjudicated by a special section of the Central Commission for taxation composed of a President, a judicial official holding a grade not lower than that of a first president of Court of Appeal and of four commissioners, all to be appointed by the Council of Ministers.

The provisions of the last two paragraphs of Art 30 and of Art 31 shall apply to the proceedings before the Special Section of the Central Commission.

33. The decisions of the Special Section of the Central Commission may be opposed before the Plenary Section of the Cassation solely on the ground of absolute lack of jurisdiction. An appeal must be lodged by the debtor or by the Avvocatura dello Stato within 45 days; the High Commissioner may appeal within 6 months.

34. The High Commissioner may, even after the lapse of the above period but not after the lapse of two years, move that the decision, although final be amended on the ground that facts of considerable importance have been discovered always provided that the reasons set out in the decision disclose that such facts were not in evidence in the previous proceeding.

Such amendment of the decision is in any case within the jurisdiction of the Special Section of the Central Commission.

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Any person [illegible] for holding any such report who fails to do so shall be punished in accordance with the preceding paragraph.

Personnel of the judicial police or of other administrative or technical branches of the administration may be assigned to the Special Section for the execution of its duties.

32. The debtor and the Avvocatura dello Stato may within thirty days lodge an appeal against the decisions of the Special Section of the Provincial Commissioner. The High Commissioner may also appeal within 60 days.

The appeal shall be adjudicated by a special section of the Central Commission for taxation consisted of a President, a judicial official holding a grade not lower than that of a First president of Court of Appeal and of four commissioners, all to be appointed by the Council of Ministers.

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Such amendment of the decision is in any case within the jurisdiction of the Special Section of the Central Commission.

35. Even before the Special Sections of Provincial Commissions are constituted, the President of the Tribunal may, upon request of the High Commissioner or of the finance administration, order by decree a protective attachment of chattels or realties belonging to persons set out in Art 26 although they may be held by third parties.

Such power may be exercised by the Presidents of the Commissions by virtue of their office.

Provisions of para 7 and 8 of Art 19 of the Consolidated text of laws on the extraordinary tax on excess war profits, approved by RD 3 June 1943, No. 598, shall apply.

36. A decree of the High Commissioner shall be published in the Gazzetta Ufficiale of the Kingdom, binding persons who are considered profiteers of the regime: any person who may hold property belonging to such person or who may be indebted to him in any way whatever, shall be required to declare the same following the form and within the time limits established in the said decree: also he shall not return the property or fulfil his obligations to his creditor. Any such blocking shall become void if an attachment is not effected within 60 days after the lapse of the time limit for the declaration said declaration.

Any person who may fail to comply with the duties set forth in this Article shall be punished in accordance with Art 31 para 4 he shall also be liable for any consequential loss suffered by the State.

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Any person who, for the purpose of withholding from the State, property belonging to a person considered to have made a profit derived from the regime, acquires, receives or conceals such property or abets their acquisition, receipt or concealment, shall be punished by imprisonment not exceeding 10 years and by a fine up to 100,000 lire.

37. The proposed assessment of the Provincial Commission if unopposed by the debtor; the decision of such Commission, even pending appeal to the Central Commission and the decision of the last named Commission shall constitute good authority for execution even for entry in the real estate and mortgage registry.

The collection of the amounts owed to the State as profits derived from the regime may be effected in accordance with the procedure and preference established for the collection of the extraordinary tax on excess war profits. The entire debt may be entered on a special roll and may be collected in a single instalment.

PART IV CONFISCATION OF FASCIST PROPERTY

38. The property of the dissolved fascist national party and of organizations suppressed by RDL 2 August 1943, No. 704, shall devolve upon the State.

Such property shall be used for the public service or the public benefit, this shall be effected on the proposal of the High Commissioner by decree of the President of the Council, in agreement with the Competent Ministers. If necessary such property may be transferred to another public body or organization promoting welfare, sport or the like.

39. The finance administration of the State shall provide for the collection of assets of the fascist national party and the suppressed organizations.

PART V THE HIGH COMMISSIONER

40. To supervise the carrying out of this decree the office of High Commissioner for Sanctions against Fascism is created.

The High Commissioner shall be nominated by the Council of ministers and appointed (i.e. by the President) and shall for the duration of his term of office rank as a judicial officer of the first grade.

He shall be assisted by Assistant High Commissioner for each of the branches of his jurisdiction.

In the event of the High Commissioner being unable to act each of the Assistant High Commissioner may so far as his own branch is concerned act in his name.

The Assistant High Commissioners shall be appointed by the President of the Council of Ministers on the nomination of the High Commissioner and shall rank as judicial officials of the third grade.

Not more than two commissioners may be nominated for any one branch of the High Commission. They shall be appointed in the manner described in the preceding paragraph.

Sufficient judicial and other officials shall on request be assigned to the office of the High Commissioner and a nucleus of judicial police shall be placed at his disposal composed of personnel of the carabinieri of the public security or of the

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Such property shall be used for the public service or the public benefit, this shall be effected on the proposal of the High Commissioner by decree of the President of the Council, in agreement with the Competent Ministers. If necessary such property may be transferred to another public body or organization promoting welfare, sport or the like.

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The Assistant High Commissioners shall be appointed by the President of the Council of Ministers on the nomination of the High Commissioner and shall rank as judicial officials of the third grade.

Not more than two commissioners may be nominated for any one branch of the High Commission. They shall be appointed in the manner described in the preceding paragraph.

Sufficient judicial and other officials shall on request be assigned to the office of the High Commissioner and a nucleus of judicial police shall be placed at his disposal composed of personnel of the carabinieri of the public security or of the finance guards. Persons not members of the Administrations may be employed in the secretarial offices.

The High Commissioner and his subordinate officers may call on the judicial police who will carry out their orders.

41. The High Commissioner shall direct and supervise the work of all organizations by which Sanctions against Fascism are carried out.

The High Commissioner shall be heard on his own initiative or on the demand of any public authority or on an information given by a private individual to commence proceedings in respect of any crime described in Art 2 and to carry out investigation as may be necessary and to remand the accused to the High Court in which he or his delegate act as "Ministero pubblico".

In cases of exceptional gravity the High Commissioner may exceed the normal powers in that respect and refer to the High Court any other person than those referred to in Art 2 and for any crime whether or not such is mentioned in Art 2.

With prejudice to the powers of the Ministero Pubblico, Public Authorities and other bodies or organizations the High Commissioner may on his own initiative or on the information of a private individual commence proceedings.

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(1) In respect of other crimes mentioned in Part I,
(2) To apply the provisions set out in Art 8,
(3) To forfeit property belonging to persons who have collaborated with the Germans in accordance with Art 9.
(4) Before the appropriate commissions of first instances and before the Central Commission with regard to appeals, for purging the administration and for dismissing officers or employees from their office or employment.
(5) Before the Local and Central Commissions for taxation, for assessing and forfeiting as profit derived from the fascist regime, with power in exceptional cases to commence proceedings for rectification of any decision of the aforesaid Central Commission.

He may also

(6) Make proposals for the correct and proper use of property previously belonging to the Fascist Party or to fascist organisation.
(7) Exercise any other functions contained in this decree or in any other decree or regulation.

PART VI — TRANSITORY AND FINAL PROVISIONS

42. For the application of this decree all prerogatives including those set out in Arts 26, 37 and 47 of the Constitution are hereby abrogated.

43. Any public official or any person engaged in the public service responsible according to the provisions of this law for punishing fascist crimes, for purging the administrations, for forfeiting any profit derived from the regime and for confiscating fascist property, who may commit any offence set out in and punishable by virtue of Arts 314, 316, 317, 318, 319, 320, 323, 324, 326 and 328 of the Penal Code shall be punished in accordance with the provisions of these articles but increased by from one third to one half.

44. Proceedings already initiated for the punishment of fascist crimes for purgation and for the forfeiture of profit derived from the regime shall be carried through in accordance with the provisions of this decree, without prejudice to any action already taken incompatible with these rules.

Decisions already given shall be reviewed if they are in conflict with the provisions of this decree.

45. Successive decrees will be issued to provide when necessary for the execution of the rules established by the preceding Parts.

The Minister of the Treasury is hereby authorized to make by his own decrees the necessary variations in the State budget occasioned by the functioning of the High Commissioner and the organizations established by this decree.

46. Royal Decree laws 9 August 1943, No. 720, of 28 December 1943, No. 29/B, of 26 May 1944, No. 134, are hereby abrogated.

The provisions contained in Royal Decree law 12 April 1944, No. 101, so far as they relate to the contents of this decree are also abrogated.

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42. For the application of this decree all prerogative [illegible] in Arts 26, 37 and 47 of the Constitution are hereby abrogated.

43. Any public official or any person engaged in the public service responsible according to the provisions of this law for punishing fascist crimes, for purging the administrations, for forfeiting any profit derived from the regime and for confiscating fascist property, who may commit any offence set out in and punishable by virtue of Arts 314, 316, 317, 318, 319, 320, 323, 324, 326 and 328 of the Penal Code shall be punished in accordance with the provisions of these articles but increased by from one third to one half.

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The provisions contained in Royal Decree law 12 April 1944, No. 101, so far as they relate to the contents of this decree are also abrogated.

47. This decree will come into force etc. etc.

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Declassified E.O. 12356 Section 3.3/NND No. 945021

APPENDIX B.

H E A D Q U A R T E R S
ALLIED CONTROL COMMISSION
FINANCE SUB-COMMISSION
APO 394

13145/F

7 August 1944

SUBJECT: Instructions regarding the Returns from Provinces of State Revenue and Expenditure, and the means whereby these Returns are to be made available to the Finance Sub-Commission and the Central Italian authorities concerned, viz. the Ministry of Finance, Treasury, and the Bank of Italy.

TO : All Finance Officers.

1. Introduction

Normally the two parties directly concerned with the collection and expenditure of Italian State Funds in a Province are the Intendenza di Finanza and the Bank of Italy (Treasury Section). These two parties prepare certain statements of Income and Expenditure and forward them to their Central Offices, where these Returns constitute an important link in the centralised functioning of Treasury Control.

It is very important that these forms should be made available to the proper authorities at as early a date as possible, and, with the object of reducing delay and avoiding confusion, this letter of instructions has been prepared for the guidance of Finance Officers.

2. Procedure to be adopted on AFC Territory, including AFC 5th & 8th Armies

On taking over liberated territory the Finance Officer should visit the Intendenza di Finanza and the corresponding Treasury Section of the Bank of Italy as soon as possible and instruct these two parties that he, the Finance Officer, will be responsible for the forwarding of all monthly returns normally sent to Rome. On receipt of these forms, for as recent a month as possible, the finance officer will forward them to the Finance Sub-Commission.

In cases where records have been destroyed, and delay in producing the forms is anticipated, this HQ should be informed, and an estimate of the time required to reconstruct the records given.

The forms of most immediate interest to this HQ, are the Bank of Italy forms (Dimostrazione Mensile, Mod. 59, 60, and 61, for both Competenza and Residui), and these forms should be sent to this HQ as soon as they are available. To facilitate the communication of those instructions from the Finance Officer to the Bank of Italy the Head Office of the Bank have prepared a general letter addressed to all their Provincial branches, in which the procedure to be adopted by their branches is laid down in detail.

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expenditure and forward them to their Central Offices, where these Returns constitute an important link in the centralised functioning of Treasury Control.

It is very important that these forms should be made available to the proper authorities at as early a date as possible, and, with the object of reducing delay and avoiding confusion, this letter of instructions has been prepared for the guidance of Finance Officers.

2. Procedure to be adopted on AMG Territory, including AMG 5th & 8th Armies

On taking over liberated territory the Finance Officer should visit the Intendenza di Finanza and the corresponding Treasury Section of the Bank of Italy as soon as possible and instruct these two parties that he, the Finance Officer, will be responsible for the forwarding of all monthly returns normally sent to Rome. On receipt of these forms, for as recent a month as possible, the Finance officer will forward them to the Finance Sub-Commission.

In cases where records have been destroyed, and delay in producing the forms is anticipated, this HQ should be informed, and an estimate of the time required to reconstruct the records given.

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A copy of the Bank of Italy's general letter of instructions is attached.

The forwarding of these monthly forms to this HQ should be continued by the Finance Officer.

3. Procedure to be adopted when territory passes from AMG to ACC

At the time of transfer of territory from AMG to ACC the AMG Finance Officer will instruct both the Intendenza di Finanza and the Bank of Italy that in future they should deliver the monthly forms for transmission to this HQ to the nearest ACC Finance Officer.

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4. Procedure in ACC Territory

Although the Italian Postal Service functions on ACC Territory, it has proved to be slow and unreliable under existing condition.

In view of the importance of these forms, and the urgency with which they are required, it has been decided that they should be forwarded to this HQ by the ACC Finance Officer using normal ACC channels, and the ACC Finance Officer will ensure that the forms are prepared and forwarded as expeditiously as possible.

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5. Sundry Point and Explanations

a) The Head Office of the Bank of Italy have instructed their branches to deliver the forms to be forwarded to the local ACC/AMG Finance Officer in an open packet so that the U.S. can examine what he is forwarding.

b) The Bank of Italy have expressed the opinion that their standard monthly forms, (Dimostrazione Mensile, Mod. 59, 60 and 61) should be prepared by the 5th of the month following the month to which they relate. In other words the forms for the month of July 1944, should be ready for forwarding by the 5th of August, 1944.

c) It is intended that all forms received at this HQ will, after examination, be distributed to the Central Italian Authorities so that they can carry on with the preparation of the State accounts.

d) In cases where there is a shortage of standard blank forms, the Returns will have to be made on plain paper. If it is not possible for the Provincial branch of the Bank of Italy to get blank forms printed locally, an application for blank forms may be addressed to the Head Office of the Bank of Italy.

e) The instructions contained in this letter supersede instructions regarding the preparation and forwarding of forms to this HQ contained in a letter of 29 February 1944. Reference CMO/C.

For Captain HARRY W. STONE, USNR:

A F Grantley Smith

Colonel,
Joint Director,
Finance Sub-Commission.

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ALLEGATO B,
Doc. 3

COPY OF LETTER ADDRESSED TO ALL
PROVINCIAL BRANCHES BY BANK OF ITALY, HEAD OFFICE

BANCA D'ITALIA

ROMA li 5 Agosto 1944.

Amministrazione Centrale
... ...
Servizio
Tasse-Servizi Governativi-Partecipanti
... ...

ALLA SEZIONE DI T.
TESORERIA DI

N° 18656

OGGETTO:- Servizio di T.Tesoreria,
Mod.59-T,60-T e 61-T.

Le Sezioni di T.Tesoreria Provinciale situate nell'Italia liberata sono invitate, in seguito ad accordi intervenuti con la Commissione Alleata di Controllo, a riprendere la trasmissione degli stati mensili mod.59-T, 60-T, e 61-T "Competenza" e "Residui" a far tempo dal mese di giugno 1944 compreso.

I suddetti elaborati, ad eccezione del mod.60-T da compilarsi in unica copia, dovranno esser redatti in quadruplice esemplare e spediti, entro il termine prescritto del giorno 5 di ciascun mese, a questa Amministrazione Centrale (Servizio Tasse e Servizi Governativi), racchiusi in un piego aperto sul quale dovrà essere apposto il seguente indirizzo: "Finance Sub-Commission, H.Q. Allied Control Commission".

Nel piego stesso i modelli onde trattasi dovranno essere raggruppati come appresso e ciascun gruppo sotto fascia recante il seguente indirizzo:-

Mod.59-T e 61-T "Competenza e "Residui" per il Servizio Tasse e Servizi Governativi (Contabilità Sezioni di T.Tesoreria)
Mod.59-T, 60-T e 61-T "Competenza" e "Residui" per la Direzione Generale del Tesoro-Div.V.
Mod.59-T, e 61-T "Competenze" e "Residui"

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Le Sezioni di R.Tesoreria Provinciale situate nell'Italia liberata sono invitate, in seguito ad accordi intervenuti con la Commissione Alleata di Controllo, a riprendere la trasmissione degli stati mensili mod.59-T, 60-T, e 61-T "Competenza" e "Residui" a far tempo dal mese di giugno 1944 com verso.

I suddetti elaborati, ad eccezione del mod.60-T da compilarsi in unica copia, dovranno esser redatti in quadruplice esemplare e spediti, entro il termine prescritto del giorno 5 di ciascun mese, a questa Amministrazione Centrale (Servizio Tasse e Servizi Governativi), racchiusi in un plego aperto sul quale dovrà essere apposto il seguente indirizzo: "Finance Sub-Commission, H.Q. Allied Control Commission".

Nel plego stesso i modelli onde trattasi dovranno essere raggruppati come appresso e ciascun gruppo sotto fascia recante il seguente indirizzo:-

Mod.59-T e 61-T "Competenza e "Residui" per il Servizio Tasse e Servizi Governativi (Contabilità Sezioni di R.Tesoreria)
Mod.59-T, 60-T e 61-T "Competenza" e "Residui" per la Direzione Generale del Tesoro-Div.V.
Mod.59-T, e 61-T "Competenza" e "Residui" per Lt.Col A.H.F. Stephan, Chief Budget Officer, Finance Sub-Commission, Allied Control Commission, Ministero delle Finanze, ROMA.
Mod.59-T e 61-T "Competenza" e "Residui" per la Commissione Alleata di Controllo - Palazzo delle Corporazioni.

Le Sezioni di R.Tesoreria provvederanno inoltre a trasmettere a questa Amministrazione Centrale, con la maggiore sollecitudine, anche i modelli in oggetto, in semplice copia (escluso il mod.60-T) concernenti le operazioni relative ai mesi precedenti a quello di giugno ultimo scorso, modelli che a causa degli eventi o non sono stati inviati ovvero, se trasmessi, non risultano fin qui pervenuti.

Il plego contenendo detti elaborati dovrà essere consegnato all'Ufficiale Finanziario Alleato con preghiera di inoltro all' 1710 indirizzo sopra indicato.

Allo scopo la Commissione Alleata di Controllo - Sotto Commissione Finanziaria presso il Ministero del Tesoro, ha impartito le istruzioni del caso ai propri Ufficiali Finanziari Alleati.

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Appendix B,
page 4.

Le Sezioni di R.Tesoreria, qualora siano sprovviste dei suddetti modelli in bianco o ne abbiano una scorta insufficiente, possono ritenersi autorizzate a provvedere in luogo alla ristampa, facendo intestare la relativa fattura alla Sezione. La spesa incontrata resterà a carico del Ministero del Tesoro e l'importo dovrà essere scritturato al conto "Collettivi".

Raccomando la massima precisione nella compilazione di tali elaborati che, prima di essere spediti, dovranno essere controllati.

IL COMMISSARIO

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APPENDIX C.

ALLIED FINANCIAL AGENCY

SCHEDULE TO STATEMENT OF RECEIPTS AND DISBURSEMENTS FOR THE PERIOD

(EXPRESSED IN LIRE)

SCHEDULE No.		TOTAL TO CLOSE OF PREVIOUS MONTH	C
I	NEW A.M.LIRA NOTES RECEIVED		
	(a) As Notified to Washington	48,844,123,000	4
	(c) Shortages revealed on Opening Boxes	(1,130)	
	(d) Defective A.M.Lire Notes Returned to Washington	-	
	Lire	48,844,126,870	4
II	DEPOSITS BY AMG/ACC DIVISIONS		
	(a) Economic & Supply Division - Supplies	975,204,045	(
	(b) Economic & Supply Div.- Deposits on Returnable Containers	30,168,486	
	(c) Public Health Division	38,748,278	
	(d) Legal Division	8,719,600	
	(e) Other Divisions	27,700	
	Lire	1,052,868,109	(
III	FUNDS OBTAINED FROM BANKS AND OTHERS BY ACCOUNTING OFFICERS IN THE FIELD		
	(a) From Banks	182,800	
	(b) From Others	200,500	
	Lire	383,300	

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APPENDIX C.

ALLIED FINANCIAL AGENCY

F/F 21

RECEIPTS AND DISBURSEMENTS FOR THE PERIOD TO 30 JUNE, 1944

(EXPRESSED IN LIRE)

	TOTAL TO CLOSE OF PREVIOUS MONTH	CURRENT MONTH	TOTAL TO DATE
ng Boxes	48,844,128,000	4,494,400,000	53,338,528,000
turned to Washington	(1,130)	-	(1,130)
Lire	-	(452,731)	(452,731)
	48,844,126,870	4,493,947,269	53,338,074,139
- Supplies	975,204,045	(283,550,548)	691,653,497
osits on Returnable Containers	30,168,486	135,789	30,304,275
	38,748,278	22,456,895	61,205,173
	8,719,600	1,032,850	9,752,450
	27,700	-	27,700
Lire	1,052,868,109	(259,925,014)	792,943,095
RS BY			
	182,800	(182,800)	-
	200,500	(190,000)	10,500
Lire	383,300	(372,800)	10,500

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SCHEDULE No.		TOTAL TO CLOSE OF PREVIOUS MON
IV	DEPOSITS	
	(a) By Controller of Property	
	(1) Psychological Warfare Board - Film Section	1,841,938
	(2) A.G.I.P.	10,000,000
	(3) Monarwac & Son	117,219
	(4) Changhai Co.	108,714
	(5) Goods ex German Steamers	846,500
	(6) Musan Felice	154,435
	(7) Miscellaneous (under Lire 100,000 each)	463,397
		13,532,203
	(b) By U.S.Army Units	66,000,722
	(c) By Others	
	(1) "A" Force	947,500
	(2) Pasquale Esposito	108,600
	(3) Comitato Italiano Petroli	45,000,000
	(4) Enemy Unit Funds	1,948,527
	(5) Jewish Refugees departing for Palestine	
	(6) Italian Road Haulage Organisations (Depreciation on ACC Vehicles, pending allocation)	
	(7) Various (under Lire 100,000 each)	185,217
	Lire	127,722,769

2085

Declassified E.O. 12356 Section 3.3/NND No. 785021

	TOTAL TO CLOSE OF PREVICUS MONTH	CURRENT MONTH	TOTAL TO DATE
y			
Board - Film Section	1,841,938	(1,787,730)	54,208
	10,000,000	–	10,000,000
	117,219	–	117,219
rs	108,714	–	108,714
	846,500	–	846,500
re 100,000 each)	154,435	–	154,435
	463,397	–	463,397
	13,532,203	(1,787,730)	11,744,473
	66,000,722	8,339,375	74,340,097
	947,500	(11,000)	936,500
li	108,600		108,600
	45,000,000	50,475,750	95,475,750
ns for Palestine	1,948,527		1,948,527
Deviations		4,373,893	4,373,893
ehicles, pending allocation)			
000 each)		260,471	260,471
	185,217	72,244	257,461
Lire	127,722,769	61,723,003	189,445,772

2086

Declassified E.O. 12356 Section 3.3/NND No. 785021

SCHEDULE No.		TOTAL TO clos of PREVIOUS
V	PROCEEDS OF SALES IN ITALY OF SUPPLIES	
	(a) Economic and Supply Division.	
	(1) Supplies Imported or Drawn from Armies	767,901,77
	(2) Supplies Purchased Locally	6,824,12
	(b) Public Health Division	
	(1) Supplies Imported or Drawn from Armies	14,427,98
	(2) Supplies Purchased Locally	4,50
	Lire	789,158,38
VI	RECEIPTS IN RESPECT OF AMG/ACC REVENUE	
	(a) AFA Revenue	
	(1) Interest Received from Banks	3,355,41
	(2) Miscellaneous Receipts	54
		3,355,96
	(b) AMG Revenue to close of previous month	139,596,07
	(c) ACC Revenue to close of previous month	8,158,33
	(d) AMG/ACC Revenue received by AFA direct in previous month, allocated in current month	
	(e) AMG/ACC Revenue received by AFA direct in current month	-
	Lire	151,111,27
IX	CONTRA ACCOUNTS	
	+ Deposits for Remittances (AF Accounts)	
	(a) U.S. Dollars ($ 1,371,880.40)	76,952,77
	(b) Sterling (£ 16,699 : 12 : 9)	3,665,71
	Lire	80,618,49

+ The amount of Deposits for Remittances is equal to the total of "Payments to For ds from Allied Countries" (see Item No. 27), plus "Funds Deposited with Italian Schedule XXVIII, (c) 3).

2087

Declassified E.O. 12356 Section 3.3/NND No. 785021

IES	TOTAL TO close of PREVIOUS MONTH	CURRENT MONTH	TOTAL TO DATE
n from Armies	767,901,774	793,489,648	1,561,391,422
y	6,824,128	9,530,791	16,354,919
n from Armies	14,427,980	-	14,427,980
y	4,500	-	4,500
Lire	789,158,382	803,020,439	1,592,178,821
NUE			
nks	3,355,416	126,452	3,481,868
	545	-	545
	3,355,961	126,452	3,482,413
ious month	139,556,872	7,338,557	146,935,529
ious month	8,158,335	169,437	8,327,772
AFA direct in previous month,	2	(2)	-
AFA direct in current month	-	118,079	118,079
Lire	151,111,270	7,752,523	158,863,793
unts)			
)	76,952,778	60,235,262	137,188,040
	3,665,713	3,014,143	6,679,856
Lire	80,618,491	63,249,405	143,867,896

is equal to the total of "Payments to Persons in Italy on Account of Remittance-
. 27), plus "Funds Deposited with Italian Banks for Remittance Payments" (see

2088

Declassified E.O. 12356 Section 3.3/NND No. 785021

SCHEDULE No.		TOTAL TO CLOSE OF PREVIOUS MONTH	
XII	A.M. STAMPS ISSUED TO POST OFFICE AND ON HAND		
	(a) A.M. Stamps issued to Post Office	22,274,000	
	(b) A.M. Stamps on Hand	147,062,000	
		Lire 169,336,000	
XIII	PURCHASES IN ITALY OF SUPPLIES		
	(a) For Export to		
	(1) United States of America	49,412,098	
	(2) Great Britain	338,165,697	
	(3) North Africa	28,468,390	
	(4) Corsica	644,778	
	(5) Malta	136,857,727	
		553,568,680	
	(c) For Resale in Italy	33,816,609	
		Lire 587,385,289	
XIV	STORAGE HANDLING AND SHIPPING EXPENSES IN CONNECTION WITH IMPORTS, EXPORTS AND LOCAL SUPPLIES		
	(a) Emoluments of Civilian Personnel	12,268,245	
	(b) Repairs to Warehouses and Approach Roads	1,317,262	
	(c) Rent of Warehouses	2,764	
	(d) Transport and Shipping Charges	13,101,089	
	(e) Other Expenses	2,574,865	
		Lire 29,264,225	

2089

Declassified E.O. 12356 Section 3.3/NND No. 785021

	TOTAL TO CLOSE OF PREVIOUS MONTH	CURRENT MONTH	TOTAL TO DATE
E AND ON HAND			
t Office	22,274,000	3,240,000	25,514,000
	147,062,000	(3,240,000)	143,822,000
Lire	169,336,000	-	169,336,000
on	49,412,098	1,386,052	50,798,150
	338,185,657	35,604,161	373,789,848
	28,468,390	(497,575)	27,970,815
	644,778	-	644,778
	136,857,727	35,167,622	172,025,349
	553,568,680	71,660,260	625,228,940
	33,816,609	10,937,838	44,754,447
Lire	587,385,289	82,598,098	669,983,387
XPENSES IN CONNECTION WITH			
LIES			
ersonnel	12,268,245	3,804,563	16,072,808
d Approach Roads	1,317,262	184,623	1,501,885
	2,764	-	2,764
harges	13,101,089	3,569,867	16,670,956
	2,574,865	1,413,391	3,988,256
Lire	29,264,225	8,972,444	38,236,669

2090

Declassified E.O. 12356 Section 3.3/NND No. 785021

SCHEDULE No.		TOTAL TO OF PREVI
XV	ADVANCES	
	(a) To Italian State Treasury, Armed Forces and State Institutions	4,607,
	(b) To Provinces	488,
	(c) To Communes	1,202,
		6,298,
	(d) To Others	
	(1) Items included on Sub-Accountants' Reports not yet allocated, pending receipt of proper vouchers or more complete information	4,
	(2) Advisory Council for Italy	1,
	(3) Library of Congress - For Purchase of Books	
	(4) Societe Acquedotto, Napoli	3,
	(5) Canotode Caputa	1,
	(6) Villa Rose Mental Hospital	1,
	(7) Casa della Madre e del Bambino, Principessa Maria Gabriello - Ischia	
	(8) Miscellaneous (under Lire 100,000 each)	
	Lire	6,310,
XVI	LOANS	
	(a) To Banks	3,
	(b) To Others	
	Lire	3,

2091

Declassified E.O. 12356 Section 3.3/NND No. 785021

1703

	TOTAL TO CLOSE OF PREVIOUS MONTH	CURRENT MONTH	TOTAL TO DATE
...ed Forces and State Institutions	4,607,738,309	(21,325,592)	4,583,412,717
	488,259,665	15,930	488,275,595
	1,202,816,283	3,078,805	1,205,895,088
	6,298,814,257	(21,230,857)	6,277,583,400
...ountants' Reports not yet allocat-- ...aper vouchers or more complete in--	4,790,987	(271,120)	4,519,867
	1,563,992	197,588	1,761,580
...y	303,190	(303,190)	-
...Purchase of Books	3,000,000	-	3,000,000
...i	1,000,000	-	1,000,000
	1,000,000	-	1,000,000
...l			
...rbino, Principessa Maria Gabriella	100,000	-	100,000
	361,312	21,500	382,812
...100,000 each) Lire	6,310,933,738	(21,386,079)	6,289,347,659
	3,000,000	(600,000)	2,400,000
	960	(680)	280
Lire	3,000,960	(600,680)	2,400,280

2092

Declassified E.O. 12356 Section 3.3/NND No. 785021

SCHEDULE No.		TOTAL TO CLOSE of PREVIOUS MONTH
XVII	PAYMENTS TO PERSONS IN ITALY ON ACCOUNT OF REMITTANCES FROM ALLIED COUNTRIES	
	(a) Remittances from United States of America	13,428,450
	(b) " " Great Britain and the Sterling Area	—
	Lire	13,428,450
XVIII	PAYMENTS IN RESPECT OF SUBJECTS OF ALLIED NATIONS	
	(a) Emergency Financial Assistance to :	
	(1) U.S. Nationals	2,924,720
	(2) British "	1,457,950
	(3) Canadian "	8,000
	(4) Belgian "	17,930
	(5) Brazilian "	18,000
	(6) Columbian "	1,800
	(7) Czechoslovak "	27,535
	(8) French "	97,050
	(9) Greek "	49,300
	(10) Icelandic "	7,100
	(11) Dutch "	9,700
	(12) Norwegian "	3,000
	(13) Polish "	98,675
	(14) Russian "	11,200
	(15) Yugoslav "	174,505
	Carried Forward	4,906,475

2093

Declassified E.O. 12356 Section 3.3/NND No. 985021

COUNT OF REMITTANCES FROM	TOTAL TO CLOSE of PREVIOUS MONTH	CURRENT MONTH	TOTAL TO DATE
tes of America	13,428,450	20,263,850	33,692,300
ain and the Sterling Area	–	64,200	64,200
Line	13,428,450	20,328,050	33,756,500
ALLIED NATIONS			
nce to :	2,924,720	527,080	3,451,800
	1,457,950	302,705	1,760,655
	8,000	–	8,000
	17,930	–	17,930
	18,000	–	18,000
	1,800	–	1,800
	27,535	–	27,535
	97,060	–	97,060
	49,300	–	49,300
	7,100	–	7,100
	9,700	–	9,700
	3,000	–	3,000
	98,675	400	99,075
	11,200	–	11,200
	174,505	500	175,005
ried Forward	4,906,475	830,685	5,737,160

2094

Declassified E.O. 12356 Section 3.3/NND No. 785021

SCHED-ULE No.		TOTAL TO CLOSE OF PREVIOUS MO
	Brought Forward	4,906,475
	(b) Expenses in connection with Refugee Camps	803,801
	(d) Payments to Allied Nations Missions	
	(1) Belgian Military Mission	13,000
	(2) Czechoslovak " "	195,000
	(3) Netherlands "	185,000
	(4) Norwegian " "	120,000
	(5) Polish " "	974,000
	(6) Royal Yugoslav" "	400,000
	Lire	7,597,276
XLV	PAYMENTS CHARGEABLE TO ITALIAN STATE IN RESPECT OF ITALIAN REFUGEES, ETC.	
	(b) Payments in Respect of Italian Refugees	2,811,267
	(c) Emergency Financial Assistance Payments to Other than Allied Nationals	
	(1) Albanian Nationals	16,833
	(2) Egyptian "	5,200
	(3) Italian ex Yugoslav "	4,000
	(4) Lettonian "	5,700
	(5) Paraguayan "	4,500
	(6) Peruvian "	2,000
	(7) Swedish "	1,200
	(8) Swiss "	600
	(9) Austrian Jewish	18,200
	(10) German Jewish	19,320
	(11) Stateless Persons	29,400
	(12) Unknown	40,685
	Lire	2,958,905

2095

Declassified E.O. 12356 Section 3.3/NND No. 785021

	TOTAL TO CLOSE OF PREVIOUS MONTH	CURRENT MONTH	TOTAL TO DATE
Brought Forward	4,906,475	830,685	5,737,160
vith Refugee Camps	803,861	439,680	1,243,481
ons Missions	13,000	-	13,000
ation	195,000	45,000	240,000
"	185,000	380,000	565,000
"	120,000	44,000	164,000
"	974,000	20,000	994,000
"	400,000	-	400,000
Lire	7,597,276	1,759,365	9,356,641

STATE IN RESPECT OF ITALIAN

Italian Refugees	2,811,267	585,488	3,396,755
istance Payments to Other than			
	16,833		16,833
	5,200		5,200
"	4,000		4,000
"	5,700		5,700
"	4,500		4,500
"	2,000		2,000
"	1,200		1,200
"	600		600
"	18,200		18,200
	19,320		19,320
	29,400		29,400
	40,685		40,685
Lire	2,958,905	585,488	3,544,393

2096

Declassified E.O. 12356 Section 3.3/NND No. 785021

SCHEDULE No.		TOTAL TO CLOSE OF PREVIOUS MONTH
XX	ADVANCES TO ALLIED ARMED FORCES	
	(a) To American Army	
	(1) Paid in Lire	13,863,208,000
	(2) Paid in Yellow Seal Dollars ($ 1,505,300)	150,530,000
	(b) To Americanelavy	
	(1) Paid in Lire	190,766,000
	(2) Paid in Yellow Seal Dollars ($ 633,000)	43,800,000
	(c) To British Army	
	(1) Paid in Lire	9,800,593,80
	(2) Paid in B.M.A. Pounds (£ 2,223,941 . 5 . 0)	801,040,3
	(d) To British Navy	
	(1) Paid in Lire	28,032,80
	(2) Paid in Francs (FRS. 15,915)	31,8
	(e) To Royal Air Force	
	(1) Paid in Lire	18,035,0
	(2) Paid in Francs (FRS. 1,319,844)	2,639,6
	(f) To French Armed Forces	
	(1) Paid in Lire	2,987,112,0
	Lire	27,891,795,4

2097

Declassified E.O. 12356 Section 3.3/NND No. 785021

	TOTAL TO CLOSE OF PREVIOUS MONTH	CURRENT MONTH	TOTAL TO DATE
	13,863,208,000	2,049,920,000	15,913,128,000
Lire ($ 1,505,300)	150,530,000	-	150,530,000
	190,766,000	40,298,000	231,064,000
Lire ($ 633,000)	43,800,000	19,500,000	63,300,000
	9,806,599,830	3,189,000,000	12,995,607,830
($ 2,223,941 . 5 . 0)	801,040,310	88,536,190	889,576,500
	28,032,800	-	28,032,800
,915)	31,830	-	31,830
	18,035,000	-	18,035,000
319,844)	2,639,688	-	2,639,688
	2,987,112,000	534,720,000	3,521,832,000
Lire	27,891,792,458	5,921,982,190	33,813,777,648

2098

Declassified E.O. 12356 Section 3.3/NND No. 785021

SCHED-ULE No.		TOTAL TO CL OF PREVIOUS
XXI	DISBURSEMENTS IN RESPECT OF AMG/ACC EXPENDITURE	
	(a) AFA Expenditure:	
	(1) Emoluments of Civilian Personnel	110,196
	(2) Motor Transport	
	Maintenance of Vehicles	760
	(3) Other Administrative Expenses	
	Printing and Stationery	38,756
	Maintenance of Offices	4,410
	Maintenance of Office Equipment	1,905
	Sundries	1,284
	Total Other Administrative Expenditure	46,325
	(4) Special Expenditure	
	Purchase of Office Furniture and Equipment	95,699
	Reconditioning of Offices	58,390
	Total Special Expenditure	154,089
	(5) Financial Expenditure	
	Interest Paid to Banks	4,561,835
	Bank Service Charges	408,333
	Total Financial Expenditure	4,970,168
	Total AFA Expenditure	5,281,598
	(b) AMG Expenditure to close of previous month	44,782,185
	(c) ACC Expenditure to close of previous month	21,219,254
	(d) AMG/ACC Disbursements made by AFA direct in previous month, allocated in current month	10,855
	(e) AMG/ACC Disbursements made by AFA direct in current month	-
	Lire	71,293,892

2099

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1705

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Page No 9

	TOTAL TO CLOSE OF PREVIOUS MONTH	CURRENT MONTH	TOTAL TO DATE
CC EXPENDITURE			
Personnel	110,195	4,710	114,905
l-en	760	275	1,035
Expenses			
ery	38,786	1,050	39,836
es	4,410	-	4,410
e Equipment	1,905	80	1,985
	1,284	-	1,284
nistrative Expenditure	46,385	1,130	47,515
Furniture and Equipment	95,699	-	95,699
ffices	58,390	1,625	60,015
penditure	154,089	1,625	155,714
nks	4,561,835	-	4,561,835
s	408,333	-	408,333
Expenditure	4,970,168	-	4,970,168
iture	5,281,598	7,740	5,289,338
of previous month	44,782,185	5,282,490	50,064,675
of previous month	21,019,254	9,762,115	30,781,370
e by AFA direct in previous month, h	10,855	(10,855)	-
e by AFA direct in current month	-	14,628	14,628
Lire	71,093,892	15,056,119	86,150,011

2100

Declassified E.O. 12356 Section 3.3/NND No. 785021

SCHED-ULE No.		TOTAL TO CLOSE OF PREVIOUS MONTH
XVII	DISBURSEMENTS OF ADVISORY COUNCIL FOR ITALY	
	(a) U.S. Delegation	159,234
	(b) British Delegation	82,527
	(c) Russian Delegation	82,982
	(d) Yugoslav Delegation	84,350
	(e) Greek Delegation	35,741
	(f) French Delegation	41,194
	Lire	486,008
XVII	CONTRA ACCOUNTS	
	(a) Foreign Exchange Due from Banco di Sicilia	
	(1) U.S. Dollars ($ 660,601.08)	51,581,008
	(2) Sterling (£ 16,699 .12 . 9)	3,665,713
	(b) Foreign Exchange Due from Banco di Napoli	
	(1) U.S. Dollars ($ 711,079.32)	24,971,770
	Lire	80,618,491

2101

Declassified E.O. 12356 Section 3.3/NND No. 785071

	TOTAL TO CLOSE OF PREVIOUS MONTH	CURRENT MONTH	TOTAL TO DATE
ITALY			
	159,234	104,466	263,700
	62,527	70,714	153,241
	82,962	1,081,655	1,164,617
	84,350	80,367	164,717
	35,741	134,152	169,893
	41,194	31,058	72,252
Lire	486,008	1,502,412	1,988,420
nco di Sicilia			
38)	51,981,008	14,099,100	66,080,108
32 . 9)	3,665,713	3,014,143	6,679,856
nco di Napoli			
22)	24,971,770	46,136,162	71,107,232
Lire	80,618,491	63,249,405	143,867,896

2102

Declassified E.O. 12356 Section 3.3/NND No. 785021

SCHED-ULE No.		TOTAL TO CLOSE OF PREVIOUS MONTH	CUR
XCVIII	CASH ON HAND AND IN BANKS AT END OF PERIOD (Including Mutilated & Unfit A.M. Lire Notes on Hand)		
	(a) Current Cash - Lire	398,820	
	(b) Reserve Cash - A.M. Lire	13,279,728,000	(9
	(c) Bank Current Accounts - Lire		
	(1) Banco d'Italia	1,255,197,521	
	(2) Banco di Napoli	46,618,872	
	(3) Banco di Sicilia	414,213,733	
	(4) Credito Italiano	7,779,520	
	(5) Banca Commerciale Italiana	8,509,010	
	Total Bank Current Accounts	1,726,318,656	
	Total Lire Funds	15,003,445,476	(5
	(d) Non-Lire Currency on Hand or in Banks		
	(1) Yellow Seal Dollars ($ 1,361,664.43)	151,560,831	
	(2) B.M.A. Pounds (£ 513,476 . 2 .11)	229,277,929	
	Total Non-Lire Currency	380,838,760	
	(e) Other Balances with Banks		
	(1) Banca d'Italia No.2 Account	1,600,000,000	
	(2) AFA Rome Letter of Credit Account	500,000,000	(
	(3) Funds Deposited with Italian Banks for Remittance Payments	65,091,541	
	(4) Funds Deposited by U.S. Army Units (See Schedule IV(b))	66,000,722	
	Total Other Balances with Banks	2,231,092,263	
		17,615,376,499	(1,
	MUTILATED AND UNFIT A.M. LIRE NOTES ON HAND	5,598,848	
	Lire	17,620,975,347	1,

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Declassified E.O. 12356 Section 3.3/NND No. 785021

	TOTAL TO CLOSE OF PREVIOUS MONTH	CURRENT MONTH	TOTAL TO DATE
END OF PERIOD			
A.U. Lire Notes on Hand)	398,620	(156,553)	242,267
Lire	13,276,728,000	(977,256,000)	12,299,472,000
- Lire			
	1,255,197,521	103,887,197	1,359,084,718
	40,618,872	4,444,935	45,063,807
	414,213,733	(65,947,866)	348,265,867
	7,779,520	(5,002,920)	2,776,600
Italiana	8,509,010	(1,391,000)	7,118,010
Current Accounts	1,726,318,656	35,990,346	1,762,309,002
Funds	15,003,445,476	(941,422,207)	14,062,023,269
Hand or in Banks			
s ($ 1,361,664.43)	151,560,831	(15,394,388)	136,166,443
(£ 513,476 . 2 .11)	229,277,929	(23,807,470)	205,330,459
Lire Currency	380,838,760	(39,201,858)	341,556,902
nks			
2 Account	1,500,000,000		1,500,000,000
Credit Account	500,000,000	(100,000,000)	400,000,000
th Italian Banks for e	65,091,541	45,019,855	110,111,396
U.S. Army Units))	66,000,722	8,339,375	74,340,097
Balances with Banks	2,231,092,263	(46,640,770)	2,184,451,493
	17,615,376,499	(1,027,344,835)	16,588,031,664
E NOTES ON HAND	5,598,848	(3,667,397)	1,931,451
Lire	17,620,975,347	1,031,012,232	16,588,963,115

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Declassified E.O. 12356 Section 3.3/NND No. 785021

ALLIED FINANCIAL AGENCY
REMITTANCE LISTS HANDED TO ITALIAN BANKS
TO 30 JUNE, 1944

(a) BANCO DI SICILIA

(1) DOLLAR REMITTANCE LISTS

	No. of Items.	Amount $
Bank of America, San Francisco, Calif.	717	38,892.00
Bank of the Manhatten Co., New York	88	2,878 -
Central National Bank in Chicago	410	8,344 -
Central National Bank of Cleveland	14	645 -
Continental Illinois Nat. Bank & Trust Co., of Chicago	989	18,639 -
Chase Nat. Bank of the City of New York	169	34,305.50
First Nat. Bank of Boston, Boston	957	27,905 -
First Nat. Bank of Chicago, Chicago	331	9,591.50
Irving Trust Company, New York	7,941	261,908.83
Manufacturers Trust Company, New York	3,708	132,930 -
Merchants Bank of New York	35	1,166. -
National Bank of Detroit	356	13,796.50
National Shawmut Bank of Boston	129	7,660 -
National City Bank of New York	2,008	84,655.75
Pan American Trust Company, New York	245	5,959 -
Philadelphia Nat. Bank, Philadelphia	261	9,545.50
Union Trust Co., of Maryland	4	120 -
Whitney National Bank of New Orleans	33	1,847.50
	18,395	660,801.08

(2) STERLING REMITTANCE LISTS

Bank of England	1,350	£15,699-12-10

NOTE:
In addition to the British Isles, Bank of England payment schedules include remittances from Canada, New Zealand, Australia, Peru, Argentine, Venezuela, Uruguay, Switzerland, Malta, Palestine, Tripolitania and the Vatican City.

(b) BANCO DI NAPOLI

(1) DOLLAR REMITTANC

American Express Co.
Bank of America Nat.
inge Assoc.
Bank of Manhattan
Chase Nat. Bank of
Chase National Bank
Continental Illinois
Columbus Nat. Bank
Corn Exchange Bank
Corn Exchange Bank
New York
First National Bank
Irving Trust Co.
Liberty Title & Trus
Manufacturers Trust

Marine Midland Trust
Mellon Nat. Bank of
Merchants Bank of N
National Shawmut Ba
National Bank of De
Nat. Bank of Commer
National Shawmut Ba
Pan American Trust
Perera Co., of New
Sterling Nat. Bank
New York
United States Lines

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ALLIED FINANCIAL AGENCY

ANCE LISTS HANDED TO ITALIAN BANKS

TO 30 JUNE, 1944

ANNEX I

No. of Items.	Amount $	(b) BANCO DI NAPOLI (1) DOLLAR REMITTANCE LISTS	No. of Items.	Amount $
717	38,892.00	American Express Co.		60,407.00
86	2,678 -	Bank of America Nat. Trust & Savings Assoc.	253	13,357 -
410	8,344 -	Bank of Manhattan	1,165	59,345.59
14	645 -	Chase Nat. Bank of New York	265	49,110.50
989	18,639 -	Chase National Bank	40	1,433 -
169	34,305.50	Continental Illinois Nat. Bank	845	32,030 -
957	27,905 -	Columbus Nat. Bank of Providence	23	920 -
331	9,591.50	Corn Exchange Bank of Philadelphia	284	12,731 -
7,941	261,906.83	Corn Exchange Bank & Trust Co., of New York	55	2,111.50
3,708	132,930 -	First National Bank of Boston	121	4,634 -
35	1,166 -	Irving Trust Co.	162	7,723
356	13,703.50	Liberty Title & Trust Co., Philadel.	160	8,018.50
129	7,660 -	Manufacturers Trust Co., of New York	7,111	331,678.33
2,008	84,555.75	Marine Midland Trust Co.	56	4,608.50
245	5,959 -	Mellon Nat. Bank of Pittsburgh	268	14,263.50
261	9,545.50	Merchants Bank of New York	223	9,744 -
4	130 -	National Shawmut Bank of Boston	255	9,543 -
33	1,847.50	National Bank of Detroit	135	7,407 -
18,395	650,801.08	Nat. Bank of Commerce of Seattle	28	649 -
		National Shawmut Bank	100	3,063.90
1,350	£16,689-12-10	Pan American Trust Co.	152	6,459 -
		Perera Co., of New York	388	21,729 -
		Sterling Nat. Bank & Trust Co., of New York	154	6,255 -
ngland payment		United States Lines - New York	1,214	43,726 -
New Zealand,			13,379	711,079.32
ny,				
and				

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ALLIED FINANCIAL AGENCY

SUPPLY OF AM. LIRE BY DENOMINATIONS TO 30 JUNE

(in millions of lire)

	1000 LIRE	500 LIRE	100 LIRE
1. AVAILABLE IN RESERVE CASH	4,320	3,870	1,696
2. HELD BY ITALIAN BANKS IN UNOPENED BOXES	-	-	10
3. TOTAL UNUSED SUPPLY IN ITALY	4,320	3,870	1,706
4. DISBURSEMENTS TO 30 JUNE 1944	20,220	9,520	7,958
5. TOTAL AMOUNT RECEIVED FROM WASHINGTON	24,540	13,390	9,664
6. AMOUNT IN WASHINGTON, OR IN TRANSIT TO ITALY	8,120	5,508	3,700
7. TOTAL AMOUNT PRINTED +	32,660	18,898	13,364
8. AMOUNT DISBURSED IN JUNE 1944	2,752	1,264	1,222
9. RATIO OF DISBURSEMENTS TO AMOUNT RECEIVED IN ITALY	81.9	71.1	82.3
10. RATIO OF DISBURSEMENTS TO AMOUNT PRINTED	61.9	50.4	59.6
11. NUMBER OF MONTHS SUPPLY AVAILABLE IN ITALY *	1.6	3.0	1.4
12. NUMBER OF MONTHS SUPPLY AVAILABLE IN ITALY, IN TRANSIT AND IN WASHINGTON *	4.5	7.3	4.4

+ Does not include Lire 30,000,000,000, ordered in MAT Airgram 11 dated 6 July

* Based on June 1944 disbursements.

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ANNEX II.

A L L I E D F I N A N C I A L A G E N C Y

PLY OF AM. LIRE BY DENOMINATIONS TO 30 JUNE 1944

(in millions of lire)

	1000 LIRE	500 LIRE	100 LIRE	50 LIRE	10 LIRE	5 LIRE	2 & 1 LIRE.	TOTAL
	4,320	3,870	1,696	1,605	367	385	56	12,299
BOXES	-	-	10	104	12	47	41	214
	4,320	3,870	1,706	1,709	379	432	97	12,513
	20,220	9,520	7,958	2,417	377	227	108	40,827
INGTON	24,540	13,390	9,664	4,126	756	659	205	53,340
IT TO ITALY	8,120	5,508	3,700	1,023	600	299	43	19,293
	32,660	18,898	13,364	5,149	1,356	958	248	72,633
	2,752	1,264	1,222	149	56	17	8	5,468
RECEIVED								
	81.9	71.1	82.3	50.6	49.9	34.4	52.7	76.5
PRINTED	61.9	30.4	59.6	46.9	27.8	23.7	43.5	56.2
IN ITALY c	1.6	3.0	1.4	11.5	6.8	25.4	12.1	2.3
IN ITALY,	4.5	7.3	4.4	18.3	17.5	43.0	17.5	5.8

CC, ordered in MAT Airgram 11 dated 6 July 1944

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SECRET

ESTIMATED DISBURSEMENTS OF ALLIED ARMED FORCES TO

(including unreported items)

	British Forces	U.S. Forces
Estimated Totals, including unreported items		
6. Net Amount Paid to Civilians or Retained by Troops		
In January	1,207	766
In February	1,534	1,033
In March	1,396	1,117
In April	1,062	1,220
In May	1,684	1,298
In June	2,078	1,889
Cumulative total to 30 June	11,191	11,654

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ANNEX IV

ISBURSEMENTS OF ALLIED ARMED FORCES TO CIVILIANS

(including unreported items)

ed	British Forces	U.S. Forces	French Forces	Allied Forces
	1,207	766	206	2,179
	1,534	1,033	164	2,731
	1,396	1,117	334	2,847
	1,062	1,220	500	2,782
	1,684	1,288	475	3,447
	2,078	1,889	534	4,501
	11,191	11,654	2,721	25,566

ANNEX V.

Value of AM Lire in Hands of Italian Banks and Public
(Excluding Deposits of AFA with banks and Cash Funds Held by Accounting Officers of ACC/AMG)

	20 JUNE PRELIMINARY	31 MAY REVISED
New AM Lire received (after deduction of shortages)	53,338.074.139	48.844.126.870
6921 Lire held by AFA in current cash, reserve cash, provision against credits granted to banks and current accounts (including mutilated and destroyed)	14.063.954.720	15.009.044.324
AM Lire Outstanding	39.274.119.419	33.835.082.546
Deduct -		
AM Lire Held by Finance Officers of Armed Forces :		
U.S. Finance Officers :-		
Funded through AFA Palermo-Army	125.087.995	141.172.052
" " " " -Navy	59.263.002	49.751.305
" " " Naples	3.465.625.834	3.303.366.651
" " " Bari	859.155.769	897.539.735
" " " Sassari	100.000.000 ≠	100.000.000 ≠
Total U.S. Finance Officers	4.609.132.600	4.482.829.883
British Paymasters, Italy ++	2.947.140.203	1.682.512.914
French Paymasters	800.000.000 ≠	800.000.000 ≠
Total Held by Finance Officers of All Allied Armed Forces	8.356.272.803	6.965.342.797
AM Lire Held by Accounting Officers of AMG/ACC in Cash +	500.000.000 ≠	388.717.320
Total Deductions	8.856.272.803	7.354.060.065
Total AM Lire in Hands of the Banks and the Public	30.417.846.616	26.481.022.481
AM Lire Held by Bank of Italy, after deduction of AFA's current accounts with Bank of Italy	1.604.000.000	1.904.000.000

≠ Estimated

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U.S. Finance Officers :-		
Funded through AFA Palermo-Army	125.087.995	141.172.052
" " " " -Navy	59.263.002	40.751.305
" " " Naples	3.465.625.834	3.303.366.551
" " " Bari	859.155.769	897.539.735
" " " Sassari	100.000.000 ≠	100.000.000 ≠
Total U.S. Finance Officers	4.609.132.600	4.482.829.823
British Paymasters, Italy ++	3.047.140.203	1.682.512.914
French Paymasters	800.000.000 ≠	800.000.000 ≠
Total Held by Finance Officers of All Allied Armed Forces	8.356.272.803	6.965.342.737
AM Lire Held by Accounting Officers of AMG/ACC in Cash +	500.000.000 ≠	388.717.328
Total Deductions	8.856.272.803	7.354.060.065
Total AM Lire in Hands of the Banks and the Public	30.417.846.616	26.401.022.481
AM Lire Held by Bank of Italy, after deduction of AFA's current accounts with Bank of Italy	1.604.000.000	1.904.000.000

≠ Estimated

++ Excludes small amount held by R.N., R.A.F., and Empire forces, estimated at not more than 50 million lire.

\+ Excludes receipts for funds disbursed but not yet allocated to expenditure accounts, which included in this item on the Statement of Receipts and Disbursements.

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ANNEX VI

Total Value of A.M. Lire in Hands of all Italian Banks and the Public, August 1943 to date.
(Excluding cash deposits of AFA with Italian banks, and Funds Held by Accounting Officers in the Field in the Form of Cash)

	Total Lire	Change During Previous Month. Lire
31 August 1943	1.023.510.401	1.023.510.401
30 September 1943	2.832.986.522	1.809.476.121
31 October 1943	4.463.014.925	1.630.028.403
30 November 1943	7.751.937.255	3.288.922.330
31 December 1943	10.925.748.386	3.173.811.131
31 January 1944	14.102.572.467	3.176.824.081
29 February 1944	17.439.133.879	3.336.561.412
31 March 1944	20.815.517.036	3.376.383.157
30 April 1944	23.765.351.827	2.949.834.791
31 May 1944 (Revised)	26.481.022.481	2.715.670.654
30 June 1944	30.417.846.616	3.936.824.135
		30.417.846.616

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ALLIED FINANCIAL AGENCY

Statement of Disbursements and Receipts on account of Civilians, Allied
May and June 1944 (expressed in lire)

	MAY 19 REVISED
Disbursements on Civilian Account	
Purchases in Italy of Supplies for Export or Resale locally	156,237,
Advances to Italian State, Provinces and Communes, and to Others	54,364,
Excess of Disbursements over Receipts - AMG/ACC Divisions	-
Remittances from Allied Countries	9,182,
	219,784,
Receipts on Civilian Account	
Sales in Italy of Supplies Imported, Drawn from Armies or Purchased Locally by AMG/ACC	751,665,
Deposits by Controller of Property and by Others	45,370,
Excess of Receipts over Disbursements - AMG/ACC Divisions	5,576,
	802,612,
Net Disbursements on Civilian Account	(582,227,
Advances to Allied Armed Forces	4,585,592,
Total Disbursements on Account of Civilians and Allied Armed Forces	4,003,46
Receipts from Banks	
Commercial Banks - Repayments of Loans	2,320,
Bank of Italy - Surplus Currency Sterilization Program	1,900,000,
Total Receipts from Banks	1,902,320,
Net Disbursements on Account of Civilians, Allied Armed Forces, and Banks — Lire	2,101,144,

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ALLIED FINANCIAL AGENCY — ANNEX VII

s on account of Civilians, Allied Armed Forces and Banks,
(ex)ressed in lire) ( ) = Red Figures

	MAY 1944 REVISED	JUNE 1944
c Resale locally	156,237,389	82,598,098
mmies, and to Others	54,364,722	(19,241,226)
/ACC Divisions	-	7,303,596
	9,182,450	20,328,050
	219,784,561	90,988,518
From Armies or Purchas-	751,065,139	543,095,425
thers	45,370,472	53,383,628
/ACC Divisions	5,876,389	-
	802,012,000	596,479,053
	(582,227,439)	(505,490,535)
	4,585,692,000	5,921,982,190
d Allied Armed Forces	4,003,464,561	5,416,491,655
	2,320,000	600,000
ion Program	1,900,000,000	-
	1,902,320,000	600,000
lied Armed Forces, Lire	2,101,144,561	5,415,891,655

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A L L I E D F I N A N C I A L A G E
C O N S O L I D A T E D
STATEMENT OF RECEIPTS AND DISBURSE
For Period to 30 June, 1944 -
(Expressed in Lire)

ITEM No.	SCHEDULE No.		NOTE	31 MA
1	-	CASH ON HAND IN BANKS AT BEGINNING OF PERIOD (Including Mutilated and Unfit Am Lire Notes on hand)		VI
-	-	RECEIPTS DURING PERIOD		
2	I	NEW A.M. LIRA NOTES RECEIVED		48,844,
3	-	NEW A.M. STAMPS RECEIVED		155,
4	II	DEPOSITS BY AMG/ACC DIVISIONS (Pending allocation to revenue or other accounts)		1,072,
5	III	FUNDS OBTAINED FROM BANKS AND OTHERS BY ACCOUNTING OFFICERS IN THE FIELD		
6	IV	DEPOSITS		127,
7	-	CURRENCY OF ITALIAN GOVERNMENT PLACED TO CREDIT OF AFA (Under agreed program to sterilize surplus currency)		2,100,
8	V	PROCEEDS OF SALES IN ITALY OF SURPLUS		789,
9	VI	RECEIPTS IN RESPECT OF AMG/ACC REVENUE		151,
10	-	REPATRIATED LIRA NOTES IMPORTED BY BRITISH FORCES		88,
11	VII			
12	VIII			
13	-			53,206,
14	IX	CONTRA ACCOUNTS		80,
15	-	TOTAL RECEIPTS DURING PERIOD		53,381,
16	-	TOTAL FUNDS AVAILABLE	LIRE	53,381,

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Appendix C.

F I N A N C I A L A G E N C Y
C O N S O L I D A T E D
OF RECEIPTS AND DISBURSEMENTS
Period to 30 June, 1944 -
(Expressed in Lire)

	TOTAL TO 31 MAY 1944	CURRENT MONTH	TOTAL TO 30 JUNE 1944
(OF PERIOD (Lire Notes on hand)	NIL	17,620,975,347	NIL
	48,644,126,870	4,493,947,269	53,339,074,139
	169,336,000	--	169,336,000
	1,032,868,109	(239,925,014)	792,943,095
r other accounts)			
MENTS BY ACCOUNTING	383,300	(372,800)	10,500
	127,722,759	61,723,003	189,445,772
PLACED TO CREDIT OF Allied supplies	2,100,000,000	--	2,100,000,000
	789,158,382	803,020,439	1,592,178,821
PRICES	151,111,270	7,752,523	158,863,793
REVENUE	55,174,450	--	55,174,450
D BY BRITISH FORCES			
	53,300,881,150	5,106,145,420	58,407,026,570
	88,618,491	63,249,405	143,867,896
	53,381,499,641	5,169,394,825	58,550,894,466
D			
LIED	53,381,499,641	22,790,370,172	58,550,894,466

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LINE No.	SCHEDULE No.		TOTAL TO 31 JULY 1944
-	-	DISBURSEMENTS DURING PERIOD	
20	-	INITIATED AS AMRA CURRENCY DESTROYED	3,[illegible]7,2[illegible]
21	-	NOTES HELD BY ACCOUNTING OFFICERS IN THE FIELD (Pending allocation to expenditure or other accounts)	520,983,2[illegible]
22	XII	ASSETS ISSUED TO POST OFFICE AND BY HAND	199,335,0[illegible]
23	XIII	PURCHASES IN ITALY OF SUPPLIES	587,395,2[illegible]
24	XIV	STORAGE, HANDLING AND SHIPPING EXPENSES IN CONNECTION WITH EXPORTS, EXPORTS AND LOCAL SUPPLIES	29,294,2[illegible]
25	XV	ADVANCES (Including advances to Italian State, Provinces and Communes)	6,310,933,7[illegible]
26	XVI	LOANS (Maturity date or interest rate fixed in advance)	3,[illegible]00,9[illegible]
27	XVII	PAYMENTS TO PERSONS IN ITALY ON ACCOUNT OF REMITTANCES FROM ALLIED COUNTRIES	13,42[illegible],4[illegible]
28	XVIII	PAYMENTS IN RESPECT OF SUPPLIES OF ALLIED UNITS	7,597,2[illegible]
29	XIX	PAYMENTS CHARGEABLE TO ITALIAN STATE IN RESPECT OF ITALIAN REFUGEES, ETC.	2,958,9[illegible]
30	XX	ADVANCES TO ALLIED ARMED FORCES	27,891,795,4[illegible]
31	XXI	DISBURSEMENTS IN RESPECT OF AMG/ACC EXPENDITURE	71,993,8[illegible]
32	-	METROPOLITAN LIRE ADVANCED TO BRITISH TREASURY	66,174,4[illegible]
33	XXII	DISBURSEMENTS OF ADVISORY COUNCIL FOR ITALY	486,0[illegible]
34	XXIII		
35	XXIV		
36	XXV		
37	XXVI		
38	-		35,879,305,8[illegible]
39	XXVII	CONTRA ACCOUNTS	80,618,4[illegible]
40	-	TOTAL DISBURSEMENTS DURING PERIOD	35,760,524,2[illegible]
41	XXVIII	CASH ON HAND AND IN BANKS AT END OF PERIOD (Including Declared and Unit AM Lire Notes on hand)	17,620,975,3[illegible]
42	-	TOTAL OF DISBURSEMENTS AND CASH BALANCES LINE	53,381,499,5[illegible]

( ) = Red Figure

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Appendix C.
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	TOTAL TO 31 MAY 1944	CURRENT MONTH	TOTAL TO 30 JUNE 1944
TOD	5,457,097	13,158,624	18,626,521
NOY DESTROYED			
OFFICERS IN THE FIELD	520,982,239	93,401,621	614,384,876
e-penditure or other accounts)	169,336,000	—	169,336,000
OFFICE AND ON HAND	587,385,209	82,598,038	669,983,387
ENSES			
ELOPING INTERESTS IN CONTRO-			
RTS AND LOCAL SUPPLIES	29,214,225	8,972,444	38,236,669
ances to Italian State,			
	6,310,933,718	(21,506,079)	6,289,347,659
Interest rate fixed in			
	3,000,960	(600,600)	2,400,250
ELIEF ON ACCOUNT OF REMITTAN-			
ES	13,428,450	20,328,050	33,756,500
SUBSIDIES OF AT LED NATIONS	7,597,276	1,759,365	9,356,641
MAINING STATE IN RESPECT OF			
	2,950,905	593,488	3,544,393
	27,691,795,458	5,921,982,190	33,613,777,648
ED FORCES	71,093,092	15,057,119	86,150,011
T OF MIC/ACC EXPENDITURE	66,174,450	—	66,174,450
NCED BY BRITISH PARTICIPERS	486,008	1,502,412	1,988,420
NTY COUNCIL FOR ITALY			
	35,579,305,803	5,137,157,653	41,817,063,455
	80,615,491	63,249,405	143,867,896
	35,799,524,294	6,200,407,057	41,960,931,351
D END PERIOD			
ES AT END OF PERIOD			
d Until At Fire Notes on hand)	17,820,975,347	16,569,963,115	16,589,963,115
CASH BALANCES	53,381,499,641	22,790,370,172	58,550,894,466

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+ Note: There is a lag of at least one month between (i) the time transactions of
(ii) the allocation of such transactions in this Statement; however, adven
to such Officers and refunds made by them to Allied Financial Agency are r

(Sgd)
H.C. DEARMAN - Colonel
CHIEF ACCOUNTANT

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Appendix C.

month between (1) the time transactions of Accounting Officers take place and
nsactions in this Statement; however, advances made by Allied Financial Agency
de by them to Allied Financial Agency are reflected in this account currently.

(Sgd)
JAMES H. STITT - Major
CHIEF OF A F A

ANNEX D.

Table 1

Growth of Italian Public Debt,
31 Dec., 1937, to 30 June, 1944
(in millions)

	Consols	Redeemable	State Notes	Floating Debt	Total
31 Dec 1930	71.371	13.001	---	4.409	88.781
31 Dec 1931	71.784	14.150	---	5.484	91.418
31 Dec 1932	71.288	17.092	---	7.556	96.130
31 Dec 1933	71.291	16.956	---	9.782	98.029
31 Dec 1934	9.892	84.066	---	11.206	105.164
31 Dec 1935	41.478	52.341	647	11.390	105.856
31 Dec 1936	53.004	42.745	1.305	20.291	117.345
31 Dec 1937	52.995	49.041	1.350	25.366	128.752
31 Dec 1938	52.905	49.295	1.656	35.282	140.118
31 Dec 1939	52.966	49.194	2.442	49.369	153.997
31 Dec 1940	52.967	71.191	2.858	62.955	190.011
31 Dec 1941	52.968	106.542	4.150	97.507	261.167
31 Dec 1942	52.944	156.825	5.457	134.685	349.911
30 Jun 1943	52.945	178.069	5.912	168.090	405.023
30 Jun 1944 (est)	53.000	176.000	6.000	350.000	585.000

Table 2

Italian Public Debt
as of 30 June 1943

(in millions of lire)

CONSOLS

Consols 3.50%, 3% and perpetual debt	9.886
Rente 5%	43.059
Total of consolidated debt	52.945

REDEEMABLE

Issues prior to 1914	1.405
"Obbligazioni 3.50% Delle Venezie".....	427
"Obbligazioni 4.75% a 25 anni"	275
"Prestito Redimibile 3.50% (1934)"	18.533
"Prestito Redimibile 5% (R.D.5-10-1936,n.1745)"	5.864
5% Certificates of credit for the financing of public works and for extraordinary ex cmsos	17.130

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31 Dec 1941	52.767	160.342	4.150	21.367	238.626
31 Dec 1942	52.944	156.025	5.457	134.635	349.911
30 Jun 1943	52.945	178.069	5.919	168.890	405.823
30 Jun 1944 (est)	53.000	176.000	6.000	350.000	585.000

Table 2

Italian Public Debt
as of 30 June 1943

CONSOLS (in millions of lire)

Consols 3.50%, 5% and perpetual rent	9.836	
Rente 5%	43.072	
Total of consolidated debt		52.945

REDEEMABLE

Issues prior to 1914	1.495	
"Obbligazioni 3.50% delle Venezie"	427	
"Obbligazioni 4.75% a 25 anni"	275	
"Prestito Redimibile 3.50% (1934)"	18.933	
"Prestito Redimibile 5% (R.D.5-10-1936,n.1745)"	5.864	
5% Certificates of credit for the financing of public works and for extraordinary expenses of the Ministry of Interior	17.130	
2 - year bonds	122.443	
5 - year bonds	11.972	
Total of redeemable debt	178.069	
State Notes	5.919	
Floating Debt	168.890	
GRAND TOTAL	405.823	

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Table 5

Italian State Account at Banca d'Italia
(for Provinces liberated prior to 11 Sept. 1944)
1 July 1943 through 30 June 1944. *
(millions of lire)

	Total Italian Gov't. territory	Total Military Gov't. territory	Total Liberated Italy
"Deficit" in State Account			
Total payments less payments on account of Fund for Income *Allied	28.984	9.980	38.964
Total receipts less receipts on account of U.N.R.R.A.	4.346	1.437	5.783
Excess of disbursements	24.638	8.543	33.181
How State "Deficit" was met			
Credit advanced by Banca d'Italia to State	14.276	4.078	18.354
Decrease in balance held by State at Banca d'Italia on 1 July 1943	2.746	1.594	4.340
Advances from AFA	2.300	30	2.330
Funds supplied from Rome	1.810	1.400	3.210
Net receipts on U.N.R.R.A. account	1.497	703	2.200
Increase in "Contabilita Speciale" accounts	1.634	639	2.273
Increase in deposits of cash guarantees	165	9	174
Total	24.638	8.543	33.181

* The figures for Sardinia and Campobasso are as of 20th June; those for Sicily and Foggia are as of 10th June.

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Excess of Disbursements	21.636	8.545	33.181
Less State "Deficit" now met			
Credit advanced by Bank d'Italia to State	14.276	4.070	18.346
Decrease in balance held by State at Bank d'Italia on 1 July 1943	2.746	1.594	4.340
Advances from Axis	2.300	30	2.330
Funds supplied from Rome	1.810	1.400	3.210
Net credit in ex B.I.C. account	1.407	793	2.200
Increase in "Controlled Special" accounts	1.697	578	2.275
Increase in deposits of cash guarantees	391	81	472
Total	24.636	8.545	33.181

* The figures for Sardinia and Campobasso are as of 20th June; those for Sicily and Foggia are as of 10th June.

Table 4.

Government Bond Prices in Rome

Security	2 June 1942	1 August 1944	Variation %
Rente 3.5%, 1906	110	107	- 3
Redeemable Loan, 3.5%, 1934	93	84	- 10
Rente 5%	96	92	- 5
Redeemable Loan, 5%, 1936	100	94	- 6
Venezia, 3.50%	99	99	
9 yr. Treasury Bonds 5%, Sept. 1944	98	99	+ 1
" " " " 5%, Dec. 1949	96	92	- 5
" " " " 5%, Feb. 1950	96	92	- 5
" " " " 5%, Sept. 1950	96	92	- 5
" " " " 5%, Sept. 1951	96	92	- 5
" " " " 4%, Sept. 1951	89	84	- 6
5 yr. " " 5%, Sept. 1948	96	93	- 4

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Table 5

Investment, par value, in Buoni del Tesoro Ordinari
(For Provinces liberated prior to 11 May, 1944)
(Millions of lire)

	1 July 1943 through 30 June 1944			June 1944		
	Issued	Paid	Net Investment	Issued	Paid	Net Investment
Salerno	111	80	31			
Lucania	139	175	-36	38	12	26
Calabria	151	94	57	8	6	2
Puglie (less Foggia)	1.033	840	193	35	11	24
Sardinia*	176	63	113	128	44	84
Sicily*	3.151	2.109	972	7	2	5
Campania (less Salerno)	1.579	722	848	404	357	47
Foggia**	79	73	6	261	82	179
Campobasso*	55	52	3	3	2	1
	6.595	4.289	2.416	5	1	4
				879	517	362

* These figures are as of 20th June
** These figures are as of 10th June

Table 6

Total Deposits and Current Accounts
of Banks having more than 5 million lire in deposits

Year	Institutions of credit of Public Law*	Banks of National Interest**	Other Commercial Banks	Savings Banks (Casse di Risparmio e Monti di Pegni	Total
		(Millions of lire)			
31 December 1936	6,142	3,730	10,380	12,251	47,525
31 December 1937	7,905	14,442	13,305	19,666	55,193
31 December 1938	10,923	14,866	14,452	19,176	59,317
31 December 1939	11,908	17,270	16,311	19,201	64,869
31 December 1940	16,422	20,945	18,673	20,122	76,969
31 December 1941	21,733	26,247	20,644	26,493	95,117
31 December 1942	28,124	31,[illegible]	36,307	30,061	126,457
30 September 1943	29,795	37,[illegible]	43,771	32,[illegible]	143,252
30 June 1944 (est.)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

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Foggia**	79	75	6	5	2	1
Catanzaro	55	49	6	5	1	4
	6,695	4,283	2,410	879	517	362

\+ These figures are as of 20th June
++ These figures are as of 19th June

Table 6

Total Deposits and Current Accounts
of Banks having more than 5 million Lire in deposits

Year	Institutes of credit of public laws	Banks of National Interest++	Other Commercial Banks	Savings Banks (Casse di Risparmio e Monti di Pieta)	Total
		(Billions of Lire)			
31 December 1936	5,114	5,230	10,490	19,281	47,625
31 December 1937	7,365	14,949	13,335	19,082	55,193
31 December 1938	10,023	11,836	7,492	19,175	50,517
31 December 1939	11,988	17,570	16,311	18,491	64,362
31 December 1940	16,482	20,965	15,470	20,112	75,069
31 December 1941	21,723	26,947	26,644	26,403	101,717
31 December 1942	28,124	31,614	36,307	30,061	126,157
30 September 1943	49,735	37,096	45,771	31,590	164,252
30 June 1944 (est.)	-	-	-	-	170,000

\+ Banco di Napoli, Banco di Sicilia, Banco Nazionale del Lavoro, Istituto di San Paolo di Torino, Monte dei Paschi di Siena, Banco di Santo Spirito.

++ Banco Commerciale Italiano, Credito Italiano, Banco di Roma.

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Table 7.

Investments in Securities
of Banks having more than 5 million lire in deposits
(in millions of lire)

Year	Institutes of credit of Public Law	Banks of National Interest	Other Commercial Banks	Savings Banks (Casse di Risparmio e Monti di Pegni)	Mortgage Credit Institutes	Total
31 December 1936	3,803	2,298	3,698	8,199	104	18,301
31 December 1937	2,691	2,676	4,746	10,074	161	20,351
31 December 1938	3,277	2,546	5,202	9,694	160	20,881
31 December 1939	3,422	2,850	5,555	9,954	214	21,994
31 December 1940	4,779	4,362	6,931	10,618	279	26,969
31 December 1941	6,935	6,470	10,787	15,063	301	39,556
31 December 1942	8,791	9,750	16,056	19,803	343	54,753
30 September 1943	11,140	10,567	19,600	22,818	363	64,488

+ Almost entirely government and government-guaranteed bonds.

Table 8.

Cash Position of Banca d'Italia
(Provinces liberated prior to 11 May 1944)
(Including AFA and AMG accounts)
30 June 1944
(in millions of lire)

Branch	Bank Notes	State Notes	AM Lire	BMA Pounds	Dollars	Emergency Italian Currencies	Total
Matera	30	2	8	-	-	-	40
Potenza	30	5	77	-	-	-	112
Catanzaro	50	6	74	-	-	-	130
Cosenza	50	1	57	-	-	-	108
Reggio Calabria	32	4	54	-	-	-	90
Bari	130	35	77	8	-	-	250
Barletta	26	3	112	1	-	-	142
Brindisi	11	-	28	1	-	-	40
Lecce	23	6	1	2	-	-	32
Taranto	39	38	12	-	-	-	89
Salerno	79	11	303	3	-	-	396
Cagliari	41	-	13	-	-	-	54
Nuoro	12	1	4	-	-	-	17
Sassari	200	5	22	-	-	-	227

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(including [illegible])
30 June 1944
(in millions of lire)

Branch	Bank Notes	State Notes	AM Lire	BMA Pounds	Dollars	Emergency Italian Currencies	Total
Matera	30	2	8	-	-	-	40
Potenza	30	5	77	-	-	-	112
Catanzaro	50	6	74	-	-	-	130
Cosenza	50	1	57	-	-	-	108
Reggio Calabria	32	4	54	-	-	-	90
Bari	130	35	77	8	-	-	250
Barletta	26	3	112	1	-	-	142
Brindisi	11	-	28	1	-	-	40
Lecce	23	6	1	2	-	-	32
Taranto	39	38	12	-	-	-	89
Salerno	79	11	303	3	-	-	396
Cagliari	41	-	13	-	-	-	54
Nuoro	12	1	4	-	-	-	17
Sassari	200	5	22	-	-	-	227
Agrigento	99	6	109	-	-	-	214
Caltanissetta	79	47	37	-	-	-	163
Catania	145	7	100	6	-	-	258
Enna	31	4	26	-	-	-	61
Messina	97	-	120	-	-	-	217
Palermo	224	15	294	-	-	-	533
Ragusa	2	2	8	-	-	-	12
Siracusa	58	1	85	-	-	-	135
Trapani	16	-	91	-	-	-	107
Campobasso*	53	5	38	4	-	-	100
Foggia*	50	4	153	4	1	-	212
Avellino*	46	3	91	7	-	-	147
Benevento	66	9	89	1	-	-	165
Caserta	76	-	74	-	-	-	150
Castellammare	47	-	134	1	-	-	102
Napoli	159	3	397	16	2	-	577
Grand Total	1,995	223	2,688	54	3	-	4,963

* 20 June 1944, 30 June figures are not available.

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Table 9.

Postal Savings
May 1944 and June 1944
(thousands of lire)

	Postal Savings Bonds	Postal Savings Bonds	Current Accounts	Total	Postal Savings Bonds	Postal Savings Books	Current Accounts	Total
Agrigento	-	-	-	-	-	-	-	-
Caltanissetta	-4,634	1,042	3,945	-359	-	-	-	-
Catania	-12,370	2,412	-9,043	-19,001	-724	3,355	-9,974	-7,343
Enna	-2,336	-79	1,877	-538	-	-	-	-
Messina	-16,003	-505	5,626	-10,882	-5,248	1,536	5,437	1,725
Palermo	-	-	984	984	-	-	27	27
Ragusa	-	-	-	-	-	-	-	-
Siracusa	-	-	-	-	-	-	-	-
Trapani	-	-	-	-	-	-	-	-
Bari	-	-	-	-	-3,270	1,689	4,230	2,649
Brindisi	1,659	-589	3,335	4,405	14,351	-1,811	-17,538	-4,998
Lecce	11,191	-732	14,695	25,154	1,417	-771	3,312	3,958
Potenza	-	-	-	-	6,171	-248	5,393	11,316
Taranto	3,059	-466	430	3,023	-2,412	3,944	4,971	6,503
Cosenza	-3,682	1,126	-919	-3,475	6,384	-487	2,275	8,172
Reggio Calab.	-3,181	1,834	-397	-1,744	-756	1,756	3,370	4,370
Avellino	-2,364	1,792	3,073	2,501	-81	3,763	59	3,741
Napoli	24,162	13,983	1,883	40,028	1,539	6,372	3,615	11,526
Salerno	-3,132	5,936	116,695	119,499	29,768	12,373	-83,391	-41,230
Cagliari	-	-	15,146	15,146	11,023	6,741	19,438	37,202
Nuoro	-	-	332	332	-	-	8,292	8,292
Sassari	-	-	17,362	17,362	-	-	-	-
Total	-7,631	25,760	44,732	169,861	58,182	38,212	-50,484	45,910
	(16 Provinces)				(15 Provinces)			

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Messina	-16,003	-505	5,626	-10,882	-5,248	1,536	5,437	1,725
Palermo	-	-	984	984	-	-	27	27
Ragusa	-	-	-	-	-	-	-	-
Siracusa	-	-	-	-	-	-	-	-
Trapani	-	-	-	-	-3,270	1,689	4,230	2,649
Bari	-	-	-	-	14,351	-1,811	-17,538	-4,998
Brindisi	1,659	-589	3,335	4,405	1,417	-771	3,312	3,958
Lecce	11,191	-732	14,695	25,154	6,171	-248	5,393	11,316
Potenza	-	-	-	-	-2,412	3,944	4,971	6,503
Taranto	3,959	-466	430	3,923	6,384	-487	2,275	8,172
Cosenza	-3,682	1,126	-919	-3,475	-756	1,756	3,370	4,370
Reggio Calab.	-3,181	1,834	-397	-1,744	-81	3,763	59	3,741
Avellino	-2,364	1,792	3,073	2,501	1,539	6,372	3,615	11,526
Napoli	24,162	13,983	1,883	40,028	29,768	12,373	-83,391	-41,230
Salerno	-3,132	5,936	116,695	119,499	11,023	6,741	19,438	37,202
Cagliari	-	-	15,146	15,146	-	-	8,292	8,292
Nuoro	-	-	332	332	-	-	-	-
Sassari	-	-	17,362	17,362	-	-	-	-
Total	-7,631	25,760	44,732	169,861	58,182	30,212	-50,484	45,910
	(16 Provinces)				(15 Provinces)			

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Table 10.

Banca d'Italia Balance Sheet
as of 31 December, 1939, and 31 December 1943
(in millions of lire)

Assets	31 Dec. 1939	31 Dec. 1943 (+)
Total Reserve	5,132	2,237
Gold Acquired abroad, due by State	1,773	1,773
Cash in hand	301	535
Inland bills	4,633	5,668
Bills for collection	24	7
Secured Advances	2,291	7,249
Investments (government bonds)	777	899
Current accounts	88	69
Temporary Advances to Treasury	1,000	1,000
Extraordinary Advances to Treasury	6,000	75,000
Current Account of Treasury	-	46,129
Due from I.R.I.	4,798	4,700
"Various debtors" (++)	1,376	59,150
Premises	114	109
Total Assets	29,617	200,625
Securities and other valuables deposited	47,701	273,626
	77,318	476,250
Amounts written off in past year	206	107
Grand Total	77,524	476,358

Liabilities		
Notes in circulation	24,432	152,736
Demand drafts outstanding	1,218	7,403
Current accounts	1,268	16,282
Total Sight Liabilities	26,919	176,421
Capital	300	300
Statutory Reserve	119	587
Extraordinary Reserve	65	223
Time Deposits	491	19,185
Treasury Current account	475	-
"Internal Debt Sinking Fund Office -current account"	12	9

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Extraordinary Advances to Treasury	5,000	19,000
Current Account of Treasury	-	40,129
Due from I.R.I.	4,708	4,708
"Various Debtors" (++)	1,376	59,150
Premises	114	109
Total Assets	29,617	202,625
Securities and other valuables deposited	47,701	273,626
	77,318	476,250
Amounts written off in past year	206	107
Grand Total	77,524	476,358

Liabilities

Notes in circulation	24,432	158,736
Demand drafts outstanding	1,218	7,493
Current accounts	1,268	16,282
Total Sight Liabilities	26,919	176,421
Capital	300	300
Statutory Reserve	119	397
Extraordinary Reserve	66	223
Time Deposits	491	19,185
Treasury Current account	475	-
"Internal Debt Sinking Fund Office -current account"	12	9
I.R.I. sinking fund	143	359
Other liabilities	974	5,706
Net profits for year	117	42
Total liabilities	29,617	202,625
Securities & other valuables deposited	47,707	273,626
	77,318	476,626
Amounts written off in past year	206	107
Grand Total	77,524	476,358

(+) Includes the data of the southern branches of the Banco d'Italia as of the last date received. Inclusion of December 1945 rather than July, August, or September data on the southern branches, as the case might be, would not change the picture to any appreciable extent.

(++) Principally discounts of government credit certificates.

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THE COST OF LIVING

A. The charts and tables below reproduce all the data currently available on the cost of living in liberated Italy. They include, for the capital cities of 24 provinces,

(1) the black market prices of

bread,
potatoes,
olive oil,
meat,
cheese,
milk, and
sugar;

(2) A calculation of the cost of purchasing the following budget of foods, at legal prices ti the extent to which such foods were distributed under rationing programs, and at black market prices for the remainder:

		Quantity per person per month
Bread	Kg.	8.0
Pasta	"	.6
Potatoes	"	6.0
Meat	"	.4
Fish	"	.2
Cheese	"	.2
Olive oil	litre	1.0
Sugar	Kg.	.2
Milk	litre	.4

This budget, based upon a survey of working class food consumption in Naples last winter, is thought to be roughly representative of working class food purchases. It is not based upon calculation of an adequate diet, and it provides only about 1,500 calories per day.

(3) An index made from the calculations of the cost of buying the budget on the base: January 1944 = 100.

B. These calculations are substantially the same as those carried in earlier numbers of the Monthly Report for Naples only. The differences are as follows:

(1) Monthly instead of weekly averages have been used so that the figures represent the cost of living per person per month;

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at legal prices to the extent to which [illegible] programs, and at black market prices for the remainder:

		Quantity per person per month
Bread	Kg.	8.0
Pasta	"	.6
Potatoes	"	6.0
Meat	"	.4
Fish	"	.2
Cheese	"	.2
Olive oil	litre	1.0
Sugar	Kg.	.2
Milk	litre	.4

This budget, based upon a survey of working class food consumption in Naples last winter, is thought to be roughly representative of working class food purchases. It is not based upon calculation of an adequate diet, and it provides only about 1,500 calories per day.

(3) An index made from the calculations of the cost of buying the budget on the base: January 1944 = 100.

B. These calculations are substantially the same as those carried in earlier numbers of the Monthly Report for Naples only. The differences are as follows:

(1) Monthly instead of weekly averages have been used so that the figures represent the cost of living per person per month;

(2) Fruits and vegetables, in large quantities by the entire population of liberated Italy, have been dropped from the calculations because of the high degree of unreliability in the price data available for these items. Because of this omission, the expenditure figures do not represent typical food expenditure. In general, about 100 lire per month would have to be added to these figures in the large cities to obtain figures on typical food expenditure.

(3) The budgeted amounts of meat, cheese, and sugar have been increased somewhat, largely because official rations of such items now frequently exceed the amounts previously budgeted.

Calculated on this basis, the Naples figures compare as follows with those previously published:

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	Expenditure per person per month	
	new figures	old figures
1943		
January	129	172
February	145	184
March	139	188
April	163	196
May	171	208
June	166	192
July	170	192
August	226	252
September	464	496
October	737	808
November	856	972
December	?	1,200

	Expenditure per person per month	
	new figures	old figures
1944		
January	1,478	1,400
February	1,253	1,352
March	1,202	1,440
April	1,240	1,320
May	1,406	1,560
June	1,368	1,352
July	793	

C. The data demonstrate that:

(1) The cost of living in Naples (the principal city of liberated Italy prior to the liberation of Rome) has been at least twice as high as that in any of the smaller provincial capitals outside the orbit of Naples, and that, at present, the cost of living in either Rome or Naples is about twice as high as in any of the other provincial capitals.

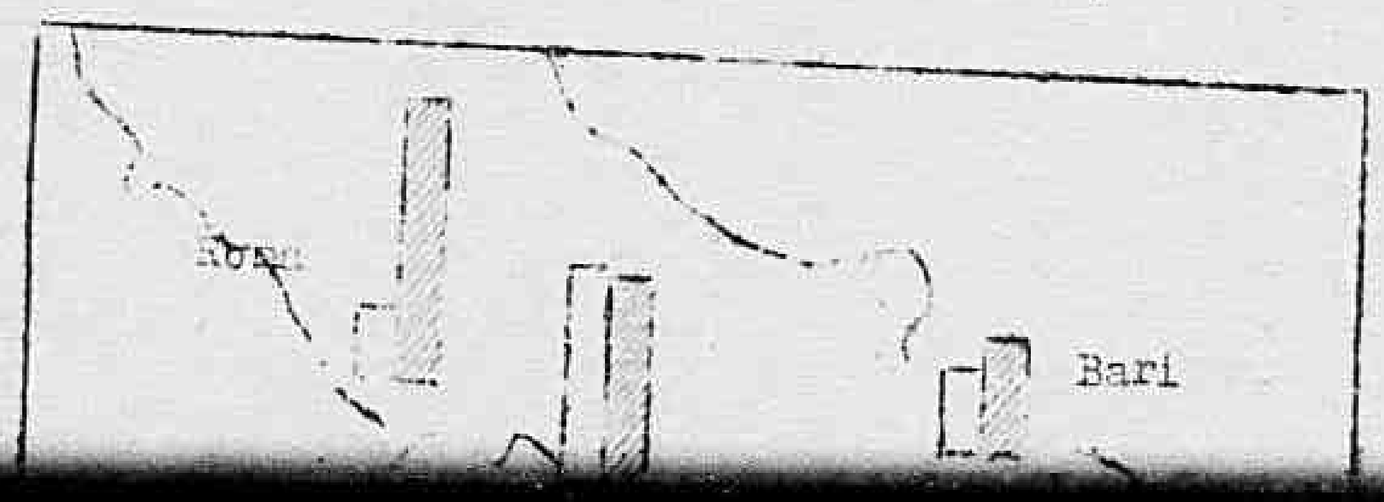
(2) Rome, like Naples, suffered its greatest price rise in the months immediately preceeding Allied occupation. In the 6 months preceeding Allied occupation of Rome, the cost of living in that city rose 6 fold, and in the 6 months preceeding Allied occupation of Naples, the cost of living there rose over 4 fold. In both cases the increases in these 6-month periods accounted for the overwhelming portion of the total increase.

(3) For all cities for which July data is available, a substantial fall occurred in that month, the result of the increase in the bread ration and of the availability of food from the current harvest.

