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

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

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MONTHLY REPORT, FINANCE SUB-COMMISSION
FEB. - AUG. 1944

HEADQUARTERS
ALLIED CONTROL COMMISSION
FINANCE SUB-COMMISSION
APO 394

44

22 August 1944

13071/F

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

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

Senior Finance Officer
AMG Five Army
" Eight "

Public Safety

---

1. Reference is made to Finance Sub-Commission's letter 13071/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

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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 "

Public Safety

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"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 Financial Agency).

2994

A.P. Gratton Smith

Joint Director,
Finance Sub-Commission.

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

SECRET

HEADQUARTERS
ALLIED CONTROL COMMISSION
FINANCE SUB-COMMISSION
APO 394

21 August 1944

13071/F

SUBJECT: Monthly Report of Finance Sub-Commission.

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

Regional Finance Officer
Region I
II
III
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VI
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VIII
IX

Senior Civil Affairs Officer
AMG Five Army
" Eight "

Senior Finance Officer
AMG Five Army
" Eight "

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

Public Safety

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

For Captain ELLERY W. STONE, USNR:

[signature]

Colonel,
Joint Director,
Finance Sub-Commission.

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SECRET

HEADQUARTERS
ALLIED CONTROL COMMISSION
FINANCE SUB-COMMISSION
APO 394

12 August 1944

1307-1/F

REPORT OF THE FINANCE SUB-COMMISSION

HQ ACC FOR JULY 1944

Colonel R.H. Foley, Jr.
Colonel A.F. Cruttwell-Smith } Joint Directors

Lieut. G.H. Willis, (USNR)
Major B.E.L. Timmons, Cav.
Lieut. J.E. Hicks, (USCGR)
Capt. Andrew Kamarck, F.A. } 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

A. General Program

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APPENDICES

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.E.
Scambi 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 Guardie di Finanze. 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 Finanze. 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

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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 FFS) 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

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

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(e)	Credito Italiano	Bernardi Riccardo	Procuratore
		and two other officials	
(f)	Banca Commerciale Italiana	Colleoni Guglielmo	Procuratore
		Trolanzi Corrado	Vice Direttore
		Testi Giovanni	Vice Direttore
		Macor G. Battista	Vice Direttore
		and two other officials	
(g)	Banca Nazionale del Lavoro	7 officials	
(h)	Cassa di Risparmio	Battocchio Luigi	Direttore Generale
		Carofali-Corrado	Vice Direttore Generale
		and 5 other officials	
(i)	Istituto Credito Agrario per l'Italia Centrale	Principe Chigi	Presidente
		Principe di Napoli	Vice Presidente
		Mestoro Carosi Martinozzi	Direttore Generale
		and 2 other officials	
(j)	Istituto Commercio Estero	Schipani Filippo	Direttore Generale
		Romano Carlo Rondina	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	Paronetto Sergio	Vice Direttore Generale
		and 3 other officials	
(n)	Banco di Santo Spirito	Rossi Passavante Elia	Ispettore

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	per l'Italia Centrale	Principe di Napoli	
		Nestore Carosi Martinozzi	Direttore Generale

and 2 other officials

(j)	Istituto Commercio Estero	Schiparri Filippo	Direttore Generale
		Romano Carlo Rondina	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
		Berghese Rodolfo	Amministratore
		Aghemo Antonio	Amministratore

and 6 other officials

(m)	Istituto Ricostruzione Industriale	Paronetto 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
		Ballerini Elisio	Consigliere Comm. II' Classe
		Rossi Aristide	Capo Sezione
		Tolch Mario	Capo Sezione
		Pastore Enrico	Capo Sezione

and 13 other officials

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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 1944, 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 AM 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 AM 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 2.5 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

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(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.

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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 these 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, were 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, [illegible] and the Corte dei Conti, this system has been changed. The Consorzii [illegible] expenses and will obtain funds as

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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 Under Secretary of Finance	
Members	:	Prof. Cesare Dessloni	(Labour Party)
		Avv. Antonio Pala Ezi	(Action Party)
		Prof. Achille Giannini	(Liberal Party)
		Prof. Massimo Giannini	(Socialist Party)
		Sig. Ottone Marsini	(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 Vacca	

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 comparison with which excess profits are calculated, are increased 50 per cent, thus reducing all calculations of excess profits. In addition, the exemption limits for years beginning 1943 is increased. War 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 5 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 [illegible] "ravvedimento". Disputes already in existence will continue

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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 1938 are repealed.

(2) rates and exemptions: The 1938 income 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. War 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 5 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 "concordato". 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 objections to the draft are:

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(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. 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 screened and issued passes. Of the total personnel employed on 8 September 1943 (4,025), 200 had fled to the north with the Fascist Government and 800 were dismissed. There are, therefore, about 1,300 on the active list who have not as yet been called back to service.

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

(c) The Libreria dello Stato was reopened on 10 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. Monigliano, on 31 July. Questions of priority on printing work done for AGO, 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 Capo X			
	June 1944	May 1944	April 1944	12 months ending June 1944
	(In millions of lire)			
20 provinces liberated prior to 11 May	430	246	418	2,693
4 provinces liberated				3,613

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(c) Owing to the interruption of [illegible] have not yet been received for the months of move to Rome, complete revenue statistics have not yet been received for the months 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 Cmpe %			
	June 194[illegible]	May 1944	April 1944	12 months ending June 1944
	(In millions of lire)			
20 provinces liberated prior to 11 May	430	246	418	2,633
4 provinces liberated after 11 May	257			3,613

(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 Salerno Government, were extended to newly liberated territory on 17 July. The advisability of extending to the new areas 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 kilos of quinine have been found at Volterra. The stock has been blocked pending decision as to its disposition.

(d) Postal difficulties prevent full operation of the lottery throughout 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 million 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 AMG ACC, by Region IV, or by Rome Region. To remove this confusion the following division of authority was established:

(1) all State expenditures of the central administration will be controlled by AMG ACC;

(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 Director General of the Treasury. For this work each Ministry formerly had 50 to 100 employees in the Ragioneria/now range from 0 to 55 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 25 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 ragioniere of each Ministry have been instructed to prepare budgets for the Rome administration of each section. These have

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be controlled by Region I;

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

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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 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 27 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 95 million lire had been disbursed. (Most 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 regulations 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 sindaco of Naples, has been named President of the Corte dei Conti by the Council of Ministers, but his appointment has been approved by ACC.

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 (SM) began in ACC 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	2.1	2.1	-
	265.7	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 parastatal enti, 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 RFO'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.D. 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 accreditamenti", which under normal Italian procedure last 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 of the government, AMG finance officers will continue to exercise financial control

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

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

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(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 of the government, AFG finance officers will continue to exercise financial control until 31 August in the five provinces recently returned to the Italian government.

(e) Issuance of unauthorized circulars. Instances have arisen of administrative instructions, that should have been approved in advance by ACC, 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 repitition.

(f) 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 Fascist Government did not complete the approval of all communal and provincial budgets for 1945. 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 ½ of which have been reviewed by the Ministry of Interior. An analysis of communal expenditures in the provinces of Salerno, Matera, Potenza, Cosenza, 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 communal 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 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 Squadristi, Marcia su Roma, or Sciarpe Littorie, 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 prescribed employees were paid for June and 956 were not paid, which, when the conclusion of the time is taken into consideration, must be regarded as reasonable. However, it has been decided that "premi e Gratifiche agostrali" could fairly be withheld on the grounds

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(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 ALI territory.

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(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 Squadristi, Viaggio su Roma, or Sciarpe Littorie, 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 prescribed 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 Gratifiche semestrali" 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 CC 44. 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 a 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 400 million lire for this purpose.

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(d) Treasury bonds due 1 September. The following table shows the Italian Government's estimate of the amounts of this issue held in each province. Almost three-fourths of the issue is held in Rome province.

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

Arezzo	2.2	Bari	2.8
Grosseto	.2	Brindisi	.2
Livorno	10.7	Foggia	.7
Pisa	7.0	Taranto	.4
Siena	23.6	Lecce	.7
Tuscany	?	Puglia	4.8
Ancona	2.3	Potenza	.2
Ascoli Piceno	16.0	Potenza	3.1
Macerata	1.1	Lucania	3.9
Pesaro e Urbino	1.5		
Marche	21.4	Catanzaro	.4
		Cosenza	1.6
Perugia	9.3	Reggio di Calabria	.5
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	610.8	Messina	2.8
Viterbo	1.2	Palermo	4.9
Lazio	625.1	Ragusa	.1
		Siracusa	.2
Aquila	66.0	Trapani	.3
Campobasso	1.6	Sicilia	15.3
Chieti	.6		
Pescara	1.5	Cagliari	2.1
Teramo	.2	Nuoro	-
Abruzzi & Molise	69.9	Sassari	.3
		Sardegna	2.4
Avellino	.9		
Benevento	.3	Total	845.3
Napoli	43.7		
Salerno	4.1		
Campania	49.2		

3. Figures on cash disbursements and expenditures

[illegible] director of the Ufficio di Collegamento (Liaison Office)

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Public Works	21.6	18.1	39.7	=	=	=	=	4.4	44.1
Communications	58.5	1.2	59.7	=	1	4.4	8.	47.6	57.2
Inspector General of Motors	12.3	4.5	16.8	4.3	=	=	=	=	1
Telephone Services	9.6	47.6	57.2	=	=	=	1	=	=
Agriculture	1	=	1	=	=	=	13.9	4.8	18.7
State Forests	15.9	4.8	10.7	=	=	=	6.0	20.2	26.2
Industry & Commerce	6.0	20.2	26.2	=	=	=	.7	=	.7
Press and Information	.7	=	.7	=	=	=	9.4	395.1	404.5
War Production	9.4	395.1	404.5	=	=	=	160.4	1.4	161.8
Army	160.4	1.4	161.8	=	=	=	19.3	=	19.3
Navy	19.3	=	19.3	=	=	454.	1,256.3	1,456.6	3,166.9
Air Force	1,260.2	2,340.7	3,600.9	23.9	430.1				
Total									

Accreditamenti Issued by the Italian State Government
May and June 1944
(in millions of lire)

Ministry	May	June
	46.5	46.5
Finance	8.0	7.3
Monopolies	8.9	12.8
Justice	.6	6.4
Foreign Affairs	.4	.1
Italian Africa	29.1	12.5
Education	225.3	272.5
Interior	16.8	1.0
Public Works	74.4	
State Roads	130.3	81.6
State Railways	2.1	5.7
Agriculture	6.4	1.1
Industry and Commerce	.2	
Popular Culture	549.8	448.2
Total Civil		
Military	837.2	
Army	397.3	
Navy	32.3	
Air Force	11.1	
Merchant Marine	1,328.1	
Total Military		
Total Government	1,877.3	

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(b) Figures on disbursements in Rome of the Fascist Government obtained 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. Governo of King's Italy with Rome Governo for the period 1 July 1943 to 31 June 1944 (Billions of lire)

Ministry	Disbursements in Italian Government Territory	Disbursements in Rome
Finance	1,115.3	4,093.2
Justice	100.7	23.1
Foreign Affairs	4.5	140.2
Italian Africa	8.3	109.6
Education	572.4	594.3
Interior	1,935.5	1,623.3
Public Works	198.2	249.3
Communications	637.1	158.9
Army	6,005.4	11,315.1
Navy	3,041.7	5,215.3
Air Force	716.8	2,091.8
Agriculture	72.8	774.2
Industry & Commerce	15.3	263.8
Popular Culture	1.8	40.2
Foreign Exchange		17.9
War Production		419.2
A.F.S. Cabinet	58.0	
Total	14,577.9	27,751.6

(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 billions of lire)

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Interior	1,935.5	1,[illegible].2
Public Works	198.2	249.3
Communications	627.1	150.0
Army	6,205.4	11,318.1
Navy	1,041.7	3,215.3
Air Force	716.8	2,851.8
Agriculture	79.8	774.2
Industry & Commerce	15.3	344.0
Popular Culture	1.6	10.2
Foreign Exchange		17.9
War Production		498.2
A.A.C. Ordnance	50.0	.....
Total	12,877.2	27,751.6

(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
1943			
July	960	86	53
August	32	124	377
September	926	143	163
October	1,453	588	854
November	1,727	1,639	672
December	4,519	1,309	506
1944			
January	1,729	1,335	102
February	105	57	67
March	1,632	11	42
April	22	9	7
May	213	20	5
	11,319	5,215	2,853

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III. OPERATIONS OF ALLIED MILITARY AGENCY AND SUPPLY OF CURRENCY

A. Supply of AM 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 AM lire available in Italy, in the United States, and in transit, was reduced to 31,806 billion lire at the end of June. This is equivalent to 5.3 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 billion lire at the end of June, which sum was distributed for the most part at the branches of AFHQ in Rome, Naples and Bari. A small amounts remains at Palermo.

4. However, during the month of July, CCS agreed to begin deliveries on a new order for 30 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 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	Lire Amount	
75,000,000	(12.5%)	1,000	Lt. 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%)

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Bank. A draft should be ready for the 1st February.

4. However, during the month of July, OCS agreed to begin deliveries on a new order for 30 billion AM lire shortly, the first shipment to be received on 1 September 1944.

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Quantity		Denomination	Lire Amount	
75,000,000	(12.5%)	1,000	Lr. 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			Lr.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] plants for the production 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. Cartiere Banca d'Italia, (Officine Carte Valori) 55 Via del Serpenti, Rome.	Manufacture of bank note paper	Under construction. Paper making machinery salvaged from the l'Aquila plant is being installed here
3. Cartiere A. Sordini & Sons. Pale di Foligno, Italy	Manufacturing of paper	50% destroyed
4. Stabilimento Stenderini, 45 Via Boccina, 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 salvaged, 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 natural 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 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 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 generating equipment at the paper mill was requisitioned by the provincial authorities and with no power, the machinery which is [illegible] Every assistance has been given to get the Sordini paper

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(Aquila province) to examine and report on the condition of the [illegible] 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 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 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 generating 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 Veneta 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 squads. Sig. Stadarini 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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(g) The Finance Sub-Commission is working very closely with the Industry and Commerce Sub-Commissions in obtaining and co-ordinating to the maximum 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 million bank notes in Italy within that period of time. It is problematical under existing conditions whether this amount could be produced in Italy within 5 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 10 hrs each, all of the 1,000 and 500 denomination notes within 3½ 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 7% of the total quantity of the new currency contemplated. Thus it is hoped that with production of the large denomination notes (500's and 100'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 Banco 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 Banco d'Italia

1. The total currency holdings of the Banco d'Italia in liberated Italy amounted to 6,330 million lire on 10 July, on the basis of preliminary reports, as compared with 6,631 million 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 Banco 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 bank currency in Rome and in other cities recently liberated.

2. This decrease of 301 million in total currency reserve was almost equal to the decline of 306 millions in "free" reserve, after deducting AMG balances with the Banco d'Italia, which rose from 3,555 million lire on 31 May to 3,859 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, lists totalling £ 2,695,926.95, and £ 41,575-10-0, covering 70,563 individual remittances,

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contemplated. Thus it is hoped that [illegible] notes (50's and 100's) in the U.S., (500's and 100'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 Banco d'Italia on this matter and every effort is being made to produce the required amount of currency by February 15, 1945.

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2. This decrease of 361 million in total currency reserve was almost equal to the decline of 306 millions in "free" reserve, after deducting AM balances with the Banco d'Italia, which rose from 3,355 million lire on 31 May to 3,355 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, lists totalling £ 2,095,926.95, and $ 41,575-10-0, covering 70,563 individual remittances, have been handed to the Banco di Sicilia and the Banco di Napoli for payment. (These lists include lists totalling £ 206,455.18 and $ 14,309-2-9, covering 12,373 remittances, which were received at the end of July, but not recorded on AMF's books until 1 August.)

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

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 minimum figure will apply to U.S. nationals. The U.K. Treasury will also relax its restrictions on the amount which may be remitted through the Bank of England on behalf of remittors who are not residents of the "sterling area". This apparently will permit free transfer of funds from Britain to 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 remittances 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 that the existing procedure be modified to require that no offsetting AF 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 those 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.

D. 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 14 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.

E. 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 centralized 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/F 13 (c), was printed for use in connection with making adjustment [illegible] Paymaster in respect of AL lire advanced by him to [illegible] (Comm No. 152). A supply

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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, A/F 13 (c), was printed for use in connection with making adjustments with the British Command Paymaster in respect of all lire advanced by him to British Dominion, and other Allied forces (specified in AAF Airgram No. 152). 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 relative receipts adjustments will be made, in order that such advances will be properly reflected in AFA's accounts.

4. Supplies stockpiled 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, A/F 12 (a), was prepared for the use of AFA branches in connection with the making of temporary advances to fully accredited representatives of United Nations for the purpose of meeting the personal and office expenses of such representatives in Italy. In accordance with A.F. 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. Report of U.S. Finance Mission to NATO

The points of criticism relating to financial accounting (as distinct from supply or commodity accounting) has been met prior to the receipt of the Report, with the exception of the suggestion that Collectors of Revenue report their receipts direct to AFA 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 examination procedure.