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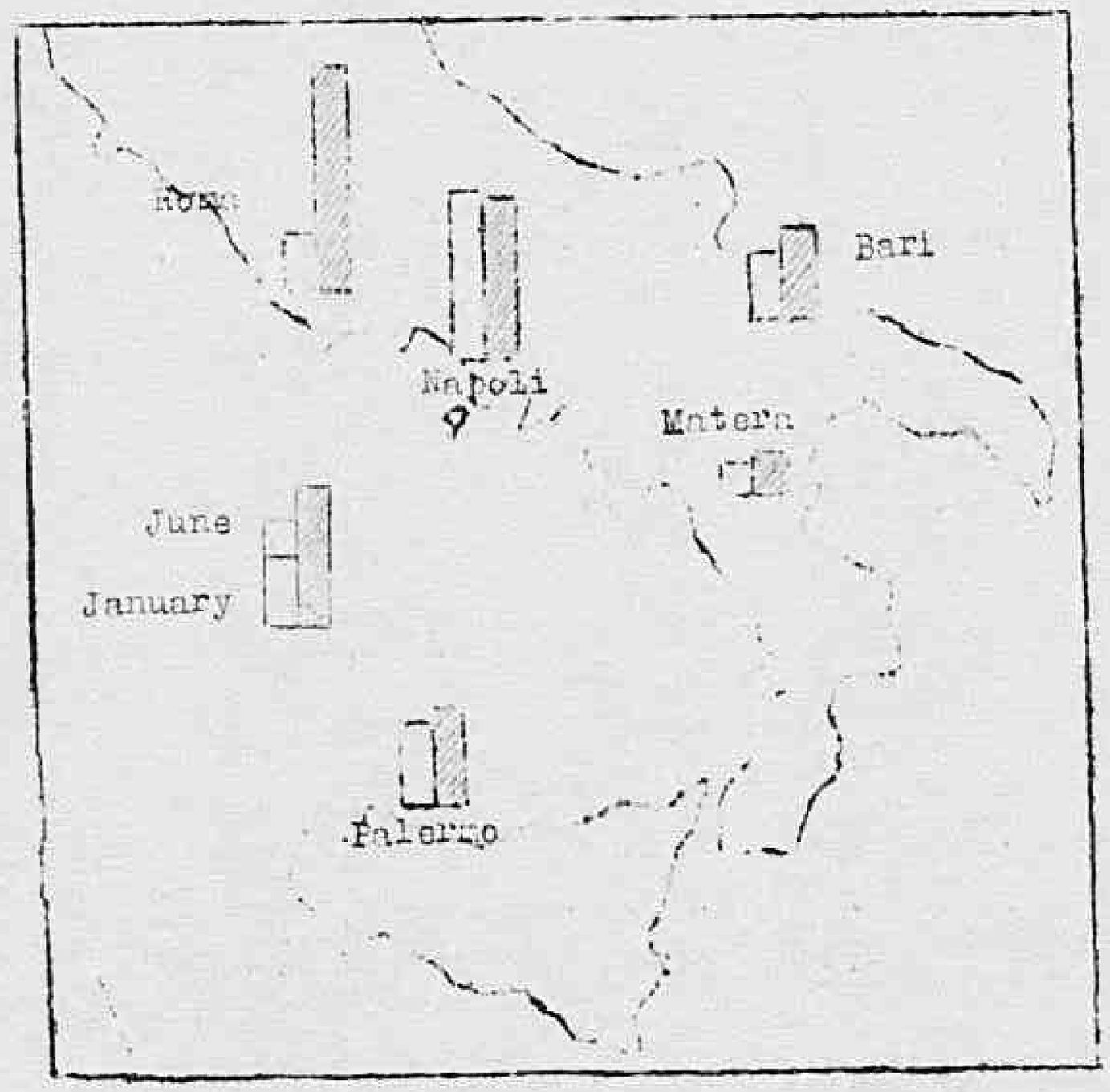
Expenditure per Person per Month for Purchase of Budgeted Foods (in Lire)

	1943	1944						
	Dec.	Jan.	Feb.	March	April	May	June	July
Roma	376	479	582	983	1286	2218	1724	1310
Napoli	-	1478	1253	1202	1240	1406	1368	793
Salerno	1099	-	-	-	-	-	-	-
Bari	348	569	531	689	694	736	742	-
Brindisi	327	456	-	-	-	-	-	-
Lecce	363	549	-	-	-	-	-	-
Taranto	352	662	-	-	-	-	-	-
Matera	162	240	-	273	316	361	309	191
Potenza	339	-	-	625	595	608	675	429
Catanzaro	413	-	-	-	659	603	632	-
Cosenza	-	-	-	-	-	-	-	-
Reggio Calabria	670	693	-	-	490	565	-	-
Agrigento	-	467	467	500	531	541	444	-
Caltanissetta	-	412	441	490	555	560	525	-
Catania	-	612	567	558	752	894	900	-
Enna	-	560	465	506	590	678	670	-
Messina	-	750	677	748	763	752	981	-
Palermo	-	680	550	578	685	740	777	-
Ragusa	-	559	521	600	753	824	710	-
Siracusa	-	573	609	641	759	802	786	-
Trapani	-	711	632	630	857	916	843	-
Cagliari	199	237	371	480	451	-	-	-
Nuoro	275	371	542	410	512	-	-	-
Sassari	246	369	461	436	578	-	-	-



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Enna	-	560	483	565	55[illegible]	[illegible]	[illegible]	-
Messina	-	750	477	748	753	752	981	-
Palermo	-	680	550	578	685	740	777	-
Ragusa	-	559	521	600	753	824	710	-
Siracusa	-	573	609	641	759	802	786	-
Trapani	-	711	632	630	857	916	843	-
Cagliari	199	237	371	480	451	-	-	-
Nuoro	275	371	542	410	512	-	-	-
Sassari	246	369	461	436	578	-	-	-

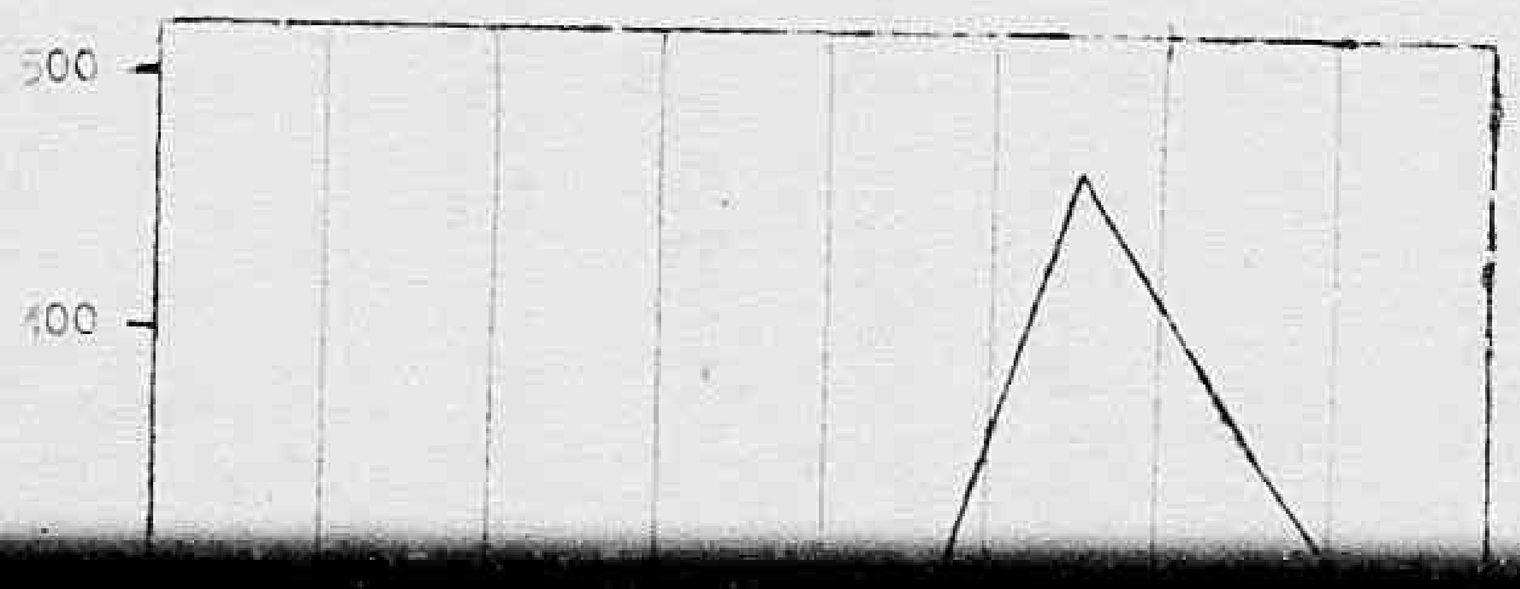


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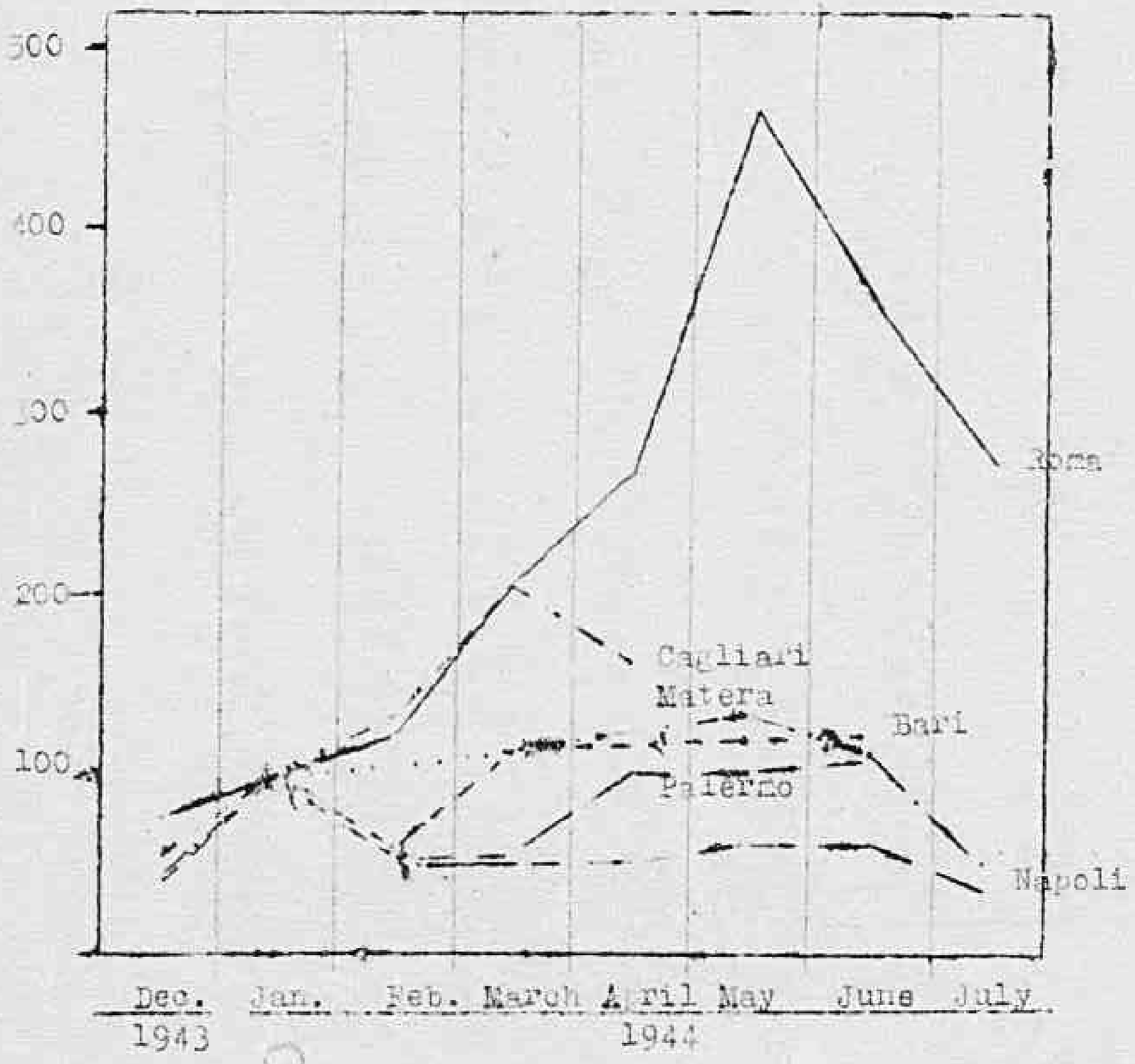
Expenditure per Person per Month for Purchase of Budgeted Foods
(Index: January 1944 = 100)

	1943	1944						
	Dec.	Jan.	Feb.	March	April	May	June	July
Roma	78.5	100.-	121.5	205.2	266.5	463.0	359.9	273.5
Napoli	-	100.-	85.4	81.9	84.5	95.8	93.2	54.0
Salerno	-	-	-	-	-	-	-	-
Bari	81.2	100.-	92.8	121.1	122.0	129.3	130.4	-
Brindisi	71.7	100.-	-	-	-	-	-	-
Lecce	66.1	100.-	-	-	-	-	-	-
Taranto	93.2	100.-	-	-	-	-	-	-
Matera	67.5	100.-	-	113.8	131.7	150.4	128.8	79.6
Potenza	-	-	-	-	-	-	-	-
Catanzaro	-	-	-	-	-	-	-	-
Cosenza	-	-	-	-	-	-	-	-
Reggio Calab.	96.7	100.-	-	-	70.7	81.5	-	-
Agrigento	-	100.-	100.-					95.0
Caltanissetta	-	100.-	107.0	116.9	134.7	135.9	127.4	-
Catania	-	100.-	92.6	91.2	122.9	146.1	147.1	-
Enna	-	100.-	83.0	90.4	106.4	121.1	119.6	-
Messina	-	100.-	90.3	99.7	101.7	100.3	130.8	-
Palermo	-	100.-	80.9	85.0	100.7	108.8	114.3	-
Ragusa	-	100.-	93.2	107.3	134.7	147.4	127.0	-
Siracusa	-	100.-	106.3	111.9	132.5	140.0	137.2	-
Trapani	-	100.-	88.9	88.6	120.5	128.8	118.6	-
Cagliari	84.0	100.-	156.5	282.5	190.3	-	-	-
Nuoro	74.1	100.-	146.1	110.5	138.0	-	-	-
Sassari	66.7	100.-	124.9	118.2	156.6	-	-	-



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Enna	-	100.-	83.0	90.4	106.4	121.1	119.6	-
Messina	-	100.-	90.3	99.7	101.7	100.3	130.8	-
Palermo	-	100.-	80.9	85.0	100.7	108.8	114.3	-
Ragusa	-	100.-	93.2	107.3	134.7	147.4	127.0	-
Siracusa	-	100.-	106.3	111.9	132.5	140.0	137.2	-
Trapani	-	100.-	88.9	80.6	120.5	128.8	118.6	-
Cagliari	84.0	100.-	156.5	282.5	190.3	-	-	-
Nuoro	74.1	100.-	145.1	110.5	138.0	-	-	-
Sassari	66.7	100.-	124.9	118.2	156.6	-	-	-

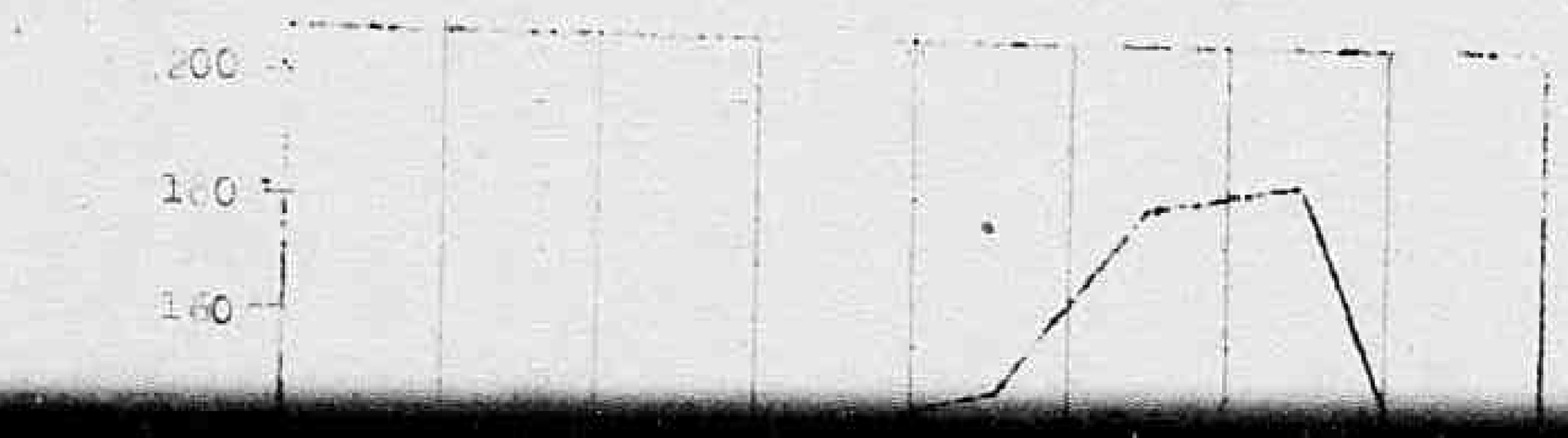


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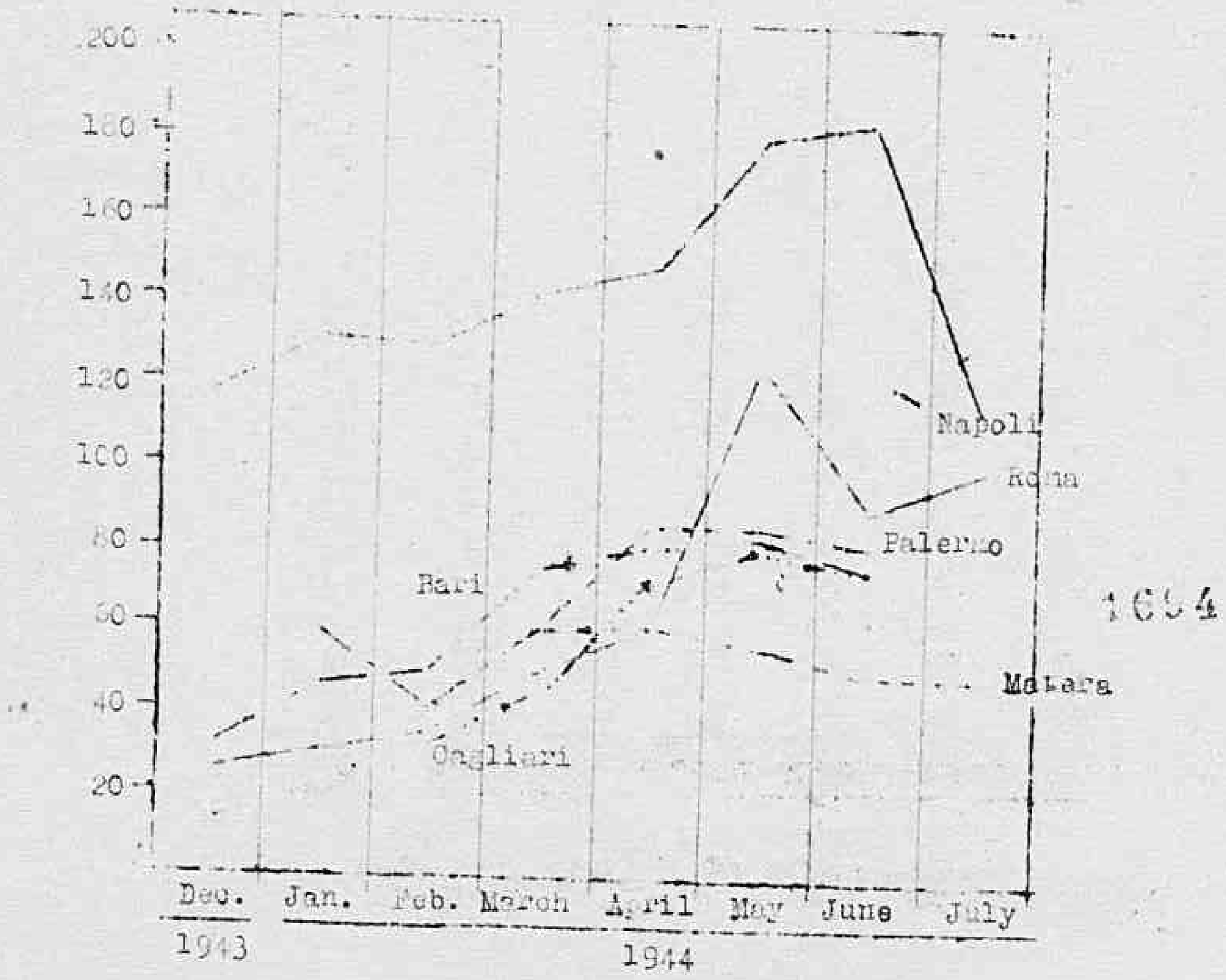
Bread, Retail Black Market Prices
(Monthly averages, Lire per kilogram)

	1943	1944						
	Dec.	Jan.	Feb.	March	April	May	June	July
Roma	25	30	35	50	60	125	90	100
Napoli	117	130	128	141	147	179	183	114
Palermo	117	-	-	-	-	-	-	-
Bari	31	46	50	75	80	83	75	-
Brindisi	28	38	-	-	50	-	-	-
Lecce	28	43	-	-	35	38	-	-
Taranto	23	35	-	-	-	-	-	-
Matera	13	20	-	60	61	55	50	50
Potenza	21	-	-	35	40	43	45	-
Catanzaro	21	-	-	-	80	80	85	-
Cosenza	20	35	48	50	68	100	70	70
Reggio Calabria	64	78	-	-	-	75	-	-
Agrigento	-	35	37	51	75	60	36	-
Caltanissetta	-	30	38	48	58	44	45	-
Catania	68	60	50	69	99	96	90	-
Enna	56	60	45	60	78	84	78	-
Messina	-	80	63	90	90	84	120	-
Palermo	-	59	41	60	85	85	81	-
Ragusa	-	58	60	83	116	118	83	-
Siracusa	-	67	68	77	103	113	82	-
Trapani	73	71	65	70	119	135	102	-
Cagliari	20	-	33	45	71	80	75	-
Nuoro	18	-	40	20	23	24	23	-
Sassari	18	-	35	28	28	38	62	-



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Reggio Calabria	64	78	-	-	-	100 75	70 -	70 -
Agrigento	-	35	37	51	75	60	36	-
Caltanissetta	-	30	38	48	58	44	45	-
Catania	68	60	50	69	99	96	90	-
Enna	56	60	45	60	78	84	78	-
Messina	-	80	63	90	90	84	120	-
Palermo	-	59	41	60	65	85	81	-
Ragusa	-	58	60	83	116	118	83	-
Siracusa	-	67	68	77	103	113	82	-
Trapani	73	71	65	70	119	135	102	-
Cagliari	20	-	33	45	71	80	75	-
Nuoro	18	-	30	20	23	24	23	-
Sassari	18	-	35	28	28	38	62	-



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Potatoes, Retail Black Market Prices
(Monthly averages, Lire per kilogram)

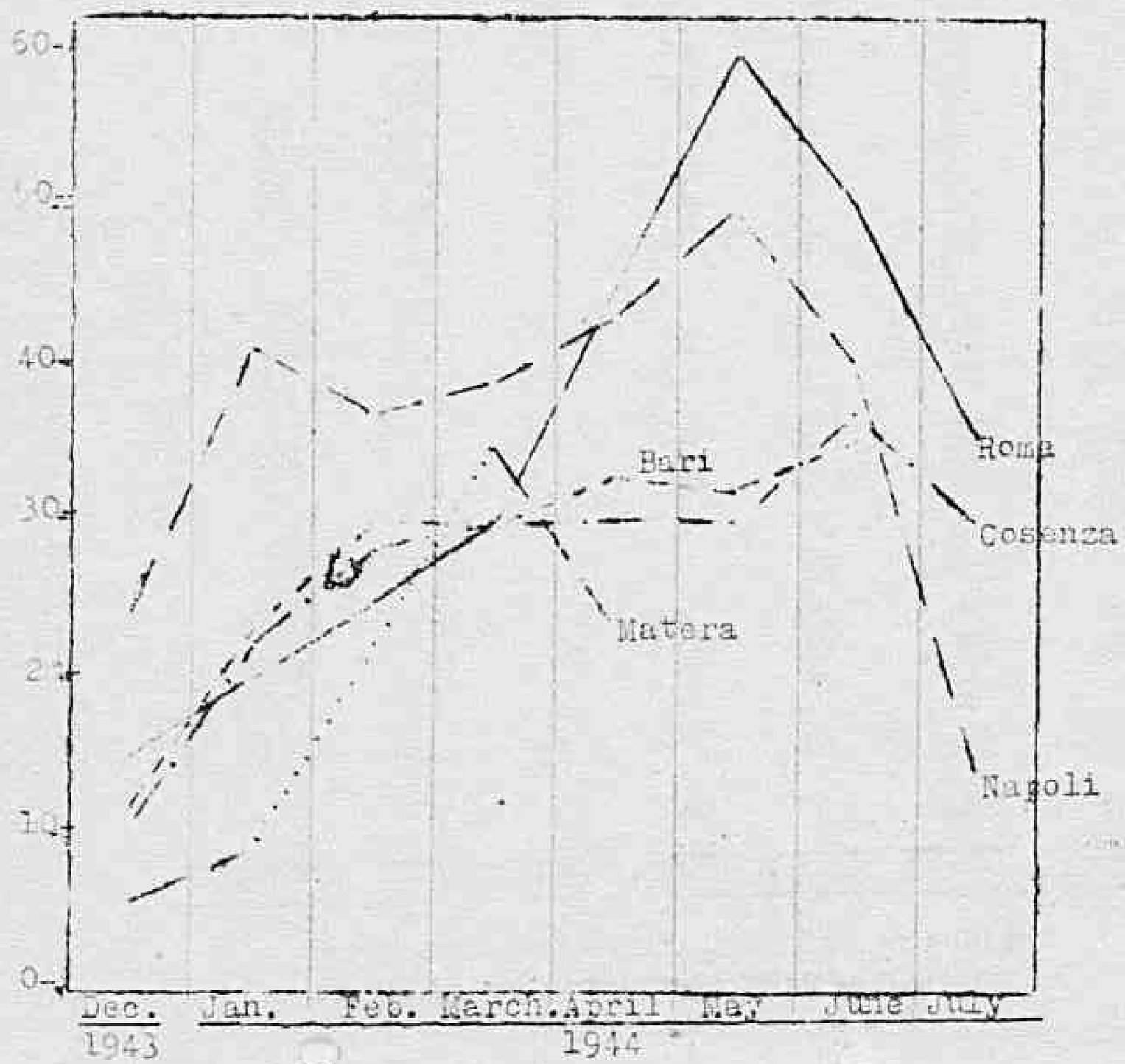
App. E,
P. 6

	1943	1944						
	Dec.	Jan.	Feb.	March	April	May	June	July
Roma	15	20	25	30	45	60	50	35
Napoli	24	41	37	39	43	50	14	-
Salerno	-	-	-	-	-	-	-	-
Bari	12	23	30	30	33	32	35	-
Brindisi	12	19	-	-	35	-	-	-
Lecce	23	-	-	-	-	-	-	-
Taranto	15	41	-	-	-	-	-	-
Matera	6	9	-	35	23	-	-	-
Potenza	12	-	-	30	26	25	30	-
Catanzaro	20	-	-	-	40	45	37	-
Cosenza	11	22	28	30	30	30	37	30
Reggio Calabria	31	30	-	-	-	-	-	-
Agrigento	-	-	-	-	-	-	-	-
Caltanissetta	-	-	-	-	-	-	-	-
Catania	-	-	-	-	-	-	-	-
Enna	-	-	-	-	-	-	-	-
Messina	-	-	-	-	-	-	-	-
Palermo	-	-	-	-	-	-	-	-
Ragusa	-	-	-	-	-	-	-	-
Siracusa	-	-	-	-	-	-	-	-
Trapani	-	-	-	-	-	-	-	-
Cagliari	-	-	-	-	-	-	-	-
Nuoro	18	-	55	25	35	35	-	-
Sassari	-	-	15	20	38	36	33	-



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Catania	-	-	-	-	-	-	-	-
Enna	-	-	-	-	-	-	-	-
Messina	-	-	-	-	-	-	-	-
Palermo	-	-	-	-	-	-	-	-
Ragusa	-	-	-	-	-	-	-	-
Siracusa	-	-	-	-	-	-	-	-
Trapani	-	-	-	-	-	-	-	-
Cagliari	-	-	-	-	-	-	-	-
Nuoro	18	-	55	25	35	35	-	-
Sassari	-	-	15	20	38	36	33	-



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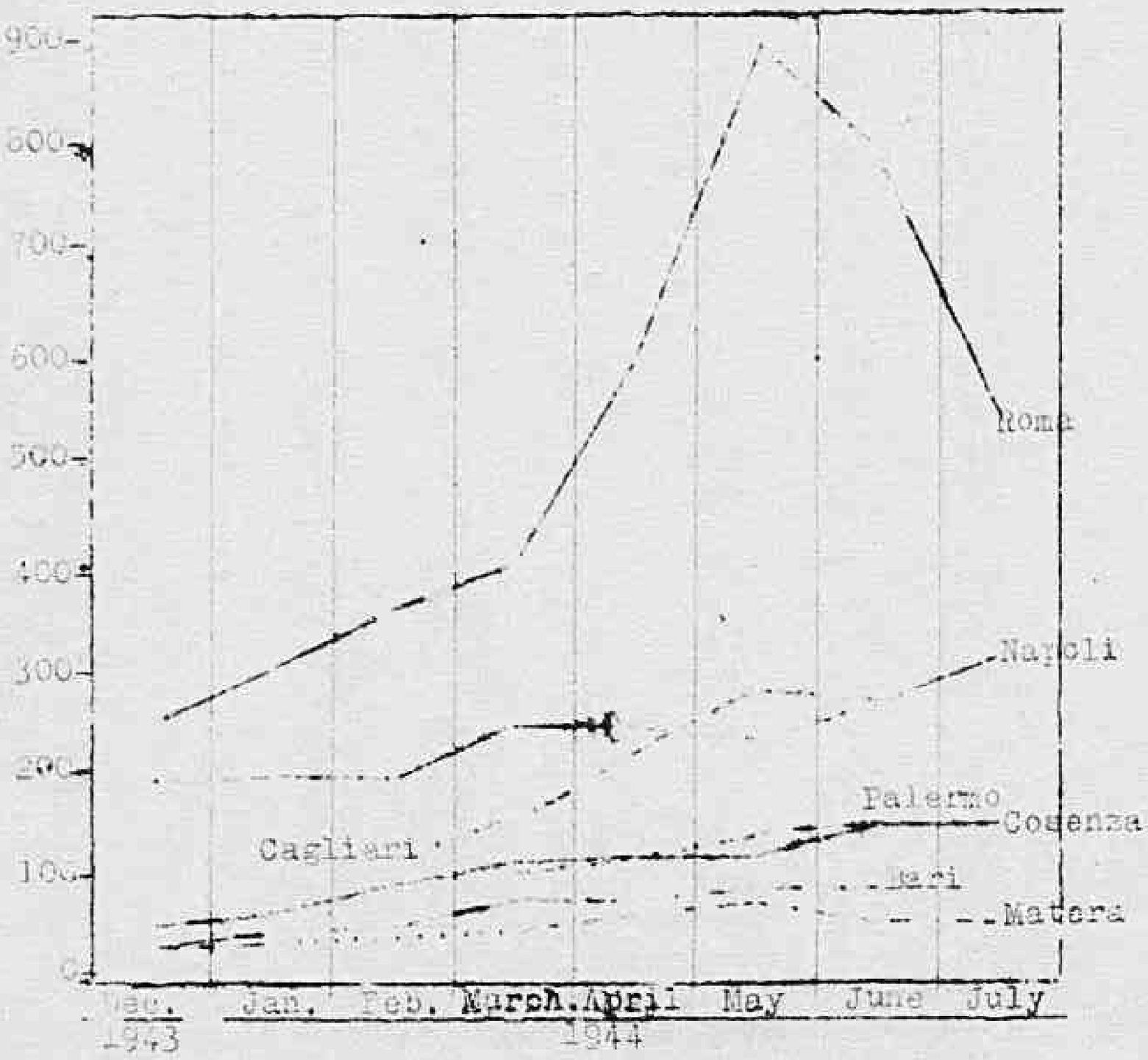
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Olive oil, Retail Black Market Prices — App. D. F. 7
(Monthly averages, Lire per Liter)

	1943	1944						
	Dec.	Jan.	Feb.	Mark	April	May	June	July
Roma	250	300	360	400	600	960	800	950
Napoli	196	200	197	248	244	233	269	318
Salerno	177	-	-	-	-	-	-	-
Bari	33	50	50	60	79	90	95	-
Brindisi	31	43	-	-	65	-	-	-
Lecce	35	46	-	-	70	70	-	-
Taranto	37	55	-	-	-	-	-	-
Matera	33	42	-	50	66	73	80	97
Potenza	90	-	-	120	121	135	135	-
Catanzaro	33	-	-	-	60	80	92	-
Cosenza	57	68	95	113	120	128	150	170
Reggio Calabria	40	48	-	66	-	73	89	-
Agrigento	-	94	-	101	125	-	140	-
Caltanissetta	-	93	-	90	100	130	110	-
Catania	90	95	-	83	110	-	125	-
Enna	100	130	-	80	100	-	143	-
Messina	-	73	-	79	90	-	108	-
Palermo	-	135	-	103	118	140	139	-
Ragusa	-	95	-	78	103	-	128	-
Siracusa	-	70	-	93	114	120	120	-
Trapani	108	120	113	100	145	135	156	-
Cagliari	150	-	180	160	220	281	275	-
Nuoro	75	-	190	170	188	248	320	-
Sassari	55	-	130	148	197	209	310	-

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Reggio Calabria	40	78	-	65	-	73	69	-
Agrigento	-	94	-	101	125	-	140	-
Caltanissetta	-	93	-	90	100	130	110	-
Catania	90	95	-	83	110	-	125	-
Enna	100	130	-	80	100	-	143	-
Messina	-	73	-	79	90	-	105	-
Palermo	-	135	-	103	118	140	159	-
Ragusa	-	95	-	78	103	-	128	-
Siracusa	-	70	-	93	114	120	120	-
Trapani	106	120	113	100	145	135	156	-
Cagliari	190	-	120	160	220	261	275	-
Nuoro	75	-	190	170	188	248	329	-
Sassari	95	-	130	148	197	209	310	-



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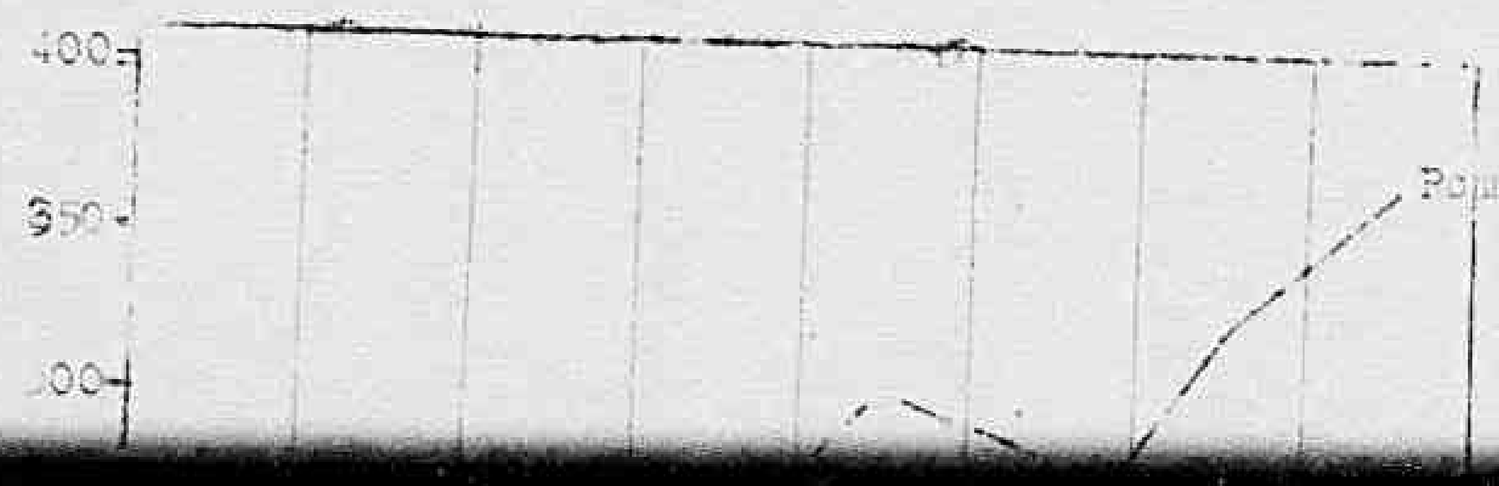
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App. E, P. 8.

Meat, Retail Black Market Prices

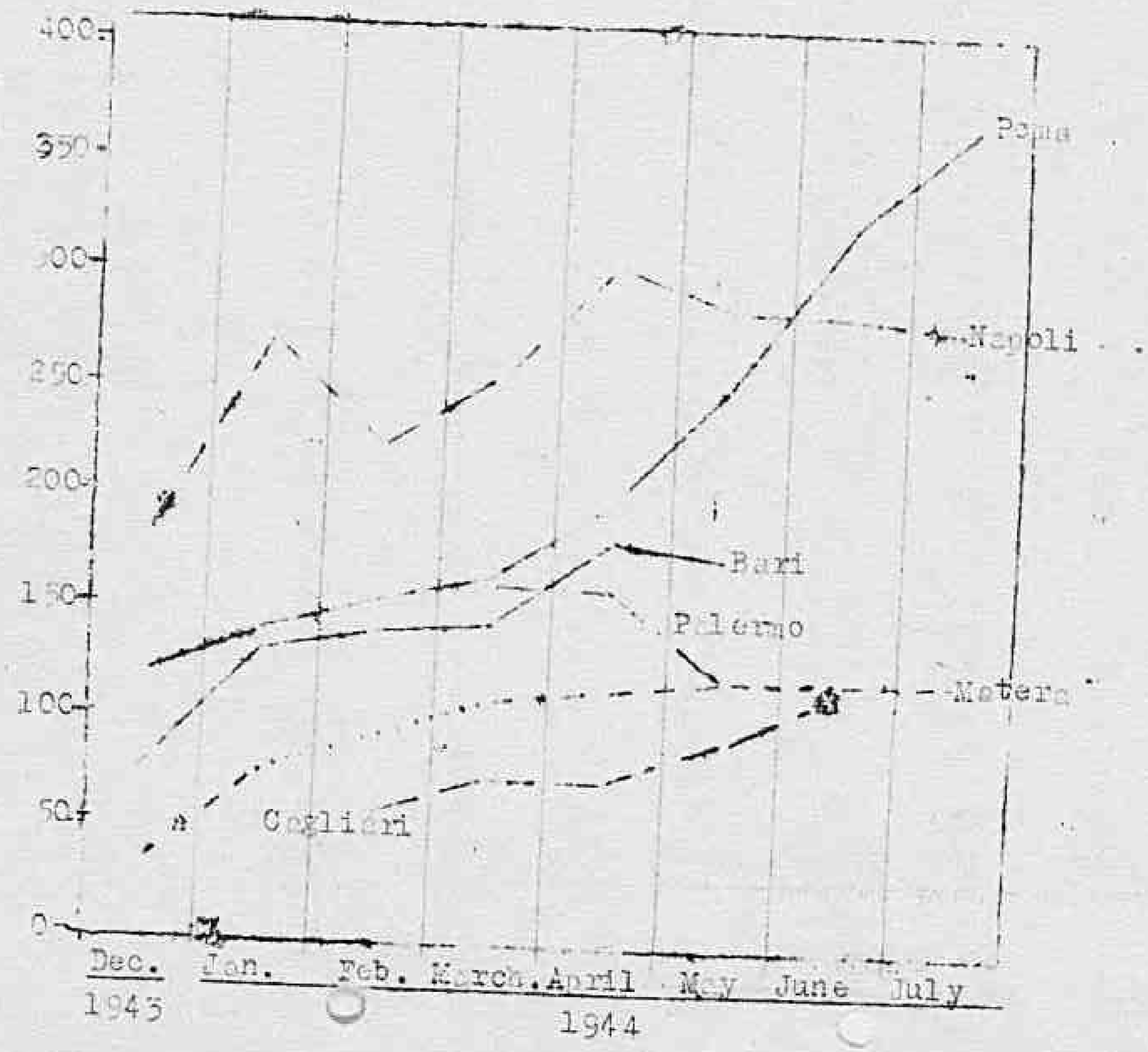
(Weekly averages, Lire per kilogram)

	1943	1944						
	Dec.	Jan.	Feb.	March	April	May	June	July
Roma	120	140	155	165	200	250	325	370
Napoli	180	270	223	253	306	288	285	287
Salerno	115	-	-	-	-	-	-	-
Bari	88	130	140	146	180	177	-	-
Brindisi	110	130	-	-	160	-	-	-
Lecce	96	132	-	-	125	148	-	-
Taranto	90	113	-	-	-	-	-	-
Matera	36	75	-	110	113	120	120	120
Potenza	77	-	-	120	119	119	123	-
Catanzaro	105	-	-	149	120	120	-	-
Cosenza	50	80	85	68	95	100	120	120
Reggio Calabria	-	-	-	-	-	-	-	-
Agrigento	-	95	-	140	140	120	120	-
Caltanissetta	-	106	-	135	144	125	121	-
Catania	100	90	-	90	98	100	100	-
Enna	70	80	-	101	114	122	111	-
Messina	-	110	-	123	140	135	145	-
Palermo	-	137	-	162	160	120	120	-
Ragusa	-	100	-	110	130	121	121	-
Siracusa	-	85	-	98	120	120	120	-
Trapani	-	108	-	121	162	120	120	-
Cagliari	60	-	60	73	73	94	118	-
Nuoro	33	-	70	49	45	49	55	-
Sassari	45	-	100	67	80	67	55	-



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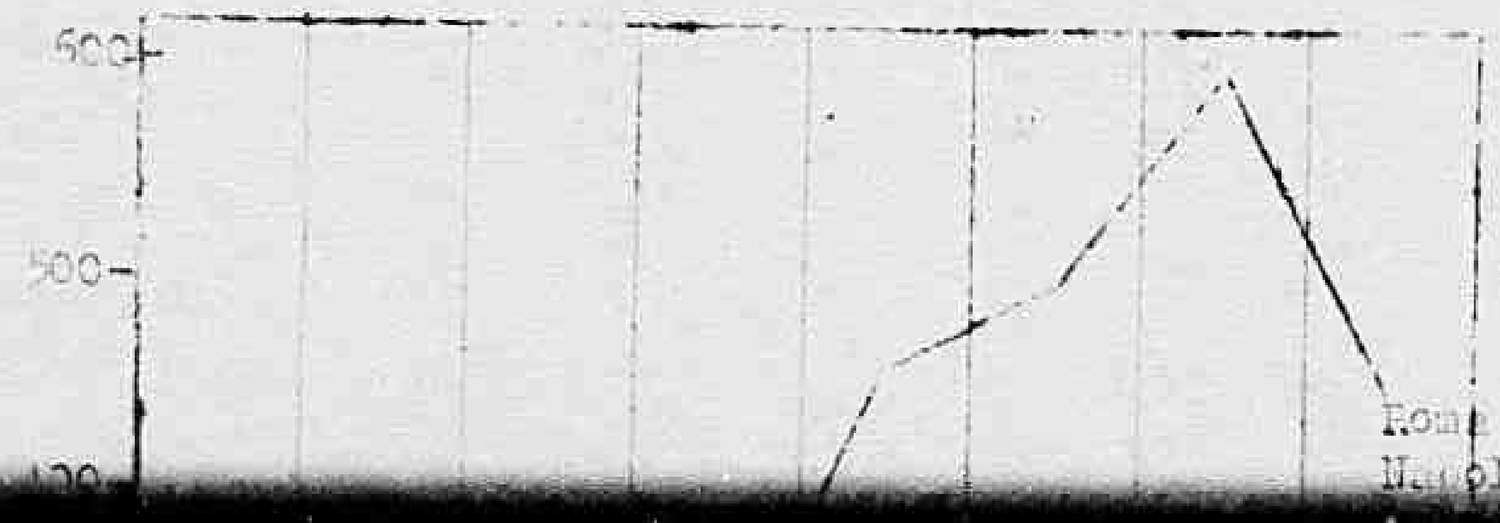
Reggio Calabria	-	-	-	-	-	-	-	-
Agrigento	-	95	-	140	140	120	120	-
Caltanissetta	-	106	-	135	144	125	121	-
Catania	100	90	-	90	98	100	100	-
Enna	70	80	-	101	114	122	111	-
Messina	-	110	-	123	140	135	145	-
Palermo	-	137	-	162	160	120	120	-
Ragusa	-	100	-	110	130	121	121	-
Siracusa	-	85	-	98	120	120	120	-
Trapani	-	108	-	121	162	120	120	-
Cagliari	60	-	60	73	73	94	116	-
Nuoro	33	-	70	49	45	49	55	-
Sassari	45	-	100	67	80	67	65	-



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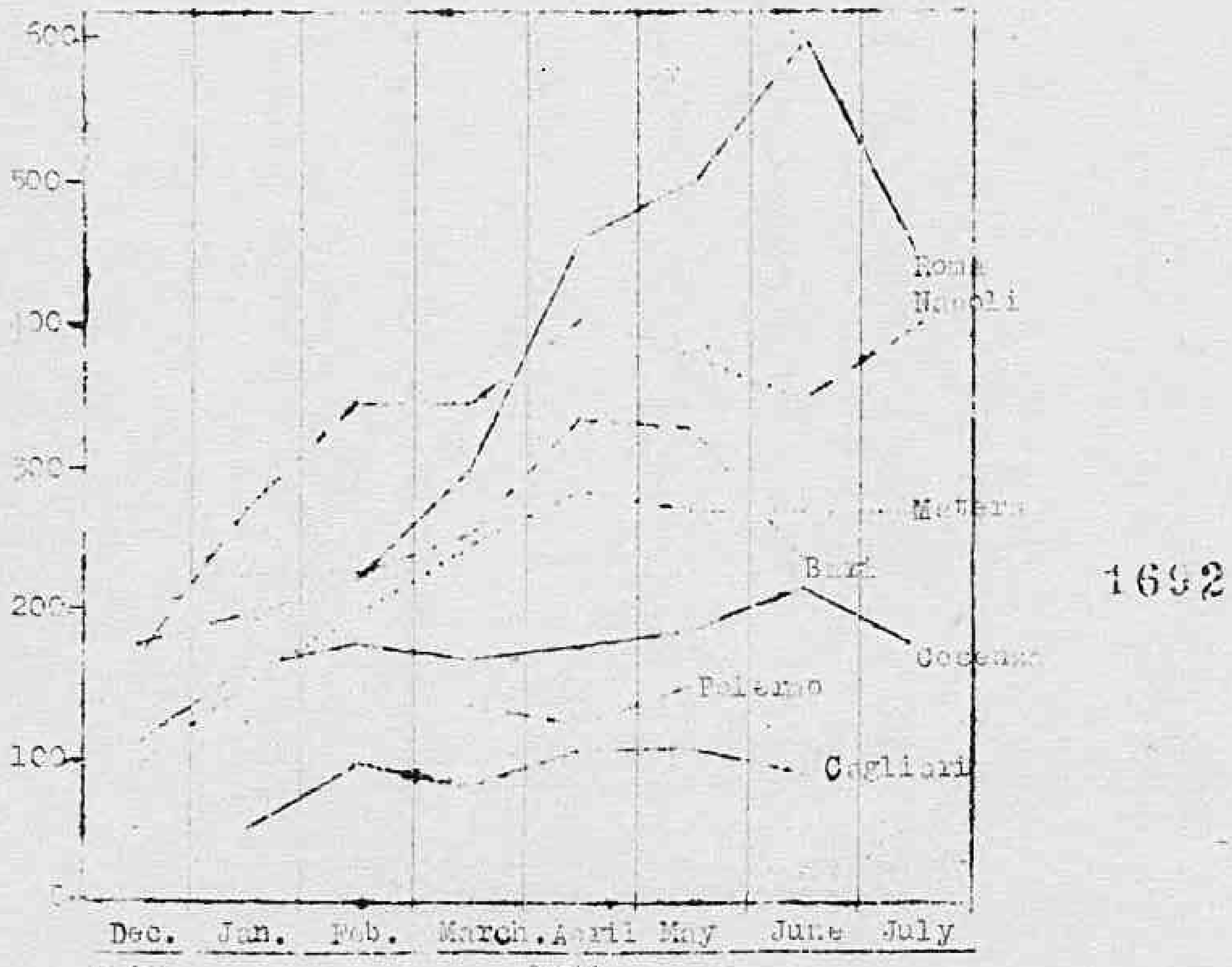
Cheese. Retail Black Market Prices — App. X, p. 5
(Monthly averages, lire per kilogram)

	1941 Dec.	1942 Jan.	Feb.	March	April	May	June	July
Roma	180	200	225	300	450	500	600	450
Napoli	172	275	350	350	411	-	307	425
Salerno	-	-	-	-	-	-	-	-
Bari	203	250	250	258	338	333	340	-
Brindisi	145	160	-	-	350	-	-	-
Lecce	160	288	-	-	200	150	-	-
Taranto	150	250	-	-	-	-	-	-
Matera	95	150	-	250	288	275	275	275
Potenza	153	-	-	250	281	298	305	-
Catanzaro	125	120	-	-	200	200	-	-
Cosenza	110	165	180	170	180	190	200	180
Reggio Calabria	144	161	-	-	-	-	-	-
Agrigento	-	115	-	110	110	-	135	-
Caltanissetta	-	140	-	126	-	160	161	-
Catania	190	151	-	150	172	-	175	-
Enna	160	150	-	103	-	-	113	-
Messina	-	142	-	140	139	130	130	-
Palermo	-	124	-	137	123	150	107	-
Ragusa	-	105	-	95	-	-	117	-
Siracusa	-	120	-	129	-	200	132	-
Trapani	68	100	100	108	110	110	133	-
Cagliari	50	-	95	80	105	108	90	-
Nuoro	38	-	70	60	73	78	78	-
Sassari	45	-	70	58	80	-	70	-



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Reggio Calabria	144	161	-	-	-	-	-	-
Agrigento	-	115	-	110	110	-	135	-
Caltanissetta	-	140	-	126	-	160	101	-
Catania	190	151	-	150	172	-	175	-
Enna	104	130	-	103	-	-	113	-
Messina	-	142	-	140	139	130	130	-
Palermo	-	124	-	137	123	150	107	-
Ragusa	-	105	-	95	-	-	117	-
Siracusa	-	120	-	129	-	200	132	-
Trapani	68	100	100	108	110	110	133	-
Cagliari	50	-	95	80	105	108	90	-
Nuoro	38	-	70	60	73	78	78	-
Sassari	45	-	70	58	80	-	70	-



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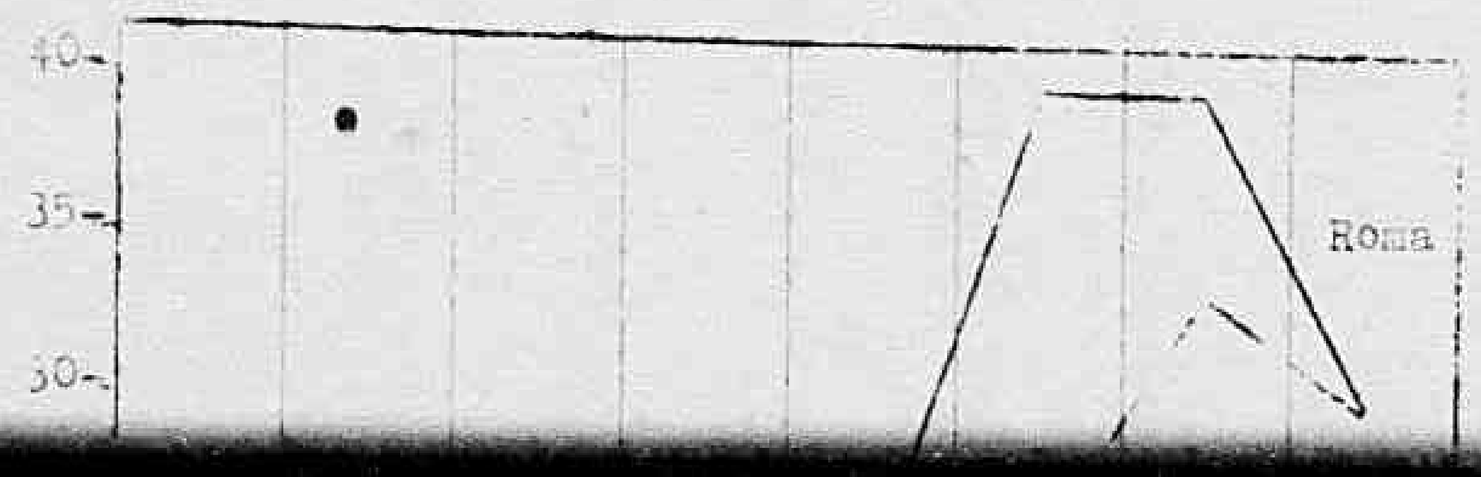
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Milk, Retail Black Market Prices

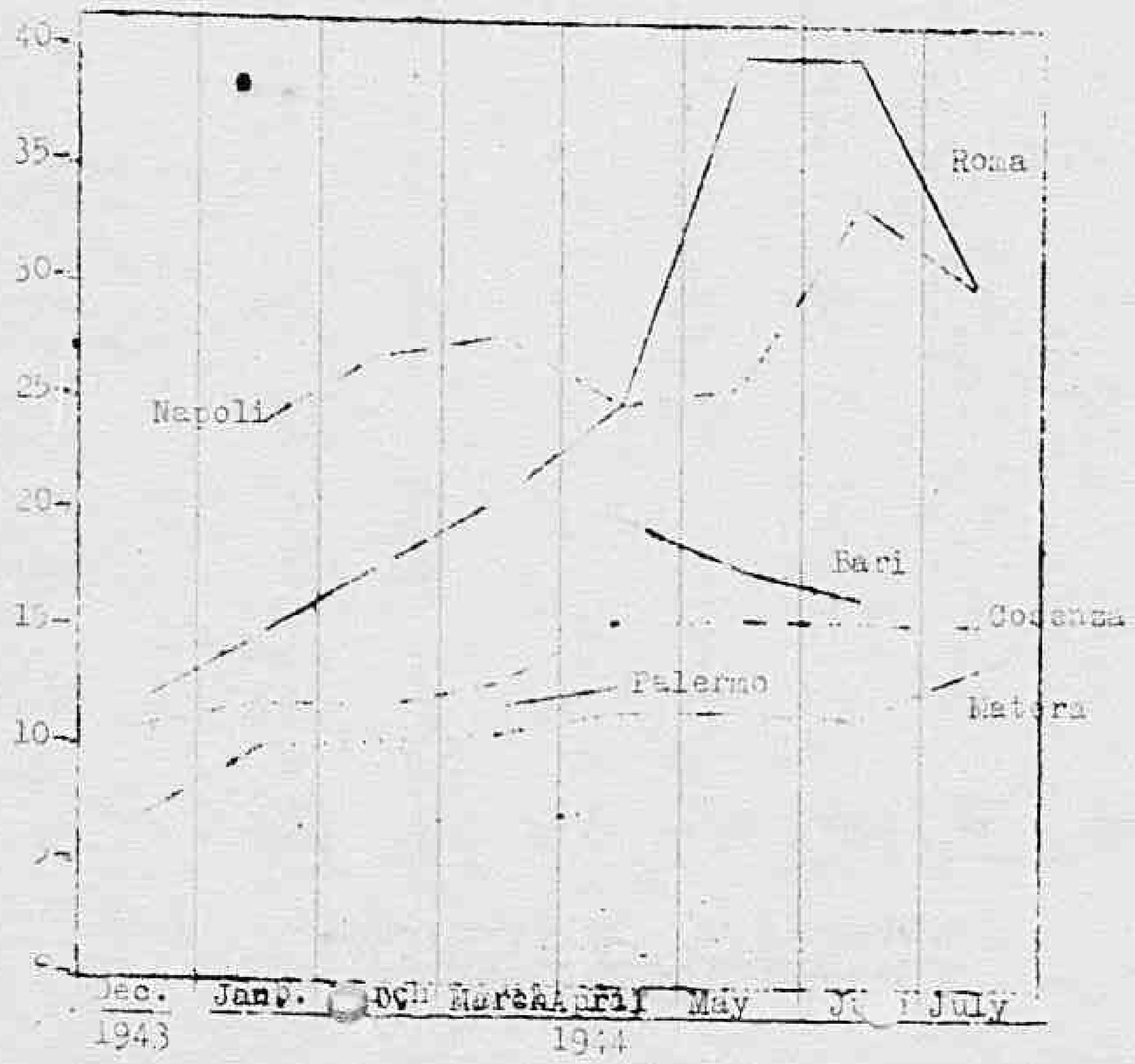
(Monthly averages, Lire per liter)

	1943	1944						
	Dec.	Jan.	Feb.	Mark.	April	May	June	July
Roma	12	15	18	21	25	30	30	30
Napoli	-	24	27	28	25	26	34	30
Palermo	-	-	-	-	-	-	-	-
Bari	-	12	-	-	20	18	17	-
Brindisi	13	16	-	-	20	-	-	-
Lecce	15	22	-	-	-	-	-	-
Taranto	17	25	-	-	-	-	-	-
Matera	7	10	-	11	12	12	12	14
Potenza	16	-	-	9	12	15	15	-
Catanzaro	14	-	-	-	15	15	15	-
Cosenza	11	12	12	13	16	16	16	16
Reggio Calabria	14	17	-	-	16	16	-	-
Agrigento	-	14	-	15	15	-	16	-
Caltanissetta	-	16	-	20	20	-	18	-
Catania	25	20	-	20	20	-	22	-
Enna	-	-	12	16	17	-	12	-
Messina	-	23	-	20	21	-	14	-
Palermo	-	12	-	12	13	-	13	-
Ragusa	-	14	-	12	14	-	14	-
Siracusa	-	12	-	13	14	-	14	-
Trapani	-	-	-	-	-	-	16	-
Cagliari	-	-	-	-	-	-	-	-
Nuoro	-	-	-	-	-	-	-	-
Sassari	-	-	-	-	-	-	-	-



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Reggio Calabria	14	14	–	–	16	16	–	–
Agrigento	–	14	–	15	15	–	16	–
Caltanissetta	–	16	–	20	20	–	18	–
Catania	25	20	–	20	20	–	22	–
Enna	–	–	14	16	17	–	19	–
Messina	–	23	–	20	21	–	14	–
Palermo	–	12	–	12	13	–	13	–
Ragusa	–	14	–	12	14	–	14	–
Siracusa	–	12	–	15	14	–	14	–
Trapani	–	–	–	–	–	–	16	–
Cagliari	–	–	–	–	–	–	–	–
Nuoro	–	–	–	–	–	–	–	–
Sassari	–	–	–	–	–	–	–	–



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Sugar, Retail Black Market Prices

(Monthly averages, Lire per kilogram)

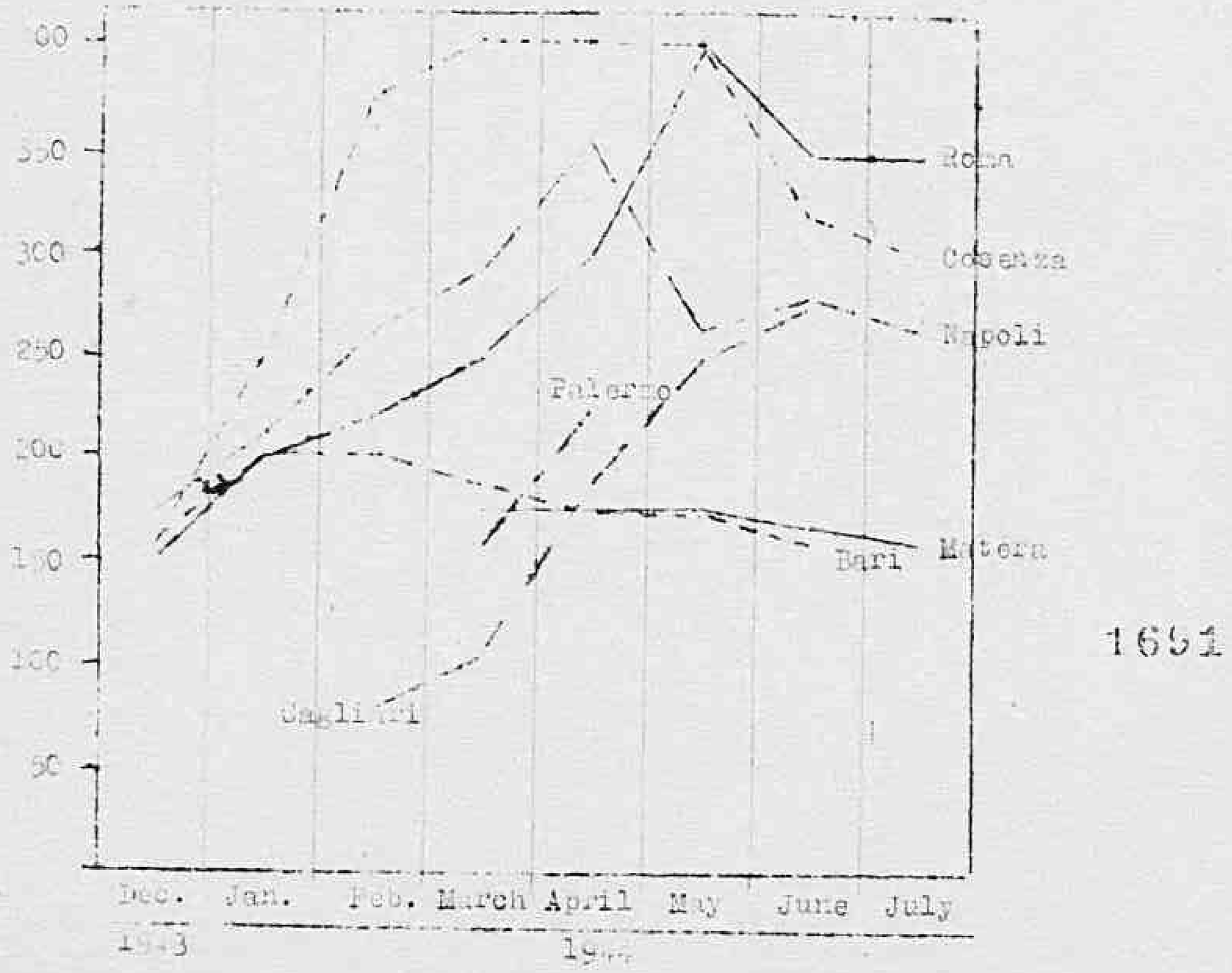
App. B, p. 11.

	1943	1944						
	Dec.	Jan.	Feb.	March	April	May	June	July
Roma	150	200	220	250	300	400	350	350
Napoli	173	210	264	291	353	264	279	265
Salerno	-	-	-	-	-	-	-	-
Bari	158	200	200	188	173	173	160	-
Brindisi	103	135	-	-	180	-	-	-
Lecce	126	158	-	-	70	50	-	-
Taranto	137	136	-	-	-	-	-	-
Matera	-	-	-	175	175	175	168	160
Potenza	147	-	-	250	241	214	220	-
Catanzaro	143	-	-	-	150	150	183	-
Cosenza	153	250	375	400	400	400	320	300
Reggio Calabria	143	182	-	400	122	272	-	-
Agrigento	-	-	-	188	186	-	200	-
Caltanissetta	-	-	-	215	236	-	263	-
Catania	165	-	-	192	185	-	-	-
Enna	150	170	-	145	180	200	170	-
Messina	-	195	-	200	200	-	280	-
Palermo	-	150	-	158	222	-	238	-
Ragusa	-	-	-	163	214	-	275	-
Siracusa	-	-	-	180	198	-	200	-
Trapani	-	-	-	188	206	200	202	-
Cagliari	80	-	80	103	187	250	275	-
Nuoro	38	-	130	125	195	245	275	-
Sassari	40	-	150	181	233	283	230	-



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Catanzaro	143	-	-	-	150	150	183	-
Cosenza	153	250	375	400	400	400	320	300
Reggio Calabria	143	182	-	400	122	272	-	-
Agrigento	-	-	-	188	186	-	200	-
Caltanissetta	-	-	-	215	236	-	263	-
Catania	165	-	-	192	185	-	-	-
Bari	150	170	-	145	180	200	170	-
Messina	-	195	-	200	200	-	280	-
Palermo	-	150	-	158	222	-	238	-
Ragusa	-	-	-	163	214	-	275	-
Siracusa	-	-	-	180	198	-	200	-
Trapani	-	-	-	188	206	200	202	-
Cagliari	80	-	80	103	187	250	275	-
Nuoro	38	-	130	125	195	245	275	-
Sassari	40	-	150	181	233	283	280	-



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ISTITUTO NAZIONALE DELLE ASSICURAZIONI

A. General

1. The history of the foundation of the Istituto Nazionale delle Assicurazioni in 1912 as a State monopoly of all Italian life insurance has been summarized in previous Finance Sub-Commission Reports. Although the monopoly ceased in 1923, the Istituto retains records of every life insurance policy in Italy by means of the "cessioni legali", or compulsory reinsurance quotas ceded to it by all companies writing life business in Italy. The present quota is 10% from five companies, 20% from three, and 30% from seven companies.

B. Capital and Directorate

1. Being a Government - guaranteed institution owned by the State, there is no capital and no shareholders. As of the date of Allied occupation of Rome the Directorate was declared to be composed as follows:

President : Gaetano Scavonetti (Senator of the Kingdom)

Consiglieri: Giuseppe Raniori Rabboni
Leonida Bonomi
Emanuele Filiberto Carnevali
Michele Castelli (Senator of the Kingdom)
Salvatore Contarini (Senator of the Kingdom)
Antonio Galvagni
Domenico Galanto
Ignazio Giordani
Arnaldo Petretti (Senator of the Kingdom)
Bonifacio Pignatti Morano di Custoza
Vittorio Solaro del Borgo

Direttore Generale: Ignazio Giordani
Vice Direttori Generali: Marino Marinelli
Gino Cipriani

2. All are in Rome, with the exception of the names underlined being recent appointees (see below). Morano di Custoza who is in Verona,

C. Recent changes, and removal to North Italy

1. The following description of the various changes in the Administration of the Institute was given by Senator Gaetano Scavonetti, who was occupying the post of President up to the end of June.

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Michele Castelli (Senator of the Kingdom)
Salvatore Contarini (Senator of the Kingdom)
Antonio Calcagni
Domenico Galante
Ignazio Giordani
Arnaldo Petretti (Senator of the Kingdom)
Benifacio Pignatti Morano di Custoza
Vittorio Solaro del Borgo

Direttore Generale: Ignazio Giordani
Vice Direttori Generali: Marino Marinelli
Gino Cipriani

2. All are in Rome, with the exception of the names underlined being recent appointees (see below).

C. Recent changes, and removal to North Italy

1. The following description of the various changes in the Administration of the Istituto was given by Senator Gaetano Scavonetti, who was occupying the post of President up to the end of June.

2. Following the fall of the Mussolini Government in July 1943, Marshal Badoglio's Government made some changes in the Administration without, according to Scavonetti, entirely eliminating Fascist elements. Scavonetti himself was appointed President in place of Giuseppe Bevione, others missing from the new administration being Italo Brescianni (national counsellor), Michele D'Addesio, Mario Ezio Gray (Vice President of the "Camera dei Fasci e delle Corporazioni"), Ferruccio Lantini (national counsellor) and Marco Arturo Vicini (Senator of the Kingdom).

3. Because of his doubts regarding the political soundness of the new Administration, Scavonetti, (whom the Security Branch reported as being "suspected as an anti-fascist, but nothing proved") never convened a meeting, so that this latter Administration never acted as such.

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4. On the secession of the Republican Fascist Government, Scavonetti tendered his resignation as President, but without result until October, when he was displaced by Alberto Ercole Troilo and Emilio Oldani, appointed by the Republican Government. (Troilo had held several Corporative offices under the Fascist Government). Under Troilo's orders, preparations were put in hand to send a large proportion of the Head Office to the North. In the event, although Troilo departed to set himself up as a "Commissario" in Venice, only a small proportion of personnel and records were evacuated. An analysis of the assets moved follows.

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5. On arrival of the Allied troops in Rome, riots broke out among the staff, directed at, inter alia, Ignazio Giordani, the Direttore Generale, who had survived these various changes, but who, from his association with fascist policy towards the Istituto since 1929, had become suspect in certain quarters. On the issue of General Bonomi's proclamation calling back all executives who had been dismissed under the Republican regime, Sacerdotti returned to the Presidency of the Institute and insisted upon Giordani's return as well. This was the situation on 30 June, when Alfredo de Ligouro arrived to take over as Commissioner from any management found to be existing. Events leading to Giordani's being warned off starting a rival administration were reported [illegible]. His record is in the process of being investigated, as the facts (a) that he is not an actuary, and (b) that he has only been in the insurance profession since 1929, prior to that having been in the Ministry of Agriculture, contrast significantly with the outstanding position in Italian insurance generally, of his membership of the Institute of Acturies.

6. The Italian Government intends to appoint a completely new Council of Administration at the earliest possible date, and in the meantime Dr. De Ligouro is carrying on with the assistance of the senior officials, among whom are the Vice-Direttori Generali, Ettore Marinelli and Gino Migliori.

7. The following lists show assets transferred north, assets available to the Rome office, and more recent abroad up to the last accounts received.

8. Assets Moved North

(a) Ordinary Branch

			Book value
Covering of securities			
Mandatory	Lire	690,340,502	
Reserve	"	110,641,900	Lire 800,982,402
Cover of real estate			
Mandatory	"	122,199,500	
Reserve	"	25,000	Lire 122,224,500
Various funds			
Mandatory	"	72,241,900	
Reserve		120,120	Lire 72,362,020
			Lire 995,572,922

Securities representing share capital of various insurance companies and other concerns domiciled in the north, are normally kept in the north. These are valued at L. 302 million, while the Institute possesses real estate in North Italy valued at L. 420 million (December 1942).

(b) Dismissal Indemnity Fund (held on trust by the Institute)

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8. Assets held (cont'd)

(a) Ordinary business

			book value
Government securities			
Redemptive	Lire	690,340,562	
Other	"	110,641,200	Lire 800,981,762
Bonds of real estate			
Redemptive	"	122,199,500	
Other	"	20,000	Lire 122,219,500
Various bonds			
Redemptive	"	72,241,000	
Other		120,120	Lire 72,361,120
			Lire 995,572,962

Securities representing share capital of various insurance companies and other concerns domiciled in the north, are normally kept in the north. These are valued at L. 382 million, while the Institute possesses real estate in North Italy valued at L. 420 million (December 1942).

(b) Dismissal Indemnity Fund (held on trust by the Institute):

			book value
Government Securities			
Redemptive	Lire	543,520,000	
Other		25,719,800	Lire 569,239,800

(out of a total of about L. 2000 millions).

(c) Export Credits fund (= s/d of the Institute's activities not known)

	book value
Government securities	
Other	Lire 33,120,000

(out of a total of L. 32 millions).

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9. Assets at Disposition of Rome Offices

	book value
Real estate (valued to 31 Dec. 42)	541,013,000
Government securities	958,432,000
Mortgage and other loans	1,015,552,000
Government Annuities	670,941,000
Bank	155,939,000
Cash	7,937,000
Total Lire	3,349,814,000

(excludes some L. 50/60 millions representing collections in south Italy prior to liberation of Rome).

10. Assets Abroad

(a) Real Estate (pre-building-war)

	book value (Dec. 1942)
Tirana (under construction)	16,000
Cairo	4,645,000
Tunis	3,698,000
Tripoli	7,715,000
Benghasi	3,354,000
Addis Ababa and Harrar	2,602,000
Lire	22,631,000

(b) Other

	Bank Accounts	Investments, deposits & credits
£ sterling	326	53
" gold	255	-
U.S. Dollars	13	
£ Turkish	225,696	5,459
£ Egypt	9,168	-
" gold	228	
£ Palestine	1,197	
Francs, France	570,844	297,325
" Swiss	-	2,279
Marks, German		21,109
Crowns, Czechoslovak		22,273
Crowns, Denmark		278

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Tirana (under construction)	16,000
Cedra	4,645,000
Tunis	3,698,000
Tripoli	7,715,000
Benghasi	3,854,000
Addis Abeba and Harrar	2,602,000
Lire	22,631,000

(b) Other

	Bank Accounts	Investments, Deposits & credits
£ sterling	326	53
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U.S. Dollars	13	
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£ Egypt	9,168	-
" gold	228	
£ Palestine	1,197	
Francs, France	570,844	297,325
" Swiss	-	2,279
Marks, German		21,109
Crowns, Czechoslovak		22,273
Crowns, Denmark		278
Crowns, Norway		2,086
Escudos		10,531
Marks, Finland		3,716
Pengo		572,379
Francs, Belgian	-	38,910
Lei	94,280	-
Leva	559,830	-
Pesetas	38,614	3,738
Pesos M/ Argentine	-	153,212
Dinarin	22,038,959	35,631,613
Milreis	-	177,788
Kuna	-	1,[illegible]4,663
Sols (Peru)	-	137,949
Italian Lire	9,262	2,852,034

Reasons for the above holdings are:

(a) business of our branch offices in Egypt, Austria, France, Greece, Turkey, and ex-Italian Africa;

(b) life reinsurances ceded by foreign companies, of which the chief are

(i) Italo-Argentina, of Argentine
(ii) Italo-Brasileo, of Brazil

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(iii) "Baria" and "Nordisk" of Denmark
(iv) Reassurances Generales, of France
(v) Kolnische, Muenchener, Vereinigte Frankfurther, and Weiner, of Germany
(vi) Dalmatian business of former Jugo-Slav companies "Jugo-Slavia" and "Serbia"
(vii) Italia-Lima, of Peru
(viii) La Suisse, of Switzerland
(ix) Astra of Hungary

Other foreign reinsurances are ceded to the Institute through the Unione Italiana di Riassicurazione. Some reserves for such policies are held in the country of origin.

11. Foreign holdings

The Istituto owns shares in the following insurance companies:

Assicurazioni d'Italia, Rome:	27,117 out of 30,000 shares, L. 500 each.
Fiume Company, Fiume	118,486 out of 120,000 shares, L. 100 each.
Previdentia, Rome	all 30,000 shares, L. 500 each.
Astra, Budapest	8,000 out of 10,000 shares, pengo 50 each.
Unione Italiana di Riassicurazioni, Rome	10,[illegible] out of 30,000 shares, L. 700 each.
Compagnia di Roma, Rome	60,250 out of 200,000 shares, L. 1,000 each.
Societa' Italiana di Assicurazione Credito	(not yet ascertained)

D. Reinsurance Connection

As has been stated, the Institute receives a compulsory reinsurance quota from all companies writing life insurance in Italy. In addition, it receives reinsurances from other companies of foreign risks. The Institute both cedes to and accepts from the Unione Italiana di Riassicurazione.

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	L. 500 each.
Astra, Budapest	8,000 out of 10,000 shares, pengo 50 each.
Unione Italiana di Riassicurazioni, Rome	10,[illegible] out of 30,000 shares, L. 700 each.
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Societa' Italiana di Assicurazione Credito	(not yet ascertained)

D. Reinsurance Connection

As has been stated, the Institute receives a compulsory reinsurance quota from all companies writing life insurance in Italy. In addition, it receives reinsurances from other companies of foreign risks. The Institute both cedes to and accepts from the Unione Italiana di Riassicurazione.

E. Summary

1. The Head offices are in a fit state to resume control of branche offices, but active control of all but local offices has not yet been reestablished, mainly because of lack of postal services for heavy commercial documents. Endeavours are being made to establish a courier service.

2. Considerable difficulty is being met in reestablishing electric power for the tabulating machinery located in a building separate from the main offices, but it is hoped to remedy this early in August.

3. The transfer of funds to the north is not of great immediate importance. They were sent there with the specific purpose of covering liabilities located in the north, and it is hence unlikely that they will be intentionally disposed of unlawfully. With the exception of the bearer bonds, a small proportion of the whole, difficulties are likely to be met in any attempted negotiation. Officials of the Institute consider that even if a substantial proportion of the assets removed were disposed of, a conservative revaluation of the Institute's buildings so far known to be intact, would cover the loss. A more serious factor is the loss of investment income from sources in the north. This is a wider question upon which no information can yet be given.

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SECRET

HEADQUARTERS
ALLIED CONTROL COMMISSION
FINANCE SUB-COMMISSION
APO 394

1829

25 JUL 1944

13071/F

22 July 1933

SUBJECT: Monthly Report of Finance Sub-Commission.

TO : Regional Commissioner
Region I
" II
" III
" IV
" V
" VI
" VII
" VIII
Rome Region
Senior Civil Affairs Officer
AMG Five Army
" Eight "

Regional Finance Officer
Region I
" II
" III
" IV
" V
" VI
" VII
" VIII
Senior Finance Officer
AMG Five Army
" Eight "
Rome Region

MC & MG Section
Administrative Section
Political Section
All Sub-Commissions, HQ ACC

Interior ✓

Forwarded herewith for your information (and guidance in the case of RFOs and SFOs) is/~~are~~ 1 copy/~~copies~~ of the monthly operations report for June 1944 of the Finance Sub-Commission, Headquarters Allied Control Commission.

For Captain ELIERY W. STONE, USNR:

Colonel, 7-26-44
Joint Director,
Finance Sub-Commission.

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SECRET

HEADQUARTERS
ALLIED CONTROL COMMISSION
FINANCE SUB-COMMISSION
APO 394

13071/F

15 July 1944

REPORT OF THE FINANCE SUB-COMMISSION HQ ACC

FOR JUNE 1944

Colonel A.P. Grafftey-Smith — Joint Director
Colonel E.H. Foley, Jr. — Joint Director

Capt. Andrew Kramarck, F.A.
Lieut. (jg) J.E. Hicks, (USCGR)
Lieut. G.H. Willis, (USNR)
Major B.E.L. Timmons, Cav.
— Joint Editors

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IV	Banking, Postal Savings and Other Financial Developments	"	18
V	Prices and the Cost of Living	"	20
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A. Financial Effects of Allied Occupation
B. Report of Finance Division, AFHQ 5th Army, for June 1944.
C. Statistical Appendix
D. Allied Financial Agency Report
E. Remittance Lists from U.S.A. and Sterling Area to 31 May, 1944.

I. ORGANIZATION

Declassified E.O. 12356 Section 3.3/NND No. 795021

Major B. .B. Hibbens, Cav.)

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I. ORGANIZATION

A. New Italian Government

1. The new Italian Government with S.E. Ivanoe Bonomi as Premier, took office on 12 June, 1944. The Government has reverted to the practice, which prevailed before fascism, of dividing financial matters between the Ministries of Finance and Treasury, the former having jurisdiction over revenues, and the latter over expenditures, budgets, and the public debt.

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2. The Minister of Finance is S.E. Stefano Siglienti, lawyer and banker, General Director of the Credito Fondiario. In Rome he is reported to have been a leader in the patriots' movement. His activities were discovered, he was arrested, imprisoned, and sent to Germany for compulsory labor. Siglienti escaped, returned to Rome and continued his clandestine activities. He belongs to the Sardinian Party of Action.

3. The Minister of the Treasury is S.E. Marcello Soleri, of the Liberal Party. In the Nitti cabinet of 1919-20 Soleri was Under-Secretary of the Navy; in the 5th Giolitti cabinet he was general commissary for supply. Soleri held the Finance portfolio in the Bonomi Government of 1920 and he was Minister of War in the 2nd Facta cabinet of 1922. As supply commissary he led a fight to abolish the subsidized price of bread. Soleri is reported to be competent in financial matters and for many years was a contributor to the newspaper "La Stampa" of Turin. In Rome he took an active part in the movement of resistance to the Germans.

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4. The Under-Secretary are Antonio Pesenti and Antonio Manes, Finance and Treasury respectively. Pesenti held the same post in the third Badoglio Government and a biographical note concerning him was included in the Monthly Report of the Finance Sub-Commission for April, 1944. Manes is a native of Calabria and a lawyer by profession. He belongs to the Labor Democrat Party.

B. Rome Report

Representatives of the Finance Sub-Commission entered Rome with the first Allied troops in the city. Shortly thereafter the Advance Headquarters of the Sub-Commission was established in Rome. A special report has been prepared by Advance Headquarters in Rome and has been forwarded separately to Washington and London. This report covers the information available on financial developments in Rome - principally on the period since the Armistice. The principal subjects covered are currency, foreign exchange, banking, Ministry of Finance, insurance, securities exchange, and food situation. Due to the confidential nature of some of the information, particularly on the foreign exchange assets of Italy, only a limited distribution of the report is being made.

II. GOVERNMENT FINANCE

A. The Italian Government Deficit

1. The total Italian Government deficit from July 1943, through May 1944 for the 27 liberated provinces, as measured by the State account in the Banca d'Italia, was 30 billion lire. To this figure must be added 3 billion lire of AFA advances to the Government. The average monthly deficit is the 3 billion lire. The deficit for the month of May was slightly over 5 billion lire, substantially larger than the deficit in April. Month-to-month changes in these figures, however, frequently reflect accounting delays and similar spurious phenomena rather than genuine changes in Government expenditures and revenues. More detailed figures may be found in the Statistical Appendix.

2. Net investment in B.T.O.'s during May was only about half the total reached in April, and in Sicily, an area accounting for about half the total sales of B.T.O.'s in May and in past months, net disinvestments occurred. Disinvestment in Sicily may be the result in part, of the use of bank funds to finance the harvest, and in part of the unwillingness of the Banco di Sicilia to cooperate with the Banca d'Italia and the Government. More complete data will be found in the Statistical Appendix.

B. Revenue

1. Revenue Collection

a. Total State receipts during May 1944 for the 27 provinces then occupied by the Allies amounted to 470 million lire, compared to 508 million in March, and 404 million in May 1944. The total for the 11 months of the fiscal year was 4,155 million

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1. Revenue Collection

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b. In May 1944 the true revenue (i.e. excluding Capo X) amounted to 420 million against 351 in May 1943, and the total revenue for the 11 months now amounts to 80 per cent of that for the 11 months of the preceding year. The tables on the following pages show the total revenue (less Capo X) by provinces to May 1944 and an analysis of the revenue by type for the 27 provinces and for the Regions separately.

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TOTAL REVENUE RECEIPTS (GROSS INTAKE, LESS CAPO I)

(Million of Lire)

PROVINCE	10 months to Apr/43	May 1943	Total for 11 Months	10 months to Apr/44	May 1944	Total for 11 months	Percent. 11/43
Region I							
Agrigento	43	2	45	43	4	47	104
Caltanissetta	31	2	33	32	4	36	109
Catania	318	21	339	127	22	149	44
Enna	23	2	25	26	3	29	116
Messina	130	10	140	54	12	66	47
Palermo	410	19	429	294	43	337	79
Ragusa	24	2	26	31	4	35	135
Siracusa	41	2	43	45	6	51	119
Trapani	141	1	142	52	8	60	42
TOTAL	1,161	61	1,222	704	106	810	66
Region II							
Bari	622	69	691	927	98	1,025	148
Brindisi	44	2	46	66	5	71	154
Lecce	74	4	78	102	14	116	149
Taranto	134	4	138	88	6	94	68
Matera	23	1	24	25	1	24	100
Potenza	32	2	34	27	2	29	85
TOTAL	929	82	1,011	1,233	126	1.309	134
Region III							
Avellino	42	3	45	37	5	42	93
Benevento	35	3	38	26	3	29	76
Napoli	1,367	144	1,511	726	86	812	54
Salerno	109	9	118	69	11	80	68
TOTAL	1.553	159	1.712	858	105	963	56
Region V							
Campobasso	37	2	39	25	3	28	72
Foggia	129	15	144	107	14	121	84
TOTAL	166	17	183	132	17	149	81
Region VI							
Cagliari	212	8	220	139	28	167	76
Nuoro	18	1	19	24	3	27	142
Sassari	44	2	46	80	8	88	191
TOTAL	274	11	285	243	39	282	99
Region VII							

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Bari	622	69	691	521	[illegible]	[illegible]	[illegible]
Brindisi	44	2	46	66	5	71	154
Lecce	74	4	78	102	14	116	149
Taranto	134	4	138	88	6	94	68
Matera	23	1	24	23	1	24	100
Potenza	32	2	34	27	2	29	85
TOTAL	929	82	1,011	1,283	126	1,389	134
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Region VI							
Cagliari	212	8	220	139	28	167	76
Nuoro	18	1	19	24	3	27	142
Sassari	44	2	46	80	8	88	191
TOTAL	274	11	285	243	39	282	99
Region VII							
Catanzaro	110	10	120	74	6	80	67
Cosenza	55	3	58	57	10	67	116
Reggio di Cala.	98	6	104	41	10	51	49
	263	19	282	172	26	198	70
GRAND TOTAL	4,346	349	4,695	3,342	419	3,761	80

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STATE REVENUE (27 Liberated Provinces)

SUMMARY AT 31 MAY, 1944. ANALYSIS BY TYPE, SHOWING COMPARISON WITH PREVIOUS YEAR.

(Thousand Lire)

		11 months to 31/5/1943	11 months to 31/5/1944	% 43/44 to 1942/43	Month of May 1943	Month of May 1944.
Capo I	Manuf. Taxes	271.086	167.551	62	29,223	24,216
Capo II	Customs	284.710	80,120	28	8,468	19,666
Capo III	Local Finance	1,511	2,879	191	286	485
Capo IV	Monopolies	1,702,755	1,185,278	70	168,213	123,139
Capo V	Lottery	154,508	55,449	36	11,658	10,562
Capo VI	Direct Taxes	1,086,983	1,183,489	109	21,313	37,497
Capo VII	State Lands, etc.	5,072	2,977	59	382	694
Capo VIII	Indirect Taxes	1,153,740	1,051,884	91	104,515	197,688
Capo IX	Supply Officer	16,015	19,312	121	4,990	1,634
Capo X	Treasury	3,970,754	391,912	10	53,001	50,035
Capo XI	Min. Of Justice	7,136	4,024	56	600	743
Capo XII	Min. Of Interior	319	145	45	41	34
Capo XIII	Min. Of agricult.	2,128	1,130	54	88	525
Others		8,955	8,876	99	1,276	3,257
GRAND TOTAL		8,665,672	4,155,026	48	404,056	470,175
Total less Capo I		4,694,918	3,763,114	80	351,055	420,140

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ANALYSIS OF REVENUE BY REGIONS, EXCLUDING PART I.
(Thousands of Lire)

	11 months to 31/5/1943	11 months to 31/5/1944	Percent 43/44 to 1942/43	M a Y 1943	M a Y 1944
REGION I. (SICILY)					
Capo I Manuf. Taxes	94,452	32,530	34	3,867	5,745
Capo II Customs	96,850	33,168	34	799	12,154
Capo IV. Monopolies	405,142	122,405	30	27,182	10,994
Capo V. Lotteries	37,965	7,778	20	124	1,682
Capo VI Direct -Taxes	271,176	297,422	110	6,900	11,373
Capo VIII Indirect Taxes	309,209	312,510	101	20,656	64,009
Other Receipts	6,801	3,924	58	525	476
TOTAL	1,221,595	809,737	66	60,053	106,445
REGION II. (Bari,Brindisi, Lecce,Taranto,Matera, Potenza)					
Capo I Manuf. Taxes	61,338	80,919	132	12,548	13,876
Capo II Customs	112,747	25,157	21	3,097	3,666
Capo IV Monopolies	381.816	673,034	176	41,474	66,257
Capo V Lotteries	15,047	8,070	54	1,650	1,657
Capo VI Direct Taxes	214,140	322,619	151	2,120	8,675
Capo VIII Indirect Taxes	215,736	244,978	113	22,396	30,839
Other Receipts	8,887	5,526	143	503	1,933
TOTAL	1,010.711	1,360,303	135	83,788	126,903
REGION III. (Avellino,Benevento,Napoli, Salerno)					
Capo I. Manuf. Taxes	73,950	32,621	44	11,359	1,811
Capo II. Customs	59,830	20,076	33	4,461	2,758
Capo IV. Monopolies	662,459	229,155	35	79,594	18,639
Capo V. Lotteries	90,667	39,089	43	9,477	7,232
Capo VI. Direct Taxes	393,882	341,224	86	10,390	6,403
Capo VIII. Indirect Taxes	418.147	289,082	70	41,148	64,626
Other Receipts.	13,692	9,800	72	1,779	3,324
TOTAL	1,711,626	963,917	56	158,198	104,853
REGION VI (Foggia,Campobasso.					
Capo I. Manuf. Taxes	7,238	1,810	43	279	147
Capo II. Customs	127	71	.56	-	5
Capo IV. Monopolies	31,775	19,784	62	2,975	4,446
Capo V. Lotteries	3,108	274	9	345	-
Capo VI. Direct Taxes	68,098	71,734	105	312	3,530
Capo VIII Indirect Taxes	66,191	39,918	60	8,861	8,604
Other Receipts	9,899	14,985	151	4,540	197
TOTAL	186,436	148,582	81	17,312	16,959

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Capo II	Customs	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Capo IV	Monopolies	381.816	673,034	176	41,474	66,257
Capo V	Lotteries	15,047	8,070	54	1,650	1,657
Capo VI	Direct Taxes	214,140	322,519	151	2,120	8,675
Capo VIII	Indirect Taxes	215,736	244,978	113	22,396	30,839
Other Receipts		8,697	5,508	63	503	1,933
TOTAL		1,010.[illegible]	1,361,[illegible]	135	83,788	126,505

REGION III. (Avellino, Benevento, Napoli, Salerno)

Capo I.	Manuf. Taxes	73,950	32,621	44	11,359	1,811
Capo II.	Customs	59,830	20,036	33	4,461	2,738
Capo IV.	Monopolies	662,458	229,155	35	78,594	18,639
Capo V.	Lotteries	90,867	38,998	43	9,477	7,932
Capo VI.	Direct Taxes	398,882	344,224	86	10,390	6,433
Capo VIII.	Indirect Taxes	413.147	289,082	70	41,148	64,626
Other Receipts.		13,692	9,800	72	1,779	3,324
TOTAL		1,711,826	963,917	56	159,198	104,633

REGION V. (Foggia, Campobasso.

Capo I.	Manuf. Taxes	7,238	1,816	43	279	147
Capo II.	Customs	127	71	56	-	5
Capo IV.	Monopolies	31,775	19,784	62	2,975	4,446
Capo V.	Lotteries	3,108	274	9	345	-
Capo VI.	Direct Taxes	68,098	71,734	105	312	3,580
Capo VIII	Indirect Taxes	66,191	39,918	60	8,861	8,604
Other Receipts		9,899	14,985	151	4,540	197
TOTAL		186,436	148,582	81	17,312	16,959

REGION VI. (Sardinia)

Capo I.	Manuf. Taxes	29,439	12,429	42	647	1,265
Capo II.	Customs	8,755	1,332	15	107	852
Capo IV.	Monopolies	101,871	112,959	111	5,704	17,683
Capo V.	Lotteries	5,233	239	5	28	1
Capo VI.	Direct Taxes	62,905	58,666	93	754	1,294
Capo VIII	Indirect Taxes	71,737	92,650	129	4,857	16,640
Other Receipts		5,299	4,112	78	212	924
TOTAL		285,239	282,367	99	12,309	38,659

REGION VII. (Catanzaro Cosenza, Reggio di Calabria)

Capo I.	Manuf. Taxes	7,669	7,236	94	523	1,372
Capo II.	Customs	401	336	84	4	231
Capo IV.	Monopolies	119,693	27,961	23	11,294	5,120
Capo V.	Lotteries	2,426	89	4	34	30
Capo VI.	Direct Taxes	71,782	88,924	124	837	6,102
Capo VIII	Indirect Taxes	78,720	72,746	92	6,597	12,970
Other Receipts		1,548	956	62	126	518
TOTAL		282,241	198,248	70	19,415	26,343

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2. Improvements in the Italian Revenue System

Discussions have continued during the month with the Ministry. The change in Ministers has again necessitated going over old ground, but the proposed legislation has not been changed by the present Minister. Particulars of all actual decrees carried into law will be included in next month's report.

3. Customs and Excise

Draft instructions for the restoration of customs control were circulated to the Naval and Industry & Commerce Sub-Commissions during the month and replies on these matters are awaited.

4. Communal Taxation

During the month draft decrees were received from the Ministry:

a. increasing the Imposte di Consumo, and
b. increasing the Imposte di Valore Locativo

In the drafts the rates on the consumption taxes are approximately doubled, and a few new articles are added to the list of taxable items. The proposals follow fairly closely recommendations made by the local association of tax collecting agents, which were transmitted to the Ministry.

The rent value tax is increased on a sliding scale by from 15 to 33 per cent on the different classes of rental value, the higher increases applying to the large properties. In addition, a percentage overtax is imposed based on the number of rooms in the house in excess of the number of persons living therein.

These two decrees are primarily emergency measures pending a re-examination of the whole system of communal taxation, but they will substantially increase the net income of the communes, and, by increasing gross receipts, will greatly reduce the present high ratio of collection charges to total revenue.

Investigations have also been commenced into the charges levied in the different communes for specific services such as the removal of household rubbish. At present, such charges for refuse collection are levied on a separate roll, with a different basis of assessment. The old rates are quite out of line with the present increased costs. The attention of the Minister has been called to this matter and further investigation will be made.

5. Taxes on Imported Supplies

Draft instructions which will, among other things, suspend duties on imports and exports are still awaiting agreement with other Sub-Commissions. In C.C. 44 and its amendment issued during the month it was stated that supplies imported for civilian consumption would be free of import and export duties, but, owing to the administrative

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closely recommendations made by the local association of tax collecting agents, which were transmitted to the Ministry.

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5. Taxes on Imported Supplies

Draft instructions which will, among other things, suspend duties on imports and exports are still awaiting agreement with other Sub-Commissions. In G.S. 41 and its amendment issued during the month it was stated that supplies imported for civilian consumption would be free of import and export duties, but, owing to the administrative difficulty/doing otherwise, as well as other considerations, such supplies will be liable for the turnover tax and all other internal levies.

6. Occupation of Rome

A small committee of Italian officials has been established by the Rome office of this Sub-Section to make a preliminary screening of all the officials of the Ministry of Finance found in Rome. The head officials of most of the services were dismissed last November and replaced by appointees of the Fascist government and the present Ministry has to decide on the new occupants of these posts.

Only a small part of the Ministry staff was transferred to Brescia, but a considerable part of the office and basic documents were moved.

A considerable stock of fiscal stamps, stamped official paper, and similar supplies was found, some of which has already been moved to Naples to fill the urgent need for such supplies.

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O. Budget and Expenditure Control

1. Italian State Budget for Financial Year 1944-45

The new fiscal year begins on 1st July. Budgets have been prepared and presented by each ministry, and are now being considered by the Council of Ministers. Owing to the change in Governments it is anticipated that the approval of these budgets will be delayed for about a month. Accordingly, the incoming Government is to issue a decree authorizing Ministries to work provisionally, on the basis of the prepared budget, but this authority will not constitute provisional approval of any budget. The normal Italian procedure will be re-introduced whereby each Ministry issues its own "ordini di accreditamento", for each chapter of its own budget, and all such authorities will be registered at the Corte dei Conti before they can be effective.

2. Expenditure control agencies

a. Corte dei Conti. This body was established by Royal Decree Law of 29 May, 1944, No. 141, and Luigi Medugno appointed president of the Court by R.D.L. of 1 June, 1944. Instructions have already been issued by the Court to all Ministries which will bring all Government expenditures under the control of the Court as from the 1st of July 1944. These instructions indicate the form of accounts that must be kept at each ministry and require all legal instruments relating to expenditures to be registered with the Court.

b. Central Commission for Local Finance. The decree setting up this commission was approved by the Council of Ministers on 26 May, 1944, but it has not yet been published in the Gazetta Ufficiale. The members of the Commissioners have been nominated, and it will begin work on 1st July, 1944.

3. Estimated disbursements for June

The estimates of disbursements to be made in June in liberated Italy were only received from the Ministry of Finance on 29 June, and are shown in the following table. It is observed that the increases noted in Communications, Agriculture, and Interior in May over April, are more than compensated by a corresponding reduction in June over May. Education and Finance continue to show moderate increases. The estimates for the Italian Armed Forces are shown in detail in the respective tables where the principal increases are noted. During the month an analysis was made of recent monthly budgets of the Army, Navy, and Air Force, and questionnaires were sent to each Service regarding apparent inconsistencies in the figures. As a result, direct conversations followed with responsible officials from the Navy and Air Force. They allege that, although the personnel strength has remained stationary there is a general month-to-month increase in expenditure primarily due to the general rise in the price of commodities and foodstuffs, and the great increase in the cost of materials used in maintenance and repairs.

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Italian Government Estimates of Cash Disbursements for Liberated Italy
(May - June)
(millions of lire)

Ministry	May	June	Increase of June over May
Finance	197.0	250.0	53.0
Justice	38.0	34.0	-4.0
Foreign Affairs	.5	2.5	2.0
Italian Africa	1.2	1.5	.3
Education	137.0	148.0	11.0
Interior	574.0	405.0	-169.0
Public Works	57.0	78.0	21.0
Communications	675.0	536.0	-139.0
Agriculture	136.0	42.0	-94.0
Industry & Commerce	4.9	9.5	4.6
Monopolies	57.0	88.3	31.3
Public Debt	68.5	47.5	
Lottery	3.5	5.3	1.8
Total	129.0	141.1	
Total Civil Ministries	1,949.6	1,647.6	
Military			
War	679.8	713.7	33.9
Navy	348.1	468.1	120.0
Air Force	82.3	126.1	43.8
Merchant Marine	27.6	35.9	8.3
Total Military	1,137.8	1,343.8	
Total Government	3,087.4	2,991.4	

Ministry of War

Significant increases in Estimates for June 1944
(millions of lire)

Capitolo Designation	May	June	Increases
Sanitary Services and Hospital Expenditures	27.9	30.0	2.1
Works of Maintenance	1.9	4.4	2.5
Automobile Service - Repair and Maintenance of Vehicles, etc.	12.0	14.5	2.5
Extra Allowances to Stevedores & Longshoremen	21.0	48.0	27.0
Total	62.8	96.9	34.1

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Military			
War	679.8	713.7	33.9
Navy	348.1	468.1	120.0
Air Force	82.3	126.1	43.8
Merchant Marine	27.6	35.9	8.3
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Works of Maintenance	1.9	4.4	2.5
Automobile Service - Repair and Maintenance of Vehicles, etc.	12.0	14.5	2.5
Extra Allowances to Stevedores & Longshoremen	21.0	46.0	27.0
Total	62.8	96.9	34.1
Note: Since some of the Capitoli show decreases, the net total increase is:	679.8	713.7	33.9

Ministry of Air
Significant Increases in Estimates for June 1944
(millions of lire)

Construction, Repair and Transformation of Motors, etc.		16.0	16.0
Subsistance Allowances	15.3	17.1	1.8
Extraordinary Expenses Relative to the State of War	21.2	55.5	34.3
Total	36.5	88.6	52.1
Note: Since some of the Capitoli show decreases, the net total increases is:	82.3	126.1	43.8

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Ministry of the Navy

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

Capitole Designation	May	June	Increases
Salaries and Allowances for Officers	5.7	6.4	.7
Salaries and wages for NCO's and personnel of C.R.E.M.	10.4	19.3	8.9
Wages for Laborers	31.4	32.7	1.3
Extra pay for personnel on sea duty	8,6	10.3	1.7
Subsistence for C.R.E.M.	15.3	47.4	32.1
Clothing for C.R.E.M.	.8	1.8	1.0
Hospital Expenses for C.R.E.M.	.7	1.1	.4
New Construction & Maintenance	.8	2.4	1.6
Repairs & Maintenance of Ships of the Royal Navy - Mariconstruction	6.7	10.5	3.8
General Expenses Relative to Materials and Allowances for Laboring Personnel	.7	1.8	1.1
Works & Supplies for Naval & Mechanic Construction relative to the war effort	20.5	106.3	85.8
Additional or Extra Allowances to Military Personnel	120.5	133.3	12.8
Reserve funds for the Royal Navy's ships and land units		20.0	20.0
Total	222.1	393.3	171.2
Note: Since some of the Capitoli show decreases, the net total increase is:	348.1	468.1	120.0

4. Actual disbursements for May

a. The following tables show the actual cash disbursements for liberated Italy by regions as reported by the Banca d'Italia and a comparison by ministries of the April and May figures. It should be noted that although the cash disbursements generally are less than were estimated, the estimates do now show a closer approximation to the actual payments made. The Army, Navy, and Air Force have authority to make cash disbursements throughout liberated Italy, except that they may not make any payments such as salaries, wages, or allowances to their civilian employees in the respective ministries in Rome. A very large increase is again noted in the Pagamenti Collettivi account, following the reduction noted in the May report. The reason for this increase has not yet been determined.

b. The figures in the tables are subject to the same qualifications set out fully in the April and May Reports of this Sub-Commission, that it is still impossible to determine the amount of transfer items included in the Banca d'Italia's figures, which

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Royal Navy - Marineonstruction	6.7	10.5	3.8
General Expenses Relative to Materials and Allowances for Laboring Personnel	.7	1.8	1.1
Works & Supplies for Naval & Mechanic Construction relative to the war effort	20.5	106.3	85.8
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Reserve Funds for the Royal Navy's ships and land units		20.0	20.0
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Note: Since some of the Capitoli show decreases, the net total increase is:	348.1	468.1	120.0

4. Actual disbursements for May

a. The following tables show the actual cash disbursements for liberated Italy by regions as reported by the Banca d'Italia and a comparison by ministries of the April and May figures. It should be noted that although the cash disbursements generally are less than were estimated, the estimates do now show a closer approximation to the actual payments made. The Army, Navy, and Air Force have authority to make cash disbursements throughout liberated Italy, except that they may not make any payments such as salaries, wages, or allowances to their civilian employees in the respective ministries in Rome. A very large increase is again noted in the Pagamenti Collettivi account, following the reduction noted in the May report. The reason for this increase has not yet been determined.

b. The figures in the tables are subject to the same qualifications set out fully in the April and May Reports of this Sub-Commission, that it is still impossible to determine the amount of transfer items included in the Banca d'Italia's figures, which prevents the determination of a net outpayments figure.

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Comparison of Cash Disbursements for Liberated Italy
(April - May)
(millions of lire)

Ministry	April	May
Finance	246.9	238.7
Justice	29.0	38.9
Foreign Affairs	1.8	.8
Italian Africa	3.6	.6
Education	128.1	101.6
Interior	239.2	496.4
Public Works	61.4	61.2
Communications	110.1	189.3
Agriculture	10.5	12.5
Industry & Commerce	7.0	3.6
Popular Culture	.2	
Total	836.8	1,150.6
Military		
War	855.0	885.4
Navy	274.0	325.5
Air Force	218.5	84.4
Total Military	1,347.5	1,295.3
Total Budget Disbursements	2,184.3	2,445.9
Disbursements outside budget	720.0	968.5
Transfer of Funds	600.0	31.7
Autonomous Administrations	1,048.1	954.4
Total	4,552.4	4,400.5

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Agriculture	7.0	3.6
Industry & Commerce	.2	
Popular Culture	836.8	1,150.6
Total		
Military		
War	855.0	885.4
Navy	274.0	325.5
Air Force	218.5	84.4
Total Military	1,347.5	1,295.3
Total Budget Disbursements	2,184.3	3,445.9
Disbursements outside budget	720.0	968.5
Transfer of Funds	600.0	31.7
Autonomous Administrations	1,048.1	954.4
Total	4,552.4	4,400.5
Payments in Suspense	395.5	2,664.8
Total General Payments	4,947.9	7,065.3
	2,654.3	2,953.6
Special Accounts		
Temporary Cash Deposits	2.9	12.7
T O T A L	7,605.1	10,031.6

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Cash Disbursements for Liberated Italy - May 1944

(millions of lire)

Ministry	Sardinia	Sicily	Calabria	Lucania	Campania	P
Finance	46.1	75.2	12.3	6.6	62.0	
Justice	5.8	15.6	2.4	.8	8.5	
Foreign Affairs					.8	
Italian Africa		.4				
Education	4.3	39.3	29.6	.8	17.0	
Interior	32.2	156.6	.9	.5	64.5	2
Public Works	11.9	20.6	.6	.2	21.5	
Communications	1.6	67.5	13.3		78.0	
Agriculture	5.7	6.8	.3	.3	4.0	
Industry & Commerce	.2	1.1			2.0	
Popular Culture						
Foreign Exchange						
Total Civil	107.8	383.1	59.4	9.2	258.3	
Military	162.4	9.8	.8	.3	2.5	
Army	35.2	1.7	.2		1.8	
Navy	48.7					
Air Force						
Total Military	246.3	11.5	1.0	.3	4.3	1,
Total Budget Disbursments	354.1	394.6	60.4	9.5	262.6	1,
Disbursements ouside Budg.	7.7	715.4	6.3	6.3	110.6	
Transfer of Funds					31.7	
Autonomous Administrations	37.9	204.2	118.6	45.3	164.5	
Total	399.7	1,314.2	185.3	61.1	569.4	1,
Payments in suspense	3.6	17.5	8.3	11.7	2,507.5	
Total General Payments	403.3	1,331.7	193.6	49.4	3,076.9	1,
Special Accounts	349.7	504.6	66.3	27.6	592.0	1,
Temporary Cash Deposits	.1	6.2	3.8	.2	.8	
Total	753.1	1,842.5	263.7	77.2	3,670.5	3,

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ments for Liberated Italy - May 1944

millions of lire)

M...	Calabria	Lucania	Campania	Puglie	Foggia	Campobasso	Total
5.2	12.3	6.6	62.0	28.4	5.4	2.7	238.7
5.6	2.4	.8	8.5	4.6	.7	.5	38.9
			.8				.8
				.2			.6
.4			17.0	9.8	.3	.5	101.6
9.3	29.6	.8	64.5	241.3	.2	.2	496.4
6.6	.9	.5	21.5	6.3	.1		61.2
20.6	.6	.2	78.0	28.9			189.3
7.5	13.3		4.0	1.9	. 5		19.1
6.8	.3	.3	2.0	.3			3.6
1.1							
83.1	59.4	9.2	258.3	321.7	7.2	3.9	1,150.6
9.8	.8	.3	2.5	709.4		.2	885.4
1.7	.2		1.8	286.6			325.5
				35.7			84.4
11.5	1.0	.3	4.3	1,031.7		.2	1,295.3
94.6	60.4	9.5	262.6	1,353.4	7.2	4.1	2,745.9
15.4	6.3	6.3	110.6	110.0	10.0	2.2	968.5
			31.7				31.7
04.2	118.6	45.3	164.5	364.6	18.3	1.0	954.4
14.2	185.3	61.1	559.4	1,828.0	35.5	7.3	4,400.5
17.5	8.3	11.7	2,507.5	14.9	77.1	47.6	2,564.8
31.7	193.6	49.4	3,076.9	1,342.9	112.6	54.9	7,065.
04.6	66.3	27.6	592.6	1,306.7	82.1	23.8	2,953.6
6.2	3.8	.2	.8	1.6			12.7
42.5	263.7	77.2	3,670.5	3,151.2	194.7	78.7	10.031.6

5. Authorizations to spend issued by the Italian Government

a. The following table shows by Ministry, the total "ordini di accreditamento" issued during the month. From 1st July, 1944, authorities to spend will be issued by each Ministry.

Comparison of Accreditamenti issued by the Italian State Government (in millions of lire) April-May

Ministry	April	May
Finance	23.2	46.5
Finance State Monopolies	30.8	360.7
Justice	2.4	8.9
Foreign Affairs	1.0	.6
Italian Africa	3.4	.4
Education	31.4	29.1
Interior	277.4	225.3
Public Works	18.1	16.3
Public Works (State Roads)	27.0	74.4
Communications:		
State Railways	52.5	130.3
Agriculture	1.3	2.1
Industry & Commerce	.3	6.4
Popular Culture	.	.2
Total Civil	496.8	901.2
Military		
Army	648.5	837.2
Navy	367.8	397.5
Navy: Merchant Marine	15.5	11.1
Air Forces	89.0	82.3
Total Military	1,120.8	1,328.1
Total Civil	496.8	901.9
Total Military	1,120.8	1,328.1
Total Government	1,617.6	2,230.0

b. Cancelled ordini di accreditamento. It was found that, owing to a misunderstanding of the Finance Ministry order of last March, ordini di accreditamento issued by the former Mussolini Government had only been "suspended" but not cancelled. This had been corrected and all such unused ordini di accreditamento throughout Italian Government territory have been cancelled and the original documents returned to the Ministry of Finance.

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Industry & Commerce	.3	6.4
Popular Culture	.	.2
Total Civil	496.8	901.9
Military		
Army	648.5	857.2
Navy	367.8	397.5
Navy: Merchant Marine	15.5	11.1
Air Forces	89.0	62.3
Total Military	1,120.8	1,328.1
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6. Provincial and communal budgets and expenditures

a. Budgets for the calender year 1944 have been received at the Ministry of the Interior from 256 communes and provinces out of a total of 1537 throughout Italian Government territory. The explanation of this unsatisfactory situation is, according to the Ministry of Interior, that the Provincial Councils were not formed in some provinces until comparatively recently. This explanation is not acceptable, for the new local government bodies were set up by R.D.L. of 4th April, 1944, No. 111, and budgets were previously approved by a "Commissario Prefettizio" until a Provincial Council had been appointed. It is noted that in only three provinces has a sizeable proportion of budgets been received out of the total number that are due, namely, Catanzaro 84 received, 155 due; Potenza 58 received, 91 due; Cosenza 52 received, 136 due. No budgets have been received from any province or commune in Sicily; and only 17 from Sardinia out of a total of 281. Of the budgets received, 66 have been examined by the Budget Office of the Ministry of Interior, and these are ready for review by the Central Commission for Local Finance.

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b. Much of the delay in submitting budgets can be attributed to the action of the Minister of the Interior authorizing Prefects to make grants to communes and provinces of an amount equal to that made by the State in 1943. This instruction is directly counter to the terms of a letter handed to the Minister of Finance by Finance Sub-Commission on 26 April, 1944, which insisted that State grants should only be on the basis of an approved budget for the current year. Although it is not disputed that the financial position of most communes and provinces will be worse than in 1943, the making of these grants, other than on the basis of an approved budget, results not only in delays but also in inefficient administration.

c. Statistical information relating to the expenditures of 111 of the principal communes and provinces in Italian Government territory has been obtained for 1943. This information has been passed to the Budget Officer of the Ministry of the Interior to assist him in making his recommendations to the Central Commission.

d. In the future, with the establishment of the Central Commission for Local Finance, some improvements can be expected in the examination and approval of local government budgets and as conditions become more stable, delays due to difficulties in communication will be reduced.

7. Specific control measures

a. Policy on past-due bills. On 19 June the following letter was addressed to the Minister of Finance by this Sub-Commission:

"1. Through a study of payments being made by various central administrations of the Italian government, it has come to the attention of this Sub-Commission that obligations contracted prior to the liberation of Italy are currently being paid out of the financial resources of your Government.

"2. It is important that such payments be limited insofar as possible, particularly in view of the present inflationary trend, which such payments would only enhance.

"3. For these reasons we should like to see a decree enacted embodying the following principles:

> "(1) That no payment be made on any obligation incurred by government agencies while under the jurisdiction of the Fascist Italian government, except (a) where it can be clearly demonstrated that the non-payment of any such bills would be inimical to Allied interests by reducing the production of goods necessary to the war effort or by hampering or restricting any essential industry or undertaking at present in operation; or by so affecting any undertaking or service as to have an adverse effect on the rehabilitation of liberated Italy; or (b) where it can be demonstrated that the non-payment of any such bills would result in the impoverishment of individuals to such an extent that they would become indigent and a charge on the State.

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7. Specific control measures

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"(2) That no payments shall be made under principles (a) and (b) above until claims have been presented and examined, admitted, and payment approved by the Corte di Conti, and that the expenditures to which the accounts relate are not specifically prohibited by any law at present in force;

"(3) That no payments shall be made under principles (a) and (b) in excess of the amounted required to meet these conditions.

"(4) That payments made under principles (a) and (b) shall be separately accounted for, in order that at any time it will be possible to know the amount and purpose of such payments;

"(5) That immediate payment shall be made of all outstanding bills relating to expenditures contracted and incurred by the Italian Liberated State or by any auxiliary Enti as from the date of liberation, provided such expenditures have been approved by the body charged with this duty under Italian law, and also that such expenditures are not contrary to any law, decree or regulation in force at the time of payment.