C. Measures against counterfeiting of AM Lire

1. In response to a request from Finance Sub-Commission to 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 DEVELOPMENTS

A. Central Banking Developments

1. The Central Administration of the Banco d'Italia is in process of systematizing its relations with its branches which were cut off from it prior to the liberation of Rome. During the period of separation, the branches in southern Italy had been directed by the Vice 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 assumption of the active direction by the Vice-Director General, Introna, (now Commissioner), the Central Administration has been encouraged to re-assume its directive position in relation to the branches. The account and accounting structure of the [illegible] has been [illegible] to that of Rome.

2. On 23 July, Nicolo Introna, Deputy Director General, was named by the Council of Ministers as Commissioner of the Banco d'Italia, and Alberto Pettinari, Director of the Bari and Naples branches, as Vice-Commissioner. Arturo Attii, 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. Pettinari was the Vice-Commissioner in southern Italy and continues in that same post. Vincenzo Azzolini, the former Governor , has now been imprisoned by the Italian Government.

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IV. BANKING, POSTAL SAVINGS, AND CREDIT FACILITIES DEVELOPMENTS

A. General Banking Developments

1. The Central Administration of the Banco d'Italia is in process of systematizing its relations with its branches which were cut off from it prior to the liberation of Rome. During the period of separation, the branches in southern Italy had been directed by the then Commissioner of the Banco d'Italia, Arturo Attì, 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 assumption of the active direction by the Vice-Director General, Introna, (now Commissioner), the Central Administration has been encouraged to re-assume its direction position in relation to the branches. The accumulated accounting statements [illegible] are being [illegible].

2. On 29 July, Vincenzo Tumiati, Deputy Director General, was named by the Council of Ministers as Commissioner of the Banco d'Italia, and Alfredo Pettinari, Director of the Bari and Naples branches, as Vice-Commissioner. Arturo Attì, the Commissioner whom 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. Pettinari was the Vice-Commissioner in southern Italy and continues in the same post. Vincenzo Azzolini, the former Governor , has now been imprisoned by the Italian Government.

3. For the purpose of showing the great changes in the position of the Banco d'Italia during the course of the war, the balance sheets for 31 December, 1939, and 31 December, 1943, 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 totaled 14 billion lire on 31 December, 1939, and 184 billion lire on 31 December, 1943. (If advances on Government bonds are included, these figures become 18 billion and 191 billion lire respectively.) In essence, the Banco d'Italia met the demands of the Government during these years by increasing its bank notes in circulation from 24 to 153 billion, by funneling 35 billion lire of funds deposited with it to the Treasury, and by increasing its demand drafts outstanding to 7 billion.

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B. Italian Government Financial Institutions

1. During July, 1944, a decision was taken by the Council of Ministers to place the supervision of banking institutions under the Ministry of the Treasury. In accordance with this decision, the Inspectorate (Ispettorato per la Difesa del Risparmio e l'esercizio del credito) which is charged with credit control has been assigned to the Treasury. At the same time, the industrial financing organization of the government, I.M.I. (Istituto Mobiliare Italiano) was also put under the Treasury.

2. As a result of the banking reform law of 1936, which changed Italian banks from the German type (mixed commercial and industrial financing) to the Anglo-American commercial type of bank, long-term financing of industry has been largely taken away from the banks and is now a function of I.M.I. As the Ispettorato is charged, among other duties, with the control of security issues, the Treasury with its control over the Ispettorato and I.M.I. should have the opportunity of guiding the flow of investment funds in accordance with national policy.

3. The Treasury has also made strenuous attempts to secure control of I.R.I. (Istituto per la Ricostruzione Industriale), the financial holding company of the government. I.R.I. owns the three biggest commercial banks in the country and the largest part of the key heavy and armament industries of Italy. Were the control of I.R.I. to pass to the Treasury, this Ministry would literally be able to decide the economic 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, Luigi Fortis, who are technically competent and work well together, have been put in as temporary heads until the government can 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 definite figures supplied by the Ispettorato, for September 1943, give a total of 145 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 [illegible] billion lire of securities; that is, considerably [illegible] securities. It is

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to pass to the Treasury, this Ministry would [illegible]
future of Italy. The Finance Sub-Commission's advisor 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, Sergio Fortis, who are technically competent and work well together, have been put in as temporary heads until the government can 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.

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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 held almost half of the total deposits, they held 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 Statistic tables on deposits and Government bonds holdings are given in Statistical Appendix, Appendix D.)

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 AFHQ Administrative Memoranda Nos. 95 and 31, these charges will be borne by the Italian Government when it finances COGENA's operating deficit.

(b) With respect to MEDBO'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. MEDBO is itself applying the same principle, in that Italian ocean-going vessels are chartered to MEDBO, 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 MEDBO 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 Commissionarii 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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economy (food supplies, etc.). In the [illegible] for civilian consumption, for which [illegible] same way as, for example, food imported for civilian consumption, for which payment is made. MMBO is itself applying the same principle, in that Italian ocean-going vessels are chartered to MMBO, 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 MMBO 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.

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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 Vigoriti, 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 to obtain all such Commissioners to Rome to take charge of their companies' affairs, [illegible] companies in group (c) above, the officials

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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 susp[illegible]ded;

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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 centralizing 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 "Ausonia" 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, Danubio - 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.

In view of the peculiar character of the Compagnia di Roma and the Unione

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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. 2981

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 E.

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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 Riassicurazione 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 (pre-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 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 [illegible] in this area cannot understand why we have not [illegible] source of serious

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(b) On 15 May 1944 the local Insurance 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 (para 2 c) outlawing changes made by the Fascist Republican Government. The phrase

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

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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 realised in a decree now agreed upon. This Sub-Commission had originally objected to two pension decrees passed by the first Badoglio Government : No. 89 (published 25 March 1944) increasing state pensions, because no adequate provision was included to prevent recipients of pensions for "Fascist merits" from receiving these 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 whom 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, 1944, providing more favorable pension treatment to members of the disolved 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 Nazionale 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

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(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;

(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 inscribed 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 inscribed 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 incomes 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 pressures have developed elsewhere, but as yet no case of refusal to attend a patient has been tested.

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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: "Previdenza" 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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(b) The head offices transferred to the North were established at the following points: "Providenza" at Vittorio Veneto, "Infortuni" at Lecce and "Mutattie" 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		Mutattie		Providenza	
	Rome	North	Rome	North	Rome	North
Deposits, Bank	66,059	---	17,163	91,581	239,000	361,287
Deposits, Postal	1,726	---	7,019	10,000	96,000	176,000
Bonds, face value	1,595,825	1,333,361	12,483	541,486	2,611,037	7,670,058
Cash	2,879	---	12,435	44,199	15,000	---
Other holdings	7,156	---	1,810	---	40,000	23,000
	1,673,640	1,333,361	48,910	716,661	3,001,037	8,230,346

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

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. 865,000,000 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 "group" 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 figures to show Italy's indebtedness to the various Allied countries. [illegible] agreement reached in London with the Finance Mission [illegible] date of the London

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B. Supply Accounting

1. Supply accounts for the month of May 1944 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 so 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 d[illegible] to the difficulty in securing [illegible]ecord 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 coordinate 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 IX. 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 given an indication of the advantages to be derived in dealing wherever possible through one central 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 any 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 past 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 [illegible] the [illegible] to the supply accountants. To secure accounting for these

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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 forwarding 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 ascertained with a fair degree of accuracy, the items and quantities constituting sales and free issues could not practically be seperated 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 Adviser 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 AFA 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 prior 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 commodities 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

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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 Accountants; 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

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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 authorization 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 c) 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.

Joint Director,
Finance Sub-Commission.

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APPENDIX A.

THE DECREE 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 II - Funds

Part III - Enrichment

Part IV - Fascist Funds

Part V - The High Commissioner

Part VI - Miscellaneous

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PART I

PUNISHMENT OF CRIMES

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 Pretors 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 reveked.
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 co-

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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 Assize, by the Tribunali and by the Preters according to their respective jurisdiction.

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.

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 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 2975 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.

The guilty party whall 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 maintenance 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 epuration 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 [illegible] officials of high rank.

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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 "entecrrcio", "Marcia su Roma", "Scuola 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 w y 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 or 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.

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

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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.

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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. 974

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 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

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PART VII DISPOSAL OF PROFITS DERIVED FROM THE REGIME

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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 assessment 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.

Any person summoned as witness or expert who does not faithfully carry out his duties or gives 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 comprised 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 State 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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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 comprised 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, listing 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 ordered within 60 days after the lapse of the time limit for the above 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 disbanded 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 finance guards. Persons not members of the Administrations may be employed in the secretarial offices.

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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 bound on his own initiative or on the demand of any public authority or on an information signed 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 organization.
(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 1945, 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

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according to the provisions of [illegible]
administrations, for forfeiting any profit derived from the regime
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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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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 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.

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 these 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. A translation of this general letter of instructions is attached.

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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.

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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.

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 F.O., can readily see 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 CRO/S.1

For Captain ELLERY W. STONE, USNR:

P P Grapotey Smith

Colonel,
Joint Director,
Finance Sub-Commission.

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APPENDIX D,
Page 5

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 R.
TESORERIA DI

N° 18666

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

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 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 trattesi 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

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...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.

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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. Stephans 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 piego contenente detti elaborati dovrà essere consegnato all'Ufficiale Finanziario Alleato con preghiera di inoltro all'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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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 relative 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

0093

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APPENDIX C.

ALLIED FINANCIAL AGENCY

SCHEDULE TO STATEMENT OF RECEIPTS AND DISBURSEMENTS FOR THE

(EXPRESSED IN LIRE)

SCHEDULE No.		TOTAL TO CLO OF PREVIOUS
I	NEW A.M.LIRA NOTES RECEIVED	
	(a) As Notified to Washington	48,844,128,0
	(c) Shortages revealed on Opening Boxes	(1,
	(d) Defective A.M.Lire Notes Returned to Washington	-
	Lire	48,844,126,8
II	DEPOSITS BY AMG/ACC DIVISIONS	
	(a) Economic & Supply Division - Supplies	975,204,0
	(b) Economic & Supply Div.- Deposits on Returnable Containers	30,168,4
	(c) Public Health Division	38,748,2
	(d) Legal Division	8,719,6
	(e) Other Divisions	27,7
	Lire	1,052,868,1
III	FUNDS OBTAINED FROM BANKS AND OTHERS BY ACCOUNTING OFFICERS IN THE FIELD	
	(a) From Banks	182,8
	(b) From Others	200,5
	Lire	383,3

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APPENDIX C.

ALLIED FINANCIAL AGENCY

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EIPTS AND DISBURSEMENTS FOR THE PERIOD TO 30 JUNE, 1944

Page No. 1

(EXPRESSED IN LIRE)

	TOTAL TO CLOSE OF PREVIOUS MONTH	CURRENT MONTH	TOTAL TO DATE
	48,844,128,000	4,494,400,000	53,338,528,000
Boxes	(1,130)	-	(1,130)
med to Washington	-	(452,731)	(452,731)
Lire	48,844,126,870	4,493,947,269	53,338,074,139
Supplies	975,204,045	(283,550,548)	691,653,497
its 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

BY

	182,800	(182,800)	-
	200,500	(190,000)	10,500
Lire	383,300	(372,800)	10,500

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SCHEDULE No. IV		TOTAL TO CLOSE OF PREVIOUS MONTH
	DEPOSITS	
	(a) By Controller of Property	
	(1) Psychological Warfare Board - Film Section	1,841,938
	(2) A.G.I.P.	10,000,000
	(3) Moharwas & Son	117,219
	(4) Changimal Co.	108,714
	(5) Goods ex German Steamers	846,500
	(6) Musun 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)	185,217
	(7) Various (under Lire 100,000 each)	
	Lire	127,722,769

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	TOTAL TO CLOSE OF PREVIOUS MONTH	CURRENT MONTH	TOTAL TO DATE
Film Section	1,841,938	(1,787,730)	54,208
	10,000,000	-	10,000,000
	117,219	-	117,219
	108,714	-	108,714
	846,500	-	846,500
	154,435	-	154,435
	463,397	-	463,397
,000 each)	13,532,203	(1,787,730)	11,744,473
	66,000,722	8,339,375	74,340,097
	947,500	(11,000)	936,500
	108,600		108,600
	45,000,000	50,475,750	95,475,750
	1,948,527		1,948,527
		4,373,893	4,373,893
r Palestine			
ations		260,471	260,471
es, pending allocation)		72,241	257,461
each)	185,217		
Lire	127,722,769	61,723,003	189,445,772

0098

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SCHEDULE No.		TOTAL TO of PREVI
V	PROCEEDS OF SALES IN ITALY OF SUPPLIES	
	(a) Economic and Supply Division.	
	(1) Supplies Imported or Drawn from Armies	767,90
	(2) Supplies Purchased Locally	6,82
	(b) Public Health Division	
	(1) Supplies Imported or Drawn from Armies	14,42
	(2) Supplies Purchased Locally	4
	Lire	789,158
V	RECEIPTS IN RESPECT OF AMG/ACC REVENUE	
	(a) AFA Revenue	
	(1) Interest Received from Banks	
	(2) Miscellaneous Receipts	3,355
		3,355
	(b) AMG Revenue to close of previous month	139,596
	(c) ACC Revenue to close of previous month	8,158
	(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
IX	CONTRA ACCOUNTS	
	+ Deposits for Remittances (AF Accounts)	
	(a) U.S. Dollars ($ 1,371,880.40)	76,952
	(b) Sterling (£ 16,699 : 12 : 9)	3,665
	Lire	80,618

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

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	TOTAL TO close of PREVIOUS MONTH	CURRENT MONTH	TOTAL TO DATE
rom Armies	767,901,774	793,489,648	1,561,391,422
	6,824,128	9,530,791	16,354,919
rom Armies	14,427,980	–	14,427,980
	4,500	–	4,500
Lire	789,158,382	803,020,439	1,592,178,821
	3,355,416	126,452	3,481,868
	545	–	545
	3,355,961	126,452	3,482,413
us month	139,596,972	7,338,557	146,935,529
us month	8,158,335	169,437	8,327,772
A direct in previous month,	2	(2)	–
	–	118,079	118,079
A direct in current month	151,111,270	7,752,523	158,863,793
Lire			
ts)	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

s: 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

0100

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SCHEDULE No.		TOTAL TO CLOSE OF PREVIOUS M	
XII	A.M. STAMPS ISSUED TO POST OFFICE AND ON HAND		
	(a) A.M. Stamps issued to Post Office	22,274,00	
	(b) A.M. Stamps on Hand	147,062,00	
		Lire 169,336,00	
XIII	PURCHASES IN ITALY OF SUPPLIES		
	(a) For Export to		
	(1) United States of America	49,412,09	
	(2) Great Britain	338,185,68	
	(3) North Africa	28,468,3	
	(4) Corsica	644,7	
	(5) Malta	136,857,7	
		553,568,6	
		33,816,6	
	(c) For Resale in Italy	Lire 587,385,2	
XIV	STORAGE HANDLING AND SHIPPING EXPENSES IN CONNECTION WITH IMPORTS, EXPORTS AND LOCAL SUPPLIES		
	(a) Emoluments of Civilian Personnel	12,268,2	
	(b) Repairs to Warehouses and Approach Roads	1,317,2	
	(c) Rent of Warehouses	2,7	
	(d) Transport and Shipping Charges	13,101,0	
	(e) Other Expenses	2,574,1	
		Lire 29,264,1	

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	TOTAL TO CLOSE OF PREVIOUS MONTH	CURRENT MONTH	TOTAL TO DATE
D ON HAND			
ffice	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
	49,412,098	1,386,052	50,798,150
	338,185,687	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	669,983,367
ISLS IN CONNECTION WITH			
e			
	12,268,245	3,804,563	16,072,808
annel	1,317,262	184,623	1,501,885
pproach Roads	2,764	-	2,764
	13,101,089	3,569,867	16,670,956
ges	2,574,865	1,413,391	3,988,256
Lire	29,264,225	8,972,444	38,236,669

0102

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SCHEDULE No. XV

		TOTAL TO CL OF PREVIOUS
ADVANCES		
(a)	To Italian State Treasury, Armed Forces and State Institutions	4,607,738
(b)	To Provinces	488,259
(c)	To Communes	1,202,816
		6,298,814
(d)	To Others	
(1)	Items included on Sub-Accountants' Reports not yet allocated, pending receipt of proper vouchers or more complete information	4,790
(2)	Advisory Council for Italy	1,563
(3)	Library of Congress - For Purchase of Books	303
(4)	Societe Acquedotto, Napoli	3,000
(5)	Sanotoda Caputa	1,000
(6)	Villa Rosa Mental Hospital	1,000
(7)	Casa della Madre e del Bambino, Principessa Maria Gabriello - Ischia	100
(8)	Miscellaneous (under Lire 100,000 each)	361
	Lire	6,310,933