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"4. We should appreciate an opportunity to examine the suggested decree before its enactment.

"5. For your information, instructions embodying the same principles as those suggested above are being issued to all territory under the jurisdiction of the Allied Military Government."

The Minister agreed with the stated policy but was of opinion that a decree was an undesirable instrument, as it might have an adverse effect on Italian economy in liberated Italy. He suggested that a speedier and more effective method of implementing the agreed policy would be by Ministerial circular. This circular has now been drafted and after perusal by the Minister will be submitted to this Commission for approval. Regulations are being prepared governing the treatment of claims and will also be submitted for approval before issue. The question of the issue of a decree on this subject has been deferred for further consideration.

b. Regional and provincial directorates in Sicily. The Minister of Finance is of opinion that these bodies should not be allowed to continue in their present form, and that the functions of each directorate should be transferred to the permanent Italian administrative offices. As a preliminary step toward regularizing the position, the Minister is to open discussions with each interested Ministry, and then make firm proposals as to how all the duties and functions of the directorates would be carried out by the State provincial offices. It is intended that, in some instances, certain directorates will be continued provisionally for some time.

c. New budget procedure in AMG territory. Discussions were had with the Regional Finance Officers for Regions IV, V, and VIII in which the procedure and use of the new budget forms were explained and difficulties resolved. Particular attention was directed to the following points:

(i) On the first entry into new territory, AMG finance officers are to instruct the Treasury Sections of the Banca d'Italia that all previous authorities to spend are cancelled;

(ii) Future expenditure would only be authorized on the basis of an approved budget on the new forms;

(iii) No "spese fisse" (salaries and pensions) will be authorized unless detailed schedules are received by the Provincial Finance Officer from the Ufficio Provinciale del Tesoro, containing the prescribed information;

(iv) No "spese fisse" will be authorized for other than State agencies;

(v) No credits will be granted in favor of alleged parastatal bodies unless documentary evidence can be produced by the institution concerned showing that assistance by the State is permissible under

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form, and that the functions of each directorate should be transferred to the permanent Italian administrative offices. As a preliminary step toward regularizing the position, the Minister is to open discussions with each interested Ministry, and then make firm proposals as to how all the duties and functions of the directorates would be carried out by the State provincial offices. It is intended that, in some instances, certain directorates will be continued provisionally for some time.

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(ii) Future expenditure would only be authorized on the basis of an approved budget on the new forms;

(iii) No "spese fisse" (salaries and pensions) will be authorized unless detailed schedules are received by the Provincial Finance Officer from the Ufficio Provinciale del Tesoro, containing the prescribed information;

(iv) No "spese fisse" will be authorized for other than State agencies;

(v) No credits will be granted in favor of alleged parastatal bodies unless documentary evidence can be produced by the institution concerned showing that assistance by the State is permissible under Italian law.

These provisions were recommended by the Ragioniere Generale dello Stato, in Salerno, before the forms were planned, and they embody the only practical method of exercising control over payments under the authority of AMG officials or of Italian officials.

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III. OPERATIONS OF ALLIED FINANCIAL AGENCY AND CURRENCY AND EXCHANGE PROBLEMS

A. Currency for Areas in Process of Liberation

1. The Advance Headquarters of the Finance Sub-Commission is preparing a special statement dealing with the currency situation in the city of Rome, as a part of a general summary of the information obtained in Rome, to which reference should be made. As regards the smaller communes, officers in the field have been directed to use the currency found in the nearest Italian bank for civilian purposes. In cooperation with the Banca d'Italia, and on its responsibility, every effort is being made to move the surplus reserves of the branches of Banca d'Italia in the rear areas, toward the forward areas, so that the branches near the forward areas may in turn make available funds to meet the urgent requirements of newly liberated regions.

2. In general, the larger cities in the new territories have been found extremely deficient in currency. The Germans have apparently followed a policy of securing the maximum possible amount of Italian currency for their own purposes. As the currency reserves of the branches of the Banca d'Italia in Naples and in Palermo have already been drawn upon heavily, it would be highly desirable to transfer to Naples some surplus currency from the Branches of the Bank of Italy in Sicily, to Rome, and this possibility is now under consideration. The political aspects of such a movement present the principal difficulty, but both the Banca d'Italia and the Finance Sub-Commission have strong reasons to prefer use of such reserves to the disbursement of unopened boxes of AM lire for civilian purposes. The Banca d'Italia wishes to disburse only metropolitan lire if possible, while the Finance Sub-Commission has only limited supplies of AM lire available, which are to be reserved for the Allied Armed Forces, in so far as possible.

3. There is attached as Appendix B an extract from the report of the Senior Finance Officer, AAC 5th Army, for June. It is felt that this report is of interest as it shows the nature of financial operations in the forward areas by 5th and 8th Army AAC. In particular, attention is directed to the importance of two policies, the details of which were developed before the beginning of the Italian offensive on 11 May: the use of the Banca d'Italia to supply Metropolitan lire to forward areas in need of currency, and the attachment of Regional finance officers to AAC 5th and 8th Armies for experience. These Regional officers work in the territory to be assigned to their Region with AAC 5th and 8th Army officers and remain behind as the Armies move forward. Turnover of territory from the Armies to the Regions is greatly facilitated and the arrangement provides for continuity of financial policy and operations.

B. Order for New AM Lire Currency, and receipts under previous order

1. As preliminary reports on the Istituto Poligrafico dello Stato in Rome and the officina Carte Valori of the Banca d'Italia at Aquila indicate that no currency whatsoever can be produced by the latter, and that requirements of power and paper make improbable the production of appreciable amounts by the former during the remainder of 1944, it was deemed necessary to place an additional order for AM lire, in the amount of 30 billion lire. Initial delivery was requested on 1 September

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2. During the month of June, two shipments of AM Lire currency were received, comprising 400 cases at lira value of 4,494,400,000 each. The shipments were delibered on 21 June 1944 and 29 June respectively. The arrival of approximately 9 billion lire this month, resulting in a net increase of approximately 4.5 billion lire, brought the total currency reserves of AFHQ in Italy up to about 17.5 billion at the end of June. Another fourteen and three-quarter billions are to be delivered under existing orders.

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C. Review of Reserve Position of Banca d'Italia

1. Total currency holdings of the branches of the Banca d'Italia in Liberated Italy increased by 265 million lire during May, from 6,366 millions on 30 April, to 6,631 millions on 31 May. As 700 millions flowed into the Banca d'Italia in April, this indicates a sharp reduction in the return flow of currency from the public and the banks. Moreover, since 369 millions were paid into the AFA accounts with the Banca d'Italia during the month, a net reduction actually occurred in the currency holdings of the Bank, arising out of its transactions with Italian banks, in May.

2. The Allied Financial Agency had on deposit with the Banca d'Italia a total of 1,255 million lire in working balances, besides 2,100 millions in the No. 2, or Sterilization, account. Thus the Banca d'Italia had slightly less than the required amount of 3,355 millions in AM lire, to serve as cover for these deposits, as it held only 3,159 millions in AM lire, but of this amount a portion was held as reserve against accounts of various sections of AMG other than AFA.

D. Policies of Banca d'Italia in newly liberated territories

1. Contrary to expectations prevailing at the time the last monthly report was prepared, it has not been possible to extend the applicability of all the circular letters issued by the Vice-Governor in Naples to the Rome branches of the Banca d'Italia, but the provisions of these circulars are being extended with full force and effect to the branches in other towns and cities in the new regions. Certain special circumstances prevailing in Rome, which are discussed in the special report on Rome, made this decision appear advisable.

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

1. The Palermo and Naples branches of the Allied Financial Agency were directed to utilize civilian postal service for forwarding remittance documents to correspondent banks in the U.S. and the U.K. In order to assure statistical and accounting records of the values involved, the AFA officers will continue to certify by their signatures that the documents have been examined by them before transmittal to the U.S. or U.K. correspondent.

2. As of 1 June, the maximum amount which an Italian household may receive from the U.S. was revised from $ 100.00 per quarter to $ 50.00 per month. All amounts received prior to 1 June are disregarded in fixing the new maximum of $ 50.00 per month. No change was made in the limitations fixed for U.S. nationals. The U.S. Treasury also agreed to consider applications for special licenses for the release from blocked dollar accounts held by nationals of the United Nations only, for the purposes of remitting to the beneficiary of such accounts, in Italy, not more than $ 50.00 per month per household. Specific requests should be addressed by the United

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3. As of 31 May, remittance lists received totalled $770 thousand and £ 9,164, amounting in all to 80 million lire. Through 31 May, 13.4 million lire had actually been paid out to beneficiaries.

F. Advances to Allied Nationals

1. A directive was received from CCS approving the recommendations of the Finance Sub-Commission that the Internees and Displaced Persons Sub-Commission be made responsible for fixing the procedure for disbursing such payments, and for accounting to the Allied Financial Agency for all such payments, other than advances to British and American nationals. The following principles were also laid down by CCS:

a. The cost of all payments for relief, including amounts in excess of the Italian relief scale, will be charged to the Italian Government, if the beneficiary was brought to Italy by the Italian Government, against his will.

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b. All other relief payments made to nationals of Allied Governments which have Missions in Italy will be charged to the Allied Government concerned, and a receipt obtained by the I & D P Sub-Commission acknowledging the sum as an obligation of the Allied Government.

c. All relief payments to nationals of other countries, including enemy countries, will be charged to the Italian Government, including in this charge any excess paid over the Italian relief scale. Appropriate records will be kept for the purpose of facilitating subsequent negotiations between the two governments concerned. However, it is desired not to take any action which will prevent the admittance of refugees into Italy.

2. Neither the Internees and Displaced Persons Sub-Commission nor any officer of ACC/AMG will make any advances to nationals of any country who have been long resident in Italy, except those advances to British and American nationals which are authorized by Executive Memorandum No. 36. Other governments may in future make similar arrangements for their nationals, but no advances of this type will be made to such nationals until a procedure is transmitted to ACC, via CCS.

3. In this connection, the Swiss Legation in Rome is now making advances to British and American nationals, and one copy of each application forwarded to ACC Hq. will henceforth be passed to the Swiss Legation, which will in most cases make the advance out of funds available to it. Finance officers may wish to inquire as to the possibility of referring applicants directly to the Swiss Legation. A revision in the instructions given by the U.S. State Department to the Swiss Legation will be required, however, as the Legation has been paying only 25 lire to the dollar. Under existing instructions, the American beneficiary would be required to repay the amount of advances granted to him in lire at this rate, by providing lire at the rate of 100 to the dollar, unless he can repay the advance in dollars.

G. Remittances to Italy by Italian prisoners of war

Arrangements were made for British-held Italian prisoners of war who have been accepted as cooperators by that Government to effect remittances to persons located in liberated Italy. Lists of such remittances will be forwarded to ACC, which will deliver them to the Italian Government for payment. The remittances will be effected at the prevailing exchange rate of 1 pound sterling equals 400 lire. As to the disposition of the book credits in sterling resulting from conversion into lire, the Italian Government's note of 26 September, 1941, to the British Government stated that a final settlement would be the object of an agreement between the two governments at the end of hostilities. The Italian Government has inquired whether a similar arrangement is anticipated covering Italian prisoners of war held by the United States, and Finance Sub-Commission has requested advice on this point from CCS.

H. Spanish war debt to Italy

In FAX Airgram 16 of 25 April, CCS requested available information regarding

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G. Remittances to Italy by Italian prisoners of war

Arrangements were made for British-held Italian prisoners of war who have been accepted as cooperators by that Government to effect remittances to persons located in liberated Italy. Lists of such remittances will be forwarded to AGC, which will deliver them to the Italian Government for payment. The remittances will be effected at the prevailing exchange rate of 1 pound sterling equals 400 lire. As to the disposition of the book credits in sterling resulting from conversion into lire, the Italian Government's note of 26 September, 1941, to the British Government stated that a final settlement would be the object of an agreement between the two governments at the end of hostilities. The Italian Government has inquired whether a similar arrangement is anticipated covering Italian prisoners of war held by the United States, and Finance Sub-Commission has requested advice on this point from CCS.

H. Spanish war debt to Italy

In TAM Airgram 15 of 25 April, CCS requested available information regarding the Spanish war debt to Italy. The Minister of Finance advised us that the debt was consolidated on 8 May, 1940, in the amount of 5 billion lire. It was to be repaid in 50 installments, due on 31 December and 30 June, from 31.12.1942 to 30.6.1967. The amount of each installment rises gradually from 40 million lire, plus interest, in 1942 to 150 million lire, plus interest, in 1967. The interest payable on the debt increases gradually from ¼ of 1 per cent in 1942-1946 to 4 per cent in 1962. The consolidation agreement provided for payment in lire in Rome, and 5 billion lire-currency Spanish Treasury bonds were handed to the Banca d'Italia as collateral. These bonds have not yet been located. In response to a question from Finance Sub-Commission as to what steps the Italian Government had taken to insure that any further payments that might be made on the debt were paid to the Italian Government and not to the purported Fascist Republican Government, the Minister of Finance replied that he thought there was no liklihood of any further payments being made but indicated he intended to convey representations through diplomatic channels.

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J. Exchange of currency for refugees

With further reference to the problem mentioned on page 21 of the May Report of Finance Sub-Commission, that of exchanging lire into other currencies for Jewish refugees going to Palestine, the same question will arise when the 1,000 refugees being moved to the U.S. by the War Refugee Board are embarked in July. CCS has been requested to provide an early decision as to the procedure whereby lire can be exchanged into currencies usable outside Italy.

K. Control over safe deposit boxes

The existing system of control over safe deposit boxes allows individuals access to their boxes only in the presence of an Allied officer in Military Government territory. Officials of the Banca d'Italia exercise this function in Italian Government territory. No foreign exchange, gold, securities, or similar objects of significant importance have been discovered in any case to date. Apparently only those individuals who have nothing of value in their boxes request that they be opened. However, the procedure for opening places a heavy burden on finance personnel. Accordingly, a recommendation has been made to CCS that in future, in view of the large number of safe deposit boxes that will come under AMG jurisdiction, the presence of an Allied officer or Italian official be required only at the opening of those boxes whose owners are covered by the blocking regulations. These include: the German government and governments of its allies or their representatives and agents; Fascist organizations including those depending from or belonging to the Fascist party (GIL, Dopolavoro); persons who have held official positions in the Fascist party and the militia; persons who were members of the Squadristi, the March on Rome, and the Sciarpa Littorio; persons domiciled in the territory occupied by Germany or its allies; persons having German nationality or the nationality of its allies; and any other person designated by the Allied authorities. It was further recommended that these boxes be opened by force if necessary, without waiting for their owners to make a request.

IV. BANKING, POSTAL SAVINGS, AND OTHER FINANCIAL DEVELOPMENTS

A. Central Banking Developments

1. While total central banking credit outstanding in the southern and island provinces declined a little during May, i.e. from 1,080 to 1,073 million lire, the decline was due wholly to repayments as secured advances actually increased by 50 million lire. The increase in advances was concentrated in Sicily and is probably to be accounted for by the needs of banks for funds for agricultural financing. (See Statistical Appendix.)

2. Bankers' deposits at the Banca d'Italia increased by 3 billion lire during May, bringing them to a total of over 12 billion lire. Also on 31 May, the secured advances by banks came to over

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During the month, the transfer of 1,900 million lire to the number 2 account of the Allied Financial Agency was effected. This with other AFA accounts is responsible for the almost 3 billion lire shown by the Banca d'Italia "Non-interest-bearing current accounts - Due to Others". (See Statistical Appendix.)

B. Post Office Financial Services

The available figures on postal savings accounts for April and May are given in the Statistical Appendix. The reasonably complete April figures show a net drain of 85 million lire out of the post offices. In May, incomplete figures for 16 provinces show a net increase of 170 million lire - almost all in current accounts. For the first time in almost a year, there was a net inflow of funds from postal savings bond sales in Puglia. All the other provinces with the probable exception of the Sardinian provinces, however, are still experiencing a net outflow of funds on this account.

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C. Recent Developments in the Financing of Procurement for the Allied Forces

1. Implementation of Administrative Memorandum No. 95

This procedure, last mentioned in the Finance Sub-Commission Report for March, 1944, was referred by HQ. Allied Armies in Italy to AFHQ for review. Preliminary discussions within AFHQ, as reported to us by G-5 Section, indicated that the Fiscal Director (U.S.) and the Deputy Paymaster-in-Chief (British) were not in favor of the "voucher" system developed by ACC and AAI in conjunction with the Italian Government, but desired that the Italian Government procure and pay for supplies. In those cases in which the Italian Government was not in a position to undertake procurement, the Fiscal Director and DPIC preferred rather to make payments for goods and services direct to suppliers out of Army funds and to secure reimbursement from a "lire account" to be established by the Italian Government on the same lines as the "franc account" set up in North Africa. Finance Sub-Commission pointed out to G-5 that it was doubted that the Italian Government is now in a position to establish a procurement office which could function effectively. It was suggested that the "voucher" system, under which the Italian Government would pay suppliers for goods and services furnished to the Allied forces, be instituted now, and that the creation of a procurement office be discussed with the Government as soon as it establishes itself in Rome. G-5 was advised that ACC does not consider that the"lire account" has any advantages over the "voucher system;" the latter is familiar to the Italian Government in both theory and practice, as it is now used for the payment of tort claims against the Allied forces. However, the Joint Military Finance Committee, AFHQ, decided that the "lire account" should be utilized and instructions on its operation are awaited.

2. Provision of goods and services to the Allied navies by the Italian navy

The Italian Ministry of Marine submitted to the Navy Sub-Commission, ACC, a plan whereby supplies and services provided by the Italian navy to the Allied navies would be accounted for. The preamble of the accounting plan stated that all supplies and services furnished would be debited to the Allied Governments,and Navy Sub-Commission consulted Finance Sub-Commission as to the financial policy involved. Finance Sub-Commission replied it is understood that under the Armistice terms the Italian Government is obligated to make available to the Allied forces such Italian military, naval, and air installations, equipment, and services as may be required. The question of any eventual payment or compensation to the Italian Government for Allied use of Italian Government property and services is one that can only be decided at the highest policy levels of the American and British Governments as part of a general financial settlement . It follows that the Allied Control Commission cannot agree to any Italian Government arrangement under which the cost of goods and services furnished would be debited to the Allied forces. The Navy Sub-Commission was advised that, therefore, an appropriate change should be made in the proposed accounting plan. The Finance Sub-Commission does not see any objection to the accurate recording of materials and services provided by the Italian navy to the Allies as long as it is made clear that the Allies do not accept any obligation with respect thereto.

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3. Financial arrangements for requisitioned hotels

Suggestions had been received both from ACC Regional officials and owners of requisitioned hotels, that funds for running expenses should be paid to the hotels on the basis of a percentage increase over the normal tariff. The suggested percentages ran as high as 3,000 per cent. Representatives of ACC met with Claims and Hirings officers of AAI, and it was agreed that it would be impossible at the present time to establish equitable increases in the tariff rates. Further, it is not desirable at the present time to allow the Italian Government to make payments to hotels covering depreciation or return on capital. It is in accord with the recommendations of the Allied Anti-Inflation Committee (Italy) that Italian Government expenditures be limited as much as possible, and that in no case should such items as war damage claims be paid at the present time. Accordingly, it was decided that each requisitioned hotel should present each month to the Italian Comando Genio Militare a statement of its out-of-pocket costs during the preceding month. Such costs would include wages, necessary replacements (linen, china, glassware), minor repairs, laundry, and insurance. The Comando Genio would refund each month such costs to all requisitioned hotels. Utilities payments would be made direct by the Comando Genio. It remains to discuss the plan with the Italian Government, which must issue the necessary orders.

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V. PRICES AND THE COST OF LIVING

A. The Prices of Wheat and Bread

1. The problem

a. Since the price of 900 and 1,000 lire per quintal for soft and hard wheat, respectively, was determined, central Italy, an area normally producing about 20 per cent of Italy's wheat crop has been liberated, and the possibility has arisen of liberating all of Italy before the harvest is completed, and thus acquiring access to a further 45 per cent of Italy's wheat crop. This has raised numerous problems since the price determined for Liberated Italy is clearly out of line with the agricultural and economic conditions prevailing in the newly liberated territory. In areas still under control of the Fascist Republic, the price of soft wheat has been fixed at 350 lire per quintal. Extending our price into the newly liberated territory entails three undesirable results:

(i) The adjustment of economic conditions between the two parts of Italy would be hastened by encouraging a rapid increase of prices and incomes in the newly liberated areas up to the level of those in the south. While an ultimate adjustment of the two parts is unavoidable, there is little reason to hasten the adjustments now to resign ourselves to making the adjustment solely through increases in central and northern Italy;

(ii) Farm entrepreneurs in central and northern Italy would be enormously enriched through the accident of Allied occupation immediately before the harvest, since their crops, entirely produced at one level of prices and wages, would be sold at a price corresponding to a level almost three times as high. The price determined upon for the south was fixed as high as it is largely because of the substantial rise in farm wages in the south, a phenomenon that has not occurred in central and northern Italy.

(iii) The budget burden imposed upon the Italian Government by the bread subsidy would be enormously and unnecessarily increased. It was originally estimated, at the time the price of wheat was set, that the Italian Government deficit created by the necessity of paying the determined price for wheat, converting it into bread, and selling it at 5 lire per kilo would be about 7 billion lire annually. To extend the same prices into central Italy would create an additional 4 billion lire of annual deficit, and, should north Italy fall before the end of the harvest season, a further 9 billion lire would be added to the deficit, making the total deficit on account of the bread subsidy 20 billion lire. This amount is approximately half as large as the total annual Italian Government deficit at the present time.

b. Also, since the price of wheat was set, weather conditions have been so favorable that a bumper crop appears to have been produced throughout Italy. A yield of 8 quintals per hectare was used in the original calculations for determining

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b. Also, since the price of wheat was set, weather conditions have been so favorable that a bumper crop appears to have been produced throughout Italy. A yield of 8 quintals per hectare was used in the original calculations for determining the price while an average yield in excess of 10 quintals per hectare now appears probable. If the original calculations were approximately correct, the price fixed will prove to be at least 30 per cent higher than that necessary to do justice to the farmers. Moreover, in addition to making the Italian Government's per quintal purchase price too high, the bumper crop will greatly increase the number of quintals to be bought. Since local purchases involve local cash disbursements, and since the alternative to larger wheat purchases locally is larger imports which involve no disbursements in Italy and no current disbursements upon the part of the Italian Government, the consequence of the bumper crop, however desirable it may be from other and more important points of view, will be a larger Italian Government deficit and a greater stimulus to inflation than was originally estimated.

c. Moreover, since the price was set, farmers having rent contracts calling for payments in kind have objected strongly, and with reason, to being required to pay approximately three times as much rent as their neighbors having contracts in money. It has been reported that many such farmers are threatening to resist the burden imposed upon them by refusing to amass their wheat.

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d. Finally, since the price of wheat was set, the prices of all other crops subject to crossing or blocking (a program under which farm products are blocked upon the farms and can be used only for consumption on the farms or for sale to the authorized purchasing agencies) were set at levels such that they would bear approximately their normal relationship to wheat. Such crops include all important cereals and legumes other than rice. While this decision was entirely proper, it multiplies the importance of all the problems raised by the price of wheat.

2. The Government's Recommendations

The new Government has expressed great concern with the size of the budget deficit necessitated by the prices of wheat and bread and with the extent to which the problem will be aggravated by the liberation of the north. Accordingly, the Government requested ACC to reconsider its decision upon the price of bread. The Government proposed that the price of bread be increased to 13 lire, its "economic price", or at least to 8 lire, and that the wages of Government employees be increased, and other "controlled wages" be permitted to be increased, by an amount sufficient to compensate workers for their increased expenditure upon bread. The Government estimated that a 13 lire price for bread would eliminate the subsidy, and that the deficit necessary to increase government workers' salaries sufficiently to compensate them for the increase in the price of bread would be small.

3. The Finance Sub-Commission's proposal

a. The Finance Sub-Commission opposed this recommendation on the grounds that :

(i) a sharp increase in the price of bread would be politically and economically disastrous for the reasons stated in last month's report; that

(ii) while the increase in "controlled" wages would alleviate the immediate problems that would be created by the increase in the bread price, it would further encumber a complex method of wage calculation already in need of drastic simplification; that, more importantly,

(iii) the increase could not, in all probability, be limited to "controlled wages"; and that therefore the inflationary effect of the proposed bread indemnity should not be measured by the increase in Government salaries alone, but by the total increase in Government salaries, private "controlled" salaries, and uncontrolled salaries. It is our belief that the permitted and unavoidable increase in these items that would result from the increase in the price of bread would at least equal, and probably exceed, the present bread subsidy.

b. As an alternative, this Sub-Commission proposed that some method be found to reduce the price of wheat in central and northern Italy, and that the price of bread be increased much less than the amount recommended by the Government. Accordingly, ACC and the Italian Government reached an agreement that the distinction

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b. As an alternative, this Sub-Commission proposed that some method be found to reduce the price of wheat in central and northern Italy, and that the price of bread be increased much less than the amount recommended by the Government. Accordingly, ACC and the Italian Government reached an agreement that the distinction maintained in former years between the price of wheat and the subsidy for wheat production should be reestablished. It was agreed that the price of soft wheat would be 350 lire per quintal with a subsidy of 550 lire per quintal in all areas liberated prior to 11 May 1944 (keeping the total payments to farmers 900 lire as at present), and with a subsidy of 350 lire per quintal in "middle Italy",i.e. the area north of the line of 11 May and south of the Appennines. The same formula with prices and subsidies in proportion was to be used for all other crops subject to amassing or blocking. The subsidy for the area north of the Appennines was left for later determination, although it was thought that a soft wheat subsidy of 150 lire per quintal would be found to be appropriate. The draft decree proposed specified that rent (con-
tracts calling for payment in whole or in part in specific amount of any controlled crops would be fully and lawfully discharged by a money payment per unit of produce due equal to the "price" of the produce. This provision would have solved the serious problem mentioned under 3 (c) above. It was also recommended by ACC that the price of bread be varied by regions in the same manner in order to reflect the differences in the inflationary situation of the different areas. The recommended prices were: South of the line of 11 May, 7 lire per kilo; "Middle" Italy, 6 lire per kilo; North of the Appennines, undetermined, but probably 5 lire per kilo.

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This proposal would have solved the rent-in-kind problem and would have reduced the government's expenditures for crops purchases approximately 7 billion lire and increased its revenue from bread sales about 2.5 billion lire. Accordingly, it would have reduced the government's deficit on account of the bread subsidy from about 20 to about 10 billion lire per year.

4. The present situation

After agreement was reached, a delay was encountered in notifying AMG officers in the field of the new prices for crops, and further delays were then anticipated before all Consorzii could be informed. For this reason the decision was reversed and the price of wheat was kept at 900 lire for central Italy.

The new price of bread has not yet been determined. It is probable, however, that it will be fixed in the range between 5 to 7 lire per kilo throughout Italy. If this is done, the Government's deficit on that account will be reduced about 6 billion lire, but an annual deficit of 14 billion lire on account of the wheat and bread program will remain.

B. The Cost of Living

1. Naples

a. During June the cost of living in Naples fell sharply, from the May average about 400 lire per person per week to 300 lire by the end of June. The decline was caused by the availability of 1944 crops and by the announcement of the increase in the bread ration to begin on 1 July. The largest part of the decline was caused by the over supply of potatoes that came on the market in the middle of June. The region around Naples ordinarily ships a large quantity of early potatoes during June and July. The crop this year was unusually good, and because the facilities for shipping them were almost unobtainable, the Naples market received so many that their price fell from 40 to 8 lire per kilo. The price of black market bread, which has been rising almost steadily for a year and half, exceeded 200 lire per kilo for the first time in the second week of June, and then dropped to 180 and to 150 lire in the third and fourth weeks of the month. This decline was the result of supplies from the 1944 harvest becoming available and of the announcement, made on 14 June, that the ration was to be increased to 300 grams per day, beginning 1 July, in Sicily, Sardinia, and the southern mainland up to and including Naples and Campobasso provinces.

b. The 300 gram ration will provide 2.1 kilos of bread per person per week, thus making it possible for people to buy at official prices the entire 2.0 kilos per week that has been used as the bread budget in the Finance Sub-Commission's index. Black market bread, formerly the largest single item in the index accounting for about $\frac{1}{3}$ of total expenditure, will thus disappear from the calculations, and, if the effect of this saving is not offset by increases in other prices, the cost of living during July should be about 200 lire per person per week, the lowest level since October 1943.

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c. The cost of living in lire, per person per week, for Naples was as follows in June:

week ending	
June 7	352
" 15	358
" 23	341
" 30	302

2. Rome

a. Data roughly comparable to that given for Naples indicate that the cost of living in Rome rose from 110 lire in September 1943 to 580 lire in May 1944, the last month of German occupation. This is an increase of over 400 per cent in 8 months, a rate of increase far more rapid than that which occurred at any time in Naples. The price of black market bread alone increased in price over 500 per cent during that period. The price of black market bread in May was 125 lire, against 180 lire in Naples. The principal item making the total cost of living higher in Rome than in Naples was olive oil, the price of which was 900 lire in Rome and 230 lire in Naples. Fats of all types were particularly scarce in Rome. Even lard sold at 650 lire per kilo.

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b. Since liberation, rations of bread, beans, and meat have been reestablished or increased, and in consequence, black market prices have declined somewhat, and the cost of living has declined appreciably.

c. The table below compares the data for Naples and Rome:

	Cost of Living (lire per person per week)		Price of Black Market Bread (lire per kilo)	
	Naples	Rome	Naples	Rome
1943				
January	43		18	
February	46		18	
March	47		20	
April	49		20	
May	52		25	
June	48		25	
July	48		25	
August	63		30	
September	124	110	50	20
October	202		60	
November	243		85	
December	300		115	
1944				
January	350		125	
February	338		130	
March	360		150	
April	330		150	
May	390	580	180	125

VI. INSURANCE

A. Commercial Insurance

1. Insurance Committee

The first meeting of the Committee took place in Naples on 7 June and was attended by representatives of the Ministry of Industry, Commerce and Labor and of the Ministry of Finance, and the Commissioners of the various Companies. Officers of the Insurance Department, Finance Sub-Commission, also attended. The Commissioners are to formulate the principal matters calling for decision by the Government. It is intended to take action to extend the decrees for Commissioners to include Head Offices in their jurisdiction. Arrangements were also made for the setting up of [illegible] sub-committees to examine problems of a technical nature. The Director-

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June	[illegible]		25	
July	43		30	
August	63		50	20
September	124	110	60	
October	202		85	
November	243		115	
December	300			
1944				
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2. Commissioners

a. Some delay had occurred in the appointments of Commissioners for the Companies mentioned in the May Report of this Sub-Commission, owing to the change of Government, but their publication in the Official Gazette has been promised shortly.

b. Dott. Alfredo de Liguoro, Commissioner for Istituto Nazionale delle Assicurazioni, Previdentia, and Assicurazioni d'Italia, went to Rome on 28 June to assume control of the Head of the Istituto and its subsidiary Companies.

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3. Effect of occupation of Rome

a. It is considered that the arrangements for Rome notified to the SFC, AMG 5th Army, and later to the SFC, Rome Region, satisfactorily covered all contingencies that arose. All Rome offices will remain severed from the remainder of liberated Italy until such time as the Allied Sub-Commission is in possession of adequate information regarding them. Branch offices in Rome will eventually be placed under the Commissioners, while Head Offices will eventually take charge of their branch offices in Italian Government territory under the direction of their Commissioners. In both cases, the step must await restoration of commercial postal communications with the south. In both cases too, examination will be made of Rome personnel, and, if any are found more qualified to act as Commissioners than those now acting, the Italian Government will be advised to make a change. A Commissioner will be necessary even for Companies whose Head Office is in Rome until such time as existing directorates and managements can be approved as politically acceptable. The Istituto Nazionale delle Assicurazioni forms the biggest problem. The Government will consider all its executive appointments.

b. Communications have already been received by several Commissioners (through the Naples offices) from individuals in Rome purporting to be empowered by Head Offices farther north to control activities in liberated Italy. No such appointments will be recognized. The Ministry of Industry, Commerce and Labor have expressed their agreement with this decision. For a few companies whose Head Offices are in Rome no Commissioner for liberated territory has yet been appointed. Subject to satisfactory screening of directorate and executives, the authority of these Head Offices over their branches can be reestablished.

4. Fire insurance on requisitioned buildings

It was reported that owners of buildings that have been requisitioned are demanding cancellation of fire insurance policies, by virtue of Article 30 of the Italian Civil Code. The opinion of the Legal Sub-Commission was sought as to whether fire insurance could be regarded as a contract incompatible with the requisitioning order. The Legal Sub-Commission stated that, generally, an insurance contract is not incompatible with requisition, but that in some cases it may be, if, for instance, the fire hazard of the building is greater under its requisitioned use. Each specific contract would have to be examined together with the facts of the requisition to determine whether or not the particular contract is, because of its limitations, incompatible with requisition.

B. Social Insurance

1. Commissioners

a. The appointment of Dott. Livio Malfettani as Commissioner for the Istituto per l'Assistenza di Malattia ai Lavoratori, which has been under consideration, has now been confirmed.

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a. The appointment of Dott. Livio Malfettani as Commissioner for the Istituto per l'Assistenza di Malattia ai Lavoratori, which has been under consideration, has now been confirmed.

b. The appointments referred to in the May Report have now been published in the Official Gazette, No. 36 of 24 June, and republished in AMG territory.

c. These Commissioners were appointed principally to facilitate handling on a national basis, such problems as finance, benefits, and contributions, and general personnel policy.

d. Any enquiries effecting provincial offices of the various Institutions in Italian Government territory should be channelled through the Italian Government. In AMG territory Finance officers should contact the local offices direct on Regional or local matters and communicate with Finance Sub-Commission HQ on matters of national concern.

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2. Financing of social insurance deficits

One of the first results of the appointment of national Commissioners has been a change in method of financing deficits. Southern Italy has always been on a deficit basis so far as Istituto Nazionale delle Previdenza Sociale is concerned. Collection difficulties and inaccessibility of reserves have created financial difficulties for both Istituto Nazionale Infortuni and the Istituto per l'Assistenza di Malattie ai Lavoratori. These have hitherto been met by credits to provincial offices or inspectorates at the Banca d'Italia after certification of their needs by an ACC/AMG finance officer and an Intendente di Finanza. Recently the Italian Government has centralized financing of these institutions in the territory under its control. Requests for necessary funds will be made by the Commissioners on behalf of all offices in liberated Italy. "Previdenza" and "Infortuni" organizations have now been placed on the same basis in Military Government territory and an early decision to the same effect is expected for "Malattie". A major enforcement effort to collect contributions in arrears at the national level is required. The change in method of financing will provide an opportunity for uniform national action in this matter.

3. Military allowances

a. The first two articles of R.D.L. 113, 13 April 1944 regarding "soccorsi militari" (military relief allowances) have been republished in AMG territory. These articles raise the daily allowances approximately 70 per cent and extend coverage to families of Italian workers in enemy-occupied territory. The former and present scale of daily allowances follows:

	Former Allowance	Increase Granted	Present Allowance
Wife	8.00 lire	6.00 lire	14.00 lire
Child (each)	3.00	2.50	5.50
Parent	8.00	6.00	14.00
Two parents	10.00	7.00	17.00

The third and fourth articles of the decree, reorganizing the machinery for granting military relief allowances, were not republished, as the Public Health & Welfare Sub-Commission opposed their extension to AMG territory at this time. Finance Sub-Commission approves of their extension and is discussing the matter with Public Health to see if agreement can be reached.

b. Proclamation No. 4 issued in recently liberated territory, authorized benefit payments by social insurance and welfare institutions except family allowances to dependents of the following classes:

(i) persons engaged in military service,

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b. Proclamation No. 4 issued in recently liberated territory, authorized benefit payments by social insurance and welfare institutions except family allowances to dependents of the following classes:

(i) persons engaged in military service,

(ii) unparoled prisoners of war, and

(iii) Italian workers in Germany or other enemy-occupied territory.

This sweeping prohibition forbade payments of "richiamati" (military allotments to dependents of those called to arms); "soccorsi militari" (special relief allowances to such of these dependents as are in need); and general relief payments to such of these dependents, or of dependents of Italian workers in enemy-occupied territory, as could establish a claim on the basis of need.

c. To amend this situation a directive, agreed to by the Finance, Labor, and Legal Sub-Commissions, was issued by the Acting Chief Commissioner on 1 July. Its purpose was to encourage maximum cooperation of Italian nationals with Allied Forces by paying benefits due to dependents of those in the listed classes who were not known to be cooperating with the enemy. As regards the latter group, general relief provided by communes will be paid to such of their dependents as can establish need. "Richiamati" and "soccorsi militari" will not be paid

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(i) to dependents of members of Italian armed forces who have joined the Fascist Republican or German armies.

(ii) to dependents of Italian workers in enemy-occupied territory.

d. Both "richiamati" and "soccorsi militari" are reinstated retroactive to 31 March 1944 for dependents of those in military service or imprisoned in liberated territory, who had previously been cut off by the Fascist Republican Government. They will continue to be paid in the case:

(i) dependents of members of the regular armed forces who are not known to have deserted to the Fascist Republican or German armies,

(ii) dependents of those entering Italian regular armed forces, and if such entrants have served with regularly constituted bands and can document the period of service to the satisfaction of competent military authorities, their dependents may be compensated for this period also. A detailed instruction has been sent to the provincial offices of "Trevidenza", through the Regional Finance officers, to implement the directive.

e. These actions regularize the situation regarding military allowances, and action parallel to the directive has been promised by the Italian Government. Thus for the first time since the occupation of Italy, a consistent and uniform policy regarding "richiamati" will obtain throughout liberated Italy. When the reorganization features of the recent legislation regarding "soccorsi militari" are republished, completely uniform treatment of military relief claimants will obtain both in Italian Government and Military Government territory.

4. Uniform wage interpretation

a. The complexities in the scale of public compensation described in the May Report have led to numerous conflicting interpretations of those provisions of the Regional wage adjustment orders which affected public employees and these in turn have resulted in serious inequities. To correct this situation in AMG territory, a special instruction framed by agreement of the Finance and Labor Sub-Commissions was issued by the RC and MG Section on 8 June 1944.

b. The regional wage orders had directed (article 1) that the increases be calculated on "the base of present total salaries (base plus ordinary and extraordinary indemnities which usually represent an integral part of their total salary)". In many cases, nevertheless, items were separated from the total before applying the graduated percentages so as to assure larger increases. In other cases, items that were not recurring or integral parts of the total salary were nevertheless held subject to increase. The new wage instruction sets forth which items shall,

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for this period also. A detailed instruction has been sent to the provincial offices of "Previdenza", through the Regional Finance officers, to implement the directive.

c. These actions regularize the situation regarding military allowances, and action parallel to the directive has been promised by the Italian Government. Thus for the first time since the occupation of Italy, a consistent and uniform policy regarding "richiamati" will obtain throughout liberated Italy. When the reorganization features of the recent legislation regarding "soccorsi militari" are republished, completely uniform treatment of military relief claimants will obtain both in Italian Government and Military Government territory.

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b. The regional wage orders had directed (article 1) that the increases be calculated on "the base of present total salaries (base plus ordinary and extraordinary indemnities which usuall represent an integral part of their total salary)". In many cases, nevertheless, items were separated from the total before applying the graduated percentages so as to assure larger increases. In other cases, items that were not recurring or integral parts of the total salary were nevertheless held subject to increase. The new wage instruction sets forth which items shall, and which shall not, be increased; and directs that the graduated scale be applied to the total sum only of the items to which it is applicable.

5. Rome developments

Reports from Rome indicate that last winter, anticipating the City's fall, the Germans formed separate Head Offices of the social insurance institutions in the North. A Head Office of "Previdenza", for example, was formed at Vittorio Veneto. Some cash securities and documents were transferred at the time. There remain in Rome, however, sufficient records and reserves to carry on necessary operations. When plans for Rome were being drawn, careful consideration was given the position of the national Commissioners, and it was decided that arrangements should be made for them to go to Rome at the earliest possible moment. Accordingly, after consultation with the Labor Sub-Commission and the Italian Government, the national Commissioners have been despatched to Rome to assume control and recreate their Head Offices.

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6. Insurance of civilians employed by Allied forces

In November 1943 an agreement was reached between the Claims Commission AFHQ and the Italian Government under which the cover afforded by Italian law for State employees was extended to all workmen employed by the Allied Forces. This agreement which superseded any local arrangements made previously has subsequently been further amplified by the Italian Government to apply to "laborers engaged by the Commands of the French, Polish, and other Armed Forces and operating in the liberated territory of Italy".

7. Pensions

Recent discussions with the Italian Government relative to the pension bills (R.D.L. 85 increasing state pensions, and R.D.L. 102 offering pensions to members of the disbanded Fascist Militia on more favorable terms - see Navy Report of Finance Sub-Commission) promises an early satisfactory adjustment of these measures. The Government has agreed to repeal R.D.L. 102 and enact a substitute proposal eliminating pensions that resulted from Fascist political activity. Members of the special technical militias (Railroads, Ports, Highways, Post and Telegraphs, Forests) will be allowed to receive pensions, but those holding posts of 6th grade or higher will be required to prove they were not holding them as a result of Fascist Party activity. Members of M.V.S.N. (Fascist Militia) will be excluded outright. As soon as these proposals have been adopted, R.D.L. 85 will be extended to AMG territory, giving increases of 30 to 70 per cent in pensions to those who have served the State.

8. Public wage proposals

a. Proposals for increasing wages of public employees and rationalizing their wage structure were communicated to the Finance and Labor Sub-Commissions by the Italian Government in June. Although graduated, the increases would have conceded too much to higher-paid employees. The simplification, although considerable, would have left too many elements remaining in the wage structure. The supporting data were both inadequate and unsuitable, and hence furnished no basis for an estimate of the probable cost of the proposed adjustment, nor for evaluating it in relation to alternative adjustments.

b. Listed grades, earnings, and adjustments indicated per cents of increase, ranging from 26 to 111, and absolute increases ranging from 1,384 to 1,740 lire per month. Although the per cents of increase were graduated, the largest absolute adjustments were proposed for those already earning the largest amounts. Although the cost of living was the main argument given for conceding an increase, no difference was suggested as between areas with extremely high price levels and areas with relatively moderate price levels.

c. The Ministers had agreed to reduce the public wage structure to two or three basic elements, but their proposals would by no means achieve this. They have completely absorbed:

(i) the active service supplement;

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be required to prove they were not holding them as a result of Fascist Party activity. Members of M.V.S.N. (Fascist Militia) will be excluded outright. As soon as these proposals have been adopted, L.D.L. 85 will be extended to AMG territory, giving increases of 30 to 70 per cent in pensions to those who have served the State.

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c. The Ministers had agreed to reduce the public wage structure to two or three basic elements, but their proposals would by no means achieve this. They have completely absorbed:

(i) the active service supplement;

(ii) the temporary war allowance,

(iii) the extraordinary work premium,

and have partially absorbed the family allowance, in the base stipend. There was no attempt to absorb the specialized indemnities like the "toga" for magistrates, the temporary wage adjustment (10 to 70 per cent) which now would be applied to the higher total wage, or the periodic bonuses.

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d. The bombing indemnity, while not retained as such, would be renamed presence indemnity and made universally applicable. There would remain, therefore, the following elements:

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(i) stipendio,

(ii) presenza,

(iii) interezione (temporary adjustment),

(iv) assiunta di famiglia (100 lire per child for all children in excess of 3),

(v) special indemnities, and

(vi) periodic bonuses.

c. The information supplied by the Ministers was hopelessly inadequate. It covered only statal employees in Italian Government territory falling into certain categories. It was also ill-suited to the purpose of evaluating the proposals.

f. The proposals have been returned to the Ministers with the statement that, without further information and further simplication, they cannot be put into effect. Since equity is the ground on which the proposals were put forward, we must have the information necessary to assure that such adjustments as we may approve are equitable.

9. Agricultural "contributi unificati"

a. Agricultural workers in Italy are entitled to family allowances, pensions, tuberculosis benefits, and marriage and maternity benefits from the Istituto Nazionale della Previdenza Sociale, and also to sickness assistance from Istituto per l'Assistenza di Malattia ai Lavoratori. The Syndicate contributions (Contributi Sindicali) were formerly collected simultaneously with the social insurance contributions from agricultural workers and the combined contributions and dues called Contributi Unificati. The abrogation of Contributi Sindacali was ordered in August 1943 by General Order No. 2. Consequently instalments payable under Contributi Unificati in Agriculture were reduced 40 per cent.

b. It has since been found that the 40 per cent reduction was an arbitrary figure. Consequently it has been decided that as soon as circumstances permit contributions will be reduced in each province by the amount formerly allocated to certain Fascist organizations in that province. The Fascist organizations in question are:

(i) Fascist Agriculture Confederation

(ii) Fascist Confederation of Farm Workers

(iii) Fascist Party

(iv) Universal Exposition at Rome (the Italian equivalent of the German "volkswagon" plan: heavy contributions but no returns).

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(i) Fascist Agriculture Confederation

(ii) Fascist Confederation of Farm Workers

(iii) Fascist Party

(iv) Universal Exposition at Rome (the Italian equivalent of the German "volkswagen" plan: heavy contributions but no returns).

c. The 1944 quotas will consist of contributions for the following approved purposes:

(i) Social Insurance (invalidity and old age, tuberculosis, births and marriages)

(ii) Family Allowances

(iii) Sickness Assistance

(iv) Ente della Cooperazione

(v) Administrative expenses (in the amount of 3% of the total for the other items).

In accordance with the provision of R.D.L. No. 126 of 18 March 1943 published in the Official Gazette of 31 March 1943, an increase of 50% is authorised in the contribution for invalidity and old age. No other increases are authorised.

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VII. ACCOUNTING SUB-SECTION

A. Supply Accounting

1. During the month progress has been made in supply accounting, both at Headquarters and in the Regions. At the close of the preceding month consolidated accounts were prepared only through 31 January 1944, due to delay in the submission of Regional reports, a condition primarily ascribable to lack of personnel. The additional officers allocated to supply accounting during the past two months have substantially improved the situation. All Regions have now submitted returns through 30 April, 1944, except Regions I and VII, and in these Regions returns have been received through 31 March 1944. Consolidated accounts have been prepared at Headquarters level taking in the returns as above indicated. The accounting includes all commodities imported and drawn from the Armies, except medical supplies.

2. The position with regard to past transactions in accounting for medical supplies is unsatisfactory. An officer on the Chief Accountant's staff has for some time been exclusively employed in reconstructing past records which should have been maintained, but were not, by Regional Public Health Officers. Some progress has been made, but it may be one or two months before a report can be prepared on this subject.

3. A number of unfinished projects still remain to be cleared up in one or two Regions in respect of transactions in the early days of occupation, but definite progress has now been made and it is hoped that all these matters will be finalized within the coming month.

4. Accounting for petroleum products, heretofore a troublesome problem, is now being brought under well-defined accounting control, as a result of arrangements effected in collaboration with the Petroleum Section, AFHQ, CMF. At present all POL products issued for civilian use are sold to the Comitato Italiano Petroli. Billing for POL is done by the Chief Accountant's office, upon advice from the Petroleum Section of the quantities supplied CIP during the month.

5. Accounting for coal, imported as well as locally produced, has until lately been unsatisfactory, especially with respect to transactions in the early stages of operations, both in Sicily and on the mainland. With the assistance of the Coal Section, ACC, statements have been developed showing allocations and issues by types of coal. On the basis of this information, advice on quantities has been sent to various Regions, in order that purchasers may be billed and collections effected for unpaid items. Further, in accordance with a plan now in course of development by this office and the Coal Section, coal for essential civilian uses will be sold at dockside to the Italian Railroads, which will in turn sell to public utilities, industries, and other consumers, thus avoiding the multiplicity of accounts necessitated by the old arrangement.

6. In the early stages of occupation, the accounting for supplies handled by the Regional agricultural divisions has given trouble, primarily because these agencies lacked adequate accounting and clerical personnel, and were thus forced in large measure to depend on the services of Provincial Consorzii for receiving and disposing of supplies. Such arrangement has not proved satisfactory

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5. Accounting for coal, imported as well as locally produced, has until lately been unsatisfactory, especially with respect to transactions in the early stages of operations, both in Sicily and on the mainland. With the assistance of the Coal Section, AGC, statements have been developed showing allocations and issues by types of coal. On the basis of this information, advice on quantities has been sent to various Regions, in order that purchasers may be billed and collections effected for unpaid items. Further, in accordance with a plan now in course of development by this office and the Coal Section, coal for essential civilian uses will be sold at dockside to the Italian Railroads, which will in turn sell to public utilities, industries, and other consumers, thus avoiding the multiplicity of accounts necessitated by the old arrangement.

6. In the early stages of occupation, the accounting for supplies handled by the Regional agricultural divisions has given trouble, primarily because those agencies lacked adequate accounting and clerical personnel, and were thus forced in large measure to depend on the services of Provincial Consorzii for receiving and disposing of supplies. Such arrangement has not proved satisfactory and as a result the accounting for some products turned over to the Consorzii has been delayed, notably seed potatoes. Recently the Agricultural Sub-Commission, in collaboration with the Accounting Sub-Section, effected an arrangement whereby future agricultural imports will be sold as transferred from shipside to the national Federazione dei Consorzii, which will in turn resell to Regional and Provincial Consorzii Agrarii, thus eliminating the accounting on Provincial and [illegible] levels by ACC/AMG.

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7. Accounting for supplies and subsistence issued to the Italian Armed Forces is still unsatisfactory in certain respects. Such supplies may be considered under three headings:

a. Bulk imports for the Italian Army supplied by U.S. and U.K.
b. Depot issues by U.S. Army.
c. Depot issues by British Army.

The responsibility for supervising issues to the Italian Army is that of the Military Mission to the Italian Army (part of the Army Sub-Commission, ACC), which has jurisdiction over the distribution of bulk and depot issues. Under existing arrangements, MMIA is required to submit to the Chief Accountant reports of bulk issues in quantities only.

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In view of this fact, instructions have been requested as to what agency will value supplies so issued, and, if the valuation is to be made by the Chief Accountant, as has been indicated in previous correspondence, it will be necessary that landed cost figures for all such commodities be furnished to him. Considerable difficulty has been experienced in recording depot issues. Such transactions cover a wide range of commodities. In some cases these are priced with summaries by major categories; in other cases they are merely listed in quantities; and in still other cases only shipping tickets are received. In view of the unsatisfactory state of the reports received, a memorandum was addressed to G-5 (Finance) AFHQ, citing the circumstances and asking for instructions, in order that a uniform procedure may be applied by all reporting agencies.

8. In view of the extension of the export activities, supplemental accounting instructions were developed to provide the necessary records for the preparation and submission of information to Headquarters of the Industry and Commerce Sub-Commission and the Finance Sub-Commission. The new procedure provides for the operation of a purchase register for exports, receipts and shipments record by commodities, export warehouse stock cards, and a monthly return on shipments.

9. Owing to (a) progress made in selling imports to the Italians in greater bulk and on a higher level, (b) the clearing up of old outstanding matters, and (c) the reduction of imports in some Regions, it has been possible to transfer staff from rear to forward Regions; five officers and EW/CR from Region I have been, or in the immediate future will be, transferred elsewhere and the Supply Accountant in Region VII is being recalled and earmarked for a new Region. It must, however, be remembered in considering supplies accounting that the extent to which the staff can be reduced is ultimately determined by the work of the Sub-Commissions for whose operations accounting must be carried out. So long as it is necessary for ACC Sub-Commissions or Regional Divisions handling imports and exports to deal with Provinces or individual firms, it will be necessary to maintain accounting personnel in the Regions to see to the accounting. Only when imports and exports are dealt with through some national organization at Headquarters level will it be possible to avoid retaining a Supply Accountant in rear Regions.

10. Considerable difficulties in handling imports and exports on a national level have been experienced owing to the weakness of the Italian national administration and the fact that organizations of a national character are disorganized because of war conditions. Progress is, however, being made; as heretofore indicated, petroleum products and agricultural imports are now being handled on a national level and it is hoped that a similar policy for coal imports will be adopted shortly. The Public Health Sub-Commission are also developing a policy of selling to the Italian Government on a Regional basis. An officer on the Chief Accountant's staff is at present attached to the Food Sub-Commission with a view to establishing a procedure for handling all imports through the national Headquarters of the Federazione dei Consorzii Agrarii; agreement on the general lines to be followed has been reached with the Food Sub-Commission and it is hoped that a complete scheme will be agreed within the next few weeks. With regard to exports it is understood that the Industry and Commerce Sub-Commission have opened discussions with a view to reconstituting the Istituto Commercio Estero, the Italian Governmental department which previously handled all exports. The progress of the [illegible] reorganizing of staff in rear Regions is largely dependent

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duction of imports in some Regions, it has been possible to [illegible]
forward Regions; five officers and EM/OR from Region I have been, or in the immediate future will be, transferred elsewhere and the Supply Accountant in Region VI is being recalled and earmarked for a new Region. It must, however, be remembered in considering supplies accounting that the extent to which the staff can be reduced is ultimately determined by the work of the Sub-Commissions for whose operations accounting must be carried out. So long as it is necessary for ACC Sub-Commissions or Regional Divisions handling imports and exports to deal with Provinces or individual firms, it will be necessary to maintain accounting personnel in the Regions to see to the accounting. Only when imports and exports are dealt with through some national organization at Headquarters level will it be possible to avoid retaining a Supply Accountant in rear Regions.

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11. With regard to Supply Accounting in forward areas the rapid progress of the Armies has presented many problems, and it must be expected that some little time will elapse before all issues of supplies immediately behind the advancing Armies can be properly accounted for. All possible available staff have been allocated to forward areas in the hopes of reducing to a minimum the inevitable errors of omission which occur in accounting in battle areas.

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B. Financial Accounting Reorganization

1. Executive Memorandum No. 64 was issued instructing that in future the policy would be to centralize all ACC/AMG financial accounting at Headquarters. This procedure will be put into force as from 1 July for Regions I, II, III, VI and VII and for other Regions at dates to be notified later.

2. This policy has been made possible (a) by the reduction in the work of the Regional Accountants owing to local governmental financing being done by the Italian Government and not by ACC/AMG, and (b) by improvement in communications.

3. All Regional Accountants and their staffs will be called to ACC Headquarters and sub-accountants in Regions will submit their monthly reports of receipts and disbursements, with all relative vouchers, to the Chief Accountant ACC instead of to the Regional Accountant as previously.

4. It is anticipated that this policy will result in economy of personnel, better control over expenditure, and greater uniformity in procedure and classification.

5. As stated above, it is not intended to apply this centralization to Regions further forward than Region III for the moment, as it is considered necessary to maintain Regional Accountants in all forward areas (a) so that they may be in a position to deal on the spot with accounting problems that arise in newly occupied territory, and (b) because communications with forward areas is frequently deficient.

C. Allied Financial Agency

1. The consolidated accounts to 31 May 1944 were reviewed and approved by the Chief Accountant.

D. ACC/AMG Accounts

1. The consolidated Regional accounts for the month of April were prepared.

2. An up-to-date list of all Head and Sub-Heads for classification of ACC/AMG Revenue and Expenditure was circulated to all Regional Accountants.

3. An instruction (Sub-Accountants Instruction No. 1) was drafted for circulation to all Sub-Accountants, Collectors of Revenue, and Imprest Holders. This instruction, which is to be issued in connection with the policy of centralization, consolidates such previous instructions in the Accounting Manual and elsewhere as concerns Sub-Accountants, Collectors of Revenue, and Imprest Holders.

4. During the month particular attention has been paid to the control of expenditure

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3. As noted above, it is not intended to apply this instruction [illegible] further forward than Region III for the moment, as it is considered necessary to maintain Regional Accountants in all forward areas (a) so that they may be in a position to deal on the spot with accounting problems that arise in newly occupied territory, and (b) because communications with forward areas is frequently deficient.

C. Allied Financial Agency

1. The consolidated accounts to 31 May 1944 were reviewed and approved by the Chief Accountant.

D. AOC/AAG Accounts

1. The consolidated Regional accounts for the month of April were prepared.

2. An up-to-date list of all Head and Sub-Heads for classification of AOC/AAG Revenue and Expenditure was circulated to all Regional Accountants.

3. An instruction (Sub-Accountants Instruction No. 1) was drafted for circulation to all Sub-Accountants, Collectors of Revenue, and Imprest Holders. This instruction, which is to be issued in connection with the policy of centralization, consolidates such previous instructions in the Accounting Manual and elsewhere as concerns Sub-Accountants, Collectors of Revenue, and Imprest Holders.

4. During the month particular attention has been paid to the control of expenditure for wages paid out of AOC/AAG funds to civilian employees in messes and billets. Regional Accountants were reminded of their duties to see that the instructions contained in Administrative Memorandum No. 2 were being adhered to. The payments in all Naples messes were investigated by the Chief Accountant's staff and with one exception (which is still the subject of discussion) were found to be in order.

Colonel,
Joint Director,
Finance Sub-Commission.

Colonel,
Joint Director,
Finance Sub-Commission.

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APPENDIX A

Financial Effects of Allied Occupation

A. 1. The table below brings through May the data published under the same captions through April in Appendix A to last month's Report. In some cases the data have been revised from information more recently available.

2. The May data show no significant differences from the situation in April, except under receipts from the sale of imported supplies. These receipts, for smaller than the landed cost of civilian supplies for the reasons stated in last month's report (Appendix A, P. 6), have continued to increase rapidly. No new data on soldiers' expenditures and the expenditures of the Allied forces has become available, other than the figures for U.S. forces for May. The figures given in lines 1 and 2 are therefore estimates. The U.S. figures for May were approximately the same as those for April.

3. The principal revision is in the estimate of the landed cost of civilian supplies, full data for which are given in the table on the following page.

	Through March	April	May	Through May
		(in billions of lire)		
1. Soldiers' expenditures	12.0	2.6	2.6?	17.2
2. Expenditures of the forces	1.8	.5	.6?	2.9
3. Disbursements for purchase of exports	.3	.1	.2	.6
4. Total	14.1	3.2	3.4?	20.7
5. Less: Receipts from sale of imported supplies	.6	.5	.7	1.8
6. Total inflationary effect of Allied operations	13.5	2.7	2.7	18.9
7. Italian Government deficit from July 1943	23.0	3.0	5.2	34.2
8. Total (6 + 7)	36.5	5.7	7.9	53.1
9. Percent inflationary effect of Allied operations to total inflationary effect (6 ÷ 8)	37	47	34	36
10. Landed cost of goods imported for civilian consumption	8.8	2.6	2.9	14.3
11. Total "exploitation" effect (4 - 10)	5.3	.6	.5	6.4
12. AFA advances to Italian Government and its agencies	5.6	.4	.5	6.5
13. Approximation to increase in currency circulation (6 + 12)	19.1	3.1	3.2	25.4
14. All lire put into circulation (in hands of public and banks including Banca d'Italia)	20.8	3.0	2.8	26.6

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2. Expenditures of the forces	1.8	.9	.7	3.4
3. Disbursements for purchase of exports	.3	.1	.2	.6
4. Total	14.1	3.2	3.4?	20.7
5. Less: Receipts from sale of imported supplies	.6	.5	.7	1.8
6. Total inflationary effect of Allied operations	13.5	2.7	2.7	18.9
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14. All lire put into circulation (in hands of public and banks including Banca d'Italia)	20.8	3.0	2.8	26.6
15. Error (14 - 13)	1.7	-.1	-.4	1.2

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IMPORTS FOR CIVILIAN CONSUMPTION THROUGH

	Quantities (thousands of long tons)							Landed Cost (Thous. of lire per ton)	Valu	
	Thru Dec. 1943	Jan.	Feb.	Mar.	Apr.	May	Total Thru May		Thru Dec. 1943	Ja
Food										
Flour	72.8	30.0	62.0	54.8	26.5	16.5	262.5	13.2	961	3
Wheat	9.8	47.1	29.6	24.0	29.0	68.1	207.6	11.7	115	5
Soup, dhy	2.8	3.9	4.1	11.4	10.2	5.2	37.6	59.6	165	2
Stew, M & V	-	-	-	12.3	8.1	9.0	29.4	56.0	-	
Meats, Canned	-	-	-	-	5.4	5.7	11.1	95.0	-	
Pulses, dry	1.5	1.5	2.2	11.9	5.4	8.2	30.7	24.0	36	
Sugar	5.6	4.7	9.8	.6	-	6.5	27.2	17.5	98	
Milk	2.2	1.0	.2	2.7	.5	1.0	7.6	30.0	66	
Cheese	.3	-	.5	-	1.5	-	2.3	7.8	2	
Pasta	1.4	-	-	-	-	-	1.4	15.0?	21	
Herring, dry	-	-	-	-	-	.4	.4	60.0	-	
Other foods	2.8	.8	.1	1.7	.1	.4	5.9	17.5?	49	
Total Food	99.2	89.0	108.5	119.4	86.7	121.0	623.8		1,519	1,3
Other										
Clothing	-	-	-	.9	.2	-	1.1	700?	-	
Medical	.2	.5	.4	.3	-	-	1.4	250?	50	1
Seed potatoes	2.8	7.7	9.6	12.8	4.1	-	37.0	8.0?	22	
Copper sulphate	-	-	-	-	-	6.8	6.8	14.0	-	
Fertilizers	-	-	-	.7	-	2.2	2.9	9.0	-	
Newsprint	.5	-	.8	.6	.2	.3	2.4	17.5	9	
Other paper	-	-	-	-	.4	.6	1.0	17.5?	-	
Soap	.4	.4	2.2	3.3	-	-	6.3	2.7	1	
Caustic soda	-	-	-	.3	-	-	.3	8.8	-	
Miscellaneous	.1	.2	.1	.1	.1	.2	.8	350?	35	
Total Other	4.0	8.8	13.1	19.0	5.0	10.1	60.0		117	2
Total imported Supplies	103.2	97.8	121.6	138.4	91.7	131.1	683.8		1,630	1,5
Proceeds from sales of civilian supplies									127	

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RTS FOR CIVILIAN CONSUMPTION THROUGH MAY 1943

nds of long tons)			Landed Cost	Value at Landed Cost (millions of lire)						
Apr.	May	Total Thru May	(Thous. of lire per ton)	Thru Dec. 1943	Jan.	Feb.	Mar.	Apr.	May	Total Thru May
26.5	16.5	262.5	13.2	961	396	818	723	350	218	3,466
29.0	68.1	207.6	11.7	115	551	346	281	339	797	2,429
10.2	5.2	37.6	59.6	165	232	244	679	608	310	2,238
8.1	9.0	29.4	56.0	-	-	-	689	453	504	1,646
5.4	5.7	11.1	95.0	-	-	-	-	513	541	1,054
5.4	8.2	30.7	24.0	36	36	53	286	130	197	738
-	6.5	27.2	17.5	98	82	172	10	-	114	476
.5	1.0	7.6	30.0	66	30	6	81	15	30	228
1.5	-	2.3	7.8	2	-	4	-	12	-	18
-	-	1.4	15.0?	21	-	-	-	-	-	21
-	.4	.4	60.0	-	-	-	-	-	24	24
.1	.4	5.9	17.5?	49	14	2	30	2	14	111
86.7	121.0	623.8		1,519	1,341	1,645	2.779	2,422	2,749	12,449
.2	-	1.1	700?	-	-	-	630	140	-	770
-	-	1.4	250?	50	125	100	75	-	-	350
4.1	-	37.0	8.0?	22	62	77	102	33	-	296
-	6.8	6.8	14.0	-	-	-	-	-	95	95
-	2.2	2.9	9.0	-	-	-	6	-	20	26
.2	.3	2.4	17.5	9	-	14	10	4	5	42
.4	.6	1.0	17.5?	-	-	-	-	7	10	17
-	-	6.3	2.7	1	1	6	9	-	-	17
-	-	.3	8.8	-	-	-	3	-	-	3
.1	.2	.8	350?	35	70	35	35	35	70	280
5.0	10.1	60.0		117	258	232	870	219	200	1.896
91.7	131.1	683.8		1,630	1,599	1,877	3.649	2,641	2,949	14,345
				127	89	181	242	452	751	1,842

B. Imports for Civilian Consumption

1. Complete data by months on the quantities of goods imported for civilian consumption and estimates of the landed cost value of each item are given in the table on page 2. The differences between these data and those presented last month result from:

a. dropping the distinction between supplies imported on U.S. account and on U.K. account, and valuing all supplies at U.S. landed cost prices;

b. changing the estimates of the landed cost of dry vegetables from 16 to 24 thousand lire per ton, of seed potatoes from 20 to 8 thousand lire per ton, and of medical supplies from 50 to 200 thousand lire per ton; and

c. making a more detailed breakdown in some cases.

2. It has not been possible to obtain additional data on petroleum diverted to civilian use.

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For official use.

HEADQUARTERS
AMG 5th ARMY
A.P.O. 464 U.S. ARMY
Finance Division

1st July 1944.

SUBJECT: Report of Finance Division
for June 1944.

TO : SCAO, AMG 5th Army.

The practice of having each Provincial F.O. work with us from the start in his Province redounds both to the advantage of the Provincial team and to our own. For us in AMG 5th Army it means that turnover to the Province is greatly accelerated. Recently, we inaugurated the practice of having the Provincial F.O. make the advances to the communes and Post Offices (out of funds furnished him in bulk by the S.F.O.), so that that officer will have in his accounting all advances made, even those in the first phase.

Lt. Libero Leone, of the Italian Army, a permanent employee of Banca d'Italia was attached and employed in making investigations of the condition of the banks, including Banca d'Italia, in the Provinces traversed as far north as Rome. His reports have been useful to us, to the Banca d'Italia, Rome and to the Head Offices in Rome which have branches in the nearby provinces.

COMMUNAL AND POST OFFICE FINANCING

(A) Rome Province. In the period 5th June to 14th June, our Finance Officers covered all the communes of Rome Province in AMG 5th Army area (and some in 8th Army area) with results as indicated in the following tabulation:

Number of communes visited		52
Number to which advances were made		35
Total advances made	Lire.	1,797,000
Post Offices reopened (for financial agency services)		37
Number of Post Offices to which advances were made.		27
Total of such advances	Lire.	1,513,000

Full details were reported by letter of the Chief of Staff to the P.C. Rome Province on 15th June 1944. Copies of individual reports on each commune as written were sent to the Regional Finance Officer, Region IV and to the Provincial Finance Officer, Rome Province. The "first phase" financing to the communes generally covers the normal needs for the current month and the extraordinary requirements, including Ente Communale Assistenza (ECA - relief), for a period of several weeks to a month, depending on the physical state of the commune, refugees present, etc. In only a few communes was the statement made that no funds were needed. In every commune, of course, the P.C.

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first phase.

Lt. Libero Leone, of the Italian Army, a permanent employee of Banca d'Italia was attached and employed in making investigations of the condition of the banks, including Banca d'Italia, in the Provinces traversed as far north as Rome. His reports have been useful to us, to the Banca d'Italia, Rome and to the Head Offices in Rome which have branches in the nearby provinces.

COMMUNAL AND POST OFFICE FINANCING

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The advances to the Post Offices are made to enable it to resume its financial agency functions, namely payment of salaries and pensions of state employees and "sussidi militari", or relief to needy families of men in the armed forces. Since funds for these purposes are advanced to Post Offices the people concerned are kept off the ECA relief rolls of the Commune.

(B) Viterbo Province. Our Finance Officer, jointly with the F.O. designated of Viterbo Province, covered the 38 communes of Viterbo Province in our area between the dates 13 June and 27 June. The results shown in tabular form are: 1068

Number of communes visited		38
Number to which advances were made		22
Total advances made	Lire	2,359,000
Number of Post Offices reopened (for financial agency services)		33
Number of Post Offices to which advances were made		24
Total of such advances	Lire	1,825,000

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At least 13 communes reported no funds needed for the present. Unusually large advances were made to Viterbo (700,000 lire), Acquapendente (225,000 Lire) and Montefiascone (200,000 Lire) - the first two because of their extremely damaged condition; the other because of its large population including refugees.

Full details were reported to the P.C., Viterbo Province by letter of the Chief of Staff dated 28th June. Individual reports on each commune were made by the F.O.'s, as usual, and copies of each were sent to the Regional Finance Officer, Region IV, and the Provincial Finance Officer, Viterbo Province.

(C) Grosseto Province. Capt. Ramsey of this H.Q. and Lt. Rush, F.O. designate of Grosseto Province, began visiting towns in that Province on 20th June and have been located in Grosseto for greater speed in keeping up with the advance of the Corps in that area. By 30th June these F.O.s had visited all the communes in Grosseto Province with the exception of Isola del Giglio. They made two attempts to obtain water transport to that island but were unsuccessful. They will continue their efforts to reach it.

(D) Siena Province. Capt. Hickey, F.O. of this H.Q. and Maj. Randall, F.O. designate of Siena Province, after consultation with the S.C.A.O. of C.M.F. began on 26 June visiting communes in Siena Province. Up to the present the following have been covered: Abbadia San Salvatore, Piancastagnaio and Radicofani. The F.O.s mentioned are continuing to visit Siena communes as the Corps S.C.A.O. gives permission.

(E) Livorno Province. Capt. N. A. Robb, F.O. designate of Livorno Province, reported to this H.Q. on 27th June for duty and was requested to proceed to Grosseto to join Capt. Ramsey there. These officers have been instructed to begin operations in Livorno Province as soon as the Corps S.C.A.O. so orders. It is expected that one or both of them will make a visit to Piombino and other southern communes on 1st July.

BANKS, CURRENCY AND ASSET FINANCING.

Rome Province. The banks in Rome Province were closed by the posting of Proclamation No. 7. Immediately after the reopening of the banks in Rome City, a meeting was called at the Banca d'Italia, Rome, attended by officials of that bank and of the Rome banks which have branches throughout the Province and by the R.F.O. of Region IV and the S.F.O. Information was furnished to all parties of the status of the banks in the various communes as reported by the F.O.s in their reports on communes. The banks were instructed to determine the cash requirements of their branches. They were instructed that reopening must be effected in each commune simultaneously and that banks must help each other in the matter of setting up banking quarters where buildings and vaults were ruined. Wherever a bank was not to open with the others, a public statement explaining the circumstances was to be made. The banks were given passes for their inspectors to proceed to the various communes with their own transport to assure that buildings were rehabilitated or substitute offices found, that personnel was on hand, that necessary information was obtained regarding cash needs, and that the AMF policy was understood by the local banks. The carrying out of the reopening program in Rome Province was passed on to Region IV organization, as AMG 5th Army turned the province over.

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(E) Livorno Province. Capt. N. A. Hebb, F.O. designate of Livorno Province, reported to this H.Q. on 27th June for duty and was requested to proceed to Grosseto to join Capt. Ramsey there. These officers have been instructed to begin operations in Livorno Province as soon as the Corps S.C.A.O. so orders. It is expected that one or both of them will make a visit to Piombino and other southern communes on 1st July.

BANKS, CURRENCY AND AMASSI FINANCING.

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Viterbo Province. In general, the situation found in the communes is that banks are virtually without currency, departing Fascists and the public in general having withdrawn their funds and exhausted the cash on hand. Supplies of cash from the larger centres were unobtainable for various reasons, among them the fact that the same situation held there - as in Rome, where Banca d'Italia former Head Office for Italy had only 2,500,000 lire cash when AMF entered Rome. Cash had to be brought up from Banca d'Italia Naples to refurnish it. Our base of supply of currency is now Rome, and consequently the matter of reopening banks will have to be handled with the Regional Finance Officer and the Finance Sub-Commission, ACC, in the picture, as the latter has charge of the policy as to the supply and distribution of currency at the Banca d'Italia.

Our F.O.'s assured the banks that an early reopening was our aim. The F.O.s delivered to each bank a copy of our brief form of Balance sheet (model A) on which each bank is requested to make a prompt report for the end of 1943, the end of March 1944 and the date of closing. Banks were requested to deliver their completed reports to the Banca d'Italia in Viterbo. A meeting was arranged for the Provincial F.O., the Regional F.O. and the S.F.O. of this H.Q. in Viterbo for 29th June to consider the data gathered and set plans for the reopening of the banks in the Province at the earliest possible date.

The S.F.O. on 20th June brought a new manager from Rome for Banca d'Italia, Viterbo, and also brought for them a supply of 10,000,000 lire cash from Banca d'Italia, Rome.

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When A.M.G. entered Viterbo the Bank had only 9,000,000 lire cash in its vaults. Under date of 18th June Banca d'Italia was instructed by letter to reopen its Royal Treasury Section.

Aprinted letter of instructions was delivered by the F.O.S to each bank, including the Banca d'Italia, and each Post office Savings Bank calling attention to the fact that Proclamation No. 4 permits it to operate the accounts of communal, provincial and state bodies, social insurance organizations and Consorzi. The same letter also instructed them to block certain accounts of Fascist organizations individuals, etc.

The matter of Amassi financing was discussed by the S.F.O. and P.F.O. with the officials of the Consorzio Agrario Provinciale in Viterbo. A letter of instructions was prepared for the P.C. addressed to the 5 banks in the Province which provided the financing last year instructing them to proceed with the financing in this current season on the same lines as last year. Copies of the letter were to be sent to the Consorzio and Banca d'Italia, and an estimate of cash required by the latter for the first four weeks was to be furnished. It is planned to request Rome to make shipments of lire currency to Viterbo for this and other purposes.

When Viterbo Province was turned over to the Regional Provincial team on 29th June the S.F.O. met in Viterbo with the P.F.O., Major Clarke of Region IV Finance Division and the officials of the Banca d'Italia, Viterbo.

After reviewing the information on hand it was decided to set 6th July as the tentative date for reopening the banks in the Provincial Capital announcing at the same time that the banks in the whole province will be ordered to resume operations one week later.

Grosseto Province. The Banca d'Italia was instructed by letter of the S.F.O. of 25th June to reopen its Royal Treasury Section. Two meetings have been held with the bank by S.F.O. and P.F.O. Grosseto Province. Reports are being received by it from banks throughout the Province on our balance sheet forms left with them by the F.O.s A peculiarly difficult situation is presented by the fact that Monte dei Paschi di Soena, which does most of the province's banking with its 22 direct and 9 indirect branches, had sent its records and cash to its Head Office in Siena (City) which at this writing is still in enemy hands. A meeting of the banks at Banca d'Italia was called for Tuesday, 4th July at which the plans for reopening the banks will be discussed.

Banca d 'Italia has been instructed to report for each bank:

(a) the amount of securities the bank has on deposit with it;
(b) the amount of credit ("anticipazione") granted on such collateral;
(c) the amount of credit actually still available.
(d) any deposit balance the bank may have with Banca d'Italia.

Although Banca d'Italia, Grosseto had sent all security holdings (115,000,000 Lire face value) to its Siena affiliate, it indicated that its lines of credit to the banks would [illegible] be available.

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Although Banca d'Italia, Grosseto had sent all security holdings (115,000,000 Lire face value) to its Siena affiliate, it indicated that its lines of credit to the banks would nevertheless be available.

Banca d'Italia was instructed to estimate its currency requirements for:
(a) payment of interest and principal on the Italian State debt for June and July;
(b) financing of amassing for the next month;
(c) financing of deficits of communes, provinces and state offices for June and July;
(d) supplying of cash to banks for reopening.

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It is planned, as soon as this estimate is furnished, to call on Banca d'Italia, Rome for a shipment of currency to Grosseto to cover the requirements as indicated.

REVENUE

In the phase covered by AMG 5th Army Finance, activities regarding the Italian revenue system are largely confined to inquiries by the F.O. as to the status of the Italian tax collecting machinery and instructions by him to the communal authorities and the esattori that all tax laws are to be enforced and all collections made. In the majority of cases communes are found to be fairly up-to-date, but an occational commune is found where taxes are in arrears due either to evacuation of population or widespread damage to property. The provincial and state revenue and monopoly situations are taken

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up in the Provincial Capital with the office of the Intendente and the Prefetto. In the provinces of Rome and Viterbo this work was quite properly left for the permanent Provincial F.O. In Grosseto contact has been established by Lt. Rush with the Intendente, who has been instructed to move his office back to the Provincial Capital. Some of the tax forms are missing due to bomb damage, and Lt. Rush was instructed to take the Intendente to Viterbo to endeavor to obtain a temporary supply.

AID TO BRITISH AND AMERICAN NATIONALS.

Forms for this activity are furnished by AMG 5th Army Finance to the Provincial F.O.s. No direct cases have been handled by us.

WAGES AND SALARIES.

The ACC wage increase order raising salaries of government employees 70%, issued in liberated areas in the south, has not been issued by AMG 5th Army during its jurisdiction in any of the provinces captioned in this report. It is our policy, so long as mobile conditions continue, to leave this to be done by the Provincial team for the area as a whole. Communes hiring extra help have been ordered to keep the scale of pay for common laborers at 50 to 60 lire per day.

CASH AND ACCOUNTING

The S.F.O. has brought from Rome a substantial amount of cash, out of which stores are supplied AMG 5th Army Forward F.O.s, Provincial F.O.s designate (while they are attached to AMG 5th Army), the various sub-accountants in AMG 5th Army (also Corps) and the AMG expenditures of this Headquarters. As far as possible advances to communes are made by F.F.O.s so that the accounting is in their hands from the start, and our mobility is thereby increased. Accounts have been rendered to the Chief Accountant, Region IV. Upon my request for instructions as to June accounts, the Chief Accountant, AOC HQ has requested that we report also for June to the Chief Accountant, Region IV. This request has been passed on to the various sub-accountants in AMG 5th Army.

FORMS

Additional reprints have been obtained of various forms, and from these initial supplies Provincial F.O.s are furnished with their requirements.

/s/ R. B. Menapace
/t/ R. B. MENAPACE
Lt. Colonel,
Senior Finance Officer,
A.M.G. Fifth Army.

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CASH AND ACCOUNTING

The S.F.O. has brought from Rome a substantial amount of cash, out of which store are supplied AMG 5th Army Forward F.O.s, Provincial F.O.s designate (while they are attached to AMG 5th Army), the various sub-accountants in AMG 5th Army (also Corps) and the AMG expenditures of this Headquarters. As far as possible advances to communes are made by F.P.O.s so that the accounting is in their hands from the start, and our mobility is thereby increased. Accounts have been rendered to the Chief Accountant, Region IV. Upon my request for instructions as to June accounts, the Chief Accountant, ACC HQ has requested that we report also for June to the Chief Accountant, Region IV. This request has been passed on to the various sub-accountants in AMG 5th Army.

FORMS

Additional reprints have been obtained of various forms, and from these initial supplies Provincial F.O.s are furnished with their requirements.

/s/ R. B. Menapace
/t/ R. B. MENAPACE
Lt. Colonel,
Senior Finance Officer,
A.M.G. Fifth Army.

Copy to :

ACC HQ, Finance Sub-Commission.

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APPENDIX G

BANKING STATISTICS

Table 1

Italian State Account at Banco d'Italia, Southern Italy
1 July 1943 through 31 May 1944
(millions of lire)

	Total Italian Gov't. territory	Total Military Gov't. Territory	Grand Total Liberated Italy
a. "Deficit" in State Account			
Total payments less payments on account of Buoni del Tesoro ordinari	26,019	8,667	34,686
Total receipts less receipts on account of B.T.O.	3,838	1,119	4,957
Excess of disbursements	22,181	7,548	29,729
b. How State "Deficit" was met			
Credit advanced by Banco d'Italia to State	11,092	3,761	14,853
Decrease in balance held by State at Banco d'Italia on 1 July 1943	2,700	1,241	3,941
Advances from AFA and AMG	3,550	30	3,580
Funds supplied from Rome	1,765	1,400	3,165
Net receipts in B.T.O. account	1,218	627	1,845
Increase in Contabilita' Speciale accounts	1,742	482	2,224
Increase in deposits of cash guarantees	114	7	121
Total	22,181	7,548	22,720

Table 2.

Investment in Buoni del Tesoro Ordinari
(millions of lire)

	1 July 1943 through 31 May 1944			May 1944		
	Issued	Paid	Net Investment	Issued	Paid	Net Investment
Salerno	81	71	10	27	7	20

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	1,092	3,761	14,853
Decrease in balance held by State at Banca d'Italia on 1 July 1943	2,700	1,241	3,941
Advances from AFA and AMG	3,550	30	3,580
Funds supplied from Rome	1,765	1,400	3,165
Net receipts in B.T.O. account	1,218	627	1,845
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Total	22,181	7,548	29,720

Table 2.

Investment in Buoni del Tesoro Ordinari
(millions of lire)

	1 July 1943 through 31 May 1944			May 1944		
	Issued	Paid	Net Investment	Issued	Paid	Net Investment
Salerno	81	71	10	27	7	20
Lucania	131	169	-38	10	6	4
Calabria	126	83	43	36	7	29
Puglia (less Foggia)	1,124	796	328	168	113	55
Sardinia	169	61	108	14	8	61
Sicily	2,755	1,831	924	634	711	-77
Campania (less Salerno)	1,389	706	683	360	56	304
Foggia	76	72	4	13	11	2
Campobasso	51	48	3	3	2	1
Total	5,902	3,837	2,065	1,265	921	344

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Table 3.

Cash Position of the
Banca d'Italia
(including AFA and A.M. Accounts)

31 May 1944 (millions of lire)

Branch	Bank Notes	State Notes	AM Lire	RMA Pounds	Dollars	Emergency Italian currencies	Total
Matera	22	1	50	-	-	-	73
Potenza	114	5	91	-	-	-	210
Catanzaro	76	1	42	6	-	-	130
Cosenza	42	1	29	2	-	-	74
Reggio Calabria	72	4	59	7	-	-	142
Bari	193	32	123	16	-	-	364
Barletta	40	2	129	1	-	-	37
Lecce	36	7	14	1	-	-	58
Taranto	53	38	25	1	-	-	117
Salerno	235	10	255	2	-	-	502
Cagliari	94	-	10	-	-	-	104
Nuoro	20	1	15	-	-	2	38
Sassari	277	5	44	1	-	24	351
Agrigento	26	4	144	-	-	-	174
Caltanissetta	77	47	50	-	-	-	312
Catania	136	6	166	4	-	-	58
Enna	28	4	26	-	-	-	293
Messina	121	1	171	-	-	-	684
Palermo	297	12	375	-	-	-	29
Ragusa	5	1	23	-	-	-	83
Siracusa	8	1	74	-	-	-	125
Trapani	9	-	116	-	-	-	84
Campobasso	57	4	20	3	-	-	160
Foggia	32	3	123	1	1	-	137
Avellino	53	3	75	6	-	-	144
Benevento	59	8	76	1	-	-	115
Caserta	61	-	48	5	1	-	n.d.
Castellamare	n.d.	n.d.	n.d.	n.d.	n.d.	n.d.	1,117
Naples	367	2	741	6	1	-	

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Lecce	56	7	14	1	-	-	78
Taranto	53	38	25	1	-	-	117
Salerno	235	10	255	2	-	-	502
Cagliari	94	-	10	-	-	-	104
Nuoro	20	1	15	-	-	2	38
Sassari	277	5	44	1	-	24	351
Agrigento	26	4	144	-	-	-	174
Caltanissetta	77	47	50	-	-	-	174
Catania	136	6	166	4	-	-	312
Enna	28	4	26	-	-	-	58
Messina	121	1	171	-	-	-	293
Palermo	297	12	375	-	-	-	684
Ragusa	5	1	23	-	-	-	29
Siracusa	8	1	74	-	-	-	83
Trapani	9	-	116	-	-	-	125
Campobasso	57	4	20	3	-	-	84
Foggia	32	3	123	1	1	-	160
Avellino	53	3	75	6	-	-	137
Benevento	59	8	76	1	-	-	144
Caserta	61	-	48	5	1	-	115
Castellamare	n.d.	n.d.	n.d.	n.d.	n.d.	n.d.	n.d.
Naples	367	2	741	6	1	-	1,117
GRAND TOTAL	2,627	208	3,104	63	3	26	6,031

Table 4.

Banca d'Italia Credit Outstanding
Liberated Italy

	31 December 1942	31 December 1943	29 February 1944	31 March 1944	30 April 1944	31 May 1944
Rediscounts	846	604	473	453	243	186
Advances	951	1,525	917	796	837	887
Total	1,797	2,129	1,390	1,252	1,080	1,073

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Table 6.

Postal Savings
April 1944 (revised figures)
(thousands of lire)

	April (revised)				May			
	Postal Savings Bonds	Postal Savings Books	Current Accounts	Total	Postal Savings Bonds	Postal Savings Books	Current Accounts	Total
Agrigento	-27,399	870	9,860	-16,669	-	-	-	-
Caltanissetta	-10,081	741	4,047	-5,293	-4.634	1.048	3.945	-359
Catania	-38,772	2,111	-7,176	-43,837	-12,370	2.412	-9.043	-19.001
Enna	-3,969	-44	1,483	-2,530	-2.336	-79	1.877	-538
Messina	-39,009	879	9,153	-28,977	-16.003	-505	5.626	-10.882
Palermo	-20,311	n.d.	n.d.	-20,311	-	-	984	984
Ragusa	-10,944	n.d.	n.d.	-10,944	-	-	-	-
Siracusa	-27,723	933	1,018	25,772	-	-	-	-
Trapani	-7,767	-332	-1,537	-9,636	-	-	-	-
Bari	-8,116	-474	33,813	25,223	-	-	-	-
Brindisi	-1,708	348	10,654	9,294	1.659	-589	3.335	4.405
Lecce	-2,674	45	5,267	2,638	11.191	-732	14.695	25.154
Potenza	-3,433	3,186	-1,363	-1,610	-	-	-	-
Taranto	-2,413	1,085	8,932	7,604	3.059	-466	430	3.023
Cosenza	2,199	1,683	1,569	5,451	-3.682	1.126	-919	-3.475
Reggio Calab.	-4,220	1,884	125	-2,211	-3.181	1.834	-397	-1.744
Catanzaro	-4,692	2,600	3,098	1,006	-	-	-	-
Avellino	-2,690	-1,006	2,040	-1,656	-2.364	1.792	3.073	2.501
Benevento	329	270	-	599	-	-	-	-
Napoli	-7,004	11,124	1,032	5,152	-24.162	13.983	1.883	40.028
Salerno	-11,713	-2,163	4,097	-9,779	-3.132	5.936	116.695	119.499
Cagliari	1,175	8,434	4,142	13,251	-	-	15.146	15.146
Nuoro	-738	3,704	4,064	7,030	-	-	332	332
Sassari	871	4,899	9,863	15,633	-	-	17.362	17.362
TOTAL (24 Provinces.)	230,802	40,777	104,181	-85,844	-7.631 (16 Provinces)	25.760	144.732	169.861

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Trapani	-1,161	-35			-	-	-	-
Bari	-8,116	-474	33,613	25,223	-	-	3.335	4.405
Brindisi	-1,708	348	10,654	9,294	1.659	-589	14.695	25.154
Lecce	-2,674	45	5,267	2,638	11.191	-732	-	-
Potenza	-3,433	3,186	-1,363	-1,610	-	-	430	3.023
Taranto	-2,413	1,085	8,932	7,604	3.059	-466		
Cosenza	2,199	1,683	1,569	5,451	-3.682	1.126	-919	-3.475
Reggio Calab.	-4,220	1,884	125	-2,211	-3.181	1.834	-397	-1.744
Catanzaro	-4,692	2,600	3,098	1,006	-	-	-	-
Avellino	-2,690	-1,006	2,040	-1,656	-2.364	1.792	3.073	2.501
Benevento	329	270	-	599	-	-	-	-
Napoli	-7,004	11,124	1,032	5,152	-24.162	13.983	1.883	40.028
Salerno	-11,713	-2,163	4,097	-9,779	-3.132	5.936	116.695	119.499
Cagliari	1,175	8,434	4,142	13,251	-	-	15.146	15.146
Nuoro	-738	3,704	4,064	7,030	-	-	332	332
Sassari	871	4,899	9,863	15,633	-	-	17.362	17.362
TOTAL (24 Provinces.)	230,802	40,777	104,181	-65,844	-7.631 (16 Provinces)	25.760	144.732	169.861

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Table 5.