XVI LOANS

(a)	To Banks	
(b)	To Others	3,000
	Lire	3,000

0103

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	TOTAL TO CLOSE OF PREVIOUS MONTH	CURRENT MONTH	TOTAL TO DATE
Armed Forces and State Institutions	4,607,738,309	(24,325,592)	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
countants' Reports not yet allocat-			
roper vouchers or more complete in-	4,790,987	(271,120)	4,519,867
ly	1,563,992	197,588	1,761,580
r Purchase of Books	303,190	(303,190)	-
li	3,000,000	-	3,000,000
	1,000,000	-	1,000,000
	1,000,000	-	1,000,000
al			
ambino, Principessa Maria Gabriello	100,000	-	100,000
re 100,000 each)	361,312	21,500	382,812
Lire	6,310,933,738	(21,586,079)	6,289,347,659
	3,000,000	(600,000)	2,400,000
	960	(680)	280
Lire	3,000,960	(600,680)	2,400,280

0104

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		TOTAL TO CLOSE of PREVIOUS MONTH	CU
I	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	
II	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 "	97,060	
	(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	
		4,906,475	

Carried Forward

0105

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TANCES FROM	TOTAL TO CLOSE of PREVIOUS MONTH	CURRENT MONTH	TOTAL TO DATE
	13,428,450	20,263,850	33,692,300
erling Area	–	64,200	64,200
Lire	13,428,450	20,328,050	33,756,500

TS

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
4,906,475	830,685	5,737,160

0106

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SCHEDULE No.		TOTAL TO CLOSE OF PREVIOUS MONTH
	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
XIX	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

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	TOTAL TO CLOSE OF PREVIOUS MONTH	CURRENT MONTH	TOTAL TO DATE
	4,906,475	830,685	5,737,160
Forward	803,801	439,680	1,243,481
ugee Camps			13,000
ions	13,000	-	240,000
	195,000	45,000	565,000
	185,000	380,000	164,000	
	120,000	44,000	994,000
	974,000	20,000	400,000
	400,000	-	9,356,641
Lire	7,597,276	1,759,365	

IN RESPECT OF ITALIAN

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

0108

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SCHEDULE No.		TOTAL TO CLOSE OF PREVIOUS MONTH
XX	ADVANCES TO ALLIED ARMED FORCES	
	(a) To American Army	13,863,208,000
	(1) Paid in Lire	150,530,000
	(2) Paid in Yellow Seal Dollars ($ 1,505,300)	
	(b) To American Navy	190,766,000
	(1) Paid in Lire	43,800,000
	(2) Paid in Yellow Seal Dollars ($ 633,000)	
	(c) To British Army	9,806,599,830
	(1) Paid in Lire	801,040,310
	(2) Paid in B.M.A. Pounds (£ 2,223,941 . 5 . 0)	
	(d) To British Navy	28,032,80
	(1) Paid in Lire	31,83
	(2) Paid in Francs (FRS. 15,915)	
	(e) To Royal Air Force	18,035,00
	(1) Paid in Lire	2,639,68
	(2) Paid in Francs (FRS. 1,319,644)	
	(f) To French Armed Forces	2,987,112,0
	(1) Paid in Lire	Lire 27,891,795,4

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	TOTAL TO CLOSE OF PREVIOUS MONTH	CURRENT MONTH	TOTAL TO DATE
	13,863,208,000	2,049,920,000	15,913,128,000
ers ($ 1,505,300)	150,530,000	-	150,530,000
	190,766,000	40,298,000	231,064,000
ers ($ 633,000)	43,800,000	19,500,000	63,300,000
	9,806,599,830	3,189,008,000	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
19,844)	2,639,688	-	2,639,688
	2,987,112,000	534,720,000	3,521,832,000
Lire	27,691,795,458	5,921,982,190	33,613,777,648

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SCHEDULE No. XXI — DISBURSEMENTS IN RESPECT OF AMG/ACC EXPENDITURE

	TOTAL TO C OF PREVIOU
(a) AFA Expenditure	
(1) Emoluments of Civilian Personnel	110,196
(2) Motor Transport	
Maintenance of Vehicles	760
(3) Other Administrative Expenses	
Printing and Stationery	38,786
Maintenance of Offices	4,410
Maintenance of Office Equipment	1,900
Sundries	1,284
Total Other Administrative Expenditure	46,385
(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	4,561,833
Bank Service Charges	408,333
Total Financial Expenditure	4,970,166
Total AFA Expenditure	5,281,596
(b) AMG Expenditure to close of previous month	44,782,189
(c) ACC Expenditure to close of previous month	21,019,254
(d) AMG/ACC Disbursements made by AFA direct in previous month, allocated in current month	10,850
(e) AMG/ACC Disbursements made by AFA direct in current month	-
Lire	71,093,890

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EXPENDITURE	TOTAL TO CLOSE OF PREVIOUS MONTH	CURRENT MONTH	TOTAL TO DATE
rsonnel	110,196	4,710	114,906
s	760	275	1,035
nses			
y	38,786	1,050	39,836
	4,410	-	4,410
Equipment	1,905	80	1,985
	1,284	-	1,284
trative Expenditure	46,385	1,130	47,515
niture and Equipment	95,699	-	95,699
ces	58,390	1,625	60,015
diture	154,089	1,625	155,714
	4,561,835	-	4,561,835
	408,333	-	408,333
penditure	4,970,168	-	4,970,168
re	5,281,598	7,740	5,289,338
previous month	44,782,185	5,282,490	50,064,675
previous month	21,019,254	9,762,116	30,781,370
y AFA direct in previous month,	10,855	(10,855)	-
y AFA direct in current month	-	14,628	14,628
Lire	71,093,892	15,056,119	86,150,011

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SCHEDULE No.		TOTAL TO CLOSE OF PREVIOUS MONTH
XXII	DISBURSEMENTS OF ADVISORY COUNCIL FOR ITALY	
	(a) U.S. Delegation	159,234
	(b) British Delegation	82,527
	(c) Russian Delegation	82,952
	(d) Yugoslav Delegation	84,350
	(e) Greek Delegation	35,741
	(f) French Delegation	41,194
	Lire	486,008
XXVII	CONTRA ACCOUNTS	
	(a) Foreign Exchange Due from Banco di Sicilia	
	(1) U.S. Dollars ($ 660,801.08)	51,981,008
	(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

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	TOTAL TO CLOSE OF PREVIOUS MONTH	CURRENT MONTH	TOTAL TO DATE
LY		104,466	263,700
	199,234	70,714	153,241
	82,527	1,081,655	1,164,617
	82,962	80,367	164,717
	84,350	134,152	169,893
	35,741	31,058	72,252
	41,194	1,502,412	1,988,420
Lire	406,008		
di Sicilia	51,981,008	14,099,100	66,080,108
	3,665,713	3,014,143	6,679,856
9)			
di Napoli	24,971,770	46,136,162	71,107,932
Lire	80,618,491	63,249,405	143,867,896

0114

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SCHEDULE No.		TOTAL TO CLOSE OF PREVIOUS MONTH	CUR
XXVIII	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	13,276,728,000	(9
	(c) Bank Current Accounts - Lire		
	(1) Banca d'Italia	1,255,197,521	1
	(2) Banco di Napoli	40,618,872	
	(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	(9
	(d) Non-Lire Currency on Hand or in Banks		
	(1) Yellow Seal Dollars ($ 1,361,664.43)	151,560,831	(1
	(2) B.M.A. Pounds (£ 513,476 . 2 .11)	229,277,929	(2
	Total Non-Lire Currency	380,838,760	(3
	(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	(10
	(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	(1,0
	MUTILATED AND UNFIT A.M. LIRE NOTES ON HAND	5,598,848	(
	Lire	17,620,975,347	1,0

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	TOTAL TO CLOSE OF PREVIOUS MONTH	CURRENT MONTH	TOTAL TO DATE
ICD Notes on Hand)	398,820	(156,553)	242,267
	13,276,728,000	(977,256,000)	12,299,472,000
	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
	8,509,010	(1,391,000)	7,118,010
ccounts	1,726,318,656	35,990,346	1,762,309,002
	15,003,445,476	(941,422,207)	14,062,023,269
Banks			
664.43)	151,560,831	(15,394,388)	136,166,443
6 . 2 .11)	229,277,929	(23,887,470)	205,390,459
cy	380,838,760	(39,281,858)	341,556,902
	1,600,000,000		1,600,000,000
ount	500,000,000	(100,000,000)	400,000,000
Banks for			
	65,091,541	45,019,855	110,111,396
Units			
	66,000,722	8,339,375	74,340,097
with Banks	2,231,092,263	(46,646,770)	2,184,451,493
	17,615,376,499	(1,027,314,835)	16,588,061,664
ILAND	5,598,848	(3,667,397)	1,931,451
Lire	17,620,975,347	1,031,012,232	16,589,963,115

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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 Manhattan Co., New York	88	2,078 -
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	34,305.30
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	13,798.50
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	130 -
Whitney National Bank of New Orleans	33	1,847.50
	18,395	660,801.08

(2) STERLING REMITTANCE LISTS

Bank of England	1,350	£16,699-12-10

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, Tripolitanie and the Vatican City.