Current Liabilities of the Banca d'Italia
29 February, 30 April, and 31 May 1944
(in millions of lire)

	by area				by type		
	29 Feb.	30 Apr.	31 May		29 Feb.	30 Apr.	31 May
Salerno	246	387	357	Due to banks			
Lucania	236	265	274	Current Accounts			
Calabria	656	533	658	Non-interest bearing	229	8	84
Puglia (less Foggia)	2,111	3,163	3,507	Interest bearing	5,856	9,693	12,483
Sardinia	998	1,253	1,332	Residual available on advances	2,647	3,003	3,108
Sicily	3,927	3,760	4,241				
Total Italian Government Territory	7,174	9,361	10,369	Sub-Total	8,732	12,704	15,675
Campania (less Salerno)	2,866	4,984	8,708	Due to Other Current Accounts			
Foggia	89	115	133	Non-interest bearing	754	1,109	2,839
Campobasso	69	140	139	Interest bearing	210	292	321
				Residual available on advances	502	495	514
Total AMG Territory	3,025	5,239	8,980	Sub-total	1,466	1,896	3,674
Grand Total Liberated Italy	10,198	14,600	19,349		10,198	14,600	19,349

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APPENDIX D

SECRET

ALLIED FINANCIAL AGENCY

SCHEDULE TO STATEMENT OF RECEIPTS AND DISBURSEM

FOR THE PERIOD TO 31 MAY 1944

( )=Red Figure

(expressed in lire)

SCHEDULE No.		TOTAL TO 30 APRIL 1944	CURRENT
I	NEW A.M. LIRA NOTES RECEIVED		
	As Notified to Washington	42,589,728,000	6,254,4
	Shortages Revealed on Opening Boxes	(1,080)	
	Lire	42,589,726,920	6,254,3
II	DEPOSITS BY AMG/ACC DIVISIONS		
	(a) Economic and Supply Division	557,069,071	418,1
	(b) Economic and Supply Division - Deposits on Returnable Containers	17,914,299	12,2
	(c) Public Health Division	24,974,318	13,7
	(d) Legal Division (principally bail)	5,437,000	3,2
	(e) Other Divisions	27,700	
	Lire	605,422,388	447,4
III	FUNDS OBTAINED FROM BANKS AND OTHERS BY ACCOUNTING OFFICERS IN THE FIELD		
	(a) From Banks	182,800	
	(b) From British Paymasters	6,430,000	(6,4
	(c) From Others	1,318,540	(1,3
	Lire	7,931,340	(7,9

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APPENDIX D

ALLIED FINANCIAL AGENCY

P/F 21

TO STATEMENT OF RECEIPTS AND DISBURSEMENTS

FOR THE PERIOD TO 31 MAY 1944

(expressed in lire)

	TOTAL TO 30 APRIL 1944	CURRENT MONTH	TOTAL TO 31 MAY 1944
RECEIVED			
shington	42,589,728,000	6,254,400,000	48,844,128,000
d on Opening			
	(1,080)	(50)	(1,130)
Lire	42,589,726,920	6,254,399,950	48,844,126,870
DIVISIONS			
Supply	557,069,071	418,134,974	975,204,045
Supply			
Deposits			
le Cont-			
	17,914,299	12,254,187	30,168,486
Division	24,974,318	13,773,960	38,748,278
n (prin-			
l)	5,437,000	3,282,600	8,719,600
ns	27,700	-	27,700
Lire	605,422,388	447,445,721	1,052,868,109
T BANKS			
ITING			
ELD			
	182,800	-	182,800
Paymasters	6,430,000	(6,430,000)	-
	1,318,640	(1,118,140)	200,500
Lire	7,931,440	(7,548,140)	383,300

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SECRET

SCHEDULE No.		TOTAL TO 30 APRIL 1944	CURRE
IV	DEPOSITS		
	(a) By Controller of Property		
	(1) Psychological Warfare Board-Film Section	916,103	
	(2) A.G.I.P.	10,000,000	
	(3) Moharwas & Son	117,219	
	(4) Changimal Co.	108,714	
	(5) Goods Ex German Steamers	845,500	
	(6) Unione Militare	2,400,000	(2
	(7) Musan Felice	-	
	(8) Miscellaneous (under Lire 100,000 each)	455,023	
	(b) By U.S. Army Units-See Sched. XXVIII, (c), (4)	60,744,602	5
	(d) By Others		
	(1) "A" Force	960,000	
	(2) Command Paymaster No8 Com'd Pay Office, C.M.F.	283,505	
	(3) Pasquale Esposito	108,600	
	(4) Comitato Italiano Petroli	-	45
	(5) Enemy Unit Funds	-	1
	(6) Various (under Lire 100,000 each)	155,911	
	Lire	77,096,177	50

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	TOTAL TO 30 APRIL 1944	CURRENT MONTH	TOTAL TO 31 MAY 1944
ller of Property			
gical Warfare			
lm Section	916,103	925,835	1,841,938
	10,000,000	-	10,000,000
& Son	117,219	-	117,219
l Co.	108,714	-	108,714
German Steamers	846,500	-	846,500
ilitare	2,400,000	(2,400,000)	-
lice	-	154,435	154,435
neous (under Lire each)	455,023	8,374	463.397
my Units-See Sched.), (4)	60,744,602	5,256,120	66,000,722
e	960,000	(12,500)	947,500
Paymaster Nos Com'd ce, C.M.F.	283,505	(243,775)	39,730
Esposito	108,600	-	108,600
Italiano Petroli	-	45,000,000	45,000,000
it Funds	-	1,948,527	1,948,527
(under Lire 100,000 each)	155,911	(10,424)	145,487
Lire	77,096,177	50,626,592	127,722,769

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SECRET

SCHEDULE No.		TOTAL TO 30 APRIL 1944	CURR
V	PROCEEDS OF SALES IN ITALY OF SUPPLIES		
	(a) Economic & Supply Div.		
	(1) Supplies Imported or Drawn from Armies	470,325,838	29
	(2) Supplies Purchased Locally	4,981,228	
	(b) Public Health Division		
	(1) Supplies Imported or Drawn from Armies	9,799,898	
	(2) Supplies Purchased Locally	-	
	(c) Agricultural Division		
	(1) Supplies Imported or Drawn from Armies	432,000	
	Lire	485,538,964	30
VI	RECEIPTS IN RESPECT OF AMG/ACC REVENUE		
	(a) AFA Revenue		
	Interest Received from Banks	3,091,650	
	Miscellaneous Receipts	545	
		3,092,195	
	(b) AMG Revenue) to close of	121,820,840	
	(c) ACC Revenue) previous mth.	7,163,372	
	(d) AMG/ACC Revenue received by AFA direct in prev.mth,alloc.in cur mth	54,566	
	(e) AMG/ACC Revenue received by AFA direct in current month	-	
	Lire	135,130,973	
IX	CONTRA ACCOUNTS		
	Deposits for Remittances (AF Accounts):		
	(a) U.S. Dollars ($769,527 tot.to dt)	29,214,300	
	(b) Sterling (£9,164-5-8 total "date)	10,000	
	Lire	29,224,300	

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SECRET

SCHEDULE No.		TOTAL TO 30 APRIL 1944	CURR
V	PROCEEDS OF SALES IN ITALY OF SUPPLIES		
	(a) Economic & Supply Div.		
	(1) Supplies Imported or Drawn from Armies	470,325,838	29
	(2) Supplies Purchased Locally	4,981,228	
	(b) Public Health Division		
	(1) Supplies Imported or Drawn from Armies	9,799,898	
	(2) Supplies Purchased Locally	-	
	(c) Agricultural Division		
	(1) Supplies Imported or Drawn from Armies	432,000	
	Lire	485,538,964	30
VI	RECEIPTS IN RESPECT OF AMG/ACC REVENUE		
	(a) AFA Revenue		
	Interest Received from Banks	3,091,650	
	Miscellaneous Receipts	545	
		3,092,195	
	(b) AMG Revenue) to close of	124,820,840	
	(c) ACC Revenue) previous mth.	7,163,372	
	(d) AMG/ACC Revenue received by AFA direct in prev.mth,alloc.in cur mth	54,566	
	(e) AMG/ACC Revenue received by AFA direct in current month	-	
	Lire	135,130,973	
IX	CONTRA ACCOUNTS		
	Deposits for Remittances (AF Accounts):		
	(a) U.S. Dollars ($769,527 tot.to dt)	29,214,300	
	(b) Sterling (£9,164-5-8 total "date)	10,000	
	Lire	29,224,300	

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	TOTAL TO 30 APRIL 1944	CURRENT MONTH	TOTAL TO 31 MAY 1944
ALES IN ITALY			
c & Supply Div.			
ies Imported or from Armies	470,325,838	296,867,336	767,193,174
ies Purchased Locally	4,981,228	1,842,900	6,821,128
Health Division			
ies Imported or from Armies	9,799,898	4,628,082	14,427,980
ies Purchased Locally	-	4,500	4,500
tural Division			
ies Imported or from Armies	432,000	276,600	708,600
Lire	485,538,964	303,619,418	789,158,382
ESPECT OF AMG/ACC REVENUE			
enue			
Received from Banks	3,091,650	263,766	3,355,416
neous Receipts	545	-	545
	3,092,195	263,766	3,355,961
venue) to close of	124,820,840	14,776,132	139,596,972
venue) previous mth.	7,163,372	994,963	8,158,335
Revenue received by AFA n prev.mth,alloc.in cur mth	54,566	(54,566)	-
Revenue received by AFA n current month	-	2	2
Lire	135,130,973	15,980,297	151,111,270
S			
emittances (AF Accounts):			
lars ($769,527 tot.to dt)	29,214,300	47,738,478	76,952,778
(£9,164-5-8 total "date)	10,000	3,655,713	3,665,713
Lire	29,224,300	51,394,191	80,618,491

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SECRET

SCHEDULE No.		TOTAL TO 30 APRIL 1944	CURRENT MONTH
XII	A.M. STAMPS ISSUED TO POST OFFICE AND ON HAND		
	(a) A.M.Stamps issued to P.C.	21,254,000	1,020,000
	(b) Balance on Hand	148,082,000	(1,020,000
	Lire	169,336,000	-
XIII	PURCHASES IN ITALY OF SUPPLIES		
	(a) For Export to		
	(1) United States of America	35,385,989	18,626,109
	(2) Great Britain	268,929,544	69,256,143
	(3) North Africa	22,863,520	5,604,870
	(4) Corsica	385,875	258,903
	(5) Malta	86,730,222	50,127,505
		414,295,150	139,273,530
	(b) For Re-Sale in Italy	16,852,750	16,963,859
	Lire	431,147,900	156,237,389
XIV	STORAGE HANDLING AND SHIPPING EXPENSES IN CONNECTION WITH IMPORTS, EXPORTS & LOCAL SUPPLIES. +		
	(a) Emoluments of Civilian Personnel	7,665,413	4,612,832
	(b) Repairs to Warehouses and Approach Roads.	469,735	847,527
	(c) Rent of Warehouses	2,264	500
	(d) Transport and Shipping Charges	8,807,885	4,293,204
	(e) Other Expenses	464,815	2,110,050
	Lire	17,400,112	11,864,113

+ In the Statement for the period to 30 April 1944, the total of Lire 17,400,112 was included in "Disbursements in Respect of AMG/ACC Expenditure", as follows:-

AMG Expenditure - Lire 8,485,990
ACC " - " 8,914,122

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	TOTAL TO 30 APRIL 1944	CURRENT MONTH	TOTAL TO 31 MAY 1944
D TO POST			
D			
Issued to P.C.	21,254,000	1,020,000	22,274,000
Hand	168,082,000	(1,020,000)	147,062,000
Lire	169,336,000	-	169,336,000
Y OF SUPPLIES			
to			
ates of America	35,385,989	14,026,109	49,412,098
ein	268,929,534	69,256,143	338,185,687
ice	22,863,520	5,604,870	28,468,390
	385,875	258,903	644,778
	86,730,222	50,127,505	136,857,727
	414,295,150	139,273,530	553,568,680
in Italy	16,852,750	16,963,859	33,816,609
Lire	431,147,900	156,237,389	587,385,289
AND SHIPPING EXPENSES			
I IMPORTS, EXPORTS &			
of Civilian Personnel	7,655,413	4,612,832	12,268,245
Warehouses and Approach			
	469,735	847,527	1,317,262
houses	2,264	500	2,764
d Shipping Charges	8,807,885	4,293,204	13,101,089
es	464,815	2,110,050	2,574,865
Lire	17,400,112	11,864,113	29,264,225

or the period to 30 April 1944, the total
was included in "Disbursements in Res-
penditure", as follows:-
ure - Lire 8,485,990
- " 8,914,122

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SCHEDULE No.		TOTAL TO 30 APRIL 1944	CURRENT MONTH
XV	ADVANCES		
	(a) To Italian State Treasury, Armed Forces & State Insts.	4,575,905,376	31,832,933
	(b) To Provinces	492,429,565	(4,170,000)
	(c) To Communes	1,182,808,293	20,007,690
		6,251,143,634	47,670,623
	(d) To Others		
	(1) Items included in Sub-Accountants' Reports not yet allocated pending receipt of proper vouchers or more complete informat'n	3,602,484	1,188,653
	(2) Advisory Council for Italy	650,000	913,992
	(3) Library of Congress - for purchase of books	211,134	92,056
	(4) Societe Aquedotto - Napoli	3,000,000	-
	(5) Sanotoda Caputa	1,000,000	-
	(6) Villa Rosa Mental Hospital	1,000,000	-
	(7) Casa della Madre e del Bambino, Principessa Maria Gabriello - Ischia	100,000	-
	(8) Miscellaneous Advances under Lire 100,000 each	356,621	4,341
	Lire	6,261,063,873	49,869,665
XVI	LOANS		
	(a) To Banks	5,320,000	(2,320,000)
	(b) To Others	960	-
	Lire	5,320,960	(2,320,000)
XVII	PAYMENTS TO PERSONS IN ITALY ON ACCOUNT OF REMITTANCES FROM ALLIED COUNTRIES		
	(a) Remittances from United States of America Lire	4,216,000	9,162,450

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	TOTAL TO 30 APRIL 1944	CURRENT MONTH	TOTAL TO 31 MAY 1944
esury;			
Insts.	4,575,905,376	31,832,933	4,607,738,309
	492,429,665	(4,170,000)	488,259,665
	1,182,808,593	20,007,690	1,202,816,283
	6,251,143,634	47,670,623	6,298,814,257
Sub-Account-			
yet allocated			
proper vouch			
ete informat'n	3,602,484	1,188,503	4,790,987
for Italy	650,000	913,992	1,563,992
s - for			
	211,134	92,056	303,190
- Napoli	3,000,000	-	3,000,000
	1,000,000	-	1,000,000
Hospital	1,000,000	-	1,000,000
del Bambino,			
Gabriello -			
	100,000	-	100,000
nces under Lire			
	356,621	4,341	361,312
Lire	6,261,063,873	49,869,865	6,310,933,738
	5,320,000	(2,320,000)	3,000,000
	960	-	960
Lire	5,320,960	(2,320,000)	3,000,960
TALY ON ACCOUNT			
ED COUNTRIES			
ted States of			
Lire	4,210,000	9,182,450	13,420,450

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SCHEDULE No. XVIII		TOTAL TO 30 APRIL 1944	CURRENT MONT
	PAYMENTS IN RESPECT OF SUBJECTS OF ALLIED NATIONS		
	(a) Emergency Financial Assistance to		
	(1) U.S.Nationals	2,258,620	566,10
	(2) British "	1,152,550	305,40
	(3) Greek "	49,300	–
	(4) Yugoslav "	174,505	–
	(5) French "	97,060	–
	(6) Polish "	98,675	–
	(7) Canadian "	8,000	–
	(8) Czechoslovak "	27,535	–
	(9) Belgian "	17,930	–
	(10) Russian "	11,200	–
	(11) Columbian "	1,800	–
	(12) Brazilian "	18,000	–
	(13) Norwegian "	3,000	–
	(14) Netherlands "	9,700	–
	(15) Iceland "	7,100	–
	(b) Expenses in connection with Refugee Camps	247,271	556,530
	(c) Payments to Allied Nations Missions		
	(1) Czechoslovak Military Mission	150,000	45,000
	(2) Norwegian Military Mission	76,000	44,000
	(3) Polish Military Mission	954,000	20,000
	(4) Royal Yugoslav Military Mission	400,000	–
	(5) Belgian Military Mission	8,000	5,000
	(6) Netherlands Mission	115,000	70,000
	Lire	5,885,246	1,712,030

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TOTAL TO 30 APRIL 1944	CURRENT MONTH	TOTAL TO 31 MAY 1944
OF SUBJECTS		
cial Assistance to		
2,258,620	666,100	2,924,720
1,152,550	305,400	1,457,950
49,280	-	49,300
174,505	-	174,505
97,060	-	97,060
98,675	-	98,675
8,000	-	8,000
27,535	-	27,535
17,930	-	17,930
11,200	-	11,200
1,800	-	1,800
18,000	-	18,000
3,000	-	3,000
9,700	-	9,700
7,100	-	7,100
ection with Refugee		
247,271	556,530	803,801
ed Nations Missions		
Military Mission	150,000	45,000	195,000
tary Mission	76,000	44,000	120,000
y Mission	954,000	20,000	974,000
Military Mission	400,000	-	400,000
ry Mission	8,000	5,000	13,000
sion	115,000	70,000	185,000
Lire	5,885,246	1,712,030	7,597,276

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Declassified E.O. 12356 Section 3.3/NND No. 785021

SECRET

SCHEDULE No.		TOTAL TO 30 APRIL 1944	CURRENT MONTH
XIX	PAYMENTS CHARGEABLE TO ITALIAN STATE IN RESPECT OF ITALIAN REFUGEES, ETC.		
	(a) Payments in Respect of Italian Refugees	48,440	2,762,827
	(b) Emergency Financial Assistance Payments to Other than Allied Nationals		
	(1) Albanian Nationals	16,833	-
	(2) Egyptian "	1,200	4,000
	(3) Italian ex Yugoslav "	4,000	-
	(4) Lettonian "	5,700	-
	(5) Paraguayan "	4,500	-
	(6) Peruvian "	2,000	-
	(7) Swedish "	1,200	-
	(8) Swiss "	600	-
	(9) Austrian Jewish "	18,200	-
	(10) German Jewish "	19,320	-
	(11) Stateless "	29,400	-
	(12) Unknown "	24,685	16,000
		127,638	20,000
	Lire	176,078	2,782,827

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Declassified E.O. 12356 Section 3.3/NND No. 785021

	TOTAL TO 30 APRIL 1944	CURRENT MONTH	TOTAL TO 31 MAY 1944
ITALIAN			
GAN			
of.	18,440	2,762,827	2,811,267
Assist-			
ance then			
	16,833	–	16,833
	1,200	4,000	5,200
v "	4,000	–	4,000
	5,700	–	5,700
	4,500	–	4,500
	2,000	–	2,000
	1,200	–	1,200
	600	–	600
	18,200	–	18,200
	19,320	–	19,320
	29,400	–	29,400
	24,685	16,000	40,685
	127,638	20,000	147,638
Lire	176,078	2,782,827	2,958,905

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SECRET

SCHEDULE No. XX

	TOTAL TO 30 APRIL 1944	CURRENT MO
ADVANCES TO ALLIED ARMED FORCES		
(a) To American Army		
(1) Paid in Lire	11,740,808,000	2,122,400,
(2) Paid in Yellow Seal Dollars ($ 1,505,300, total to date)	150,530,000	-
(b) To American Navy		
(1) Paid in Lire	190,766,000	-
(2) Paid in Yellow Dollars ($138,000, total to date)	21,200,000	22,600,
(c) To British Army		
(1) Paid in Lire	7,923,651,830	1,882,948,
(2) Paid in B.M.A. Pounds (£ 2,002,600-15-6, total to date)	761,040,310	40,000,
(d) To British Navy		
(1) Paid in Lire	14,632,800	13,200,
(2) Paid in Francs (Fcs. 15,915 total to date)	31,830	-
(e) To Royal Air Force		
(1) Paid in Lire	14,035,000	1,000,
(2) Paid in Francs (Fcs. 1,319,844, total to date)	2,639,688	-
(f) To French Armed Forces		
(1) Paid in Lire	2,486,568,000	500,541,
Lire	23,306,103,458	4,585,692,

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	TOTAL TO 30 APRIL 1944	CURRENT MONTH	TOTAL TO 31 MAY 1944
ALLIED ARMED FORCES			
Italian Army			
Million Lire	11,740,808,000	2,122,400,000	13,863,208,000
Million Yellow Seal Dollars ($ 1,505,300, total value)	150,530,000	-	150,530,000
Italian Navy			
Million Lire	190,766,000	-	190,766,000
Million Yellow Dollars (000, total to date)	21,200,000	22,600,000	43,800,000
British Army			
Million Lire	7,923,651,830	1,882,948,000	9,806,599,830
Million B.M.A. Pounds (92,600-15-6, total value)	761,040,310	40,000,000	801,040,310
British Navy			
Million Lire	14,832,000	13,200,000	28,032,000
Million Francs (Fcs. 15,915 to date)	31,830	-	31,830
British Air Force			
Million Lire	14,035,000	4,000,000	18,035,000
Million Francs (Fcs. 2,639,644, total to date)	2,639,608	-	2,639,608
United Armed Forces			
Million Lire	2,486,568,000	500,544,000	2,987,112,000
Lire	23,306,103,458	4,585,692,000	27,891,795,458

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SECRET

SCHEDULE No. XXI		TOTAL TO 30 APRIL 1944	CURRENT MO
	DISBURSEMENTS IN RESPECT OF AMG/ACC		
	EXPENDITURE		
	(a) AFA Expenditure		
	Emoluments of Civilian Personnel	107,386	2,
	Motor Tnspt.-Maintenance of Vehs.	760	-
	Other Adm. Expenses		
	Printing & Stationery	35,496	3,
	Maintenance of Offices	4,410	-
	Maintenance of Office Equipment	1,905	-
	Sundries	1,284	-
	Total, Other Admin. Expendit.	43,095	3,
	Special Expenditure		
	Purchase of Office Furniture and Equipment	94,799	
	Reconditioning of Offices and Billets	51,590	6,
	Total Special Expenditure	146,389	7,
	Financial Expenditure		
	Interest Paid to Banks	4,555,087	6,
	Bank Service Charges	408,333	-
	Total Financial Expenditure	4,963,420	6,
	Total AFA Expenditure	5,261,050	20
	(b) AMG Expend.(to close of prev.mth)+	38,743,982	6,038
	(c) ACC Expend.(to close of prev.mth)+	14,151,120	6,868
	(d)AMG/ACC Disbursements made by AFA, direct in previous month, allocated in current month	2,533,832	(2,533,
	(e)AMG/ACC Disbursements made by AFA, direct in current month	-	10
	Lire	60,689,984	10,403

+ See Schedule No. XIV

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	TOTAL TO 30 APRIL 1944	CURRENT MONTH	TOTAL TO 31 MAY 1944
N RESPECT OF AMG/ACC			
ture			
Civilian Personnel	107,386	2,810	110,196
Maintenance of Vehs.	760	-	760
penses			
Stationery	35,496	3,290	38,786
of Offices	4,110	-	4,410
of Office Equipment	1,905	-	1,905
	1,284	-	1,284
r Admin. Expendit.	43,095	3,290	46,385
diture			
Office Furniture			
nt	94,799	900	95,699
ing of Offices			
	51,590	6,800	58,390
al Expenditure	146,389	7,700	154,089
penditure			
d to Banks	4,555,087	6,748	4,561,835
Charges	408,333	-	408,333
cial Expenditure	4,963,420	6,748	4,970,168
Expenditure	5,261,050	20,548	5,281,598
(to close of prev.mth)+	38,743,982	6,036,203	44,782,185
(to close of prev.mth)+	14,151,120	6,868,134	21,019,254
bursements made by AFA, revious month, allocat- at month	2,533,832	(2,533,832)	-
bursements made by AFA, urrent month	-	10,855	10,855
Lire	60,689,984	10,903,908	71,593,892

No. XIV

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SECRET

SCHEDULE No.		TOTAL TO 30 APRIL 1944	CURRENT M
XXII	DISBURSEMENTS OF ADVISORY COUNCIL FOR ITALY		
	(a) U.S. Delegation	-	59
	(b) British "	-	82
	(c) Russian "	-	82
	(d) Yugoslav "	-	84
	(e) Greek "	-	84
	(f) French "	-	35
		-	
	Lire	-	486
XXVII	GENERAL ACCOUNTS		
	Foreign Exchange Credits		
	(1) U.S. Dollars, ($ 769,527.78 total to date)	29,214,300	47,736
	(2) Sterling, (£ 9,164 - 5 - 8 total to date)	10,000	3,625,7
	Lire	29,224,300	51,361,1

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	TOTAL TO 30 APRIL 1964	CURRENT MONTH	TOTAL TO 31 MAY 1964
VISORY			
	-	59,234	59,234
	-	82,527	82,527
	-	82,962	82,962
	-	84,350	84,350
	-	35,741	35,741
	-	41,194	41,194
Lire	-	486,008	486,008
edit's			
total to date)	29,214,300	47,738,478	76,952,778
8 total to			
	10,000	3,655,713	3,665,713
Lire	29,224,300	51,394,191	80,618,491

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SECRET

SCHEDULE No. XXVIII		TOTAL TO 30 APRIL 1944	CURRENT MONTH
	CASH ON HAND & IN BANKS AT END OF PD. (Incldg.Mut.&Unfit A.M.Lire Notes O/H)		
	(a) Current Cash-Lire	883,233	(484,41
	(b) Reserve Cash-Lire	11,415,320,000	1,661,400,00
	(c) Bank Current Accounts-Lire		
	Banco di Sicilia	466,905,116	(52,591,38
	Banca d'Italia	866,522,273	360,675,22
	Banco di Napoli	66,684,157	(25,065,20
	Credito Italieno	55,085	7,724,42
	Banca Commerciale Italiana	3,308,990	5,200,02
	Total, Bank Current Accounts	1,422,475,621	303,643,02
	Total Lira Funds	12,838,678,854	2,164,766,62
	(d) Non Lira Currency C/H or in Bks		
	(1) Yellow Seal Dollars, ($ 1,515,603.31 total to date)	141,169,893	10,390,02
	(2) B.M.A. Pounds, (£ 573,194-16-5 total to date)	151,555,521	77,622,49
	(3) Maltese Pounds	56,950	(56,02
	(4) Tripolitanie Lire	70,850	(70,85
	(5) Francs	12,064	(12,00
	Total Non Lira Currency	292,964,378	87,874,38
	(e) Other Balances with Banks		
	(1) Bank of Italy No.2 Account+	200,000,000	1,400,000,00
	(2) CAS Rome Ltr of Credit A/C+	-	500,000,00
	(3) Funds Deposited with Italien Banks for Remittance Payments	-	65,091,54
	(4) Funds Deposited by U.S. Army Units - See Sched. IV (b)	60,744,602	5,256,12
		260,744,602	1,970,347,66
		13,392,387,834	4,222,980,68
	MUTILATED AND UNFIT A.M.LIRA NOTES ON HAND	8,502,513	(2,003,65
	Lire	13,400,880,347	4,219,995,03

+ Items (c), (1) & (2), above together = Item No.7 on the State

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Declassified E.O. 12356 Section 3.3/NND No. 785021

	TOTAL TO 30 APRIL 1944	CURRENT MONTH	TOTAL TO 31 MAY 1944
ANKS AT END OF PD.			
A.M.Lire Notes C/H)	883,233	(484,413)	398,820
re	11,415,320,000	1,861,400,000	13,276,728,000
ounts-Lire			
	466,905,116	(52,691,383)	414,213,733
	886,522,273	368,675,248	1,255,197,521
	65,684,157	(25,065,285)	40,618,872
	55,085	7,724,435	7,779,520
Le Italiana	3,308,990	5,200,020	8,509,010
rrent Accounts	1,422,475,621	303,843,035	1,726,318,656
ds	12,638,678,854	2,164,766,622	15,003,445,476
ey C/H or in Bks			
ollars,			
31 total to date)	141,169,893	10,390,938	151,560,831
,			
-5 total to date)	151,659,521	77,622,408	229,277,929
s	56,050	(56,050)	-
Lire	70,850	(70,850)	-
	12,064	(12,064)	-
Currency	292,964,378	87,274,382	380,838,760
with Banks			
No.2 Account+	200,000,000	1,400,000,000	1,600,000,000
of Credit A/C+	-	500,000,000	500,000,000
ed with Italian			
ittance Payments	-	65,091,541	65,091,541
ed by U.S. Army			
ched. IV (b)	60,744,602	5,256,120	66,000,722
	260,744,602	1,970,347,661	2,231,092,263
	13,392,307,634	4,222,988,665	17,615,376,499
A.M.LIRA			
	8,532,513	(2,923,665)	5,608,848
Lire	13,400,980,347	4,219,995,000	17,620,975,347

(2), above together = Item No.7 on the Statement of Receipts & Disbursements

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APPENDIX E

Remittance Lists From U.S.A. and Sterling Area

Up to 31 May 1944

1. Lists Submitted to Banco di Sicilia	Amount	No. of items
(a) U.S. Dollar Remittances		
American Express Co., New York	$163,597.50	4996
Amalgamated Bank of New York, New York	274	4
Apostolic Delegate	25,965.50	2
Bank of America , San Francisco	38,892	212
Bank of the Manhattan Company, New York	1,992	64
Central Hanover Bank & Trust Co., New York	150	2
Central National Bank in Chicago	14,925.50	834
Continental Illinois Nat. Bank & Trust Co. of Chicago	3,692	126
Chase National Bank of the City of New York	6,682.50	132
Columbus National Bank, Providence, R.I.	325	14
Corn Exchange Bank & Trust Co., New York	3,655	106
Corn Exchange National Bank & Trust Co., Philadelphia	100	1
First National Bank of Boston, Boston	2,520.50	208
First National Bank of Chicago, Chicago	2,986.50	284
Irving Trust Company, New York	2,345	194
Liberty Title & Trust Co., Philadelphia	5,188.50	145
Manufacturers Trust Company, New York	89,280.50	2433
Manufacturers National Bank of Detroit	1,402	29
Marine Midland Trust Company of New York	5,696	142
Merchants Bank of New York	1,461	51
National Bank of Detroit	12,028.50	305
National Shawmut Bank of Boston	5,682	104
National City Bank of New York	63,534.25	1492
Pan American Trust Company, New York	5,650.50	230
Perara Company, New York	5,832	149
Philadelphia National Bank, Philadelphia	2,125	52
Public National Bank & Trust Co., New York	9,261.83	331
Stabile Bank & Trust Co., Boston	12,486	491
Sterling National Bank & Trust Co., New York	2,108.50	234
United States Lines, New York	2,331	269
Whitney National Bank of New Orleans	1,324	23
	$ 519,810.08	14,184
(b) Sterling Remittances		
Bank of England +	£ 9,164-5-8	578

+ In addition to the British Isles, Bank of England Remittance Lists include remittances from Canada, New Zealand, Argentina, Venezuela, and Switzerland.

2. Lists Submitted to Banco di Napoli

Declassified E.O. 12356 Section 3.3/NND No. 795121

Chase National Bank of the City of New York	6,682.50	132
Columbus National Bank, Providence, R.I.	325	14
Corn Exchange Bank & Trust Co., New York	3,655	106
Corn Exchange National Bank & Trust Co., Philadelphia	100	1
First National Bank of Boston, Boston	2,520.50	208
First National Bank of Chicago, Chicago	2,986.50	284
Irving Trust Company, New York	2,345	194
Liberty Title & Trust Co., Philadelphia	5,188.50	145
Manufacturers Trust Company, New York	89,280.50	2433
Manufacturers National Bank of Detroit	1,402	29
Marine Midland Trust Company of New York	5,696	142
Merchants Bank of New York	1,461	51
National Bank of Detroit	12,028.50	305
National Shawmut Bank of Boston	5,682	104
National City Bank of New York	63,534.25	1492
Pan American Trust Company, New York	5,650.50	230
Perara Company, New York	5,832	149
Philadelphia National Bank, Philadelphia	2,125	52
Public National Bank & Trust Co., New York	9,261.83	331
Stabile Bank & Trust Co., Boston	12,486	491
Sterling National Bank & Trust Co., New York	2,108.50	234
United States Lines, New York	2,331	269
Whitney National Bank of New Orleans	1,324	23
	$ 519,810.08	14,184

(b) Sterling Remittances

Bank of England +	£ 9,164-5-8	578

+ In addition to the British Isles, Bank of England Remittance Lists include remittances from Canada, New Zealand, Argentina, Venezuela, and Switzerland.

2. Lists Submitted to Banco di Napoli

U.S. Dollar Remittances

American Express Co., New York	$176,480.20	3691
Amalgamated Bank of New York	375.00	10
Bank of America N/T and Savings Assoc.	13,357.00	253
Chase National Bank, New York	6,111.50	95
" " ", (Archbishop of Naples)	11,984.00	1
Central Bank of Chicago	13,170.00	341
Continental Illinois N/B and Trust Co., Chicago	3,820.00	81
Corn Exchange Nat. Bank & Trust Co., Philadelphia	455.00	8
Mellon National Bank, Pittsburgh	7,815.00	128
National Bank of Detroit	3,975.00	58
Manufacturers National Bank of Detroit	2,630.00	43
National Shawmut Bank of Boston	630.00	12
Stabile Bank & Trust Co., Boston	8,915.00	243
	$249,717.70	4,964

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REAR HEADQUARTERS
ALLIED CONTROL COMMISSION
Finance Sub-Commission
A.P.C. 394

FSCR/151

29 JUN 44

25 June 1944.

SUBJECT: The Cost of Living for May 1944.

TO : Vice-President, Administrative Section.
Directors, Administrative Sub-Commissions.

The following is a reproduction from the Finance Sub-Commission Monthly Report for May 1944, page 28. para 3.

The cost of living in Naples reached its highest level yet attained in May. The reasons for the increase, in order of approximate importance were: only a very small ration of dried beans was distributed during the month; no olive oil was distributed during the month (a ration was issued early in June to make up for the failure to distribute in May); the black market prices of bread and pasta continued to rise, reaching 250 and 300 lire per kilo, respectively; the prices of fruits en vegetables rose some what.

The cost of living in lire per person per week for the city of Naples, comparable to earlier figures published in this report, was as follows:

April	7	347 (revised)
	15	317 (revised)
	23	311 (revised)
	30	314 (revised)
	7	365
	15	403
	23	413
	30	404

The revision in the April figures result from changing the substitution factor of rationed dried beans for black market potatoes in order to give proper weight to the greater caloric value of beans per unit weight.

J. J. LAWLER
Lt. Cmdr. USCGR
Finance Sub-Commission.

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18 JUN 44
HEAD QTRS. A.C.C.

HEADQUARTERS
ALLIED CONTROL COMMISSION
FINANCE SUB-COMMISSION
APO 394

1307f/F

17 June 1944

SUBJECT: Monthly Report of Finance Sub-Commission.

TO : Regional Commissioner
Region I
" II
" III
" IV
" V
" VI
" VII
" VIII
Rome Region
Senior Civil Affairs Officer
AMG Five Army
" Eight "

Regional Finance Officer
Region I
" II
" III
" IV
" V
" VI
" VII
" VIII
Senior Finance Officer
AMG Five Army
" Eight "
Rome Region

RC & MG Section
Administrative Section
Political Section
All Sub-Commission, HQ ACC

Forwarded herewith for your information (and guidance in the case of RFOs and SFOs) is/~~are~~ 1 copy/~~ies~~ of the monthly operations report for May 1944 of the Finance Sub-Commission, Headquarters, Allied Control Commission.

For Lieut-General MASON MACFARLANE

Colonel, 1656
Joint Director,
Finance Sub-Commission.

2273

S E C R E T

HEADQUARTERS
ALLIED CONTROL COMMISSION
FINANCE SUB-COMMISSION
APO 394

13071/F

10 June 1944

REPORT OF THE FINANCE SUB-COMMISSION HQ ACC

FOR MAY 1944

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

Lt.(jg) J.E. Hicks, USCGR) Joint (Major R. E. L. Tirrens
Capt. Andrew Kunrok) Editors (Lt. C. H. Ellis, USNR.

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APPENDICES

A - Financial Effects of Allied Occupation

Declassified E.O. 12356 Section 3.3/NND No. 765021

Capt. Andrew Karrok) Editors (Lt. C. [illegible])

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APPENDICES

A - Financial Effects of Allied Occupation

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

C - Banking Statistics

D - Value of All Lire in Hands of Italian Banks and Public

E - AFA Reports

F - Remittance List Submitted to the Banco di Sicilia up to 30 April 1944

G - Notes on Life Insurance in Italy

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Declassified E.O. 12356 Section 3.3/NND No. 745021

I. ORGANIZATION

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

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

2. The committee is composed of the following members:

Chairman - Captain Ellery W. Stone, USNR

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

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

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

II GOVERNMENT FINANCE

A. The Italian Government Deficit

1. Italian State Account

(a) For the last few months through April, the excess of disbursements on Italian government account over receipts has remained fairly stable at around 3,000 million lire per month. While in March the excess rose to 3,100 million lire, in April it dropped to 2,700 million lire. These fluctuations are due: (i) to the character of cash disbursements data as such, which depending on chance happenings, will result in higher or lower payments being made in one month or another and (ii) to the bi-monthly peaks in Italian revenue collections. It is not expected that this stability will continue, however. [illegible]

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Declassified E.O. 12356 Section 3.3/NND No. [illegible]

Secretary - Lieut-Comdr. J.J. Loeler, USCGR - Finance Sub-Commission

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

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

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

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

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

	Total Italian Gov't.	Total Military Territory Gov't.	Grand Total Territory Liberated Italy
a. "Deficit" in State Account			
Total payments less payments on account of Buoni del Tesoro ordinari	22,873	6,108	28,981
Total Receipts less receipts on account of Buoni del Tesoro ordinari	3,416	1,104	4,522
Excess of Disbursements	19,455	5,004	24,459
b. How State "Deficit" was met			
Credit advanced by Banca d'Italia to State	8,527	1,486	10,013
Decrease in balance held by State at Banca d'Italia on 1 July 1943	3,042	1,174	4,216
Advances from AFHQ and AMG	3,250	50	3,300
Funds supplied from Rome	1,921	1,400	3,321
Net receipts in Buoni del Tesoro ordinari account	1,195	329	1,524
Increase in Contabilita' Speciale accounts	1,507	579	2,086

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Total payments less payments on account of Buoni del Tesoro ordinari	22,873	6,108	28,981
Total receipts less receipts on account of Buoni del Tesoro ordinari	3,418	1,104	4,522
Excess of disbursements	19,455	5,004	24,459
b. How State "Deficit" was met			
Credit advanced by Banca d'Italia to State	8,527	1,486	10,013
Decrease in bal nce held by State at Banca d'Italia on 1 July 1943	3,042	1,174	4,216
Advances from AFA and AMG	5,150	30	5,180
Funds supplied from Rome	1,921	1,400	3,321
Net receipts in Buoni del Tesoro ordinari account	1,195	329	1,524
Increase in Contabilita' Speciale accounts	1,507	579	2,086
Increase in deposits of cash guarantees	113	6	119
Total	19,455	5,004	24,459

2. Government bonds

(a) In April, for the first time since the liberation of southern Italy, a sizeable portion of the deficit or state account was financed by the sale of government securities. During April, over a fourth of this deficit was met by the net investment, principally by banks, in Treasury bills (Buoni del Tesoro ordinari). Total purchases of the B.T.O. amounted to 1,420 billion lire par value, with a net investment for the month of 779 million lire or almost as much as the total investment for the preceding nine months. This development appears to be [illegible] the strong upward movement in government bond prices in April and, presumably, was likewise caused by the formation of the new Italian government during the month.

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(b) Since the resumption of trading in government bonds in November there have been three factors which have led to a strong upward movement in prices. The payment of the 15 December 1943 5% bond maturity and the general resumption of public debt service on 1 January 1944 resulted in a recovery of bond prices to levels higher than they had been immediately preceding the Allied invasion. The formation of the new government embodying the six anti-fascist parties in April resulted in a further increase in prices which has been well maintained. One security, the 3.50% Rente of 1906 has been consistently selling above par since the advent of the new government. Government bond prices are remaining above levels prevalent a year ago under the fascist regime.

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

3. Cash Position of Italian Government in May

(a) No advances were made to the central Italian Government in May. Outside of the forward Army AMG areas, finance officers are not authorized to make any advances for Italian governmental purposes without prior authorization from Finance Sub-Commission headquarters. No authorization was granted during the month. The Banca d'Italia which has been given the complete responsibility for taking care of the currency needs of the government was able to meet all governmental demands both in the Italian Government territory and in AMG territory. In addition, the Banca d'Italia provided 600 million lire from its Naples branch and 60 million from its Bari branch during May to take care of any governmental financing which may be necessary in the new areas liberated.

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

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

E. Revenue

1. Revenue Collections

Declassified E.O. 12356 Section 3.3/NND No. 759021

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

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

B. Revenue

1. Revenue Collections

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

Total State Revenues for the 27 Provinces
(gross intake less Capo X)
(millions of lire)

				Per cent this year to previous year
1942		1943		
July through December	2,553	July through December	1,460	57
1943		1944		
January	400	January	204	51
February	550	February	469	85
March	327	March	472	144
April	515	April	737	143
Total	4,345	Total	3,342	77

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The detailed tables below show that this improvement is general throughout the area and throughout all important revenue classifications. April collections were larger than those in April 1943 in all provinces other than Potenza, Naples, and Reggio di Calabria. In 12 provinces revenues for the entire 10 month period are larger than for the comparable period a year ago. Naples, however, which alone produces more revenue than all of Sicily, has reached only 55 per cent for the 10 months period. Other provinces which suffered heavily in the war, Catania, Messina, Trapani, Taranto, Salerno, Cagliari, Catanzaro, and Reggio di Calabria have reached less than 70 per cent. Most of these areas are ports at which the loss of revenues from customs duties represents a substantial part of the total decrease.

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

Total Revenue Receipts (Gross Intake, Less Caps X)
(millions of lire)

	9 months to Mar. 43	April 1943	Total for 10 months	9 months to Mar. 44	April 1944	Total for 10 months	Percentage 43/44 to 42/43
Region I.							
Agrigento	37	6	43	34	9	43	100
Caltanissetta	26	5	32	24	8	32	103
Catania	292	26	318	99	29	128	40
Enna	19	4	23	20	6	26	113
Messina	116	14	130	38	16	54	42
Palermo	370	40	410	213	82	295	72
Ragusa	20	4	24	24	7	31	130
Siracusa	35	6	41	33	11	44	107
Trapani	134	7	141	40	11	51	36
Total	1,249	112	1,161	525	179	704	61
Region II.							
Bari	539	82	621	729	198	927	149
Brindisi	36	8	44	54	12	66	150
Lecce	60	14	74	80	22	102	138
Taranto	119	14	133	64	24	88	66
Matera	19	4	23	19	4	23	100
Potenza	27	5	32	24	3	27	84
Total	800	127	927	970	263	1,233	133
Region III.							
Avellino	36	6	42	29	8	37	90
Benevento	30	5	35	15	11	26	74
Napoli	1,199	168	1,367	598	128	726	53
Salerno	92	17	109	52	17	69	63
Total	1,357	196	1,553	694	164	858	55

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Agrigento	57	6	63	34	9	43	100
Caltanissetta	26	5	31	24	8	32	103
Catania	292	26	318	99	29	128	40
Enna	19	4	23	20	6	26	113
Messina	116	14	130	36	16	54	42
Palermo	370	40	410	213	82	295	72
Ragusa	20	4	24	24	7	31	130
Siracusa	35	6	41	33	11	44	107
Trapani	134	7	141	40	11	51	36
Total	1,049	112	1,161	525	179	704	61
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Bari	539	82	621	729	198	927	149
Brindisi	36	8	44	54	12	66	150
Lecce	60	14	74	80	22	102	138
Taranto	115	14	133	64	24	88	66
Matera	19	4	23	19	4	23	100
Potenza	27	5	32	24	3	27	84
Total	800	127	927	970	263	1,233	133
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Salerno	92	17	109	52	17	69	63
Total	1,357	196	1,553	698	164	858	55
Region V							
Campobasso	31	6	37	19	6	25	68
Foggia	112	18	130	84	23	107	82
Total	143	24	167	103	29	132	79
Region VI							
Cagliari	204	8	212	101	38	139	66
Nuoro	15	3	18	19	5	24	133
Sassari	36	8	44	61	19	80	182
Total	255	19	274	181	62	243	89
Region VII							
Catanzaro	95	15	110	56	17	73	66
Cosenza	46	9	55	42	15	57	104
Reggio di Calabria	85	13	98	34	8	42	43
Total	226	37	263	132	40	172	65
GRAND TOTAL	3,830	515	4,345	2,605	737	3,342	77

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Total Revenue by Sources

(millions of lire)

	10 months to 30/4/43	10 months to 30/4/44	% 43/44 to 43/43	April 1943	April 1944
Capo I Manufacturing Taxes	242	143	59	16	29
Capo II Customs	276	61	22	7	28
Capo III Local Finances	1	2	199		
Capo IV Monopolies	1,534	1,062	69	163	225
Capo V Lottery	143	45	31	9	10
Capo VI Direct Taxes	1,067	1,147	108	225	286
Capo VII State Lands, etc.	5	2	49		1
Capo VIII Indirect Taxes	1,049	954	81	92	156
Capo IX State Supply Officer	11	18	163	1	1
Capo XI Ministry of Justice	6	3	50	1	
Capo XVII Ministry of Agriculture	2	1	54		
Others	8	5	67		
Total less Capo X	4,344	3,345	77	514	737

2. Tax revision

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

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

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

(c) Tax on capital (Patrimonio). The proposal raises the present ½ per cent rate to a sliding scale ranging from ½ to 2 per cent. This step is thought to be the most practicable method of quickly reaching the profits of large landowners upon whom income taxes have never been satisfactorily imposed.

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Total less Capo X 4,944 3,549

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(d) Land tax (Terreni). The proposal increases the rate of duty from 5 per cent to 10 per cent and, in the case of rents received in kind, also increases the amount assessed by 100 per cent. It will be observed, by comparing this proposal to that in paragraph (d), that when the surtax is also taken into consideration the Minister's proposals increase the rate on rural landowners less than ½ as much as they increase the tax on owner-cultivators.

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

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

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

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Declassified E.O. 12356 Section 3.3/NND No. 795681

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

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

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

4. Terreni assessments. Many communes have been found where the terreni assessments are still based upon valuations of 1825, multiplied by a small factor. The Ministry has agreed to make a general inquiry in order to determine how many such communes there are, and in order to take steps to increase such assessments.

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

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

7. Italian taxation of Allied forces

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

C. Budget and Expenditure Control

1. New Italian Government Budget

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Declassified E.O. 12356 Section 3.3/NND No. 785021

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C. Budget and Expenditure Control

1. New Italian Government Budget

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

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2. Expenditure control agencies

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

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

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

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

3. Estimated disbursements for May

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

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

Ministry	April	May	Increase of May over April
Finance	138.0	197.0	59.0
Justice	26.0	38.0	12.0
Foreign Affairs	2.5	.5	-2.0
Italian Africa		1.2	1.2
Education	120.0	137.0	17.0
Interior	479.0	574.0	95.0
Public Works	64.0	57.0	-7.0

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Italian Africa		1.2	1.2
Education	120.0	137.0	17.0
Interior	479.0	574.0	95.0
Public Works	64.0	57.0	-7.0
Communications	528.0	675.0	147.0
Agriculture	13.0	136.0	123.0
Industry & Commerce	3.5	4.9	1.4
Monopolies	99.0	57.0	-42.0
Public Debt	61.0	68.5	7.5
Lottery	1.1	3.5	2.4
Total - Civil Ministries	1,535.1	1,949.6	
Military			
War	646.2	679.8	33.6
Navy	260.8	348.1	87.3
Air Forces	89.0	82.3	-6.7
Merchant Marine	5.5	27.6	22.1
Total - Military	1,001.5	1,137.8	
Total Government	2,536.6	3,087.4	

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Ministry of War

Significant Increases in Estimates for May 1944

(millions of lire)

"Capitolo" Designation	April	May	Increases
Non-commissioned officers and soldiers salaries and allowances, re-enlistments and premiums.	140.0	167.0	27.0
Branch of the Royal Carabinieri - non-commissioned officers, etc.	20.1	39.0	18.9
Family allowances to prisoners of war	44.0	62.0	18.0
Convalescence allowances	3.0	4.0	1.0
Temporary pension allowances	5.0	12.5	7.5
Prisoners of war, and soldiers reported dead or missing but still carried on the rolls	1.1	2.8	1.7
Subsistance for troops	85.8	86.4	.6
Sanitary Services and hospital expenditures	19.0	27.9	8.9
Equipment, renovation and maintenance of arms, munitions, etc.	2.5	5.7	3.2
Works of maintenance	1.1	1.9	.8
Total	321.6	409.2	87.6
Note: Since some of the capitoli excluded from the above tabulation show decreases the net total increase is:-	646.2	679.8	33.6

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Prisoners of War and soldiers reported dead or missing but still carried on the rolls	1.1	2.8	1.7
Subsistence for troops	86.8	86.4	.6
Sanitary Services and hospital expenditures	19.0	27.9	8.9
Equipment, renovation and maintenance of arms, munitions, etc.	2.5	5.7	3.2
Works of maintenance	1.1	1.9	.8
Total	321.6	409.2	87.6

Note: Since some of the capitoli excluded from the above tabulation show decreases the net total increase is:- 646.2 679.8 33.6

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Ministry of the Navy

Significant Increases in Estimates for May

(in millions of lire)

"Capitolo" Designation	April	May	Increase
Salaries and wages for non-commissioned officers and personnel of C.R.E.M.	4.2	10.4	6.2
Salaries of labourers	23.1	31.4	8.3
Subsistance of C.R.E.M.	14.1	15.3	1.2
Water rates and rental of premises	-	.5	.5
Arms and war supplies for maritime and coastal defenses	-	5.0	5.0
Acquisition of materials and equipment for military maritime establishments	.5	1.0	.5
Functioning of workshops for naval and mechanic construction	-	1.4	1.4
Materials for construction and repairing of ships	-	2.5	2.5
Maintenance of ships of the Royal Navy marine construction	2.9	6.7	3.8
Maintenance of ships of the Royal Navy marine armament	.2	2.5	2.3
Works and supplies for naval and mechanic construction relative to the war effort	18.6	20.5	1.9
Works, supplies, arms and armament relation to the war effort - marine armament	9.4	24.1	14.7
Overtime pay and allowances to military personnel	108.0	120.5	12.5
Expenses for food, clothing barracks etc. - marine commissary	27.0	41.8	14.8
Extraordinary allowances for works of marine engineers dependent on the state of war	9.6	12.6	3.0

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military maritime establishments	.5	1.0	.5
Functioning of workshops for naval and mechanic construction	-	1.4	1.4
Materials for construction and repairing of ships	-	2.5	2.5
Maintenance of ships of the Royal Navy marine construction	2.9	6.7	3.8
Maintenance of ships of the Royal Navy marine armament	.2	2.5	2.3
Works and supplies for naval and mechanic construction relative to the war effort	18.6	20.5	1.9
Works, supplies, arms and armament relation to the war effort - marine armament	9.4	24.1	14.7
Overtime pay and allowances to military personnel	108.0	120.5	12.5
Expenses for food, clothing barracks etc. - marine commissary	27.0	41.8	14.8
Extraordinary allowances for works of marine engineers dependent on the state of war	9.6	12.6	3.0
Subsidies to personnel for injuries due to enemy action	.2	12.7	12.5
Expenditures dependent on the international situation	-	1.8	1.8
Total	217.8	310.7	92.9
Note: Since some of the Capitoli excluded from the above tabulation show decreases the net total increases is:-	260.8	348.1	87.3

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4. Actual Disbursements for April

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

Comparison of Cash Disbursements for liberated Italy
March & April

(millions of lire)

Ministry	March	April
Finance	353.5	246.9
Justice	39.0	28.0
Foreign Affairs	1.4	1.8
Italian Africa	4.2	3.6
Education	147.0	128.1
Interior	520.9	239.2
Public Works	60.5	61.4
Communications	218.5	110.1
Agriculture	36.0	10.5
Industry & Commerce	3.0	7.0
Popular Culture	1.5	.2
Total	1,385.5	836.8
Military		
War	2,187.4	855.0
Navy	225.6	274.0
Air Forces	189.0	218.5
Total Military	2,602.0	1,347.5
Total Budget Disbursements	3,987.5	2,184.3
Disbursements Outside Budget	715.3	720.0
Transfer of Funds		600.0
Autonomous Administrations	1,060.2	1,048.1
Total	5,763.0	4,552.4
Payments in Suspense	-1,555.1	395.5
Total General Payments	4,207.9	4,947.9
Special Accounts	2,873.8	2,654.3
Temporary Cash Deposits	109.9	2.9
Total	7,191.6	7,605.1

(b) The figures for March in the above table include Naples Province and

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Communications	218.5	110.1
Agriculture	36.0	10.5
Industry & Commerce	5.0	7.0
Popular Culture	1.5	.2
Total	1,385.5	836.8

Military

War	2,197.4	855.0
Navy	225.6	274.0
Air Forces	189.0	218.5
Total Military	2,602.0	1,347.5

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Disbursements Outside Budget	715.3	720.0
Transfer of Funds		600.0
Autonomous Administrations	1,060.2	1,048.1
Total	5,765.0	4,552.4

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

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

(c) The following table indicates in detail available information on cash disbursements in liberated Italy for April. It purports to indicate that total cash disbursements for all of liberated Italy were approximately 7.6 billion lire. However, as was pointed out last month, the item "Special Accounts" includes a large number of suspense accounts into which payments are made from the accounts of the various Ministries and autonomous bodies. It has been impossible to determine how much "double-counting" is included in this item and to what extent the other items in the table are transfers rather than net outpayments. As estimated in Section II of this report, it is probable that total actual cash disbursements were approximately 3.5 billion lire. As stated in last month's report, the Minister of Finance has been requested to provide a detailed explanation of the net decrease of 1.5 billion lire in the item "Payments in Suspense" (pagamenti collettivi), which apparently was transferred to the Ministry of War's account for Bari. No answer has yet been received. The net decrease in "pagamenti collettivi" was reflected in the March figures and a net increase is again shown for April. This means that some Governmental payments are once more being charged against an undifferentiated account rather than against the accounts of the appropriate Ministries.

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

Ministry	Sardinia	Sicily	Puglia	Lucania	Campania	Calabria	Romagna	Campobasso	Total
Finance	13.6	123.5	26.5	5.9	59.6	10.0	4.0	3.8	246.9
Justice	3.4	11.5	3.0	0.6	7.9	1.9		0.6	28.0
Foreign Affairs	.	.	0.3	.	1.5	.	.	.	1.8
Italian Africa	.	0.3	2.8	0.5	.	.	.	.	3.6
Education	12.7	29.7	37.7	11.4	34.7	1.3	0.1	0.5	128.1
Interior	11.1	75.5	102.0	1.4	48.2	0.6	0.2	0.2	239.2
Public Works	7.1	29.2	5.5	0.2	18.4	0.6	0.2	0.2	61.4
Communications	1.3	37.0	22.4	.	49.4	.	.	.	110.1
Agriculture	1.8	3.8	1.8	0.1	2.8	0.2	.	.	10.5
Industry & Commerce	0.2	6.1	0.1	.	0.6	.	.	.	7.0
Popular Culture	.	0.1	0.1	.	.	.	.	.	0.2
Total	51.2	316.7	202.2	20.1	222.2	14.6	4.5	5.3	836.8
Military									
Army	171.8	29.7	650.3	0.2	2.4	0.5	.	0.1	855.0
Navy	19.8	0.9	246.9	.	6.4	.	.	.	274.0
Air forces	24.3	.	194.2						218.5
Total Military	215.9	30.6	1091.4	0.2	8.8	0.5	.	0.1	1347.5
Total Budget Disbursements	267.1	347.3	1293.6	20.3	231.0	15.1	4.5	5.4	2184.3
Disbursements outside Budget	8.2	440.3	103.0	10.5	121.3	6.7	17.0	12.4	720.0
Transfer of funds						600.0			600.0
Autonomous Administrations	39.8	305.3	404.9	26.5	182.8	71.2	16.6	1.0	1048.1
Total	315.1	1092.9	1801.5	57.3	535.7	693.0	38.1	18.8	4552.4
Payments in Suspense	-11.1	37.8	-164.2	30.9	315.7	80.6	47.6	58.2	395.5
Total General Payments	304.0	2130.7	1637.3	88.2	851.4	773.6	85.7	77.0	4947.9
Special Accounts	435.9	385.5	1258.2	36.6	359.7	136.2	20.8	21.4	2654.3
Temporary Cash Deposits	.	2.2	0.5	.	0.2	.	.	.	2.9
Grand Total	739.9	2518.4	2896.0	124.8	1211.3	909.8	106.5	98.4	7605.1

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Military									
Army	171.8	29.7	650.5	0.2	2.4	0.5	.	0.1	855.0
Navy	19.8	0.9	246.9	.	6.4	.	.	.	274.0
Air forces	24.3	.	194.2						218.5
Total Military	215.9	30.6	1091.4	0.2	8.8	0.5	.	0.1	1347.5
Total Budget Disbursements	207.1	347.3	1293.6	20.3	231.0	15.1	1.5	5.4	2184.3
Disbursements outside Budget	8.2	448.3	105.0	10.5	121.9	6.7	17.0	12.4	720.0
Transfer of Funds						600.0			600.0
Autonomous Administrations	39.8	305.3	404.2	26.5	182.8	71.2	16.6	1.0	1048.1
Total	515.1	1092.9	1801.5	57.3	535.7	693.0	36.1	18.8	4352.4
Payments in Suspense	-11.1	37.8	-164.2	30.9	315.7	80.6	47.6	58.2	395.5
Total General Payments	504.0	1130.7	1637.3	88.2	851.4	773.6	85.7	77.0	4947.9
Special Accounts	435.9	385.5	1250.2	36.6	359.7	136.2	20.8	21.4	2654.3
Temporary Cash Deposits	.	2.2	0.5	.	0.2	.	.	.	2.9
Grand Total	739.9	1518.4	2896.0	124.8	1211.3	909.8	106.5	98.4	7605.1

5. Authorizations to Spend Issued by the Italian State Government

It was learned that during March the Italian Minister of Finance had issued orders to all branches of the Banca d'Italia cancelling/authorizations to spend which had been issued by the former Mussolini Government.

As far as can be determined approximately 70 to 80 per cent of the spending by the Italian Government is being authorized by the issuance of ordini di accreditamento. Direct budget charges for salaries, pensions, debt service, and certain miscellaneous items are not included under ordini di accreditamento. There is still no limitation on the time period within which the accreditamenti can be utilized. Consequently no conclusions can be drawn from the following table as to rate or amount of government spending in any particular month. It can be said, however, that these authorizations will result in disbursements in some future period.

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

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

(in millions of lire)

Ministry	March	April
Finance	16.3	23.2
Finance State Monopolies	19.0	30.8
Justice	2.3	2.4
Foreign Affairs	0.4	1.0
Italian Africa	.	3.4
Education	32.3	81.4
Interior	5.7	277.4
Public Works	11.3	16.1
Public State Roads	8.2	27.0
Communications:		
State Railways	22.9	32.5
Post and Telegraph	.	.
Agriculture	4.2	1.3
Industry & Commerce	0.9	0.3
Popular Culture	0.1	.
Foreign Exchange	.	.
Total Civil	123.6	496.3
Army	359.3	648.5
Navy	172.3	367.8
Merchant Marine	6.0	15.5
Air Forces	190.3	89.0
Total Military	727.9	1120.8
Total Government	851.5	1617.6

6. Provincial and communal budgets and expenditures

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

Region	Province	Provincial Budgets Received	Communal Budgets Received	Communes in Province
II	Matera	1	32	32

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Communications:	28.9	32.5
State Railways	.	.
Post and Telegraph	4.2	1.3
Agriculture	0.9	0.3
Industry & Commerce	0.1	.
Popular Culture	.	.
Foreign Exchange	123.6	496.8
Total Civil	359.3	648.5
Army	172.3	367.8
Navy	6.0	15.5
Merchant Marine	193.3	89.0
Air Forces	747.2	1120.8
Total Military	851.5	1617.6
Total Government		

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II	Matera	1	32	32
	Potenza	1	2	91
III	Salerno	-	90	145
VII	Cosenza	1	92	136
	Reggio Calabria	1	82	88

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

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

7. Specific control measures

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

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

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

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

(e) Unpaid bills. As an anti-inflation measure study is being given to the continuing practicability of postponing the payment of bills contracted by the Italian government prior to 8 September 1943. It is often difficult to separate current from past obligations. In the estimate of requirements of the Italian Merchant Marine for the month of May there was found an amount of more than 21 million lire for payment of the operational expenses of some 40 requisitioned vessels. Upon investigation it was found that most of these obligations had been incurred prior to 8 September 1943. The Minister of Finance was requested to withhold payment of these sums.

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

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

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

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

III. BANKING, POSTAL SAVINGS AND OTHER FINANCIAL DEVELOPMENTS

A. Central Banking Developments

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

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

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

3. The cash position of the Banca d'Italia and the currency policy pursued

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A. Central Banking Developments

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

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

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

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

B. Inspectorate

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

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

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

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

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

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

C. Commercial Banking

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

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

3. In the city of Naples, deposits decreased by 600 million lire during the summer of 1943 prior to our occupation. On the re-opening of the banks in November, deposits increased at the rate of almost 300 million lire per month to the end of February. By the end of January, the withdrawals of the summer had been replaced. In March, deposits increased by 650 million lire and in April by almost 900 million lire making the total 5,600 million lire of deposits in Naples city [illegible] deposits at the Banca d'Italia. This represents a more

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responsibility for their branches in the newly liberated territory. In cooperation with the Regional Finance Officers of Regions III, IV and V these banks have been given the task of providing personnel, currency, and whatever else is necessary for the early rehabilitation and resumption of banking services in the new areas.

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3. In the city of Naples, deposits increased by 600 million lire during the summer of 1943 prior to our occupation. On the re-opening of the banks in November, deposits increased at the rate of almost 300 million lire per month to the end of February. By the end of January, the withdrawals of the summer had been replaced. In March, deposits increased by 650 million lire and in April by almost 900 million lire making the total 5,600 million lire of deposits in Naples city banks plus non-bankers' deposits at the Banco d'Italia. This represents a more than 100 per cent gain since the re-opening of the banks, which is to be compared with the estimate of a 60 per cent gain in deposits over the whole of Liberated Italy. In view of the leading financial position of Naples in southern Italy, as deposits in Naples have increased much more rapidly than in the rest of the country, a large discrepancy between the figure for Naples and the rest of the country is to be expected.

4. From discussions with various bankers and from the scanty other available information, the following causes for the increase in deposits appear to prevail. Around ½ is due to the re-deposit of money which was withdrawn prior to the Allied landings. Another large part represents the conversion of merchants' and other businessmen's stocks into money. It has been almost impossible to replenish commodities and raw materials which are sold or worked up. As a result, gradually real goods held by business are being replaced by reserves of money held at banks. Some of the money comes from new and old enterprises which have been making large profits by selling trinkets, various other souvenirs and other commodities to troops.

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

D. Post Office Financial Services

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

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

2. Sardinia appears to be the bright spot in April with a net investment in postal bonds and deposits of around 20 million lire. Complete data on the current accounts in Sardinia are not available but the increase in current accounts should

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that the flow of bulky food articles from other provinces into Naples is difficult. It is likely, therefore, that the food black market in Naples - where not fed from allied stores - is supplied mainly from the agricultural sections near the city. The purchasing power engendered by Allied expenditures in Naples, then, tends to remain in Campania rather than to spread out over the country.

D. Post Office Financial Services

1. Sales and redemptions of postal savings bonds were resumed in Sicily on 1 April. During this first month, there was an excess of redemptions over sales of 159 million lire. This initial large outflow of money in postal savings must be considered as the concentration effect in one month of the same trend consistently shown in other regions of net withdrawals from postal savings. The provisional certificates available now, not been favorably received by the public and the outflow of funds resulting from savers cashing in their old bonds is not matched by new savings deposited in postal bonds.

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

3. Complete figures on all of Liberated Italy are not yet available. However, the data on February and March are reasonably complete. These show a net movement on all three types of postal accounts (bonds, deposits, current accounts) of 146 million in during February, and of 88 million out in March. The figures on April are so incomplete that no conclusions can be drawn except for certain areas.

4. As the result of negotiations with Communications Sub-Commission, culminating in a conference of security, postal, and finance interests held on 25 May, Executive Memorandum No. 36 contained in "Instructions for the guidance of Officers of the Commission" has been completely revised and will be published shortly. The principal changes are that whereas formerly it was necessary to obtain approval of Communications Sub-Commission before re-commencing or extending a Service, Provincial Finance Officers may now authorize Postmasters to reopen Post Offices for financial services (as distinct from postal services) provided:

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(a) that general conditions are suitable

(b) that an adequate supply of cash is available and can be maintained by the post office's resources,

(c) that the postmaster has the necessary supplies, records and payment authorities.

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

B. Sales of Real Estate

1. While the number of real estate sales reported has decreased slightly in south-eastern Italy (the only area on which we have data), the average value of the real estate transferred has increased somewhat in the last three months to May 1. There were 1,033 transfers in April with an average value of 15,509 lire compared with 1,290 transfers and an average value of 12,923 lire in March. (See Appendix G.)

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

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

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

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

A. Currency for Areas in Process of Liberation

1. The manager of the Bari branch of AFA was recalled to Headquarters and given the task of preparing and moving a shipment of currency forward in a motor

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

A. Currency for Areas in Process of Liberation

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

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2. The Finance Sub-Commission was unable to secure the assignment of even one Allied enlisted man from ..GO to the party, apparently because of the extreme shortage of enlisted personnel, and the party consisted of, in addition to one Allied officer, 6 Italian guards of the Guardia di Finanza, 5 Italian civilian drivers, and three civilian officials designated by the Banca d'Italia. The burden of financial and administrative responsibility placed upon one Allied officer was excessive, and additional enlisted personnel must be assigned as guards and drivers in future movements if such grave risk of the loss of large sums of currency is to be avoided. A recommendation is being made to G-5, ..FHQ, that shipments of currency by officers of the Allied Financial ..gency be entitled to military guards under .R35-1.0 of U.S. Army Regulations, which requires the military establishment to detail guards to accompany shipments of currency by U.S. Army Disbursing Officers.

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

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

B. Coverage of .M. .ccounts by .M Lire

1. In accordance with the policy established, meetings were held with Commendatore Pettinari, Vice-Commissioner of the Banca d'Italia, for the purpose of securing satisfactory undertakings from the bank. The Banca d'Italia provide 100 per cent coverage [illegible]

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

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

5. Coverage of AF. Accounts by AM Lire

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

2. More time was required to secure the bank's agreement to a directive that would assure an additional reserve in AM lire adequate to cover globally the balance held by AF. in the No. 2 or "Sterilization" Account. The substantial additional sum of 1,900 million lire was paid in to this account on 4 May 1944, for the purpose of withdrawing surplus cash of the banking system in the form of AM lire.

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

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

C. Use of Metropolitan Lire in Sardinia

1. On 20 May, the manager of the Cagliari branch of AFL brought cashiers of the Banca d'Italia to Naples, who took delivery of 280 million lire in Metropolitan lire, which was then transported to Sassari for account of the Banca d'Italia. Thus for the first time the local budgetary deficit and the State payments in Sardinia will be financed by the Banca d'Italia, rather than by AFL. The manager reports that the prospect of having to depend upon its own currency in the future may result in the bank's applying a restraining influence on inflationary borrowings of local governments in Sardinia, while the bank also appears to be able to stimulate the return flow of cash to itself, given this incentive. Every effort will be made to avoid further issue of AM lire to finance Italian activities in Sardinia, and it is hoped that few shipments of Metropolitan lire from Naples will be required. Such shipments will be made by Italian Naval vessels in future.

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

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

1. Total currency holdings of the Branches of the Banca d'Italia in Liberated Italy increased by 700 million lire during April, or by roughly the same amount as in March, but 400 millions were acquired for account of the Allied Financial Agency. Campania (Naples and Salerno) was responsible for the bulk of the increase. The doubling of the currency reserves at Foggia during the month deserves mention, however. Most of the other regions have now reached an equilibrium between inflow and outflow of currency. Sardinia and Calabria remain the principal regions still experiencing a net drain and undoubtedly for the same reason: the payment of large bodies of Italian troops.

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

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

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

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

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

(a) Perforated unfit currency (Annullati).

(b) Unfit currency not yet perforated.

(c) Currency printed under decrees of the Mussolini government which were promulgated after 8 September 1943.

(d) Special series of Italian East African notes.

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

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

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

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

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(c) Currency printed under decrees of the [illegible] which were promulgated after 8 September 1943.

(d) Special series of Italian East African notes.

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

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

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

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

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

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F. Other Administrative and Research Problems

1. Authority was requested from CCS to open accounts of AFA in Italian banks other than the Banco di Napoli and the Banco di Sicilia. The branches of AFA were directed to collect BWA pounds and Yellow Seal dollars from the Banco d'Italia and from other Italian banks. It was agreed, after a conference of the AFA/[illegible] balances held by AFA branches with commercial banks should be reduced to working minima by transfer to the Banco d'Italia or by expenditure, as soon as is feasible.

2. In order to permit further analysis of the cash expenditures of the armed forces, a request was made that the Royal Navy and the Royal Air Force, as well as the Allied Dominion and Colonial units serving with the British Army, render monthly statistical breakdowns of their expenditures and receipts, in the form now utilised by the British Army. Further details were also requested on a sample basis, of the items included under two categories of the report received from the American armed forces.

G. Currency Accounts

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

2. As instructed by CCAC in T.M Allgrwa II, the amount of lire 65,174,450 representing Metropolitan lire notes imported into Italy by the British forces, was recorded on AFA's books.

H. Design for Notes of the Banca d'Italia

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

I. Forgery of AM Notes

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

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

2. As instructed by CCAC in TAM Airgram 11, the amount of lire 65,174,450 representing Metropolitan lire notes imported into Italy by the British forces, was recorded on AFN's books.

H. Design for Notes of the Banca d'Italia

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

I. Forgery of AM Notes

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

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

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V. INSURANCE

A. Commercial Insurance

1. Insurance Committee

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

2. Commissioners for Insurance Companies in Liberated Italy

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

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

(a) Reale Mutua) Filippo Filippi, c/o Naples Office of Reale Mutua
(b) Savoia)

(c) Cattolica — Alfredo Marzocchi, c/o Naples Office

(d) Italiana Incendio & Rischi Diversi) Giacinto Moraino (who will move from
(e) Italiana Vita) Sicily to Naples)

(f) Sicilia 1865 Carlo Criendo, of the Palermo Office.

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

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(e) Italiana Vita)
(f) Sicilia 1865 — Carlo Orlando, of the Palermo Office.

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3. Insurance Plans for Rome

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

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

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4. Financial Intelligence

(a) According to an official of the Istituto Nazionale delle Assicurazioni, Rome Radio some time ago announced the evacuation of the "Direzione Generale" of the Istituto from Rome to Verona. The informant is acquainted with the Rome offices and considers that this evacuation has probably been confined to the higher officials, as the records of the Institute's 4½ million policies, with associated accounting and valuation machinery, are too cumbersome to have permitted wholesale removal under recent transport conditions.

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

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

5. Insurance situation in Regions

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

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

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

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

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

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

6. Insurance of civilian supply vehicles

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

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

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

6. Insurance of civilian supply vehicles

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

7. Notes on Italian life insurance

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

B. Social Insurance

1. Commissioners

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

(i) Istituto Nazionale della Previdenza Sociale

Avv. Vincenzo Romanelli

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

Avv. Leopoldo Ramucci.

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

2. Dismissal indemnity

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

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

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

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

(i) Presence indemnity (Indennita' di Presenza)

(ii) Family allowance (Assegni Familiari)

(iii) Supplementary allowance (Indennita' supplementare)

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

4. Family allowances (assegni familiari)

Preliminary agreement was reached on the proposed new scale of family allowances. The present ascending scale of benefits was a foundation-stone of Fascist economic and political policy. The increases will be so graduated as to replace the present scale by a flat allowance per dependent. They will replace the 50% [illegible] for the four Provinces in Puglia by R.D.L. No. 23/8 of

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	Lire per day	
	Former Scale	New Scale
Wife	5.1	4.5
parent	1.8	4.5
one child	2.0	4.5
each of 2 or 3 children	2.8	4.5
each of 4 or more children	3.6	4.5

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5. State employees

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

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

(i) Base pay (Stipendio Base),

(ii) Supplement for working time (Supplemento di Servizio Attivo) paid only when working,

(iii) Temporary war allowance (Assegno Temporaneo di Guerra),

(iv) Family allowance (Aggiunto di Famiglia),

(v) Bonus for overtime (Lavoro Straordinario)

(vi) Periodic bonuses (Gratifiche Periodiche), either the bonus for efficiency (Premio di operosita') every six months, or a 13th month's pay every year,

(vii) Bonus for liability to enemy action (Indennita' di Bombardamento) for those in certain areas,

(viii) "Indennita' di Toga" for Judges, and other payments peculiar to certain appointments (Compensi vari per Gruppi Speciali),

(ix) Allowances for out-of-pocket expenses such as a travel indemnity (Indennita' di Missione).

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

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6. Pensions (State employees)

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

7. Pensions (Fascist Militia)

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

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It provides for

(a) Relaxation of the age limit for pensions, thus increasing the number of potential claimants,

(b) Pensions for non-commissioned officers of the Militia equal to those paid to members of the regular army,

(c) Special retirement grants for members not able to qualify for pensions under the new broadened regulations,

(d) Discharge pay in addition to pensions for all those who have completed six years of service. No provisions were included to rule out the militant Fascist elements which comprise the majority of the M.V.S.N. and the decree has been referred back to the Government for abrogation. So far no action has been taken by the Government.

8. Military allowances

R.D.L. No. 113 of 19 May 1944, published without prior consultation with or approval by Finance Sub-Commission, increased military relief allowances (Soccorsi) by 70%, merging the military and general relief authorities, and enabling dependents of Italians in German-occupied territory to obtain military relief allowances if in need. The request of the Italian Government that this decree be extended to Military Government territory is under consideration.

9. Insurance of Workmen in Tripolitania and Eritrea

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

VI. PRICES AND THE COST OF LIVING

A. Agricultural Prices

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

B. The Price of Bread

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d. Military Allowances

A.C.C. No. 113 of 13 May 1944, published without prior consultation with or approval by Finance Sub-Commission, increased military relief allowances (Soccorsi) by 70%, merging the military and general relief authorities, and enabling dependents of Italians in German-occupied territory to claim military relief allowances if in need. The request of the Italian Government that this decree be extended to Military Government territory is under consideration.

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B. The Price of Bread

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

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

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(c) If the price of bread is increased enough to cover without subsidy a wheat price of 900 and 1,000 lire per quintal, we believe that it will be impossible to prevent substantial wage increases, whether or not the bread ration is increased to 300 grams per day, because:

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

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

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

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

(d) Another reason why the price of bread should not be

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buying 300 grams at 15 lire per kilo. In all of the towns [illegible] than Naples the price of black market bread is much lower than in Naples, and up to a few months ago it was not as high as 30 lire per kilo in most places. After the current harvest, black market prices can be expected to decline considerably, and at that time many workers will in fact be worse off under the proposed conditions than they would be if the ration and the legal price of bread were unchanged.

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

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

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

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

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problem is less serious than that which would confront us if the price of bread were increased to 13 lire. In short, we are electing the lesser of two evils. In our opinion, the Government deficit problem is less serious for several reasons:

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

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

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

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

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

3. Finally, it should be remembered that we have a specific directive from CCS to keep the price of bread down. In its message of 10 April, CCS says:

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

C. The Cost of Living

The cost of living in Naples reached its highest level yet attained in May. The reasons for the increase, in order of approximate importance, were: only a very

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year.

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

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

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

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

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

C. The Cost of Living

The cost of living in Naples reached its highest level yet attained in May. The reasons for the increase, in order of approximate importance, were: only a very small ration of dried beans was distributed during the month; no olive oil was distributed during the month (a ration was issued early in June to make up for the failure to distribute in May); the black market prices of bread and pasta continued to rise, reaching 200 and 300 lire per kilo, respectively; the prices of fruits and vegetables rose somewhat.

The cost of living in lire per person per week for the city of Naples, comparable to earlier figures published in this report, was as follows:

April	7	347 (revised)
	15	317 (revised)
	23	311 (revised)
	30	314 (revised)
May	7	395
	15	403
	23	413
	30	404

The revisions in the April figures result from changing the substitution factor of rationed dried beans for black market potatoes in order to give proper weight to the greater caloric value of beans per unit of weight.

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VII. ACCOUNTING

A. Supply Accounting

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

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

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

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

3. A consolidation of the Regional supply accounting reports through 31 January 1944 was made during the month. This consolidation covers all Italy except the province of Calabria in Region VIII. While the accounting for that province is nearing completion under the direct supervision of a representative of this HQ, his report has not yet been submitted. For this reason it has therefore been necessary to exclude Calabria province from the January accounts. The G-5, AFHQ list of vessels scheduled to arrive through 31 January 1944 reported cargoes aggregating 136,000 tons (exclusive of Reggio). Of this amount vessels carrying 50,000 tons were diverted or in transit at the end of the period, leaving a net of 130,000 tons scheduled to be unloaded during the period according to ships' manifests. The quantity reported as received in AMG/ACC warehouses amounted to 114,000 tons. There was a variation of 12½ per cent between the quantities on G-5 lists and the

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Region I	yes	-	-	-
Region II	yes	yes	yes	-
Region III	yes	yes	yes	-
Region IV and AMG 5th Army	yes	yes	yes	yes
Region V and AMG 8th Army	yes	yes	yes	-
Region VI	yes	yes	yes	yes
Region VII	(a)Incomplete	(a)Incomplete	(a)Incom-plete	-

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

3. A consolidation of the Regional supply accounting reports through 31 January 1944 was made during the month. This consolidation covers all Italy except the province of Calabria in Region VII. While the accounting for that province is nearing completion under the direct supervision of a representative of this HQ, his report has not yet been submitted. For this reason it has therefore been necessary to exclude Calabria province from the January accounts. The C-5, AFHQ list of vessels scheduled to arrive through 31 January 1944 reported cargoes aggregating 136,000 tons (exclusive of Reggio). Of this amount vessels carrying 26,000 tons were diverted or in transit at the end of the period, leaving a net of 110,000 tons scheduled to be unloaded during the period according to ships' manifests. The quantity reported as received in AMG/ACC warehouses amounted to 114,000 tons. There was a variation of 12½ per cent between the quantities on C-5 lists and the quantities unloaded. This difference can be accounted for, in part at least, by the fact that some of the vessels were still unloading at the end of the period, and also by the fact that the manifests are frequently inaccurate. Of the total tonnage received approximately 73,000 tons of food and other supplies were sold for 332 million lire.

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

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

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

6. To ensure that the proceeds of sales of supplies and deposits on containers are promptly recorded in AFO/AMG accounts, Executive Memorandum No. 39 was issued. Under this instruction both the proceeds of sales and deposits on containers are required to be paid direct into the Allied Financial Agency, No. 1 account, with the bank used by the U.S. French in the Region. Only where positive inconvenience is established does the order permit an exception, as for example, where sales are made in locations without banking facilities. In such cases, upon full presentation of the facts, the Chief Accountant may permit supply officers to have intermediate accounts, but no payment can be made out of such accounts, and all funds in the accounts existing at the time of the instruction were required to be closed, except those approved by the Chief Accountant.

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

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

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

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(B), to [illegible], that his office should prepare an account showing issues to Displaced Persons camps up to the time such camps were handed over to the Internees and Displaced Persons Sub-Commission. For the period subsequent to the handing over of the camps by the Prisoners of War Commission, the Internees and Displaced Persons Sub-Commission has been notified that it should report all stores and supplies drawn from the British Army to the Regional Supply Officer, Section II. In order to expedite the accounting for these supplies, a representative of this office was assigned temporarily to the Internees and Displaced Persons Sub-Commission. The accounts for such supplies are to be rendered on a monthly basis, beginning with February.

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9. The accounting for medical supplies which under existing directives is rendered by the Public Health Sub-Commission to the Chief Accountant has been delayed. Incomplete warehouse and issue records in the early stages and lack of adequate accounting personnel of both officers and ORs has precluded the prompt submission of these accounts. In view of the situation a representative from the Chief Accountant's Office has recently been assigned to obtain the necessary reports and to implement the prescribed accounting procedure for the physical handling of medical supplies. In view of the magnitude of the work it will probably be necessary to make an additional assignment in the near future to expedite submission of the accounts.

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

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

B. Issues of Supplies by Allied Armies

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

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

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

C. ACC/AMG Revenue and Expenditure Accounts

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

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

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

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

D. Financial Accounting Directives and Instructions

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

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

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

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

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E. Organization

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

F. Allied Financial Agency Statement

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

G. Miscellaneous

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

Colonel,
Joint Director,
Finance Sub-Commission.

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Colonel,
Joint Director,
Kindred Sub-Committee.

HAVE NOW BEEN DECLASSIFIED

APPENDIX 'A'

FINANCIAL EFFECTS OF ALLIED OCCUPATION

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

1. Does the dollar/pound/lire exchange rate create inflation and exploit Italy?

2. Does the issuance of "unbacked" AM lire create inflation and exploit the country?

3. Are soldiers' expenditures and the expenditures of the Allied armies creating inflation and draining Italy's wealth?

4. What are we contributing to Italy through imports and taking away through exports, and what effect do these transactions have upon the inflationary situation?

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

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

		through March	April	through April
		(in billions of lire)		
1.	Soldiers' expenditures	12.0	2.6	14.6
2.	Expenditures of the Forces	1.8	.5	2.3
3.	Disbursements for purchase of exports	.3	.1	.4
4.	Total	14.1	3.2	17.3
5.	Less: Receipts from sales of imported supplies	.6	.5	1.1
6.	Total inflationary effect of Allied operations	13.5	2.7	16.2
7.	Italian Government deficit from July 1943	27.0	3.0	26.0
8.	Total (6 + 7)	36.5	5.7	42.2
9.	Percent, inflationary effect of Allied operations to total inflationary effect (6 ÷ 8)	37	47	38

10. Landed cost of goods imported for civilian

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possible, are presented below.

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

		through March	April	through April
		(in billions of lire)		
1.	Soldiers' expenditures	12.0	2.6	14.6
2.	Expenditures of the Forces	1.8	.5	2.3
3.	Disbursements for purchase of exports	.3	.1	.4
4.	Total	14.1	3.2	17.3
5.	Less: Receipts from sales of imported supplies	.6	.5	1.1
6.	Total inflationary effect of Allied operations	13.5	2.7	16.2
7.	Italian Government deficit from July 1943	23.0	3.0	25.0
8.	Total (6 + 7)	36.5	5.7	42.2
9.	Percent, inflationary effect of Allied operations to total inflationary effect (6 ÷ 8)	37	47	38
10.	Landed cost of goods imported for civilian consumption	9.5	4.0?	13.5?
11.	Total "exploitation" effect (4 - 10)	4.6	- .8?	3.8?
12.	AFA advances to the Italian Government and its agencies	5.6	.5	6.1
13.	Approximation to increase in currency circulation (6 + 12)	19.1	3.2	22.3
14.	All lire put into circulation (in hands of public and banks including Banca d'Italia)	20.6	3.0	23.6
15.	Error (14 - 13)	1.5	- .2	1.3

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C. Soldiers' Expenditures and Expenditures of the Allied Forces

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

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Total Expenditures in Italy of Allied Soldiers and Allied Forces

(In millions of lire)

	Paid to officers and men (1)	Net remittances (2)	PX and NAAFI sales (3)	Soldiers' expenditures (1-2-3) (4)	Employment of local labor (5)	Purchases of local materials (6)	Miscellaneous expenditures of forces (7)	Total (5+6+7) (8)	Total (4+8) (9)
July and August									
U.S.	634	-	3	631	6	5	-	11	642
British	368	27	60	271	-	-	7	7	278
Total	992	27	63	902	6	5	7	18	920
September									
U.S.	725	459	2	264	8	14	2	24	288
British	475	28	60	387	-	3	5	8	395
Total	1,200	487	62	651	8	17	7	32	683
October									
U.S.	880	465	1	413	35	24	-	59	452
British	980	38	101	841	-	6	24	30	871
Total	1,860	501	102	1,254	35	30	24	89	1,323
November									
U.S.	1,809	780	106	683	40	71	5	116	799
British	1,004	65	118	821	-	20	163	183	1,004
Total	2,813	765	224	1,504	40	91	168	299	1,803
December									
U.S.	1,534	671	93	770	63	93	4	160	930
British	1,080	213	104	683	-	66	42	108	791
Total	2,614	884	277	1,453	63	159	46	268	1,721
January									
U.S.	2,047	989	110	978	91	91	10	192	1,170
British	1,079	71	149	859	-	77	15	92	951
French	310	104	-	206	-	-	-	-	206
Total	3,436	1,164	259	2,043	91	168	25	284	2,327
February									
U.S.	1,859	1,025	104	732	107	101	3	211	943
British	1,324	105	189	1,030	-	193	15	108	1,138
French	287	154	-	133	-	-	30	30	163
Total	3,470	1,284	293	1,895	107	167	48	349	2,244
March									
				877	136	101	32	272	1,109

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British	980	38	101	814	-	6	24	30	871
Total	1,960	504	302	1,254	15	30	24	69	1,323
November									
U.S.	1,509	720	106	683	40	71	5	116	799
British	1,004	65	118	821	-	20	163	183	1,004
Total	2,513	785	224	1,504	40	91	168	299	1,803
December									
U.S.	1,934	671	99	770	63	95	4	160	930
British	1,080	213	164	685	-	66	42	108	791
Total	3,014	884	277	1,455	63	159	46	268	1,721
January									
U.S.	2,047	959	110	978	91	91	10	192	1,170
British	1,079	71	249	859	-	77	15	92	951
French	310	104	-	206	-	--	-	-	206
Total	3,436	1,134	359	2,043	91	168	25	284	2,327
February									
U.S.	1,899	1,023	104	732	107	101	3	211	943
British	1,324	195	189	1,030	-	93	15	108	1,138
French	287	124	-	163	-	-	30	30	163
Total	3,470	1,342	293	1,925	107	194	48	349	2,244
March									
U.S.	2,190	1,152	201	837	136	104	32	272	1,109
British	1,513	138	228	1,147	-	141	14	155	1,302
French	444	142	-	302	-	-	32	32	334
Total	4,147	1,432	429	2,286	136	245	78	459	2,745
April									
U.S.	2,581	1,454	186	941	162	111	49	322	1,263
British	1,600	140	300	1,260	-	150	15	165	1,425
French	614	166	-	448	-	-	30	30	478
Total	4,795	1,928	486	2,649	162	261	94	517	3,166
July - April									
U.S.	15,959	6,904	806	6,249	628	614	105	1,347	7,596
British	9,423	825	1,209	7,299	-	556	300	856	8,155
French	1,655	566	-	1,089	-	-	92	92	1,181
Total	25,027	8,298	2,015	14,637	628	1,170	497	2,295	16,932

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

1. "Paid to officers and men"

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

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

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

2. "Net remittances"

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

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colonies, and allies [illegible]

received by AFA show only net totals advanced to those units. [illegible]
are included in "paid to officers and men". That item, and accordingly, "soldiers'
expenditures" is therefore over-estimated to the extent that such units increase
their cash holdings or make expenditures for local labour or materials.

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

2. "Net remittances"

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

3. "PX and NAAFI sales"

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

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4. "Soldiers' expenditures"

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

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

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

6. "Miscellaneous expenditures"

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

7. "Expenditures of forces"

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

8. "Total"

Most of the errors contained in the figures for "soldiers' expenditures" and "expenditures of forces" balance out in the "total". An approximate check upon the total figures can be obtained by comparing them with AFA payments to finance officers less the increase in (a) cash reserves of finance officers and (b) BMA and Allied Sand currency held by AFA and the Banca d'Italia. This figure is BMA and Allied Sand currency held by AFA and the Banca d'Italia. This figure is [illegible] as of 31 March, compared to 13.7 billion lire shown in the table

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units probably make expenditures for these purposes, but the AFA reports do not distinguish them. To the extent that units other than the U.S. and U.K. armies do make such expenditures, the estimate of soldiers' expenditures is too large.

6. "Miscellaneous expenditures"

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

7. "Expenditures of forces"

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

C. "Total"

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

D. Civilian exports and Imports

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

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

	Estimated landed cost per ton (thousands of lire)		through February 1944 Quantity (000 of long tons)	Total value (millions of lire)			March 1944 Quantity (000 of long tons)	Total value (millions of lire)	Total through March 1944 Quantity (000 of long tons)	Total value (millions of lire)
	U.S.	U.K.	U.S.	U.K.	U.S.	U.K.	(account unknown)			
Flour	13.2	1.1	160.2	4.6	2,115	18	56.8	724	219.6	2,857
Wheat	11.7	3.6	85.1	1.5	695	5	26.0	281	110.6	1,281
Soup, dehydrat	59.6		14.8		843		11.4	678	26.2	1,521
Sugar	17.5	17.5?	11.1	8.9	195	156			20.0	351
Milk	30.0	31.0	3.0	.4	89	12	2.7	80	6.1	207
Vegetables, dry	16.0		3.2		54		11.7	191	17.1	275
Cheese	7.8	7.8?	.3	.6	2	5			.9	7
Stew, M & V	36.0						12.3	691	12.3	691
Other food	17.5?		5.8		88		2.2	40	8.0	128
Total food			283.8	16.0	4,211	222	119.4	2,685	436.2	7,118
Medical	500.0?		1.1		523				1.1	523
Sanitary	500.0?		.2		104				.2	104
Newsprint	17.5		1.5		23		.6	11	1.9	34
Soap	2.7		3.0		8		3.3	9	6.3	17
Matches	20.0?		.04		1				.04	1
Seed potatoes	20.0?	20.0?		15.0		300	12.8	252	27.8	552
Clothing	700.0?						.9	634	.9	634
Miscellaneous	350.0?		.1		45		1.3	456	1.4	510
Total non-food			5.7	15.0	704	300	18.9	1,374	39.6	2,378
	(per bbl)						(thousands of bbls)		(thousands of bbls)	
AG oil	.6		?				20.5	14	25.3	14
Gasoline	.7		?				15.2	10	19.2	10
Kerosene	.6		?				1.1	3	4.1	3
Lubricating oil	2.4		?				.7	2	.7	2
Gear oil	3.2		?				.1	-	.1	-
Total petroleum							37.4	29	49.4	29
Grand Total			289.5	31.0	4,915	522	138.3+	4,088	485.6+	9,525

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Total food			285.8	16.0	4,211	222	119.4	2,065	436.2	7,118
Medical	500.0?		1.1		523				1.1	523
Sanitary	500.0?		.2		104				.2	104
Newsprint	17.5		1.3		23		.6	11	1.9	34
Soap	2.7		3.0		8		3.5	9	6.5	17
Matches	23.0?		.04		1				.04	1
Seed potatoes	20.0?	20.0?		15.0		300	12.8	259	27.8	559
Clothing	700.0?						.9	634	.9	634
Miscellaneous	350.0?		.3		15		1.3	456	1.6	510
Total non-food			5.7	15.0	784	300	18.9	1,374	39.6	2,378
	(per bbl)						(thousands of bbls)		(thousands of bbls)	
Fuel oil	.6		?				28.3	14	28.3	14
Gasoline	.7		?				15.2	10	15.2	10
Kerosene	.6		?				4.1	3	4.1	3
Lubricating oil	2.4		?				.7	2	.7	2
Gear oil	3.2		?				.1	-	.1	-
Total petroleum							48.4	29	48.4	29
Grand Total			286.3	31.0	4,915	522	138.3+	4,068	485.6+	9,525

Proceeds of sales of imported supplies	397	242	639++

\+ excluding petroleum.

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

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

	Receipts from the sale of Imports	Disbursements for purchase of exports	Excess of Imports
through December 1943	126	44	82
January	89	24	65
February	181	103	78
March	243	121	122
April	452	122	330
total through April	1,091	414	677

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

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

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has been necessary to [illegible]. Items
valued in estimated are marked in the table with a question mark. They are
subject to a wide margin of error since [illegible] data is available
to us, and since many of the items, such as "medical supplies", "clothing", and
"other food" cannot be satisfactorily priced on a per ton basis. It will also be
noted that the land cost figures [illegible] to us for identical goods on U.S.
and on U.K. account differ widely. No explanation of this difference has been
received.

2. The landed cost of imported goods, so estimated, 9.3 billion lire, greatly exceeds the total of 600 million lire which had been deposited with the Allied Financial Agency as of 31 March as the proceeds of goods sold to Italian civilians. This difference results primarily from the fact that prices charged to the Italian public for essential cost-of-living items, particularly bread, have been much lower than landed cost. The landed cost of imported wheat, for instance, in 1170 lire per quintal, while the price at which bread is sold to the public after meeting costs of transport, milling, baking, and retailing is 360 lire per quintal. Moreover, substantial stock piles of foods have been accumulated. As of 31 March the landed cost value of stocks of imported food was approximately 2.3 billion lire, or almost 1/3 of the total value of foods imported to that date. Other reasons for the large difference between landed cost value and receipts from sale are errors in ships' manifests, losses by theft or enemy action, and delays in reporting receipts. However, in April 450 million lire was deposited in AFA accounts as proceeds of sales of civilian supplies, making the total through April 1,091 million lire.

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

B. Conclusions

1. Allied expenditures in Italy have increased steadily from a level of about 500 million lire last summer to over 3 billion lire in April. There is every reason to believe that the figures for May and June will be substantially higher. Currently the Allied contribution to Italian inflation is approximately equal to that contributed by the Italian Government deficit, although the cumulated contribution since last summer is still only about 50 per cent as large as the accumulated Italian Government deficit. It should be remembered, however, that a large but unknown, part of the Italian Government's expenditure is also for Allied purposes.

2. Imports for civilian consumption have also increased greatly, the total for March being over 80 per cent as large as the cumulated total through February.

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

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

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ANNEXURE 'B'

Issuance of Government Authorizations to Spend under
AMG Conditions in Campobasso

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

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

When the communications with the Central Italian government were interrupted in September 1943, it became necessary to organize a system for the provision of funds or credits based on the requests of the highest functionary in each of the State provincial administrations. There already existed a government decree, 15 June 1943, No. 485, providing for the possibility of interruption of communications with the central government. This decree states that in case of a province being cut off from the central administration each provincial administration in order to take care of the payments necessary for its respective services, is authorized to obtain an extension of credit from the Royal Provincial Treasury section in favour of the highest official of the administration resident in the province.

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

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

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

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in Rome in order that [illegible]

When the communications with the Central Italian government were [illegible] in September 1943, it became necessary to organize a system for the provision of funds or credits based on the requests of the highest functionary in each of the State provincial administrations. There already existed a government decree, 15 June 1943, No. 486, providing for the possibility of interruption of communications with the central government. This decree states that in case of a province being cut off from the central administration each provincial administration in order to take care of the payments necessary for its respective services, is authorized to obtain an extension of credit from the Royal Provincial Treasury section in favour of the highest official of the administration resident in the province.

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

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

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

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

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Table 1

APPENDIX 'C'

BANKING STATISTICS

Prices of Government Securities

(Unofficial Market Prices as Quoted)

Week Ending	3 yr. Bonds: 3½% 1944	5 yr. Bonds: 5% 1948	5 yr. Bonds: 5% 1949	9 yr. Bonds: 5% 1950 1st Issue	9 yr. Bonds: 5% 1950 2nd Issue	9 yr. Bonds: 4% 1951	Rente: 5%	Rente: Italian 3.50% (1906)	Immobiliare: 5%	Red. Long Term 3.5%
1943										
3 Nov.	n.d.	n.d.	54	54	54	49	53	63	55	51
15 Nov.	n.d.	n.d.	69	69	69	64	67	75	70	63
27 Nov.	n.d.	n.d.	57	57	57	52	55	67	n.d.	53
6 Dec.	n.d.	n.d.	59	59	59	53½	57	69	n.d.	54
11 Dec.	n.d.	n.d.	60	60	60	54½	59	72	n.d.	55
18 Dec.	n.d.	n.d.	62½	62½	62½	56	61½	76	n.d.	57½
24 Dec.	n.d.	n.d.	65	65	65	58	64	77½	65	60
31 Dec.	n.d.	n.d.	70	70	70	64½	69½	82	79½	65
1944										
15 Jan.	n.d.	n.d.	84	84	84	77½	82½	90½	84	74
22 Jan.	n.d.	n.d.	80	80	80	74	80	90	81½	70
29 Jan.	n.d.	n.d.	81½	81½	81½	74½	81½	91	84	72
5 Feb.	n.d.	n.d.	77½	77½	77½	70	79½	89½	80	68½
14 Feb.	n.d.	n.d.	79	79	79	71	79½	89½	82	69
21 Feb.	n.d.	81½	79	79	79	69	80	91	81	68
28 Feb.	n.d.	83	80	80	80	70	80	92	81	67
5 Mar.	94	83	81	80	80	70	80	93	81	66
13 Mar.	95	86	84	84	84	72	83	92	84	69
27 Mar.	97	85½	88	88	87½	77	86	97	87	70
2 Apr.	98	90	88	88	87½	77	86	97	87	69
10 Apr.	98	95½	92	91½	91	81	90	99	93	73
16 Apr.	98½	93	90½	90½	90	82	89½	99	92½	76
23 Apr.	98½	96½	96½	95	95	85	94	100½	95	84
1 May	99	94	94	93½	93	83	92	100½	93	80
7 May	97½	95	93	92½	92½	83	92½	100½	94	80
15 May	97	93½	93	92½	92½	83	92½	100½	94	80

(Source: Banco di Napoli, Ufficio Controllo Servizi, Lettere Circolari)

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15 Jan.	n.d.	n.d.	81	84	84	77½	80½	90	81½	70
22 Jan.	n.d.	n.d.	80	80	80	74	80	90	84	72
29 Jan.	n.d.	n.d.	81½	81½	81½	74½	81½	91	84	68½
6 Feb.	n.d.	n.d.	77½	77½	77½	70	79½	89½	80	69
14 Feb.	n.d.	n.d.	79	79	79	71	79½	89½	82	68
21 Feb.	n.d.	81½	79	79	79	69	82	91	81	68
28 Feb.	n.d.	83	80	80	80	70	80	92	81	67
5 Mar.	94	83	81	80	80	70	80	93	82	66
15 Mar.	95	86	84	84	84	72	83	95	84	69
27 Mar.	97	89½	88	88	87½	77	86	97	87	70
2 Apr.	98	90	88	88	87½	77	86	97	87	69
10 Apr.	98	93½	92	91½	91	81	90	99	91	73
16 Apr.	96½	93	90½	90½	90	82	89½	99	92½	76
23 Apr.	95½	96½	95½	95	95	85	94	100½	95	84
1 May	98	94	94	93½	93	83	92	100½	93	80
7 May	97½	93	93	92½	92½	83	92½	100½	94	80
15 May	97	93½	93	92½	92½	83	92½	100½	94	80

(Source: Banco di Napoli, Ufficio Controllo Servizi, Lettere Circolari)

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Table 2

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

	Reported to Bari Office			Reported to Palermo Office		
	Number of sales	Total declared value (Millions of Lire)	Average value (Thousands of Lire)	Number of sales	Total declared value (Millions of Lire)	Average value (Thousands of Lire)
1942						
October	1,910	15	8.0	2,540	17	6.7
November	2,462	22	9.0	2,760	19	6.9
December	1,861	14	7.4	2,337	16	6.7
1943						
January	2,362	25	11.0	2,774	23	9.7
February	2,668	25	10.1	2,729	17	9.9
March	2,787	28	10.3	2,883	16	7.2
April	2,781	34	12.2	2,337	22	9.3
May	2,040	30	14.8	2,210	19	8.4
June	1,700	23	13.1	1,686	15	9.4
July	1,966	52	26.3	801	9	10.2
August	1,477	29	19.7	265	2	8.9
September	721	9	13.0	207	1	5.4
October	517	5	11.2	296	2	6.3
November	707	10	13.5	n.d.	n.d.	n.d.
December	662	12	14.1	n.d.	n.d.	n.d.
1944						
January	819	10	12.9	n.d.	n.d.	n.d.
February	1,309	15	11.9	n.d.	n.d.	n.d.
March	1,290	17	12.9	n.d.	n.d.	n.d.
April	1,083	16	15.5	n.d.	n.d.	n.d.

Source: Italian Government Imposta di Registro.

Table 3

Investment in Buoni del Tesoro Ordinari
(Millions of Lire)

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

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April	2,421	32	13.2	3,331	43	18.2
May	2,048	30	14.6	2,310	19	8.1
June	1,708	23	13.1	1,666	11	9.4
July	1,966	32	16.3	861	9	10.2
August	1,477	29	19.7	263	2	8.9
September	711	9	13.0	207	1	6.1
October	537	6	11.8	296	2	7.3
November	707	10	13.9	n.d.	n.d.	n.d.
December	862	12	14.1	n.d.	n.d.	n.d.
1944						
January	810	10	12.3	n.d.	n.d.	n.d.
February	1,309	16	11.9	n.d.	n.d.	n.d.
March	1,890	17	12.9	n.d.	n.d.	n.d.
April	1,033	16	15.9	n.d.	n.d.	n.d.

Source: Italian Government Imports di Registro.

Table 3

Investment in Buoni del Tesoro Ordinari
(Millions of Lire)

	1 July 1943 through 30 April 1944			April 1944		
	Issued	Paid	Net Investment	Issued	Paid	Net Investment
Salerno	54	64	-10	17	14	3
Lucania	123	162	-41	15	11	4
Calabria	90	79	11	15	7	8
Puglia (less Foggia)	957	683	274	156	106	50
Sardinia	154	53	101	14	4	10
Sicily	2,121	1,121	1,000	556	355	201
Campania (less Salerno)	949	580	369	513	113	400
Foggia	73	61	12	36	18	18
Campobasso	48	46	2	18	15	3
Total	4,567	2,856	1,721	1,420	641	779

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Table 4

Banca d'Italia Credit Outstanding
Liberated Italy

	31 December 1942	31 December 1943	29 February 1944	31 March 1944	30 April 1944
Rediscounts	246	604	473	453	243
Advances	951	1,525	917	796	837
Total	1,797	2,129	1,390	1,249	1,080

Table 5

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

(in millions of lire)

By Regions	29 Feb.	31 Mar.	30 Apr.
Salerno	246	290	307
Lucania	236	226	265
Calabria	656	582	593
Puglia (less Foggia)	2,111	2,588	3,163
Sardinia	998	1,155	1,253
Sicily	2,927	3,426	3,760
Total Italian Gov't Territory	7,174	8,222	9,361

By Type	29 Feb.	31 Mar.	30 Apr.
Due to banks:			
Current accounts:			
Non-interest bearing	229	1	8
Interest bearing	5,856	8,020	9,695
Rediscount available on advances	2,647	2,991	3,007
Sub-total	8,732	11,012	12,710

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

(in millions of lire)

By Regions	29 Feb.	31 Mar.	30 Apr.
Salerno	246	299	307
Lucania	256	226	265
Calabria	656	532	533
Puglia (less Foggia)	2,111	2,581	3,103
Sardinia	998	1,155	1,293
Sicily	2,927	3,126	3,760
Total Italian Gov't Territory	7,174	8,922	9,361
Campania (less Salerno)	2,856	4,202	4,984
Foggia	89	141	115
Campobasso	69	126	140
Total AMG Territory	3,025	4,468	5,239
~~Grand Total~~ Liberated Italy	10,198	12,690	14,600

By Type	29 Feb.	31 Mar.	30 Apr.
Due to banks			
Current accounts			
Non-interest bearing	229	1	8
Interest bearing	5,856	8,020	9,693
Regional available on advances	2,647	2,991	3,003
Sub-total	8,732	11,012	12,704
Due to Other Current Accounts			
Non-interest bearing	754	957	1,109
Interest-bearing	210	228	292
Regional available on advances	502	493	495
Sub-total	1,466	1,678	1,896
	10,198	12,690	14,600

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Table 6

Postal Savings
April 1964
(Thousands of lire)

Province	Postal Savings Bonds	Postal Savings Books	Current Accounts	Total
Cosenza	2,199	1,685	1,569	5,453
Brindisi	-1,708	348	10,654	9,294
Lecce	-2,674	45	5,277	2,638
Taranto	-2,431	1,085	8,932	7,604
Salerno	-11,713	-2,163	4,097	-9,779
Agrigento	-20,807	n.d.	n.d.	-20,807
Caltanissetta	-7,762	n.d.	n.d.	-7,762
Catania	-33,026	n.d.	n.d.	-33,026
Enna	-3,660	n.d.	n.d.	-3,660
Messina	-33,923	n.d.	n.d.	-33,923
Palermo	-20,311	n.d.	n.d.	-20,311
Ragusa	-10,944	n.d.	n.d.	-10,944
Siracusa	-16,616	n.d.	n.d.	-16,616
Trapani	-8,326	n.d.	n.d.	-8,326
Cagliari	1,179	8,434	24,837	34,446
Sassari	871	4,899	n.d.	5,770
Nuoro	-736	3,704	n.d.	2,966
Benevento	329	270	n.d.	599
Napoli	-7,004	11,124	1,032	5,152
Total	-175,719	29,426	69,922	-76,368

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Table 7

Postal Savings
March 1914
(Thousands of Lire)

Province	Postal Savings Bonds	Postal Savings Books	Current Accounts	Total
Matera	-702	525	n.d.	-177
Potenza	-4,946	2,073	n.d.	-2,873
Catanzaro	-6,158	1,973	-104	-4,289
Cosenza	-5,121	1,177	n.d.	-3,944
Reggio Calabria	-1,304	4,836	-611	-2,079
Bari	-5,698	2,671	-70,699	-77,726
Brindisi	-1,256	678	15,976	15,418
Lecce	-3,435	1,713	-1,561	-3,583
Taranto	-2,143	1,995	8,988	8,840
Salerno	-8,302	-1,159	-281	-11,722
Cagliari	-514	4,731	-2,519	1,698
Nuoro	-1,074	1,851	n.d.	787
Sassari	-775	4,293	25,852	29,307
Agrigento	-	-676	10,024	9,348
Caltanissetta	-	-425	3,377	2,944
Catania	-			
Enna	-	506	2,011	2,917
Messina	-	-1,084	8,127	7,043
Palermo	-	3,262	-9,436	-6,176
Siracusa & Ragusa	-	-2	1,540	1,538
Trapani	-	254	-1,065	811
Campobasso	n.d.	n.d.	n.d.	n.d.
Foggia	n.d.	n.d.	n.d.	n.d.
Avellino	-396	-2,840	196	-3,040
Benevento	-215	-205	n.d.	-420
Napoli	-14,906	2,974	-30,827	-42,759
Total	-68,427	-30,130	-44,142	-82,469

Table 8

Postal Savings
February 1914
(Thousands of Lire)

Province	Postal Savings Bonds	Postal Savings Books	Current Accounts	Total
Matera	-1,470	588	n.d.	-882
Potenza	-6,797	2,316	578	-3,903
Catanzaro	-10,046	231	-971	-10,786
Cosenza	-6,941	1,562	n.d.	-5,379
Reggio Calabria	-11,496	1,031	-290	-13,765

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Salerno	-8,902	-5,139	-281	-11,722
Cagliari	-514	4,733	-5,519	1,698
Nuoro	-1,074	1,861	n.d.	787
Sassari	-775	4,250	25,832	29,307
Agrigento	-	-676	10,024	9,348
Caltanissetta	-	-823	3,377	2,944
Catania	-			
Enna	-	506	2,011	2,517
Messina	-	-1,084	8,127	7,043
Palermo	-	3,260	-9,436	-6,176
Siracusa & Ragusa	-	-2	1,540	1,538
Trapani	-	354	-1,065	811
Campobasso	n.d.	n.d.	n.d.	n.d.
Foggia	n.d.	n.d.	n.d.	n.d.
Avellino	-338	-2,640	198	-3,080
Benevento	-215	-209	n.d.	-424
Napoli	-14,344	1,974	-31,627	-44,769
Total	-69,427	-30,100	-44,142	-82,469

Table 6

Postal Savings
February 1944
(Thousands of Lire)

Province	Postal Savings Bonds	Postal Savings Books	Current Accounts	Total
Potenza	-1,476	586	n.d.	-382
Potenza	-6,797	2,316	578	-3,903
Catanzaro	-10,816	751	-971	-10,786
Cosenza	-6,752	1,562	n.d.	-5,379
Reggio Calabria	-14,496	1,021	-290	-13,765
Bari	-5,680	7,831	112,788	116,639
Brindisi	-1,499	1,374	16,156	16,031
Lecce	-2,386	3,766	13,597	14,979
Taranto	-2,083	2,010	1,398	1,325
Salerno	-606	637	-674	643
Cagliari	850	7,008	24,124	31,982
Nuoro	-195	1,500	n.d.	1,305
Sassari	429	4,491	12,421	15,341
Agrigento	-	79	6,548	6,627
Caltanissetta	-	-3,269	3,797	528
Catania	-			
Enna	-	-3,110	2,125	-985
Messina	-	-864	5,685	4,821
Palermo	-	n.d.	847	847
Siracusa & Ragusa	-	-3,491	4,227	736
Trapani	-	-4,696	862	-3,834
Campobasso	n.d.	n.d.	n.d.	n.d.
Foggia	n.d.	n.d.	n.d.	n.d.
Avellino	n.d.	-1,720	55	-1,665
Benevento	n.d.	-457	n.d.	-457
Napoli	-13,985	4,782	-7,885	-17,088
Total	-82,901	-13,311	-154,988	-105,398

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Total [illegible]	[illegible]	[illegible]	[illegible]				
							311
Bari	162	26	112	9	-	-	136
Barletta	29	1	66	16	-	-	51
Brindisi	15	-	36	-	-	-	38
Lecce	20	7	11	-	-	-	112
Taranto	48	39	56	7	-	-	
Total Puglia (less Foggia)	264	73	303	26	-	-	668
							169
Salerno	165	6	179	20	1	-	
							43
Cagliari	23	-	20	-	-	-	47
Nuoro	14	1	30	-	-	2	236
Sassari	70	2	145	-	-	16	
Total Sardinia	107	6	195	-	-	18	326
							137
Agrigento	19	3	116	-	-	-	201
Caltanissetta	71	43	87	-	-	-	361
Catania	128	4	227	2	-	-	82
Enna	25	5	52	-	-	-	409
Messina	140	1	268	-	-	-	838
Palermo	236	8	188	-	-	-	55
Ragusa	3	1	51	-	-	-	79
Siracusa	7	1	71	-	-	-	162
Trapani	5	-	157	-	-	-	
Total Sicily	634	65	1,416	2	-	-	2,138
							97
Campobasso	66	4	10	7	-	-	127
Foggia	58	2	61	6	-	-	
							97
Avellino	40	2	50	5	-	-	108
Benevento	48	7	18	9	1	-	85
Caserta	49	-	31	5	-	-	1,702
Napoli	1,185	-	451	25	8	-	
Total Campania (less Salerno)	1,323	9	613	30	9	-	1,992
Grand Total Liberated Italy	2,865	182	3,159	132	10	18	6,336

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APPENDIX 'D'

VALUE OF AM LIRE IN HANDS OF ITALIAN BANKS AND PUBLIC

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

	30 April (Revised)	31 March (Revised)
New AM Lire received (after deduction of shortages)	42.589.726.920	42.588.127.520
Less - Lire held by AFA in current cash, reserve cash, provision against credits granted to banks, and current accounts (including untilated)	12.847.271.367	15.404.554.582
AM Lire Outstanding	29.742.455.553	27.183.572.938
Deduct -		
AM Lire Held by Finance Officers of Armed Forces :		
U.S. Finance Officers:-		
Funded through AFA Palermo - Army	162.028.960	211.161.238
" " " " - Navy	53.192.781	34.891.233
" " " Naples	2.455.573.017	3.085.578.998
" " " Bari	829.446.314	644.714.073
" " " Sassari	102.250.563	75.701.959
Total U.S. Finance Officers	3.612.491.655	4.052.067.501
British Paymasters, Italy ++	1.340.771.191	1.455.000.000
French Paymasters	787.170.683	263.123.478
Total Held by Finance Officers of all Allied Armed Forces	5,740,433,509	5.770.190.979
AM Lire Held by Accounting Officers of AMG/ACC in Cash +	400.000.000	849.745.056
Total Deductions	6.140.433.509	6.619.936.035
Total AM Lire in Hands of the Banks and the Public	23.602.022.044	20.563.636.903
AM Lire Held by Bank of Italy, after deduction of AFA's current accounts with Bank of Italy	2.289.123.000	2.270.000.000

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

Total — Change During

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of Armed Forces :		
U.S. Finance Officers:-		
Funded through AFA Palermo - Army	162.028.960	211.181.238
" " " " - Navy	53.192.781	34.891.233
" " " Naples	2.465.573.017	3.085.578.998
" " " Bari	829.446.314	644.714.075
" " " Sassari	102.250.563	75.701.959
Total U.S. Finance Officers	3.612.491.635	4.052.067.501
British Paymasters, Italy ++	1.340.771.191	1.455.000.000
French Paymasters	787.170.663	263.123.478
Total Held by Finance Officers of all Allied Armed Forces	5,740,433,509	5.770.190.979
AM Lire Held by Accounting Officers of AMG/ACC in Cash +	400.000.000 ✓	848.745.056
Total Deductions	6.140.433.509	6.619.936.035
Total AM Lire in Hands of the Banks and the Public	23.602.022.044	20.563.636.903
AM Lire Held by Bank of Italy, after deduction of AFA's current accounts with Bank of Italy	2.289.123.000	2.270.000.000

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

	Total	Change During Previous Month
	Lire	Lire
31 August 1943	1.023.510.401	1.023.510.401
30 September 1943	2.832.986.522	1.809.476.121
31 October 1943	4.463.014.925	1.630.028.403
30 November 1943	7.751.937.255	3.288.922.330
31 December 1943	10.925.748.386	3.173.811.131
31 January 1944	14.102.572.467	3.176.824.081
29 February 1944	17.439.133.879	3.336.561.412
31 March 1944 (revised)	20.563.636.903	3.124.533.024
30 April 1944 (revised)	23.602.022.044	3.038.385.141
		23.602.023.044

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

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Of the total outstanding, it is estimated that 2,289,000,000 lire was held by the Banca d'Italia, in addition to 871 million lire held as cover for AFA's working deposits with the Banca d'Italia. That is to say, about 21315 million lire of AM currency was in the hands of the Italian commercial banks and the Italian public as of 30 April. Of the total held by the Bank of Italy 200 million lire was held as reserve against a special account of AFA, into which the Bank of Italy is depositing currency, in the form of AM lire, in order to effect the gradual withdrawal of AM lire currency.