(b) BANCO DI NAPOLI

(1) DOLLAR REMITT

American Express
Bank of America N
inga Assoc.
Bank of Manhattan
Chase Nat. Bank o
Chase National Ba
Continental Illi
Columbus Nat. Ba
Corn Exchange Ba
Corn Exchange Ba
New York
First National B
Irving Trust Co.
Liberty Title &
Manufacturers Tr

Marine Midland T
Mellon Nat. Ban
Merchants Bank o
National Shawmu
National Bank o
Nat. Bank of Co
National Shawmu
Pan American Tr
Perera Co., of
Sterling Nat.
New York
United States

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ALLIED FINANCIAL AGENCY

ANNEX 1

NCE LISTS HANDED TO ITALIAN BANKS

TO 30 JUNE, 1944

No. of Items.	Amount $	
717	38,892.00	
88	2,076 -	
410	8,344 -	
14	645 -	
989	18,639 -	
169	34,305.50	
957	27,905 -	
331	9,591.50	
7,941	261,998.83	
3,708	132,930 -	
35	1,166 -	
356	13,798.50	
129	7,660 -	
2,008	84,655.75	
245	5,959 -	
261	5,545.50	
4	130 -	
33	1,847.50	
18,395	660,801.08	
1,350	£16,699-12-10	

ngland payment
New Zealand,
nay,
nd

(b) BANCO DI NAPOLI

(1) DOLLAR REMITTANCE LISTS

	No. of Items.	Amount $
American Express Co.		60,407.00
Bank of America Nat. Trust & Savings Assoc.	253	13,357 -
Bank of Manhattan	1,165	59,345.59
Chase Nat. Bank of New York	265	49,140.50
Chase National Bank	40	1,433 -
Continental Illinois Nat. Bank	845	32,020 -
Columbus Nat. Bank of Providence	23	920 -
Corn Exchange Bank of Philadelphia	204	12,731 -
Corn Exchange Bank & Trust Co., of New York	55	2,141.50
First National Bank of Boston	121	4,634 -
Irving Trust Co.	162	7,723
Liberty Title & Trust Co., Philadel.	160	8,018.50
Manufacturers Trust Co., of New York	7,111	331,678.33
Marine Midland Trust Co.	58	4,600.50
Mellon Nat. Bank of Pittsburgh	268	14,283.50
Merchants Bank of New York	223	9,744 -
National Shawmut Bank of Boston	255	9,545 -
National Bank of Detroit	135	7,407 -
Nat. Bank of Commerce of Seattle	28	649 -
National Shawmut Bank	100	3,053.90
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 -
United States Lines - New York	1,214	43,726 -
	13,379	711,079.32

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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

SUPPLY OF AM. LIRE BY DENOMINATIONS TO 30 JUNE 19

(in millions of lire)

	1000 LIRE	500 LIRE	100 LIRE	50 L
1. AVAILABLE IN RESERVE CASH	4,320	3,870	1,696	1,6
2. HELD BY ITALIAN BANKS IN UNOPENED BOXES	-	-	10	
3. TOTAL UNUSED SUPPLY IN ITALY	4,320	3,870	1,706	1,7
4. DISBURSEMENTS TO 30 JUNE 1944	20,220	9,520	7,958	2,4
5. TOTAL AMOUNT RECEIVED FROM WASHINGTON	24,540	13,390	9,664	4,
6. AMOUNT IN WASHINGTON, OR IN TRANSIT TO ITALY	8,120	5,508	3,700	1,
7. TOTAL AMOUNT PRINTED +	32,660	18,898	13,364	5,
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	58
10. RATIO OF DISBURSEMENTS TO AMOUNT PRINTED	61.9	50.4	59.6	46
11. NUMBER OF MONTHS SUPPLY AVAILABLE IN ITALY •	1.6	3.0	1.4	11
12. NUMBER OF MONTHS SUPPLY AVAILABLE IN ITALY, IN TRANSIT AND IN WASHINGTON •	4.5	7.3	4.4	18

+ Does not include Lire 30,000,000,000, ordered in MAT Airgram 11 dated 6 July 19

• Based on June 1944 disbursements.

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ANNEX II.

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

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
ES	-	-	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
TON	24,540	13,390	9,664	4,126	756	659	205	53,340
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
EIVED	81.9	71.1	82.3	58.6	49.9	34.4	52.7	76.5
NTED	61.9	50.4	39.6	46.9	27.8	23.7	43.5	56.2
ITALY *	1.6	3.0	1.4	11.5	6.8	25.4	12.1	2.3
ITALY,	4.5	7.3	4.4	18.3	17.5	43.0	17.5	5.8

ordered in MAT Airgram 11 dated 6 July 1944

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SECRET

ESTIMATED DISBURSEMENTS OF ALLIED ARMED FORCES TO OF

(including unreported items)

Estimated Totals, including unreported items	British Forces	U.S. Forces	Fr Fo
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	1,288	
In June	2,078	1,389	
Cumulative total to 30 June	11,191	11,654	2,

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ANNEX IV

EXPENDITURES OF ALLIED ARMED FORCES TO CIVILIANS

(including unreported items)

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)

	30 JUNE PRELIMINARY	31 MAY REVISED
New AM Lire received (after deduction of shortages)	53,338.074.139	48.844.126.870
7303 - 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	40.751.385
" " " Naples	3.465.625.834	3.303.366.651
" " " Bari	859.155.769	897.530.735
" " " Sassari	100.000.000 ≠	100.000.000 ≠
Total U.S. Finance Officers	4.609.132.600	4.482.820.823
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	6.965.342.737
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	26.481.022.481
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

++ Excludes small amount held by [illegible]

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of Armed Forces :		
U.S. Finance Officers :-		
Funded through AFA Palermo-Army	125.087.995	141.172.052
" " " " -Navy	59.263.002	40.791.385
" " " 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	4.482.829.823
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	6.965.342.737
All 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 All Lire in Hands of the Banks and the Public	30.417.846.616	26.481.022.481
All 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 Ar
May and June 1944 (expressed in lire)

	MAY 1944 REVISED
Disbursements on Civilian Account	
Purchases in Italy of Supplies for Export or Resale locally	156,237,38
Advances to Italian State, Provinces and Communes, and to Others	54,364,72
Excess of Disbursements over Receipts - AMG/ACC Divisions	-
Remittances from Allied Countries	9,182,45
	219,784,56
Receipts on Civilian Account	
Sales in Italy of Supplies Imported, Drawn from Armies or Purchased Locally by AMG/ACC	751,065,13
Deposits by Controller of Property and by Others	45,370,47
Excess of Receipts over Disbursements - AMG/ACC Divisions	5,576,38
	802,012,00
Net Disbursements on Civilian Account	(582,227,43
Advances to Allied Armed Forces	4,585,692,00
Total Disbursements on Account of Civilians and Allied Armed Forces	4,003,464,56
Receipts from Banks	
Commercial Banks - Repayments of Loans	2,320,00
Bank of Italy - Surplus Currency Sterilization Program	1,900,000,00
Total Receipts from Banks	1,902,320,00
Net Disbursements on Account of Civilians, Allied Armed Forces, and Banks	
Lire	2,101,144,56

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ALLIED FINANCIAL AGENCY

and Receipts on account of Civilians, Allied Armed Forces and Banks,
and June 1944 (expressed in lire)