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

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ANNEX

ALLIED MILITARY GOVERNMENT

CONSOLIDATED STATEMENT OF RECEIPTS AND DISBURSEMENTS FOR PERIOD

(Expressed in Lire)

Item No.	Schedule No.		Total to 31 March 1944	Current month
1	-	CASH IN U.S.A. AND IN BANKS AT BEGINNING OF PERIOD (including outlawed and unfit A.M.G. Lire Notes)	Nil	15,955,717,9
2	I	RECEIPTS DURING PERIOD		
3		LIRE A.M.G. NOTES RECEIVED	42,588,127,520	
4	II	LIRE A.M.G. SPECIE RECEIVED	169,576,000	1,599,4
		RECEIPTS IN AFHQ/AMG DEPOSITORY (pending allocation to revenue or other accounts)		-
5	III	NOTES OBTAINED FOR LIRES AND ORDERS BY ACCOUNTING OFFICERS IN THE FIELD	294,707,145	310,715,24
6	IV	REVENUE	15,9 ,417	(7,912,97
7	-	FUNDS PROVIDED TO ITALIAN GOVERNMENT (see Schedule XVIII)	57,405,079	15,601,19
8	V	PROCEEDS OF SALES IN ITALY OF SURPLUS (1)	(5) 000,000,000	-
9	VI	RECEIPTS IN PAYMENT OF AMG/ARC SERVICES (5)	344,739,085	140,799,879
			124,352,896	19,738,977
13	X	CAPITAL ACCOUNTS (1)	43,794,042,142	475,510,720
14	-	TOTAL RECEIPTS DURING PERIOD	19,349,550	2,875,950
15	-	TOTAL FUNDS AVAILABLE	43,813,990,192	485,416,670
			43,813,990,192	16,139,134,61

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ALLIED FINANCIAL AGENCY

STATEMENT OF RECEIPTS AND DISBURSEMENTS FOR PERIOD TO 30 APRIL 1944

(Expressed in Lire)

		Total to 31 March 1944	Current month	Total to 30 April 1944
PAGE 1)				
ed and Unfit		Nil	15,953,717,941	Nil
OD				
RECEIVED		12,588,127,520	1,599,400	12,588,726,920
GIVEN		169,335,000	-	169,336,000
DIVIDENDS				
to revenue or		294,707,145	310,715,243	605,422,388
EXPENSES				
NG OFFICERS IN		19,844,417	(7,912,977)	7,931,440
		57,465,079	19,631,098	77,096,177
FA, BY ITALIAN				
Schedule XXVIII)..	(5)	200,000,000	-	200,000,000
EN ITALY BY				
		344,739,085	140,799,879	485,538,964
BY AXIS/ALLIED				
		124,392,896	10,778,977	135,139,873
		43,794,842,142	475,340,720	44,270,182,862
)		19,342,550	9,875,950	29,224,200
		43,813,990,492	485,416,670	44,299,407,162
URE & PERIOD		43,813,990,492	15,139,134,611	44,299,407,162
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Item No.	Schedule No.		Total to 31 March 1944	Current Month
		DISBURSEMENTS DURING PERIOD		
21	XI	FUNDS USED IN ACCOUNTS OF OTHERS BY THE FIELD (pending allocation to expenditure or other accounts)(2)	1,210,363,945	(602,531,041)
22	XII	A.M. STAMPS ISSUED TO POST OFFICE AND ON HAND	169,356,000	-
23	XIII	PURCHASES IN ITALY OF SUNDRIES	306,917,355	124,250,545
24	XIV	ADVANCES (no maturity date nor no interest rate fixed in advance)(2)	5,816,308,523	444,755,350
25	XV	LOANS	54,121,964	(48,801,004)
27	XVI	PAYMENTS TO LENDERS IN ITALY OF AMOUNTS OF SR ESTATES FROM ALLIED COUNTRIES	-	4,246,600
28	XVII	PAYMENTS IN RESPECT OF GRANTS OF ALLIED MILITARY (2)	4,576,186	1,430,638
29	XIX	PAYMENTS CHARGEABLE TO ITALIAN STATE IN RESPECT OF ITALIAN EXPENSES, ETC.(2)	43,440	-
31	XXI	ADVANCES TO ALLIED ARMED FORCES (3)	20,220,693,308	3,085,410,150
32	XXII	DISBURSEMENTS IN RESPECT OF A/C EXPENDITURE (3)	58,558,480	19,531,616
			27,840,924,201	3,028,278,314
38	XXVII	CONTRA ACCOUNTS	19,348,350	9,875,950
39	-	TOTAL DISBURSEMENTS DURING PERIOD	27,860,272,551	3,038,154,264
40	XXVIII	CASH ON HAND AND IN BANKS AT END OF PERIOD	15,947,063,937	(2,554,676,103)
41	XXVIII	MUTILATED AND UNFIT A.M. LIRA NOTES	6,654,004	1,939,509
42	-	TOTAL CASH ON HAND AND IN BANKS (including Mutilated & Unfit AM Lira notes)	15,953,717,941	(2,552,737,594)

( ) = Red figure

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	Total to 31 March 1944	Current Month	Total to 30 April 1944
ITCSBR:			
eation:			
ounts)(2)	1,240,365,945	(602,331,041)	607,032,904
OTHER			
.....	169,336,000	-	169,336,000
ICE ..	306,917,355	124,230,545	431,147,900
and no			
ance)(2)	5,816,308,523	444,755,350	6,261,063,873
.....	54,121,962	(48,801,004)	5,320,980
RY OF			
A. ALLIED			
.....	-	4,246,000	4,246,000
JECTS OF			
.....	4,576,166	1,436,698	6,012,864
NTAL STAFF			
GES, ETC. (2)	18,440	-	18,440
OFFICES (3)	20,220,693,308	3,085,410,150	23,306,103,458
T AMG/ACC			
.....	58,558,480	19,531,616	78,090,096
	27,840,924,201	3,028,278,314	30,869,202,515
.....	19,348,350	9,875,950	29,224,300
NG PERIOD	27,860,272,551	3,038,154,264	30,898,426,815
AT END OF			
.....	15,947,063,937	(2,554,676,103)	13,392,387,834
IRA NOTES	6,654,004	1,939,509	8,592,513
BANKS (in-			
t At Lira			
.....	15,953,717,941	(2,552,737,594)	13,400,980,347

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NOTES

"There is a lag of at least one month between (i) the time transactions of Accounting Office allocation of such transactions in this Statement; however, advances made by Allied Fina and refunds made by them to Allied Financial Agency are reflected in this account current

1. The amounts shown as "OTHER ACCOUNTS" at 31 March 1944 under "RECEIPTS DURING PERIOD" an PERIOD" appeared in the March 1944 Statement of Assets and Liabilities as "DEPOSITS - For PALANCES WITH BANKS - Foreign Exchange Credits", respectively.

2. The following items were reclassified from "ADVANCES" as of 31 March 1944:

To Item No.	28	Lire 4,576,186	
do	29	48,440	
do	21	165,000	(Imprest Funds)
From Item No.	24	Lire 4,789,626	

3. The item "PAYMENTS ON ACCOUNT OF OCCUPATION COSTS" in the 31 March 1944 Statement of Asse broken down and is shown as Items Nos. 9, 31 and 32 in the above Statement of Receipts and

4. In addition to this amount of sales, there are included in "DEPOSITS BY AFHQ/MTO DIVISIONS Schedule No. II "a" and "c") collections totalling Lire 532,043,389, the major portion of "SALES IN ITALY OF SUPPLIES" and will be reclassified accordingly as soon as the individual from the Economic and Supply Division and allocated to the Sub-Heads shown on Schedule V.

5. These funds represent currency of the Italian Government placed to the credit of Allied F program to sterilize surplus currency.

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

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

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...n (2) the time transactions of Accounting Officers take place and (1) the ...tatement; however, advances made by Allied Financial Agency to such officers ...al Agency are reflected in this account currently.

...1 March 1944 under "RECEIPTS DURING PERIOD" and "DISBURSEMENTS DURING ...t of Assets and Liabilities as "DEPOSITS - For Remittances" and "OTHER ...ities", respectively.

...m "ADVANCES" as of 31 March 1944:

Lire	4,576,186	
	48,440	
	105,000	(Imprest Funds)
Lire	4,729,626	

...ION COSTS" in the 31 March 1944 Statement of Assets and Liabilities has been ...31 and 32 in the above Statement of Receipts and Disbursements.

...ts are included in "DEPOSITS BY AMG/AMG DIVISIONS" (see Item No. 4 and ...totalling Lire 582,043,389, the major portion of which represent "PROCEEDS OF ...reclassified accordingly as soon as the individual amounts can be checked with returns ...allocated to the Sub-Heads shown on Schedule V.

...alian Government placed to the credit of Allied Financial Agency under an agreed

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

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of Appendix B

ALLIED FINANCIAL AGENCY

SCHEDULE TO STATEMENT OF RECEIPTS AND DISBURSEMENTS

FOR THE PERIOD TO 30 APRIL 1944

( )=red figure (expressed in lire)

SCHEDULE No.		CURRENT MONTH	TOTAL TO DATE
I	NEW A.M. LIRA NOTES RECEIVED		
	As Notified to Washington	-	42,580,728,000
	Shortages Revealed on Opening Boxes	1,500,400	(1,080)
	Lire	1,500,400	42,580,726,920
II	DEPOSITS BY ANC/ASC DIVISIONS		
	(a) Economic and Supply Division	305,808,113	557,060,071
	(b) Economic and Supply Divisions - Deposits on Returnable Containers	(5,755,587)	17,914,299
	(c) Public Health Division	8,265,977	24,974,318
	(d) Legal Division	2,369,040	5,437,000
	(e) Other Divisions	27,700	27,700
	Lire	310,715,243	605,422,388
III	FUNDS OBTAINED FROM BANKS AND OTHERS BY ACCOUNTING OFFICERS IN THE FIELD		
	(a) From Banks	(15,000)	182,000
	(b) " Post Offices	(6,679,173)	-
	(c) " British Paymasters	-	6,430,000
	(d) " Others	(1,218,804)	1,318,640
	Lire	(7,912,977)	7,931,440
IV	DEPOSITS		
	(a) By Controller of Property		

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II	DEPOSITS BY ANG/ACC DIVISIONS		
	(a) Economic and Supply Division	305,808,113	557,089,071
	(b) Economic and Supply Divisions - Deposits on Returnable Containers	(5,755,587)	17,914,299
	(c) Public Health Division	8,265,977	24,974,318
	(d) Legal Division	2,369,040	5,437,000
	(e) Other Divisions	87,700	87,700
	Lire	310,715,243	605,422,388
III	FUNDS OBTAINED FROM BANKS AND OTHERS BY ACQUESTING OFFICERS IN THE FIELD		
	(a) From Banks	(15,000)	182,800
	(b) " Post Offices	(6,679,173)	-
	(c) " British Paymasters	-	6,430,000
	(d) " Others	(1,218,804)	1,318,640
	Lire	(7,912,977)	7,931,440
IV	DEPOSITS		
	(a) By Controller of Property		
	(1) Psychological Warfare Board-Film Section	916,103	916,103
	(2) A.G.I.F.	-	10,000,000
	(3) Meharwas & Son	117,219	117,219
	(4) Changimal Co.	-	108,714
	(5) Goods Ex German Steamers	-	846,500
	(6) Unione Militare	-	2,400,000
	(7) Miscellaneous	168,582	455,023
	C/F Lire	1,201,904	14,843,559

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SCHEDULE N°

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of Appendix E

		CURRENT MONTH	TOTAL TO DATE
	B/F	1,201,904	14,842,559
	(b) By U.S. Army Units	19,364,569	58,744,602
	(c) By Others		
	(1) "A" Force	460,000	960,000
	(2) Command Paymaster N°8 Com'd Pay Office, CMF	(170,525)	283,565
	(3) Pasquale Esposito	-	108,600
	(4) Various	(1,254,850)	155,911
	Lire	19,601,098	77,096,177
V	PROCEEDS OF SALES IN ITALY OF SUPPLIES		
	(a) Economic and Supply Division		
	(1) Supplies Imported or Drawn from Armies	131,319,486	470,385,838
	(2) Supplies Purchased Locally	6,260	4,981,228
	(b) Public Health Division		
	(1) Supplies Imported or Drawn from Armies	9,042,133	9,799,898
	(c) Agriculture Division		
	(1) Supplies Imported or Drawn from Armies	432,000	432,000
	Lire	140,799,879	485,598,964
VI	RECEIPTS IN RESPECT OF AMG/ACC REVENUE		
	(a) AFA Revenue		
	Interest Received from Banks	105,466	3,091,650
	Miscellaneous Receipts	-	545
		105,466	3,092,195
	(b) AMG Revenue) to close of	7,511,016	124,820,840
	(c) ACC Revenue) previous mth	3,066,129	7,163,372
	(d) AMG/ACC Revenue received by AFA direct in current month	54,566	54,566
	Lire	10,738,077	135,130,973

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OF SUPPLIES

(a) Economic and Supply Division		
(1) Supplies Imported or Drawn from Armies	131,319,486	470,325,838
(2) Supplies Purchased Locally	6,260	4,081,226
(b) Public Health Division		
(1) Supplies Imported or Drawn from Armies	9,042,133	9,799,898
(c) Agriculture Division		
(1) Supplies Imported or Drawn from Armies	432,000	432,000
Lire	140,799,879	485,538,964

VI RECEIPTS IN RESPECT OF AMG/ACC REVENUE

(a) AFA Revenue		
Interest Received from Banks	105,466	3,091,650
Miscellaneous Receipts	-	545
	105,466	3,092,195
(b) AMG Revenue) to close of	7,511,915	124,820,840
(c) ACC Revenue) previous mth	3,066,129	7,163,372
(d) AMG/ACC Revenue received by AFA direct in current month	54,566	54,566
Lire	10,738,077	135,130,973

X CONTRA ACCOUNTS

DEPOSITS FOR REMITTANCES

(1) U.S. Dollars ($ 292.143)	9,865,950	29,214,300
(2) Sterling (£25)	10,000	10,000
Lire	9,875,950	29,224,300

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

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(a) A.M. Stamps Issued to Post Office	-	21,254,000
(b) Balance on Hand	-	148,082,000
Lire	-	169,336,000

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SCHEDULE No°		CURRENT MONTH	TOTAL TO DATE
XIII	PURCHASES IN ITALY OF SUPPLIES		
	(a) For Export to:		
	(1) United States of America	7,606,758	35,385,989
	(2) Great Britain	91,259,321	268,929,544
	(3) North Africa	710,033	22,863,520
	(4) Corsica	297,475	385,675
	(5) Malta	22,310,274	86,730,222
		122,174,861	414,295,150
	(b) For Re-sale in Italy	2,055,684	16,852,750
	Lire	124,230,545	431,147,900
XIV	ADVANCES		
	(a) To Italian State Treasury, Armed Forces and State Institutions	297,047,766	4,575,045,376
	(b) To Provinces	45,686,327	492,429,665
	(c) To Communes	121,239,566	1,182,808,593
		463,973,659	6,251,143,634
	(d) To Others		
	(1) Items included in Sub-Accountants' Reports not yet allocated pending receipt of proper vouchers or more complete information	(19,724,200)	3,388,837
	(2) Advisory Council for Italy (pending account of disbursements by Council)	650,000	650,000
	(3) Library of Congress for purchase of books	64,573	211,134
	(4) Società Acquedotto -		

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XIV	ADVANCES		
	(a) To Italian State Treasury, Armed Forces and State Institutions	297,047,766	4,575,005,376
	(b) To Provinces	45,686,327	492,429,665
	(c) To Communes	121,239,566	1,182,808,593
		463,973,659	6,251,143,634
	(d) To Others		
	(1) Items included in Sub-Accountants' Reports not yet allocated pending receipt of proper vouchers or more complete information	(19,724,200)	3,388,837
	(2) Advisory Council for Italy (pending account of disbursements by Council)	650,000	650,000
	(3) Library of Congress for purchase of books	64,573	211,134
	(4) Società Acquedotto - Napoli	-	3,000,000
	(5) Sanetoda Caputa	-	1,000,000
	(6) Expenditure in connection with Refugee Camps (pending allocation)	178,315	213,647
	(7) Villa Rosa Mental Hospital	-	1,000,000
	(8) Casa della Madre e del Bambino "Principessa Maria Gabriella"- Ischia	-	100,000
	(9) Miscellaneous Advances under Lire 100,000 each	(386,097)	356,621
	Lire	444,755,356	6,261,463,873

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		CURRENT MONTH	TOTAL TO DATE
XV	LOANS		
	(a) To Banks	(48,565,664)	5,320,000
	(b) To Others	(235,340)	960
	Lire	(48,801,004)	5,320,960
XVII	PAYMENTS TO PERSONS IN ITALY ON ACCOUNT OF REMITTANCES FROM ALLIED COUNTRIES		
	(a) From United States of America Lire	4,246,000	4,246,000
XVIII	PAYMENTS IN RESPECT OF SUBJECTS OF ALLIED NATIONS		
	(a) Emergency Financial Assistance to:-		
(1)	U.S. Nationals	679,550	2,258,620
(2)	British Nationals	350,500	1,152,550
(3)	Greek Nationals	-	49,300
(4)	Yugoslav Nationals	-	172,105
(5)	Montenegrin Nationals	-	2,400
(6)	French Nationals	-	97,060
(7)	Polish Nationals	3,000	98,675
(8)	Canadian Nationals	8,000	8,000
(9)	Czechoslovak Nationals	-	27,535
(10)	Belgian Nationals	-	17,930
(11)	Paraguayan Nationals	-	4,500
(12)	Russian Nationals	-	11,200
(13)	Columbian Nationals	-	1,800
(14)	Brazilian Nationals	-	18,000
(15)	Peruvian Nationals	-	2,000
(16)	Swedish Nationals	-	1,200
(17)	Norwegian Nationals	-	3,000
(18)	Netherlands Nationals	-	9,700
(19)	Iceland Nationals	-	7,100
(20)	Swiss Nationals	-	600
(21)	Egyptian Nationals	-	1,200

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SUBJECTS OF ALLIED NATIONS

(a)	Emergency Financial Assistance to:-		
(1)	U.S. Nationals	679,550	2,258,620
(2)	British Nationals	350,500	1,152,550
(3)	Greek Nationals	-	49,300
(4)	Yugoslav Nationals	-	172,105
(5)	Montenegrin Nationals	-	2,400
(6)	French Nationals	-	97,060
(7)	Polish Nationals	3,000	98,675
(8)	Canadian Nationals	8,000	8,000
(9)	Czechoslovak Nationals	-	27,535
(10)	Belgian Nationals	-	17,030
(11)	Paraguayan Nationals	-	4,500
(12)	Russian Nationals	-	11,200
(13)	Columbian Nationals	-	1,800
(14)	Brazilian Nationals	-	18,000
(15)	Peruvian Nationals	-	2,000
(16)	Swedish Nationals	-	1,200
(17)	Norwegian Nationals	-	3,000
(18)	Netherlands Nationals	-	2,700
(19)	Iceland Nationals	-	7,100
(20)	Swiss Nationals	-	600
(21)	Egyptian Nationals	-	1,200
(22)	Albanian Nationals	-	16,833
(23)	Lettonian Nationals	-	5,700
(24)	Italian Nationals ex Yugoslavia	-	4,900
(25)	German Jewish	-	19,320
(26)	Austrian Jewish	-	18,200
(27)	Jewish	-	10,000
(28)	Stateless	-	19,400
(29)	Unknown	8,000	24,[illegible]
	C/F	1,049,050	4,062,613

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of Appendix B

Schedule No

	CURRENT MONTH	TOTAL TO DATE
Brought Forward	1,049,050	4,062,613
(b) Expenses in connection with Refugees camps	228,648	247,271
(c) Payments to Allied Nations Missions		
(1) Czechoslovak Military Mission	50,000	150,000
(2) Norwegian Military Mission	24,000	76,000
(3) Royal Yugoslav Military Mission	-	400,000
(4) Belgian Military Mission	5,000	8,000
(5) Netherlands Mission	60,000	115,000
(6) Polish Military Mission	20,000	954,000
	159,000	1,703,000
Lire	1,436,698	6,012,884

XXI . ADVANCES TO ALLIED ARMED FORCES

(a) To American Army		
(1) Paid in Lire	839,760,000	11,740,808,000
(2) Paid in Yellow Seal Dollars ($ 1,505,300 Total to date)	-	150,530,000
(b) To American Navy		
(1) Paid in Lire	34,744,000	190,766,000
(2) Paid in Yellow Seal Dollars ($ 212,000)		

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Mission	5,000	8,000
(5) Netherlands Mission	60,000	115,000
(6) Polish Military Mission	20,000	954,000
	159,000	1,703,000
Lire	1,436,698	6,012,884

XXI ADVANCES TO ALLIED ARMED FORCES

(a) To American Army		
(1) Paid in Lire	839,760,000	11,740,808,000
(2) Paid in Yellow Seal Dollars ($ 1,505,300 Total to date)	-	150,530,000
(b) To American Navy		
(1) Paid in Lire	34,744,000	190,766,000
(2) Paid in Yellow Seal Dollars ($ 212,000) Total to Date	10,400,000	21,200,000
(c) To British Army		
(1) Paid in Lire	1,276,308,000	7,923,651,830
(2) Paid in B.M.A. pounds (£1,902,600-15-6 Total to Date)	200,000,000	761,040,310
(d) To British Navy		
(1) Paid in Lire	-	14,832,800
(2) Paid in Francs (Fcs 15,915 Total to Date)	-	31,830
(e) To Royal Air Force		
(1) Paid in Lire	3,535,000	14,035,000
(2) Paid in Francs (Fcs 1,319,844 Total to Date)	215,150	2,639,688
Carried Forward	2,364,962,150	20,819,535,458

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SCHEDULE No.		CURRENT MONTH	F/P 21 Page No. 9. of Appendix E TOTAL TO DATE
	Brought Forward	2,364,662,150	20,819,935,458
	(i) To French Armed Forces		
	(1) Paid in Lire	720,448,000	2,486,568,000
	Lire	3,085,110,150	23,306,103,458
XXII	DISBURSEMENTS IN RESPECT OF AMG/ACC EXPENDITURE		
	(a) AFA Expenditure		
	Emoluments of Civilian Personnel	1,000	107,366
	Motor Transport - Maintenance of Vehicles	-	760
	Other Administrative Expenses		
	Printing and Stationery	1,482	35,496
	Maintenance of Offices	-	4,410
	Maintenance of Office Equipment	-	1,905
	Sundries	-	1,284
	Total Other Administrative Expenditure	1,482	43,095
	Special Expenditure		
	Purchase of Office Furniture and Equipment	-	94,799
	Reconditioning of Offices	15,700	51,590
	Total Special Expenditure	15,700	146,389
	Financial Expenditure		
	Interest Paid to Banks	681	4,555,087

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Vehicles	-	760
Other Administrative Expenses		
Printing and Stationery	1,482	35,496
Maintenance of Offices	-	4,410
Maintenance of Office Equipment	-	1,905
Sundries	-	1,284
Total Other Administrative Expenditure	1,482	43,095
Special Expenditure		
Purchase of Office Furniture and Equipment	-	94,799
Reconditioning of Offices	15,700	51,590
Total Special Expenditure	15,700	146,389
Financial Expenditure		
Interest Paid to Banks	681	4,555,087
Bank Service Charges	-	408,333
Total Financial Expenditure	681	4,963,420
Total AFA Expenditure	18,853	5,261,050
(b) AMG Expenditure) to close	5,568,858	47,229,972
(c) ACC Expenditure) of previous month	13,391,034	23,065,242
(a) AMG/ACC Disbursements made by AFA direct in previous month, allocated in current month	(1,980,971)	
(c) AMG/ACC Disbursements made by AFA direct in current month	2,533,832	2,533,832
Lire	18,531,816	78,090,096

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SCHEDULE No

Appendix I - W/T 21 Page No. 10

		CURRENT MONTH	TOTAL TO DATE
XXVII	CONTRA ACCOUNTS		
	Foreign Exchange Credits		
	(1) US Dollars($292,143)	9,865,950	29,214,300
	(2) Sterling (£ 25)	10,000	10,000
	Lire	9,875,950	29,224,300
XXVIII	CASH ON HAND AND IN BANKS		
	(a) Current Cash - Lire	727,736	883,233
	(b) Reserve Cash - AM Lire	(2,949,472,000)	11,415,320,000
	(c) Bank Current Accounts - Lire	389,522,540	1,422,472,621
	Total Lire Funds	(2,559,221,724)	12,838,676,854
	(d) Foreign Currency on Hand and in Banks		
	(1) Yellow Seal Dollars ($1,411,698.93)	58,249,991	141,169,893
	(2) BMA Pounds (£379,138.16.0)	(73,072,879)	151,655,521
	(3) Maltese Pounds (£140.2.6)	26,900	56,050
	(4) Tripolitania Lire (14,500)	-	12,064
	(5) Francs (Fcs 35,425)	(22,960)	70,850
	Total Foreign Currency	(14,818,948)	292,964,378
	(e) Other Balances with Banks		
	(1) Bank of Italy No.2 account (see item No.7)	-	200,000,000
	(2) Funds Deposited by US Army Units	19,364,569	60,744,602
	Total Other Balances with Banks	19,364,569	260,744,602
	Cash on Hand and in Banks at end of period	(2,554,676,103)	13,392,387,834

MUTILATED AND UNFIT AM LIRE NOTES

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(1) Yellow Seal Dollars ($1,411,698.93)	58,249,991	141,169,893
(2) BMA Pounds (£379,138.16.0)	(73,072,879)	151,655,521
(3) Maltese Pounds (£148.2.6)	26,900	56,050
(4) Tripolitania Lire (14,500)	-	12,064
(5) Francs (Fcs 35,425)	(22,960)	70,850
Total Foreign Currency	(14,818,948)	292,964,378
(e) Other Balances with Banks		
(1) Bank of Italy No.2 account (see item No.7)	-	200,000,000
(2) Funds Deposited by US Army Units	19,364,569	60,744,602
Total Other Balances with Banks	19,364,569	260,744,602
Cash on Hand and in Banks at end of period	(2,554,676,103)	13,392,387,834
MUTILATED AND UNFIT AM LIRE NOTES ON HAND	1,938,509	8,592,513
Total Cash on Hand and in Banks (including Mutilated and Unfit AM Lire notes on Hand) Lire	(2,552,737,594)	13,400,980,347

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APPENDIX 'F'

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

DOLLAR REMITTANCE LISTS

Bank	Amount	No. of items
(a) items for which credit has been received in an 'AF' account.		
American Express Company, New York	$100,353.50	2954
Amalgamated Bank of New York, New York	147.50	7
Bank of America, San Francisco	26,495.-	440
Bank of Manhattan Company, New York	508.-	17
Central National Bank in Chicago, Chicago	11,450.50	654
Chase National Bank of the City of New York	3,736.50	67
" " " " A/c Apostolic Delegate	25,965.50	2
Continental Illinois Nat.Bk & Trust Co,Chicago	1,884.-	65
Corn Exchange Bank & Trust Co., New York	2,240.-	64
Corn Exchange Nat.Bk & Trust Co., Philadelphia	100.-	1
First National Bank of Boston, Boston	4,690.50	121
First National Bank of Chicago, Chicago	4,431.-	138
Irving Trust Company, New York	3,068.-	65
Liberty Title & Trust Company, Philadelphia	4,104.-	105
Manufacturers Nat. Bank of Detroit, Detroit	817.-	15
Manufacturers Trust Company, New York	66,198.-	1748
Marine Midland Trust Company, New York	2,647.-	61
Merchants Bank of New York, New York	615.-	16
National Bank of Detroit, Detroit	4,743.-	104
National Shawmut Bank of Boston, Boston	2,880.-	44
Pan American Trust Company, New York	3,896.-	154
Perera Company, New York	2,704.50	73
Philadelphia National Bank, Philadelphia	1,725.-	42
Public Nat. Bank & Trust Co., New York	3,650.50	135
Stabile Bank & Trust Co., Boston	6,906.50	260
Sterling Nat. Bank & Trust Co., New York	5,298.50	173
Whitney Nat. Bank of New Orleans, New Orleans	850.-	13
	292,143.-	7538
(b) items for which credit will be given upon receipt of advice of payment:		
Irving Trust Company, New York	1,925.-	54
National City Bank of New York		

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First National Bank of Chicago, Chicago	4,431.-	138
Irving Trust Company, New York	3,068.-	85
Liberty Title & Trust Company, Philadelphia	4,104.-	105
Manufacturers Nat. Bank of Detroit, Detroit	317.-	15
Manufacturers Trust Company, New York	66,196.-	1748
Marine Midland Trust Company, New York	2,647.-	61
Merchants Bank of New York, New York	515.-	10
National Bank of Detroit, Detroit	4,743.-	104
National Shawmut Bank of Boston, Boston	2,880.-	44
Pan American Trust Company, New York	3,896.-	154
Perera Company, New York	2,704.50	73
Philadelphia National Bank, Philadelphia	1,725.-	42
Public Nat. Bank & Trust Co., New York	3,650.50	135
Stabile Bank & Trust Co., Boston	6,306.50	260
Sterling Nat. Bank & Trust Co., New York	5,296.50	173
Whitney Nat. Bank of New Orleans, New Orleans	650.-	13
	292,143.-	7538
(b) items for which credit will be given upon receipt of advice of payment:		
Irving Trust Company, New York	1,925.-	54
National City Bank of New York	10,764.50	865
	$312,832.50	8457

STERLING REMITTANCE LISTS

Bank of England	£ 25

REMITTANCES FROM U.S. TO SICILY

1.	Cumulated total of beneficiaries of remittances who have been referred to the U.S. Consular Office for determination of nationality	1624
2.	Cumulated total of those certified as nationals....	1
3.	Cumulated total of those definitely rejected	
4.	Cumulated total of those still pending	5

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APPENDIX 'C'

Notes on Life Insurance in Italy

A. Background

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

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

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

B. Present Position

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

2. The relative position of the Institute and the private companies is

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

(millions of lire)

		Premium Income	Policy reserves
Institute (1941)		1149	6699
Two companies (1940)	(a)	532	3821
Eleven other companies (1940)	(b)	89	366
		1766	10886

1623

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

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

3. In 1941 the Institute declared a total of over 14 million policies in force for total sums insured of nearly 25,000 million lire. The number of policies probably closely approximates the total number of persons insured with the Institute and the private companies together, while in proportion to the reserve figures, total sums insured for all Italy would be about 40,500 million lire.

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4. The Institutes total includes 19,500 annuities, and 4,300,000 "Popolare" policies (a small policy with monthly premiums collected by stamps). 3,700,000 were insurances effected direct with the public, and the balance were the "assicuri legali" from the companies.

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

C. Organization of the Istituto Nazionale delle Assicurazioni

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

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

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

4. Over the General Agents are Inspectors, one for each "Compartimento", whose supervision of the General Agents does not extend to financial matters.

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

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

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

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

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

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

D. Political Influences in the Institute

1. Definite conclusions on political influence in the administration of the Institute must await examination of the Head Office. It is generally believed, however, that the funds of the Institute were utilized for purposes not usually financed by life insurance institutions. More than half the total (94) Lire of 8604 million Lire were direct obligations of the Italian State, and no data is published on the valuation of policy reserves to enable an opinion to be formed as to the soundness of the liability calculations.

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

E. Organization of the Companies

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

F. Political Influence in the Companies

[illegible] agents with exclusive area contracts seem to

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Declassified E.O. 12356 Section 3.3/NND No. 785021

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F. Political Influence in the Companies

1. The system of employing agents with exclusive [illegible] area is to be a reason why in Italian insurance, and undoubtedly leaves the door open for abuse. No detailed information is available on the infiltration of political influences into the companies except that a number of higher officials have undesirable political histories. Assicurazioni Generali di Venezia in particular has been reported as having been greatly penetrated by such influences, and as, that its good pre-Fascist name in Continental Insurance has suffered. Non-technical posts, such as Controller and General Agencies, are an ideal field for minor party officials.

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

(a) Federazione Nazionale Fascista delle Imprese Assicuratrici

(b) Federazione Nazionale Fascista degli Agenti di Assicurazione e di Credito

(c) Federazione Nazionale Fascista dei Dirigenti delle Aziende del Credito e dell' Assicurazione,

with numerous modifications of "Confederazioni" and "Sindacati". A reconstruction

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

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

G. The Insurance Advisory Committee

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

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

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Interior S.C

20 MAY 1944

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SECRET

HEADQUARTERS
ALLIED CONTROL COMMISSION
FINANCE SUB-COMMISSION
APO 394

13071/F

18 May 1944

SUBJECT: Monthly Report of Finance Sub-Commission

TO:

Regional Commissioner
Region I
" II
" III
" IV
" V
" VI
" VII
Senior Civil Affairs Officer
A&C Five Army
" Eight "

Regional Finance Officer
Region I
" II
" III
" IV
" V.
" VI
" VII
Senior Finance Officer
A.G Five Army
" Eight "

EC & MG Section
Administrative Section
Political Section
All Sub-Commissions, HQ ACC.

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1. Forwarded herewith for your information (and guidance in the case of RFOs and SFOs) is/are _____ copy/copies of the monthly operations report for April 1944 of the Finance Sub-Commission, Headquarters Allied Control Commission.

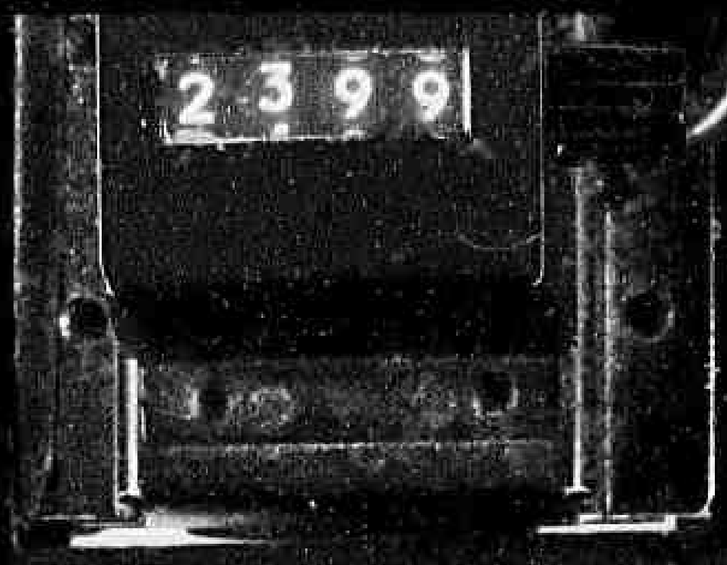
2. It will be noted that the attached report embodies the Monthly Financial Review of Italy and the Allied Financial Agency monthly report, previously issued as separate documents. This procedure will also be followed in future monthly reports.

For Lieut-General MASON MACFARLANE

Colonel,
Joint Director,
Finance Sub-Commission.

RHLA/PFP

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FINANCE SUB-COMMISSION, MONTHLY REPORTS (DEC. 1942 - JAN. 1944); MAR. - AUG. 1944
(2 OF 2)

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Declassified E.O. 12356 Section 3.3/NND No. 785021

SECRET

HEAD QUARTERS
ALLIED CONTROL COMMISSION
FINANCE SUB-COMMISSION
AFO 394

13071/F

11 May 1944.

REPORT OF THE FINANCE SUB-COMMISSION HQ ACC

FOR APRIL 1944

Col. A. R. Crawford-Smith (B)) Joint Directors, Finance Sub-
Col. E. H. Foley (A)) Commission

Capt. B. T. L. Timmins)
Capt. Andrew Kamarck, T.A.) Joint Editors
Lt. (JG) J.E. Hicks, USCGR)

I. ORGANIZATION

A. Appointment of a New Minister of Finance and Under-Secretary

1. The formation of a new Italian Government, the third Badoglio Cabinet, was announced on 21 April, 1944. Lt. Col. Guido Jung resigned as Minister of Finance and was replaced by Ing. Quinto Quintieri, with Dott. Antonio Pesenti as Under-Secretary, a post that had not been filled under Lt. Col. Jung.

2. Quintieri, about 50 years of age, belongs to a very wealthy family of land owners from Cosenza, and is regarded as one of the richest men in Southern Italy. He has been president of the Banco di Calabria for many years, living in Naples. The Banco di Calabria was originally a family enterprise, being registered as a corporation in 1910. Quintieri graduated in engineering at the University of Naples, and is generally reputed to have considerable banking and business ability. He speaks English fairly well, having usually spent three or four weeks each year in London before the war.

Quintieri was a member of the Fascist party but was not active. Since July 1943 he has not been identified with any party, but he is regarded as monarchist in sentiment. In the negotiations preceding the formation of the new government, the Six Parties took a firm position that Lt. Col. Guido Jung must go. Marshal Badoglio insisted on picking Lt. Col. Jung's successor. He chose Quintieri, apparently on the recommendation of Lt. Col. Jung and of [illegible] Jung appointee to the Bank of Naples.

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3. Pesenti was born at Treviso in 1910. He graduated at the University of Padua in 1931 and won a fellowship to continue his studies in economics abroad. He studied for three months at the London School of Economics. Pesenti has stated that at that time he had no political convictions except that he was anti-Fascist. He continued his studies in Vienna, where he became a Marxist. On his return to Italy he accepted a post as Professor of Finance at the University of Sassari, in Sardinia. He was arrested and tried in 1935 for subversive activities and was sentenced to 24 years in prison. Pesenti states that during his imprisonment he became a Communist. After his release from prison, in July 1943, he went to Verona, where he was at the time of the Armistice. He escaped down the coast to Bari where, for a period of several months, he was employed by PWB. In Bari he assumed the direction of the Communist party and edited its newspaper.

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B. Finance Sub-Commission Personnel

During April the Joint Director (B), Col. A. E. Griffey-Smith, was in London for discussions with the War Office.

II. PRICES AND THE COST OF LIVING

A. The Price of Wheat

1. Recommendations of the Agriculture Sub-Commission and of the Italian Government

Determination of the price to be paid for 1945 wheat delivered to the Ammasi was given much consideration during the month. The Agriculture Sub-Commission recommended to the Economic Section prices of 1100 lire per quintal for soft wheat and 1200 lire per quintal for hard wheat. Both the Italian Minister of Agriculture and the Italian Minister of Finance recommended prices of approximately 1200 lire per quintal. Both of these recommendations were supported with the contention that prices as high as these were necessary to provide a sufficient inducement to farming.

2. Recommendations of the Finance Sub-Commission

The recommendations of the Finance Sub-Commission were made in a memorandum addressed to the Executive Officer, Economic Section, a copy of which is included in this report as Appendix A. This memorandum contains a complete statement of our views upon the subject. Briefly, the Finance Sub-Commission recommended:

(a) That the 1945 prices of soft and hard wheat be set at from 550 to 700 lire per quintal with inter-provincial variations within that range to reflect differences in costs of production.

(b) That, in order to make these prices amply cover costs of production, in order to prevent an entirely unnecessary and unjustified windfall to landowners, and in order to be consistent with the policy of the Italian Government and of AMG toward urban landowners, all rents be required to be paid in money with rent rents converted into money payments at not more than last year's price of wheat. (this proposal is discussed in detail on pages 9 and 10 of the memorandum.)

(c) That the price of bread be fixed at not over 5 lire per kilo, the difference between the recommended prices of wheat together with transportation, milling, baking, and retailing costs and a 5 lire price of bread being met by an Italian Government subsidy.

[illegible] be opposed by the realistic

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Declassified E.O. 12356 Section 3.3/NND No. 785021

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(c) That the price of bread be fixed at not over 5 lire per kilo, the difference between the recommended prices of wheat together with transportation, milling, baking, and retailing costs and a 5 lire price of bread being met by an Italian Government subsidy.

(d) That the success of the rationing program be assured by the realistic use of compulsion under energetic, enthusiastic, imaginative, and tough-minded administration, and, specifically, measures comparable to the following be determined upon and begun:

(i) Tabulation by local committees of a farm-by-farm census of all crops and of all available past data on family size, yields, and rationing.

(ii) A program of comparing week-by-week results of the rationing with the crop census, and a determination to use severe penalties in cases of delinquent or short delivery.

(iii) The collection of grain by the threshers at the time of threshing, wherever wheat is threshed by machinery.

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(iv) Assurance to farmers that enhanced prices will not reach the black market, through publication of the results of an immediate investigation of the Consorzio Agrario, as outlined in the memorandum on page 12.

(v) Immediate publicity campaign to convince the people of Italy that they must waste enough food to take care of their urban population, that compulsory requisition is absolutely necessary in certain food areas in war time, and that, in its present condition, the principal contribution that Italy can make to Allied victory is that of feeding itself in order to free the resources and shipping of the Allies for the direct prosecution of the war.

(c) That in order to give assistance to farmers to harvest their own crops, harvesting costs down, the use of the Italian army for harvest labour and the strict control of threshers be adopted for A.M.G territory and recommended to the Italian Government, as described in the memorandum on page 11.

(d) That all major crops be assisted.

In making these recommendations, the Finance Sub-Commission contended:

(a) That a programme comparable to that outlined will solve the cereals problem without an excessive price of wheat, and that - owing to the height of black market prices and other factors - without some comparable programme, the cereals programme will be a failure, however high the price of wheat may be set.

(b) That the prices recommended will only cover costs of production, including an adequate return to the farmer. (Costs are estimated in detail in the memorandum on pages 7 through 11).

(c) That the effect upon the cost of living of the urban population will be serious if the price of bread is increased above 5 lire. (The effect of increasing the price of bread to 10 lire, the price that would be necessary to support a wheat price of 1,150 lire per quintal without Government subsidy, is discussed in the memorandum on pages 5 through 6).

(d) That the Italian Government cannot be expected to subsidize cereals

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(f) That all major crops be assessed.

In using these considerations, the Finance Sub-Committee mentioned:

(a) That a reasonable effort be made to find outlined with the assessing programme a system without an excessive price of wheat, and that - owing to the height of black market prices and other factors - without such a reasonable programme, the assessing programme will be a failure, however high the price of wheat may be set.

(b) That the prices recommended fail nearly cover costs of production, including an adequate return to the farmer. (Costs are presented in detail in the memorandum on pages 7 through 11).

(c) That the effect upon the cost of living of the urban population will be serious if the price of bread is increased above 7 lire. (The effect of increasing the price of bread to 15 lire, the price that would be necessary to support a wheat price of 1,150 lire per quintal without Government subsidy, is discussed in the memorandum on pages 3 through 6).

(d) That the Italian Government cannot be expected to subsidize wheat sufficiently to pay a high price for wheat and to keep bread at 7 lire. (The effect upon the Italian Government budget of paying 1,150 lire per quintal for wheat and keeping the price of bread at 7.60 lire is discussed in the memorandum on page 2.) If the wheat and bread prices recommended by the Finance Sub-Committee are agreed upon, and if the costs of transport, milling, baking, and retailing can be limited to 3 lire per kilo, the programme would involve an annual deficit to the Italian Government of about 2.8 billion lire. The deficit that would result from fixing the price at 1200 lire and keeping the price of bread at 7 lire, is 7.5 billion lire.

(e) That in view of the effect of raising the price of bread sufficiently to cover a high wheat price on the effort upon the Italian Government deficit of attempting to cover a high price of wheat by Italian Government subsidy, a price of wheat much higher than 600 lire per quintal will also exceedingly difficult further attempts to control inflation and to stabilize the Italian economy at current levels of industrial prices and wages.

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[redacted] ... [redacted] ... [redacted] ... [

	December 1943	January 1944	April 1944
	(lire per person per week)		
Cereals	95	120	160
Cheese	100	140	180
Meat	50	75	150
Potatoes	90	100	150
Maize	300	350	350

(b) The changes in these figures relative to each other would probably differ from the current seasonal shortage of local supplies of black market bread, a situation that involves (relatively) white rice imports in which American flour is more readily obtainable through official channels, and that conditions (accordingly) attach to fish, cheese, that are in the midst of the main growing area. All available evidence indicates that the price of black market bread is rising rapidly in all the smaller towns of Southern Italy.

III. GOVERNMENT FINANCE

A. The Italian Government Deficit

1. General

Since 1 July 1943, total gross disbursements by the Italian Government and its agencies in the areas now comprising Liberated Italy amount to around 28 billion lire. Only 4 billion of this was offset by gross revenues. The remainder, 24 billion lire, was financed by funds made available by the Banca d'Italia (12 billion lire); advances from the Allied Financial Agency (6 billion lire); funds supplied from Rome prior to our occupation (3 billion lire), funds on special accounts (2 billion lire); and an increase in Government bills outstanding, Buoni del Tesoro ordinari (1 billion lire).

In March, the excess of Government expenditures over receipts was around 3 billion lire. Almost the whole of this was met by the Banca d'Italia branches. As can be seen from Table II, the ability of the Banca d'Italia to do so came from the very large increase in bankers' deposits plus the repayment of outstanding advances. As we mention in the section on banking, the bankers' deposits arise from the increase in deposits of the public with the banks. As a matter of fact, the movement of funds into the Banca d'Italia was quite

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in the hands of the public growing rapidly. All available evidence indicates that the price of black market gold is rising rapidly in all the principal towns of Southern Italy.

III. Government finance

A. The Italian Government Deficit

1. General

Since 1 July 1943, total gross disbursements by the Italian Government and its agencies in the area now comprising liberated Italy amount to around 38 billion lire. Only 4 billion of this was raised by gross revenues. The remainder, 34 billion lire, was financed by funds made available by the Banca d'Italia (12 billion lire); advanced from the Allied Financial Agency (6 billion lire); funds supplied from Rome prior to the occupation (3 billion lire), funds on special accounts (2 billion lire); and an increase in Government debt outstanding, Buoni del Tesoro ordinari (1 billion lire).

In March, the excess of Government expenditures over receipts was around 3 billion lire. Almost the whole of this was met by the Banca d'Italia branches. As can be seen from Table II, the ability of the Banca d'Italia to do so came from the very large increase in bankers' deposits plus the repayment of outstanding advances. As we mention in the section on banking, the bankers' deposits arise from the increase in the cash of the public with the banks. As a matter of fact, the movement of funds into the Banca d'Italia was great enough during the month to enable the Bank to meet most of the Government's current deficit, and to increase its currency holdings by some 800 million lire (on the mainland and in Sardinia).

Less than one-tenth of the Government's current deficit in March was covered by the sale of government securities, Buoni del Tesoro ordinari, these being a net investment of 230 million in those securities during the month. While the figures for April have not yet been compiled, it is believed that they may have been larger. The creation of the new Government resulted in a strong upward movement in Government bond prices on the unofficial market, one security even going above par.

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2. Statistics on the Italian Government deficit

The statistics available are all from the figures of the Government account with the Banca d'Italia. The "deficit", as measured, is the excess of gross disbursements over gross receipts shown in this account. According to the compilation of the reports from the branches of the Banca d'Italia in liberated Italy, the total excess of Government gross disbursements over gross receipts for this area since 1 July 1943 amounts to 34 billion lire.

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In addition, there is a total of about 3 billion lire of advances made by AFC to meet governmental deficits which does not appear in this account, thus making the total excess of governmental disbursements over receipts in Liberated Italy for the first nine months of the fiscal year, 24 billion lire.

It will be noted that this total is the figure for all of Liberated Italy, not only for the territory at present directly under the Italian Government. Given the very nature of the data, derived from a compilation of individual branch reports, some of which is distorted by transfer items, the data become more meaningful when all revenues are included. The figures must be called "gross", since under Italian practice it is possible that one item might pass through the accounts more than once. Furthermore, the accounting of disbursements and receipts between AMG regions and the rest of Liberated Italy becomes completely inter-mixed in this type of control. The pay of the Italian troops in Bagnoli may appear on the accounts of the Banco d'Italia in Bari, but the actual cash has to be provided by the Banco d'Italia in Naples. The Italian Government is undertaking various projects for the Allied forces in AMG regions which are a charge on its budget and may appear either on the accounts of a Banco d'Italia branch in an AMG region or in an ACC region.

As our statistical tables have been built up from the reports of the branches of the Banco d'Italia, there are some gaps and some inconsistencies which it takes considerable time to work out. The statistics on Sicily, which are available for the first time, will probably undergo considerable revision, since the expenditures shown are undoubtedly too small. There are other inconsistencies which need to be corrected. For example, two branches report "Funds supplied from Rome" (Fondi somministrati) which obviously have not been reported under the proper heading and will need to be re-classified.

3. Government bonds

(a) Investment in Buoni del Tesoro ordinari. During March there was a net investment of 750 million lire in Buoni del Tesoro ordinari, practically all of which took place in Sicily. Puglia and Campania show a small dis-investment in these securities. Since 1 July 1943, the amount of B.T.Os outstanding in Liberated Italy has increased by 748 million lire; Sicily, Puglia and Sardinia accounting for practically all of the increase. In the forward areas, the AMG regions, while there has been a net increase in investment in B.T.Os since resumption of sales in January, it has not been sufficient to overbalance the net dis-investment which occurred prior to our occupation.

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Banca d'Italia in Bari, but the actual sale has to be performed by the Banca d'Italia in Naples. The Italian Government is undertaking various projects for the Allied forces in A.C. regions which are a charge on the budget and may appear either on the accounts of a Banca d'Italia branch in an AMG region or in an A.C. region.

As our statistical tables have been built up from the reports of the branches of the Banca d'Italia, there are some gaps and some inconsistencies which it takes considerable time to work out. The statistics on Sicily, which are available for the first time, will probably undergo considerable revision, since the expenditure shown are undoubtedly too small. There are other inconsistencies which need to be corrected. For example, two branches report "Funds supplied from Rome." (For A consistent) which obviously have not been reported under the proper heading and will need to be re-classified.

3. Government bonds

(a) Investment in Buoni del Tesoro ordinari. During March there was a net investment of 250 million lire in Buoni del Tesoro ordinari, practically all of which took place in Sicily. Puglia and Campania show a small dis-investment in these securities. Since 1 July 1943, the amount of B.T.Os outstanding in liberated Italy has increased by 7.8 billion lire; Sicily, Puglia and Sardinia accounting for practically all of the increase. In the forward areas, the AMG regions, while there has been a net increase in investment in B.T.Os since resumption of sales in January, it has not been sufficient to overbalance the net dis-investment which occurred prior to our occupation.

TABLE III

Investment in Buoni del Tesoro ordinari

	1 July 1943 through 31 March 1944 (In millions of lire)			March 1944		
	Issued	Paid	Net Investment	Issued	Paid	Net Investment
Salerno	36	49	-13	20	8	12
Lucania	106	151	-45	12	3	9
Calabria	75	69	6	15	10	5
Puglia (less Foggia)	821	577	244	112	121	-9
Sardegna	141	49	92	18	5	13
Sicilia	1,083	578	505	565	360	203
Total ACC	2,265	1,474	789	739	507	232
Campania (less Salerno)	456	466	-10	90	91	-1
Foggia	38	43	-5	4	5	-1
Campobasso	29	33	-4	16	13	3
Total AMG	523	542	-19	110	109	1
Grand total	2,788	2,017	768	849	616	233

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TABLE 1.

Italian State Account at Banca d'Italia
1 July 1943 through 31 March 1944
(in millions of lire)

	BASILICATA	CALABRIA	PUGLIA less FOGGIA	SARDEGNA	SICILIA	TOTAL A.C.C.	CA
"Deficit" in State Account							
Total payments less payments on account of Buoni del Tesoro ordinari	788	507	2,463	8,971	4,612	1,909	19,250
Total receipts less receipts on account of Buoni del Tesoro ordinari	64	53	177	1,453	365	563	2,673
Excess of disbursements	724	454	2,286	7,518	4,249	1,346	16,577
How State "Deficit" was met							
Credit advanced by Banca d'Italia to State	201	-	912	5,705	1,733	-	8,551
Decrease in balance held by State at Banca d'Italia on 1 July 1943	337	185	520	1,204	1,110	-	3,356
Advances from AFA and AUS	-	100	400	850	860	490	2,700
Funds supplied from NGAF	-	200	600	900	-	126	1,826
Net receipts or net payments (-) on Buoni del Tesoro Ordinari account	-6	-50	5	210	65	581	823
Increase or decrease (-) in Contabilita Speciale accounts	192	18	-150	640	458	116	1,304
Increase in deposits of cash guarantees	-	1	1	9	3	3	17
TOTAL	724	454	2,286	7,518	4,249	1,346	16,577

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TABLE 1.

Italian State Account at Banca d'Italia
1 July 1943 through 31 March 1944
(in millions of lire)

ALABRIA	PUGLIA less FOGGIA	SARDEGNA	SICILIA	TOTAL A.C.C.	CAMPANIA less SALERNO	FOGGIA	SALERNO	TOTAL A.M.G.	
2,403	6,971	4,612	1,905	19,250	4,700	333	564	5,397	24,647
177	1,453	363	563	2,673	779	95	34	912	3,585
2,286	7,518	4,249	1,346	16,577	3,921	234	330	4,485	21,062
912	3,705	1,733	-	6,351	1,502	-	- -	1,802	8,153
520	1,204	1,110	-	3,356	565	159	280	1,044	4,400
200	350	860	190	2,700	-	-	30	30	2,730
600	900	-	126	1,826	1,400	-	-	1,400	3,226
3	216	85	581	823	-46	-7	-6	-59	764
-150	640	458	146	1,304	367	81	14	462	1,766
1	9	3	3	17	3	1	2	6	23
2,286	7,518	4,249	1,346	16,577	3,921	234	330	4,485	21,062

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TABLE 2.

Italian State account at Banca d'Italia
month of March 1944
(millions of lire)

	CAMPANIA	CALABRIA	PUGLIA less POGGIA	SARDEGNA	SICILIA	TOTAL A C C	CAMPANIA less SALERNO	POG
1. "Deficit" in State Account								
Total payments less payments on account of Fondi del tesoro ordinari.	347	87	239	1,060	360	1,020	3,117	569
Total receipts less receipts on account of fondi del Tesoro ordinari	11	8	38	229	74	196	556	107
Total excess of disbursements.	336	79	197	839	286	824	2,561	462
2. How State "Deficit" was met.								
Credit of Banca d'Italia to State	129	-	76	971	154	n.a.	n.a.	306
Increase in balance held by State at Banca d'Italia on 1 July 1943.	-	31	85	-	-	n.a.	n.a.	63
Advances from AMA and AM	-	25	50	200	188	n.a.	n.a.	-
Notes supplied from ROME	-	-	-	-	-	n.a.	n.a.	72
Net receipts or repayments (-) on account Tesoro ordinari account	5	1	4	68	12	n.a.	n.a.	-4
Increase or decrease (-) in Certificates Special	198	22	-18	-396	-83	n.a.	n.a.	25
Increase or decrease (-) in deposits of coin as guarantee	-	-	-	-4	-	n.a.	n.a.	-
TOTAL	336	79	197	839	286	n.a.	n.a.	462

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TABLE 2.

...te account of Enemy Activity
...month of March 1944
(millions of lire)

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...LIA ...SO ...GLIA	SARDEGNA	SICILIA	TOTAL A / S	CAMPANIA: less CALABRIA	PUGLIA	CALABRIA/BASSO	TOTAL: A-la Cal.	GRAND TOTAL LIBERATED ITALY
...068	380	1,020	3,117	369	74	61	704	3,821
...229	74	196	556	107	9	2	118	674
...039	286	824	2,561	462	65	59	586	3,147
921	154	n.d.	n.d.	306	-	-	306	n.d.
-	-	n.d.	n.d.	63	56	89	208	n.d.
280	186	n.d.	n.d.	-	-	-	-	n.d.
-	-	n.d.	n.d.	72	-	-32	40	n.d.
60	12	n.d.	n.d.	-4	-1	2	-3	n.d.
-596	-98	n.d.	n.d.	25	10	-32	97	n.d.
-4	-	n.d.	n.d.	-	-	32	32	n.d.
839	236	n.d.	n.d.	462	65	59	586	n.d.

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TABLE 2. (Cont'd.)

	CALABRIA	LUCANIA	CAMPANIA	PUGLIA (con FOGGIA)	SARDINIA	SICILIA	TOTALS A B C	CALABRIA (con SALERNO)	NAPLES
3. How Rates of Change Enhance the Advance to State									
Increase or decrease (-) in Valle confirmed to chronicles	183	10	-50	304	3	n.d.	n.d.	-336	
Increase or decrease (-) in Oggetto	54	-11		431	158	n.d.	n.d.	739	
Is Oggetto	2	2	-	17	2	n.d.	n.d.	264	
Is replacement of advance	11	20		336	79	n.d.	n.d.	233	
Or or brunetto che				36		n.d.	n.d.		
Is result of Paolo				1,124	242	n.d.	n.d.	920	
Is in Medio medio	247	21	n.d.						
Have rate previous to the State	129	31	n.d.	971	154	n.d.	n.d.	369	
Net increase or decrease in cash holdings during the month	115	-10	-135	153	88	n.d.	n.d.	551	

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TABLE 2. (Cont'd.)

0	-50	302	3	n.d.	n.d.	-356	28	n.d.	n.d.	n.d.
1		431	168	n.d.	n.d.	739	7	n.d.	n.d.	n.d.
2	-	17	2	n.d.	n.d.	304	12	n.d.	n.d.	n.d.
3		556	79	n.d.	n.d.	233	-	n.d.	n.d.	n.d.
4		36		n.d.	n.d.			n.d.	n.d.	n.d.
5	n.d.	1,124	242	n.d.	n.d.	920	47	n.d.	n.d.	n.d.
6	n.d.	921	154	n.d.	n.d.	309	56	n.d.	n.d.	n.d.
7	-135	153	33	n.d.	n.d.	551	-9	n.d.	n.d.	n.d.

(b) Repayment of 15 December 1943 bond maturity. In Table IV is shown the first complete tabulation for liberated Italy of the repayment through 31 March 1944 of the 15 December 1943, 4 per cent nine-year bond maturity. A total of 72.6 million lire has been paid, probably accounting for about one-quarter of the total amount of the issue which was outstanding in liberated Italy.

TABLE IV

Payment of 4 per cent Nine-year Bonds matured 15 December 1943

(In billions of lire)

	Total paid up to 31 March 1944	Total issued	Per cent paid to issued
Lucania	2.4	n.d.	n.d.
Calabria	2.9	17.0	17
Puglia (less Foggia)	6.9	n.d.	n.d.
Salerno	4.9	6.7	29
Sardegna	2.7	n.d.	n.d.
Sicilia	16.2	est 51.9	33
Total AMG	35.0	n.d.	n.d.
Campania (less Salerno)	35.5	126.5	28
Basilicata	1.1	n.d.	n.d.
Foggia	1.1	n.d.	n.d.
Total AMG	37.6	n.d.	n.d.
Grand Total Liberated Italy	72.6	est 300.0	est 25-30
Total all Italy	n.d.	2,000.0	n.d.

(c) Prices of Government securities. The reports on the unofficial Government bond market show that a marked improvement in prices has taken place. The 5 per cent bond of 1936 has received a sharp impetus from the formation of the new Government incorporating the six parties. One security, the 5 per cent Rente of 1906 is even selling above par. In explanation of the rise in this security it is usually said that there is a sort of "gold clause" in the bond which purchasers hope eventually to enforce, and that the Rente was issued prior to Fascism and, therefore, may be less subject to repudiation.

TABLE V

Prices of Government Securities

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	Taxes paid up to 31 March 1944	Total issued	Per cent p.a. to issued
Lucania	2.4	n.a.	n.a.
Calabria	2.9	17.0	17
Puglia (less Foggia)	6.9	n.a.	n.a.
Molise	1.2	6.7	20
Sardegna	3.7	n.a.	n.a.
Sicilia	18.2	est 54.0	33
Total AOI	35.0	n.a.	n.a.
Campania (less Salerno)	35.6	126.5	28
Cerignola	1.1	n.a.	n.a.
Foggia	1.1	n.a.	n.a.
Total AOI	37.6	n.a.	n.a.
Grand Total liberated Italy	72.6	est 320.0	est 25-30
Total all Italy	n.a.	2,000.0	n.a.

(c) Prices of Government Securities. The reports on the unofficial Government bond market show that a marked improvement in prices has taken place. The upward trend of recent months received a sharp impetus from the formation of the new Government incorporating the six parties. One security, the 3½ per cent Rente of 1906 is even selling above par. In explanation of the rise in this security it is usually said that there is a sort of "gold clause" in the bond which Government hope eventually to enforce, and that the bonds was issued prior to Fascism and, therefore, may be less subject to confiscation.

TABLE V

Prices of Government Securities
(Unofficial market prices at Naples)

	31 Dec 1943	31 Jan 1944	15 Feb 1944	17 Mar 1944	22 Apr 1944
3-year bonds, 5% 1944	85	94	n.a.	95 - 97	99
5-year bonds, 5% 1948	n.a.	n.a.	n.a.	87	96
5-year bonds, 5% 1949	70	81	79	85	95
5-year bonds, 5% 1950 1st issue	70	81	79	84 - 85	95
5-year bonds, 5% 1950 2nd issue	70	81	79	94	95
5-year bonds, 5% 1951	70	81	79	84	95
9-year bonds, 4% 1951	64	74	69	79	85
10-year bonds, 4% 1951	57	81	80	83	94
Rente Tombarn, 5%	60	90	91	96	100.50
Rente 3.50% (1906)	n.a.	n.a.	n.a.	92	n.a.
Redeemable long-term bonds, 5%	n.a.	n.a.	n.a.	62 - 68	83
Redeemable long-term bonds, 3.50	63	71	n.a.		

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4. Cash position of the Italian Government

(a) AFA advanced no currency to the Italian Government during April. The inflow of currency into the Banca d'Italia during the month was more than sufficient to meet all the needs of the Government. Although they no longer have any relevance, Col. Fuqua, the Minister of Finance in the second Badoglio cabinet, submitted estimates of the Government's cash position for the four provinces of Puglia for April. As the cash position of the Government in Puglia is now only a small factor in the cash position of the Government as a whole, the estimates do not possess any value and are not, therefore, included in this month's report.

(b) As of 1 April, all advances of funds by AFA to the Italian Government and parastatal institutions were rendered to have authorization from Finance Sub-Commission Headquarters. One advance was made in Sardinia which had been arranged in March, but which was not actually effected until April. No advance other than this one was approved for April.

(c) During April, Regional Finance Officers (other than the SCO's of A/C 5th and 8th Armies) were told if they had any objection to being required to secure prior authorization from Finance Sub-Commission Headquarters before they made advances for national and provincial purposes. No objections were raised and from 1 May all advances, either by AFA or by ACC officers directly or indirectly, for command or provincial purposes (outside 5th and 8th Armyareas) must receive prior authorization from this Headquarters. This step completes the centralization in Allied Headquarters of authority for granting advances for the financing of Italian governmental activities. Barring any sudden major changes, it is not expected that it will be necessary to authorize any advances to any Italian Government organizations of any kind, outside of the forward areas. The Banca d'Italia should be able to handle all governmental financing directly without any assistance from AFA.

(d) The total advances of AFA to 31 March 1944 amounted to 5.0 billion lire. The break-down by AFA office and by purpose of advance is shown in Table VI. Of this total, only 650 million were advanced to the Italian Government by ACC Headquarters. The remainder, 5.2 billion lire, was advanced by Regional and Provincial Finance Officers.

TABLE VI

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for April.

(c) During April, Regional Finance Officers (other than the SCOs of AFHQ 5th and 8th Armies) were asked if they had any objection to being required to secure prior authorization from Finance Sub-Commission Headquarters before they made advances for command and provincial purposes. No objections were received and from 1 May all advances, normally. No objections were received and from 1 May all advances, whether by AFA or by AFHQ officers directly or indirectly, for command or provincial purposes (outside 5th and 8th Armies) must receive prior authorization from this Headquarters. This also completes the centralization in this Headquarters of authority for granting advances for the financing of Italian governmental activities. During any months under review, it is not expected that it will be necessary to authorize an advance to any Italian Government organizations of any kind, outside of the Command area. The Banco d'Italia should be able to handle all governmental financing directly without any assistance from AFA.

(d) The total advances of AFA to 31 March 1944 amounted to 5.8 billion lire. The break-down by AFA offices and by purpose of advance is shown in Table VI. Of this total, only 650 million were advanced to the Italian Government by AFHQ Headquarters. The remainder, 5.2 billion lire, was advanced by Regional and Provincial Finance Officers.

TABLE VI

Allied Financial Agency Advances
(To 31 March 1944)

	Rome	Naples	Palermo	Bari	Region IV	Total
	(in billions of lire)					
To Italian State Treasury and State Institutions	1469	25	1756	800	85	4279
To Provinces	22	40	370	7	0	447
To Communes	19	329	734	3	46	1131
Total to Public Bodies	1511	394	2860	855	137	5787
To others	17	8	2	-	7	34
Total advances (excluding repayments)	1528	792	2862	855	144	5821

(Excludes advances extended by accounting officers in the field during

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(c) As reported last month, the Bank of France agreed to increase to [illegible] its [illegible] in the event of previous advances. This amount will be [illegible] account of ASA. [illegible] which will maintain a total reserve equal at least to 100% of this account. Before implementing this repayment, the Minister resigned, and the instructions to the Banco d'Italia to make the repayment to ASA were not issued until May. It has, however, been decided that the agreement with the Banca d'Italia should be amended so as to provide that the cash reserve of ASA held by the Banca d'Italia shall not fall below the balance held in the No. 2 account of ASA.

(d) As at 31 March 1954, the Banco d'Italia held $.6 million lire in currency (Table VII). This includes any cover held for A/E or [illegible] accounts (standing under 500 million) but does not include [illegible] attributed, likely, or otherwise unpredictable extent. The ratio of currency reserve to current liabilities of the branches of the Banca d'Italia in liberated Italy is thus around 40 per cent.

B. Revenue

1. Tax evasion

(a) The draft of a new profits tax decree has been prepared in accordance with our discussions of the matter, reported in previous monthly reports. The draft decree provides:

(i) That foreign profits shall be included in income liable to the tax;

(ii) That a person subject to the tax shall make an annual declaration and support his declaration by the submission of accounts and other information; that the appropriate officials shall have the power to make larger and more frequent provisional assessments, and that they shall have the power, up to 5 years after the end of the year, to increase any assessments found to be inadequate;

(iii) That penalties, based upon the difference between the full tax due and that calculated from the declaration, shall be imposed in cases of under-declaration; and that the appropriate officials be empowered to make appropriate settlements of penalties, subject to the approval of the Inspectorate of the Ministry;

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my subsidiary, Sisly, an Ukrainian nationalist mobs. The ratio of earnings reserve to current liabilities of the branches of the Banco d'Italia is expected likely to rise around 40 per cent.

3. Reforms

1. War Taxation

(a) The draft of a war profits tax decree has been prepared in accordance with our discussions with the Ministry, reported in previous monthly reports. The draft decree provides:

(i) That saving credits shall be included in income liable to the tax;

(ii) That persons subject to the tax shall make an annual declaration and support their declaration by the submission of accounts and other documents; that the appropriate officials shall have the power to make larger advances against provisional assessments, and that they should have the power, up to 5 years after the end of the war, to increase the assessments found to be inadequate;

(iii) That penalties, based upon the difference between the full tax due and that calculated from the declaration, shall be imposed in cases of under-declaration; and that the appropriate officials be empowered to make certain settlements of penalties, subject to the approval of the Inspectorate or the Ministry;

(iv) That the rate of tax shall be increased; that the requirement that a part of profits shall be invested in 3 per cent government bonds shall be abolished; that officials be empowered to collect the tax on all businesses in three instalments instead of six; and that the exemption limit for 1943 profits be increased in order to reduce the amount of work now being done on very small cases.

(b) The administrative mechanism with which acceptances found to be inadequate can be increased and with which penalties can be settled has been thoroughly worked out in the preparation of the draft war profits tax. The same mechanism can now be easily applied to all other taxes whenever it is appropriate. It is proposed eventually to incorporate these provisions in the general law.

(c) The method whereby certain war contractors were not assessed under the war profits tax for profits derived due to rises in general price levels was explored with a view to eliminating this feature of excess profits taxation.

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TABLE VII

Cash Position "Banca d' Italia"

(including AFA and AMG accounts)

31 March 1944

(in millions of lire)

Branch		Bank Notes	State Notes	AM Lire	U.K.A. Pounds	Dollars	Emergency Italian currencies	Total
Matera	11		1	47	10	-	-	69
Potenza	19		5	73	7	-	-	110
TOTAL Lucania		30	6	126	17	-	-	179
Catanzaro	31		6	79	3	-	-	119
Cosenza	35		1	122	1	-	-	159
Reggio Calabria	36		1	82	4	-	-	123
TOTAL Calabria		102	8	283	8	-	-	401
Bari	146		26	191	7	-	-	370
Barletta	20		1	67	7	-	-	95
Brindisi	10		-	29	9	-	-	48
Lecce	9		7	7	-	-	-	23
Taranto	35		30	43	3	-	-	120
TOTAL Puglia (less Foggia)		220	73	337	26	-	-	656
Palermo		168	4	157	16	1		366
Cagliari	4		-	56	-	-	-	60
Nuoro	10		1	36	-	-	1	48
Sassari	54		5	60	-	-	31	150
TOTAL Sardegna		68	6	152	-	-	32	258
Agrigento	14		2	128	-	-	-	144
Caltanissetta	66		42	80	-	-	-	190
Catania	111		3	230	2	-	-	346
Enna	18		4	81	1	1	-	105
Messina	328		3	80	-	-	-	411
Palermo	175		5	435	-	1	-	611

Catanzaro	31	6	79	3	-	-	119	
Cosenza	35	1	122	1	-	-	159	
Reggio Calabria	36	1	82	4	-	-	123	
TOTAL Calabria	102	8	283	8	-	-	401	
Bari	146	26	191	7	-	-	370	
Barletta	20	1	67	7	-	-	95	
Brindisi	10	-	29	9	-	-	48	
Lecce	9	7	7		-	-	23	
Taranto	35	39	43	3	-	-	120	
TOTAL Puglia (less Foggia)	220	73	337	26	-	-	656	
Salerno	188	4	157	16	1		366	
Cagliari	4	-	56	-	-	-	60	
Nuoro	18	1	36	-	-	1	48	
Sassari	54	5	60	-	-	31	150	
TOTAL Sardegna	68	6	152	-	-	32	258	
Agrigento	14	2	128	-	-	-	144	
Caltanissetta	68	42	80	-	-	-	190	
Catania	111	3	230	2	-	-	346	
Enna	18	4	81	1	1	-	105	
Messina	328	3	80	-	-	-	411	
Palermo	175	5	425	-	1	-	604	
Ragusa	1	1	37	-	-	-	39	
Siracusa	5	1	88	-	-	-	94	
Trapani	2	-	204	-	-	-	206	
TOTAL Sicilia	720	61	1.353	3	2	-	2.139	
Campobasso	65	4	18	6		-	93	
Foggia	26	2	30	2	1	-	69	
Avellino	26	3	53	3	-	-	85	
Benevento	40	7	32	1	1	-	81	
Caserta	35	-	18	4	-	-	60	
Napoli	983	-	210	25	14	-	1232	
TOTAL Campania (less Salerno)	1.087	10	313	33	15	-	1.458	
GRAND TOTAL Liberated Italy	2.506	174	2.777	111	19	32	5. 619	

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(a) A memorandum, entitled as Appendix 'A' to this report, has been prepared giving our views on long-term changes required in the Italian tax system.

2. Destruction of tax offices and records

Bread ration demonstrations have recently occurred in several Sicilian towns, during some of which serious damage was done to tax offices and records.

(a) At Partinico, in Palermo Province, a demonstration by about 6,000 people occurred on 29 March. Some extra grain was distributed and the rioters dispersed. On 30 March a larger demonstration took place during which the Direct Taxation office was badly burned by fire and the tax collection office was damaged by bombs. It appears probable that the normal organisation was impaired by interested persons, since the originals of the tax rolls have disappeared from the tax office and the rolls in the collection office were destroyed, while rolls and a cash register were carefully arranged. The work of repairing the offices has been commenced, furniture has been obtained, and the records are being sorted out in order that new rolls can be prepared.

(b) At Corleone, in Palermo, in Taormina Province, about 200 people demonstrated for improved bread rations on 6 April. They set fire to furniture and papers in the Municipio and at the tax collection office and attacked the police. During the disturbance money was stolen from the municipal treasury. The extent of the damage to official records in this town is not yet known.

3. Customs

The customs situation in liberated Italy is still very unsatisfactory. Duties are being imposed at some ports and not at others. Discussions are in progress with the Treasury and Economic sub-Commission in which it is hoped a definite policy can be agreed upon.

4. Use of the Carabinieri in Sicily

Agreement has been reached with the Public Safety Sub-Commission that personnel of the Carabinieri should be used entirely in Allied duties except in cases of emergency and in the forward areas of the 5th and 8th Armies.

5. Revenue collections

(a) Revenues for the month of March exceeded those of February, even though

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of registers. The original and duplicate registers were destroyed, and the records are being reconstructed in order that new rolls can be prepared.

(b) At Campobasso in Molise, in Tregnal Territory, about 200 people demonstrated for improved breadrations on 6 April. They set fire to furniture and papers in the Municipio and at the tax collection office and attacked two cars. During the disturbance money was stolen from the communal treasury. The extent of the damage to official records in this town is not yet known.

3. Customs

The customs situation in liberated Italy is still very unsatisfactory. Duties are being imposed at some ports and not at others. Discussions are in progress with the Treasury and Commerce Sub-Commission in which it is hoped a definite policy can be agreed upon.

4. Use of the Lancia di Simone

Agreement has been reached with the Public Safety Sub-Commission that personnel of the Lancia di Simone should be used entirely in fiscal duties except in cases of emergency and in the forward areas of the 5th and 8th Armies.

5. Revenue collections

(a) Revenues for the month of March exceeded those of February, even though March is not a month in which bi-annually direct tax payments fall due. Total tax revenue, i.e. total receipts exclusive of Capo X, were 472 million Lit. in March, against 169 in February. The increase is entirely attributable to about equal increases in monopoly revenues in the provinces of Bari and Foggia; in almost all other provinces revenues doubled from February to March as they would be expected to do.

(b) Total revenue for the first three months of 1944 are only about 30 per cent of those for the first three months of 1943, although for most provinces, revenue for this year are substantially higher than those of last year. The exceptions are principally those provinces which have suffered most, or most recently, from the war. The most serious problem is that of Naples province, which formerly contributed about 55 per cent of the total revenues of this area and now contributes only about 10 per cent. It is largely because of this serious decline of revenues from Naples province that total revenues this year are less than those of last year.

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(c) Detailed revenue figures are given in Table VIII. In comparing this table, in which is shown the percentages of revenues for the first three months of this year to those for the first three months of last year, with the table (unlimited in scope, in which are shown the percentages of revenues for the eight months ending February 1947 to those for the corresponding period a year earlier, it will be seen that the revenue picture is slowly improving. In the province of Taranto, for example, [illegible], Reggio, Rome and Genoa, the same changes shown in Table VIII(new) are considerably more than they would be if the comparison were based on an eight or nine month period.

C. Budget and Expenditure Control

1. Budget estimates

It is only about two months since it has been possible to get an estimate of monthly basis from the Italian Government showing its expenditures. For the month of April, notwithstanding the extension on 11 January of the jurisdiction beyond Naples, the estimate for Apulia was made by the Bureau of Finance, Bari, and finally covered only Apulia. A request was made for an estimate covering the [illegible] territory under Italian jurisdiction. At the end of the month no estimate has been received covering Sicily. Actually the estimate for Apulia was received on 12 April, the estimate for Regions II and VII plus Salerno was received on 16 April, and the estimate for Sardinia on 1 May. This delay during inflation has given estimates as not being used by the Italian Government for any purpose, since from the standpoint of time of preparation when they are ready, historical. There is no justification for preparing estimates solely for the purpose of showing a pretense of control. The point no estimate can be rejected - that the Italian government has required estimates of expenditures only when it felt the need for additional supplies of currency. For this reason the estimates are not [illegible] estimates, but solely estimates of pre each month thereafter. These very inadequate estimates are given in the following table:

TABLE IX

Comparison of Italian Government Estimates of Cash Disbursements for Liberated Italy (excluding Sicily) for April, w/March Estimates for Puglia

	March	April			
	Puglia	Puglia	Regions II, VII & Salerno	Sardinia	Total
		(in millions of lire)			
Ministries	16.0	16.0	35.0	15.0	66.0
Justice	.0	3.0	5.0	4.0	12.0
Foreign Affairs	1.0	1.0	1.5	-	2.5
Education	15.0	22.0	20.0	18.0	60.0
Interior	100.0	100.0	200.0	176.0	476.0

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[illegible] covering the balance of Apulia's jurisdiction. As in the case of the earlier estimates, no estimate for Regions II and VII plus Salerno was received on 1 May, no estimate for Regions II and VII plus Salerno was received on 16 April, and no estimate was received on 1 May. This is a clear indication that these estimates are not being used by the Italians themselves for any purpose, since the preparation or lack of preparation of them is merely historical. There is no justification for preparing estimates solely for the purpose of creating an appearance of control. The only way in which such estimates could be useful - that the Italian Government has prepared estimates of expenditures only when it felt the need for additional supplies of currency. For this reason the estimates are not reliable estimates, but solely estimates of pre-set cash disbursements. These very inadequate estimates are given in the following table:

TABLE IX

Comparison of Italian Government Estimates of Cash Disbursements for Liberated Italy (excluding Sicily) for April, and March Estimates for Apulia

	March	April			
	Apulia	Apulia	Regions II, VII & Salerno	Sardinia	Total
		(In millions of lire)			
Finance	66.0	16.0	35.0	15.0	66.0
Justice	3.0	5.0	2.0	4.0	11.0
Foreign Affairs	1.0	1.0	1.5	-	2.5
Education	15.0	22.5	20.0	18.0	60.0
Interior	100.0	100.0	90.0	174.0	324.0
Public Works	3.0	3.0	12.0	11.0	34.0
Communications	170.0	200.0	90.0	80.0	370.0
Agriculture	3.0	3.0	3.0	3.0	8.0
Industry & Commerce	-	.5	1.0	1.0	2.5
Merchant Marine	-	1.0	-	-	1.0
Total	361.0	352.0	217.5	347.0	916.0
Monopolies	41.0	50.0	2.0	3.0	20.0
Lottery	.5	.5	.1	-	.6
Public Debt	24.0	12.0	3.0	1.0	21.0
Total	65.5	102.5	15.1	4.0	119.6
Total Civil Ministries	503.0	454.5	230.6	321.0	1612
War	174.5	160.9	311.2 *	174.1	646.2
Navy	231.1	188.9	47.2 *	19.6	251.3
Air Force	76.0	47.6	21.0 *	20.4	89.0
Total Military	481.5	406.5	379.4	213.1	996.0
Total Government	984.5	861.0	610.0	534.1	2,608.6

* Includes Sicily.

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TABLE VIII
Total Revenue Receipts
(Gross Intake, Less Capo X)

(millions of lire)

	1943				1944				
	Jan	Feb	Mar	Total for 3 Months	Jan	Feb	Mar	Total for 3 Months	Percentage 1944 to 1943
REGION I									
Agrigento	2	6	3	11	3	7	4	14	127
Caltanisetta	2	5	2	9	3	7	4	13	144
Catania			98		14	30	13	57	-
Enna	1	3	1	5	2	6	2	10	200
Messina	13	6	14	33	8	7	8	23	70
Palermo	32	36	17	90	26	58	62	146	162
Ragusa	1	4	2	7	3	6	4	12	171
Siracusa	2	6	1	9	4	7	6	17	189
Trapani	---	---	6	---	4	12	6	22	-
Total			74		64	140	110	314	
REGION II									
Bari	71	89	51	211	53	102	155	310	147
Brindisi	3	6	3	12	3	10	6	19	158
Foggia	1	3	1	5	2	2	2	6	120
Potenza	2	3	4	9	1	3	4	8	89
Taranto	7	13	30	50	4	7	9	20	40
Lecce	4	10	5	19	5	14	3	22	147
Total	88	124	94	306	68	141	185	394	129
REGION III									
Avellino	3	6	3	12	3	6	3	12	100
Benevento	2	4	3	9	-	4	2	6	67
Napoli	145	189	105	439	30	111	81	222	51
Salerno	9	14	9	32	10	6	10	26	84
Total	159	212	120	491	43	127	96	266	54
REGION V									
Campobasso	2	5	3	10	1	2	2	5	50
Foggia	8	18	8	34	2	6	8	16	47
Total	10	23	11	44	3	8	10	21	48

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[illegible] a large number of [illegible]
[illegible] the various Ministries and
[illegible] to determine how much
[illegible] is possible that not each
"double counting" is included in this item. It is possible that each
disbursements were between 4 and 5 billion lire in March.

As pointed out in the Finance Mission's Report for February,
we have been urging the Ministry of Finance to allocate the large item "provvisti
collettivi" to the proper budget headings. It should be noted that in the above
table there was a net decrease of 1.8 billion lire in this item in March. While
we do not yet have precise information, it is thought that this amount was merely
shifted to the War Ministry account to Anglo. If this is true, the Italian
Government appears to have merely shifted [illegible] to bring the item down and allow the
classification to remain, without changing it, to appear as a normal item. If this large item is allowed to remain
in its proper expenditure bracket, it might be used
as an outstanding war expenditure of the Italian Government, to have
later as a bargaining counter by the Italians in future negotiations. We have
asked the Government to [illegible] detailed statement of the items composing the
1.8 billion lire decline in "provvisti collettivi".

Until the Italian Government reconstitutes the Corte dei Conti, it will
be impossible to obtain true [illegible] figures. The combined reporting
of disbursements by each branch of the Banca d'Italia does not show in many cases
the true purpose or purpose of a disbursement and does not distinguish between
net expenditures and transfers between the various accounts. The Corte dei
Conti in Rome formerly controlled the whole expenditure system of the Italian
Government, receiving reports from each branch of the Banca d'Italia. Only at
this central source could the Italian Government distinguish between transfers
and net disbursements.

As an example of the impossibility of ascertaining from existing Banca
d'Italia records the purpose of an expenditure, a study was made of disburse-
ments [illegible] carried out in the province of Palermo, classified under the headings used
to show the purpose of budget expenses in the Treasury Section of the Banca
d'Italia. This study revealed that the real destination was included for the
purpose sought, since while certain payments are classified as pensions and others
as salaries, those so classified are only direct payments. If, on the other hand,
a payment is made to provide funds in another account to be used for pensions or
salaries, those payments are not classified but are called "ordini di accreditamento".
From the study made covering the eight months ending February 1944, it is possible
only to say that payments charged directly against budget account showed 8 per cent
for debt service, 6 per cent for salaries, and 5 per cent for pensions.
"Ordini di accreditamento" accounted for the balance, 76 per cent, with 2 per
cent for other purposes.

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TABLE X

Cash Disbursements for Liberated Italy (Naples Provinc

March 1944

(In millions of lire)

MINISTRY	Sicily	Puglia	Lucania	Campania *	Campobasso
Finance	114.7	74.0	6.5	31.3	10.0
Justice	14.6	7.0	.6	4.7	.3
Foreign Affairs	.	1.1		.3	
Italian Africa	.2	2.0		1.0	
Education	26.1	56.7	.6	21.0	.3
Interior	243.3	213.4	.3	57.9	.3
Public Works	16.5	11.0	.4	18.4	.
Communications	47.1	115.4		54.5	
War	21.0	1961.4	.	.7	.2
Navy	1.1	166.0	.	.2	.
Air Force	.	189.0	.	.	.
Agriculture	23.4	7.3	.1	1.5	.
Industry and Commerce	.3	.7	.	1.2	.
Popular Culture		1.5			
Total budget Disbursements	530.9	2836.5	8.5	192.6	11.1
Disbursements outside budget	369.0	149.5	9.6	13.1	13.0
Autonomous Administration (monopolies, post offices, state roads, etc.)	43.6	96.7	29.3	272.6	1.2
Total	943.5	3081.7	47.4	478.3	25.3
Payments in progress and movement of funds	198.1	-2262.2	49.5	-46.3	48.5
Total General Payments	1141.6	1219.5	96.9	432.0	73.8
Special Accounts	505.6	1516.0	29.2	72.9	52.5
Treasury Cash Deposits (Repayments)	27.3	2.0		.1	
Total	1134.9	2737.5	126.1	505.0	126.3

* Campania: Naples excluded.

. Figure runs from 160,000 li

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TABLE X

Civil Requirements for Liberated Italy (Naples Province excluded)

March 1944

(In millions of lire)

Sicilia	Puglia	Lucania	Campania *	Grapolitano	Napoli	Sardegna	Calabria	TOTAL
130.7	72.0	6.5	31.3	1.0	5.2	20.8	13.5	276.0
14.6	7.8	.5	4.7	.3	.3	5.1	2.2	34.8
.	1.1		.3				.	1.4
.2	2.0		1.0			.	1.0	4.2
46.1	56.7	.6	21.0	.3	.4	12.2	1.6	139.9
243.3	213.4	.3	37.8	.3	.2	2.7	1.0	519.0
18.6	11.0	.4	13.1	.	2.9	4.7	.3	55.7
47.1	119.4		54.5			1.2	.4	816.4
21.0	1921.4	.	.7	.2	.	232.0	.4	2185.7
1.1	196.3	.	.2	.	.	26.6	.	223.5
.	168.0	.	.	.	.	.	.	189.0
25.1	7.2	.1	1.5	.	.	2.4	.3	35.0
.8	.7	.	1.2	.	.	.2	.	2.9
	1.3							1.5
530.9	2836.5	8.5	192.6	1.1	8.1	377.7	20.7	3886.4
369.0	169.5	9.6	13.1	13.0	4.6	5.1	16.3	505.2
43.0	33.7	28.3	23.6	1.2	20.8	79.7	80.5	1063.4
543.9	2881.7	47.4	178.3	25.3	33.8	362.5	164.5	5493.0
193.1	-2362.2	15.9	-46.3	48.9	57.6	2.6	134.2	-1918.0
1441.6	1219.5	96.3	130.0	73.8	91.4	369.1	214.7	3675.0
565.6	1510.0	28.2	71.9	5.5	32.0	434.1	75.0	2775.3
27.3	3.0		.1			.1	80.1	109.6
1734.5	2737.5	126.1	585.0	126.2	123.4	799.3	427.8	6959.9

* Figure less than 100,000 lire.

At the present time, agreement has been reached with the new Minister of Finance that reconstitution of the Corte del Conti is necessary, and he has stated that it will be created at the earliest date possible with solution of his personal problems. He has also agreed to the reconstitution of the Central Treasury. The function of the Central Treasury is to clear accounts representing the revenues collected under work in special categories and intended to meet corresponding expenditures. At present no such balances is being accumulated, the revenues being held deposit in banks, and expenditures being authorized independently.

IV. Banking, Postal Savings and other Financial Developments

A. Central Banking Developments

1. The guiding policy of the Finance Sub-Commission as regards the Banca d'Italia, has been to assist the Governor and Vice-Governor to re-integrate the 30 branches of the Banca d'Italia in liberated Italy into a single efficiently-run central bank. Owing to the disorganization of the war and to the German occupation of Rome, the branches have had to function as so many separate central banks each in its own area of Italy. The process of re-creating unity of policy and control over the branches has, of necessity, been a slow one.

2. During April, the separate pools of currency reserves held at the various branches of the Banca d'Italia were brought under central control. This made possible the supplying of currency from surplus currency regions to meet the needs of deficit regions. For example, a need for currency in Region II was supplied by Rome, with AFHQ assistance, over 100 million lire in currency from Palermo. Such a demand formerly had to be met by an advance from AFHQ. As described in an earlier section, it has, therefore, been possible for AFHQ to stop making further advances of funds in the territory under the Italian Government, this burden being entirely assumed by the Banca d'Italia, and, moreover, to secure a repayment of 1.5 billion lire on account of earlier advances. The branches of the Banca d'Italia in AMG territory have likewise been put under the control of the Governor and Vice-Governors of the Bank. This has made possible the shifting of responsibility for meeting the Government deficit from AFHQ to the Banca d'Italia in AMG regions also.

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B. Central Bank Credit

1. [illegible] have information on the weekly net movement of central bank credit in liberated Italy. From these data, it is possible to draw some general conclusions. Comparing December 1943 with December 1944, it can be seen that the amount of central bank credit outstanding was approximately the same at both dates. Since December 1945, however, there has been a very large decline in the amount of central bank credit outstanding, from around 2.7 billion lire on 31 December 1945 to less than 1.3 billion lire on 31 March 1944. At the same time, due to the reduction of advances, the amount of central bank credit available but not used increased by .4 billion lire during March alone to a total at 31 March of 1.5 billion lire.

2. The decrease in use of central bank credit is partly one part of the movement of funds from the banks into the banks. The banks have become so liquid that they not only have reduced the amount of money they owe to the central bank but have likewise accumulated large sums. In the table on Bank of Italy liabilities of the Bank d'Italia shown, bankers' deposits at the Banca d'Italia increased by over 2 billion lire during the month. At the end of March, the amount of funds which banks could draw upon at the Banca d'Italia totalled over 17 billion lire.

3. There are two principal ways in which central bank credit is extended in Italy:

(a) rediscount of eligible paper, Buoni del Tesoro, and coupons, of four months' maturity or less; and

(b) advances secured by Government securities or merchandise.

The practice of banks appears to be to hold relatively [illegible] at the Banca d'Italia, a fixed amount of Government securities and to have a line of credit in the form of a current account agreed upon based on the security of these Government bonds. Interest of ½ per cent per annum is paid on the amount of this credit that is actually used. The difference between the amount of Banca d'Italia credit used (the debit to the account) and the remainder of the credit available thus represents a kind of reserve for the commercial banks. Rediscounting is available only to banks, but individuals and firms may obtain advances from the Banca d'Italia. This accounts for the category in the tables on central bank credit "Residual available on advances to others".

C. Commercial Banking

1. From the compilation of the balance sheets of the principal banks in Naples, Bari and Catania, it is clear that the banks in liberated Italy are doing little more than collecting funds from the public and passing them on to the Banca d'Italia (where the funds are used to meet the government deficit). Loans and investments, except for a certain amount of financing of agricultural commercial, are stagnant. There has been very little buying of Government securities in the period from September 1943 through February 1944. Some purchases of Buoni del Tesoro or Buoni by some of the banks, the Banco di Roma in particular, were reported under the "Portfolio" classification [illegible]

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3. There are two authorized ways in which central bank credit is exempted in Italy:

(a) rediscount of eligible paper, Buoni del Tesoro, and coupons, of two months' maturity or less; and

(b) advances secured by Government securities or merchandise.

The practice of banks appears to be to hold relatively large sums only at the Banco d'Italia, a small amount of Government securities and to have a line of credit in the form of a current account agreed upon based on the security of Government bonds. Interest of ½ per cent per month is paid on the amount of this credit that is actually used. The difference between the amount of Banco d'Italia credit used (the debit to the account) and the maximum of the credit available thus represents a kind of reserve for the commercial banks. Rediscounting is available only to banks, but individuals and firms may obtain advances from the Banco d'Italia. This accounts for the category in the Banks on central bank credit "Credits available on advances to others".

C. Commercial Banking

1. From the compilation of the balance sheets of the principal banks in Naples, Bari and Cagliari, it is clear that the banks in liberated Italy are doing little more than collecting funds from the public and passing them on to the Banco d'Italia (where the funds are used to meet the government deficit). Loans and investments, except for a certain amount of financing of agricultural commercial, are stagnant. There has been very little buying of Government securities in the period from September 1943 through February 1944. Some purchases of Buoni del Tesoro ordinari by some of the banks, the Banco di Sicilia in particular, are reported under the "Portafoglio" classification and largely account for the increase shown in this item. The Banco di Napoli since February has made large purchases of Buoni del Tesoro ordinari which are not included in the period for which statistics are available.

2. Since September there has been a continual flow of money into the banks from the public. More than half of the increase is in the business and commercial deposits (current account deposits and current accounts of correspondents) and the remainder in time and savings deposits. However, a part of the explanation may be due to the desire to hold funds in a more liquid form than savings and time deposits. The cash reserves held by the banks are small, and the bulk of the available "cash" coming in is re-deposited at the Banco d'Italia. Bankers' deposits of the principal banks at the Banco d'Italia increased from under 300 million in September to around 2 billion at the end of February 1944.

3. By far the most important bank in Southern Italy is the Banco di Napoli. Over half of the total banking assets reported in Naples and Bari belong to the branches of this bank.

4. Table XV presents the statistics of the balance sheets of the branches of the principal banks in Naples, Bari, and Cagliari. As this is the first time such

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statistics have been available, some descriptive comments are necessary. The bulk of the "other assets" and "other liabilities" items consists of the securities custody accounts which are included in the balance sheet but which are not important for our purposes. "Current account deposits" serve the same function as our "sight deposits." "Current accounts of correspondence" are current accounts, the operations of which are carried on by correspondence with the client and which may include all the banking services which the bank performs. These accounts may have either a debit or a credit balance and thus may appear either on the asset or the liability side of the balance sheet. The banks included in the summary are: the branches of the Banco di Napoli, Banco di Roma, Banco Commerciale Italiano, Credito Italiano, Banca d'America e d'Italia, Banco Nazionale del Lavoro, Monte dei Paschi di Siena, Banco di Calabria, Banco delle Provincie di Napoli.

D. Currency in Circulation in Sardinia

According to a study made by the Regional Finance Officer in Sardinia, there has been an increase of 30 to 35 per cent in the currency in circulation in Sardinia in the last six months. This is a rate of increase somewhat below the average rate of increase of currency in circulation which took place under the former Mussolini government during the war. The statistics for Sardinia follow:

TABLE XVI

Currency in circulation in Sardinia
1 October 1943 - 31 March 1944

(millions of lire)

Currency supplied by AMG:		
To Italian Treasury and Carbosarda - (nationalized coal mines)	185	
To Allied Finance officers and paymasters, less holdings on 31 March	200	
Increase of vaglia and assegni put into circulation by Sardinian banks	281	
Total		1,366
Less: Increase in cash reserves held by banks	330	
Estimate of increase in Italian Paymaster holdings and other official accounts and for cancelled notes withdrawn	36	
		366

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Currency in circulation in Sardinia
1 October 1943 - 31 March 1944

(millions of lire)

Currency supplied by AFA:		
To Italian Treasury and Carbosarci - (carbo-metal coal mines)	485	
To Allied finance officers (AM lira notes), less holdings on 31 March	200	
Increase of vaglia and assegni put into circulation by Sardinian banks	681	
Total		1,366
Less: Increase in cash reserves held by banks	330	
Estimate of increase in Italian Treasury holdings and other official accounts and for cancelled notes withdrawn	36	
		366
Net increase in circulation		1,000

Estimate of currency in circulation, October 1943 3,000 - 3,500
Estimate of currency in circulation, 31 March 1944 4,000 - 4,500
Percent increase in currency in circulation in six months 30 - 35%.

E. Postal Savings

1. The incomplete statistics available on postal savings offices demonstrate that a shift from less liquid to more liquid assets is going on. The amount of highly spendable assets held by Italians is constantly increasing. The figures available (see Tables XVII and XVIII) on 21 provinces out of 26 for February and for 17 provinces out of 26 for March show that there was a continued net drain of funds out of postal savings bonds (around 50 million lire for each month), which was only partially offset by an increase in postal savings deposits (approximately 20 million lire each month). However, the increase in current accounts was large enough to result in a net increase in money held at the post offices in both months.

2. There appear to be two factors responsible for the outflow of funds in postal savings bonds. One is that this is the predominant form in which savings of the poor are absorbed in Italy. At the present time, due to the high cost of living, some

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TABLE XI

BANCA D'ITALIA CREDIT
31 DECEMBER 1942
(in millions of lire)

CENTRAL LAND CREDIT	PIEDMONT	LIGURIA	LOMBARDY	VENETIA	TUSCANY	SICILY	TOTAL KING'S ITALY
			Less FOGGIA				
Rediscounts (Portafoglio su piazze Italiane)	27	n.d.	85	291	51	108	462
Advances (Anticipazioni)	28	n.d.	81	236	29	330	707
T O T A L	55	n.d.	163	527	80	438	1,169
CENTRAL BANK CREDIT					31 DECEMBER 1943		
Rediscounts (Portafoglio su piazze Italiane)	12	n.d.	91	140	23	13	259
Advances (Anticipazioni)	52	n.d.	112	263	28	195	650
T O T A L	64	n.d.	203	384	51	210	909

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TABLE XI

BANCA D'ITALIA CREDIT
31 DECEMBER 1942

(in millions of lire)

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CAMPANIA	APULIA loss PUGLIA	LUCANIA	SICILY	TOTAL KING'S ITALY	CALABRIA loss CAMPANIA	PUGLIA	CAMPO PRIGIONI	TOTAL A M G	G R A N D T O T A L Liberated Italy
85	291	51	108	462	330	n.a.	54	384	846
84	236	29	330	707	225	n.a.	19	244	951
169	527	80	438	1,169	555	n.a.	73	628	1,797
			31 DECEMBER 1943						
91	118	22	15	259	73	233	34	345	604
112	203	28	195	658	336	77	12	875	1,525
203	321	50	210	903	641	310	46	1,220	2,129

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TABLE XII

BANCA D'ITALIA CREDIT
29 FEBRUARY 1944

(In millions of lire)

CENTRAL BANK CREDIT USED	SALERNO	LUCANIA	CALABRIA	PUGLIE less FOGGIA	SARDEGNA	SICILIA	TOTAL KING'S TERR
Rediscounts	9	12	55	56	20	49	201
Advances	35	9	75	251	22	163	555
T O T A L	44	21	130	307	42	212	756
CENTRAL BANK CREDIT AVAILABLE							
Residual available on advances to Banks	40	21	134	389	4	1,444	2,032
Residual available on advances to others	48	14	40	139	33	109	383
T O T A L	88	35	174	528	37	1,553	2,415

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TABLE XII

BANCA D'ITALIA CREDIT
29 FEBRUARY 1944

(In millions of lire)

	CALABRIA	PUGLIE less FOGGIA	SARDEGNA	SICILIA	TOTAL KING'S ITALY	CAMPANIA less SALERNO	FOGGIA	CAMPO TOTAL EAMSO	G R A N D T O T A L A M G Liberated Italy
	55	56	20	49	201	61	198	13	272	473
	75	251	22	163	555	253	58	11	302	917
	130	307	42	212	756	314	256	24	634	1,390
	134	385	4	1,444	2,032	465	50	16	483	2,515
	40	139	33	109	385	133	16	16	111	494
	174	528	37	1,553	2,415	598	66	34	594	3,009

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TABLE XLIX

BANCA D'ITALIA CREDIT

31 MARCH 1944

(in millions of lire)

	SALERNO	LUCANIA	CALABRIA	PUGLIE loan FOGGIA	SARDEGNA	SICILIA	TOTAL KING'S ITALY	CAMPANIA loan SALERNO	FOGGIA
CENTRAL BANK CREDIT USED									
Rediscounts	9	12	(Feb)	55	62	7	67	212	33	198
Advances	34	8	(Feb)	75	213	23	204	557	181	47
T O T A L	43	20	(Feb)	130	275	30	271	769	214	245
CENTRAL BANK CREDIT AVAILABLE									
Rediscounts available on advances to banks	41	22		116	459	124	1,413	2,205	751	64
Rediscounts available on advances to others	49	14		41	143	33	410	390	116	17
T O T A L	90	36		157	602	157	1,823	2,595	867	78

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TABLE XIII

BANCA D'ITALIA CIRCUIT

31 MARCH 1944

(in millions of lire)

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GLES OBE GIA	SARDEGNA	SICILIA	TOTAL KING'S ITALY	CAMPANIA Incl SALERNO	FOGGIA	CATANZARO	TOTAL A M G	G R A N D T O T A L Liberated Italy
52	7	61	212	33	198	13	214	456
43	23	264	557	181	47	11	239	796
75	30	271	769	214	245	24	483	1,252
69	124	1,413	2,295	751	61	16	828	3,033
43	33	410	390	116	17	20	153	543
02	157	1,523	2,535	867	78	36	501	3,576

TABLE XIV

Current Liabilities of the Banca d'Italia
29 February and 31 March 1944
(in millions of lire)

By Regions	29 February	31 March
Palermo	246	295
Lucania	236	235
Calabria	656	520
Puglie (less Foggia)	2,111	2,584
Sardinia	998	1,155
Sicily	2,927	3,426
Total King's Italy	7,174	8,822
Campania (less Salerno)	2,566	4,202
Foggia	89	141
Campobasso	69	126
Total A.G.	3,025	4,468
Grand total	10,198	12,690

By Type	29 February	31 March
Due to banks -		
Current Accounts		
Non-interest bearing	229	1
Interest bearing	5,856	8,020
Residual available on advances	2,647	2,991
Total	8,732	11,012
Due to others -		
Current Accounts		
Non-interest bearing	754	557
Interest bearing	210	228
Residual available on advances	502	493
Total	1,466	1,278
Grand total	10,198	12,690

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of the poor have found it necessary to call on their post savings. Secondly new savings of other people are not invested in postal savings bonds because no new bonds are available. That is, the inflationary potential in Italy is being increased because of the situation that savings cannot be converted into relatively non-liquid assets simply because no bonds are available for sale. Provisional certificates have been made available to the post offices but these are not accepted readily by the public. The attempt to secure the printing of new postal savings bonds has now lasted six months. Finally by the middle of April enough progress had been made so that proofs were being printed. At this point, the Posts and Tele-communications Sub-Commission reports that the Psychological Warfare Board stopped the work of the printer. An appeal was made to higher authority and after some delay work was resumed.

F. Sales of Real Estate

1. The statistics on real estate purchases and sales collected by the Italian Government, while still very inadequate, appear to show that there has been no increase in real estate transfers. The information we have been given is to the effect that, while the demand for real estate is very great, the present holders on the whole are not willing to sell at any price. The average value of the real estate changing hands seems to have risen by around 50 to 60 per cent from the autumn of 1942 to the first part of 1943 and then rose sharply again in southern Italy in the summer of 1943 but fell back to the early 1943 levels after our occupation of southern Italy.

2. The statistics available are given in Table XLX. All real estate transfers have to be registered to have legal validity and the table shows the reports of the Bari and Palermo offices. No reports have been received from the Messina, Naples, and Sardinian offices. The Italian Minister of Finance has been requested to provide current data from all five offices in liberated Italy.

G. Miscellaneous Financing Arrangements

1. Discussions were held with the Director of Property Control and the Minister of Finance covering financing of the operations of the Director of Property Control and the use of Italian facilities. The Minister of Finance agreed that the Italian Government would provide funds to pay for normal repairs and taxes for property of United Nations and French nationals. He also agreed to provide funds to pay for repairs, essential to avoid further deterioration of damages caused by the war. Ultimate financial responsibility for these sums to await the final settlement. It was agreed that German assets and accounts, blocked by AMG, would remain blocked. The Ministers further agreed to notify all Intendenze and Questori that the War Act of 1938 would be so construed that any transfer of title to property of United Nations or French nationals would be null and void.

2. A conference was held with a representative of the Economic Section and the Minister of Finance concerning the provision of motor transport for food supplies in Potenza and Matera districts. It was arranged that the trucks should be operated by a local Italian corporation and the Italian government agreed to provide all the necessary financing and checking through the local Intendenze.

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have to be requisitioned by AMG.

Bari and Palermo offices. No reports have been received from the Messina, Naples, and Brindisi offices. The Italian Minister of Finance has been requested to provide current data from all five offices in liberated Italy.

G. Miscellaneous Financing Arrangements

1. Discussions were held with the Director of Property Control and the Minister of Finance covering financing of the operations of the Director of Property Control and the use of Italian facilities. The Minister of Finance agreed that the Italian Government would provide funds to pay for normal repairs and taxes for property of United Nations and French nationals. He also agreed to provide funds to pay for repairs, essential to avoid further deterioration of damages caused by the war. Ultimate financial responsibility for these sums to await the final settlement. It was agreed that Roman assets and accounts, blocked by AMG, would remain blocked. The Minister further agreed to notify all Intendenze and Sezioni that the war Act of 1938 would be so construed that any transfer of title to property of United Nations or French nationals would be null and void.

2. A conference was held with a representative of the Economic Section and the Minister of Finance concerning the provision of motor transport for food supplies in Potenza and Matera districts. It was agreed that the trucks should be operated by a local Italian corporation and the Italian government agreed to provide all the necessary financing and checking through the local Intendenze.

3. The Minister of Finance agreed that the financing of labour costs and supplies purchased by Termination Base Section for construction of a power line from Naples to Rome will be financed through a credit in the budget of the State railways. Actual issuance of shipment orders and maintenance of accounting controls will be undertaken by the State railways.

4. New Proclamations and New General Orders. In collaboration with the Legal Sub-Commission all of the Proclamations and General Orders used in Regions I, II and III were re-produced and re-issued to eliminate surplus provisions. The total number of Proclamations was reduced from sixteen to four, of which two are Finance Proclamations. The total number of Finance proclamations was reduced from four to two, one or which will be used in every future operation, while the other will be used only when conditions necessitate the closing of banks.

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5. Dissolution of Fascist Organizations. Early in the month it became apparent that some Ministries of the Badoglio cabinet were working at cross purposes with AMG in liquidating Fascist organizations. Conferences were held with the Regional Finance Officers of Regions II and III and with the Director of Property Control. As the facts developed it became apparent also, that in the absence of any

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TABLE IV

Situation of Principal Banks
(in millions of lire)

	30 Sept 1943	31 Dec 1943	31 Jan 1944	29 Feb 1944
A. Naples				
Assets				
Cash	172	287	331	421
Deposits with other banks	263	915	1,574	2,039
Discounts (Portafoglio)	403	386	459	596
Secured Advances	360	360	364	363
Over-drafts	1,621	1,691	1,667	1,664
Special loans on securities (Riporti)	224	219	210	209
Other loans (Mutui)	352	354	354	356
Investments	93	175	185	189
Other assets	10,191	10,091	9,837	10,347
Total	13,668	14,414	14,981	16,189
Liabilities				
Current Account deposits	648	595	701	778
Savings and Time deposits	1,640	1,939	2,027	2,303
Current accounts of correspondence	1,370	1,527	1,805	2,040
Bank Drafts	6	37	72	77
Other liabilities	10,204	10,286	10,378	10,971
Total	13,868	14,414	14,981	16,189
B. Bari				
Assets				
Cash	74	53	67	58
Deposits with other banks	75	274	333	391
Portafoglio (discounts)	147	221	266	288
Secured Advances	77	81	80	77
Over-drafts	23	84	89	92
Special loans on securities (Riporti)	3	3	3	3
Other loans (Mutui)	66	68	68	68
Investments	64	64	65	89
Other assets	1,796	1,752	1,950	2,330
Total	2,325	2,600	2,921	3,396
Liabilities				
Current Account deposits	55	63	75	84
Savings and time deposits	572	776	857	962
Current accounts of correspondence	334	469	497	521
Bank Drafts	13	47	57	52
Other liabilities	1,361	1,245	1,435	1,777
Total	2,325	2,600	2,921	3,396
C. Cagliari				

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Savings and Time deposits	1,370	1,557	1,805	2,[illegible]
Current accounts of correspondence	6	37	72	77
Bank Drafts	10,298	10,286	10,378	10,371
Other liabilities	13,668	14,414	14,951	16,189
Total				

B. Bari

Assets				
Cash	74	53	67	58
Deposits with other banks	75	274	333	391
Portafoglio (discounts)	147	221	266	288
Secured Advances	77	51	80	77
Over-drafts	23	84	89	92
Special loans on securities (Riporti)	3	3	3	3
Other loans (Mutui)	66	68	68	68
Investments	64	64	65	89
Other assets	1,796	1,752	1,250	2,330
Total	2,325	2,600	2,921	3,396
Liabilities				
Current Account deposits	59	63	75	84
Savings and time deposits	572	776	857	962
Current accounts of correspondence	324	459	497	521
Bank Drafts	13	47	57	52
Other liabilities	1,361	1,245	1,436	1,777
Total	2,325	2,600	2,921	3,396

C. Cagliari

Assets				
Cash	32	71	96	62
Deposits with other banks	95	165	175	174
Discounts (Portafoglio)	42	38	40	41
Secured Advances	41	39	37	37
Over-drafts	78	31	240	346
Special loans on securities (Riporti)	-	-	-	-
Mutui (other loans)	5	5	5	5
Investments	1	6	6	6
Other assets	894	970	919	982
Total	1,188	1,325	1,518	1,653
Liabilities				
Current Account deposits	55	69	58	42
Savings and time deposits	205	237	292	319
Current accounts of correspondence	262	371	406	466
Bank Drafts	3	32	10	19
Other liabilities	623	616	740	807
Total	1,148	1,325	1,518	1,653

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T A B L E XVII

Postal Savings
February 1944

(in thousands of lire)

	Postal Saving Bonds	Postal Saving Books	Current Accounts.	Total
Salerno	-606	657	-674	-643
Potenza	-6,797	2,316	578	-3,903
Bari	-3,680	7,531	112,788	116,639
Matera	-1,470	588	n.a.	- 882
Taranto	-2,085	2,010	1,398	1,325
Brindisi	-1,495	1,374	16,156	16,035
Lecce	-2,586	3,768	13,197	14,379
Potenza	-5,910	868	n.d.	-5,042
Cosenza	-6,941	1,562	n.d.	-5,379
Catanzaro	-10,947	2[illegible]6	n.d.	-9,815
Reggio di Calabria	-14,496	1,021	-290	-13,765
Palermo	-	n.d.	847	847
Messina	-	-844	5,685	4,841
Siracusa & Ragusa	-	-9,491	4,227	-5,264
Agrigento	-	79	6,548	6,627
Sassari	429	2,490	n.d.	2,919
Nuoro	-195	1,500	n.d.	1,305
Cagliari	850	7,008	24,124	31,982

Bari	-3,686	7,531	112,788	116,633
Matera	-1,470	588	n.d.	- 882
Taranto	-2,083	3,016	1,398	1,325
Brindisi	-1,475	1,374	16,156	16,035
Lecce	-2,386	3,768	13,197	14,579
Potenza	-5,910	868	n.d.	-5,042
Cosenza	-6,941	1,562	n.d.	-5,379
Catanzaro	-10,047	232	n.d.	-9,815
Reggio di Calabria	-14,496	1,071	-290	-13,765
Palermo	-	n.d.	847	847
Messina	-	-844	5,685	4,841
Siracusa & Ragusa	-	-9,491	4,227	-5,264
Agrigento	-	79	6,548	6,627
Sassari	429	2,490	n.d.	2,919
Nuoro	-195	1,500	n.d.	1,305
Cagliari	850	7,008	24,124	31,982
Benevento	n.d.	-457	n.d.	-457
Avellino	n.d.	-1,720	51	-1,669
TOTALS	-54,837	20,472	184,635	150,270

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T A B L E XVIII

POSTAL SAVINGS.

March 1944

(in thousands of lire)

	Postal Savings Bonds	Postal Savings Books	Current Accounts	Total
Salerno	-8,302	-3,139	-281	-11,722
Bari	-3,455 *	1,440 *	20,911 *	18,898
Matera	-702	525	n.d.	-177
Taranto	-1,434 *	1,076 *	5,744	5,386
Brindisi	-4,667	1,201	26,217	22,751
Lecce	-5,475	3,283	8,777	6,585
Potenza	-4,546	2,073	n.d.	-2,473
Cosenza	-5,021	1,177	n.d.	-3,844
Catanzaro	-6,169	1,974	n.d.	-4,195
Reggio di Calabria	-9,384	4,503	n.d.	-4,881
Palermo	n.d.	n.d.	18,077	18,077
Messina	n.d.	-1,064	8,127	7,043
Sassari	-776	4,369	n.d.	3,593
Nuoro	-1,064	1,851	n.d.	787
Cagliari	-514	4,731	-2,519	1,698
Benevento	-215	-205	n.d.	-420
Avellino	-398	-2,840	198	-3,040
	-52,910	20,935	77,251	46,146

Bari	-3,499 *	1,[illegible] *	20,911 *	18,898
Matera	-702	525	n.d.	-177
Taranto	-1,434 *	1,076 *	5,744	5,386
Trinitai	-4,667	1,201	26,217	22,751
Lecce	-5,475	3,283	8,777	6,585
Potenza	-4,546	2,073	n.d.	-2,473
Cosenza	-5,021	1,177	n.d.	-3,844
Catanzaro	-6,169	1,974	n.d.	-4,195
Reggio di Calabria	-9,304	4,503	n.d.	-4,801
Palermo	n.d.	n.d.	10,077	10,077
Messina	n.d.	-1,384	8,127	7,043
Sassari	-776	4,369	n.d.	3,593
Nuoro	-1,064	1,851	n.d.	787
Cagliari	-514	4,731	-2,519	1,698
Benevento	-215	-205	n.d.	-420
Avellino	-398	-2,840	198	-3,040
TOTALS	-52,040	20,935	77,251	46,146

* Incomplete

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T A B L E XIX

SALES OF REAL ESTATE *

(other than forced sales)

Month	Reported to B A R I office			Reported to P A L E R M O office		
	Number of sales	Total declared value Lire	Average value of transfer Lire	Number of sales	Total declared value Lire	Average value Lire
1942						
October	1910	15.298.908	8.010	2628	14.823.663	5658
November	2462	22.150.326	8.997	2765	18.994.171	6870
December	1661	13.681.946	7.459	2337	15.639.845	6692
1943						
January	1839	20.262.014	11.020	2374	22.836.484	9704
February	2468	24.821.447	10.057	2329	17.430.370	9424
March	2487	25.564.754	10.279	2989	15.562.648	5207
April	2272	27.246.345	11.992	2337	21.012.857	9334
May	2556	37.095.080	14.502	2218	18.658.290	8410
June	1788	23.411.482	13.094	1686	15.873.435	9415
July	1966	32.076.323	16.316	861	8.824.862	10.250
August	1274	27.499.137	21.585	263	2.330.438	8861
September	1043	11.671.940	11.522	207	1.315.950	6357
October	418	4.947.954	11.837	396	2.469.820	6344
November	952	14.161.902	12.676	n.a.	n.a.	n.a.
December	686	8.842.447	12.890	n.a.	n.a.	n.a.

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October	1910	[illegible]	[illegible]	2765	10.994.171	6870
November	2462	22.150.326	8.997			
December	1861	13.881.946	7.459	2357	15.639.648	6692
1943						
January	1839	20.282.814	11.029	2374	22.836.484	9704
February	2468	24.821.447	10.057	2329	17.430.370	9494
March	2487	25.564.754	10.279	2989	15.562.648	5207
April	2272	27.246.345	11.992	2357	21.812.057	9334
May	2558	37.035.080	14.592	2218	15.654.293	8410
June	1788	23.411.482	13.094	1686	15.873.439	9415
July	1966	32.076.323	16.316	861	8.824.862	10.250
August	1274	27.499.137	21.585	263	2.330.438	8861
September	1013	11.671.940	11.522	207	1.315.950	6357
October	348	4.947.954	11.837	296	2.469.820	8344
November	952	14.161.902	14.876	n.a.	n.a.	n.a.
December	686	8.842.447	12.890	n.a.	n.a.	n.a.
1944						
January	749	8.689.891	11,969	n.a.	n.a.	n.a.
February	1160	15.705.410	11.815	n.a.	n.a. 1604	n.a.

* Source: Italian Government Imposte di Registro

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one person charged with correlating their efforts, the activities of the various Sub-Commissions both at Headquarters and in the Regions were not always in accord. A memorandum report of the situation recommending the appointment of a suitable officer to correlate the efforts of the Italian Government Ministries and the various interested groups in AMG was prepared and forwarded to the Chief Commissioner for action.

6. Consiglio Provinciale dell' Economia. This organization, which appeared to have been the provincial keystone of Fascist control had been abolished in Region II but revived by the Minister of Interior in the second Badoglio cabinet. In other places attempts to revive it were stopped by our control of funds. Certain Sub-Commissions, not aware of the nature of the Consiglio, desired to use it. Memoranda were prepared at once on the background of this organization and a meeting was held with the interested Sub-Commissions which resulted in the withdrawal of their support of the Consiglio.

H. Monthly Financial Review and Report of AFA

1. In order to simplify Finance Sub-Commission reports and to present a single, integrated picture of financial developments in Italy, it has been decided to embody the Monthly Financial Review in the main report of the Finance Sub-Commission. Therefore, this month the material usually presented in the Monthly Financial Review and the AFA Report has been incorporated in the text of this Report.

V. CURRENCY AND BANKING PLANS AND OPERATIONS OF THE ALLIED FINANCIAL AGENCY

A. Plans For the Occupation of Rome

Discussions have taken place with the Senior Finance Officer, AFA 5th Army regarding occupation of Rome. A member of Finance Sub-Commission Headquarters will accompany the SFO into Rome as special adviser on currency, foreign exchange, and banking. Special measures regarding the control of bank deposits, bank records and safe deposit boxes, are being developed in cooperation with the SFO. It is hoped that information of considerable importance to the financial stabilization programme will be obtained in Rome soon after liberation.

B. Currency conversion

An outline of a comprehensive programme to convert the Italian currency has been prepared by the Finance Sub-Commission as part of the stabilization programme. Currency has been linked with bank deposits and Government securities in the plan, in order to provide a far-reaching programme for the termination of the excess accumulated during the period of war inflation. Since conversion will constitute an integral part of the war programme and can only be used once, it must be carefully timed to obtain the maximum of effect. It is anticipated that the programme will not be put into effect until all Italy is liberated. Postponement of currency conversion until [illegible] of counter measures against a

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V. CURRENCY AND BANKING MEASURES IN [illegible]

THE ALLIED MILITARY AREA

A. Plans for the occupation of Rome

Discussions have taken place with the Senior Finance Officer, AFHQ on the Army regarding occupation of Rome. A number of Finance Sub-Commission Headquarters will accompany the AFHQ into Rome to provide advice on currency, foreign exchange, and banking. Special measures regarding the control of bank deposits, bank records and safe deposit boxes, are being developed in co-operation with the AFHQ. It is hoped that information of considerable importance to the financial stabilization programme will be obtained in Rome soon after liberation.

B. Currency conversion

An outline of a comprehensive programme to convert the Italian currency has been prepared by the Finance Sub-Commission as part of the rehabilitation programme. Currency has been linked with bank deposits and Government securities in the plan, in order to provide a countervailing programme for the treatment of liquid assets accumulated during the period of war inflation. Since conversion will constitute an integral part of the tax programme and can only be used once, it must be carefully timed to obtain the maximum of effect. It is anticipated that the programme will not be put into effect until all Italy is liberated. Postponement of currency conversion until such time has the disadvantage of depriving ourselves of counter measures against a Nazi step to issue in Italy [illegible] currency. However, so long as the enemy holds substantial areas in Italy, this is not likely to occur. On the other hand, an evacuation of all Italy would call for currency conversion coming into effect within a relatively short period of time, provided the necessary quantity of new currency is available. In this connection, it is important that printing of the new Italian currency be expedited.

C. Blue Seal Dollars

1. Further measures were taken during April to suppress the export in blue seal dollars. There is no positive evidence that the Germans are disposing of looted dollars. There is no positive evidence that the Germans are disposing of looted dollar currency in liberated Italy. On the contrary, the Nazis may be attempting to obtain dollars in this area for use elsewhere. Since the Germans have printing facilities from which to obtain all the Metropolitan lire required to finance their activities in liberated Italy, there is no incentive for them to dispose of blue seal dollars here.

2. Local supplies of Blue seal dollars come from pre-invasion holdings in the hands of the Italians and from imports on the part of Allied personnel. In AMG-AMG territory, Proclamation 10 is being amended to provide specifically that all Italians are required to surrender dollar currency holdings as well as other foreign exchange.

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This is necessary because All courts have interpreted the existing law as prohibiting only transactions involving blue seal dollars or other foreign exchange. Consequently, it has not been possible to confiscate such blue seal dollars not involved in transaction. Italians are not believed to be selling blue seal dollars to Allied personnel. Such criminals would have no apparent reason for paying the high premium which can be obtained for blue seal dollars in the market.

3. Stringent measures are being taken to suppress the importation and illicit sale of blue seal dollars on the part of Allied personnel. The Navy and Treasury Marine authorities have stressed among the use or sale of unlawful money in Italy is a violation of local and U.S. laws. Notices are issued to vessels on arrival which list the moneys that are legal tender in Italy, state that the use of any other currency is a violation of military law subject to trial by military courts, and stress in bold print that violations are the rule. In addition, the procedure for exchanging money has been simplified for ships' masters. In the normal course of their business, ship masters must report to offices of NSA and NAV. Exchange facilities will be provided in these offices. Ships' masters must also inform all members of crews before disembarking that no blue seal currency may be taken ashore. Port security officers must check persons as they disembark to enforce regulation. Ship masters have been recently warned in Naples that they must cooperate fully in the controls of local Italian shipping (for general security reasons as well as to check the possibility of shipments of blue seal dollars to enemy occupied territory). Reference is made in this connection to Nateoun Circular Number 47 dated 5 April, 1944, requiring Army personnel and merchant seamen to surrender all holdings of regular U.S. currency in excess of one dollar.

4. Detailed discussions with CIC and CID have also taken place. Security officers are quite conscious of the blue seal dollar problem and are cooperating fully. Arrangements have been made through CIC to have posters placed in all airports used for travel between other areas and Italy, warning all personnel and passengers to turn in blue seal dollars to Army Finance officers and other recognized agencies at the legal rate. In addition, vigorous measures are being adopted in the Naples area to prosecute transactions in dollars and foreign exchange under the existing language of Proclamation 10. In cooperation with Region III, a large ring operating in blue seal dollars has been smashed. Further arrests have been made and others are imminent. Attempted forgery of blue seal dollars by skilful colouring of the yellow seal on spearhead dollars has also been checked. CID has made a number of significant arrests of persons engaged in this type of activity.

D. Remittances from the U.S. and the Sterling Area

1. As of 30 March, 1944, the U.S. Treasury amended General License 32A, salient parts of which were quoted in the February report of the Finance Sub-

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facilities will be provided in these offices. Ships' masters must [illegible]
members of crew before disembarking that no blue seal currency may be taken ashore.
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the controls of local Italian shipping (for general security reasons as well as to
check the possibility of shipments of blue seal dollars to enemy occupied territory).
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regular U.S. currency in excess of one dollar.

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B. Remittances from the U.S. and the Sterling Area

1. As of 30 March, 1944, the U.S. Treasury amended General License 32A, salient parts of which were quoted in the February report of the Finance Sub-Commission, to permit remittances via AFA and the Banco di Napoli to Sardinia and to the following provinces of the mainland:

Reggio Calabria	Foggia	Salerno
Catanzaro	Bari	Naples
Cosenza	Brindisi	Avellino
Potenza	Lecce	Benevento
Matera	Taranto	

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On 29 April, the first list of remittances to be paid was handed to the Banco di Napoli. Some additional documents required by the correspondents of the Banco di Napoli were being assembled by AFA at the end of the month, to add to those which have been held since early March awaiting the text of the amendment to the general license, which was received by AFA on 25 April.

2. It has been discovered that certain U.S. banks have mailed schedules directly to the Banco di Sicilia by Italian civilian post without using the APO address which is required. Further, some U.S. banks have issued letters of credit to American citizens which certain Italian banks have cashed, though this is not permitted by ACC or by Italian regulations.

3. It has been agreed in principle that remittances from the United States to persons who are not American citizens may be permitted in amounts not exceeding fifty

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dollars per household per month, and that the present limit of 100 dollars per household per calendar quarter will be abandoned as soon as a transition procedure can be established. However, the limit remains 100 dollar per calendar quarter until General License 32 A has been appropriately amended, and until notice of this change is given by AFA Headquarters. In the case of sterling remittances, a relaxation of restrictions has actually been made effective, in that remittances may be made from any country in the Sterling Area (apparently also from Canada) through the Bank of England, and may be paid to grandchildren, grandparents, brothers, and sisters, as well as to the closer relatives who were previously allowed to receive funds for living expenses. Under specific licenses from the respective Treasuries, organizations are also transferring funds to Sicily, Sardinia, and the specified provinces of southern Italy.

4. Pensions due from the U.S. Veterans Bureau are to be handled through the consular offices of the United States. All inquiries should be addressed to one of the following addresses, via civilian post:

Consul General, U.S.A.,
18 Via Guiseppi Verdi,
NAPOLI

or

Consul General, U.S.A.,
Palermo,
SICILY.

5. While inspecting the Palermo branch early in April, the Chief of AFA and a member of his staff obtained the following report from the U.S. Consul General, on the results of tests applied by the consulate to persons who have requested financial assistance from State Department funds, via AFA:

"Under the scheme of advances to needy U.S. nationals the Consulate has assisted AFA with respect to determining the citizenship status of these applicants.

It will be remembered that original plans called for payment to those persons in need who were in possession of documentary proof of their citizenship as of December 7, 1941 (extended to June 30, 1942).

As far as Sicily is concerned, it should be noted that only in rare instances have documents been presented having a validity of even 1940, let alone 1941. If, therefore, payments had been made in strict adherence to instructions, no more than three applicants would have received any assistance.

For the most part, applicants have furnished passports as evidence of citizenship or birth certificates. The travel documents as noted above were seldom valid, and in fact only in a few cases did the applicant even present the document for renewal after the usual two years from the date of issuance. Many of these documents belonged to children born in the United States, and in most cases where birth certificates were submitted. In the cases of naturalized citizens submitting expired passports it was found that

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following addresses, via civilian post:

Consul General, U.S.A.,
15 Via Calcagni Verdi,
NAPOLI

or

Consul General, U.S.A.,
Palermo,
SICILY.

5. While inspecting the Palermo branch early in April, the Chief of AFA and a member of his staff obtained the following report from the U.S. Consul General, on the results of tests applied by the consulate to persons who have requested financial assistance from State Department funds, via AFA:

"Under the scheme of advances to needy U.S. nationals the Consulate has assisted AFA with respect to determining the citizenship status of these applicants.

It will be remembered that original plans called for payment to those persons in need who were in possession of documentary proof of their citizenship as of December 7, 1941 (amended to June 30, 1942).

As far as Sicily is concerned, it should be noted that only in rare instances have documents been presented having a validity of even 1940, let alone 1941. If, therefore, payments had been made in strict adherence to instructions, no more than three applicants would have received any assistance.

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There is given below a breakdown of all applications submitted to the Consulate by AFA since February 24, 1944, to date:

Total Applications - 80
" Approved - 30
" Not Approved - 33
+" Pending - 17

+ These applications were returned to AFA for additional information or a further investigation of the applicant. In all probability about five will be approved."

E. Raising and Counterfeiting of AM Lira Notes

1. In an attempt to curtail the raising of AM Lira notes, all branches were requested on 30 March to restrict the issue of any additional notes which did not bear the denomination in words. However, it is found that there were few if any reserves

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of this currency in Sicily, and investigations are being made into the available supplies of notes bearing the denomination in words as compared to the amount of AM lire notes of the earlier printing now in circulation.

2. Public Safety officials have advised us of the arrest of 26 persons in Sicily as counterfeiters of complete AM lire notes, and the recovery of 3[illegible] million lire together with the printing presses and the lithographic plates. Full details are not yet available but will be included in later reports.

F. Payments of Interest by Commercial Banks on AFN Deposits

On 26 April each branch of AFN was instructed to require interest from Italian commercial banks, other than the Bank of Italy, as from 15 May, on the amount by which its balances with all branches of such commercial bank exceeds 100 million lire. Interest will be paid at the rate offered by the Bank of Italy on bankers' sight deposits. On the same date a letter was addressed to the Bank of Italy, requesting that all USA pounds and Yellow Seal dollars now held by, or subsequently acquired by, Italian banks, including the Bank of Italy, be credited to a custody account in the name of AFN.

G. Non-recognition of Expatriation Transfers

1. The American State Department brought to the attention of AGC a proposed shipment of 1,000 tons of machinery from S.N.I.A. Viscosa Milano to its Spanish corporate affiliate, Sociedad Nacional Industrias Applicaciones Celulosa Espanol. The Finance Sub-Commission pointed out to the Minister of Finance that this proposed action is part of the normal German pattern of exploitation of an occupied area. If legal titles are successfully vested in private German interests or in private neutral interests friendly to Germany the Italian economy can be effectively Germanized regardless of the outcome of military operations.

2. It was suggested that the Italian Government should issue, and widely publicise, a decree stating that:

(a) Subject to such exceptions as may be made by the Minister of Finance, any transfers, on or after 8 September 1943 by an Italian subject or by a physical or juridical person resident in Italy:

(i) of assets of whatsoever nature located outside Italian territory;

(ii) of participation in capital or obligations of any Italian business enterprise to a physical or juridical person not an Italian subject resident in Italy;

(iii) of assets of whatsoever nature held in Italian territory to a physical or juridical person not an Italian subject resident in Italy;

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needs of AFHQ.

C. Non-recognition of Expropriation Transfers

1. The American State Department brought to the attention of ACC a proposed shipment of 1,000 tons of machinery from S.N.I.A. Viscosa Milano to its Spanish corporate affiliate, Sociedad Nacional Industrias Aplicaciones Celulosa Espanol. The Finance Sub-Commission pointed out to the Minister of Finance that this proposed action is part of the normal German pattern of exploitation of an occupied area. If legal titles are successfully vested in private German interests or in private neutral interests friendly to Germany the Italian economy can be effectively Germanized regardless of the outcome of military operations.

2. It was suggested that the Italian Government should issue, and widely publicise, a decree stating that:

(a) Subject to such exceptions as may be made by the Minister of Finance, any transfers, on or after 8 September 1943 by an Italian subject or by a physical or juridical person resident in Italy:

(i) of assets of whatsoever nature located outside Italian territory;

(ii) of participation in capital or obligations of any Italian business enterprise to a physical or juridical person not an Italian subject resident in Italy;

(iii) of assets of whatsoever nature held in Italian territory to a physical or juridical person not an Italian subject resident in Italy;

is invalid.

(b) Subject to such exceptions as may be made by the Minister of Finance, any creation, on or after 8 September 1943, of participation or of capital obligation of any sort in an Italian business enterprise in a person not an Italian subject resident in Italy is invalid.

(c) Any property transferred or created in a manner declared invalid under paragraphs (a) or (b) shall be declared forfeited to the State. 1602

(d) Any physical or juridical person who makes or attempts to make any transfer or who creates or attempts to create any interest declared invalid under paragraphs (a) or (b) shall be subject to a penalty not exceeding twice the value of the property so transferred or attempted to be transferred or of the interest so created or attempted to be created, as the case may be.

No exceptions would, of course, be granted without the specific permission of the Allied Control Commission.

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H. AFA Accounting Procedure

1. In accordance with directives from COS, AFA requested that the Deputy Paymaster in Chief (British) provide a statement of all advances made in the west to Allied, Dominion or Colonial forces, by the paymasters of the British Army, the Royal Navy, or the Royal Air Force, in order that such payments could be refunded to British Paymasters by AFA and charged by AFA against the Ally, Dominion, or Colony concerned. Refunds will be paid in AFA Naples, into an account maintained by No. 3 Command Pay Office with the Banco di Napoli. As of 31 January, the sum of 562 million lire had been paid to these forces (including 29 million lire to the British Merchant Navy) by British Army Paymasters alone, and this amount, plus similar disbursements in February - April must be refunded, as soon as detailed statements are submitted to AFA. Similarly, amounts paid in future will be refunded to British Paymasters. In the near future advances made by British Paymasters to co-belligerents will be treated in similar fashion. No steps have been taken to effect refunds to Finance Officers of the U.S. armed forces.

2. During the month the Deputy drew a new form of financial statement was perfected, and this statement of Receipts and Disbursements will replace the present Statement of Assets and Liabilities as of 30 April. AFA formerly prepared a separate report, containing both its policy operations and the Statement of Assets and Liabilities. The separate AFA report has now been discontinued and all material on AFA operations will appear in the monthly Reports of the Finance Sub-Commission. AFA's Statement of Assets and Liabilities as of 31 March and accompanying annexes appears at Appendix D. AFA will continue to send its financial statement as soon as prepared direct to the United States and British Treasuries in accordance with its previous instructions.

3. The first statements (for February and March, 1944) covering "Advances to Allied Missions" were prepared and sent to AFHQ (Finance) AFHQ for onward transmission to Washington and London.

4. Early in April the first advance was made to the Advisory Council for Italy, and a chart of classified headings for the Council's disbursements was prescribed for its use.

5. Further instructions were requested from COS for the accounting treatment on AFA's books of Metropolitan Lire introduced by the British Armed Forces.

I. Mutilated AM Lire Currency

1. In March this Headquarters was authorised by COS to issue instructions for the procedure to be followed in the redemption of mutilated currency. Briefly summarized, AM lire notes will be redeemed at face value by Finance Officers of the U.S. Army, by Paymasters of the British Army, or by AFA, when one or more fragments equal in area to more than three-fifths of the whole note, and bearing one decipherable serial number, are submitted. One-half the face amount will be paid when one or more fragments equal in area to less than three-fifths of the note but clearly equal to more than two-fifths of the whole note are presented. Subsequently, the authority to exchange mutilated currency was extended to the Banca d'Italia, the Banks of Sicily and

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separate record, containing [illegible]. This separate AFA report has now been discontinued and all material on liabilities. The separate AFA report has now been discontinued and all material on liabilities. The separate AFA report has now been discontinued and all material on liabilities. The

following: name, rank, and serial number of the qualified destroying officer; a statement that the unfit or mutilated currency was completely destroyed; description of the notes, and the signatures of the properly appointed witnesses. The regulations governing the destruction of mutilated currency have been issued to the branches of AFA. The Banco d'Italia, the Banco di Napoli, and the Banco di Sicilia, have been instructed to turn over to the appropriate branch of AFA, all worn and mutilated Lire notes which are now in, or which subsequently come into, their possession, furnishing lists by serial number and denominations to the said office of AFA. Branches have been requested to destroy all existing stocks of such currency by the end of May, and to destroy subsequent requisitions once each month.

VI ACCOUNTING

A. Supply Accounting

1. Within the last two months a great increase in the volume of supply transactions has taken place, with the result that during the month of April the whole position of supplies accounting and the adequacy of the personnel to handle it has been the subject of intensive review. Supply accounts are prepared for each Region, at Regional Headquarters; these accounts are based on returns of imports, transfers and sales submitted to Regional Headquarters by the Provincial Supply officers. In the early stages of AMG operations, due to the pressing demands for finance officers and sub-accountants to receive revenues and make disbursements, as well as the imperative need to insure the soundness of the overall fiscal structure, strict consideration permitted only a limited number of officers to be assigned to supply accounting. Largely as a result of the inadequacy of the accounting and supply personnel, the records of the provincial supply officers, notwithstanding specific requirements in the AMG Accounting Manual, left much to be desired. The general state of the provincial accounts has now been much improved but a large backlog of work has had to be handled under trying conditions, so that there has often been a delay in preparing Regional supply accounts, and current accounting for supply activities has been prejudiced.

2. While a number of divergent factors have contributed to delay in preparing Regional Supply Accounts, the main causes may be grouped under three headings:

a. Inexperience of many provincial Supply officers and warehouse supervisors and shortage of staff in the Regional Economic and Supply Divisions.

b. Lack of definite pricing policy in early operations, a deficiency which exists to some extent at the present time.

c. Inadequate number of supply and costing personnel, both officers and enlisted men or other ranks.

3. In the formation of the supply organizations, not infrequently officers were assigned who were unfamiliar with supply practices. Mistakes were made, though

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at Regional Headquarters, [illegible] and sales submitted to Regional Headquarters by the Provincial Supply Officers. In the early stages of AMG operations, due to the pressing demands for finance officers and sub-accountants to receive revenues and make disbursements, as well as the imperative need to insure the soundness of the overall fiscal structure, strict consideration [illegible] permitted only a limited number of officers to be assigned to supply accounting. Largely as a result of the inadequacy of the accounting and supply personnel, the records of the provincial supply officers, notwithstanding specific requirements in the AMG Accounting Manual, left much to be desired. The general state of the provincial accounts has now been much improved but a large backlog of work has had to be handled under taxing conditions, so that there has often been a delay in preparing Regional supply accounts, and current accounting for supply activities has been prejudiced.

2. While a number of divergent factors have contributed to delay in preparing Regional Supply Accounts, the main causes may be grouped under three headings:

a. Inexperience of many Provincial Supply Officers and warehouse supervisors and shortage of staff in the Regional Finance and Supply Divisions.

b. Lack of definite pricing policy in early operations, a deficiency which exists to a large extent at the present time.

c. Inadequate number of supply accounting personnel, both officers and enlisted men, or other ranks.

3. In the formation of the supply organizations, not infrequently officers were assigned who were unfamiliar with supply operations. Mistakes were made, though in the long run most of the officers measured up to their responsibilities. Supply activities, however, are continuous operations, requiring a complete accounting beginning from the activation of an organization in a region. Frequently, due to the pressure of work and shortage of staff, as well as the diverse conditions inevitable in the early stages of occupation under which cargoes had to be unloaded and handled with great haste, only crude memorandum records were kept, sometimes consisting of mere scraps of paper. Satisfactory accounts could later be constructed from these only with laborious effort sometimes involving a complete rewrite of the records. Advice to port authorities, warehouse supervisors, and purchasers of supplies. A few supply officers failed to grasp their responsibility in its proper perspective and proportion and in certain instances the attitude was expressed that it was the duty of the Supply Officer to "get the goods to the people" and not "to keep records." Those deficiencies are being overcome by suitable preliminary instruction before officers are assigned, and also through the work of special representatives sent out from the Chief Accountant's Office to see that the proper accounting procedure is implemented in the handling of supplies in the provinces. In view of the limited personnel available for this type of work, there is still some progress that must be made before it can be said that the accounting records are in satisfactory condition in all Regions.

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4. A further hindrance to current supply accounting has been the lack of definite pricing policy in various Regions. Failure in certain Regions to establish a permanent price list, or in some cases to establish any price list, has made it impossible for the Supply Department to bill customers and has necessitated much laborious work in preparing or adjusting invoices at a later date.

5. The chief obstacle to the submission of current accounting returns is the inadequacy of personnel, both officers and enlisted men or other ranks. The inadequacy of the accounting personnel was originally anticipated in October, 1942, when the Chief Finance Officer requested WDGS, ASF, , that a pool of five junior officers and twenty other ranks be formed for training in supply accounting. It was not found possible by ASF to grant this request. Subsequently, representations were made at various intervals, pointing out the inadequacy of the accounting staff and the danger of the situation getting out of hand. With the exception of two or three EM/OR's, however, no additions were obtained; on the contrary, three officers were transferred to other theatres and two others invalided home. With a slight increase in the accounting force of the Finance Sub-Commission in relation to the volume of business handled, the difficulties mentioned can be largely overcome and satisfactory records more easily established and maintained for supply activities.

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

Region or Area	From date of occupation through 31 December 1943	Month of January 1944	Month of February 1944	Month of March 1944
Region I	Yes	(Checked but not yet received)	-	-
Region II				
Puglia	Yes	Yes	Yes	Yes
Lucania	None	-	-	-
Region III	Yes	Yes	-	-
Region IV and AFC 5th Army	Yes	Yes	Yes	Yes
Region V and AFC 8th Army	Yes	Incomplete	Incomplete	Incomplete
Region VI	Yes	Yes	Yes	Yes
Region VII (previously Region II)	None	-	-	-

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sales):

Region or Area	From date of Occupation through 31 December 1943	Month of January 1944	Month of February 1944	Month of March 1944
Region I	Yes	(Schedules but not yet received)	-	-
Region II				
English	Yes	Yes	Yes	Yes
Dromore	None	-	-	-
Region III	Yes	Yes	-	-
Region IV and AFC 56th Army	Yes	Yes	Yes	Yes
Region V and AFC 66th Army	Yes	Incomplete	Incomplete	Incomplete
Region VI	Yes	Yes	Yes	Yes
Region VII (previously Region II)	None	-	-	-

(Note: "Incomplete" signifies statement of stock movements has been received but schedule of sales is to be submitted.)

The delay in the returns from Region I is attributable to the absence for some five weeks, through illness, of the Regional Supply Accountant at a time when imports reached their peak. The receiving staff were therefore forced to concentrate on keeping the current records up to date, leaving the compilation of the final accounts for the return of the Supply Accountant. The Supply Accountant has now returned and it is hoped that the February accounts will be received before the end of this month. The February accounts for Region III are nearing completion. Delay has been caused by the recent rapid expansion of the supplies organisation in the Region and by the necessity of clearing up outstanding queries arising out of transactions during the early days of the occupation. As will be seen from the above chart, no accounts have yet been received from the Dromore Department of Region II and Region VII. These territories comprised the original Region II, in which the supplies accounting has proved to be extremely unsatisfactory. When it became apparent that accounts from this Region were overdue it was decided to send a representative of the

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Accounting Sub-Section to investigate and report on the position. While it was appreciated that lack of experienced personnel in the Region might make the preparation of final Regional Accounts difficult and slow, there was nothing to suggest that basic records of supply transactions were not being kept in accordance with instructions laid down in the Accounting Manual. Unfortunately, preliminary reports from the Headquarters representative show that there has been an almost complete disregard of even the most elementary records; as an example, we are informed that one Provincial Supply Officer stated that he did not know that he was expected to maintain any records of transactions carried out by him nor did he think it necessary to do so. The Headquarters representative concentrated first on putting current transactions on to a satisfactory basis; in the course of this work it was necessary for him to undertake such responsibilities as fixing prices and selling financial and commercial arrangements, which activities should not fall within the duties of the accountant. Recent reports say that "daylight can now be seen", but it may yet be some weeks before retrospective accounts can be presented.

7. It has long been recognized that, were it possible to deal directly with the Italian Government or some governmental organization, rather than with individual Provinces and Communes, the number of transactions to be handled by AGC/AMG could be so reduced as to simplify the accounting problem to a great extent. If this were possible, the Italian Government or governmental organization would be the sole "customer" of AGC/AMG and the responsibility of dealing with individual Provinces and Communes would be theirs. At the present time, however, no progress has been made in this direction; in fact, the trend is in the other direction, as there has been an enormous increase in AGC/AMG warehouse and milling activities. In Region III, in addition to the central warehouse at Naples, through recent acquisitions there are now 6 bonded warehouses operated in Naples Province and Benevento, 9 flour mills in Naples City, 8 mills at Torre Annunziata, 3 mills at Castellammare and 1 mill at Caserta. The supply accountant of Region III has advised that as a result of these recent additional activities, the work in his office cannot be kept up to date with the existing staff. In another Region, Sicily, the number of warehouses accounting for supplies in Palermo alone has increased from 2 in December 1943 to 38 in April 1944 (the greater part of the increase being in recent months) with the result that there is danger of the present staff being unable to keep abreast of the work. There has also been an increase in the warehousing facilities in the territory of both 5th and 8th Armies, AFHQ.

8. In addition to the receipt and distribution of imported commodities, there has been a large increase in the purchase of supplies produced in Italy for resale and for export. The records of the Allied Financial Agency show that purchases of such supplies through 31 March, 1944 amounted to over 300 billion lire. The accounting for the receipt and disposition of these supplies has placed an additional burden on the field accounting personnel.

B. Discussions in London on accounting for imports and exports

1. During the month of April the Chief Accountant, in company with the Joint Director (B), Finance Sub-Commission, visited London where discussions were

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B. Discussions in London on accounting for imports and exports

1. During the month of April the Chief Accountant, in company with the Joint Director (B), Finance Sub-Commission, visited London where discussions were held with the War Office, the British Treasury and the American Finance Mission (referred to in the March Report) on the question of accounting for Italian imports and exports from and to the U.S.A. and the U.K. An agreement was reached whereby basic records would be maintained in Washington and London, who would periodically submit values to AGO for inclusion in their records. The tentative decisions arrived at are at present being considered in Washington.

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C. Discussions in Algiers on British Army - AGO accounting problems

1. In Algiers the Chief Accountant discussed with the Financial Adviser to the British Forces various problems relating to the accounting between the British Army and AGO. He also held discussions with the British Deputy Paymaster in Chief with a view to clearing up certain outstanding accounts between the British Army and AGO and the procedure for settlement of these accounts was agreed on.

D. Accounting for Petroleum Imports into Italy

1. During the month conferences were held with representatives of AFHQ, Petroleum Section, as to the system of accounting for petroleum products imported into Italy. An agreement was reached that such POL would be invoiced to the Comitato

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Italiano Petrolio by ACC at cost plus ocean installation handling charges on advice of a statement of quantities to be furnished by the Petroleum Section. CIF will be billed by ACC and remit to it the invoice price in cash, less allowance for quantities of POL delivered to the Allied military forces, and the Italian armed forces. In the case of both types of issues accounting records will be maintained in ACC.

E. Accounting for Supplies Issued to Italian Armed Forces

1. The system of accounting for supplies furnished to the Italian armed forces has been discussed with the Army sub-Commission. Discussions are proceeding with the object of arriving at a satisfactory uniform system for all types of issues.

F. Allied Financial Agency

1. The new form of monthly statement showing AFA accounts as Receipts and Disbursements was distributed to the branches of AFA on 12 April, 1944. Effective 30 April, 1944 this new form will replace the present "Statement of Assets and Liabilities".

2. Consolidated accounts for all branch offices as at 31 March, 1944 were prepared and distributed with AFA's monthly report.

3. The proposals in TAC 136 regarding the handling of foreign exchange credits derived from exports were discussed, and further instructions on this subject were requested of CCS.

4. Consolidated statements of "Advances to Allied Armed Forces" during March 1944 and of "Advances to Allied Missions" during February and March 1944 were prepared and despatched to AGS (Finance) AFHQ for onward transmission to Washington and London.

5. The accounting procedure for recording the destruction of mutilated and unfit All Eire Notes was prepared and distributed to AFA branches.

6. Classified headings for disbursements made by the Advisory Council for Italy were prepared for transmittal to the liaison officer of the Council.

VII INSURANCE

A. Commercial Insurance

1. Situation in Regions

The need for a speedy integration of the activities of insurance company offices in liberated Italy was demonstrated by two occurrences in Sicily. An agent of the Fonderia group of companies endeavoured to float an insurance company of his own. This endeavour was discouraged by the ACC Regional authorities and by local Italian officials, and it is reported that the proposed formation of such a company has been

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prepared and distributed with AFA's monthly record.

3. The proposals in PAI 156 regarding the handling of foreign exchange credits derived from exports were discussed, and further instructions on this subject were requested of SCS.

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2. Insurance Committee

Approval was obtained to the draft decree for the formation of the Committee (see February and March reports), which was handed to the Director General of Commerce on 1 April. Since the Committee is partly to be composed of Commissioners for the Companies, approval of the latter was necessary before the decree could be signed. Before all approvals could be given, the Government resigned. On 28 April, however, the Director-General advised that the new Minister of Industry, Commerce and Labour had agreed to the decree, and that it would in all probability be signed during the first week in May.

3. Commissioners for insurance companies

The former Ministry submitted during the month the names of eight

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individuals whom he proposed to appoint as Commissioners for seventeen companies. After consultation with the Security Branch of ACC, the following appointments as Commissioners were agreed to:

	Company	Commissioner
(a)	Istituto Nazionale delle Assicurazioni:	Dott. Alfredo De Liguiro
	Subsidiary companies;	
	(i) Previdentia	Dott. Alfredo De Liguiro
	(ii) Assicurazioni d'Italia	Dott. Alfredo De Liguoro
(b)	Assicurazioni Generali di Venezia:	Comm. Ovidio Rucco
(c)	Riunione Adriatica di Sicurta:	Rag. Antonio Vistarchi
	Subsidiary companies;	
	(i) Mutua Assicuratrice Cotoni	Rag. Antonio Vistarchi
	(ii) Unione Sub-Alpina	Rag. Antonio Vistarchi
	(iii) L'Italica	Rag. Antonio Vistarchi
	(iv) Assicuratrice Italiana	Rag. Antonio Vistarchi
(d)	Compagnia di Milano	Rag. Antonino Giarmoleo
(e)	Compagnia di Torino	Ing. Cesare Micheluzzi
	Subsidiary companies;	
	(i) La Preservatrice	Ing. Cesare Micheluzzi
	(ii) La Vittoria	Ing. Cesare Micheluzzi
	(i) La Fiume	Sig. Amedeo Zaccone
	Subsidiary company;	
	(a) La Terra	Sig. Amedeo Zaccone
(f)	Allegnza Vita	Sig. Evaristo Bolfiero
(g)	Anonima Infortuni	Comm. Avv. Alessandro Maula-Miranda

Clearance of the names given above could not be obtained from the Security Branch in time for the appointments to be gazetted before the Government resigned, and they now await the approval of the new Minister of Industry, Commerce and Labour. It is intended to request the Minister to notify each Commissioner-designate as soon as he agrees to the names, in order that they can begin work in their companies at once without waiting for the publication of their appointments in the Official Gazette.

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(i)	Unione Assicuratrice Cotoni	Rag. Antonio Vistarini
(ii)	Unione Sub-Alpina	Rag. Antonio Vistarini
(iii)	L'Italica	Rag. Antonio Vistarini
(iv)	Assicuratrice Italiana	Rag. Antonio Vistarini
(d)	Compagnia di Milano	Rag. Antonino Giarmoloo
(e)	Compagnia di Torino	Ing. Cesare Micheluzzi
	Subsidiary companies;	
(i)	La Preservatrice	Ing. Cesare Micheluzzi
(ii)	La Vittoria	Ing. Cesare Micheluzzi
(i)	La Fiume	Sig. Amadeo Zaccone
	Subsidiary company;	
	(a) La Terra	Sig. Amadeo Zaccone
(f)	Alleanza Vita	Sig. Evaristo Delfiore
(g)	Anonima Infortuni	Comm. Avv. Alessandro Lauria-Miranda

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4. Plans for Rome

Towards the end of the month, the Insurance Department was asked by the Senior Finance Officer of AMG 5th Army (who will have jurisdiction over Rome when that city is occupied) to provide a programme for the handling of insurance offices in the capital. Such a programme is in course of preparation. 1559

5. Financial Intelligence

Results of the investigation requested on the Partenopea Insurance Company of Naples were received from the Italian Director-General of Commerce, but were in an incomplete state, necessitating direct contact with the Company. No undesirable influences were disclosed, but the stockholders and directorate (13 in all) are being cleared with the AMG Security Branch. Accounts for 1943 have not yet been made up, because, it was stated, of inability to communicate with its reinsuring companies in Rome. The company states it is in a position to accept small ordinary marine risks, but is unable to reinsure. It normally reinsures with "Sicilia 1929" (formerly Lloyd Siciliano), and the Unione Italiana di Riassicurazione, both with Head Offices in Rome, but is unable to state the reserves at present ceded, apparently because

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they normally maintain a "float" with the reinsurer. The most interesting result of this investigation was the demonstration of the inability of present Italian Government officials properly to undertake inspections of insurance companies.

6. Third-party insurance of ADC transport

The Department has been requested to assist in arranging third-party insurance for ADC transport chartered to Italian firms for handling foodstuffs. Cover can be arranged but for a limited amount (500,000 lire) only.

B. Social Insurance

1. Coverage of employees of Allied forces for work accidents

The question of the scope of the Italian workmen's compensation law has been further studied. Analysis of the law shows that it is not only limited to scheduled hazardous work, but that the test of applicability is one's normal occupation and not the task assigned at the moment of injury. Thus, unless a worker has in fact had his occupation changed, assignment to a special task temporarily neither extends cover to those not otherwise covered nor removes from coverage those hitherto covered. It is again emphasized that the agreement reached in December with the Italian Government does not provide any special cover for employees of Allied forces, but simply brings them within the scope of existing Italian law. The question whether the coverage of the present Italian workmen's compensation law should be broadened is being referred to the Italian Commission which is studying the social insurance system.

2. Proposal for general coverage of employees of Allied forces

The Italian Ministry of Industry, Commerce, and Labour has presented to ACC a proposal for covering employees of Allied forces against all hazards included under social insurance. An earlier plan involving payment of a flat 20 per cent of pay-roll (plus a small fractional charge for administration) was barred by military authorities on grounds that they could not (a) assume liability for payment of any tax levied by an occupied country, (b) take on administrative burdens that would arise, nor (c) make employment records available to civilian agencies as long as hostilities continue, for reasons of security. The present proposal meets the first obstacle for the Italian Government now agrees to pay the contributions. It also meets in part the second and third obstacles, how satisfactorily remains to be determined. A single and simple employment report to the Ministry of Finance alone is substituted for several more complicated reports to the institutions concerned. There is an essential difference between the present proposal and that already accepted for workmen's compensation. The workmen's compensation agreement requires reports only as claims arise, and, therefore, no general disclosure of personnel or payroll information. Instead, a bill for claims and expenses paid is sent periodically, after the event. Such a procedure might be extended to coverages such as sickness, tuberculosis, and marriage and maternity. But unemployment benefits vary with previous employment experience, and pension claims accumulate over the working life and are generally presented only at its conclusion. Details of nature and cost of coverage are currently under consideration.

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3. State pensions

It was pointed out in the March Report that the decree of 13 March increasing state pensions did not provide adequate guarantees that the increases would not be paid to beneficiaries of Fascist Party patronage. We are proposing that the decree be amended so that excluded pensioners may apply for an increase but must demonstrate that they were compelled by some means to serve, or that the pension did not result directly or indirectly from political activity. A proposed additional Article in the decree will call for establishment of a commission with office in Naples to handle applications from such pensioners. These amendments are to be submitted to the King's Government for adoption by a supplementary decree. If and when adopted, the entire decree with amendments will be republished for territory under ACC.

4. Benefit changes a matter of national policy

Several efforts have been made by interested groups of claimants and by Italian officials acting under pressure from such groups, to obtain increases of benefits paid in whole or in part by social insurance institutions. Many of these attempts have been made at a regional or even provincial level. Clearly the benefit

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scales of social insurance institutions are a matter of national law and policy. Consideration should always be given to complaints regarding inadequacies of benefit provisions, but in so far as they call for changes in legal provisions, they must be referred to this Headquarters and to the King's Government. On 20 April the following order was sent by the Economic Section to all Regional Commissioners;

> " Transmit to every Provincial Labour Office under your direction, they in turn to advise their Italian opposite numbers who will be similarly advised by the Italian Government: 'For your information and guidance no changes are to be made in contribution or payment rates of social insurance systems nor in established wage scales, family allowances, indemnities, premiums, pensions or subsidies, payable to state parastatal and private workers unless authorized or approved by ACC Headquarters for AMG territory or by Italian Government with ACC Headquarters approval in Regions One, Two and Six. Wages and prices are still frozen.' Any unauthorized advances made since the freeze are illegal and will be rescinded. "

5. Description of Italian social insurance system

There is attached to this report, as Appendix E, a memorandum describing the Italian social insurance system and making some evaluations of the system.

F H Followay
Colonel,
Joint Director,
Finance Sub-Commission.

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F W Tolley

Colonel,
Joint Director,
Finance Sub-Commission.

Note: Throughout this Report, the term "billion" is used in the American sense and denotes 1,000 millions.

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APPENDIX 'A'

HEADQUARTERS
ALLIED CONTROL COMMISSION
FINANCE SUB-COMMISSION
APO 394

13021/F

2 May 1944

SUBJECT: The Price of Wheat

TO: Executive Officer,
Economic Section.

The Finance Sub-Commission recommends the following prices for 1944 wheat:

	lire per quintal	
	soft wheat	hard wheat
Sardinia	550	600
Mainland	600	650
Sicily	650	700

These prices will cover the cost of production of wheat and induce maximum production next year. They are approximately 100 per cent higher than 1943 prices, although those for Sicily are only 40 per cent higher than the prices adopted by A.C after occupation. We realize that these prices are much below the recommendations of the Agriculture Sub-Commission, of the Italian Ministry of Agriculture, and of most of the ACC and Italian officials in the field who have expressed themselves upon the subject. In making this recommendation the Finance Sub-Commission contends:

1. That a price of wheat as high as that generally recommended, i.e. 1,000 lire per quintal or higher, will certainly create the inflationary spiral that we have been trying to prevent. We firmly believe that anything approaching a 500 per cent increase in the price of the principal product being currently produced in Italy, i.e. wheat, and a comparable increase in the price of the basic staple of the population, i.e. bread, will make futile any further attempt to stabilize the Italian economy at present levels of industrial prices and wages.

   The effect of this step upon the cost of living will be so great that demands for increased wages - demands that cannot be denied in either justice or practice - will be made at once, requiring compensatory

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	Lire per quintal	
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1. That a price of wheat high as that generally recommended, i.e. 1,200 lire per quintal or higher, will certainly create the inflationary spiral that we have been trying to prevent. We firmly believe that anything approaching a 300 per cent increase in the price of the principal product being currently produced in Italy, i.e. wheat, and a comparable increase in the price of the basic staple of the population, i.e. bread, will make futile any further attempt to stabilize the Italian economy at present levels of industrial prices and wages.

The effect of this step upon the cost of living will be so great that demands for increased wages - demands that cannot be denied in either justice or practice - will be made at once, requiring compensatory increases in industrial prices, and setting in motion the chain of income expansion that constitutes the essence of inflation. To date there has been very little expansion of income in Italy. Prices have risen because of great shortages and because people have been willing to spend almost their entire income to buy food, not because their incomes have been increased. We believe, however, that an expansion of income in the immediate future cannot be prevented if the price of wheat and the price of bread are increased to the extent generally proposed.

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Moreover, it should be realized that a public announcement that the official price of wheat is to be quadrupled that the price of bread, the principal staple

of the population, is to be quadrupled, will constitute an enormous psychological shock and perhaps begin a flight from the lira into any kind of real goods - a flight that has not yet occurred. In addition to its effects in liberated Italy, such an announcement might cost our armies some of the support they are now receiving from Italians north of the line; greatly increase the opinion, already widely held in German-occupied Europe, that inflation follows the Allied armies; and provide support for those at home who charge that our policy is creating inflation in Italy.

We submit that rapid and uncontrollable inflation will be the inevitable consequence of such a step, the responsibility for which we cannot escape.

II. That the prices we have proposed will cover the farmers' costs of production, if the recommendation made below on agricultural rents is accepted, and will provide for the farmers as much real income as they can reasonably expect at this time. A member of this Sub-Commission has recently completed a field trip in which data on the cost of production of wheat was obtained from farmers and agricultural officials. The prices we recommend, higher than what we would for other reasons prefer, were determined on the basis of this cost of production information.

Basically, farmers want high prices for this year's crop because they cannot at current prices obtain the shoes, clothing, and other industrial products that they naturally want. There are, however, no shoes or clothing to be obtained, and farmers' income, however much increased, will not permit them to obtain these items. Until Italy is able to make or buy manufactured goods, the people of Italy can here for little more than food and shelter. City people have difficulty in obtaining even these items; farmers have them in abundance and can reasonably expect no more while a war is being waged in their midst.

III. That the success of the wheat-assessing programme depends primarily upon factors other than price. Indeed, we contend that the assessing programme can only be successful if it is extended to cover all of the principal crops of the territory, if it is based upon an adequate crop census, if the physical

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II. That the prices we have proposed [illegible] costs of production, if the recommendation made below on agricultural rents is accepted, and will provide for the farmers as much real income as they can reasonably expect at this time. A member of this Sub-Commission has recently completed a field trip in which data on the cost of production of wheat was obtained from farmers and agricultural officials. The prices we recommend, higher than what we would for other reasons prefer, were determined on the basis of this cost of production information.

Basically, farmers want high prices for this year's crop because they cannot at current prices obtain the shoes, clothing, and other industrial products that they naturally want. There are, however, no shoes or clothing to be obtained, and farmers' income, however much increased, will not permit them to obtain these items. Until Italy is able to make or buy manufactured goods, the people of Italy can hope for little more than food and shelter. City people have difficulty in obtaining even those items; farmers have them in abundance and can reasonably expect no more while a war is being waged in their midst.

III. That the success of the amassing programme depends primarily upon factors other than price. Indeed, we contend that the amassing programme can only be successful if it is extended to cover all of the principal crops of the territory, if it is based upon an adequate crop census, if the physical collection of crops is performed wherever possible at the time when crops are centralized for processing - threshing in the case of wheat - ; and if very severe sanctions are imposed. Therefore, if compulsion must be used, a price that is sufficiently high to be fair to the farmers is all that need be paid. It is not correct to believe that we must make a choice between amassing the wheat crop and preventing inflation. With an effective amassing system we can do both, and without an effective amassing system, however high we set the price of wheat, we can do neither. With an effective amassing system we can have our bread and eat it too.

IV. That the price of wheat is an integral part of agricultural policy and cannot be determined apart from a general determination of the following questions: (1) what crops are to be amassed? (2) what prices are to be paid for them? and (3) what steps are to be taken to assure the success of amassing?

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I. The Certainty of Inflation if the Price of Wheat is Quadrupled

A wheat price much higher than 600 lire per quintal will, in our opinion, both create and necessitate a great inflation in Italy. ACC has been directed to attempt to stabilize the economy of Italy. The Finance Sub-Commission believes, however, that if the price of wheat is set at 1,100 or 1,200 lire per quintal, the range of prices recommended by most parties, it will not only be impossible to stabilize the Italian economy at current levels of income, but it will be absolutely necessary to plan for a considerable increase in non-agricultural prices and incomes in order that the Italian economy might ultimately be stabilized at some level of prices and incomes far higher than those presently ruling.

1. The effect upon farmers' incomes. The Agriculture Sub-Commission estimates the wheat crop of 1944 at 16 million quintals. This is a low estimate, being in fact the same as last year's very poor crop, while as of this date the farmers expect a much bigger crop this year. Even on the basis of this low estimate, however, the value of the crop at, say, 1,150 lire per quintal, is 18 billion lire. Of the total production of 16 million quintals, the Agriculture Sub-Commission estimates that 7 million quintals will be amassed. If this proves true, the value of the amassed crop, which represents cash income to the farmers, would be, at 1,150 lire per quintal, 8 billion lire.

At current prices the value of the wheat crop of occupied Italy is less than 25 per cent of the total value of all agricultural produce. Consequently, if the 300 per cent increase now being recommended for the price of wheat were to become the basis for our entire agricultural price policy - and it is difficult to see how that could be avoided if the 300 per cent increase in wheat prices is adopted - the total value of this year's crops would be about 75 billion lire. To put it differently, the agricultural income of the poorest third of Italy would then be two-thirds as large as the total national income of all Italy in the fiscal year 1939-1940.[1] If farmer retentions of other crops amount to about the same percentage as in the case of wheat, the money income paid to farmers for their 1944 crops will be over 30 billion lire.

2. The effect of such prices upon the Italian Government deficit. The Italian Government deficit is already enormous and constitutes the principal inflationary force now at work. If, however, any considerable portion of the recommended increase in wheat prices and of the resulting increases in other agricultural prices were to be borne by Government subsidy, the deficit would be enormously increased. At the present time the deficit is about 3 billion lire per month, i.e., a rate of about 36 billion lire per year. To purchase that portion of the wheat crop which [illegible] lire to the annual

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estimate, being in fact the same as last year's very poor crop, while as of this date the farmers expect a much bigger crop this year. Even on the basis of this low estimate, however, the value of the crop at, say, 1,150 lire per quintal, is 18 billion lire. Of the total production of 16 million quintals, the Agriculture Sub-Commission estimates that 7 million quintals will be requised. If this proves true, the value of the requised crop, which represents cash income to the farmers, would be, at 1,150 lire per quintal, 8 billion lire.

At current prices the value of the wheat crop of occupied Italy is less than 25 per cent of the total value of all agricultural produce. Consequently, if the 300 per cent increase now being recommended for the price of wheat were to become the basis for our entire agricultural price policy - and it is difficult to see how that could be avoided if the 300 per cent increase in wheat prices is adopted - the total value of this year's crops would be about 75 billion lire. To put it differently, the agricultural income of the poorest third of Italy would then be two-thirds as large as the total national income of all Italy in the fiscal year 1939-1940.[1] If farmer retentions of other crops amount to about the same percentage as in the case of wheat, the money income paid to farmers for their 1944 crops will be over 30 billion lire.

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3. The effect upon the cost of living. On the other hand, if most of the increased cost of wheat and other agricultural produce is to be passed on to the consumer, the official prices of foodstuffs would be increased to levels that could not be indefinitely supported at existing wage rates.

The serious effect upon the cost of living of increasing the price of wheat to 1,150 lire per quintal has been entirely overlooked. It is commonly believed that, because the black market price of bread in Naples

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1. In July 1940 the then Minister of Finance announced that Italy's national income in the fiscal year 1939-1940 was 115 billion lire.

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has for some time been about 130 lire per kilo, increasing the legal price of bread from 3.60 lire per kilo to 15 lire, the price that would be necessary to permit bread to be sold without Government subsidy with a wheat price of 1,150 per quintal, the resulting difference in the cost of living would be inconsequential. This is a great error. At the present time the average member of the average working class family in Naples is buying 2 kilos of bread weekly, 1.4 kilos with his ration card and .6 kilos upon the black market.[2] Increasing the legal price of bread from 3.60 to 15 lire per kilo would have the following effect upon the weekly budget for bread of a family of 5:

	with ration bread at 3.60 lire	with ration bread at 15 lire
7 kilos of ration bread	25.20 lire	105.00 lire
3 kilos of black market bread @ 130	390.00 lire	390.00 lire
Total weekly expenditure for bread	415.20 lire	495.00 lire
Increase in lire expenditure		79.80 lire
Per cent increase		19 per cent

To be properly appreciated, an expenditure of 495 lire per week for bread should be compared with the wage of 400 lire per week now paid by the Allied forces for manual labour.

A 20 per cent increase in the cost of purchasing bread, the principal item of workmens' expenditure, is a very serious matter, but the true percentage increase that must be borne in mind when the decision to increase the price of bread is taken is far larger than this, for several reasons:

1. The increase is largest for those who buy the least black market bread, and hence is largest for the poorest families. Indeed, the increase is over 300 per cent for those living on relief or workmens' and soldiers' pensions and unable to buy any black market bread.

2. The increase is greater for those receiving a heavy worker's ration, a class which we do not wish to penalize.

3. In the comparison it is assumed that the black market price of bread will remain the same. As pointed out below, much of the present high price is purely seasonal, and the price should therefore decline after the harvest. Raising the legal price of wheat, however, will tend to

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Increase in lire expenditure	79.80 lire
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3. In the comparison it is assumed that the black market price of bread will remain the same. As pointed out below, much of the present high price is purely seasonal, and the price should therefore decline after the harvest. Raising the legal price of wheat, however, will tend to raise the black market price, not depress it. The black market is a

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1. At present the millers pay 1.50 lire per kilo for wheat and the state pays the additional 1.50 lire. The margin to pay for transportation, milling, baking, and retailing is 2.10 lire, making the retail price 3.60 lire. This margin is now said to be inadequate. If it is increased to 3.50 lire (an increase of only 60 per cent), if the price of wheat is raised to 1,150 lire per quintal, and if the Government subsidy is withdrawn, the retail price of bread would be 15 lire per kilo.

2. Investigations of the cost of living in Naples made by the Finance Sub-Commission by house-to-house inquiry indicate that, in addition to their bread ration, the average member of the average working class family buys each week .6 kilos of bread, .15 kilos of paste, 1.5 kilos of potatoes, .25 litres of olive oil, a substantial quantity of fruits and vegetables, and very small quantities of meat, fish, cheese, sugar, and milk. These figures agree quite closely with those determined by the Psychological Warfare Board in a house-to-house canvas of several thousand families in Sicily.

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mechanism through which people obtain more bread than that to which they are entitled in their ration. The demand for it will not be choked off by the increase in legal price, but the supply price of obtaining the wheat from farmers will rise.

4. The increase will be far greater in all towns other than Naples, for the black market price of bread is much lower in all other towns.

5. A very considerable part of the present black market price of bread is seasonal. The black market stocks of wheat obtained from last year's harvest are nearly exhausted, a fact amply demonstrated by the enormous prices farmers are now receiving for black market wheat, by the sharp increase in black market bread prices that has occurred in the last few months in all the smaller towns of Italy, and by the almost complete substitution of white bread made from stolen American flour for country bread upon the black market of Naples. To the extent that the present black market prices are seasonal, one cannot compare them to a permanent increase in the legal price of bread.

The importance of the last two of these factors is shown in the table below. In this table black market bread prices are given for one of the cities in each area, and the per cent increase in the cost of buying .6 kilos of black market bread at these prices plus 1.4 kilos of ration bread at the proposed legal prices over the cost of these purchases under present circumstances are tabulated for several dates.

It will be noticed that the percentages for April run from 17 per cent in Naples to 39 per cent in Matera. For dates before April, when the seasonal influence upon black market prices was less strong, the percentages run as high as 145 per cent and average over 50 per cent. If figures were available for towns smaller than the provincial capitals, or for dates earlier than last December when the seasonal scarcity of wheat was already evident, the per cent increases would be even greater.

	April 1944		February 1944		December 1943	
	price of bread on black market	% increase in cost of buying 2 kilos of bread if legal price were raised to 15 lire	price of bread on black market	% increase in cost of buying 2 kilos of bread if legal price were raised to 15 lire	price of bread on black market	% increase in cost of buying 2 kilos of bread if legal price were raised to 15 lire
Naples	150	17	125	20	110	23

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Naples	150	17	125	20	110	23
Trapani	130	19	65	36	70	34
Bari	85	29	50	46	30	70
Cosenza	60	39	50	46	20	94
Cagliari	40	55	35	61	20	94
Matera	60	39	-	-	15	110
Campo Basso	-	-	-	-	10	145

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It might be thought that a small increase in the ration given at the same time that the price of bread was increased could easily offset the increase in the price of ration bread. There is little prospect that the ration can be increased at this time. The prospective demands upon Allied wheat in the feeding of north Italy, and perhaps of all Europe, make it extremely unlikely that we can plan to increase food imports to Italy. Rather, there is reason to believe that they will have to be reduced.

However, even if the ration could be increased, it would only improve the situation in those places where the black market price of bread is very high. In Naples, for instance, if the black market price remains 150 lire, and it almost certainly will not after the harvest, an increase of the ration of only 17 grams would offset the effect of the increase of the legal price to 15 lire. In Matera and Cosenza, where the black market price even now is only 60 lire, the ration would have to be increased 51 grams to offset the effect of the increase in the legal price. Wherever the black market price is lower than 42 lire, the case of Cagliari at present and the probable situation in many of the smaller communes after the harvest, no increase in the ration could offset the increased cost of buying ration bread at 15 lire instead of 3.60. Moreover, it should be remembered that offsetting the effect of the increase merely means maintaining the ultimately untenable condition in which almost all of a worker's income is required for the purchase of bread and a few other foods. Only in Naples could a substantial increase in the ration at a price of 15 lire materially improve the situation.

It is certain that increasing the price of bread to 15 lire per kilo will create hardship, and raise wage demands that may have to be met at once and that will certainly have to be met ultimately, thus permanently changing the value of the lira.

The effect of the proposed increase in the price of wheat upon the cost of living can be measured in a second way: There are at most 10 million people in occupied Italy other than those living on farms. If these people are to pay farmers for their food 30 billion lire per year (the figure calculated above as the cash income of farmers if the level of agricultural prices is determined in accordance with the proposed price of wheat) and, say, 20 billion lire for transportation, processing, and retailing, the average cost per person will be approximately 100 lire per week. In family terms, on the basis of 5 in a family, expenditure for food alone at legal prices would amount to 500 lire per week in all occupied Italy - rather than just Naples, the case shown in the bread expenditure figures. It is only necessary to compare this to the 400 lire per week now paid to manual labour employed by the Allied forces to realize that such a situation cannot exist indefinitely.

With such a price for basic agricultural staples, either Government subsidy

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the smaller [illegible], the increased cost of buying ration bread at 15 lire instead of 3.80. Moreover, it should be remembered that offsetting the effect of the increase merely means maintaining the ultimately untenable condition in which almost all of a worker's income is required for the purchase of bread and a few other foods. Only in Naples could a substantial increase in the ration at a price of 15 lire materially improve the situation.

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With such a price for basic agricultural staples, either Government subsidy or increased consumer prices would lead to inflation. A Government deficit large enough to subsidize the increased price of agricultural produce would cause a great expansion of incomes, while an attempt to pass the increase on to the consumer in the form of higher consumer prices would necessitate an increase in consumer incomes. A 300 per cent increase in the unsubsidized price of wheat and other agricultural produce will make what is now a temporary situation a permanent one. From such a situation there could be no "settling back". The only solution to such a situation would be a great increase in industrial prices and incomes, setting in motion forces that would further increase agricultural as well as non-agricultural prices and incomes before stability was reached at a far higher level of prices and incomes. It is certain that we cannot create a stable economy by setting agricultural prices at a level that will absorb all of a worker's income for food alone.

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II. The Cost of Production of Wheat

The Finance Sub-Commission recommends prices for the 1944 wheat crop averaging approximately 600 lire per quintal because we believe that that price will cover the proper costs of production of the crop and assure to the farmer as much real income as he can rightfully expect to obtain at this time.

1. The recommendations of the Agriculture Sub-Commission are not substantiated with adequate cost data. Their recommended price appears to be derived from the fact that the average of prices recommended to them by the 12 provinces answering their questionnaire was 1,146 lire per quintal. The 12 provinces answering the questionnaire submitted cost data which, when averaged, indicate that the cost of production of 1944 wheat was about 1,300 lire per quintal. These data are, however, of little use. The enormous differences in the estimates of the same items of cost made by neighbouring and similar provinces are sufficient to show that the data are not reliable. For instance, the cost of "preparation of the ground" is estimated by Benevento province at 228 lire per hectare and by its neighbour, Avellino, at 1,000 lire per hectare; the cost of weeding and similar operations is estimated by Benevento at 1,083 lire per hectare and by Avellino at 300 lire per hectare; the cost of seed is estimated by Ragusa at 2,760 lire per hectare and at 600 lire by its neighbour, Siracusa; the cost of rent is estimated by Ragusa at 11,000 lire per hectare and by Siracusa at 2,000 lire per hectare. No reliance can be placed in estimates that for neighbouring and similar provinces vary as much as this.

Furthermore, after quoting these high estimates of cost, the Agriculture Sub-Commission states in the memorandum "lengthy discussions with various Italian agricultural officials convince me that actual out-of-pocket expenditures for labour and fertilizer in production of present crop of wheat were not much greater than for the 1943 crop. Psychological factors plus an apparent lack of confidence in future are in my opinion largely responsible for high cost of production estimates."

2. Agricultural men in the field, both those of ACC and of the Italian Government have also made very high recommendations for the price of the 1944 crop. Many of these men were interviewed on a recent field trip in which the Finance Sub-Commission participated. In all cases they justified their recommendations on the grounds that the things that the farmers ordinarily purchase, i.e., shoes, clothing, and similar items, were selling at prices so high that only if the price of wheat were substantially increased would farmers be able to purchase them. This argument is the basis of most of the farmers' ideas on the price of wheat and of the recommendations of most men in the field. It is a thoroughly fallacious argument and must not be

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averaged, indicate that the cost of production of 1944 wheat was about 1,300 lire per quintal. These data are, however, of little use. The enormous differences in the estimates of the same items of cost made by neighbouring and similar provinces are sufficient to show that the data are not reliable. For instance, the cost of "preparation of the ground" is estimated by Benevento province at 328 lire per hectare and by its neighbour, Avellino, at 1,000 lire per hectare; the cost of weeding and similar operations is estimated by Benevento at 1,083 lire per hectare and by Avellino at 300 lire per hectare; the cost of seed is estimated by Ragusa at 2,760 lire per hectare and at 600 lire by its neighbour, Siracusa; the cost of rent is estimated by Ragusa at 11,000 lire per hectare and by Siracusa at 2,000 lire per hectare. No reliance can be placed in estimates that for neighbouring and similar provinces vary as much as this.

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Until some degree of normal industrial production can be reestablished in Italy, no Italian can rightfully expect more than sufficient food and a place in which to live. At the wheat price recommended by the Finance Sub-Commission, farmers will have shelter and considerably more food than city workers. They cannot rightfully expect more, and no increase in the price of wheat, however great, will give them more.

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3. It is not possible to determine the true money cost of production of wheat. It is possible, however, to determine the number of man and animal days that are used per hectare in the production of wheat, the rent of land, etc. On the field trip referred to above, farmers, landowners, and agricultural officials were questioned on this subject, and a tabulation of costs was made upon which substantial agreement was obtained. This calculation is as follows:

Yield (at least)	10	quintals	per	hectare
Seed retention	1.5	"	"	"
Rent	3	"	"	"
Balance	5.5	"	"	"

Man and animal days labour necessary per hectare (using hand operations rather than the cheaper mechanical operations for reaping, threshing, etc. that are in use on most farms), are as follows:

Operation	Man-days	Animal-days
1st plowing	3	3-6
2nd plowing	3	3-6
Seeding (including plowing before seeding and harrowing after)	2.5	2.5
Weeding	10	
Reaping (by hand)	6	
Shocking and transportation to threshing floor	3	
Threshing (by hand)	2	
Transportation	.5	1.5
Total	30	10-16

(The estimate of the Agriculture Sub-Commission is 36½ days of man-labour per hectare. This estimate is simply the average of the estimates of man-days given by the provinces answering their questionnaire. It is a most unreliable average, however, for, of the provinces submitting a figure, only one gave a figure as high or higher than 36½ days. This one was so high that the whole average was influenced. To be meaningful, an average must lie near the middle

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Operation	Man-days	Animal-days
1st plowing	3	3-6
2nd plowing	3	3-6
Seeding (including plowing before seeding and harrowing after)	2.5	2.5
Weeding	10	
Reaping (by hand)	6	
Shocking and transportation to threshing floor	3	
Threshing (by hand)	2	
Transportation	.5	1.5
Total	30	10-16

(The estimate of the Agriculture Sub-Commission is 30½ days of man-labour per hectare. This estimate is simply the average of the estimates of man-days given by the provinces answering their questionnaire. It is a most unreliable average, however, for, of the provinces submitting a figure, only one gave a figure as high or higher than 30½ days. This one was so high that the whole average was influenced. To be meaningful, an average must lie near the middle of an array.)

To value this labour in lire is more difficult. It is commonly believed that the wages of farm labour have increased greatly in the past year. On the field trip, many people were asked about farm wages, particularly day labourers, tenants, sharecroppers, and landlords. These conversations indicate that the wages of day labour are about 90 lire per day without meals. Most farm labour, however, is not day labour. It is mostly salaried labour receiving meals and a much smaller lire payment, and the labour of the farmer himself and of his family. Valuing the labour at 90 lire per day is therefore a generous estimate making ample provision for the needs of the farmer and his family. The value of animal rentals was determined on the field trip to be from 75 to 100 lire per day. 90 lire per day is a generous allowance for this figure also, since the majority of the animals are owned by the farmers using them and occasion no out-of-pocket expense. The cost calculation is then as follows:

man labour (30 days at 90 lire)	2,700 lire per hectare
animal labour (13 days at 90 lire)	1,200 " " "
Total	3,900 " " "

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Dividing this expense by the balance of the crop after seed retentions and rent (3,900 lire ÷ 5.5 quintals) gives a cost of production of approximately 700 lire per quintal. In view of the fact that labour requirements were estimated on the basis of hand operations, in view of the fact that the valuations used for man and animal labour are comparable to those of high-cost day labour, and in view of the fact that no deduction is made for the value of the straw or other by-products of wheat farming, 700 lire should be ample to cover the cost of production.

3. Basing the price of wheat on a calculation of costs such as that above would, however, involve an enormous social injustice and result in an unnecessarily high price. Basically, it is being contended that the price of wheat must be increased because the costs of production of wheat, particularly labour costs, have increased. There has been no increase, certainly, in the productive expenses of landlords, but if the rent of land is to be paid in kind or in an amount of money depending upon the price or value of the crop, as is general Italian practice and as the calculation above assumes, landlords will obtain an enormous and entirely unjustified windfall and the price of wheat will be fixed substantially higher than it need be. Needless to say, this windfall will be fantastically high if the price of wheat is set at 1,150 lire per quintal.

Indeed, if rents are paid at 1,150 lire per quintal, landlords' income per hectare will even exceed labour income per hectare, being 3,450 lire, against total labour income per hectare of 2,700 lire - a situation that is manifestly unjust and unnecessary. In this connection the following points are pertinent:

(a) By decree of the Italian Government, recognized and reaffirmed by ACC, urban rents in Italy are frozen at their 1936 levels. This is a price control that is generally effective. Rural landlords whose rents depend upon the value of wheat have received a substantial increase in money rents since 1936, and if the price of wheat is now set at 1,150 lire per quintal, they will receive a further increase in money rents of about 350 per cent.

(b) In determining the price of 1945 wheat the Italian Government increased the subsidy on wheat by amounts varying from 40 to 145 lire per quintal for the different provinces of what is now occupied Italy. By decree of the then Minister of Agriculture, the increases in subsidy were made payable to tenants only, and not to landlords. The suggestion, therefore, that landlords ought not to be permitted to profit from the much greater increase in price now being contemplated is not a new departure from Italian practice or from the Italian conception of justice. If the Italian Government considered such a step necessary last year when the degree of unjustified enrichment that would have resulted from its omission was much less than that which will result this year, it is the more necessary to take the same

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general Italian practice and as the calculation above assumes, landlords will obtain an enormous and entirely unjustified windfall and the price of wheat will be fixed substantially higher than it need be. Needless to say, this windfall will be substantially high if the price of wheat is set at 1,150 lire per quintal.

Indeed, if rents are paid at 1,150 lire per quintal, landlords' income per hectare will even exceed labour income per hectare, being 5,450 lire, against total labour income per hectare of 2,700 lire - a situation that is manifestly unjust and unnecessary. In this connection the following points are pertinent:

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(b) In determining the price of 1943 wheat the Italian Government increased the subsidy on wheat by amounts varying from 40 to 145 lire per quintal for the different provinces of what is now occupied Italy. By decree of the then Minister of Agriculture, the increases in subsidy were made payable to tenants only, and not to landlords. The suggestion, therefore, that landlords ought not to be permitted to profit from the much greater increase in price now being contemplated is not a new departure from Italian practice or from the Italian conception of justice. If the Italian Government considered such a step necessary last year when the degree of unjustified enrichment that would have resulted from its omission was much less than that which will result this year, it is the more necessary to take the same or a similar step this year. Indeed, if such a step is not taken this year, the percentage increase in landlords' incomes will be greater even than that of the farmers, for the farmers will be receiving an increase from 300 lire last year to 1,150 lire this year, while the landlords will be receiving an increase from, in the case of most provinces, 230 lire last year to 1,150 this year.

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We are convinced that justice, consistency with the action of the Government last year, consistency with our policy toward urban landlords, and most important, the impossibility of setting a price of wheat high enough to permit paying rents at a price equal to that necessary to cover the other items of cost, require that rural landlords be prevented from profiting from any increase in the price of wheat that may be decided upon for the current crop. To accomplish this, ACC should recommend to the Italian Government the immediate preparation of a decree requiring that all rents, including share-croppers' payments to landlords, be paid in money rather than in kind, and that the amount of money to be paid shall be determined by valuing the amount of produce called for in the rent or share-cropper contract at prices no higher than the official prices ruling in the spring of 1943.

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A secondary, but not inconsiderable advantage of requiring that rents be paid in money would be that the number of people responsible for amassing would be substantially reduced. Under present conditions many rents are paid in kind and both the tenant and the landlord are required to amass their shares. Inasmuch as the landlord is due no seed retention this year and needs no seed retention, this is a complication of procedure that makes effective amassing more difficult and that creates a team both of whose members stand to gain by a common under-declaration of the amount of the crop.

Last year's directive of the Ministry of Agriculture, referred to above, did not cover share-croppers. This was a serious omission that should be corrected in the preparation of a decree for this year.

4. When this step, which in our opinion is eminently just, is taken, the price of wheat that need be paid to cover its costs of production is found to be much lower than that calculated previously:

Yield (at least)	10 quintals	per hectare
Seed retention	1.5 "	" "
Balance	8.5 "	" "
Man labour	2,700 lire	per hectare
Animal labour	1,200 "	" "
Rent (3 q. @ 300)	900 "	" "
Total	4,800 "	" "

Cost of production of wheat (4,800 lire ÷ 8.5 quintals) = 565 lire per quintal.

On the basis of this calculation, which makes generous estimates of the amounts of man and animal labour required, which values man and animal labour at the admittedly high rates paid to day-labour, and which makes no allowance for the value of by-products, we believe that prices of 550 and 600 lire per quintal for Sardinia, where costs are agreed to be lower than elsewhere and of 600 to 700 lire for the mainland and Sicily are ample to cover the costs of production of wheat and to meet the legitimate needs and expectations of farmers.

If rents are frozen in the manner proposed, the wheat prices recommended by the Finance Sub-Commission are equivalent to much higher prices so far as farmers are concerned. The comparison of the prices that would have to be paid for wheat under existing rent agreements in order to have the amount retained as the farmer's income from each hectare of land equal to that which would be retained as his income from each hectare if rents are frozen is as follows:

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Balance	8.5	"	"	"
Man labour	2,700	lire	per	hectare
Animal labour	1,200	"	"	"
Rent (3 q. @ 300)	900	"	"	"
Total	4,800	"	"	"

Cost of production of wheat (4,800 lire ÷ 8.5 quintals) = 565 lire per quintal.

On the basis of this calculation, which makes generous estimates of the amounts of man and animal labour required, which values man and animal labour at the admittedly high rates paid to day-labour, and which makes no allowance for the value of by-products, we believe that prices of 550 and 600 lire per quintal for Sardinia, where costs are agreed to be lower than elsewhere and of 600 to 700 lire for the mainland and Sicily are ample to cover the costs of production of wheat and to meet the legitimate needs and expectations of farmers.

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$$\left\{ \frac{\text{(yield - seed retention) price - money rent}}{\text{yield - seed retention and rent in kind}} = \text{comparable price} \right\}$$

	Finance Sub-Commission Price Recommendations		Comparable Price Under Existing Rent Agreements	
	Soft wheat	Hard wheat	Soft wheat	Hard wheat
SARDINIA	550	600	686	764
MAINLAND	600	650	764	841
SICILY	650	700	841	918

It will be noticed that the prices to which our prices are equivalent are high enough to meet most of the estimates of what farmers must be paid to induce a reasonable amount of cooperation from them. It will also be noticed that if the rent proposition is accepted the effective spread in price between areas is larger than it would otherwise be. That is, our recommendations for hard wheat call for a spread from 600 in Sardinia to 700 in Sicily,

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a difference of 100 lire per quintal, while the equivalent prices under existing rent contracts vary from 54 to 918, a difference of 154 lire per quintal.

5. In considering farmers' estimates of price and cost of production, it is frequently argued that farmers will not produce a maximum crop next year if they do not get what they believe they should for this year's crop. We believe that precisely the opposite is true. People work from necessity, not from choice. There is considerable evidence that farmers are now holding substantial illiquid balances of lire and postal savings deposits, owing to the absence of city goods that they would otherwise buy with their incomes. If a very high price is paid for this year's crop, it is quite possible that farmers' accumulations of cash balances may become so large that they will consider it unnecessary to produce next year anything more than what they need for their own consumption. If they are not given the means of accumulating excessive cash reserves they will have no choice but to continue production.

6. There are a few incidental points on costs that deserve mention. Farmers spoken to on the field trip expressed fear that harvesting costs would be high because of a seasonal rise in farm wages at harvesting time, and because of the possibility that the threshers required to purchase materials and spare parts at black market prices, would charge exhorbitant fees. ACC might well recommend to the Italian Government that all available units of the Italian army either be given agricultural leave to increase the supply of farm labour at harvest time, or, preferably, be sent to the farms as members of the army to harvest the crop for a reasonable supplemental wage paid by the farmer. It has been customary for the Italian army to grant agricultural leave at harvest time. To handle the threshing problem, it is recommended that the threshers be closely supervised by the Consorzio Trebbiatori, preferably in the manner outlined in Section III, below.

III. Amassing

1. The Finance Sub-Commission strongly believes that all principal crops should be amassed in order to provide sufficient food with which Italy can help to feed itself, in order to make rations other than bread and olive oil available, in order to prevent discriminatory treatment of those farmers growing wheat, barley and olive oil which it has already been decided shall be amassed, and in order to prevent the tendency that would otherwise develop for farmers to plant non-amassed crops in preference to amassed crops. We understand that this view is strongly held by both the Ministry of Agriculture and the Ministry of Finance.

2. We sincerely believe that in a situation in which black market prices are, and will remain, substantially higher than legal prices, however high legal prices may be put, price cannot be depended upon as the principal inducement to

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2. We sincerely believe that in a situation in which black market prices are, and will remain, substantially higher than legal prices, however high legal prices may be put, price cannot be depended upon as the principal inducement to amassing. We believe that some form of imperative and bold compulsion must be used if amassing this summer is not to be as completely unsuccessful as was the amassing programme last summer and the amassing of olive oil last winter. It follows that if compulsion is necessary, a price high enough to meet the minimum wishes of farmers is not essential.

3. Signor Giuseppe Pignatone of the Consorzio Probbistori at Matera has suggested the use of threshers in the amassing programme. The Consorzio Probbistori has general supervision over the threshing industry. Signor Pignatone recommends that the Consorzio license the threshers, issue permits for the threshing of individual farmers' crops, plan the routes of the threshing machines, provide the threshers with forms for the declaration of wheat threshed, and authorize the threshers to collect the grain at the time of threshing, leaving behind only the authorized family and seed retentions. He points out that the threshers can be controlled through their necessity of obtaining coal, gasoline, or diesel oil from Government sources. For each machine the amount of wheat that will be threshed per unit of fuel consumed is roughly determinable. The threshers could not, therefore, take advantage of their position and fail to turn over to the amassed wheat they had collected from farmers. We believe that this is an excellent plan that should be carefully

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considered by ACC.

4. Finally, we should like to draw attention to a memorandum submitted by this Sub-Commission on the desirability of requesting the Italian Government to investigate the honesty of the Consorzio Agrario by checking the records of their sales against commercial bank records of crop payments made to farmers. On the field trip several farmers complained that if they sold their wheat to the ammassi, the ammassi would sell it on the black market; the ACC agricultural officer in Bari informed us that 2 Consorzio officials had recently been prosecuted in Puglia for diverting Consorzio products to their own use; and an Italian agricultural official of Bari reported some discontent upon this subject amongst the farmers of that Province. If these scattered reports are indicative of any widespread distrust of the Consorzio, we should lose no time in finding and severely punishing such dishonest men as there may be in the organization, and in widely announcing the completeness of our search and the severity of our punishment. Any general belief that the Consorzio is dishonest can be disastrous to the ammassing programme.

IV. Necessity for a Complete Programme

In submitting these recommendations upon the price of wheat, the Finance Sub-Commission would like to repeat its belief that the price of wheat is an integral part of the whole question of agricultural policy. We should not like to see the price of wheat determined apart from a general determination of agricultural policy with respect to plans for ammassing wheat and other crops and the prices to be paid for each.

C. H. Tildesley
Colonel,
Joint Director,
Finance Sub-Commission.

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Colonel,
Joint Director,
Finance Sub-Commission.

JEH/FFP

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APPENDIX 'B'

HEADQUARTERS
ALLIED CONTROL COMMISSION
FINANCE SUB-COMMISSION
APO 394

13058/2

26 April 1944

HISTORY OF THE ITALIAN TAX SYSTEM

A. Introduction

1. The extreme weaknesses of the Italian revenue system may be summarized as:

(a) an assessment procedure that is both unduly slow and highly inaccurate;

(b) a collection system which invites high costs, collusion and corruption of every kind;

(c) excessive reliance on per quantum consumption taxes.

To make the system adequate as an instrument both of inflation control and of balancing necessarily large future budgets will require changes in the present tax system so basic in concept and in administration that the full effect upon revenues cannot be realized except over a considerable period of years. It is the purpose of this memorandum to set forth the broad lines of a comprehensive modern and progressive scheme of taxation which is believed to be capable of eventual realization, together with an indication of emergency measures which will be appropriate for the inflationary situation and will have an immediate effect on revenues.

The Italian taxation system stems in part from the Roman, with such modifications as were made by Napoleon. It is similar to most Latin systems and is designed to cope with a large proportion of smugglers and evaders. There appears never to have been any fiscal cooperation between the Government and the people, and hence the system is based on the spy and the informer and on the taxation of things that can be seen or measured by inexpert hands. Inevitably, therefore, any successful and thoroughgoing revision depends on the political factor. Until there is greater collaboration between government and people, and hence between official and taxpayer, all revenues based on self-assessment by the taxpayer and on the production of reasonably accurate returns and accounts will be subject to some risks of a temporary drop in revenue yield.

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2. The scheme herein proposed will necessarily consist largely of a rough outline, in terms of specific end results to be achieved. Detailed formulation of the proposals necessarily depends on information as to Italian business, legal, financial and social practices which is at present lacking. Rates and exemptions must also depend on statistical material which is not now available, and any rates or exemptions herein suggested are by way of illustration only and should not be taken as definitive recommendations. In any event, the technical and administrative points will best be decided by responsible Italian officials.

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3. In formulating this taxation scheme, the following considerations have been deemed to be of paramount importance:

(a) that a larger yield must be secured;

(b) that so far as possible Italian administrative organization should be preserved, except where it interferes with reasonably efficient collection of revenue;

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(c) that sufficient flexibility must be achieved to make the revenue system quickly responsive to inflationary and deflationary pressures, but that at the same time enough stability of revenue must be secured to enable the government to count on a minimum amount irrespective of current economic conditions;

(d) that a workable tax system for Italy must above all be simple. The existence of a large body of ignorant taxpayers and inefficient administrators does not permit of many of the nice adjustments characteristic of the British and American systems. Theoretical equity has, therefore, in some instances been sacrificed to simplicity. One of the chief features of a simple tax system is actual collection from as few persons as possible.

4. The balance of this memorandum is divided into the following parts:

B. Income Taxes
C. Excess Profits Tax
D. Consumption Taxes
E. Monopolies.
F. Capital Taxes
G. Death and Gift Taxes
H. Miscellaneous Taxes
J. Communal and Provincial Taxes
K. Collection
L. Timing of the Programme

5. Budgetary figures for revenues for the fiscal year 1942-43 (State only) were as follows (in millions of lire):

Imposte dirette	
Temporary taxes	
Immovable property	500.0
Capital stock	120.0
2% salary contribution	240.0
Management compensation	60.0
Excess profits	350.0
Permanent taxes	
Income from rural real property	150.0
Income from Urban non-industrial buildings	350.0
	5,250.0

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Imposte dirette		
Temporary taxes		
Immovable property	500.0	
Capital stock	120.0	
2% salary contribution	240.0	
Management compensation	60.0	
Excess profits	350.0	
Permanent taxes		
Income from Rural real property	190.0	
Income from Urban non-industrial buildings	350.0	
Basic income tax	5,250.0	
Supplementary progressive income tax	810.0	
Bachelor tax	240.0	
Personal property	1,400.0	
Dividends and income from bearer securities	550.0	
Total direct taxes		10,020.0

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Imposte indirette sugli affari		
Inheritances and gifts		270.0
Turnover tax		5,000.0
Stamp tax		950.0
Additional stamp and registration tax		500.0
Radio		105.0
Government concessions		255.0
Amusements		415.0
Playing cards		10.0
Railways, passenger		25.5
Railway freight		82.5
Registration		1,540.0
Increase in value of shares		350.0
Mortgages, etc.		290.0
Automobile freight		100.0
Miscellaneous		144.8
Total indirect business taxes		10,415.8
Imposte indirette sui consumi		
Manufacture of spirits	450.0	
" " beer	55.0	
" " sugar	1,300.0	
" " glucose	9.0	
" " vegetable oils	25.0	
" " mineral oils	1,100.0	
" " coffee substitutes	230.0	
" " artificial textiles	150.0	
" " gas, electric energy and fixtures	515.0	
Coffee	100.0	
Total indirect consumption taxes		3,834.0
Customs and import taxes		2,250.0
Monopolies		5,334.2
Lotteries		534.3
Grand Total		32,468.3

B. Income Taxes

1. The present Italian income tax system needs complete reformation.

The present Italian taxation of income consists of a hodgepodge of

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Total indirect business taxes		10,415.8
Imposte indirette sui consumi		
Manufacture of spirits	450.0	
" " beer	55.0	
" " sugar	1,300.0	
" " glucose	9.0	
" " vegetable oils	25.0	
" " mineral oils	1,100.0	
" " coffee substitutes	230.0	
" " artificial textiles	150.0	
" " gas, electric energy and fixtures	515.0	
Coffee	100.0	
Total indirect consumption taxes		3,834.0
Customs and import taxes		2,290.0
Monopolies		5,334.2
Lotteries		534.3
Grand Total		32,488.3

B. Income Taxes

1. The present Italian income tax system needs complete reformation.

The present Italian taxation of income consists of a hodgepodge of many different taxes, few of which contain progressive rate structures. The more important ones are as follows, the rates given being the increased rates which came into force in 1964:

(i) The "Ricchezza Mobile" tax; a levy upon various forms of income according to their source. There are five categories:

(i) income from capital (not including rent) - taxed at 2%
(ii) income from "capital and labour combined" (this includes corporate and business income and also tenant farmers) - taxed at 18%
(iii) income from professions - taxed at 14%
(iv) wages and salaries (non-governmental) - taxed at 9%
(v) governmental wages and salaries - taxed at 8%
(vi) wages of temporary labourers employed by the State - taxed at 4%

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(b) A tax of 10% on the rental value of urban shops and dwellings, but with most post-World War construction temporarily exempt;

(c) A tax of 5% on the rental value of rural real estate;

(d) A tax of 10% on the agricultural income of owner-cultivators;

(e) A tax of 20% on dividends;

(f) A tax of 25% on managerial compensation;

(g) A tax of 20% on the income from bearer securities;

(h) A progressive tax on annual income over 6,000 lire, from whatever source derived; rates range from 1% to 20%;

(i) A tax on the income of bachelors, rates being graduated according to both size of income and age of the taxpayer;

(j) A sliding scale of tax rebates for large families, graduated according to the size of the family;

(k) A tax of 3½% on the rental income from most real estate, the proceeds being used to amortize a forced loan equal to 5% of the value of the real estate owned.

It will be seen that income from different sources is taxed under different laws and at different rates, being only brought together under item (h). The law provides for the compulsory filing of separate declarations of income in the case of most of these taxes. That is, the taxpayer is supposed to file initial returns, and then to file returns in any subsequent year in which there has been a change in the amount of his income from that assessed. The returns are used for information only and not for self-assessment. Penalties in the form of additions to tax are imposed for failure to file on time. In practice, however, the filing requirements are rarely observed. Many taxpayers are illiterate, there is no requirement that individuals keep books for tax purposes, and where books are kept they are likely to be a set specially cooked for the tax assessor. Tax officials make their own independent assessments based on partial information supplied by investigators and informers and on the application of arbitrary co-efficients to theoretical turnover figures. They then bargain with each taxpayer over the size of each individual's tax. Moreover, no attempt is made to ascertain what income the taxpayer actually did receive. The effort is rather, by the use of complicated and arbitrary co-efficients, to establish a theoretical [illegible] that figure as

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(k) A tax of 3% on the rental income from most real estate, the proceeds being used to amortize a forced loan equal to 5% of the value of the real estate owned.

It will be seen that income from different sources is taxed under different laws and at different rates, being only brought together under item (a). The law provides for the compulsory filing of separate declarations of income in the case of most of these taxes. That is, the taxpayer is supposed to file initial returns, and then to file returns in any subsequent year in which there has been a change in the amount of his income from that assessed. The returns are used for information only and not for self-assessment. Penalties in the form of additions to tax are imposed for failure to file on time. In practice, however, the filing requirements are rarely observed. Many taxpayers are illiterate, there is no requirement that individuals keep books for tax purposes, and where books are kept they are likely to be a set specially cooked for the tax assessor. Tax officials make their own independent assessments based on partial information supplied by investigators and informers and on the application of arbitrary co-efficients to theoretical turnover figures. They then bargain with each taxpayer over the size of each individual's tax. Moreover, no attempt is made to ascertain what income the taxpayer actually did receive. The effort is rather, by the use of complicated and arbitrary co-efficients, to establish a theoretical earning capacity of the taxpayer or his property, and to use that figure as the basis of assessment. Such a system is unbelievably slow and inaccurate.

The difficulties with Italian taxation of income, i.e. lack of declarations, false basis of assessment, lack of progression, differentiation of rate according to source of income, etc., are so basic that no amount of tinkering with the existing system can do much to cure them all. It seems necessary to devise a system new in both its substantive and administrative provisions.