ANNEX VII

( ) = Red Figures

	MAY 1944 REVISED	JUNE 1944
for Export or Resale locally	156,237,389	82,598,098
inces and Communes, and to Others	54,364,722	(19,241,226)
ceipts - AMG/ACC Divisions	-	7,303,596
es	9,182,450	20,328,050
	219,784,561	90,988,518
rted, Drawn from Armies or Purchas-		
rty and by Others	751,065,135	543,095,425
ements - AMG/ACC Divisions	45,370,472	53,383,628
	5,576,389	-
	802,012,000	596,479,053
unt	(582,227,439)	(505,490,535)
	4,585,692,000	5,921,982,190
Civilians and Allied Armed Forces	4,003,464,561	5,416,491,655
f Loans	2,320,000	600,000
y Sterilization Program	1,900,000,000	-
s	1,902,320,000	600,000
vilians, Allied Armed Forces, Lire	2,101,144,561	5,415,891,655

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ALLIED FINANCIAL AGENCY
CONSOLIDATED
STATEMENT OF RECEIPTS AND DISBURSEMENTS
For Period to 30 June, 1944 -
(Expressed in Lire)

ITEM No.	SCHEDULE No.		TOTAL TO 31 MAY 1944
1	-	CASH ON HAND IN BANKS AT BEGINNING OF PERIOD (Including Mutilated and Unfit All Lira Notes on hand)	NIL
		RECEIPTS DURING PERIOD	
-	-	NET A.M. LIRA NOTES RECEIVED	48,044,126,87
2	I	NET A.M. STAMPS RECEIVED	169,336,00
3	-	DEPOSITS BY AMC/ACC DIVISIONS	
4	II	(Pending allocation to revenue or other accounts)	1,052,868,10
5	III	FUNDS OBTAINED FROM BANKS AND OTHERS BY ACCOUNTING OFFICERS IN THE FIELD	383,30 127,722,76
6	IV	DEPOSITS	
7	-	CURRENCY OF ITALIAN GOVERNMENT PLACED TO CREDIT OF AFA (Under agreed program to sterilise surplus currency)	2,100,000,00
8	V	PROCEEDS OF SALES IN ITALY OF SUPPLIES	789,158,3
9	VI	RECEIPTS IN RESPECT OF AMC/ACC REVENUE	151,111,2
10	-	METROPOLITAN LIRA NOTES IMPORTED BY BRITISH FORCES	66,174,4
11	VIA		
12	VIII		53,300,381,1
13	-		80,618,4
14	IX	CONTRA ACCOUNTS	
15	-	TOTAL RECEIPTS DURING PERIOD	53,381,499,8
		LIRE	53,381,499,8
16	-	TOTAL FUNDS AVAILABLE	

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I E D 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
TEMENT OF RECEIPTS AND DISBURSEMENTS
For Period to 30 June, 1944 -
(Expressed in Lire)

Appendix C.

	TOTAL TO 31 MAY 1944	CURRENT MONTH	TOTAL TO 30 JUNE 1944
INING OF PERIOD (i) All Lira Notes on hand)	NIL	17,620,975,347	NIL
D	48,844,126,870	4,493,947,269	53,338,074,139
	169,336,000	---	169,336,000
NS			
nue or other accounts)	1,052,868,109	(259,925,014)	792,943,095
ED OTHERS BY ACCOUNTING			
	383,300	(372,800)	10,500
	127,722,769	61,723,003	189,445,772
UNT PLACED TO CREDIT OF o sterilize surplus			
	2,100,000,000	--	2,100,000,000
OF SUPPLIES	789,158,302	803,020,439	1,592,178,821
ACC REVENUE	151,111,270	7,752,523	158,863,793
ONTED BY BRITISH FORCES	56,174,450	---	56,174,450
	53,300,281,150	5,106,145,420	58,407,026,570
	80,818,491	63,249,405	144,067,896
ERIOD	53,381,499,641	5,169,394,825	58,550,894,466
LIRE	53,381,499,641	22,790,370,172	58,550,894,466

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LINE No.	SECTION No.		TOTAL TO 31 MAY 19
-	-	DISBURSEMENTS DURING PERIOD	
20	-	REMAINED AM LIRA OF E.C.Y DESTROYED	
21	-	FUNDS HELD BY ACCOUNTING OFFICERS IN THE FIELD (Pending allocation to expenditure or other accounts)	5,457,
22	XII	AM SCRIPS ISSUED TO POST OFFICE AND OF HAND	520,900,
23	XIII	PURCHASES IN ITALY OF SUBSIDIES	159,336,
24	XIV	STORAGE, HANDLING AND SHIPPING EXPENSES IN CONNECTION WITH IMPORTS, EXPORTS AND LOCAL SUPPLIES	587,385,
25	XV	ADVANCES (Including advances to Italian State, Provinces and Communes)	29,284,
26	XVI	LOANS (Maturity date or interest rate fixed in advance)	6,310,933,
27	XVII	PAYMENTS TO PERSONS IN ITALY ON ACCOUNT OF RESTITUTIONS FROM ALLIED COUNTRIES	3,000,
28	XVIII	PAYMENTS IN RESPECT OF SUBJECTS OF ALLIED NATIONS	13,428,
29	XIX	PAYMENTS CHARGEABLE TO ITALIAN STATE IN RESPECT OF ITALIAN REFUGEES, ETC.	7,597,
30	XX	ADVANCES TO ALLIED ARMED FORCES	2,950,
31	XXI	DISBURSEMENTS IN RESPECT OF AMG/ACC EXPENDITURE	27,891,795,
32	-	METROPOLITAN LIRE ADVANCED TO BRITISH PAYMASTERS	71,093,
33	XXII	DISBURSEMENTS OF ADVISORY COUNCIL FOR ITALY	66,174,
34	XXIII		486,
35	XXIV		
36	XXV		
37	XXVI		
38	-		
39	XXVII	CONTRA ACCOUNTS	35,679,905,
40	-	TOTAL DISBURSEMENTS DURING PERIOD	80,618,
41	XXVIII	CASH ON HAND AND IN BANKS AT END OF PERIOD (Including Mutilated and Unfit AM Lira Notes on hand)	35,760,524,
42	-	TOTAL DISBURSEMENTS AND CASH BALANCES LIRE	17,920,975,
			53,381,499,

( ) = Red Figure

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Appendix C.

	TOTAL TO 31 MAY 1944	CURRENT MONTH	TOTAL TO 30 JUNE 1944
RIOD			
BOY DESTROYED	5,647,097	13,158,624	18,626,521
G OFFICERS IN THE FIELD			
expenditure or other accounts)	520,983,255	93,401,621	614,384,876
T OFFICE AND ON HAND	169,336,000	--	169,336,000
SUPPLIES	587,385,289	82,598,098	669,983,387
ERATING EXPENSES IN CONNEC-			
ORTS AND LOCAL SUPPLIES	29,264,225	8,972,444	38,236,669
vances to Italian State,			
	6,310,933,730	(21,586,079)	6,289,347,659
interest rate fixed in			
	3,000,960	(600,660)	2,400,260
ITALY ON ACCOUNT OF REMITTAT-			
ICES	13,428,450	20,328,050	33,756,500
SUBJECTS OF ALLIED NATIONS	7,597,276	1,759,365	9,356,641
ITALIAN STATE IN RESPECT OF			
	2,950,905	505,488	3,544,393
ED FORCES	27,891,795,458	5,921,982,190	33,813,777,648
T OF AM/ACC EXPENDITURE	71,093,892	15,056,119	86,150,011
CED TO BRITISH PAYMASTERS	66,174,450	--	66,174,450
EX COUNCIL FOR ITALY	486,008	1,502,412	1,988,420
	35,679,905,803	6,137,157,652	41,817,063,455
	80,618,491	63,249,405	143,867,896
DURING PERIOD	35,760,524,294	6,200,407,057	41,960,931,351
RS AT END OF PERIOD			
d Unfit At Fire Notes on hand)	17,820,975,347	16,589,963,115	16,589,963,115
CASH BALANCES LIRE	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 o
(ii) the allocation of such transactions in this statement; however, adv
to such officers and refunds made by them to Allied Financial Agency are

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

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

(Sgd)
JAMES H. [illegible] - Major
CHIEF OF A F A

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APPENDIX D.