2. Proposal For simplification and expansion of the income tax

(a) Integration of Income Taxes

It is proposed that the imposition of a separate basic rate to different types of income, with an exemption limit only applying to certain categories, should be abolished, and one uniform basic rate be applied to income from whatsoever source derived. This basic rate would be applied in three ways:

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(i) in the cases of wages and salaries, by a with-holding tax based on tables taking into account allowances for family circumstances;

(ii) in the case of business and professional income, etc., by declaration, the computation of tax taking into account the same allowances for family circumstances as in the case of wages and salaries;

(iii) in the case of income from securities, by a with-holding tax at the full basic rate.

The basic rate, applicable to individuals, partnerships, stock companies, etc. alike should be quite high, say 40%. In the light of such a high rate, and in order to secure effective progression, existing exemptions and family allowances should be raised to say 10,000 lire for an individual without dependents, and to 20,000 lire for the head of a family with 5,000 lire additional for each child under 15 years of age.

(b) Surtax

The existing progressive income tax could be converted into a surtax applicable to individuals only. In order not to complicate with-holding mechanisms, it should start only at an income level high enough to exclude wage earners and all but the best paid white collar workers (at present income levels this might for example be at 50,000 lire). Rates might be so adjusted that all income above, say, 1,000,000 lire would be taxed at say 50%, thus making a combined basic and surtax rate of 90%. It should be noted that the present Italian progressive tax lumps together all income of the members of a family unit. This feature is highly desirable and should be preserved.

(c) Returns

At a date not later than the 31st of March in each year, every person having an income in excess of 10,000 lire (assuming use of the figure in paragraph (a) should be required to file a return showing his income from all sources. A single return can be devised to suit the requirements of the average taxpayer. A complete return form, applicable to other persons, would consist of the following schedules:

(i) name, address and family status;

(ii) amount of rent paid, and to whom;

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allowances should be raised to say 10,000 lire for an individual without dependents, and to 20,000 lire for the head of a family with 5,000 lire additional for each child under 13 years of age.

(b) Surtax

The existing progressive income tax could be converted into a surtax applicable to individuals only. In order not to complicate withholding mechanisms, it should start only at an income level high enough to exclude wage earners and all but the best paid white collar workers (at present income levels this might for example be at 50,000 lire). Rates might be so adjusted that all income above, say, 1,000,000 lire would be taxed at say 50%, thus making a combined basic and surtax rate of 90%. It should be noted that the present Italian progressive tax lumps together all income of the members of a family unit. This feature is highly desirable and should be preserved.

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(i) name, address and family status;

(ii) amount of rent paid, and to whom;

(iii) wages and salaries received;

(iv) agricultural income;

(v) business income;

(vi) dividends received;

(vii) interest received;

(viii) proportionate share of partnership profits and amount of tax paid by the partnership thereon;

(ix) professional income;

(x) rent received;

(xi) other income, (royalties, annuities, etc.)

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(d) Wages and Salaries (including bonuses, pensions, etc.)

The Ricchezza Mobile tax is at present collected in respect of employees by a with-holding system, which appears to work rather well. It is suggested that as much of the present administrative mechanism of with-holding be retained as is consistent with the plan here outlined. Employers could be furnished with a table of amounts to be withheld, automatically computed for the various wage brackets according to pay period and family status. With-holding would be in respect of the basic rate only, any surtax due being payable by the employee during the following year.

(e) Agricultural Income

It is a commentary on the equity of the present Italian income tax system that, apart from the progressive income tax, the income of the landed rural proprietor is taxed at a 10% rate, while the income of the tenant farmer is taxed at an 18% rate, (although it is not agricultural income, it is also interesting to note that the rent received by the absentee rural landlord is taxable at a 5% rate). Under the proposals herein, the schedule for agricultural income would include both owner-cultivators and the various kinds of tenants, including the sharecroppers.

The application of the income tax to agricultural income is, under the best conditions in any country, one of the most difficult provisions of the income tax to administer effectively. Nevertheless, it is most important that the provisions of the income tax law apply to agriculture in Italy because of the relative importance of the industry, and because the farmers are the principal recipients of inflationary income and profits.

On the assumption that the marketing of agricultural products eventually enjoys a well organized and functioning ammasi system and an absence of black markets, tax administration would be relatively simple. Sales and produce retained could be checked against ammasi quotas. It might even be possible to place taxes on agrarian income on a with-holding basis, the ammasi deducting from the price paid a percentage equal to the basic rate less the deductions for seed, implements, etc. Instead of allowing further deductions and allowances, the State might forego taxation of the amount of produce permitted to be retained by the taxpayer.

This simple approach may be difficult to apply with full justice between the landlord and the tenant, the small or high cost

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the landed rural proprietor is taxed at a 10% rate, while the income of the tenant farmer is taxed at an 18% rate, (although it is not agricultural income, it is also interesting to note that the rent received by the absentee rural landlord is taxable at a 5% rate). Under the proposals herein, the schedule for agricultural income would include both owner-cultivators and the various kinds of tenants, including the sharecroppers.

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This simple approach may be difficult to apply with full justice between the landlord and the tenant, the small or high cost farmer as against the large or low cost farmer. Furthermore, without an ammasing system, or if the ammasing is ineffective or operates over a narrow list of items, the procedure will break down.

For these reasons it may be necessary to resort to declarations of income, requesting information on crops and land holdings which can be checked by agricultural officials familiar with the area. This procedure can prove successful only if the number of declarations is relatively small. Thus the small land owners or share croppers (less than, say, 2 hectares) can be exempted from the requirement of submitting declarations, even though the declaration is simple in form and computation. A special arrangement of an income tax fee of specified

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amounts of tax can be introduced for those farmers working farms of a limited size. Such a provision would simplify the administration of the tax by greatly reducing the number of declarations, and would permit the tax collecting organization to concentrate its energies on the larger farmers, which would be, from the point of view of revenue, a more fruitful field of activity.

It is advisable for the administration to experiment with the application of the tax to agriculture, and during the first periods, to adjust procedures in a flexible manner until the final form of administration is determined.

(f) Business Income

This schedule would comprehend all industrial and entrepreneurial income, whether carried on by sole proprietors, partnerships, stock associations, corporations, etc. It appears to be current Italian practice to assess this type of income by the application to a theoretical turnover figure of a series of coefficients for each industry or business. These coefficients represent a theoretical average deduction in respect of cost of raw materials, inventory, wages, maintenance, depreciation, etc. The system gives an undue tax bonus to the low-cost producer. However, business deductions are matters of enormous complexity, and it is probably not immediately possible to require the relatively large number of small entrepreneurs to keep the type of records from which such deductions could be accurately ascertained. Legislation is now in course of preparation to require the keeping of statutory books for tax purposes. This should result in discarding the coefficient system and in important cases being in fact subject to a minimum accounting system, conforming to standard accounting procedure.

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(g) Dividends

Dividends should be liable only for surtax. The British system of allowing a refund in the event that the personal allowances result in an effective rate of tax less than the basic rate may be an unnecessary complication for an Italian system, however, particularly since the small Italian taxpayer is unlikely to invest in shares and small businesses are not so frequently incorporated.

(h) Interest

In the case of registered securities, tax at the basic rate should be withheld by the payer. In the case of bearer securities in coupon form, withholding should be required of the bank in which the coupons are deposited or cashed. Basic tax on other interest-bearing instruments and surtax on registered and coupon securities would have to be paid by the receiver of the interest. It would, of course, be desirable to eliminate the exemption at present accorded interest paid on Treasury securities.

(j) Partnership Profits

It is suggested that as at present the basic normal tax be assessed against the partnership, giving a credit for the sum of the personal allowances of the partners not claimed against other income. The tax could then be apportioned to each partner's account purely as an internal partnership matter. Surtax would be payable by each partner on his distributive share of partnership income.

(k) Rent

The present Italian system for the taxation of rental income leaves much to be desired. Little regard is had to actual rent received, the effort being rather to arrive at a theoretical income return upon a theoretical rental value. This ascertainment of value is exceedingly cumbersome. In the case of rural property, it starts with the assessment on the property register ("catastro"), which in some cases dates back to 1825 and in parts of Northern Italy is said to date from the time of Maria Theresa. All assessments are then multiplied by a coefficient supposed to indicate increase in money value to date. In the case of urban properties, coefficients are used relating to size of the town, amount of economic activity in the town, classification of the building by location, age and type of construction, and finally there is an exact measurement of all rooms to determine cubic footage of rentable space. Extensive exemptions for periods up to 25 years result in

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It is proposed that the tax be simplified by instituting a more simple system of annual valuation or preferably a system of direct assessment of rent received.

All exemptions should be abolished.

(l) Professional Income

Keeping of records should be required, from which professional income could be taxed like business profits. Cash payment of fees is, of course, a major problem. Licenses to practice should be revocable for non-payment of taxes.

(m) Payment

The first instalment should accompany the filing of the return,

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and subsequent instalments should be payable at bi-monthly intervals, as at present.

(n) Administrative provisions

The following are some suggestions to facilitate enforcement:

(i) A requirement, subject to criminal and civil penalty, that every manufacturer, trader, professional man and investor keep an accurate record of his receipts. No such provision at present exists for tax purposes although the previous Finance Minister had already agreed to introduce it.

(ii) A provision giving the assessors power immediately to make additional assessments over and above tax reported by the taxpayer to be due. The authority to increase assessments is at present very limited, although the previous Finance Minister had drafted strengthening provisions.

(iii) The present provision allowing immediate distraint and collection of all taxes assessed against a particular taxpayer if tax officials have reason to believe collection from him to be in jeopardy should be strengthened by increasing the collectors' power to declare defaulters bankrupt. This had been agreed to by the previous Finance Minister. Jeopardy assessment might be automatically applicable in the case of any person convicted of selling goods above the legal price.

(iv) A provision that, upon payment of any tax instalment, the taxpayer is to receive a stamp evidencing the fact of payment. No business or professional license, work-card, etc., should be valid without having affixed to it all tax payment stamps to date.

(v) A provision imposing a criminal penalty of fine or imprisonment or both for wilful failure to file a return or for wilful understatement of income. This had been agreed to by the previous Finance Minister.

C. Excess Profits Tax

1. The present excess profits tax is payable by all commercial and industrial enterprises on the excess of current income (less Ricchezza Mobile [illegible] over the 1937-1938

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(v) A provision imposing a criminal penalty of fine or imprisonment or both for wilful failure to file a return or for wilful understatement of income. This had been agreed to by the previous Finance Minister.

C. Excess Profits Tax

1. The present excess profits tax is payable by all commercial and industrial enterprises on the excess of current income (less Ricchezza Mobile tax) over 1938 income in the case of individuals and over the 1937-1938 average in the case of corporations. Agricultural income is exempt. Where the taxpayer was not in existence in 1938, the normal profits are considered to be, in the case of an individual, the normal income of a comparable taxpayer. In the case of a corporation which was not in existence in 1938, the normal profits are considered to be 8% of subscribed capital, but not in excess of what is necessary to guarantee a dividend of 6½%. Changes in the amount of subscribed capital result in an increase or decrease in normal profits of 8% of the amount by which such capital was increased or decreased. If the taxpayer's total current income is not in excess of 12,000 lire, or if his excess profits do not exceed 6,000 lire, no excess profits tax is payable. Tax rates, as increased to apply from 1941, are as follows:

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20% on excess profits not exceeding 1/5 of normal profits;
30% " " " exceeding 1/5 but not exceeding 3/5 of normal profits
40% " " " " 3/5 but not exceeding 100% of normal profits
60% " " " " 100% of normal profits.

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If current income does not exceed 100,000 lire, these rates are reduced by 50%. Any excess of income over the sum of excess profits tax, Ricchezza Mobile tax and normal profits must be invested in 5% Treasury bonds.

Preparation of the rolls has been extremely slow and in many instances 1940 and 1941 assessments have not yet been posted. This is partly due to the fact that, in determining current income, an effort is made to assess only that portion of increased profits which is not attributable to normal growth or inflationary price rises. In other words, the tax is interpreted as being levied, not upon profits made during the war, but solely on profits due to the war. Besides being an impossibly complicated task which more sophisticated tax systems such as the British and American try to shy away from as much as politically possible, this procedure does much to ruin the effectiveness of the excess profits tax as an anti-inflationary measure. Further destroying such effectiveness, is the fact that the law provides for a full year's delay between earning the excess profits and the beginning of tax payment; i.e. excess income earned in 1944 will not be liable for payment of tax until February 1946, and payment will not be completed until December 1946.

2. Recommendations

Aside from the features mentioned in the preceding paragraph, the present tax seems to be largely sound enough as a relatively simple method of arriving at a determination of something so complicated as excess profits. It is suggested that its basic scheme be left undisturbed and that only the following modifications be made:

(a) Dispense with the allowances for growth or inflationary factors in increased incomes of war contractors.

(b) Current income to be determined as is recommended for the income tax in Part B.

(c) Agricultural income of both tenants and owner-cultivators, the chief beneficiaries of present price rises, to cease to be exempt. This was agreed to by the previous Finance Minister.

(d) Returns to be due at a date not later than March 31 in the year following that in which the income was earned, and payment to be made in three instalments.

(e) Administrative provisions suggested for the income tax to be equally applicable to the excess profits tax.

(f) The making of excess profits tax assessments to be given first priority. This has the hearty concurrence of Italian tax

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(d) Returns to be due at a date not later than March 31 in the year following that in which the income was earned, and payment to be made in three instalments.

(e) Administrative provisions suggested for the income tax to be equally applicable to the excess profits tax.

(f) The making of excess profits tax assessments to be given first priority. This has the hearty concurrence of Italian tax officials.

(g) The guarantee of a 6% dividend return on capital invested might well be reduced to at best 5%, particularly in conjunction with subjecting government bond interest to income taxation.

(h) Since 1938, assessments are sure to have been too low, and since the scheme of current assessments proposed herein will be more in accord with reality, taxable excess profits will tend to be higher than the actual increase of income since 1938. There is no cure for this situation, and it therefore seems inadvisable materially to increase excess profits tax rates. 15 percentage points in each bracket would seem to be the greatest increase that is feasible.

The compulsory loan feature should be eliminated. From the taxpayers point of view, it converts the measure into a 100

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tax, which is hard to justify [illegible] which is so roughly measured as excess profits. Furthermore, it makes the settlement of cases extremely difficult, since there is little [illegible] left to settle. The administrative machinery is thus clogged to a unreasonable extent. Furthermore, the compulsory aspect of the loan will prejudice the prospects of public borrowing recommended in another section of this report.

D. Consumption Taxes

1. The most important single tax in the Italian revenue system from the point of view of pre-invasion yield is the 3% turnover tax, and yet the tax is not effectively administered and it is the least satisfactory feature of the tax system. It is payable in one of two ways:

(a) by stamps; no attempt is made to record the identity of purchasers of stamps and hence no check can be made of stamps purchased by an individual vendor against the volume of inventory which he handled.

(b) by agreements ("accordi") between the Finance Ministry and individual taxpayers or all taxpayers in an individual industry; under these agreements, tax liability for the succeeding year is fixed on the basis of the inadequate information in the Dichiarazione Mobile filed, and tax is subsequently paid in six bi-monthly instalments.

2. The turnover tax appears to have broken down completely. Collusion between vendor and vendee is widespread. At a time when most sales are made on the black market, it is hopeless to keep any kind of accurate check on this type of illegal transaction engaged in by a mass of traders without financial responsibility.

3. A turnover tax is economically unjustifiable in that it tends to pyramid prices. A 3% tax on each transaction from manufacturer to ultimate consumer is likely to result in additional mark-ups far beyond the sum of the taxes payable. It thus has an inflationary effect. Moreover, the deflationary aspects theoretically common to most consumption taxes are not present in the case of the Italian turnover tax, because the system of payment and collection does not respond quickly enough to changes in price levels and sales volume.

4. As distinguished from a turnover tax, a general sales tax (by which is meant a levy which would impinge at only one point on the flow of goods from manufacturer to consumer) seems to be impractical in Italy. This is a country of small individual traders and manufacturers. Often manufacturer and retailer are one and the same person. Thus a general sales tax at the retail level would not only run up against the black market problem, but would be impossible to enforce because of the infinite number of small, ignorant and irresponsible taxpayers who would be involved. Furthermore,

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2. The turnover tax appears to have broken down completely. Collusion between vendor and vendee is widespread. At a time when most sales are made on the black market, it is hopeless to keep any kind of accurate check on this type of illegal transaction engaged in by a mass of traders without financial responsibility.

3. A turnover tax is economically unjustifiable in that it tends to pyramid prices. A 2% tax on each transaction from manufacturer to ultimate consumer is likely to result in additional mark-ups far beyond the sum of the taxes payable. It thus has an inflationary effect. Moreover, the deflationary aspects theoretically common to most consumption taxes are not present in the case of the Italian turnover tax, because the system of payment and collection does not respond quickly enough to changes in price levels and sales volume.

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5. It would seem that the most practicable method of imposing consumption taxes in Italy would be to select for taxation those articles and services of common use which must be either imported or else manufactured by means of machinery out of reach of the small individual. With respect to such articles and services, there should be a very heavy tax on the manufacturer, importer or supplier. There follows a list of those items upon which, in a normally functioning economy, the heaviest burden might well be laid:

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(a) Spirits and cordials
(b) Sparkling wines
(c) Beer
(d) Sugar and glucose
(e) Vegetable oils
(f) Artificial textiles
(g) Gas and electrical energy used for non-industrial purposes
(h) Refined petroleum
(i) Coffee
(j) Transportation of persons
(k) Public spectacles
(l) Playing cards
(m) Passenger motor vehicles
(n) Radios, and other electrical appliances.

6. Taxes presently exist with respect to all of these items. Rates are too low, however, and in the main are on a per quantum rather than on an ad valorem basis. Sometimes they are merely annual license fees. This means that collections are not responsive to changes in the general price level. It is therefore suggested that the items enumerated in para. 5 be taxed at rates ranging from 50% to 100% of the price for which sold by the manufacturer, importer or supplier of the services. For administrative reasons, it may be more practicable to continue to tax liquor, for example, on a per quantum basis. If so, the rate per litre should be raised to correspond to at least a 150% tax on its value at current price levels.

7. It is doubtful whether the turnover tax as it is now conceived can find a place in a modernized tax structure. If, however, something in the nature of a turnover tax were desired, it could probably best take the form of a kind of business privilege tax measured by gross income. Any income taxpayer reporting business income (see para. B.9) could be required to pay a tax of say 3% on his gross income reported.

E. Income from Government Monopolies

The Italian Government maintains monopolies in the manufacture of salt, tobacco, matches and lighters. The income from the monopolies provided the Treasury with more than 15% of its total revenue, and yielded almost as much as the turnover tax.

The monopoly revenue is a form of a consumption tax, and since it yields large revenue in a simple manner, it should be continued during the present period in order to conform to the present situation. There should, however, be an adjustment upward of prices even beyond the recent 1966 increase.

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F. Capital Taxes

1. There is in force at present a half of 1% property tax on all real estate, and corporate securities. Cash, bank deposits and Treasury paper and securities are exempt. Valuations have been made, in the case of real property, by capitalising at 5% the valuations made for the purpose of the taxes on rental income. The latter valuations were in many cases made merely by multiplying by 4 or by 3.66 or some such figure the valuations on the property register, which usually dates anywhere from 1790 to 1850. In the case of corporate securities, valuations have been made by combining book values with market quotations. The tax is theoretically bad and should eventually be abolished. The amount of revenue it brings cannot be ignored under present circumstances however. Furthermore, it represents an effective method of reaching the large agricultural landowners with respect to whom income taxation is likely to present many difficulties. Because of certain important diversities of treatment which may be appropriate as between real and intangible property, it is suggested that the taxation of property be split into two parts.

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2. Real Property

Since there exists no real appraisal of the present capital value of Italian real property, assessors face a monumental task in valuing all such property in the country. If this tax is to be retained, such an appraisal must be made, but it should be done only after the war and after some stability has been reached in the price structure of Italy. Once the new valuations are made, subsequent revaluations should only occur at 5 year intervals, thus cutting down on administrative work and also assuring a somewhat more stable source of revenue. The rate of tax might well be as high as 2%.

3. Intangible Property

The taxation of intangible property on the basis of capital value has always proven unsatisfactory, owing not only to valuation difficulties but also to the ease which ownership of such property may be concealed. There can be no quarrel with the Italian exemption of money and bank deposits, since it is hopeless to attempt efficient taxation of such items. The corporation should be looked to for collection as at present. However, owing to greater sensitivity of prices, intangible property should probably be valued annually and should not bear as heavy a rate of taxation as real property. It should be pointed out that there exists at present, in addition to the general property tax, a 10% tax on subscribed share capital, payable by the corporation. It is suggested that, to replace both that tax and the intangible part of the general property tax, every corporation pay annually a corporate privilege tax equal to, say, 1% of the value of its outstanding shares and long-term obligations. In the case of securities quoted on an exchange, valuations might be made on the basis of the mean between the high and low quotations for the previous year. In the case of other securities, book values will probably have to do.

G. Death and Gift Taxes

1. There is at present a small excise applicable to transfers by gift, bequest, inheritance, etc. Death taxation, properly speaking, takes the form of a progressive succession tax, (there is also a gift tax with parallel rates and provisions), graduated according to size of legacy, relationship of legatee to decedent and fertility of decedent. The burden is almost infinitessimally small by British or American standards. Transfers to two or more children or their descendants, and between spouses having two or more children, are exempt. Transfers not in excess of 3,000 lire in direct line or between spouses are also exempt. The rate schedule on other transfers is as follows (in percentages):

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always proven unsatisfactory, owing not only to valuation difficulties but also to the ease which ownership of such property may be concealed. There can be no quarrel with the Italian exemption of money and bank deposits, since it is hopeless to attempt efficient taxation of such items. The corporation should be looked to for collection as at present. However, owing to greater sensitivity of prices, intangible property should probably be valued annually and should not bear as heavy a rate of taxation as real property. It should be pointed out that there exists at present, in addition to the general property tax, a tax on subscribed share capital, payable by the corporation. It is suggested that, to replace both that tax and the intangible part of the general property tax, every corporation pay annually a corporate privilege tax equal to, say, 1% of the value of its outstanding shares and long-term obligations. In the case of securities quoted on an exchange, valuations might be made on the basis of the mean between the high and low quotations for the previous year. In the case of other securities, book values will probably have to do.

C. Death and Gift Taxes

1. There is at present a small excise applicable to transfers by gift, bequest, inheritance, etc. Death taxation, properly speaking, takes the form of a progressive succession tax, (there is also a gift tax with parallel rates and provisions), graduated according to size of legacy, relationship of legatee to decedent and fertility of decedent. The burden is almost infinitessimally small by British or American standards. Transfers to two or more children or their descendants, and between spouses having two or more children, are exempt. Transfers not in excess of 3,000 lire in direct line or between spouses are also exempt. The rate schedule on other transfers is as follows (in percentages):

So much as does not exceed lire	Transfers to: 1.a) descendants in direct line b) only child & its decedents.	2. btwn spouses having less than 2 children	3. brother or sister	4. uncle, aunt, niece, nephew	5. other
10,000	1	1½	4½	5½	12
25,000	1½	2	5	6	15
50,000	1½	3	6	7½	18
100,000	2	4	7½	9	22
250,000	2½	6	9	10½	26
500,000	3	8	11	13	30
1,000,000	4	10	13	16	35
5,000,000	6	13	16	19	40
10,000,000	8	15	18	22	45
over 10,000,000	10	18	21	25	50

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Reductions in these rates are made if the decedent has four or more children.

In the case of a decedent more than 30 years of age, the tax is increased:

(a) by 3/10 if he was unmarried;
(b) by 2/10 if, though married or widowed, he was childless;
(c) by 1/10 if he had only one child.

Payment is to be made within six months of death, although provision is made for postponement in the event of litigation, etc. Declarations are to be filed within four months of death.

2. Inheritance taxation, such as obtains in Italy, has many advantages over estate taxation, the system of taxing a decedent's estate en bloc as is done by the Federal Government in the U.S. and to some extent in the U.K. Chief among these are:

(a) The tax bears a closer relation to the recipient's ability to pay.
(b) Distinctions can be drawn between recipients who are the natural objects of the decedent's bounty and other recipients.
(c) By taxing what is received rather than what is relinquished, the problem of the ratio of tax to estate altering radically between date of death and date of distribution becomes much less acute.

Obviously, however, the Italian rates should be raised and the rate structure shorn of its Fascist trimmings. Transfers of less than, say, 10,000 lire might be exempted. At the same time, the additions to and reductions from tax which depend on the size of the decedent's family should be abolished. Transfers to spouses or children should be taxed. A possible rate structure might be:

Transfers to:

So much of transfer as exceeds lire 10,000 but not	1.a) ascendants & descendants in direct line b) spouse	2. brother, sister, aunt, uncle, niece, nephew.	3. other
25,000	10	20	30
50,000	12	24	36
[illegible]	15	28	43

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2. Inheritance taxation

ver estate taxation, the system of taxing a decedent's estate at [illegible] done by the Federal Government in the U.S. and to some extent in the U.K. Chief among those are:

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(b) Distinctions can be drawn between recipients who are the natural objects of the decedent's bounty and other recipients.
(c) By taxing what is received rather than what is relinquished, the problem of the ratio of tax to estate altering radically between date of death and date of distribution becomes much less acute.

Obviously, however, the Italian rates should be raised and the rate structure shorn of its Fascist trimmings. Transfers of less than, say, 10,000 lire might be exempted. At the same time, the additions to and reductions from tax which depend on the size of the decedent's family should be abolished. Transfers to spouses or children should be taxed. A possible rate structure might be:

So much of transfer as exceeds lire 10,000 but not	Transfers to: 1. a) ascendants & descendants in direct line b) spouse	2. brother, sister, aunt, uncle, niece, nephew.	3. other
25,000	10	20	30
50,000	12	24	36
100,000	15	29	45
500,000	24	42	60
1,000,000	30	50	70
5,000,000	37	59	80
10,000,000	45	69	90
over 10,000,000	55	80	90

3. In order to prevent the type of evasion which these drastic increases in rates might precipitate, the following additional measures are suggested:

(a) Gifts inter vivos should be included on a cumulative basis; e.g. assuming the rate schedule suggested in para. 2, a gift from husband to wife of 25,000 lire in 1944 would be taxed at 10% on 15,000 lire, a further gift of another 25,000 lire in 1945 would be taxed at 12%, and a legacy of 50,000 lire from the same husband to the same wife would be taxed at 15%.
(b) The tax should apply to transfers not only of actual ownership, but also of beneficial interests.

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H. Stamp taxes, License and Registration fees

There are present in the Italian system a host of miscellaneous stamp taxes, excises, and license and registration fees too numerous and individually too relatively unimportant to list in detail. The various stamp taxes and registration fees applicable to legal documents such as contracts, leases, deeds, excerpts from official records, etc., etc., together with the various transportation licenses, are a stable and rather lucrative source of revenue. It is probable that most of these exactions could bear a great increase of rate.

J. Communal and Provincial Taxes

1. Communal and Provincial revenues probably do not normally exceed 15% of total state revenues. They have consisted almost exclusively of additions ("sovrimposte") to state taxes plus various local license fees and consumption taxes. The scheme of having all governmental revenues based on rents, etc. fixed on the same valuation rather than having overlapping systems at the various governmental levels, is an excellent one and should be preserved. Communal and provincial additions to tax are at present, however, expressed in terms of percentages of the state taxes. In view of the sharp increases herein proposed for the rates of many state taxes, a mathematical adjustment of local sovrimposte rates will be required.

2. The local consumption taxes, although representing 50% of communal income, involve high collection costs and little revenue. They are uneconomic and should certainly be abolished.

K. Collection

1. The broad lines of the assessment and collection mechanisms relating to the various taxes discussed herein have been outlined in the course of this memorandum. It is obvious that a general administrative overhauling will be required, accompanied by a comprehensive programme of expansion and training of administrative personnel. In the long run, it will make for a higher percentage of collections and greater equity if at the same time the present machinery for collection of direct taxes is completely remodelled.

2. Direct taxes (income, excess profits and property taxes) and certain communal taxes are at present collected by "esattori". The esattore is appointed following public auction and is sometimes a private person but is more often a private firm, bank or parastatal agency which collects for many communes. The esattore contracts to collect the tax rolls in return for a percentage of such rolls. The percentage or "aggio", does not exceed 7% in the case of state taxes, but has, under present circumstances, been known to

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various governmental levels, [illegible]
Communal and provincial additions to tax are at present, however, expressed in terms of percentages of the state taxes. In view of the sharp increases herein proposed for the rates of many state taxes, a mathematical adjustment of local surtax rates will be required.

2. The local consumption taxes, although representing 50% of communal income, involve high collection costs and little revenue. They are uneconomic and should certainly be abolished.

X. Collection

1. The broad lines of the assessment and collection mechanisms relating to the various taxes discussed herein have been outlined in the course of this memorandum. It is obvious that a general administrative overhauling will be required, accompanied by a comprehensive programme of expansion and training of administrative personnel. In the long run, it will make for a higher percentage of collections and greater equity if at the same time the present machinery for collection of direct taxes is completely remodelled.

2. Direct taxes (income, excess profits and property taxes) and certain communal taxes are at present collected by "esattori". The esattore is appointed following public auction and is sometimes a private person but is more often a private firm, bank or permanent agency which collects for many communes. The esattore contracts to collect the tax rolls in return for a percentage of such rolls. The percentage or "aggio", does not exceed 7% in the case of state taxes, but has, under present circumstances, been known to run as high as 40% in the case of communal taxes. By way of comparison, it is not believed that collection costs of federal taxes in the U.S. exceed 1%, whereas in U.K. they are about .75%.

3. The esattore is obligated to turn over to the tax receiver the amount of the roll on a day certain, whether or not he has been able to collect the full amount. He also acts as communal treasurer and is obliged to advance the commune a sum up to a year's taxes. His compensation is thus for something more than mere collection. There is a kind of summary execution which is available to him in aid of collection upon a proper showing that he has exhausted other means. In times of economic dislocation, he may be granted a postponement, or "tolleranza", of his obligation as to a specified percentage of the roll, or as to so much of the roll as is to be collected from specified taxpayers. Tolleranze have been extensively granted during the war period, and even more extensively since occupation.

4. The private contractor system is primitive and unjustifiable in a country as well-good administratively as Italy. [illegible] Its advantage is the supposed assurance it gives the government that it can count on the amount of the tax roll being turned into the public treasury regardless of

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collection difficulties, and that only one person per district need be looked to for that sum. It nevertheless appears highly undesirable that a private enterprise should have a stranglehold on the public revenues. If terms and conditions of the collection contract are not to a contractor's liking, he need not bid for collection of the roll. In most cases he will have the only local organization capable of undertaking the task, no one else having the requisite personnel, facilities and experience. Such a situation is bound to result in extremely high collection costs. Furthermore, since the state has only the most tenuous kind of supervision over his methods of collection, there are numerous opportunities for graft, extortion, favouritism and corruption. Finally, even the advantage of assured receipt of funds is denied the state by widespread granting of tolerances. If he has been granted a tolerance, not only has the contractor's inefficiency been rewarded, but he has been given the opportunity, for a consideration, not to collect taxes from his friends. Various forms of collusion are almost certain to result.

5. For the above reasons, it is recommended that ther be built up within the civil service the requisite machinery and personnel for the collection of direct taxes, and that contracts with esattori be cancelled immediately thereafter.

L. Timing of Programme

It is recommended that the Italian Government prepare and issue the decrees establishing the basic changes in tax structure as soon as it can be done. The task is not an easy one; and technicians will be needed, and considerable time will be necessary for the drafting, planning and the reform of the administrative agencies. Preparations, however, can begin at once.

The advantage of instituting the reforms as quickly as possible is that the sooner the reforms are instituted, the quicker will be the impact on inflation and the stabilization of the fiscal system of Italy will be hastened. Furthermore, the reformation of the tax system along modern lines will have the important psychological effect of helping to quiet the fears of the Italian people concerning inflation and the value of the lire.

The taxes most urgently in need of reform, and the taxes which the programme can begin with are:

(a) the income tax

(b) the excess-profits tax.

It is recommended that this work be completed and published within the next six months and certainly be placed into action prior to 1 January 1945, irrespective of the progress made in the liberation of Italy. The other tax reforms can follow after these two most important taxes are placed into action.

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collection difficulties, and that only one person per district need be looked to for that sum. It nevertheless appears highly undesirable that a private enterprise should have a stranglehold on the public revenues. If terms and conditions of the collection contract are not to a contractor's liking, he need not bid for collection of the roll. In most cases he will have the only local organization capable of undertaking the task, no one else having the requisite personnel, facilities and experience. Such a situation is bound to result in extremely high collection costs. Furthermore, since the state has only the most tenuous kind of supervision over his methods of collection, there are numerous opportunities for graft, extortion, favouritism and corruption. Finally, even the advantage of assured receipt of funds is denied the state by widespread granting of tolerance. If he has been granted a tolerance, not only has the contractor's inefficiency been rewarded, but he has been given the opportunity, for a consideration, not to collect taxes from his friends. Various forms of collusion are almost certain to result.

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The taxes most urgently in need of reform, and the taxes which the programme can begin with are:

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It is recommended that this work be completed and published within the next six months and certainly be placed into action prior to 1 January 1945, irrespective of the progress made in the liberation of Italy. The other tax reforms can follow after these two most important taxes are placed into action.

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APPENDIX 'G'

CURRENCY ITALIAN CURRENCIES IN LIBERATED ITALY

1. Types of Currency in circulation

For some months now in liberated Italy, there has been proceeding a gradual simplification of the currency structure reducing the number of types in circulation from seven to three. There are now seven kinds of currencies that can legally circulate in liberated Italy:

(1) State Notes
(2) Banca d'Italia notes
(3) Am lire notes
(4) Yellow-seal dollars (special-seal currency)
(5) British Military Authority notes (a war-head currency)
(6) Biglietti straordinari (in Sicily) (emergency Italian currency)
(7) Biglietti di credito of Sardinian banks (emergency Italian currency)

The special-seal currencies are being withdrawn from circulation by the Allied Financial Agency. The emergency Italian currencies are being withdrawn by the Banca d'Italia.

2. "Biglietti straordinari"

241,573,600 lire of "biglietti straordinari" were issued in Sicily in the fall of 1943 and have not been almost completely withdrawn.

On the arrival of the King and Badoglio in Brindisi in September 1943 after the Armistice, they found themselves without any currency-emission facilities and with a great need for money to meet the expenses of the central government. To take care of the situation on 29 September, the King as Supreme Commander of the Italian Armed Forces issued an order "relative to the monetary circulation". This order made the following legal tender and as having all the legal and juridical privileges of Banca d'Italia notes: the vaglia cambiari (bank drafts) of the Banca d'Italia, the assegni bancari liberi of the Banca d'Italia and its correspondents (bank drafts drawn on their accounts at Banca d'Italia by correspondent banks), vaglia cambiari of the Banco di Napoli, assegni circolari (bank drafts of no special banks secured by a 40 reserve deposited at the Banca d'Italia of Government securities, valued considerably below par it is to be noted, against the average market quotations).

The foregoing instruments of credit to secure the privileges of legal tender had to bear, stamped on the back and signed by the Director of the

(4) Yellow-seal dollars (gold-seal currency)
(5) British Military Authority notes (a war-seal currency)
(6) Vitoli straordinari (in Sicily) (an ordinary Italian currency)
(7) Vitoli di credito of Sardinian banks (emergency Italian currency)

The gold-seal currencies are being withdrawn from circulation by the Allied Financial Agency. The emergency Italian currencies are being withdrawn by the Banca d'Italia.

2. "Vitoli straordinari"

241,675,500 lire of "vitoli straordinari" were issued in Sicily in the fall of 1943 and have not been placed completely withdrawn.

On the arrival of the King and Badoglio in Brindisi in September 1943 after the armistice, they found themselves without any currency-emission facilities and felt a great need for money to meet the expenses of the central government. To solve once of the situation on 21 September, the King as Supreme Commander of the Italian Armed Forces issued an order "relative to the monetary circulation". This order made the Allied lire legal tender and as having all the legal and juridical privileges of Banca d'Italia notes; the right (bank drafts) of the Banca d'Italia, the assegni circolari (bank drafts) of the Banco di Napoli, assegni circolari (bank drafts) of the Sicilian banks secured by a 50 reserve deposited at the Banca d'Italia of Government securities, which declined considerably below par it is to be noted, at least 5% (average amount outstanding).

The foregoing instruments of credit to acquire the privileges of legal tender had to bear, at least on the back and signed by the Director of the Branch of the Banca d'Italia, the statement: "The present instrument of credit, being fully covered and guaranteed by the Institute of Issue, is convertible at sight to the bearer in bank notes or in legal money at the Institute of Issue. The Director of the Branch of the Banca d'Italia at (locality) (Signature)".

The vitoli could be issued only in fixed denominations of 50, 100, 500, 1,000, 5,000, 10,000, 20,000 and 50,000 lire.

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The vitoli issued were made out to the Director, Banca d'Italia. In addition to the stamp authenticating the vitoli on the back, the rest of the back was covered by latch marks to prevent any endorsement from being added on the back as though it were an ordinary bank draft.

In practice, the Banca d'Italia branches stamped or issued only vitoli straordinari for which the other banks paid in 100 per cent other currency. This kept the power of currency creation in the hands of the Banca d'Italia. The total of 242 million lire of vitoli straordinari that were issued, represented the creation of money by the Banca d'Italia, as a single continuation of the usual powers of the Banca.

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In January 1944, the Banca d'Italia began gradually to withdraw the so-called "stampigliati" from circulation. As the notes back into the Banca d'Italia, lines were drawn across their face, in essence, they were annulled although legally the Banca d'Italia has not yet received the power to do so. At the present time, practically the whole of the "titoli stampigliati" issued have been withdrawn from circulation. The Banca d'Italia still retains the power to issue more of this currency, if necessary.

3. Titoli di credito issued by the Sardinian Banks

The Italian governmental authorities in Sardinia found themselves in September in the same position as the government in Puglia; in need of money and no currency emission facilities. As in Puglia, it turned to the use of the bank drafts with one important difference; in Puglia, the Banca d'Italia remained the bank of issue; in Sardinia, the system adopted made every bank a bank of issue.

On 21 September the Command of the Armed Forces of Sardinia issued an order that vaglia cambiari, assegni circolari and foglietti di credito (bank drafts of Banco di Napoli) were to have all the effect and validity of paper money and to be accepted by everyone without any discount in payment. No fixed denominations were laid down in the order, thus making possible the circulation of legal tender currency in odd denominations.

The inflationary possibilities are manifest in allowing the issuance by commercial banks of credit instruments having legal tender (assegni circolari and foglietti di credito) which are covered only by a reserve of 40% in securities on deposit with the Banca d'Italia.

The bulk of the titoli added to circulation were put out by the Banca d'Italia, part of the remainder were covered fully at the Banca d'Italia by the banks issuing them, and only 47,355,000 lire were issued with the 40% reserve requirement.

Table A

Vaglia, Assegni, Fogli di credito issued in Sardinia

1 September - 31 January 1944
(in thousands of lire)

	Issued	Paid	Net addition to circulation
Banca d'Italia	783,701	556,142	227,559
[illegible]	[illegible]	[illegible]	16,136

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On 24 Sept. 1943 the C-in-C of the Allied Forces of Sardinia issued an order that vaglia cambiari, assegni circolari and fedi di credito (bank drafts of Banco di Napoli) were to have all the effect and validity of paper money and to be accepted by everyone without any discount in payment. No fixed denominations were laid down in the order, thus making possible the circulation of legal tender currency in odd denominations.

The inflationary possibilities are manifest in allowing the issuance by commercial banks of credit instruments having legal tender (assegni circolari and fedi di credito) which are covered only by a reserve of 40% in securities on deposit with the Banca d'Italia.

The bulk of the vaglia cambi to circulation were put out by the Banca d'Italia, part of the remainder were covered fully at the Banca d'Italia by the banks issuing them, and only 45,000,000 lire were issued with the 40% reserve requirement.

TABLE 1

Vaglia, Assegni, Fedi di Credito Issued in Sardinia

1 September - 31 January 1944
(in thousands of lire)

	Issued	Paid	Net addition to circulation
Banca d'Italia	783,701	556,142	227,559
Istituto Credito Agrario, (with security)	100,996	64,861	36,135
Banca Pop. Coop. Sassari (assegni Bancari Liberi, i.e. against deposit at Banca d'Italia)	20,178	16,011	4,167
Credito Italiano	85,826	72,603	13,223
Banco Nazionale del Lavoro	60,075	51,325	8,750
Banco Commerciale	54,238	47,738	6,500
Banco di Roma	21,049	18,285	2,764
Banco di Napoli	199,804	197,646	2,158
Total	1,325,867	1,024,611	301,256

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There was a monthly net increase in circulation of from 65 to 100 million lire except in November 1943 when there was a net decrease in circulation of 26 million.

TABLE B

Monthly Increase in Circulation of Vaglia, Assegni, Fedi di Credito in Sardinia

September 1943 - January 1944

	Net Increase in Circulation (in thousands of lire)
September 1943	99,123
October 1943	66,534
November 1943	- 25,992
December 1943	69,112
January 1944	92,479
	301,256

Not until 4 March 1944 was a full report on this situation in Sardinia received on the mainland. A decree was thereupon issued on 13 March 1944 entitled "Return to normal circulation of the Banking Instruments (titoli) of Credit in Sardinia." This decree abolished the order of the Supreme Command of Sardinia of 21 September as it affected all of the titoli except the vaglia cambiari and assegni bancari liberi of the Banca d'Italia. This decree is to take effect from 1 June 1944. In essence, it abolished the currency issuing powers of all the banks except of the Banca d'Italia which is, of course, the bank of issue. The Banca d'Italia was left for the time being with the authority in Sardinia, as it still has on the mainland, to issue its vaglia cambiari and assegni bancari liberi as legal tender.

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September 1943	99,103
October 1943	66,534
November 1943	- 29,992
December 1943	69,112
January 1944	92,479
	30',256

Not until 4 March 1944 was a full report on this situation in Sardinia received on the mainland. A decree was thereupon issued on 13 March 1944 entitled "Return to normal circulation of the Banking Instruments (titoli) of Credit in Sardinia." This decree abolished the order of the Supreme General of Sardinia of 21 September as it affected all of the titoli except the veglie ambiari and assegni bancari liberi of the Banco d'Italia. This decree is to take effect from 1 June 1944. In essence, it abolished the currency issuing powers of all the banks except of the Banco d'Italia, which is, of course, the bank of issue. The Banco d'Italia was left for the time being with the authority in Sardinia, as it still has on the mainland, to issue its veglie ambiari and assegni bancari liberi as legal tender.

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ANNEXIA 'D'

ALLIED FINANCIAL AGENCY

CONSOLIDATED STATEMENT OF ASSETS AS AT THE CLOSE OF BUSINESS ON 31 MARCH 1944

(Expressed in Lire)

Previous Month				
16,532,401,535	1. CASH ON HAND AND IN BANKS (Sch. I)			15,718,537,903
	2. OTHER BALANCES WITH BANKS:			
625,000	(b) Funds deposited by Banks with AFA (see 12b)			
48,905,652	(c) Funds Deposited by US Army Units (See 12c)	41,580,033		
	(d) Foreign Exchange Credits (see 12d) £ 195,483.50	19,348,350		
	(e) Banca d'Italia No. 2 Account (see 6f)	200,000,000		260,728,383
1,715,367,541	3. FUNDS HELD BY ACCOUNTING OFFICERS IN THE FIELD (pending allocation to expenditure or other accounts)			1,210,198,945
	4. AS STAMPS:			
66,420,000	(a) Reserve	148,082,000		
20,234,000	(b) Delivered to Italian Post Office	21,254,000		169,336,000
177,825,935	5. BALANCES FOR ACCOUNT OF A.G. MONETARY & SUPPLY DIV. (Sch III)			306,917,355
	6. ADVANCES (No date specified for repayment and no interest rate fixed in advance):			
3,645,444,690	(a) To Italian State Treasury -Armed Forces and State Institutions	4,278,906,050		
425,453,700	(c) To Provinces	426,743,338		
1,010,910,969	(d) To Communes	1,061,569,027		
21,999,810	(e) To Others	33,879,734		
		5,821,098,149		
	(f) Less: Repayments of Advances to State etc. (see 2e)	200,000,000		5,621,098,149
	7. LOANS (Date of repayment or interest rates specified):			
50,597,999	(a) To Banks	53,965,664		
2,320	(b) To Others	236,300		54,121,964

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20,234,000	(b) Delivered to Italian Post Offices	21,254,000		169,336,000
	5. PAYMENTS ON ACCOUNT OF THE RECEIPTS & SUPPLY DIV. (Sch. III)			306,017,355
	6. ADVANCES (No date specified for repayment and no interest rate fixed in advance):			
3,443,144,698	(a) To Italian State Treasury Armed Forces and State Institutions	4,278,906,050		
423,493,738	(c) To Provinces	444,743,338		
1,010,910,969	(d) To Communes	1,061,568,987		
21,089,810	(e) To Others	33,879,734		
		5,821,098,149		
	(f) Less: Repayments of Advances to State etc. (see 2e)	200,000,000		5,621,098,149
	7. LOANS (Date of repayment or interest rates specified):			
53,597,999	(a) To Banks	53,865,664		
2,320	(b) To Others	256,300		54,121,964
25,259,049,231	8. PAYMENTS ON ACCOUNT OF OCCUPATION			23,334,736,704
17,897,328,423	COSTS (Schedule V)			20,154,853,892
43,156,377,654			Lire	43,489,597,396

(Signed) D.B. MUNRO, Major
For R.G. CRAWFORD, Colonel,
CHIEF ACCOUNTANT.

(Signed) James H. PEEK,
Major, Spec. Res.
Chief of MFA

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A L L I E D F I N A N C I A L A G E N C Y

SCHEDULE NO. 30 STATEMENT OF LIABILITIES AS AT THE CLOSE OF BUSINESS ON 31 MARCH 1944.

(Expressed in Lire)

Previous Month					
121,148,056	10.	RECEIPTS BY AFHQ DIVISION (pending allocation to revenue or other accounts):			
		(a) Economics & Supply Div.		251,260,678	
3,418,897		(b) Public Health Division		16,708,341	
507,710		(c) Legal Division		3,667,960	
16,808,785		(d) Economic & Supply Div - cont'd from		23,669,886	
					294,707,145
17,234,245	11.	FUNDS OBTAINED FROM BANKS AND OTHERS BY ACCOUNTING OFFICERS TO BE REPAID			15,804,147
	12.	DEPOSITS:			
625,000		(a) By Banks with AFHQ (see 26)			
13,641,655		(b) By Controller of Property		13,641,655	
48,585,652		(c) By US Army Units (see 26)		41,380,035	
		(d) For Remittances $193,483.50		19,348,350	
2,955,948		(e) By Others		2,473,391	
					76,843,429
195,074,538	13.	RECEIPTS FOR ACCOUNT OF ECONOMICS & SUPPLY DIVISION (Schedule III)			343,981,320
99,778	14.	RECEIPTS FOR ACCOUNT OF AFHQ PUBLIC HEALTH DIVISION - Sales in Italy of Medical Supplies Imported from the United States of America			757,765
	16.	NEW AM LIRE NOTES RECEIVED			
42,539,728,000		As notified to Washington		42,539,728,000	
(480)		Less: Shortages revealed on opening Boxes		(1,600,480)	
					42,538,127,520
60,714,000	17.	NEW AM STAMPS RECEIVED			169,336,000
43,156,377,654				Lire	43,489,597,590

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	12. DEPOSITS:			
625,000	(a) By Banks with AFN (see 2b)			
13,641,655	(b) By Controller of Property		13,041,655	
18,565,652	(c) By US Army Units (see 2c)		41,380,035	
	(d) For Remittances £195,483.50		19,348,350	
2,955,948	(e) By Others		2,473,391	
				76,843,429
	13. RECEIPTS FOR ACCOUNT OF U.S. ECONOMIC & SUPPLY DIVISION (Schedule III)			345,961,320
	14. RECEIPTS FOR ACCOUNT OF ALG PUBLIC HEALTH DIVISION - Sales in Italy of Medical Supplies Exported from the United States of America			757,765
	16. NEW AM LIRE NOTES RECEIVED			
42,589,728,000	as notified to Washington:		42,589,728,000	
(430)	Less: Shortages revealed on opening Boxes		(1,600,480)	42,588,127,520
56,714,000	17. NEW AM STAMPS RECEIVED			169,356,000
43,156,377,654		Lire		43,489,597,596

(Signed) D.B. MATHIAS, Major
for H.G. CROWELL, Colonel,
CHIEF ACCOUNTANT.

(Signed) JAMES M. ZEMIN,
Major, Spec. Br.
Chief of AFN.

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SCHEDULE I

ALLIED FINANCIAL AGENCY

SCHEDULE TO CONSOLIDATED STATEMENT OF ASSETS AND LIABILITIES

AS AT THE CLOSE OF BUSINESS ON 31 MARCH 1944

CASH ON HAND AND IN BANKS

(a) Current Cash		
Lire	L. 155,497	
Yellow Seal Dollars	31,008,600	
B.M.A. Pounds	64,141,100	
Total Current Cash		95,305,197
(b) Reserve Cash - A.M. Lire		14,364,792,000
(c) Bank Current Accounts		
Lire	1,032,953,081	
Yellow Seal Dollars	51,911,302	
B.M.A. Pounds	160,587,300	
Maltese Pounds	29,150	
Francs.	93,810	
Tripolitania Lire	12,064	
Total Bank Current Accounts		1,245,586,707
(d) Mutilated or Worn Currency - A.M. Lire		6,654,004
Total Cash on Hand and in Banks		15,712,337,908

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B.N.A. Pounds	64,141,100	
Total Current Cash		95,305,197
(b) Reserve Cash - A.M. Lire		14,364,792,000
(c) Bank Current Accounts		
Lire	1,032,953,081	
Yellow Seal Dollars	51,911,302	
B.N.A. Pounds	160,587,300	
Maltese Pounds	29,150	
Francs.	93,810	
Tripolitania Lire	12,064	
Total Bank Current Accounts		1,245,586,707
(d) Mutilated or Worn Currency - A.M. Lire		6,654,004
Total Cash on Hand and in Banks		15,712,337,908

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SCHEDULE III

ALLIED FINANCIAL AGENCY

SCHEDULE TO CONSOLIDATED STATEMENT OF ASSETS AND LIABILITIES

AS AT THE CLOSE OF BUSINESS ON 31 MARCH 1944.

PAYMENTS FOR ACCOUNT OF A.M.G. ECONOMIC AND SUPPLY DIVISION

(a) Purchases in Italy of Supplies for Export to :-			
(1) United States of America	L.	27,779,231	
(2) Great Britain		177,679,223	
(3) North Africa		22,153,487	
(4) Corsica		88,400	
(5) Malta		64,419,948	
Total Purchases for Export			292,120,289
(b) Purchases in Italy of Supplies for Resale in Italy			14,797,066
Total Payments for Account of A.M.G., E. & S.D.			306,917,355

RECEIPTS FOR ACCOUNT OF A.M.G. ECONOMIC AND SUPPLY DIVISION

(a) Sales in Italy of Supplies Imported from :-		
(1) United States of America	270,636,550	
(2) Great Britain	29,361,602	
(3) British Empire	420,652	
(4) North Africa	26,441,828	
(5) Malta	2,779,958	
(6) Australia	3,124,885	
(7) Canada	2,065,681	
Total Sales of Imports		334,851,156
(b) Sales in Italy of Supplies Obtained from		
(1) American Army	1,374,550	
(2) British Army	2,780,646	4,155,196

(5) Malta	54,419,948	
Total Purchases for Export		292,120,289
(b) Purchases in Italy of Supplies for Resale in Italy		14,797,066
Total Payments for Account of A.M.G., E. & S.D.		306,917,355

RECEIPTS FOR ACCOUNT OF A.M.G. ECONOMIC AND SUPPLY DIVISION

(a) Sales in Italy of Supplies Imported from :-		
(1) United States of America	270,636,550	
(2) Great Britain	29,381,602	
(3) British Empire	420,652	
(4) North Africa	26,441,828	
(5) Malta	2,779,958	
(6) Australia	3,124,885	
(7) Canada	2,065,681	
Total Sales of Imports		334,851,156
(b) Sales in Italy of Supplies Obtained from		
(1) American Army	1,374,550	
(2) British Army	2,780,646	4,155,196
(c) Sales in Italy of Supplies Purchased Locally		4,974,968
Total Receipts for Account of A.M.G., E. & S.D.		343,981,320

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SCHEDULE V

ALLIED FINANCIAL AGENCY

SCHEDULE TO CONSOLIDATED STATEMENT OF ASSETS AND LIABILITIES

AS AT THE CLOSE OF BUSINESS ON 31 MARCH, 1944

PAYMENTS ON ACCOUNT OF OCCUPATION COSTS

(a) To American Army		
(1) Paid in Lire	L. 10,901,048,000	
(2) Paid in Yellow Seal Dollars	150,530,000	11,051,578,000
(b) To American Navy		
(1) Paid in Lire	156,022,000	
(2) Paid in Yellow Seal Dollars	10,800,000	166,822,000
(c) To British Army		
(1) Paid in Lire	6,647,343,830	
(2) Paid in B.M.A. Pounds	561,040,310	7,208,384,140
(d) To British Navy		
(1) Paid in Lire	14,832,800	
(2) Paid in Francs	31,830	14,864,630
(e) To Royal Air Force		
(1) Paid in Lire	10,500,000	
(2) Paid in Francs	2,424,538	12,924,538
(f) To French Armed Forces		
(1) Paid in Lire		1,766,120,000
Total Paid to Allied Armed Forces		20,220,693,308
(g) AMG/ACC Expenditure, less Revenue :		
(1) AFA (Schedule VI)	2,255,458	
(2) Other Divisions		
(i) Transactions up to 29 February 44		
(a) A.M.G.	(75,647,810)	
(b) A.C.C.	5,576,965	

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(c) To British Army			
(1) Paid in Lire		6,647,343,830	
(2) Paid in B.M.A. Pounds		561,040,310	7,208,384,140
(d) To British Navy			
(1) Paid in Lire		14,832,800	
(2) Paid in Francs		31,830	14,864,630
(e) To Royal Air Force			
(1) Paid in Lire		10,500,000	
(2) Paid in Francs		2,424,538	12,924,538
(f) To French Armed Forces			
(1) Paid in Lire			1,766,120,000
Total Paid to Allied Armed Forces			20,220,693,308
(g) AMG/ACC Expenditure, less Revenue :			
(1) AFA (Schedule VI)		2,255,458	
(2) Other Divisions			
(i) Transactions up to 29 February 44			
(a) A.M.G.		(75,647,810)	
(b) A.C.C.		5,576,565	
(ii) Items paid or received by AFA direct from 1 March 1944 to date		1,980,971	(65,834,416)
Total Payments on Account of Occupation Costs			20,154,858,892

( ) = red figures

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SCHEDULE VI

ALLIED FINANCIAL AGENCY

CONSOLIDATING STATEMENT OF AFA REVENUE AND EXPENDITURE

FOR THE MONTH OF MARCH 1944

(expressed in lire)

	TOTAL TO 29 FEB 44	MONTH OF MAR 44	TOTAL TO 31 MAR 44
EXPENDITURE			
EMOLUMENTS OF CIVILIAN PERSONNEL	100,466	5,920	106,386
MOTOR TRANSPORT (Note 1)			
Maintenance of Vehicles	760		760
Total Motor Transport	760		760
OTHER ADMINISTRATIVE EXPENSES (Note 2)			
Printing and Stationery	29,869	4,145	34,014
Maintenance of Offices	4,149	261	4,410
Maintenance of Office Equipment	955	950	1,905
Sundries	934	350	1,284
Total Other Administrative Expenditure	35,907	5,706	41,613
SPECIAL EXPENDITURE			
Purchase of Office Furniture& Equipment	61,799	33,000	94,799
Reconditioning of Offices	35,890		35,890
Total Special Expenditure	97,689	33,000	130,689
FINANCIAL EXPENDITURE			
Interest Paid to Banks	4,544,012	10,394	4,554,406
Bank Service Charges	175,000	233,333	408,333
Total Financial Expenditure	4,719,012	243,727	4,962,739
Total Expenditure	4,953,834	288,353	5,242,187
REVENUE			
INTEREST RECEIVED From Banks	2,875,771	110,413	2,986,184
MISCELLANEOUS RECEIPTS	545		545
Total Revenue	2,876,316	110,413	2,986,729
EXCESS OF EXPENDITURE OVER REVENUE	2,077,518	177,940	2,255,458

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Maintenance of Office Equipment	955	950	1,905
Sundries	934	350	1,284
Total Other Administrative Expenditure	35,307	5,706	41,513
SPECIAL EXPENDITURE			
Purchase of Office Furniture& Equipment	61,799	33,000	94,799
Reconditioning of Offices	35,890		35,890
Total Special Expenditure	97,689	33,000	130,689
FINANCIAL EXPENDITURE			
Interest Paid to Banks	4,544,012	10,394	4,554,406
Bank Service Charges	175,000	233,333	408,333
Total Financial Expenditure	4,719,012	243,727	4,962,739
Total Expenditure	4,953,834	288,353	5,242,187
REVENUE			
INTERIST RECEIVED From Banks	2,875,771	110,413	2,986,184
MISCELLANEOUS RECEIPTS	545		545
Total Revenue	2,876,316	110,413	2,986,729
EXCESS OF EXPENDITURE OVER REVENUE	2,077,518	177,940	2,255,458

NOTE 1. "Emoluments of Civilian Personnel (Chauffeurs)" in the amount of Lire 14,885 formerly charged to this HEAD has been re-classified to "Emoluments of Civilian Personnel"as at 29 Feb 44.

NOTE 2. The former sub-head, "Cleaning of Offices" has been re-classified; Lire 19,985 to "Emoluments of Civilian Personnel", and Lire 492 to "Maint-nance of Offices", as at 29 FEB 44.

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APPENDIX E

THE ITALIAN SOCIAL INSURANCE SYSTEM

A. The Italian System

1. An extensive and complicated system of social insurance exists in Italy. Protection is given to a wide range of workers by means of a variety of benefits. The system is supported by laws, but in many cases is applied by collective agreements between employers and employees. Coverage is compulsory for all subject employers, but a small fraction of contributions represents voluntary payments by non-subject employers. All the institutions are State institutions whose funds the State guarantees. All branches are contributory, with the exception of industrial accidents and diseases, which are paid for by employers only. Deductions are made from wages or salaries by the employer, and remitted by him to the Institutes. Except for a small grant for pensions, State support from general funds is not ordinarily afforded to social insurance of privately employed workers.

B. Evaluation of the System

1. Notwithstanding many references in public documents to the dignity of "labour" and the "concern" of the State for "workers", class lines in Italy are sharply drawn, a fact that is clearly reflected in social insurance arrangements. At all points the white collar worker (impiegato) fares much better than the manual worker (operai). This is not only true of benefits that necessarily vary with rates of pay, but of allowances and of conditions for receipt of benefits. Dependency, the basic condition for receiving family allowances as such or in connection with unemployment benefits and richiamati, ends at age 15 for children of operai, but at age 17 for children of impiegati. This difference is also involved where medical treatment is sought for dependent members of the family. Impiegati employed by the State make no contribution for accident or sickness insurance and therefore receive no cash benefits in these circumstances, but they receive medical care free in either occupational accident or illness.

2. The grossest form of discrimination against manual workers is found in the Richiamati payments. When manual workers are called into the Army, their dependents continue to receive only the family allowances normally paid to them. The dependents of impiegati who serve in the ranks continue to receive the entire normal peace-time salaries of these non-manual workers, and dependents of Impiegati who serve as officers are paid the difference between the civil salary of the impiegati and his officer pay. Thus the war-time incomes of impiegati are virtually equivalent to their civilian incomes. For white collar classes, service in the Army involves no financial burden. This discrimination is justified locally on the grounds that dependents of manual workers called to the service are expected to find jobs, while the wives of white collar workers cannot be expected to work.

C. The Italian Social Insurance Institutes

1. The chief Social Insurance Institutes in Italy, with the types of

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"labour" and the "concern" of the State [illegible] sharply drawn, a fact that is clearly reflected in social insurance arrangements. At all points the white collar worker (impiegato) fares much better than the manual worker (operai). This is not only true of benefits that necessarily vary with rates of pay, but of allowances and of conditions for receipt of benefits. Dependency, the basic condition for receiving family allowances as such or in connection with unemployment benefits and Mutualità, ends at age 15 for children of operai, but at age 17 for children of impiegati. This difference is also involved where medical treatment is sought for dependent members of the family. Impiegati employed by the State make no contribution for accident or sickness insurance and therefore receive no cash benefits in these circumstances, but they receive medical care free in either occupational accident or illness.

2. The grossest form of discrimination against manual workers is found in the Mutualità payments. When manual workers are called into the Army, their dependents continue to receive only the family allowances normally paid to them. The dependents of impiegati who serve in the ranks continue to receive the entire normal peace-time salaries of these non-manual workers, and dependents of impiegati who serve as officers are paid the difference between the civil salary of the impiegati and his officer pay. Thus the war-time income of impiegati are virtually equivalent to their civilian incomes. For white collar classes, service in the Army involves no financial burden. This discrimination is justified locally on the grounds that dependents of manual workers called to the service are expected to find jobs, while the wives of white collar workers cannot be expected to work.

C. The Italian Social Insurance Institutes

1. The chief Social Insurance Institutes in Italy, with the types of insurance covered by each, are listed below.

(a) Istituto Nazionale dell' Assicurazione contro gl' Infortuni sul lavoro (commonly known as "Infortuni".)

This Institute provides insurance against industrial accidents and diseases, and has recently had merged with it a separate body for agricultural workers, the "Cassa Mutua Infortuni Agricoli".

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(b) Istituto per l'Assistenza di Malattie ai Lavoratori (commonly known as "Malattia").

This Institute was formed by a comparatively recent merger of the "Cassa Mutua Malattia per i Lavoratori delle Industrie", the "Cassa Nazionale Malattie per i Lavoratori Addetti al Commercio," the "Istituto Assistenza per i Lavoratori delle Aziende di Credito e delle Assicurazioni", and the "Cassa Mutua per i Lavoratori Agricoli". The merger is in various stages of accomplishment and the old organizations continue

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to function autonomously even where it has been fully effected. The Malattie organization provides insurance against sickness of workers or dependent members of their families.

(c) Ente di Previdenza ed Assistenza per i Dipendenti Statali

This "Ente" provides accident and sickness insurance, and a pension fund, for employees of the State (except employees of the State Railways, who have a separate organization).

(d) Istituto Nazionale della Previdenza Sociale (commonly known as "Previdenza").

This Istituto, by far the largest social insurance body in Italy, covers most benefits and classes of workers not covered by the other three. It also handles certain allowances on behalf of the State which are not really of a social insurance character."

2. The table below indicates the amounts collected and paid by the principal social insurance bodies in 1941:

Contributions and Benefits for Principal Social Insurance Coverages in Italy, 1941.

Institution	Contributions (in millions of lire)	Benefits
Previdenza		
Pensions (invalidity and old age)	2,175	692
Unemployment Benefits	322	228
Tuberculosis Benefits	387	331
Marriage and Maternity Benefits	338	156
Military Allowances (Richiamati)	201	1,035
48 hour guarantee (Integrazione)	302	34
Family Allowances	3,336	3,636
Total for Previdenza	7,061	6,114
Infortuni (industrial injuries)	722	696
Malattie (sickness benefits)	792	682
Grand Total	8,575	7,492

D. Industrial Accidents and Diseases (Infortuni)

1. Only scheduled industrial diseases, and accidents occurring during the

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social insurance bodies in 1941:

Contributions and Benefits for Principal
Social Insurance Coverages in Italy, 1941.

Institution	Contributions (in millions of lire)	Benefits
Previdenza		
Pensions (invalidity and old age)	2,175	602
Unemployment Benefits	322	228
Tuberculosis Benefits	387	331
Marriage and Maternity Benefits	338	158
Military Allowances (Richiamati)	201	1,039
48 hour guarantee (Integrazione)	302	34
Family Allowances	3,336	3,636
Total for Previdenza	7,061	6,114
Infortuni (industrial injuries)	722	696
Malattie (sickness benefits)	792	682
Grand Total	8,575	7,492

D. Industrial Accidents and Diseases (Infortuni)

1. Only scheduled industrial diseases, and accidents occurring during the performance of scheduled hazardous occupations are covered. The latter point is important. An accident must occur while the scheduled occupation is being performed, for the benefit to operate.

2. Temporary disability compensation is at the rate of two-thirds of the daily wage, after a qualifying period of three days. Permanent disability compensation is based on the degree of disability. Fatalities result in a pension for the widow and/or dependents. Medical treatment is provided and the Institute maintains hospitals and other medical facilities.

3. Premiums are paid by the employer alone, either directly to an office of the Institute, or through a Post Office. Collections were formerly remitted to the Central Office of the Institute in Rome, on which local offices drew for funds. An average premium amounts to about one-half the daily wage per month. Collections and benefit payments for all Italy for 1941 were 722 and 696 million lire respectively. The latter figure represents amounts awarded in 1941. Payments made in 1941 included instalment payments for serious injuries in earlier years, and did not include some 487 million lire reserved to pay instalments in subsequent years for serious injuries in 1941.

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4. Agricultural workers covered by the Institute have a separate benefit scale notwithstanding the merger of the Cassa Mutua Infortuni Agricoli, and their premiums are collected differently, being paid to the "esattori" as a supplement to the land tax and based on area, operations, number of workers and income.

5. By law, the Infortuni organization is bound to pay benefits irrespective of the state of premium collections for the individual.

E. Sickness Insurance (Malattie)

1. This organization provides sickness insurance for the insured person and for his dependents, by means of a cash payment to cover costs of

(a) home care
(b) clinical treatment
(c) hospital treatment
(d) specialized treatment (obstetrical, surgical, recuperative)
(e) pharmaceutical and related supplies.

Medical care is generally limited in duration (150 - 180 days) and medical supplies in value (200 - 300 lire).

2. Sickness insurance is contributory, the worker's and employer's contributions being equal. Collections are effected as a part of Contributi Unificati and were formerly remitted to Rome. In 1956, collections and benefit payments for all Italy of the four "Casse" now forming the Malattie organization were 792 and 632 million lire respectively.

F. State Employee Insurance (Fondo Statale organization)

1. This organization provides accident and sickness benefits and pension payments to employees of the State (except employees of State Railways). While manual workers obtain both accident and sickness cover, salaried employees do not contribute to the sickness fund and receive only medical treatment during sickness. The pension fund is applicable to both classes of worker, the employer (i.e. the State department or other body) and the employee both contributing equal amounts.

2. Contributions are collected by the employer and formerly were paid direct to the Banco Nazionale del Lavoro for remittance to Rome. The local offices of the "Ente" used not to handle collections, drawing on Rome for the money required for benefit payments.

G. Other Social Insurance (Previdenza)

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(c) pharmaceutical and related supplies.

Medical care is generally limited in duration (120 - 180 days) and medical supplies in value (200 - 500 lire).

2. Sickness insurance is contributory, the worker's and employer's contributions being equal. Collections are effected as a part of Contributi Unificati and were formerly remitted to Rome. In 1941, collections and benefit payments for all Italy of the four "Casse" now forming the Mutualità organization were 790 and 682 million lire respectively.

F. State Employee Insurance (Ente Mutuale organization)

1. This organization provides accident and sickness benefits and pension payments to employees of the State (except employees of State Railways). While manual workers obtain both accident and sickness cover, salaried employees do not contribute to the sickness fund and receive only medical treatment during sickness. The pension fund is applicable to both classes of workers, the employer (i.e. the State Department or other body) and the employee both contributing equal amounts.

2. Contributions are collected by the employer and formerly were paid direct to the Banca Nazionale del Lavoro for remittance to Rome. The local offices of the "Ente" used not to handle collections, drawing on Rome for the money required for benefit payments.

G. Other Social Insurance (Previdenza)

1. Nearly all remaining social insurance, forming by far the greater proportion, is handled by the Previdenza organization. Benefits are provided for unemployment, tuberculosis, marriage, maternity and old-age and invalidity. All types are contributory, contributions of employer and employee being equal except for the pension fund, to which the employer contributes two-thirds, and the employee one-third.

2. Except for agricultural workers contributions are effected by means of stamps of various values purchased by the employer at the local Previdenza Office, or at a Post Office, and affixed in the employee's insurance book (tessera) which is held by the employee. At the same time the amount of the contribution is entered in the employee's work-book (libretto di lavoro) which remains in the possession of the employee. For agricultural workers, contributions are paid to the tax collectors (esattori) on the tax-rolls as part of the "contributi unificati".

3. For the separate divisions of Unemployment, Tuberculosis and Marriage/Maternity, collections and payments have been fairly well in balance for Italy as a whole. Contributions for Old Age/Invalidity have greatly exceeded benefits for the reason that the pension system has not yet matured, and the bulk of receipts has been set aside (in Rome) as actuarial reserves against future payments. In 1941, for example, contributions amounted to L2,176,000,000, pension payments to L692,000,000. The reserve for pensions on 31 December 1941 was L17,001,000,000.

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4. The size of the Previdenza organization led the Government to assign to it many functions of a non-insurance character, many of which are closely related to the basic wage system of the country. The largest is the administration of the National Family Allowance Fund.

H. Family Allowances (Assegni Familiari)

1. The National Family Allowance Fund was established in 1934 and was later extended to cover all paid employees. It is theoretically paid for by a contribution (equal for industrial manual workers to 20% of the pay-roll of an employer), the employer paying this amount to Previdenza, who in turn would pay the allowances to the employees. In practice, the employer usually pays the allowances direct, and settles any difference with Previdenza, being reimbursed for any amount in excess of the agreed percentage, or remitting the difference if less than this percentage.

2. Rates of family allowances are based on a sliding scale which, in accordance with a Fascist conception, increased the scale of allowances with the size of the family, e.g. a worker received a higher per capita allowance for four or more children than for two or three, and still more than for one.

3. It is important to note that whereas collections and payments of family allowances were formerly about in balance for Italy as a whole, payments always exceeded collections in Southern Italy. This is because the average size of family in the South was greater, and the average wage smaller, than elsewhere, whilst the basis of contribution was a flat percentage of the wage throughout the Country. Family allowances have come to be regarded as part of the established wage system in Italy.

I. Military Allowances (Richiamati and Sussidi Militari)

1. "Richiamati" are allowances paid through the Previdenza organization in part from State funds, in part from proceeds of a payroll tax (5% for non manual, 1% for manual workers), to dependents of men called to the armed forces. As stated above, for non-manual workers the allowances amount to the difference between civilian and military earnings. For manual workers, the payments are equal to the family allowances received while employed.

2. "Sussidi Militari" is a special type of relief provided on a communal basis to needy dependents of those serving with the Armed Forces.

J. Other Allowances

1. "Integrazione di salario" is another item handled by Previdenza. Paid for by an employer's contribution of 5% of his payroll, it was intended to guarantee a remuneration equal to that which would be received for a 48-hour week.

2. "Indennità giornaliera di presenza" or bonus for presence at work, is a bonus paid to private employees when [illegible]

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more children than for two or three, and still more than for one.

3. It is important to note that whereas collections and payments of family allowances were formerly about in balance for Italy as a whole, payments always exceeded collections in Southern Italy. This is because the average size of family in the South was greater, and the average wage smaller, than elsewhere, whilst the basis of contribution was a flat percentage of the wage throughout the country. Family allowances have come to be regarded as part of the established wage system in Italy.

I. Military Allowances (Richiamati and Sussidi Militari)

1. "Richiamati" are allowances paid through the Previdenza organization in part from State funds, in part from proceeds of a payroll tax (9% for non manual, 4% for manual workers), to dependents of men called to the Armed Forces. As stated above, for non-manual workers the allowances amount to the difference between civilian and military earnings. For manual workers, the payments are equal to the family allowances received while employed.

2. "Sussidi Militari" is a special type of relief provided on a communal basis to needy dependents of those serving with the Armed Forces.

J. Other Allowances

1. "Integrazione di salario" is another item handled by Previdenza. Paid for by an employer's contribution of 3% of his payroll, it was intended to guarantee a remuneration equal to that which would be received for a 48-hour week.

2. "Indennita giornaliera di presenza" or bonus for presence at work, is a bonus paid to private employees when a war emergency was held to exist in the locality. A part of this indemnity was reimbursed to the employer by Previdenza but this reimbursement has been suspended.

3. "Indennita di bombardamento", or bonus for liability to enemy action, is a closely related type of payment but is paid to State employees by the Ente-Statali.

4. A "Dismissal Indemnity" amounting to a month's wages for each year of service is paid to all employees on leaving service. Employees are obliged to set aside one twelfth of wages for this purpose and to deposit them in a trust fund established in 1942 with the Istituto Nazionale delle Assicurazioni.

5. "Premio di operosita" is a bonus for efficiency paid to all State and para-statal employees by Ente Statali.

6. "Lavoro Straordinario" is paid like a bonus for overtime, but at present regardless of whether overtime is worked. It is not an insurance benefit, and is mentioned here only because it is frequently confused with the premio di operosita.

K. Present position of Social Insurance

1. It was realised that under occupation conditions, substantial advances

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might have to be made by the Italian Government to keep the various institutions functioning whilst they were cut off from the main resources in Rome. In addition the normal adverse balance of collections and payments in Southern Italy for some sovereign raised financial problems. Interruption of collections was expected, and it was realised that the necessity for substituting regional or provincial control for the former central Rome control, would result in a period of re-adjustment. Up to now, most of the social insurance institutions have had to work on an independent local basis, but negotiations now in progress and nearing completion will result in the appointment of a Commissioner for each body who, from a central point in contact with both ACC and the Italian Government, can coordinate the activities of his local offices, and apply major policy decisions equally throughout all liberated Italy.

2. The policy of the Finance Sub-Commission in dealing with the Italian social insurance system is to do everything possible to alleviate the financial fortunes of the system (e.g., the increasing scale of family allowances) and to encourage the Italian Government to undertake a far-reaching revision of the cumbersome, complicated, and administratively expensive system. An Italian Royal Commission will undertake this task.

3. As regards structure, the Italian system is needlessly complex. There are too many institutions, with extensive overlapping. It is evident that there can be overlapping as between insurance of sickness and industrial disease, or as between insurance of sickness and tuberculosis, or as between insurance of permanent disability and invalidity. For employers and employees alike a situation in which a single stamp or receipt registers all necessary contributions, and a single simple explanation conveys the essence of one's right and obligations, is highly desirable. A Royal Commission is at present studying the whole system of social insurance with simplification and more adequate benefits principally in mind. Coverage and benefits are not satisfactory, in spite of the apparent breadth of the Italian system. The exclusion of "non-hazardous" employments from workmen's compensation benefits leave them only the possibility if provided by agreement, that accidental injuries may be covered under sickness insurance. The benefits are not exactly comparable, and their cost is shared by the employer and employee, whereas the cost of workmen's compensation rests on the employers alone. The benefit scales are generally ill-regarded, especially in relation to the contributions. The basic benefit for unemployment insurance, for example, varies from 2.5 to 7 lire daily for manual workers, and from 4 to 12 lire daily for non-manual workers. Yet over the period since unemployment insurance was established, total benefits have normally been only about one-third of total contributions, and a huge surplus has been accumulated. National benefits are disbursed by several social insurance institutions for three types of coverage: workmen's compensation, sickness, and tuberculosis. There is evidence of considerable difference in standards of treatment, not only as regards adequacy of amounts, but also as regards types of personnel and facilities. Matters such as these are also being considered by the Italian Royal Commission.

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features of the system (i.e., the increasing scope of family allowances) and to encourage the Italian Government to undertake a far-reaching revision of the cumbersome, complicated, and administratively expensive system. An Italian Royal Commission will undertake this task.

5. As regards structure, the Italian system is needlessly complex. There are too many institutions, with extensive overlapping. It is evident that there can be overlapping as between insurance of sickness and industrial disease, or as between insurance of sickness and tuberculosis, or as between insurance of permanent disability and invalidity. For employers and employees alike a situation in which a single stamp or receipt replaces all necessary contributions, and a single simple explanation conveys the essence of one's right and obligations, is highly desirable. A Royal Commission is at present studying the whole system of social insurance with simplification and more adequate benefits principally in mind. Coverage and benefits are not satisfactory, in spite of the apparent breadth of the Italian system. The exclusion of "non-hazardous" employments from workmen's compensation benefit leave them only the possibility if provided by agreement, that accidental injuries may be covered under sickness insurance. The benefits are not exactly comparable, and their cost is shared by the employer and employee, whereas the cost of workmen's compensation rests on the employers alone. The benefit scales are generally niggardly, especially in relation to the contributions. The basic benefit for unemployment insurance, for example, varies from 2.5 to 7 lire daily for manual workers, and from 4 to 12 lire daily for non-manual workers. Yet over the period since unemployment insurance was established, total benefits have normally been only about one-third of total contributions, and a huge surplus has been accumulated. Medical benefits are disbursed by several social insurance institutions for three types of coverage: workmen's compensation, sickness, and tuberculosis. There is evidence of considerable difference in standards of treatment, not only as regards adequacy of amounts, but also as regards types of personnel and facilities. Matters such as these are also being considered by the Italian Royal Commission.

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HEADQUARTERS
ALLIED CONTROL COMMISSION
FINANCE SUB-COMMISSION
APO 534

15071/F

15 April 1944

SUBJECT: Monthly Report of Finance Sub-Commission

TO: Regional Commissioner, Region I
Region II
Region III
Region IV
Region V
Region VI
Senior Civil Affairs Officer AAI Five Army
AAI Eight Army
All Sub-Commissions, MTOUSA.

Forwarded herewith for your information is one copy of the monthly operations report for March 1944 of the Finance Sub-Commission, Headquarters Allied Control Commission.

C. H. Bonesteel III
Colonel,
Joint Director,
Finance Sub-Commission.
For: D. S. WALKER, Col., C.E.,
Executive Officer,
Economic Section.

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[illegible] Joint Director of the Sub-Committee, referred to the [illegible] from Canada was likely to be engaged for the presentation of a new British Government measure, and discussed [illegible] aspects of the matter [illegible] with interested U.S. Government [illegible] and question.

In March, the Sub-Committee visited by United States Treasury Department mission, consisting of Colonel James Stuart, Fiscal Division, War Department; Lieut-Colonel [illegible], Budget Division, War Department; Mr. J. C. Hewitt, General Accounting Office; Mr. [illegible], Division of Monetary Research, U.S. Treasury Department, and [illegible], Bureau of Accounts and Deposits U.S. Treasury Department. The Indian and Burmese were particularly interested in the accounts and records maintained by the Bureau with [illegible] and the procedure under which expenditure and funds are accounted for. The Mission visited Burma, Ceylon, and India, and held extensive discussions with various sections of the Finance Sub-Commission and other Sub-Commissions whose work was [illegible] to the interests of the Mission. Important specific points which were discussed with the Mission are expected to appear in the appropriate sections of this report.

At the conclusion of their visit here, the Mission proceeded to London for discussions with the British Treasury. Since there was need for information of what happens between Washington and London on supply allocation procedures, it was thought desirable that a representative of WPB be present at the London discussions. Accordingly, Colonel [illegible], Joint Director of the Sub-Committee, proceeded to London at the end of March, accompanied by the Army Lieutenant.

2. [illegible] COST OF LIVING

A. Report of the Bombay Textile Labour Enquiry Committee on the Working Activities of 1940

The WPB Textile Survey Section, headed by Mr. Albert E. Stevenson, Special Assistant to the Secretary of the Army, visited Bombay and Ind[illegible] in the latter part of December 1943 and early January 1944. Upon the Section's return to Washington, a report embodying their findings and conclusions was submitted to the Administrator of WPB on 8 January 1944.

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Copies of this report were [illegible] to the Army, and the Economic Section requested various Sub-Committees to comment on the parts of the report [illegible] to their respective fields. Section IV of the report, entitled "Price Trends and Inflation" was passed to Finance Sub-Committee.

The Finance Sub-Committee made a detailed analysis of this section of the WPB report. We believe that the report made several errors of interpretation

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(i) Total gross collections for 1945 were only 61 per cent of 1942 collections, 59 per cent of 1941 collections, and 36 per cent of 1935 collections. The details are as follows:

Total gross collections of the imposte di consumo in the province of Naples

	1935	1941	1942	1945
	(in millions of lire)			
Revenue	19	22	22	13
Wine	20	15	14	7
Olive oil	5	2	2	1
Foodstuffs	15	15	16	10
Industrial & Commercial	2	3	2	1
Miscellaneous	1	2	3	2
Total	62	61	59	36

(ii) In 1935 the average cost of collection of the imposte di consumo for all of Italy was about 12 per cent of gross collections, varying from about 6 per cent in a few instances to as much as 27 per cent in others. Collection costs for the province of Naples in 1935 were 7 per cent, while in 1945 the costs, which in that year include a certain sum not properly chargeable to the imposte di consumo, amounted to 19 million lire or 53 per cent of total collections of 36 million lire, indicating that the cost of collection was about 40 per cent of gross collections and about 70 per cent of the revenue realized by the Comune. The benefit of this situation, in which the burden imposed upon consumers is almost doubled by the costs of collecting the tax, can be further illustrated, if further illustration is necessary, by the fact that in 1,143 643 persons were employed in collecting the tax in the province of Naples, and were collected from consumers for the entire year only 60,000 lire. In Palermo, this situation would be slightly modified, since a small part of the time spent by these employees is not properly chargeable to the imposte di consumo. And in this situation was in 1935, it is estimated that in 1946, while 130 less employees will be used to collect the tax in the Comune, the cost of collection will increase 50 per cent, largely as a result of wage increases. Furthermore, under an agreement dated 1943 the collectors of taxes have been able to shift much of the burden of wage increases for collection from them to the consumer. In the province of Naples the cost of wages of the collectors for 1946 are slightly less than in 1945 while the estimated wage costs for the average year proposed for the new law are more than 150 per cent higher. Collection costs for the Comune of Naples in 1945 and estimates for 1946, are as follows:

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(11) In 1937 the average cost of collection of the taxes [illegible] was 1.2 per cent of gross collections, varying [illegible] 6 per cent in one county to 2.7 per cent in others. [illegible] in 1939 were 7 per cent, while in [illegible] the rate, which is high [illegible] not properly chargeable to the [illegible] total [illegible] 36 million lire, indicating that the cost of collection was about 4 per cent. [illegible] 70 per cent of the revenue realized by the [illegible]. The [illegible] this situation, in which [illegible] and [illegible] by the [illegible] collecting the tax, can be further illustrated [illegible] necessary, by the fact that in 1943 [illegible] 1 per cent in [illegible] the [illegible] of Naples, and [illegible] 1 per cent in the entire year were only 60,000 lire. In [illegible], this [illegible] to [illegible], since [illegible] of the [illegible] by these [illegible] is [illegible] to the [illegible] of [illegible]. [illegible] this [illegible] was in 1943, it is estimated at 4 in 1944, while [illegible] will be used to offset the [illegible], the cost of collection will increase 50 per cent, largely as a result of wage increases. Further [illegible], under a [illegible] April 1943 the collection [illegible] to [illegible] each of the duties of [illegible] the collection [illegible] to the [illegible]. In the [illegible] of duties [illegible] the collection [illegible] in 1944 [illegible] slightly less than in 1943 while the estimated [illegible] for the [illegible] are [illegible] by the [illegible] more than 150 per cent higher. Collection costs for the [illegible] in 1943 and estimates for 1944 are as follows:

Expenses of collection of the [illegible] taxes
[illegible] 1 to 1.3

	1943	1944 estimated (in millions of lire)
Taxes - Direct taxes collected [illegible] number of employees:	3.6	2.2
1943 - 220		
1944 - 54		
Taxes - Customs [illegible]		
Charged to Direct Taxes	3.8	4.8
Charged to Customs	5.8	13.7
[illegible] number of employees:		
1943 - 133		

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3. Customs

(a) Reports of field survey of Italian ports.

The two officers of the Customs Sub-Section have completed their tour of Sicily and ports of the mainland. In the course of their tour the Customs officers visited 15 ports, of which they state 10 can be considered as effective and under adequate customs control, namely the ports of Bari, Brindisi, Augusta, Catania, Messina, Catania, Siracusa, Gela, Licata, Porto Empedocle, Palermo. They report that Bari, Brindisi, and Taranto are under effective control as far as imports of the ports at Messina, Catania, Siracusa, and Palermo. The following figures were obtained on account traffic at the present time:

Port	Tons unloaded	Tons loaded	Period
Marina di Vibo Valentia	572	961	Feb. 1944.
Reggio Calabria	2,590	2,000	Jan. & Feb. 1944
Messina	617	546	" " 1944
Catania	1,500	1,289	" " 1944
Siracusa	1,000	1,000	" " 1944
Licata	1,350	450	" " 1944
Porto Empedocle	200	200	" " 1944.
Palermo	391	856	" " 1944.

The Italian Customs staff is reported as being reasonably efficient and capable of maintaining adequate control, but not well distributed amongst the various ports. Mario Cassiddino who had been appointed Head of the Customs service in the Finance Ministry was found to be unsatisfactory, both professionally and politically. His dismissal was requested and obtained. Customs offices and warehouses have suffered some damage, but are capable for present requirements. However, as trade improves requisitioned huts as buildings should be released wherever possible. The existing geographical divisions of the Customs service are reported as satisfactory and able to assume control over further ports as they are reoccupied. The Customs Tariff of Finance is available in all ports, but is not fully operative in its proper "preventive" duties. The efficiency of Customs control and the satisfactory of other tax appeals depends on the release of ships if not immediately into all extraneous work. Representations have been made on this matter to the other Sub-Commissions concerned.

It is suggested that every effort should be made to stimulate coastwise traffic in order to relieve internal transport, and to permit the redistribution of goods from surplus districts to short ones distressed. Such a movement is possible if all requisitioned coastal vessels not now required could be released for trade, and, in consultation with the Naval authorities, a system of "War Clearance Cards" initiated that would permit coastwise voyages within the hours of daylight.

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Port Dyarbekir	300	300	"	"	1918
Erzerum	391	856	"	"	1918

The Italian part of it is reported to being reasonably efficient and capable of handling cargo in transit, but not well distributed amongst the various ports. Every effort was had been made to obtain the Chief's services in the Finance Ministry was found to be unsatisfactory in his professional advice. The Standard was requested not [illegible] Customs officers and would have suffered some losses, but [illegible] present regulations. However, a trade improved regulations [illegible] should be reformed whenever possible. The existing [illegible] of the Customs Service are [illegible] better story and able to [illegible] further work on the [illegible]. The Customs Tariff [illegible] is [illegible] note, but is not fully [illegible] in its proper "preventive" duties. The [illegible] of Customs Officers in the better use of their time appears [illegible] the release of the Police [illegible] all extraneous work. [illegible] have been made in this matter by the Sub-Commissioner.

It is suggested that every effort should be made to [illegible] a [illegible] traffic in cereals [illegible] internal transit, and to permit the redistribution of surplus [illegible] districts to short districts. Such [illegible] to be [illegible] and existing vessels are now required [illegible] by [illegible], in consultation with the Naval Authorities, [illegible] of "Via Clearance Ports" facilities that would permit [illegible] within the hours of daylight.

(b) Co-operation of Customs with Revenue

The [illegible] of the Customs Sub-Section have now left this [illegible]. The work of this Sub-Section is being amalgamated with that of the Revenue Sub-Section.

4. Warning Collections

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(i) During February a revision was made in the procedure for [illegible] revenue [illegible] from King's Warrants [illegible] from the Treasury by weekly [illegible]. A considerable number of these receipts have been received [illegible] position has therefore improved. Discrepancies are still fairly numerous, however, [illegible] to submit all returns rapidly.

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(b) Total State receipts for the 27 provinces now occupied amounted for the month of February 1944 to approximately 520 million lire, and the total for the first eight months of the financial year 1943-44 amounted to 2,4 billion lire. These figures, which include small estimates for provinces whose figures are not possible, represent the total credits to the State Budget (Entrate di Bilancio) in the accounts of the provincial offices. The corresponding figures for receipts exclusive of Cape X (which consists principally of transfer items), are 4/5 million lire for February and 2,1 billion lire for the eight months. The following tables summarize the position to the end of February 1944, the gaps indicating the absence of complete or reliable figures:

Total revenue receipts (gross intake less Cape X)
(millions of lire)

Province	year 1943/43 6 mon- ths to Dec/43	Jan.	Feb.	Total 1943 for 8 months	year 1943/44 6 mon- ths to Dec/43	Jan.	Feb.	Total 1944 for 8 months	Percentage 1943-44 to 1942 - 43
NORTH ITALY									
Alessandria	24	2	6	32	20	3	7	30	94
Cuneo		2	5		11	2	7	20	
Genova					42	14	30	86	
Imperia	13	1	3	17	10	2	6	18	106
Massa	80	13	6	99	15	8	7	30	30
Pistoia	251	37	36	324	67	25	58	150	46
Savona		1	4		12	2	6	20	
Siracusa	24	2	6	32	16	4	7	27	84
Trapani					19	4	12	34	
Total					211	64	140	415	
CENTRAL PROVINCES (Pontine)									
Bari	327	71	59	457	419	53	102	574	110
Brindisi	21	3	6	33	39	3	10	42	146
Lecce	41	4	10	55	82	5	14	71	129
Taranto	59	7	13	89	64	4	7	55	61
Total	441	85	118	664	550	65	133	746	113
SOUTH II									
Matera	11	1	3	18	10	2	5	17	95
Potenza	1	2	3	23	16	1	3	20	87
Catanzaro	62	10	14	96	30	5	9	50	58
Cosenza					22	4	9	35	
Reggio di C.	55	7	14	76	17	3	5	25	33
Total					101	15	31	147	

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Revenues by source for provinces for which information is available

(revenues from each source as a percentage of total revenues for first 6 months of fiscal year 1943 - 44 and of same period of previous fiscal year, and revenues for first 6 months of fiscal year 1944 - 45 as a percentage of same period of previous fiscal year).

	Direct taxes from persons	Indirect taxes	Commercial operations	Land, mining, forest, fisheries, and other receipts	Total Revenues
District (5 provinces)					
% total revenues 1943-44	40	35	11	3	100
% total revenues 1944-45	34	27	30	11	100
1943-44 revenues to 1942-43	103	67	19	33	50
District (4 provinces)					
% total revenues 1943-44	28	19	46	7	100
% total revenues 1944-45	21	19	39	21	100
1943-44 revenues to 1942-43	152	113	130	60	113
District II (3 provinces)					
% total revenues 1943-44	45	36	13	3	100
% total revenues 1944-45	37	28	29	4	100
1943-44 revenues to 1942-43	97	66	16	44	50
District III - V (5 provinces)					
% total revenues 1943-44	44	21	26	9	100
% total revenues 1944-45	25	24	37	14	100
1943-44 revenues to 1942-43	85	43	56	30	49
District (10 provinces)					
% total revenues 1943-44	39	25	32	6	100
% total revenues 1944-45	25	24	38	13	100
1943-44 revenues to 1942-43	104	69	50	33	66

The table shows that in the fiscal year 1942-43 money flow provided the greater part (about 40 per cent) of the revenues of the Government, and that indirect taxes and direct taxes each contributed about 25 per cent. This distribution of revenues was true for the 10 provinces as a whole and for each of the zones. In the second fiscal year, however, several significant changes have occurred. Records for the first 6 months of current years in

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5. Competition

(a) Tobacco. During the month AMG gave its approval to the Italian Government's recommendations for the prices to be paid farmers for tobacco grown in the 1943 season under close collaboration with the Govern ent. The prices determined for the 1943 crop are approximately 70 per cent higher than those for the 1942 crop. The cigarette paper ordered from the United States has not yet been received, although delivery was originally promised to begin in January. If this paper is not received soon the production of cigarettes will cease. Word was received early in April that no type of cigarette paper was available. The production capacity of the nine factories now in complete or partial operation is rated at 5 as follows: (in thousands of kilos monthly) cigars - 100; cigarettes - 367; cut tobacco - 44. The tobacco drying and curing capacity, especially that near Salerno, has been very considerably reduced by the destruction of the war and by lack of conditioning. In the Salerno area present capacity is only about 1/3 of pre-war.

(b) Salt. The principal salt works is at Margherita di Savoia in Foggia province. This is worked exclusively, but, owing to transportation difficulties across the mainland, it is now proposed that salt be brought from Sardinia to Naples by sea. In this connection plans are under discussion with the Industry and Commerce Sub-Commission for the transport of salt and tobacco by sea whenever possible, and for the location of a base-area salina for rail transport in place of the present practice of depending upon weekly allocations.

(c) Potash. A request has been made to CCS for the importation of chlorate of potash and other supplies needed for the continued production of matches at the SAFFA factory in Naples. Production at present is at 6 million boxes a month, or 75 per cent of capacity. About half of this production is now sent to the Allied troops.

6. Budget and Expenditure Control

1. Expenditure control

(a) Dual operations

During the latter half of February and the month of March, there existed in that portion of Italy which was formerly ZAC Sections I and II dual authorities in the field of budgetary control. This resulted from the fact that such territory had been placed on 11 February under the jurisdiction of the Italian government, which could not at that time assume control of fiscal operations. By agreement AFHQ continued to function in the area until 31 March 1944. The matter finally referred is to be the responsibility of the Italian Government. The monthly meeting of AMG during March was requested by the Italian Government, but resulted in the loss of at least one working day in the issuance of instructions to

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[illegible] direction across the Atlantic, it is now proposed that will be brought [illegible] Italian to Naples by sea. In this connection close are under discussion with the Italian and Caserta authorities for the transport of mail and baggage by sea whenever possible, and for the adoption of a [illegible]-term scheme for mail to proceed by air in place of the present surface delivery arrangements.

(c) Hotels. A request has been made to SCAEF for the requisition of [illegible] of Posilipo and other suitable hotels needed for the continued reduction of [illegible] at the CAIRA factory in Naples. Production at present is about 6 [illegible] boxes a month, or 75 per cent of capacity. About half of this production is [illegible] to the Allied Forces.

6. Budget and Expenditure Control

1. Expenditure control

(a) Bond exemptions

During the latter half of February and the month of March, there existed in that portion of Italy [illegible] Allied Military Government Regions I and II dual authorities in the field of budgetary control. This resulted from the fact that such territory had been placed on 11 February under the jurisdiction of the Italian government, which could not at that time assume control of fiscal operations. By Presidential decree AMG continued to function in the area until 31 March 1944. Thereafter Italian control is to be the responsibility of the Italian Government. The relaxation of AMG during March was requested by the Italian Government, but resulted in the case of at least one province in the issuance of "authorizations to spend" by both AMG and the Italian Government. This, in itself, might not be cause for concern, but since reliance is placed on the Treasury Section of the [illegible] for records of expenditure, and since such records do not distinguish between authorities, it is only after a detailed analysis of all spending that a determination can be made as to the source of the authorization, and consequently the ultimate responsibility for the expenditure. Repetition of this situation should not occur after 1 April 1944.

(b) Revised procedure for expenditure control

(1) Italian Government. As a result of our studies of the Italian Government's budgetary control procedure, the necessity for the institution of more effective measures and a better system of reporting expenditures became apparent. A procedure has been formulated and is being submitted to the Italian Government. Essentially, the suggested procedure provides for a revised budget and the preparation of an additional data independent of the Banca d'Italia. Once such expenditure data is available, problems in connection with the disbursement figures of the Banca d'Italia such as "[illegible]

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a lottivi", (described in this Sub-Commission's February Report) should be solved.

(11) Sicily. Local government expenditure control set up during February for Sicily provides for the creation of a temporary "Finanze Locale" in Palermo to approve local budgets covering the period 1 April to 31 December 1944. This procedure was evidently suggested because it was believed communication facilities between the mainland and the Island prevented such control being exercised from Salerno. A study of the time required for communication indicated the availability of facilities existing on the Island parallel to those on the mainland and a decision was made by the Italian government to eliminate the "Finanze Locale" at Palermo and to process the work through Salerno.

2. Estimates

During March, no alteration was made in the nature or purpose of the Italian Government's budget estimates. They continue to bear no relation to subsequent issuance of "authorities to spend" and consequently have no control function. These estimates are made by the Minister of Finance himself, rather than by the Ministries concerned, and their main purpose is to serve as a basis for estimating the need for currency by the Bank d'Italia to cover Government expenditures. Further, the estimates are not made in time to be useful. For example, the estimates for the month of March were not received until 11 March and the Minister of Finance has advised that estimates for April would not be available until 10 April.

Since the Italian Government was not in position to assume jurisdiction of territory other than Puglia the estimates for March cover only that area. These estimates, for the first quarter of 1944, are given in the following table:

Estimates of Italian Government spending
Puglia (less Foggia), First quarter 1944
(millions of lire)

	January	February	March
Finance	20.0	20.0	16.0
Justice	5.0	5.0	5.0
Foreign Affairs	1.0	1.0	1.0
Education	13.0	13.0	13.0
Interior	55.0	70.0	100.0
Public Works	8.0	10.0	8.0
Communications	190.0	210.0	170.0
Agriculture	3.0	3.0	3.0
Industry and Commerce	.5	.5	.5
	295.5	332.5	311.5

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Italian Government's budget estimates. They continue to be made on a token basis and subsequent increases if "authorized to spend" and consequently have no control effect. These estimates are made by the Minister of Finance himself, rather than by the Ministries concerned, and their sole purpose is to serve as a basis for setting the limit for borrowing by the Bonds d'Italia to cover Government expenditures. Further, the estimates are not made in time to be useful. For example, the estimates for the month of March were not received until 11 March and the Minister of Finance has advised that estimates for April would not be available until 10 April.

Since the Italian Government was not in position to assume jurisdiction or territory other than Puglia the estimates for March cover only that area. These estimates, for the first quarter of 1946, are given in the following table:

Estimates of Italian Government spending
Puglia (less Foggia), First quarter 1946.
(millions of lire)

	January	February	March
Finance	20.0	20.0	16.0
Justice	5.0	5.0	5.0
Foreign Affairs	1.0	1.0	1.0
Church	15.0	15.0	15.0
Interior	55.0	70.0	100.0
Public Works	8.0	10.0	8.0
Economic Affairs	190.0	210.0	170.0
Agriculture	3.0	3.0	3.0
Industry and Commerce	.2	.2	.2
Total Civil Ministries	295.9	334.5	318.5
Reparations	70.0	45.0	40.0
Lotto	.5	.5	.5
Public Debt	15.0	20.0	25.0
Total exclusive of Military	380.0	400.0	383.0
Army (Puglia only)	157.0	169.3	174.5
Navy (Puglia only)	168.4	175.9	[illegible]
Air Force (Puglia only)	84.5	58.7	76.0
Total Military (Puglia only)	409.9	403.9	451.6
TOTAL	789.9	803.9	834.6

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In the case of military expenditures, budget estimates are furnished monthly to the Ministry of Finance by the ministries concerned, and the estimates are not limited to funds but cover total needs. First quarter 1944 estimates for the military are given in the following table:

Estimates of expenditure by Italian military ministries
First quarter 1944
(millions of lire)

	January	February	March
Italian Army			
Puglia	157	162	175
Lucania	20	23	20
Calabria	47	50	51
Sicily	37	38	35
Campania	93	104	160
Sardinia	225	150	177
Total Army	579	611	626
Italian Navy			
Puglia	163	176	201
Campania	69	86	51
Sardinia		19	26
Total Navy	232	281	278
Italian Air Force			
Puglia	84	59	51
Campania	2	5	8
Sardinia	15	14	46
Sicily	3		
Total Air Force	104	78	105
Total Italian military	920	973	1,009

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Sicily	37	36	32
Campania	93	134	168
Sardinia	214	150	177
Total Army	570	614	686
Italian Navy			
Italy	162	176	201
Campania	69	86	51
Sardinia		19	26
Total Navy	238	281	278
Italian Air Force			
Italy	84	59	51
Campania	2	5	3
Sardinia	16	14	46
Sicily	3		
Total Air Force	104	78	105
Total Italian military	920	973	1,069

Examination of the two tables of expenditure estimates indicates that the Italian armed forces are a spending more than twice as much as the civil government and also that a little less than one-half the military spending is in Sardinia.

3. Authorities to spend

Under Italian procedure authorizations to spend funds are classified in a number of categories which may be broadly grouped into fixed expenditures and non-fixed expenditures. The former includes all items of expenditure the amount of which is determined by statute, including such items as salaries, pensions, rents, debt service, etc. Non-fixed expenditures are authorized by means of the issuance of an "ordine di accreditamento", by each ministry. These authorities are at present countersigned by the Minister of Finance. No data are available showing "authorities to spend" for fixed expenditures. The table on page 13 indicates the amounts of "Ordini di accreditamento" countersigned by the Minister of Finance.

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17 provinces and 183 communes. The total number of communes concerned is 1,510, but it was estimated that more than 50 per cent of all communal expenditures would be contained in the 183 communes from which returns were required. The remaining communes are of less than 500 inhabitants. Actual expenditure figures for each item of the budget for 1943, broken down into months were requested. Each return was to be supported by the Bilancio di Previsione, as approved, for the same year. No returns have yet been received. The budget estimates for 1944 for communes and provinces were due at the Italian Ministry of Finance on 15 March. To date none have been received.

The Inter-Ex Sub-Commission is about to issue a circular, according to Italian legal lawyers, to the effect that the 1915 law governing local taxation is to be set aside and the law of 1911 restored in its place. The power to levy local taxation and authorize expenditure is less under the 1915 law than under that of 1934, and the attention of the Inter-Ex Sub-Commission has been drawn to this aspect of the change in order that the existing financial powers of communes and provinces may be left undisturbed.

(5) A survey of certain representative returns from the province of Cosenza and 38 of its communes reveals:

(i) The estimated expenditure for 3 months (July through March 1944) is expected to exceed the actual expenditure for the same period last year by over 40 per cent;

(ii) The actual excess of expenditure over revenue for the 3 months July through November 1943 was 77 per cent in the province and 76 per cent in the communes;

(iii) In the budget estimates for the 3 months January through March 1944, the estimated revenue is 20 per cent of the estimated expenditure for the province, and 60 per cent for the communes;

(iv) The aggregate excess of expenditure over revenue for the 6 months under review (3 months actual - September through November 1943, and 3 months estimated - January through March 1944) is 2.5 million lire for the provinces and 4.8 million lire for the communes.

6. 1944 - 45 Italian Government Budget

As the Italian Government's fiscal year begins on 1 July, discussions have been held with the Minister of Finance looking toward the preparation of an

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provinces may be left undisturbed.

(3) A survey of certain provinces relative to returns from the provinces of Piemonte and Sardegna follows:

(i) The central government's estimate for 3 months January through March 1945, is thought to exceed the actual expenditure for the same period last year by over 40 per cent;

(ii) The actual excess of expenditure over revenue for the 3 months January through March is 1,445 and 77 per cent in the provinces and 76 per cent in the communes;

(iii) In the budget estimates for the 3 months June to the end March 1945, the estimated revenue is 20 per cent of the estimated expenditure for the provinces, and 60 per cent for the communes;

(iv) The estimated excess of expenditure over revenue for the 6 months under review (3 months actual - September through December 1944, and 3 months estimated - January through March 1945) is 5.9 billion lire for the provinces and 4.8 billion lire for the communes.

6. 1944 - 45 is the Government budget

As the Italian Government's fiscal year begins on 1 July, discussions have been held with the Minister of Finance in Rome toward the preparation of an emergency budget for the fiscal year 1944 - 45. These discussions have not developed to a point where a report can be given, but will be covered fully in subsequent reports.

D. Cash position of the Italian Government

1. Expenditures in March

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(a) Owing to limitations of personnel, communications, and transport, the Italian Government was not able during March to exercise financial control over sections I and II, and those sections therefore continued to function semi-independently. The Finance Minister's estimate to day to day attention to the cash position of the Government is small. (see Page). The Finance Minister's estimates of the Government's cash position there for the month of March were as shown on page 10.

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A Statement of Credits or Accreditments
countersigned by the Italian Ministry of Finance
for the Italian Government (Anglo-Iosa Region)
(in millions of lire)

Ministry	Approximate monthly average - 8 Sep 43 to 31 Dec 43.	Jan 1944	Sep 1944
Finance	8.4	10.4	11.6
Justice	.8	.5	.3
Foreign Affairs	.4	.4	.3
Education	9.6	15.0	16.7
Interior	78.2	84.8	94.4
Interior (Italian Affairs)	-	.0	-
Public Works	3.2	5.2	2.5
Public Works (State Roads)	1.5	.8	-
Communications (Merch nt Marine)	1.3	3.3	4.7
Communications (Railways)	16.6	10.5	10.9
Communications (Post & Telegraph)	.1	-	-
Agriculture	1.6	1.8	.5
Industry & Commerce	.3	.1	1.3
Corporations	.4	(1)	(1) (2)
Foreign Exchange (Finance)			
Monopolies (Finance)	30.4	13.5	73.9
Total Civil	152.8	197.7	224.1
Military			
Army	205.1	388.9	1,051.7
Navy	74.0	201.4	233.2
Air Force	25.0	139.3	91.3
Total Military	304.1	739.6	1,376.2
Total Government	456.9	937.3	1,597.5

(1) 2,000 lire for January and 50,000 lire for February.
(2) 10,000 lire for February.

It will be seen that total authorizations to spend funds are
[illegible] authorizations for January were [illegible] double the monthly

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Coal (including [illegible])	.1	-	-
Non-ferrous ores (zinc & tungsten)	1.6	1.0	.5
Agriculture	.2	.1	1.3
Industry & Commerce	.4	(1)	(1)
Private Consumption			(2)
Foreign Exchange (Clearing)	30.4	102.5	73.9
Miscellaneous (Clearing)			
Non-Military	162.8	137.7	221.1
Military			
Army	205.1	308.9	1,051.7
Navy	71.0	221.4	233.2
Air Force	25.0	129.3	91.3
Total Military	301.1	659.6	1,376.2
Total Government	496.9	837.3	1,597.5

(1) 2,000 lire for January and 50,000 lire for February.
(2) 10,000 lire for February.

It will be seen that total authorizations to spend funds are increasing rapidly; authorizations for January were almost double the monthly average for the last four months of 1943, and authorizations for February were 70 per cent greater than those for January.

4. Cash disbursements

In the absence of expenditure data, the Italian Ministry of Finance has been using the cash disbursements of Area of the Treasury Section of the Banca d'Italia. Such figures do not serve the purpose of budgetary control. Because of unsettled conditions the lag between expenditures and disbursements has been large, and consequently important trends are concealed. Analysis of available data, and subsequently important trends are concealed. Analysis of available data, and subsequently important trends are concealed. Analysis of available data, and subs

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December 1943 -	Advance requested	1,000	450
January 1944 -	Minister's original estimate	470	
	Advance requested	450	
	Minister's calculations adjusted by elimination of error of 50 million lire	420	200
February 1944 -	Advance requested	0	0
March 1944 -	Advance requested	0	
	Minister's original estimate adjusted by elimination of error	304	0

3. Plans for the Future

(a) Beginning 1 A. in the Bureau of Italian Government Account in Rome, Italy or ABC Bureau must be closed when Finance Sub-Commission deal matters in order to keep possible a running check of the cash position of each.

(b) On 31 March a conference was held with the Minister of Finance and the Vice-Governor of the Banca d'Italia at which agreement was reached on a plan to make available the amounts of excess cash held by branches of the Banca d'Italia not a ring for a part of individual requirements of the cash position of the Banca d'Italia. Owing to the decentralization of the Banca d'Italia system that prevailed until recently, advances to branches of the Banca have continued to be made in Italian currency on a credit not limited to currency in neighborhood but to cover largely Swiss currency holdings in other Banca d'Italia branches. For this reason, and also for the reason that the re-unification of the branches of the Banca d'Italia has a single reserve it has reduced the total reserve required to a very considerably below that which was required when each branch had to depend solely upon its own resources, it was agreed that the Banca d'Italia is to repay 1.9 billion lire to the Allied Financial Agency and to hold this 1.9 billion lire for AFA in a special account at the Banca d'Italia to be known as Account Number 2, with a 100 per cent currency cover as at all times. No payments may be made from such account since 1 by AFA. The 1.9 billion lire will be drawn from the following items:

(millions of lire)

Rome	500
Sicily	800
Bari	100
Naples (less Foggia)	100
Leghorn and Palermo	100
Total	1,900

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It was further agreed at the conference that toward the end of every month the currency position of the Bank of Italy should be reexamined and that the Number 2 account would be adjusted in the light of these surveys.

B. The AMG Monthly Financial Review of Italy

As announced in the last report, the Finance Sub-Commission is issuing a monthly publication that will present, in usable form, the available statistics on Italian Government finance and banking. From time to time important descriptive studies of the Italian financial system will also be published in the Review. The new statistical series of the Bank of Italy is now beginning to assemble considerable data. This material will be put up in permanent card-index in the Review and added to from month to month. A copy of the current Monthly Financial Review is attached hereto as Appendix 'B'.

III. OPERATIONS OF THE ALLIED FINANCIAL AGENCY AND CURRENCY AND EXCHANGE CONTROL

A. The lira exchange rate

Ever since his first appointment to the post, the present Italian Minister of Finance has maintained that the exchange rate of 100 lire to the dollar and 400 lire to the pound sterling, established at the time of the invasion of Sicily, has been, and continues to be, the principal cause of the inflation in occupied Italy. He argues that the rate has been responsible for the inflation for two reasons: because it has caused Italian sellers to demand higher lira prices and Italian buyers to be willing to pay such prices, and because it has given Allied troops too large a purchasing power in Italy. On 24 February Marshal Badoglio submitted a formal statement to the Allied Control Commission requesting that the dollar value of the rate be increased.

In view of the Finance Minister's emphasis upon the question, and in view of the fact that the Minister's arguments, unanswered, might be given undue weight, the Finance Sub-Commission's technical staff has prepared a number of studies of the entire problem. These studies have been summarized in a memorandum of 29 March which has been transmitted to the Combined Civil Affairs Committee of CCS. A copy of this memorandum is attached as Appendix 'C'.

Consideration of the experience of devaluation in the United States and other countries and of the numerous historical cases of changes in exchange rates that were not followed by significant price changes is sufficient to disprove the view that a direct psychological connection exists between exchange rates and prices. Furthermore, the fact that inflation was in progress in Italy long before the Allied invasion, that inflation continues in areas of Italy from which Allied troops have been largely removed, that there has been shortages of

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A. The fire exchange rate

Ever since the first appointment to the post, the question of the Minister of Finance has continued to be the exchange rate of the lira to the dollar and its relation to the actual sterling, established at the time of the invasion of Sicily, has been, and continues to be, the principal cause of the inflation in occupied Italy. He points out that it has been responsible for the inflation for two reasons: because it has caused Italian producers to demand higher lira prices and Italian buyers to be willing to pay such prices, and because it has given rise to the large purchasing power in Italy. On 24 February General Hewitt submitted a formal statement to the Allied Control Commission requesting that the rate of the mark be increased.

In view of the Finance Minister's emphasis upon the question, and in view of the fact that the Minister's arguments, unanswered, appear to have obtained wide support, the Finance Sub-Committee undertook a study of the question. A number of studies of the entire problem have been completed in the Finance Division. One study has been submitted to the Combined Civil Affairs Committee of CCS. A copy of this memorandum is attached as Appendix "A".

Consideration of the experience of every kind in the United States and other countries and of the numerous historical cases of changes in exchange rates that were not followed by significant price changes is sufficient to disprove the view that a direct psychological connection exists between exchange rates and prices. Furthermore, the fact that Italian prices in Italy long before the Allied invasion, that inflation continues in spite of Italy's which Allied troops have been largely removed, and that the prices of all essential items, and that for many years the Italian Government has had large and growing deficit, are sufficient to demonstrate that Allied troop expenditures are by no means the principal cause of inflation or the only inflationary force now at work. Accordingly, the Finance Sub-Committee's studies concentrated upon the measurement of Allied troop expenditures and other inflationary factors, and to an analysis of the effects that might be expected to result from a reduction in troop expenditures and/or the value of the mark in the dollar value of the lira to, say, 50 lire to the dollar and 200 lire to the pound.

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In order to measure the expenditures of Allied troops in Italy it is necessary to subtract from their pay, not only the large sums which are allotted to their home countries, but also the very considerable sums that are spent in local Army stores, remitted to home countries through postal money orders, checks, and war bond purchases, all of which with Finance officers. Data on

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all of these items are now being received by AFHQ for all Allied military units operating in Italy. The figures presented in Appendix "A" show that current soldier expenditures in Italy, as measured, amount only to some 1.7 billion lire per month, and if the figures now available are not to understate soldier expenditures amounted to only about 2.5 billion lire. It is to be assumed that soldiers would be content to see not actual reduction in their lire income by reducing the dollar or sterling value of their war bond purchases or pay remittances by 1/3, then their lire expenditures after the change in the rate would be 1.0 billion lire, or only 700 million lire less than at present. This 700 million lire per month would represent a significant reduction, there would remain 1 billion lire per month of soldier expenditures, about 400 million lire per month of Allied military expenditures for local supplies and labour, and the enormous and rapidly growing deficit of the Italian Government, which, while still unknown, is variously estimated at from 3 to 5 billion lire per month. It seems clear that a reduction in soldier expenditures brought by an increase in the dollar value of the lire would not correct, nor materially affect, the inflationary situation in Italy.

While such an increase in the dollar value of the lire would not materially improve the situation in Italy, it would impose a very real burden upon our troops. The purchasing power of that portion of their pay which they now spend in Italy would be severely cut. Furthermore, in an effort to maintain their present spending habits, many would reduce their remittances to their home countries. If it could be demonstrated that soldiers' expenditures are a sufficiently important factor in the situation to demand restrictive action, their expenditures could be reduced by items, such as compulsory allotments, that would not reduce their real income.

The Financial Sub-Committee is strongly of the opinion that the Italian Government deficit, and not Allied troop expenditures, is the principal inflationary factor in the Italian situation. The Italian Government, in contending to Combined attention the Allied soldiers' expenditures, has measured its own failure to prevent its revenues from declining and its expenditures from increasing.

B. A program for conversion of Reluctant lire

It has been realized for some time that the Germans, upon abandoning areas in Italy presumably could, and did, make large quantities of Italian currency in order to complicate the position for the Allies. In any event, the Germans are known to be receiving some seven and a half billion lire per month in occupation costs in occupied Italy 3 which should be added the fantastic deficit of the Quisling Government. Finally, there are other forms of liquid assets which are find their way into circulation under strict controls now maintained. To control the large volume of liquid assets that the Allies may encounter in subsequently liberated areas of Italy, consideration has been made

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D. Preparation of a new Italian Government currency

The Joint Director (A) of the Fiscal Sub-Commission brought with him on his return from Washington drafts of the new Italian Government lire currency prepared in the United States. All Fascist symbolism has been removed from the design of the new Banca d'Italia notes. The King's portrait, which formerly appeared only on the 5 and 10 lire State notes, has been omitted from the new design for these notes. The proposed designs were accepted by the Minister of the Treasury, subject to certain minor technical changes. The samples of the proposed notes, together with the suggested modifications, have been returned to Washington for use in final the final design. It is estimated that the new currency will not be ready for at least six months from the date of approval of the models.

D. Circulation of Blue Seal dollars

An active campaign to eliminate trouble in blue seal dollars has been pursued, and will be intensified in the very near future. Arrangements have been made with the Standard Vacuum, the Allied Banks, and the Transport Command to control the import of blue seal dollars into Italy. Warnings are being posted on all ships, and at the Brenner control, and better facilities for the conversion or return into lire have been arranged. Seizures in blue seal dollars are being effected and prosecuted. Arrangements are being made whereby banks will deposit all blue seal dollars presented for deposit or for exchange into lire. Other measures, which cannot be disclosed at this time, are also being taken.

E. Italy's obligations of foreign exchange payments

The groundwork is being laid for a complete investigation of the financial position of the National Foreign Exchange Control Institute (Istrocont) in Rome, once that city is liberated. Valuable data have already been obtained from members of the Banca d'Italia in Naples and Bologna regarding the operations of Istrocont. The Sub-Commission is discussing terms of clearing and exchange agreements with Switzerland, collection of particular accounts provided for in the clearing arrangements with Germany and satellite countries. In addition, outstanding payments claimed under Italo-Axis t. by members of the Banca d'Italia, are being carefully screened in cooperation with the Counter-Intelligence Corps of the United States Army.

F. Allied currency

The major development of the month was the decision to order a resumption of shipments of Allied from Washington, taken for the dual purpose of covering necessary expenditures of Allied forces in future months, and withdrawing from the over-crowded storage rooms of the Banca d'Italia and Tesoreria some of the currency which has already been printed and bened. As of 22 February 1944, the

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E. Daily's discharge of foreign exchange [illegible]

[illegible] obtained from branches of the Bank [illegible] the use of Bank of Taiwan. The cash-holding of the Bank, books of all other and exchange transactions, [illegible] accounts provided [illegible] countries. In order to [illegible] of the Bank d'Etat, are being [illegible] Counter-Intelligence Corps, Force of the United States Army.

F. All Lire currency

The major development of the month was the decision to order a suspension of shipments of all Lire from Washington, taken for the dual purpose of covering necessary expenditures of Allied Forces in Italy, and withdrawal from the over-crowded storage space of the Bureau of Printing and Engraving. Of the currency which has already been ordered and issued, in of 30 January [illegible] Bureau held 17,705 millions of Lire which were at [illegible] additional quantity of notes, valued at 12,295 million Lire, was to be printed. In order to [illegible] monthly requirements, in order to [illegible] ADA. Assuming that all shipments [illegible] discrepancies of 1,000 Lire notes do not exceed the [illegible] million Lire, the reserve would [illegible] over normal requirements for new notes [illegible] 31 March 1944. The 1000 Lire note is the one which is [illegible] relative to available supply.

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During the month, a relatively small shipment of 20 Lire, valued at 721 million Lire, was lost at sea in the course of transshipment from Naples to Naples. This is the first loss of all Lire resulting from the hazards of water transport; one of the carriage ships made from the U.S. was destroyed when a

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cargo plane crashed in Florida. The curve security officer has certified to the loss of all cargo. However, all branches of the Allied Financial Agency have been advised that notes bearing the following serial numbers are not valid:

Denomination	Serial numbers
5 lire	A 31 564 001 A - A 36 976 000 A
10 lire	A 74 240 001 A - A 74 304 000 A
	A 71 360 001 A - A 71 432 000 A
	A 73 072 001 A - A 73 200 000 A
	A 73 584 001 A - A 73 648 000 A
	A 73 712 001 A - A 77 184 000 A
	A 77 248 001 A - A 77 312 000 A
	A 77 440 001 A - A 69 984 000 A
50 lire	A 72 576 001 A - A 72 640 000 A
	A 72 672 001 A - A 72 896 000 A
	A 73 280 001 A - A 77 504 000 A
100 lire	A 88 640 001 A - A 89 984 000 A
500 lire	A 21 952 001 A - A 21 984 000 A
1000 lire	A 10 816 001 A - A 10 176 000 A

With a view to reducing the possibility of passing forgeries, all branches of the Allied Financial Agency were instructed on 30 March 1944 to avoid, in so far as possible, paying out un-dated notes of the lire denominations listed in the early lots, and which do not state the denomination in words. On the same date the branches received detailed instructions covering the redemption of mutilated lire notes, as laid down in an Annex from the Combined Civil Affairs Committee.

G. Advances of AFA funds

1. Advances to Allied armed forces

In accordance with instructions from the Combined Chiefs of Staff, branches were instructed on 27 April to make payments to and to obtain receipts directly from certain Allied and all Dominion, or Colonial Allied military units which are carrying out AM lire for military purposes, whenever it is physically possible for the said Allied unit to draw from a AFA branch. In cases where it is found necessary to continue the current practice of issuing funds to the British paymaster for distribution to such units, refunds will be made to the British paymaster when receipts have been received from Allied, Dominion, or Colonial officers who will be designated by GHQ to receive funds from AFA. Records of past issues to these forces are being checked by the British Deputy Paymaster in Chief so that refunds may be made to cover such issues of this character. On 22 March the British Treasury Office reported that GHQ would be asked to apply a similar procedure to all advances made to co-belligerents

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100 lire
500 lire
1000 lire

With a view to reducing the [illegible] lire, 11 branches of the Allied Financial Agency were instructed on 28 March 1944 to avoid, in so far as possible, paying out new issue lire which were printed in the early 1943, and which do not yet bear the denomination in words. In the same date the branches received additional instructions governing the redemption of authorised Allied Notes, as laid down in an Annex from the Combined Civil Affairs Committee.

C. Advances of AFA funds

1. Advances to Allied armed forces

In accordance with instructions from the Combined Chiefs of Staff, branches were instructed on 23 March to take payments in and to issue receipts directly from certain Allied and Allied-controlled, or Colonial civilian units who are paying out AM lire for military purposes, whenever it is legally possible for the said Allied unit to draw from a AFA branch. In cases where it is found necessary to continue the present practice of issuing funds to the British Treasury for distribution to such units, reference will be made to the British Treasury when receipts have been received from these Allied, Dominion, or Colonial officers who will be instructed by GHQ to receive funds from AFA. Records of past issues to these forces are being obtained from the British Treasury in Caserta so that refunds may be made in cases of lost issues of this character. On 22 March the British Treasury in Caserta was informed that it would be asked to apply similar procedure to all advances made to non-Allied units for military purposes, and the Combined Chiefs of Staff were asked to [illegible] all advances made by the Royal Navy or the Royal Air Force to Allied, Dominion, or Colonial units.

2. Advances to the Italian treasury

A decision was made to centralize all financing of the Italian budgetary deficit under the supervision of the Finance Adviser at the Finance Sub-Commission, AMG. Accordingly, after 1 April 1944, no further advances will be made to the Italian treasury, by [illegible] Institute of Issue or by any other Italian bank by AFA officers or by any AFA officers other than those serving under the Senior Civil Affairs Officers [illegible] Fifth and Eighth Armies, without the prior authorization of the Joint Directorate of the Finance Sub-Commission. Advances to provinces and communes are not affected by this directive. Wherever possible, it is hoped to provide

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Office of the Military Attaché, [illegible],
[illegible] visited Sicily during the month, accepting the Italian three
cent Mission this visited Sicily during the month, accepting the Italian three
months by which it could avoid the immobilization of yellow seal dollars as
exchange cover for accounts representing deposits of U.S. Army unit funds, now
made necessary by the requirement that the accounts be carried in dollars :

"(a) An Army directive providing that custodians of unit funds
shall be liable only for the currency received by them at
par in lire or U.S.
(b) Deposit of these funds in lire with CA, in the name of an
Army Finance officer, rather than in the name of the custodian,
with the Army Finance officer being the creditor risk.
(c) Investment by CA, from a lire Finance officer's account's
checks, payable to the Allied Military Lire, in Blue Seal
dollars outside of Italy, repayable in Yellow Seal dollars in
Italy, to be held as a reserve against the dollar liability
which CA would continue to assume."

J. Foreign exchange transactions

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

The Combined Civil Affairs Committee of 803 was advised on 5 March
that the Bank of Sicily was prepared to act as agent for effecting personal
remittances to Sicilians not in the four provinces of Western Sicily which were
listed in Section II, A,1 of the February Report. On 31 March advices were
that banks in the U.S. would begin to send remittances to this area on or about
15 April 1944. The license authorizing such remittances has not yet been
received, but instructions have been sent by the Bank of Sicily to the branches.

In view of the desire expressed by additional U.S. banks to send
remittances directly to the Bank di Sicilia, rather than through the seven
correspondents originally authorized to make remittances, the Bank di Sicilia
was authorized to increase the number of the U.S. correspondents to twenty, and
to effect remittances for non-profit relief agencies if properly recommended by
accredited officials of a dollar deposit with a correspondent bank
to cover such remittance lists. Some modification in British remittance
procedure were transmitted to Palermo on 30 March, the effect of which was the
agreement of the Bank of England to effect remittances for the sterling area
countries as well as the U.K., and the grant of permission to effect remittances
to grandchildren, grandparents, brothers, and sisters of the remitters, as well
as the closer relatives previously specified. As of 15 March 1944, the sum of
$ 82,352. representing 1,923 remittances, or an average of about $ 43.00

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shipments of new currency, a problem which is still pending by U.S. action.
Arrangements were also made to set up plans of the relevant notes to
the Bureau of Printing and Engraving in Washington. The primary purpose of the
mission, however, was to explore the broad general outlook for future changes,
chief of which was the segregation of the northern provinces of Italy
from Allied control, which seemed to be proceeding with the
withdrawal of troops and the transfer of the Allied Control Commission,
to Italian authority as the Allied armies moved north. Individual
members of the mission also gave advice on numerous questions of a financial
nature, such as the deposits of U.S. Army unit funds, personal remittances from
the U.S., statistical reports from the Allied Armed Forces, advances for the
relief of Allied nationals, the Fifth Army's request that currency collected by
Graves Registration officers on the battlefields be destroyed at once on the
battlefield, and other matters discussed in various sections of this report.

IV. Financial Institutions

A. General

1. Implementation of Administrative Memorandum Number 95

After the completion of discussions with the Italian Government and
representatives of the Allied Armed Forces, the final documents containing AM's
part of the arrangements under which the Italian Government will pay for local
supplies furnished to the Allied troops) were delivered to Brig. General Hamblen,
Administrative Section, AFHQ. General Hamblen indicated that his headquarters
would issue the instructions necessary to give effect to the procedure. The
Italian Government has sent out a circular to the Intendentes di Finanza,
instructing them in their duties under this procedure.

2. Organization of the Banca d'Italia

The branch of the Banca d'Italia at Salerno will in the future give
instructions to the other branches of the central bank located in the territory
under control of the Badoglio Government. In addition, Signore Mario
Bottinari, recently appointed Vice-Governor of the bank, will also manage the
other Badoglio branches from Naples. The new central administrative organization,
establishment of which was referred to in the February Report of this Sub-Commission,
is proceeding to collect statistics on both commercial bank deposits and the
postal savings system. As these become available they will be included in the
Monthly Financial Review. An officer of the Finance Sub-Commission has been
designated as liaison officer to the Banca d'Italia and will maintain his office

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between legislation affected the battlefield be destroyed at once on the battlefields, and other matters discussed in previous parts of this report.

IV. Financial Restitution

A. General

1. Implementation of Administrative Memorandum Number 25

After the completion of discussions with the Italian Government and representatives of the Allied Powers, the Final Memorandum (Italy's part of the programme under which the Italian Government will pay for local supplies furnished to the Allied armies) was delivered to Brig. General Hamblen, Administrative Deputy, SAC, AFHQ. General Hamblen in turn then his headquarters would issue the instructions necessary to give effect to the procedure. The Italian Government has sent out a circular to the Intendentes di Finanza, instructing them in their duties under this procedure.

2. Organization of the Banco d'Italia

The branch of the Banco d'Italia at Palermo will in the future give instructions to the other branches of the central bank located in the territory under control of the Italian Government. In addition, Signore Mario Bottinari, recently appointed Vice-Conducator of the Bank, will also manage the other Sicilian branches from Naples. The new central statistical organization, establishment of which was reported in the February Report of this Sub-Commission, is proceeding to collect statistics on both a sectional basis and on the postal savings system. As these become available they will be included in the Monthly Financial Review. An officer of the Finance Sub-Commission has been designated as liaison officer to the Banco d'Italia and will undertake his office in the Palermo branch.

3. Executive Instruction Number 42

In order to clarify for the Sub-Commission the procedure by which operations are undertaken in which such Sub-Commission has an interest, any Financial Agreement, Protocol, proposed by the Finance Sub-Commission, was issued by the Regional Control and Military Government Section as Executive Instruction Number 42. It points out that in transit or under the control of the Italian Government (Regions I, II, VI, and Salerno Province of Region III) the Finance Sub-Commission will not consider requests for funds for individual use cases. The provision of finance for particular purposes should be discussed by the International Sub-Commission with the appropriate Ministry in the Italian Government. When the Sub-Commission and the Ministers are in agreement as to the nature and amount of the expenditure, the Ministry will then arrange with the Minister of Finance for credits to be set up in the item with a view to its being included in the

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APPENDIX 'A'

This Appendix contains Section IV entitled "Price Trends and Inflation", of the Report of the Foreign Economic Administration's Survey Mission to Italy, dated 5 February 1944, and a Memorandum of 21 March 1944, prepared by the Finance Sub-Committee, giving general and detailed comments on the facts and figures of the Report and on the analysis and recommendations of the Mission.

FEA REPORT

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SECTION IV. PRICE TRENDS AND INFLATION

To the shortcomings of the distribution system discussed above, the shortages in supply, the lack of transportation, and the inadequacy of administrative controls, must be added as even more damaging factor: namely, the inflationary spiral. Rising prices and doubt as to the future of the lira tend to encourage hoarding and immobilize business. The Finance Division of AAI headquarters has long realized that inflation is underway in Italy and has given serious study to the problem of checking it. With the continued outpouring of money for soldiers' pay and military expenses, with a virtually bankrupt Italian government in Brindisi, and with the Germans in a position to flood the north part of the country with currency from the printing presses in Rome, the outlook is not bright.

A. Cost of Living

1. Food Prices

In August, 1943, officials of the Finance Division of AAI made a study of food commodity prices in Sicily. This study has been followed up by more recent surveys and by the establishment of a mechanism for price reporting from all parts of the peninsula. The Division recognized as early as August that in the case of most foodstuffs and many industrial products the black market has become actually more important than the official legal market. This meant that in constructing a price index, allowance had to be made to a certain extent for black market prices.

In August, 1943, the black market in the City

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To the shortcomings of the distribution system discussed above, the shortage in supply, the lack of transportation, and the inadequacy of administrative controls, must be added an even more damaging factor, namely, the inflationary spiral. Rising prices will doubt be on the future of the lira tend to encourage hoarding and to discourage business. The Finance Division of AMG headquarters has long realized that inflation is underway in Italy and has given serious study to the problem of checking it. With the continued outpouring of money for soldiers' pay and military expenses, with a virtually bankrupt Italian government in Brindisi, and with the Germans in a position to flood the north part of the country with currency from the printing presses in Rome, the outlook is not bright.

A. Cost of Living

1. Black Prices

In August, 1943, officers of the Finance Division of AMG made a study of food commodity prices in Sicily. This study has been followed up by more recent surveys and by the establishment of a requirement for price reporting from all parts of the Peninsula. The Division recognized as early as August last the value of such information as many industrial products the black market had become naturally more important than the official legal market. This meant that in constructing a price index, allowance had to be made in part in order for black market prices.

In August, 1943, the black market in the City of Palermo was doing business at prices which ranged around 1,000% of the Italian official prices prevailing when the city was occupied. AMG in August issued a new list of maximum prices on foodstuffs of almost all varieties. This price list made an average percentage increase in all prices of about 90%, although on some items the increase was between 200% and 300%.

In December, in Sicily, AMG official prices for everything except bread, pasta, olive oil, sugar, milk, coal, petroleum products, and cloth were removed and control over prices of all other commodities was transferred to the local municipal administration. The latter undertook a study of prices but for the initial month fixed no maximum. Black market prices have continued to rise since August in spite of the higher AMG ceilings.

A typical cost-of-living budget as of September for Palermo was furnished to the Mission. A subsequent study

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[illegible] currency first used by the invasion troops and [illegible] people. This is [illegible] currency [illegible] [illegible] military [illegible] [illegible] [illegible]

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[illegible] made by the banks in the period [illegible] ending the invasion. The same is probably true in Sicily. In addition, the stock of goods in the market is now considerably [illegible] and those which they cannot under [illegible] their stocks. Besides of the lack of active thought this [illegible] regulating [illegible] the circulation of stocks accounts for a good part of these benefits.

AMG's principal objective in opening the banks has been to provide a means for reducing the circulation of money. Other possible activities which might increase the inflationary trend have been prohibited. For example, real estate transactions in excess of 50,000 lire are prohibited both in Sicily and on the mainland. Likewise, the stock exchange in Naples has been kept closed, since it is generally agreed that its reopening would be attended by an avalanche of selling, and knock the bottom out of government bonds.

2. Government bonds

Payment of interest on government bonds was forbidden by the original AMG directive. However, it bonds constitute one of the principal assets of the banks. The continuance of interest payments has consequently put the banks in a very difficult position. Parenthetically, it may be mentioned that the banks carry the bonds at 70% or par. The continuance of the sale of bonds created difficulties for the Italian government because their sale constituted one of the chief sources of cash for the government.

On November 3, 1943, the Combined Chiefs of Staff authorized the Financial Subcommittee of [illegible] to take steps to resume payment of interest and principal of government bonds. An immediate question was the floating of security of 9-years, 4½ Treasury bonds due on December 15, 1943. Arrangements were made with the Undersecretary of Finance of the Badoglio Cabinet whereby AMG would assume sufficient of [illegible] to the Italian government to pay off this bond issue. The total amount of this bond issue held in the country at [illegible] was estimated at 900,000,000 lire. With publicity was given to the payment of this bond issue to the end that the Italian government might begin to reestablish its credit position and embark upon a borrowing program. At the present time, arrangements are being made to resume interest payments on the debt and to issue new bonds.

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[illegible] people of unemployment and a continued scarcity of consumer goods resulting from the destruction of industry. Its budget, taxed to the utmost for the war, will be subjected to unbearable strain.

Such a result may be expected in the immediate future if the plans of this Mission have for the continued importation of sufficient food to prevent the basic action are carried out. Various Italian leaders expressed the opinion that the establishment of sufficient rations of bread and pasta would break the black market in food, and one of these, an agriculturalist, suggested that a daily ration of 200 grams of bread and 100 grams of pasta would be adequate. However, the establishment of bread, even to the extent the supply of wheat could continue to increase accordingly, that the Italian fails to feed to believe that a solution of the food question alone will wholly arrest the inflationary trend. Similarly, the measures now being taken to increase the diversion of labor through [illegible] are vitally important, but can only be palliatives.

(page 51)

One constant fear is that the Government will flood the country with currency to meet its needs. The lira and the Italian file abroad to [illegible], and the plates and other facilities for manufacturing printed matter, together with ample stocks of paper, are now in Rome Area.

At present, the lira has no future. There is no prospect or no plan for its stabilization. This situation leads to [illegible] which grows to its destruction. Everyone sizes [illegible] from exchanging commodities and goods for lira. The Mission was informed that American Blue-Seal dollars are now sold illegally in Naples for [illegible] of 215 lire and that this was expected soon to rise to 250. One businessman interviewed by the Mission supposed that it would not matter much where the lira was stabilized, but that it would be necessary to stabilize it at once and to put [illegible] to the point. Whatever the situation is today, it is hard to see how the Italian government, now or in the future, can stabilize its own currency. Until action on the problem of [illegible] to support the lira would seem to be the only possibility for effective stabilization.

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HEADQUARTERS
ALLIED CONTROL COMMISSION
FINANCE SUB-COMMISSION
APO 394

13021/F

31 March 1945.

SUBJECT: Comments on Section IV of FEA Report on Economic Activities of ACC

TO: Colonel D.S. Adams,
Executive Officer,
Economic Section.

INTRODUCTION

1. Reference your memorandum of 26 March 1945 on above subject.

2. Section IV of the FEA Report I consists a statement of the inflationary situation in Italy and of the actions taken by ACC to control the trend. We believe that the report makes several errors of interpretation which lead to an incorrect appraisal of the situation and of the subsequent actions of ACC.

3. Our position on these matters is given in Part I of this memorandum. Part II contains our comments on the reported facts and figures, comments which on the whole, do not materially affect the conclusions of the Report, but serve to improve its accuracy as a record of events. For convenience in reading, the comments in Part II were keyed to those in the FEA Report and the subjects discussed are in the same order.

PART I

COMMENTS ON THE MAIN CONCLUSIONS AND INTERPRETATIONS OF THE REPORT.

A. The Inflation Situation

The Report states in many places that a considerable portion of the inflationary situation in the early part of 1944 was due to shortages in the cities and towns, a shortage created by post 1943 harvests, resulting inadequate enforcement of the rationing laws, and an almost complete destruction of transportation facilities. We are in complete agreement with this point of view. Indeed, we believe that it would be difficult to over-emphasize the importance of these factors in the analysis of the present Italian situation. However,

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attempt to in Italy and of the actions taken by ACC to [illegible]
believe that the report makes several errors of interpretation which lead to an incorrect appraisal of the situation and of the consequent actions of ACC.

3. Our position on these matters is given in Part I of this memorandum. Part II contains our comments on the report's facts and figures, comments which, on the whole, do not materially affect the conclusions of the report, but serve to improve its accuracy in a number of points. For convenience in reading, the sections in Part II have been keyed to those in the ITAC report and the subjects discussed are in the same order.

PART I

COMMENTS ON THE ITAC CONCLUSIONS AND INTERPRETATIONS OF THE REPORT.

A. The Inflation Situation

The Report states in many places that a considerable portion of the inflationary situation in the Allied area was due to shortages in the civilian sector, a shortage created by poor 1943 harvests, partially inadequate enforcement of the rationing laws, but in greater part by the destruction of transportation facilities. We are in complete agreement with this point of view. Indeed, we believe that it would be difficult to over-emphasize the importance of these factors in an analysis of the present Italian inflation. However, in discussing the monetary aspects of the inflation, the report sometimes forgets that "inflation" is the result of interaction of all forces at work in the economy, non-monetary as well as monetary, and discusses the cause and results of the situation in purely monetary terms. Moreover, we believe that the Report may give rise to the inference that some portion of the problem is the direct result of the issuance of AM lire and of the use of AM lire to finance the Italian Government. Finally, we disagree strongly with the conclusion reached by the ITA Mission that the dollar/sterling value of the lira is too low.

B. The Inflationary effect of AM lire

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1. Under the heading "Inflationary Factors" the Report discusses the whole question of AM lire, implying that the use of AM lire created many of the inflationary problems. It is clear that the use of AM lire, in and of itself, is in no sense an inflationary force.

(a) AM lire was employed to supplement the metropolitan lire because it was believed that the Italian Government might attempt, as part of a "scorched earth" policy, to destroy large amounts of its currency;

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and because there would be no other source of currency for Army use, the Italian Government's printing presses being located in Central Italy.

(b) The FTA Report states that "advances to the various organs of the Italian Government for current expenditures will constitute a continuing drain on the Treasury", and that budgetary deficits will have to be made up by AMG. It is true that in the early stages of occupation direct advances had to be made to provincial and communal authorities to meet essential payrolls, provide relief, etc. However, as soon as provincial and regional governmental organizations were established, it was Board AMG policy not to make further advances but rather to finance governmental deficits in the normal Italian way, i.e. by drawing on overdraft accounts at the central bank, the Banca d'Italia. At the present time, direct advances are being made only in forward areas by AMG officers attached to the 5th and 8th U.S. Armies. Regarding the central government deficit, the Report implies, in showing the anticipated amount of the deficit for December, that the whole of future monthly deficits will be met by AMG through advances on a lire-for-lire basis. This was not and is not true. When the Italian Government had control over only 4 provinces of Puglia, but was responsible for the maintenance of the entire Italian Army, Navy, and Air Force, the Minister of Finance claimed that advances of AM lire were necessary to give the branches of the Banca d'Italia in Puglia an adequate currency reserve for the conduct of Government business. To the end of January 1944, these advances totalled only 690 million lire. No such advances have been made since 31 January, and it is not anticipated that any further advances will be necessary. The Government no longer needs advances because bankers' deposits and postal savings redeposits at the branches of the Banca d'Italia are more than adequate to meet the Government's currency needs. The Finance Sub-Commission is now taking steps to obtain repayment of the earlier advances from surplus currency in the Banca d'Italia.

(c) It is not to be thought that a procedure under which the Italian Government finances its current expenditure through drawing on an overdraft account at the central bank rather than spending AM lire advanced to it by AMG reduces in any way the inflationary pressure. Such pressure comes from the Italian Government deficit, and however that deficit were financed, other than through the extremely unlikely method of sales of government bonds to middle and lower income classes, the inflationary effect would have been the same. The FTA Report is entirely mistaken when it says "The problem is not so much one of financing this deficit as it is of providing the actual paper money which is needed to meet the Italian governmental payroll". The problem is reduction of the deficit; the particular method chosen to finance any given deficit is a matter of very little consequence. The FTA report has badly confused the issue in focussing so much attention upon the use of AM lire as one of the means used to finance a part of the deficit.

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B. Organization of the Army

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government machinery and lines of authority and control over provincial and local administration. This work had to be carried on by a Finance Ministry staff that, at the beginning, was only a handful of experienced personnel. It was not until 11 February, 1944, when Sicily, Sardinia, and the southern provinces of the mainland to the Bari - Salerno line came under the jurisdiction of the Badoglio government, that the Italian Ministry of Finance was in a position to exercise control over any significant portion of the liberated territory. For example, it is now possible to speak of a central bank for the whole territory, rather than 22 provincial branches of the Banca d'Italia, which had been operating without central direction. The establishment of such an integrated structure is a first step in establishing effective or effective control.

Likewise, it was not until February that the relationship of AMG to AMF was clarified. For several months previously, the then Fifth Army (including Peolee) were under AMG 15th Army Group. AMG authority was limited to the territory then under the Badoglio government (8 pupils - provinces) and Region I (Sicily). All Region II (Southern Mainland) were under Fifth AMG. The Finance Sub-Commission now has jurisdiction over both AMG Regions I and II and AMF areas. (At present Regions III, IV and V).

Now that the long period of preparatory work is ending, the Finance Sub-Commission is reviewing all financial measures taken up to this point and developing a broad, coordinated program of the monetary measures that will contribute to internal stabilization. It is intended to submit this program in the near future to G-5 for comment. It will deal with expenditure control, a realistic and effective tax program, price control, and governmental finances.

F. Currency Conversion

In the final paragraphs of Section IV, the Report points out the danger of permitting old metropolitan lire to circulate in Allied occupied Italy, and of planning to continue its use in newly-won territory, when large quantities of such currency as well as the invasion mud plates with which it was made are still under enemy control in German occupied Italy. The Finance Sub-Commission has had this problem continuously in mind. It is developing a plan for the possible conversion of all metropolitan lire now in liberated territory into AM lire in order to prevent German printed lire from coming into the area and in order to provide a means through conversion at a rate less than one to one, to reduce such inflation as we may find in newly won territory. This plan, together with a technical discussion of the administrative problems that its execution would create, is intended to be forwarded to G-5 within a request for an expression of its views in the near future.

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PART II

COMMENTS ON THE FACTS AND FIGURES

A. Cost of Living

1. Food prices (page 21 ff)

The food price data used in the Report was largely taken from an early study of this Sub-Commission. More recently, food price information in greater detail has become available. This information was published in the monthly reports of the Finance Sub-Commission for January, (page 13 ff) and February (page 1 ff).

2. Wages (page 22)

We have been informed by the Labour Sub-Commission that a separate FTA Report has been prepared and forwarded to Washington on the programme of that Sub-Commission. In view of this, we have refrained from commenting on this section.

B. Inflationary Factors

1. Inflationary factors before Allied occupation (page 22 ff)

The Report points out that inflation was in rapid progress in Italy before the Allied invasion, a fact that, while obvious, is frequently forgotten. Since 1930, Italian budgets had consistently shown heavy deficits. Italy's additional war expenditure was 60 billion lire in 1940-41 and 80 billion lire in 1941-42. These heavy expenditures were financed without adequate taxation. The mounting government deficit coupled with continuously increasing shortages of goods and a great diversion of man power into the armed services had made inflation one of Italy's greatest internal problems before the Allied invasion. The Finance Sub-Commission estimates that food prices in Naples rose about 5 per month in the first half of 1943. When the Allied attack on Italy began, destruction of transportation facilities in Southern Italy and their use by the enemy added greatly to the food inflation problem. The existence of rapid inflation in food prices in Naples prior to the Allied occupation is demonstrated in the figures given in the January Report of this Sub-Commission. It is estimated there that the cost of living increased 200 per cent from July to September.

2. Financial Operations of Military Government

(a) Nature of the Currency (page 23 ff)

The MTA Report states that as soon as sufficient quantities of A lire were available to replace the occupation currencies, operators discontinued the issuance of yellow seal dollars and MTA pounds. This is not quite correct. A sufficient quantity of A lire was printed and distributed to

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1. Inflationary Factors before Allied occupation (page 22-28)

The Report points out that inflation was in rapid progress in Italy before the Allied invasion, a fact that, while obvious, is frequently forgotten. Since 1930, Italian budgets had consistently shown heavy deficits. Italy's additional war expenditure was 60 billion lire in 1940-41 and 80 billion lire in 1941-42. These heavy expenditures were financed without adequate taxation. The mounting government deficit coupled with continuously increasing shortage of goods and a great diversion of man power into the armed services has made inflation one of Italy's greatest internal problems before the Allied invasion. The Finance Sub-Commission estimates that food prices in Naples rose about 2 per month in the first half of 1943. When the Allied attack on Italy began, destruction of transportation facilities in Southern Italy and their use by the Axis added greatly to the food inflation problem. The existence of rapid inflation in food prices in Naples prior to the Allied occupation is demonstrated in the figures given in the January Report of this Sub-Commission. It is estimated there that the cost of living increased 200 per cent from July to September.

2. Financial Operations of Military Government

(a) Nature of the Currency (page 29-31)

The PWB Report states that as soon as sufficient quantities of A lire were available to replace the occupation currencies, operators discontinued the issuance of yellow seal dollars and B A pounds. This is not quite correct. A sufficient quantity of AM lire was printed and distributed to U.S. Army finance officers to cover most of their August payrolls and to make unnecessary large payments of yellow seal dollars. British Army operators, on the other hand, have continued to pay out substantial quantities of B A pounds until very recently, although they had already drawn 1,747 million AM lire by 31 October 1943, and have not considered an appreciably larger working balance since that time. The decision as to the currency paid out is made by the British and American operators, and is not under the control of AFHQ. At first, yellow seal dollars, and B A pounds are still legal tender under both AMG and Italian governmental regulations. However, Italian banks have been directed by AMG to redeem all yellow seal and B A pounds currency for the account of AFHQ, which in turn delivers specified currencies to the respective payments for use in other theaters. There is a continuous, but small, influx of yellow seal and BA currency in the form of funds in the personal possession of troops arriving in Italy. The following amounts, in lire value, had been withdrawn from circulation by AFHQ to the end of February:

	Lire values
Yellow seal dollars	249,013,636
BA pounds	856,990,717
	1,106,104,353

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Since the FRA mission left Italy, arrangements have been made for the printing of a new Italian currency in the United States. Dies for the new currency have been approved by the Minister of Finance, but it is estimated that this currency will not be available for 6 to 8 months.

(b) Expenditures of Al lire (para 24 c)

The FRA Report states that the total amount of Al lire recorded through American, British, and French military channels as of 30 November 1943 was 8.5 billion. The Report has confused the amount issued to paymasters with the amount expended. As of 30 November the Armies held about 4.2 billion Al lire in cash and had expended only 4.3 billion, plus a relatively small amount of accrued pay rolls. As of 29 February 1944, the Allied Forces had received 17,956 million lire, but had spent only 12 billion lire. The monthly rate of expenditure has therefore been less than that indicated in the Report of FRA.

Secondly, the FRA Report estimates soldiers' expenditures in Italy on the basis of experience in North Africa. The Italian data now available indicate that percentage expenditures are somewhat higher. Officers and men of the American armed forces in Italy spent 40 per cent of their cash pay in Italy in February, representing perhaps 20 per cent of total pay and allowances, having regard to voluntary and compulsory allotments and the practice of permitting pay to remain without drawing full amounts earned. A large part of pay and allowances to British officers and other ranks is retained in sterling and not paid in cash in Italy. Soldiers, especially American troops, are urged to buy war bonds and are offered ready facilities for remitting money home in order to reduce their expenditure in Italy.

Thirdly, it is stated that "a considerable portion of the military expenditures is attributable to the hire of local labour" and that such high rates of pay constitute a serious factor. This is not the case. Payments to civilian employees of the U.S. and British Armies amount to only about 100 million lire per month, out of total gross expenditures of over 4.5 billion.

(c) Currency Receipts of AMG (para 25 c)

After detailing the numerous channels through which Al lire have been put into circulation, the FRA Report lists only one of the channels through which it is absorbed, namely receipts from AMG sales to civilians. Other channels of absorption are commercial bank deposits with the Bank of Italy or with AMG, Italian Government and commercial bank repayment of AMG advances, and the accumulation of idle deposits in commercial banks by individuals and businesses.

(d) Increase in the circulating medium (para 26)

The Report estimates that the issuance of Al lire up to 30 November had increased the currency circulation 50%. This estimate rests on the

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and the practice of permitting pay to accrue without drawing full amounts earned. A large part of pay and allowances to British officers and other ranks is remitted in sterling and not paid in cash in Italy. Soldiers, especially American troops, are urged to buy war bonds and have offered ready facilities for remitting money home in order to reduce their expenditure in Italy.

Thirdly, it is argued that "a considerable portion of the military expenditures is attributable to the hire of local labour" and that such high rates of pay constitute a serious problem. This is not the case. Payments to civilian employees of the U.S. and British Armies amount to only about 100 million lire per month, out of total gross expenditures of over 400 billion.

(c) Currency Receipts of AFHQ (page 25-26)

After detailing the numerous channels through which A. lire have been put into circulation, the [illegible] Report lists only one of the channels through which it is observed, mainly receipts from PX sales to civilians. Other channels of absorption are commercial bank deposits with the Bank of Italy or with AFHQ, Italian Government and commercial bank repayment of AFHQ advances, and the accumulation of idle deposits in commercial banks by individuals and businesses.

(d) Increase in the circulating medium (page 26)

The Report estimates that the issuance of AM lire up to 30 November had increased the currency circulation 50%. This estimate rests on the assumption that the circulation of the presently liberated provinces was 15 billion before our occupation. Estimates of this figure vary from 10 to 30 billion. Accordingly, the percentage increase attributable to AM lire would vary from 20% to 25%. At the end of February, AM lire in commercial banks and in the hands of the public amounted to 42.3 billion. It should not be forgotten, of course, that circulation would have increased quite substantially during this period if Italy had not been invaded. However, as is shown in Part I above, the amount of AM currency issued and absorbed is not the vital question. It is merely the particular form in which the Italian Government deficit and Allied expenditures appear.

C. Remedial Measures

1. Reopening of the Banks (page 27 ff)

The Report points out that deposits began to exceed withdrawals shortly after the banks were reopened. The excess of deposits over withdrawals has continued up to the present time. The Report attributes the increase in deposits

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rapidly that new issues were being bought. This "trading off" of the B.T.O's was a part of the financial crisis that contributed to the downfall of Mussolini. Because of this situation we believe that discontinuance of the sale of B.T.O's in AMG territory was a correct move, and one that prevented a drain of currency into circulation. In Sicily the sale was not discontinued and subscriptions exceeded redemptions up to December. Sale of B.T.O's was resumed in AMG territory on 1 January 1944. During January there was a net investment in such securities of 126 million lire in the provinces for which information is available - approximately 3/4 of the area. Details of sales and redemptions are tabulated on page 3 of the February issue of the AMG Monthly Financial Review of Italy, a copy of which is attached.

(d) With respect to the maturity on 15 December of the 5-year 4½ Treasury bonds, the Cabinet decided to issue some 300 million lire as advanced by AFHQ and used in meeting the maturity. Arrangements were made to reimburse AM Lire to the Italian Government if it proved necessary to do so. However, payment of the issue was made in the usual way through the Banco d'Italia's Treasury account and no specific advance was made by AFHQ to cover repayment of the bond issue except in Sicily, where 82 million lire was provided for this purpose because the Banco d'Italia had not been reopened at the date of maturity. Only approximately one quarter of the Sicilian currency was used. In other areas, the redemption was handled by the Banco d'Italia in the ordinary course without separate account. The available figures on the amount of the bond issue up to 31 January are given in Table V of the AMG Monthly Financial Review of March 1944, a copy of which is attached. The Report also calls attention to the restoration of interest payments on the debt of the Italian Government which began on 1 January.

5. Taxation (page 29)

Such data as is available on tax revenues is given in the January and February reports of the Finance Sub-Commission, attached. The February report contains an account of the views on the basis of increasing revenue and revising the tax structure. Among other things in the program now under discussion are:

(a) requirement that taxpayers file annual returns of actual receipts for tax purposes;

(b) acceleration of assessment and collection of the excess profits and turnover taxes;

(c) requirement that persons engaged in businesses and professions keep books;

(d) [illegible] of the legal powers [illegible] to make supplementary assessments and to [illegible] for incorrect returns.

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as the case may be, ...

... Only some slightly one quarter of the Sicilian ... was used. In other words, the subscription was handled by the Banca d'Italia in the same way as other subscriptions on Government account. The ... figures as recorded on the Bank's books as at 31 January are given in Table V of the ACC Monthly Financial Review of March 1944, a copy of which is attached. The Report also indicates that the resumption of interest payments on the whole of the Italian Government debt began on 1 January.

3. Taxation (para 29)

Such data as is available on tax revenue is given in the January and February reports of the Finance Sub-Commission, attached. The February report contains an especially valuable note with regard to measures for reforming the tax structure. Among other things in the measures now under discussion are:

(a) ... and ... the ... returns of actual profits for tax purposes;

(b) acceleration of assessment and collection of the excess profits and turnover taxes;

(c) requirement that persons engaged in business and professions keep books;

(d) ... of the Fiscal Experts ... to make supplementary assessments ... in cases of fraud.

4. Price Control (para 30 ff)

Comments on this section of the report are being submitted by the Secretary of the Economic Section's Price Committee.

E. H. Fuller, U.S.,
Colonel,
Joint Director,
Finance Sub-Commission.

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Appendix "H"

C O N F I D E N T I A L

MONTHLY FINANCIAL REVIEW OF ITALY

March 1944

Prepared by:

Finance Sub-Commission, Allied Control Commission.

Col. E. H. Foley, Jr., Joint Director
Col. A. P. Grafftey-Smith, Joint Director
Captain Andrew Kemarck, Editor.

A. SUMMARY OF DEVELOPMENTS.

1. Based on figures for the Treasury account at the Banca d'Italia, the total excess of governmental payments over receipts in the eight months period from 1 July 1943 to 29 February 1944 amounted to 20,000 million lire or a monthly average of 2,500 million lire. The figure for February appears to exceed this average and to be close to 3,000 million lire. According to AFA estimates, the net payments to civilians by Allied Forces average 1,500 million lire a month. Italian government expenditures continue to be the most important single monetary inflationary force in Italy.

2. Net investment in government bills or short-term notes (buoni del Tesoro Ordinari) amounted to 262 million lire in February for the area from which reports are available. There is evident a tendency on the part of investors to shift to purchase of shorter-term maturities than one-year although most of the B.T.O. purchased still are for the 12-month period. Prices of outstanding longer-term government securities have shown a tendency to rise, if the scanty information available is a reliable indication.

3. Total currency holdings of the Banca d'Italia in Liberated Italy on 29 February amounted to 4,000 million lire. This figure excludes mutilated and annulled currency and currency held as 100 percent cover for Allied deposits. Total current liabilities totalled 7,000 million lire of which 6,000 million was owed to banks and 1,000 million to non-banking individuals and institutions.

4. On 2 February a Commissioner and Vice-Commissioner of the Banca d'Italia for Liberated Italy were appointed to give a unified direction to the 39 branches of the central bank in Liberated Italy. Instructions were issued by the new Commissioner and the Minister of Finance to the branches of the Banca d'Italia to use all means possible, including the powers of the Inspectorate over the commercial banks, to discourage credit expansion by commercial banks for non-productive, hoarding, or speculative purposes. The Banca d'Italia was authorized by the Minister of Finance to pay 4 per cent interest (annual rate) on bankers' deposits with the Banca d'Italia deposited under condition of non-withdrawal for three months and 4.50 per cent for four months.

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B. FINANCIAL STATISTICS.

1. Italian Government "Deficit".

a. The first almost wholly complete summary of the Italian State account with the Banca d'Italia in Liberated Italy is given in Table I. These are the best figures so far available to us on the size of the Italian government deficits in this area from 1 July 1943 to 29 February 1944. While far from ideal, on balance it is felt that the figures do come somewhere near presenting a picture which resembles the true facts. The figures show roughly a total excess of payments on government account over receipts of 20,000 million lire from 1 July 1943 to 1 March 1944 or an average net addition to incomes in this area of 2,500 million lire a month since 1 July 1943. These figures may be compared to the estimate which has been made by the Allied Financial Agency that net payments by Allied troops in Italy to civilians amounted to around 1,500 million lire a month.

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b. According to this data, the excess of 20,000 million lire payments out of the government account was met principally by over-draft on the Banca d'Italia to a total of 5,500 million lire, depletion of the balance held by the government at the

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TABLE I

Italian State Account at Banca d'Italia
1 July 1943 through 29 February 1944
(in millions of lire)

	Salerno	Lucania	Calabria	Puglia less Foggia	Sardinia	Sicily	Total King's Italy	Campob
1. "Deficit" in State Account.								
Total outpayments less payments on account of Buoni del Tesoro ordinari	440	420	1,824	7,903	4,253	n.d.		303
Total inpayments less receipts on account of Buoni del Tesoro ordinari	53	45	139	1,224	289	n.d.		32
	387	375	1,689	6,679	3,964	2,852	15,946	271
2. How State "Deficit" Was Met.								
Advances from AFA and AMG	0	75	170	650	675	2,852	4,427	32
Funds supplied from Rome	0	200	280	920	-	n.d.	1,300	0
Credit advanced by Banca d'Italia to State	72	0	268	2,734	1,579	n.d.	4,673	0
Decrease in balance held by State at Banca d'Italia on 1 July 1943	337	142	1,160	1,210	1,111	n.d.	3,960	200
Net receipts from Buoni del Tesoro ordinari or net repayment (-)	-16	-51	-1	142	74	n.d.	148	-7
Increase or decrease (-) in Contabilita' Speciale accounts and in deposits in cash as guarantees	-6	9	-128	1,043	525	n.d.	1,443	46
Total	387	375	1,689	6,679	3,964	2,852	15,946	271

n.d. - no data.

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TABLE I

te Account at Banca d'Italia
43 through 29 February 1944
n millions of lire)

nia	Calabria	Puglia less Foggia	Sardinia	Sicily	Total King's Italy	Campobasso	Foggia	Campania less Salerno	Grand Total of All Liberated Italy
20	1,824	7,903	4,253	n.d.		303	258	4,131	
15	139	1,224	289	n.d.		32	90	673	
75	1,689	6,679	3,964	2,852	15,946	271	168	3,458	19,843
75	170	650	675	2,852	4,425	32	0	0	4,454
00	200	540	-	n.d.	1,300	0	0	3,327	4,627
0	286	2,734	1,579	n.d.	4,673	0	0	570	5,243
42	1,160	1,210	1,111	n.d.	3,960	200	104	959	5,223
51	..1	142	74	n.d.	~~264~~ 148	-7	-7	-42	~~172~~ 92
9	..228	1,043	525	n.d.	1,~~497~~ 448	46	71	344	~~1,925~~ 1904
975	1,689	6,679	3,964	2,852	15,946	271	168	3,458	19,843

various branches of the Banca d'Italia at the beginning of the fiscal year, 5,200 million lire, advances from Allied Financial Agency 4,500 million lire, and funds transferred from Rome 2,600 million lire.

c. While we now have a report on the status of the state account at all of the branches of the Banca d'Italia in Liberated Italy, with the exception of Sicily, as of 29 February 1944, we do not have complete reports on the movement in the account during February. From the reports that have come in, it would appear that the excess of payments over receipts was around 3,000 million lire for the month.

d. There are a number of cautions to be observed in considering the figures shown in Table I.

(1) Not all of the Italian government deficit is included.

(a) The table shows a total of AFA and AMG advances of 4,454 million lire whereas the total advanced was over 1,100 million lire more or 5,578 million lire. That is, advances made directly by AFA and AMG to meet local and provincial deficits do not, except in the Sicily figure, appear in the Table.
(b) That part of the Sicilian deficit which was met by another means than AFA advances is also not included.
(c) The financing of that part of the local and provincial deficits prior to our occupation of a province which did not go through a Ministry budget likewise would not be included in these figures. The expenditures which were made by the central government from Rome in this area without passing the funds through a local branch of the Banca d'Italia are not included in this computation. On the other hand, income to the central government originating in this area which did not go through the state account on the provincial level also does not appear. It is doubtful that the latter would out-balance the former.
(d) The payments out of the account, and therefore the deficit, are under-stated by the exclusion of payments of interest on Buoni del Tesoro Ordinari. These interest payments are lumped in with the figures on repayment of capital and the two together are offset by investment in the Buoni del Tesoro ordinari.

(2) The payments from the state account which were simply added to the balances of parastatal institutions and other organizations should not be considered as being an inflationary influence and represent in this sense a subtraction from the size of the deficit. The total increase shown in the Contabilita' Speciale accounts over this period should, therefore, for this purpose be subtracted from the deficit. This total was somewhat less than 1,304 million lire for the period, as the deposits of cash guarantees which are included with the Contabilita' Speciale accounts in the table are an entirely different problem so far as this discussion is concerned.

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(3) The results can not be used to compare the situation in one province with another. For example, the expenditures for the Italian army in Campania are to be found in the Puglia state account, not in the Campania account. Similiarly, revenues actually originating in one province may not appear on the state account in that province but in another province. It is only when as large a number of provinces as possible are included that the transfers and differences due to accounting procedure begin to balance out and that the total becomes meaningful.

(4) The final word of caution is that it is to be realized that these are figures originating from Italian provincial sources, and largely processed by Italian provincial accountants. Uniformity in procedure among the various branches of the Banca d'Italia at times leaves much to be desired. And bluntly, the standards of statistical accuracy that have been encountered so far are not high: errors of hundreds of millions are almost common place.

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2. Investment in Government Securities.

a. During February, there was net investment in the only type of government security being sold (Buoni del Tesoro ordinari) in every province and region from which reports have been received. The total net investment amounted to 262 million lire of which two-thirds came from the four provinces of Puglia.

During February, the largest amounts of the B.T.O. sold were the 12-month maturities. But compared to last year an increasingly large portion of the sales were for shorter maturities. We do not yet have complete data showing the type of maturities purchased, but from what has been reported the change from last year is evident. For the first time, for example, the Salerno branch of the Banca d'Italia sold B.T.O.'s with a maturity of less than 12 months. And in Naples over one-third of the total investment was in B.T.O.'s of one and two month maturity.

b. In Table III is presented our first summary of the investment in B.T.O.'s since 1 July 1943 in the regions making up Liberated Italy. The total net investment in all the provinces of Liberated Italy amounts, for this whole period, to only 236 million lire. It is clear that not until the month of February when there was a net investment of 262 million lire was the net dis-investment of the summer made up.

TABLE II

Investment in Buoni del Tesoro Ordinari

February 1944.

	B.T.O. Issued (Nominal capital)	B.T.O. Paid	Net Investment During Month
Salerno	10	7	3
Lucania	11	8	3
Calabria	10	4	6
Puglia (less Foggia)	250	62	188
Sardinia	20	6	14
Sicily	n.d.	n.d.	n.d.
Campobasso	3	1	2
Foggia	n.d.	n.d.	n.d.
Naples	88	42	46
Avellino	n.d.	n.d.	n.d.
Benevento	n.d.	n.d.	n.d.
Caserta	n.d.	n.d.	n.d.
Total of above	392	130	262

TABLE III

Investment in Buoni del Tesoro Ordinari
1 July 1943 - 29 February 1944

	Net Investment

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TABLE II

Investment in Buoni del Tesoro Ordinari

February 1944.

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Salerno	10	7	3
Lucania	11	8	3
Calabria	10	4	6
Puglia (less Foggia)	250	62	188
Sardinia	20	6	14
Sicily	n.d.	n.d.	n.d.
Campobasso	3	1	2
Foggia	n.d.	n.d.	n.d.
Naples	88	42	46
Avellino	n.d.	n.d.	n.d.
Benevento	n.d.	n.d.	n.d.
Caserta	n.d.	n.d.	n.d.
Total of above	392	130	262

TABLE III

Investment in Buoni del Tesoro Ordinari
1 July 1943 - 29 February 1944

	B.T.O. Issued (Nominal capital)	B.T.O. Paid	Net Investment During Month (Excess of repayments (-))
Salerno	24	42	- 18
Lucania	94	141	- 47
Calabria	61	60	1
Puglia (less Foggia)	588	422	166
Sardinia	123	44	79
Sicily	273 *	177 *	96 *
Campobasso	13	20	- 7
Foggia	33	38	- 5
Campania (less Salerno)	346	375	- 29
Total Liberated Italy	1,555	1,319	236

* Incomplete, through January for Palermo. 29 January for rest of Sicily.

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3. Prices of Government Securities.

The Banco di Napoli has supplied to the Allied Financial Agency a list of prices at which government securities are being traded in Naples. These are unofficial quotations and in many cases represent prices asked rather than bid prices. Still, an upward trend in the recent months in prices of government securities is evident from the data.

TABLE IV

Prices of Government Securities
(Unofficial market prices at Naples)

(Lire)

	31 Dec. 1943	31 Jan. 1944	15 Feb. 1944	17 Mar. 1944
9-year bonds, 5% 1944	85.00	94.00	n.d.	95.00 - 97.00
5-year bonds, 5% 1948	n.d.	n.d.	n.d.	86.75 - 87.25
9-year bonds, 5% 1949	70.00	81.50	79.25	84.75 - 85.25
9-year bonds, 5% 1950 1st issue	70.00	81.50	79.25	84.25 - 84.75
9-year bonds, 5% 1950 2nd issue	70.00	81.50	79.25	84.00 - 84.50
9-year bonds, 5% 1951	70.00	81.50	79.25	83.50 - 84.00
9-year bonds, 4% 1951	64.50	74.50	69.00	72.75 - 73.25
Rente Italiana, 5%	67.00	81.00	80.00	83.25 - 83.75
Rente 3.50% (1906)	80.25	90.90	91.50	95.75 - 96.25
Redeemable long-term bonds, 5%	n.d.	n.d.	n.d.	84.00 - 84.50
Redeemable long-term bonds, 3.50%	63.25	71.45	n.d.	67.00 - 68.00

4. Payment of Maturity of 15 December 1943, 4% nine-year bonds.

Based on the samples of Campania, Calabria, Lucania, it would appear that about one-quarter of the total of the bonds outstanding in Liberated Italy have been paid to 29 February 1944. To the end of February, a total of 65 million lire has been reported paid in Liberated Italy of the probable total of almost 300 million held in the area. As the German puppet-government of northern Italy also announced that it would service the part of the issue held on its side of the lines, the bulk of the 2,000 million of the issue must have been paid by them.

TABLE V.

Payment on 15 December 1943 Maturity of
4% Nine Year Bonds
15 Dec. 1943 through 29 February 1944
(In Lire)

AREA	TOTAL OUTSTANDING	TOTAL PAID	% PAID OF TOTAL

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9-year bonds, 5% 1950 2nd issue	70.00	81.50	79.25	83.50 - 84.00
9-year bonds, 5% 1951	64.50	74.50	69.00	72.75 - 73.25
9-year bonds, 4% 1951	67.00	81.00	80.00	83.25 - 83.75
Rente Italiane, 5%	80.25	90.90	91.50	95.75 - 96.25
Rente 3.50% (1906)	n.d.	n.d.	n.d.	84.00 - 84.50
Redeemable long-term bonds, 5%	63.25	71.45	n.d.	67.00 - 68.00
Redeemable long-term bonds, 3.50%				

4. Payment of Maturity of 15 December 1943, 4% nine-year bonds.

Based on the samples of Campania, Calabria, Lucania, it would appear that about one-quarter of the total of the bonds outstanding in Liberated Italy have been paid to 29 February 1944. To the end of February, a total of 65 million lire has been reported paid in Liberated Italy of the probable total of almost 300 million held in the area. As the German puppet-government of northern Italy also announced that it would service the part of the issue held on its side of the lines, the bulk of the 2,000 million of the issue must have been paid by them.

TABLE V.

Payment on 15 December 1943 Maturity of
4% Nine Year Bonds
15 Dec. 1943 through 29 February 1944
(In Lire)

AREA	TOTAL OUTSTANDING	TOTAL PAID	% PAID OF TOTAL OUTSTANDING.
Salerno	6,674,500	1,755,000	27
Lucania	n.d.	2,032,000	
Calabria	17,043,000	2,618,000	15
Puglia (less Foggia)	n.d.	6,417,000	
Sardinia	n.d.	2,354,000	
Sicily	est.54,000,000	13,304,000 *	25
Campobasso	n.d.	1444,000 *	
Foggia	n.d.	939,000	
Campania (less Salerno	126,533,500	34,274,000	28
Total of above	204,241,000	65,137,000	
Total Italy	2,000,000,000	n.d.	

* Through January.

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5. Postal Savings.

a. In several provinces, principally Sicily, no buoni postali frutiferi (postal savings bonds) have been on sale because of the shortage of certificates for issue. On 26 March 1944, full service was resumed in all liberated territory with provisional certificates available to ensure continuity of service until the new issue of blank bonds is ready.

b. The Ministry of Finance has requested data on the movement of postal savings but as yet no information has been received, other than from Puglia (less Foggia). Even the figures on Puglia are not complete. We also have a report from our own officers in Sardinia.

c. During February (with Bari figures on current accounts missing) in Puglia the figures show a net increase in money deposited in postal savings offices. There was a net increase of 16 million lire in postal savings books and a net decrease in postal savings bonds of 14 million lire. Current accounts (with Bari missing) showed an increase of 28 million lire. Total inflow of funds reported totaled 30 million lire.

d. The monthly increase in savings in Sardinia remained fairly steady around 11 million lire a month in both January and February 1944.

TABLE VIa

Postal Savings in Puglia (less Foggia)
February 1944
(In thousands of lire)

	Bari	Brindisi	Lecce	Taranto	Total
Postal Savings Bonds	-7,914	-1,479	-2,386	-2,084	-13,863
Postal Savings Books	7,204	1,374	4,157	2,749	15,584
Current Accounts	n.d.	16,186	13,196	958	28,424(incomp)
Total	710 (incomplete)	16,081	14,967	-293	30,135 (incomplete)

TABLE VIb

Postal Savings in Sardinia
(In thousands of lire)

January 1944.	Cagliari	Sassari	Nuoro	Total
Postal Savings Bonds	-3,152	1,725	-406	-1,833
Postal Savings Books	7,008	3,797	1,984	12,789
Total	3,856	5,522	1,578	10,956

February 1944.

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b. The monthly increase in savings in Sardinia remained fairly steady around 11 million lire a month in both January and February 1944.

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Postal Savings Books	7,008	3,797	1,984	12,789
Total	3,856	5,522	1,578	10,956
February 1944.				
Postal Savings Bonds	850	329	-195	1,084
Postal Savings Books	6,194	2,490	1,500	10,184
Total	7,044	2,919	1,305	11,268

6. Currency holdings of the Banca d'Italia.

The total "spendable" (excluding mutilated and dirty currency and currency held as cover for Allied deposits) currency holdings of the Banca d'Italia in Liberated Italy at the end of February 1944 totalled 4,000 million lire (See Table VII). Of this, 1,800 million lire was Italian-printed lire and 2,200 million lire consisted of currencies introduced during the Allied occupation. The uneven composition of the currency reserves between the various areas is particularly to be noted. In Sicily where currency reserves of the Banca d'Italia had been in large part destroyed or shipped out prior to our occupation, the bulk of the holdings are AM Lire. In Naples, the opposite is true.

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7. Current Liabilities of the Banca d'Italia.

In Table VIII is presented for the first time a report on the current liabilities of the Banca d'Italia in Liberated Italy with the exception of Sicily for which no reports have been received. As of 29 February 1944, the total of funds which the Banca d'Italia could be called upon to pay, exclusive of the government account, amounted to 7,000 million lire, of which 6,000 million lire was owed to banking institutions and 1,000 million to non-banking institutions and individuals. The total of interest-bearing accounts amounted to around 7,800 million lire. The residual available on advances, secured by government securities comes to 1,500 million. The principal part of the residual available on advances was concentrated in Campania and Puglia.

The "current accounts at no interest" item refers to the accounts in which the Banca d'Italia carries the income from securities received on behalf of others until the income is withdrawn or transferred to another account. The very large sum of 2,000 million shown here for Calabria probably is due to this particular region carrying its AFA accounts in this classification.

C. OTHER FINANCIAL DEVELOPMENTS.

1. The Present Organization of the Banca d'Italia.

a. As mentioned in our monthly reports, Arturo Atti, senior member of the Superior Council of the Banca d'Italia, on 2 February 1944, was appointed Commissioner of the Banca d'Italia in Liberated Italy with all the powers of the Superior Council, the Governor, Director General, and the Vice-Director General of the Bank over the branches in Liberated Italy.

The following powers of the Superior Council are to be exercised by the Commissioner only with the express approval of the Minister of Finance.

(1) Deliberation on the form and characteristics of bank notes, vaglia cambiari and assegni bancari;
(2) Creation and issuance of bank notes and the destruction of the retired and annulled notes.
(3) Determination of the rules and the conditions for the operations of the bank.
(4) Authorization of contracts which have to do with the disposal of real property of a value greater than 100,000 lire, and transactions having to do with credits of a sum greater than 400,000 lire, and all other contracts and actions which the Governor of the Bank believes important enough to submit to the approval of the Superior Council.
(5) Deliberations on cancellations, reductions, and restrictions of mortgages written in favor of the bank, and surrogations in favor of third parties when the credit is not entirely extinguished (above 400,000 lire limit mentioned).

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(5) Deliberations on cancellations, reductions, and restrictions of mortgages written in favor of the bank, and surrogations in favor of third parties when the credit is not entirely extinguished (above 400,000 lire limit mentioned).

b. A Vice-Commissioner, Alceto Pettinari, Managing Director of the Banca d'Italia, was appointed at the same time to assist Atti, particularly in the coordination of the branches of the Banca d'Italia. Pettinari was likewise appointed Managing Director of the Naples branch of the Banca d'Italia.

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TABLE VII

29 February 1944 Currency Holdings of Banca d'Italia
Liberated Italy
(excludes AM lire held as 100% cover for AFA and other Allied deposits, excludes all currency which because of condition cannot be paid out)
(In millions of Lire)

	State Notes	Banca d'Italia	Titoli Stampigliati	AM Lire	BMA Notes	Dollars	Sub-Total Italian Printed
Salerno	4	117	(1)	121	12	(1)	121
Luccania	4	19	(1)	153	14	(1)	23
Calabria	7	87	3	229	4	(1)	97
Puglia (less Foggia)	71	167	0	119	12	(1)	236
Sardinia	6	66	6	102	(1)	0	78
Sicily	*	335 *	n.d.	1,153	n.d.	n.d.	335
Campobasso	4	71	0	8	1	0	75
Foggia	2	16	0	32	25	(1)	20
Campania (less Salerno)	10	763	(1)	198	8	2	773
Total	108 *	1,643 *	9	2,115	78	2	1,760

(1) Total less than 500,000 lire.
* State notes included with Banca d'Italia notes in Sicily.

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TABLE VII

29 February 1944 Currency Holdings of Banca d'Italia, Liberated Italy
(excludes AM lire held as 100% cover for AFA and other Allied deposits, excludes all currency which because of condition cannot be paid out)
(In millions of Lire)

lia	Titoli Stampigliati	AM Lire	BA Notes	Dollars	Sub-Total Italian Printed	Sub-Total War Currencies	Grand Total
	(1)	121	12	(1)	121	133	254
	(1)	153	14	(1)	23	167	190
	3	229	4	(1)	97	233	330
	0	119	12	(1)	238	131	369
	6	102	(1)	0	78	102	180
*	n.d.	1,153	n.d.	n.d.	335	1,153	1,488
	0	8	1	0	75	9	84
	0	32	25	(1)	20	57	77
	(1)	198	8	2	773	208	981
*	9	2,115	76	2	1,760	2,193	3,953

ire.
Banca d'Italia notes in Sicily.

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TABLE VIII

Current Liabilities of Banca d'Italia
(excluding vaglia)
29 February 1944
(In millions of Lire)

	Due to Banks			Due to Non-Bank Creditors		
	Non-interest bearing current accounts	Interest-bearing current accounts	Residual available on advances	Non-interest bearing current accounts	Interest-bearing current accounts	Resi able
Salerno	(1)	65	40	74	18	
Luccania	(1)	20	21	174	7	
Calabria	228 *	166	134	67	21	
Puglia (less Foggia)	(1)	1,398	412	127	58	
Sardinia	(1)	824	129	3	12	
Sicily	n.d.	n.d.	n.d.	n.d.	n.d.	n
Campobasso	0	30	16	0	5	
Foggia	(1)	10	50	13	0	
Campania (less Salerno)	(1)	2,132	1,417	157	64	
Total of above	228	4,645	1,219	613	184	3

(1) Less than 500,000 lire.
* Believed to include 201 million of AFI accounts.

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TABLE VIII

Liabilities of Banca d'Italia
(excluding vaglia)
29 February 1944
(In millions of Lire)

Due to Non-Bank Creditors						
dual avail- on advan- ces	Non-interest bearing cur- rent accounts	Interest-bearing current accounts	Residual available on advances	Sub-Total due to banks	Sub-Total due to non-bank creditors	Grand Total
40	74	18	49	105	141	246
21	174	7	14	41	195	236
4	67	21	40	528	128	656
12	127	58	136	1,810	321	2,131
29	3	11	33	953	45	998
.a.	n.d.	n.d.	n.d.	n.d.	n.d.	n.d.
16	0	5	18	46	23	69
0	13	0	16	60	29	89
7	157	64	77	2,549	298	2,847
9	613	184	383	6,092	1,180	7,272

c. Atti has remained at his home in Bari. Pettinari divides his time between the Banca d'Italia in Naples, outside King's Italy, and the branch in Bari, inside of King's Italy. He is thus the Managing Director of two out of the three principal offices of the Banca d'Italia in Liberated Italy. The third "sede" of the Banca d'Italia in Liberated Italy is in Palermo, Sicily. The central banking situation in Sicily is complicated by the fact that the Banco di Sicilia dominates the financial life of Sicily and has never completely accepted subordination to the Banca d'Italia, which it rather regards as a foreign intruder.

d. Dottore Domenico Busotti of the Central Administration of the Banca d'Italia has been made head of a new Office of Coordination for the Banca d'Italia in Liberated Italy and is located at the seat of the Italian Government in Salerno. In a certain sense this is the present real head office of the Banca d'Italia of liberated Italy.

2. Credit Policy of the Banca d'Italia.

a. Policy directive issued by head office of Banca d'Italia.

As his first act, on 6 February 1944, Commissioner Atti issued a letter to the branches of the Banca d'Italia outlining the credit policy to be pursued. The following are the main points of the letter:-

(1) The Banca d'Italia by direct contact with banks must discourage the financing of speculative operations or hoarding. The banks should aid any productive activity which makes an effective contribution to the economic reconstruction of the nation, to the renewal of productive activity, and to the struggle against unemployment. The banks should refuse any form of credit which directly or indirectly can result in speculative or hoarding operations.

(2) Any action of psychological or other nature should be avoided which would provoke disorder in the banking field with reprecussions on the already troubled life of the country.

(3) Little attention need be paid by the Banca d'Italia to its discount operations since the discounting now performed consists in the most part of re-discount operations and these are progressively diminishing.

(4) The advances made by the Bank on securities are important in view of the present and future development of advances and since the value of government securities is influenced by the advances. The advances are principally secured by five and nine-year bonds. For advances, the value of these bonds should be taken as the price at which they were issued less 20 per cent. (The rate charged by the bank on advances is the same as the discount rate, 4.50 per cent.)

(5) However, advances should be refused to private individuals who do not demonstrate an effective and urgent need of the advance for such legitimate ends as listed in (1) and (2) above.

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(5) However, advances should be refused to private individuals who do not demonstrate an effective and urgent need of the advance for such legitimate ends as listed in (1) and (2) above.

(6) Advances should be made to agricultural and industrial undertakings only when they meet the criteria enumerated in paragraph (1).

(7) Advances should be made to banking and credit institutions for their legitimate needs, always qualifying "legitimate" as defined in paragraph (1) above.

(8) The managing directors of the branches are requested to keep the head office informed of the important developments in their zones.

(9) The branches are especially requested to maintain frequent contact with the banks and other credit institutions in their areas in order to be able to impress upon them the importance of carrying out the goals outlined in paragraphs (1) and (2) and to enable the banks to find in the Banca d'Italia a support and a comfort in the difficulties of the present.

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b. Instructions of Minister of Finance to Banca d'Italia.

On 1 March 1944, the Minister of Finance issued a letter of instructions to the Commissioner of the Banca d'Italia in which he implemented the policy directive already issued by Atti. A summary of the letter follows:

(1) At the present time, in view of the extreme scarcity of commodities, every commercial operation which is not ordered or approved by the authority in charge of the distrubition of food or of essential products, will result in fact, in speculation or hoarding.

(2) Therefore, the principal task of the Inspectorate of Credit (of the Banca d'Italia) is to put care and maximum energy into the surveillance of the operations of banks to avoid inflationary consequences.

(3) Inspections should be made as frequently as convenient and any deviation from the rules laid down by the letter of Atti to the banks should be reported to the Ministry of Finance.

3. Increase in Interest Rates on Bankers' Deposits at Banca d'Italia.

By decree of the Minister of Finance dated 27 February 1944, and approved by the Chief of Financial Institutions, the Banca d'Italia was authorized to raise the rate of interest on bankers' deposits. The Bank was authorized to pay 4% on bankers' deposits with the Banca d'Italia when these are deposited under conditions of non-withdrawal for a period of 3 months and 4.50% under condition of non-withdrawal for 4 months.

The reason for this action, as stated by the Minister of Finance was that: in view of the fact that the Banca d'Italia was attempting to curtail investment opportunities of banks, the interest rate paid on bankers' deposits at the Banca d'Italia should be raised "to keep the banks happy".

After this decree, the schedule of interest rates on bankers deposits at the Banca d'Italia and on government bills and short-term notes, "Buoni del Tesoro ordinari" is as follows:

TABLE IX

Annual Interest Rates Payable
Investment of Banking Funds in Banca d'Italia and in B.T.C.

	Bankers' Deposits at Banca d'Italia	Investment in Buoni del Tesoro ordinari
Funds available at call	1.00 — 1.50%	——
" " at 8 days notice	2.50	——
" " at 15 days notice	3.00	——
" invested for 1-2 months	——	3.25%
" " " 3 months	4.00	3.75
" " " 4 months	4.50	3.75

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Investment of Banking Funds in Banca d'Italia and in B.T.O.

	Bankers' Deposits at Banca d'Italia	Investment in Buoni del Tesoro ordinari
Funds available at call	1.00 - 1.50%	——
" " at 9 days notice	2.50	——
" " at 15 days notice	3.00	——
" invested for 1-2 months	——	3.25%
" " " 3 months	4.00	3.75
" " " 4 months	4.50	3.75
" " " 5-6 months	——	3.75
" " " 7-8-9 months	——	4.75
" " " 10-11-12 months	——	5.00

4. Extension of Interest Payments on Matured Government Securities

On 2 March 1944, the King issued a decree extending the payment of interest on certain matured government securities which were not presented for payment on the date of maturity because of circumstances connected with the war. On the [illegible] Buoni del Tesoro ordinari (which pay from 3.25 to 5 percent depending upon their period) interest will continue to accrue at the rate of 5% annually from the date of maturity to the date when the B.T.O. are redeemed. On the nine-year 4% bonds which came due in December 1943, interest will continue to accrue at the rate of 4% annually until they are presented for payment.

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5. Lifting of Restrictions on Transactions in Lands and Buildings.

Early in March, the Italian government lifted the prohibition and restrictions upon transactions in lands and buildings imposed by Proclamation No. 5 in former AMG territory. This relaxation of controls has also been extended to present AMG territory by General Order No. 23, 9 March 1944. The Finance Minister took this action on the basis that it was not necessary as very few transactions occurred in Puglia where no ban existed. If a large increase in transactions in real estate representing a flight from currency occurrs the ban is to be re-imposed. No statistics have been received from the Italian government as yet showing the volume of transactions actually taking place.

D. DESCRIPTION OF THE ITALIAN FINANCIAL SYSTEM.

The Public Debt in Italy.

In last month's Financial Review, an outline of the Italian Public Debt was given. In Section d. Forced loans the Special Series of 5% nine-year Treasury Bonds(1944) which should have been likewise classed as a forced loan was not included. A brief description of this forced loan follows.

Special Series 5% nine-year Treasury Bonds, 1944.

a. According to the Royal Decree of 28 August 1935, all Italian citizens resident in the Kingdom or in the possessions were required to transfer to the Italian foreign exchange institution (Istituto Nazionale per i Cambi con l'estero) all foreign credits and foreign securities owned by them and to receive in exchange Treasury bonds. There were certain exceptions made from the decree for the foreign direct investments of Italian companies, bankers with foreign liabilities and insurance companies that had assumed foreign risks. The value of foreign credits was converted into lire at the prevailing foreign exchange quotation on the Milan exchange. The value of securities was taken at the prevailing price on the market of issue at the date of the decree and converted into lire at the prevailing foreign exchange quotation. The same conversion applied to Italian securities issued abroad except that the date taken was 8 December 1934 and no price above par was paid.

b. Nine-year bonds were issued in exchange except that where there was a remainder due which was less than the smallest denomination of bond available, cash was paid for this remainder. The bonds issued consisted of a Special Series of nine-year Treasury bonds maturing on 1 September 1935. They were made exempt from any impost existing or future and received all other rights of the other series of buoni novennali in circulation.

c. Based on the interest charges budgeted for, it is estimated that the total of this series outstanding amounts to around 2,000 million lire. In liberated Italy, we have data on the amount that were issued for two compartments. This information is given in Table X.

TABLE X

Special Series, Buoni del Tesoro

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b. Nine-year bonds were issued in exchange except that where there was a remainder due which was less than the smallest denomination of bond available, cash was paid for this remainder. The bonds issued consisted of a Special Series of nine-year Treasury bonds maturing on 1 September 1935. They were made exempt from any impost existing or future and received all other rights of the other series of buoni novennali in circulation.

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TABLE X
Special Series, Buoni del Tesoro
Novennali, 5%, 1 September 1944

(In Lire)

Region of Issue:	Registered	Bearer	Total
Calabria	121,600	3,026,900	3,148,500
Campania	2,312,100	84,893,500	87,205,600
Total	2,433,700	87,920,400	90,354,100

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HEADQUARTERS
ALLIED CONTROL COMMISSION
FINANCE SUB-COMMISSION
APO 394

APPENDIX 'C'

13406/0

29 March 1944.

SUBJECT: Request by Badoglio Government that the dollar value of the lire be increased.

TO : Colonel D. S. Adams,
Executive Officer,
Economic Section.

Conclusion

The Italian Government has requested in a letter from Marshal Badoglio to General MacFarlane of 24 February 1944, (a copy of which is attached) a change in the dollar value of the lire. A study of the exchange rate of the lire has been carried out by the technical staff of this Sub-Commission. We are of the opinion that an alteration of the exchange rate of the lire at the present time is undesirable.

I. There is not adequate economic justification for a change in the foreign exchange value of the lire.

1. The Italian Government's argument as presented in Marshal Badoglio's letter and as presented orally by the Minister of Finance to representatives of the Finance Sub-Commission from time to time, is briefly as follows:

(a) The present rate of exchange increases substantially incomes of soldiers spent in Italy and constitutes, therefore, the major inflationary factor.

(b) People in Italy are "exchange rate conscious". The sharp downward revision in the exchange value of lire has caused psychological reactions which have aggravated the inflation problem in liberated Italy.

2. The extent to which soldier expenditures constitute an inflationary factor in liberated Italy is exaggerated in the Italian Government's argument. A reduction of these expenditures will not change the course of inflation in Italy, although it may slow down the inflationary process. Monthly payments to all Allied troops in Italy have been computed at an average of 2,725 millions of lire for the past six months. Wages returned to Finance Officers in the form of PX sales, mail boxes, soldier remittances, postal remittances and soldier deposits are approximately 1,000 millions per month, leaving a figure of 1,725 millions of lire actually expended per month

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The Italian Government has requested in a letter from Marshal Badoglio to General MacFarlane of 24 February 1944, (a copy of which is attached) a change in the dollar value of the lira. A study of the exchange rate of the lira has been carried out by the technical staff of this Sub-Commission. We are of the opinion that an alteration of the exchange rate of the lira at the present time is undesirable.

I. There is not adequate economic justification for a change in the foreign exchange value of the lira.

1. The Italian Government's argument as presented in Marshal Badoglio's letter and as presented orally by the Minister of Finance to representatives of the Finance Sub-Commission from time to time, is briefly as follows:

(a) The present rate of exchange increases substantially incomes of soldiers spent in Italy and constitutes, therefore, the major inflationary factor.

(b) People in Italy are "exchange rate conscious". The sharp downward revision in the exchange value of lire has caused psychological reactions which have aggravated the inflation problem in liberated Italy.

2. The extent to which soldier expenditures constitute an inflationary factor in liberated Italy is exaggerated in the Italian Government's argument. A reduction of these expenditures will not change the course of inflation in Italy, although it may slow down the inflationary process. Monthly payments to all Allied troops in Italy have been computed at an average of 2,725 millions of lire for the past six months. Taxes returned to Finance Officers in the form of EX sales, war bond sales, cable remittances, postal remittances and soldier deposits are approximately 1,000 millions. This leaves 1,725 millions of lire actually expended per month in liberated Italy.

The effect which the doubling of the exchange value of the lira would have on soldiers' expenditures is, of course, dependent upon the reaction of the soldiers to what is, in effect, a cut in terms of lire. If the soldiers continue to spend lira the same amount of dollars as previously, then the reduction in lira expenditure in the area will amount to 900 million lire. But it, as appears more reasonable, the soldiers return to the Finance officers only the surplus lira out of their pay, and they tend to maintain the level of their lira expenditures, then the reduction of lira expenditures will be somewhat less than 900 million lire per month. It has been estimated, in a memorandum prepared on this subject, that under the most reasonable assumptions, the net soldiers' expenditures would be reduced, with a doubling of the exchange value of the lira, by only 700 million lire per month. This assumes that the average soldier will resort to cut in his lira wages by reducing his dollar remittances to the United States one third. It is reasonable to expect that the soldiers will resist

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to a cut in their wages by reducing the amount of money they send home, as well as to reduce the amount of lire spent in the theatre. Soldiers cannot be expected to change their expenditure habits so drastically.

This reduction in monthly expenditures compares with a cumulative deficit since September 1943 of the Italian Government of 8,000 million lire, and a deficit in January 1944 of 1,800 million lire. The deficit of the Italian Government is increasing sharply from month to month. Within the near future and especially if additional territory comes under its control, the Italian Government deficit will become by far the most important inflationary factor in Italy.

Thus, the reduction in soldier expenditures resulting from an appreciation in the value of the lira would not change the course of inflation in liberated Italy and would be only of minor significance.

3. It is difficult to assess the precise contribution, if any, which "psychological" factors may play in price movements, but the Italian Government places great importance on this factor. It is argued that inflation has been stimulated through the following reactions:

(a) Italians distrust the lira and attempt to convert lire into goods as quickly as possible.

(b) Italian merchants fix prices on the basis of prices in foreign currencies and convert at the present exchange rate.

Distrust of the currency is undoubtedly present in Italy; but it may have some effect in stimulating inflationary price movements. But will one exchange rate rather than another change distrust into confidence? Changes in the exchange rate, whatever the character of the change, are extremely important factors in creating distrust. To change the exchange rate now would increase the distrust of the people in the currency, particularly since the currency would be fixed at a value which is obviously too high to be maintained over a long-run period.

The second part of the "psychological" argument of the Italian Government involves facts which, if true at all, refer to a very small and unimportant part of the economic picture of liberated Italy. The exchange rate is not an important factor in fixing domestic prices at the present time, particularly because of the absence of foreign trade. The producers and merchants always attempt to obtain the highest prices possible for their products but the real determinants of prices are demand and supply factors (except where legal prices are fixed and enforced).

II. A change in the exchange rate is not in the best interests of Italy. To the

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5. It is difficult to assess the precise contribution, if any, which "psychological" factors may play in price movements, but the Italian Government places great importance on this factor. It is argued that inflation has been stimulated through the following reactions:

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II. A change in the exchange rate is not in the best interests of Italy. To the extent that, in the short run, the advantages may accrue to Italy, it would be at the expense of the Allied Governments.

The Italian Finance Minister believes that it would be in the interest of Italy to have a higher exchange rate. He has admitted that the lira could not be held at a higher rate, but he believes that it would be in the interest of Italy to raise the rate now and lower it later.

1. The short-run advantages which may accrue to Italy from a higher rate now, are:

(a) The present Italian Government, particularly the Minister of Finance, hopes to obtain dollar credits for the lira expenditures of the Allied armed forces. Thus, the Italian Government expects

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that expenditures of the Allied armies - in dollars - will be directly and proportionately increased by the change in the exchange rate, and Italy will acquire more dollars or dollar credits. This advantage to Italy would be at the expense of Allied soldiers or of the Allied Governments.

(b) Imports into Italy during the next year or two will probably greatly exceed exports, and will not be dependent upon the volume of foreign exchange assets available to the Italian Government. Thus, an appreciation in the exchange rate will lower the lire cost of imports, and in the meantime, Italy will be avoiding the principal disadvantage of an over valued currency - i.e. difficulty of developing exports.

(c) Political prestige would accrue to the present Italian Government.

In view of the general opinion amongst Italians as to the weakness of the economic position of Italy and the general distrust of the Italian currency, it is doubtful if there would be any real or prolonged political value to an unjustified and unreasonable manipulation of the exchange rate.

2. If the Italian Finance Minister believes that an appreciated lire rate would be untenable over a longer period of time and that a depreciation would subsequently be required, the argument against a change becomes stronger. The Italian Government would then be guilty of attempting to manipulate the exchange rate deliberately to profit at our expense. It would be indefensible to permit an alteration of the rate under these circumstances.

3. Insofar as a reduction in soldier expenditure constitutes the major objective of the Italian Government, it would be improper to change the rate for this purpose. The problem of soldier expenditures is not confined to liberated Italy, but exists in Great Britain, and will be met in all areas liberated by Allied Forces. It should be considered directly as such, and appropriate measures applied to all areas in which the problem arises. The larger problem should not be met on a piece-meal basis, and indirectly through a change in the rate of exchange. Conversely, the rate of exchange should be considered in terms of the considerations relevant to fixing the rate and not as a device to control payments to troops.

4. Moreover, even assuming some importance attaches to soldier expenditures, a sharp appreciation in the value of the lire would immediately cut the income of troops in lire. The morale of our troops would be seriously affected by such a drastic step. There are other methods of treating the problem with far less effect, if any, on soldier morale.

III. The Allied Control Commission is vitally interested in controlling inflation in Italy, and it is important that effective measures be taken. The change in the exchange rate is not an effective step.

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4. Moreover, even assuming a low import price attitude to soldier expenditures, a sharp depreciation in the value of the lira would immediately cut the income of troops in lire. The morale of our troops would be seriously affected by such a drastic step. There are other methods of treating the problem with far less effect, if any, on soldier morale.

III. The Allied Control Commission is vitally interested in controlling inflation in Italy, and it is important that effective measures be taken. The change in the exchange rate is not an effective step.

1. During a period of global war, the normal relationships between exchange rates, prices and incomes are destroyed. There are few normal effects on Italian prices caused by the present rates of exchange fixed for the lira.

2. The basic elements of an anti-inflation policy include expenditure control; adequate tax policies; borrowing of savings from the people; direct price fixing; and adequate and effective rationing of essential commodities. There is a great deal which the Italian Government can do in these fields which would go far towards achieving price stabilization. Such measures should be strongly pressed and will far outweigh any effects which a change in the rate of exchange might have on inflation.

3. The Finance Sub-Commission is preparing currently a comprehensive programme of monetary and price stabilization for liberated Italy. With the cooperation of the Italian Government, notable improvements in the control of inflation should be possible.

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IV Finally, an alteration in the exchange rate would impose serious administrative burdens and problems upon the armed forces.

1. This has been already demonstrated by the experience in North Africa. Some rough solutions can be found to these problems but they would involve a large amount of extra book-keeping on the part of the armed forces, injustices as between various groups, undesirable speculation, and make certain existing problems difficult to deal with.

E. H. FOLEY, Jr.,
Colonel,
Joint Chief Finance Officer.

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C O P Y .

File No. 543

Salerno, 24/2/1944.

OFFICE OF THE CHIEF OF GOVERNMENT

TO : GENERAL NOEL MASON MACFARLANE
Chief of the Allied Control Commission
Naples

My dear General Macfarlane:-

At Brindisi, at the meeting at which for the first time the final text of the Armistice agreement, which I afterwards signed at Malta on September 29, 1943, was submitted to me, General W. B. Smith, Chief of Staff of General Eisenhower, among other things told me that when with the declaration of war of Italy on Germany a state of co-belligerency would exist between Italy and the Allies, the rate of exchange fixed by the Allies between the Lira, the Pound Sterling and the Dollar would be reviewed.

I have not failed to call at every opportunity the attention of both the Allied Military Mission, as also the Allied Control Commission, upon the serious damage which is inflicted on the Italian economy and monetary situation by the fact that the exchange has been established on the basis of one Pound Sterling equal to Lire 400 and one Dollar equal to Lire 100.

The same has been done by the Under-Secretaries, and, subsequently, by the Ministers of Finance and Industry, Commerce and Labour, in their contacts with the various members of the above mentioned Mission and Commission.

Accordingly, at the meeting of the Consultative Commission for Italy, held at Naples on January 11th, to which I was invited, I presented a Memorandum in which the question of exchange, together with that of food, was indicated as among the most serious and pressing.

Also the Minister of Finance has during the past two months repeatedly supplied data on the exchange problem to various members of the Allied Control Commission and has not failed to emphasize the gravity and urgency of the situation.

The inflationary tendency in Italy has been and is still being determined, even beyond the scarcity of prime necessity goods, and among these especially foodstuffs, in an absolutely predominating fashion by the spending of the Allied troops in Italy and especially the spending of individual members of these same Allied Forces. The effects of this spending, which is at any rate out of

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Also the Minister of Finance has during the past two months repeatedly supplied data on the exchange problem to various members of the Allied Control Commission and has not failed to emphasize the gravity and urgency of the situation.

The inflationary tendency in Italy has been and is still being determined, even beyond the scarcity of prime necessity goods, and among these especially foodstuffs, in an absolutely predominating fashion by the spending of the Allied troops in Italy and especially the spending of individual members of those same Allied Forces. The effects of this spending, which is at any rate out of proportion with the purchasable goods available in Italy, have notably multiplied in a sense unfavorable to the economic and monetary position of the Country, due to the exchange rate which injects into Italian circulation an excessive amount of lire, greatly superior to what, were the exchange rate more in keeping with the real situation of the internal exchange of the Country, would be required to obtain the same goods and services.

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This state of affairs, the dangerous influence of which has been felt by everyone in Italy from the very day of the Armistice, has gradually grown worse following the increasing importance of the Italian Front. The Germans have considerably increased the number of Divisions on this Front, which necessitated a rapid increase in Allied effectives in Italy. The war of movement having been transformed into a war of position, has brought with it the concentration of a constantly increasing number of Allied troops within a territory which, with

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respect to its available purchasing power has gradually declined more and more, and has therefore brought with it that the effects of the spending of the troops and the rate of payment, out of proportion with the real situation to be faced, become more concentrated and multiplied. The monetary and economic disorder, which always accompanies inflationary tendencies, has on the other hand been increased by the lack of co-ordination between the measures relative to salary increase to employees, private salaries and compensations, to the highest price level, determined by the unrelated actions of individual officials, who were in charge in the various provinces of financial, economic and labour problems and who by a natural and understandable tendency to consider above all their responsibility in relation to the territory under their charge, have often considered each province as a State by itself.

All this has brought with it among the Italian people a state of mind, which it is absolutely vital to counteract. It is indeed harmful for the present and future life of the Country, if the individual agrees and takes a root that the Allies have the precise intention to ruin Italy economically and monetarily, and that consequently to individual Italians, in the midst of general ruin, it remains but to try and take unscrupulous advantage for their own exclusive benefit of any opportunity, which even for a moment fate may offer them.

I feel it my duty to point out to you, My dear General, the seriousness and urgency of the problem.

In my opinion, therefore, a decisive step in the matter of exchange is necessary to bring about a very clear psychological movement, which will reverse the direction of the mentality of the Italian people in economic and monetary matters.

This decisive step, to my mind, can but be a substantial revision of the rate of exchange.

For the common responsibility, which both you and I have for the living conditions of the Italian People; for the fact that Italy (or rather only one third of its Territory) is the field of the first Allied great experiment of defeated or liberated countries; for the necessity that behind the lines of any Army as large as that which the Allies landed in Italy, there be a state of calm and orderly life and possibly of useful activity for the purposes of the war; for the spirit of loyal, sincere and loyal collaboration which both myself and my Government have always shown; for the firm will of all the Italian People to take part with every effort in the fight against the common enemy and in the work of reconstruction of the world: I must ask you, my dear General, to give your kind and enlightened consideration to this question of exchange.

Very cordially Yours

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Very cordially yours,

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I feel it my duty to point out to you, my dear Count, the seriousness and urgency of the problem.

In my opinion, therefore, a clear-cut evidence of the Italian people's necessity to bring about a very clear psychological reversal of the situation in the minds of the Allied Governments, which will [illegible] it does [illegible] in common and [illegible] to the Italian people.

This decisive step, to my mind, can not be taken by the Italian Government alone, but only by the Allied Governments.

Very cordially yours,

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