[redacted]

Table 1

Growth of Italian Public Debt,
31 Dec., 1930, 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	71.286	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	105.836
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	52.985	49.295	1.856	35.982	140.118
31 Dec 1939	52.986	49.194	2.148	49.369	153.997
31 Dec 1940	52.967	71.191	2.890	62.955	190.011
31 Dec 1941	52.968	106.542	4.150	97.507	261.167
31 Dec 1942	52.944	156.425	5.457	154.685	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%, 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)"	5.884
5% Certificates of credit for the financing	

30 Jun 1945	52.945	178.069	5.919	168.890	349.911
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%, 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)"	16.533	
"Prestito Redimibile 5% (R.D.5-10-1936,n.1745)"	5.861	
5% Certificates of credit for the financing of public works and for extraordinary cases of the Ministry of Interior	17.130	
2 - year bonds	122.143	
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 3

Italian State Account at Banca d'Italia
(For Provinces liberated prior to 11 May, 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 Buoni del Tesoro ordinari	26.984	9.980	36.964
Total receipts less receipts on account of B.T.O.	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 AMG	2.300	30	2.330
Funds supplied from Rome	1.010	1.400	2.210
Net receipts on B.T.O. account	1.437	793	2.200
Increase in "Contabilità 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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Credit advanced by Banco di Napoli to State	14.276	4.078	18.354
Decrease in balances held by State at Banco 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 E.R.O. account	1.407	793	2.200
Increase in "Contabilità Speciale" accounts	1.634	639	2.273
Increase in deposits of cash guarantees	465	9	474
Total	24.598	8.543	33.181

* The figures for Sardinia and Cagliari 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 1944	1 August 1944	Variation %
Rente 3.5%, 1906	116	107	- 9
Redeemable Loan, 3½%, 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	38	12	26
Lucania	139	175	-36	8	6	2
Calabria	151	94	57	25	11	14
Puglia (less Foggia)	1.253	840	413	128	44	84
Sardinia+	176	63	113	7	2	5
Sicily+	3.161	2.189	972	404	357	47
Campania (less Salerno)	1.570	722	848	261	82	179
Foggia++	79	73	6	3	2	1
Capitanata+	55	42	6	5	1	4
	6.695	4.285	2.410	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	8,114	9,730	10,490	19,261	47,625
31 December 1937	7,465	14,143	13,358	19,989	55,193
31 December 1938	10,823	14,866	14,452	18,175	58,517
31 December 1939	11,988	17,270	16,211	19,301	64,369
31 December 1940	16,122	20,945	18,479	20,122	76,068
31 December 1941	24,728	26,917	26,672	24,496	99,117
31 December 1942	[illegible]	[illegible]	36,307	30,061	126,427

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	6.695	1.255	2.440	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 Billion Lire in Deposits

Year	Institutes of credit of Public Law+	Banks of National Interest++	Other Commercial Banks	Savings Banks (Casse di Risparmio e Monti di Pegni	Total
			(billions of lire)		
31 December 1936	6,144	9,730	10,490	12,261	47,625
31 December 1937	7,305	11,449	13,553	19,986	55,193
31 December 1938	10,023	14,866	14,462	19,175	58,517
31 December 1939	11,980	17,270	16,341	19,361	64,869
31 December 1940	16,122	20,745	18,472	20,132	76,069
31 December 1941	21,728	26,247	26,694	24,490	99,117
31 December 1942	28,124	31,002	36,307	30,061	126,457
30 September 1943	29,795	37,006	42,771	32,690	142,252
30 June 1944 (est.)	-	-	-	-	178,000

\+ 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	5,503	2,296	3,698	8,199	104	18,301
31 December 1937	6,091	2,675	4,746	10,074	161	20,351
31 December 1938	5,477	2,544	5,202	9,694	160	20,881
31 December 1939	5,482	2,650	5,555	9,954	214	21,994
31 December 1940	4,779	4,362	6,931	10,618	279	26,969
31 December 1941	6,933	6,470	10,787	15,063	301	39,556
31 December 1942	8,751	9,750	16,056	19,803	343	54,753
30 September 1943	11,140	10,567	19,600	22,618	363	64,488

+/Bonds exclusively government and government-guaranteed bonds.

Table 8.

Cash Position of Banca d'Italia
(Provinces Liberated prior to 11 May 1944)
(Including AFL and AIB accounts)
30 June 1944
(in millions of lire)

Items	Bank Notes	State Notes	All Lire	U.K. 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	5	1	2	-	-	32
Taranto	30	26	13	-	-	-	69
Palermo	79	11	303	3	-	-	396

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Table 8.

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

Branch	Bank Notes	State Notes	AM lire	BM Pounds	Dollars	Emergency Italian Currencies	Total
Palermo	30	2	8	-	-	-	40
Catanzaro	30	5	77	-	-	-	112
Caltanissetta	50	6	74	-	-	-	130
Messina	50	1	57	-	-	-	108
Reggio di Calabria	32	4	54	-	-	-	90
Bari	130	35	77	8	-	-	250
Barletta	66	3	112	1	-	-	142
Brindisi	11	-	29	1	-	-	40
Lecce	25	6	1	2	-	-	32
Taranto	20	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	70	17	57	-	-	-	163
Catania	145	7	100	6	-	-	258
Enna	31	1	29	-	-	-	61
Messina	97	-	120	-	-	-	217
Palermo	225	15	293	-	-	-	533
Ragusa	2	2	8	-	-	-	12
Siracusa	52	1	85	-	-	-	138
Trapani	16	-	91	-	-	-	107
Campobasso*	55	5	38	4	-	-	100
Foggia*	78	5	125	4	1	-	212
Avellino*	16	3	91	7	-	-	147
Benevento	66	9	89	1	-	-	165
Caserta	74	-	76	-	-	-	150
Castellammare	47	-	154	1	-	-	102
Napoli	159	3	397	16	2	-	577
Grand Total	1,955	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	1,048	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	5,457	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	3,059	-466	430	3,023	6,304	-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	29,788	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	144,732	169,861	58,182	38,212	-50,484	45,910
	(16 Provinces)				(15 Provinces)			

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Bari								
Brindisi	1,659	-589	3,335	4,405	1,417	-771	5,312	5,959
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	3,059	-466	430	3,023	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	29,788	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	14,732	169,861	58,182	38,212	-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	3,132	6,237
Gold deposited abroad, due by State	1,773	1,773
Cash in hand	801	625
Inland bills	4,833	5,668
Bills for collection	24	7
Secured Advances	2,991	7,249
Investments (government bonds)	777	899
Current accounts	88	69
Temporary Advances to Treasury	1,000	1,000
Extraordinary Advances to Treasury	8,000	79,000
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	24,452	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	307
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	113	59

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Current Account of Treasury	3,000	79,000
Due from I.R.I.	-	40,129
"Various debtors" (++)	4,708	4,708
Premises	1,376	59,150
Total Assets	114	189
	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	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	307
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	5,786
Net profits for year	117	42
Total Liabilities	29,617	202,625
Securities & other valuables deposited	47,707	273,626
	77,318	476,636
Amounts written off in past year	206	107
Grand Total	77,524	476,358

(+) Includes the data of the southern branches of the Banca 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.c 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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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 caloulations 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 2356
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	858	972
December	?	1,200
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.

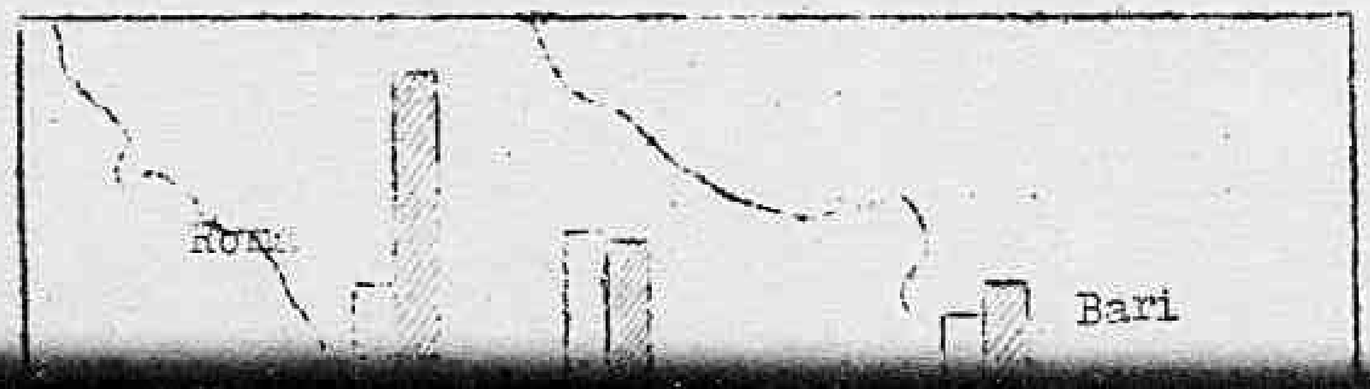
(2) Rome, like Naples, suffered its greatest price rise in the months immediately preceeding Allied occupation. In the 6 months preceeding Allied occupation of Rome, the cost of living in that city rose 6 fold, and in the 6 months preceeding Allied occupation of Naples, the cost of living there rose 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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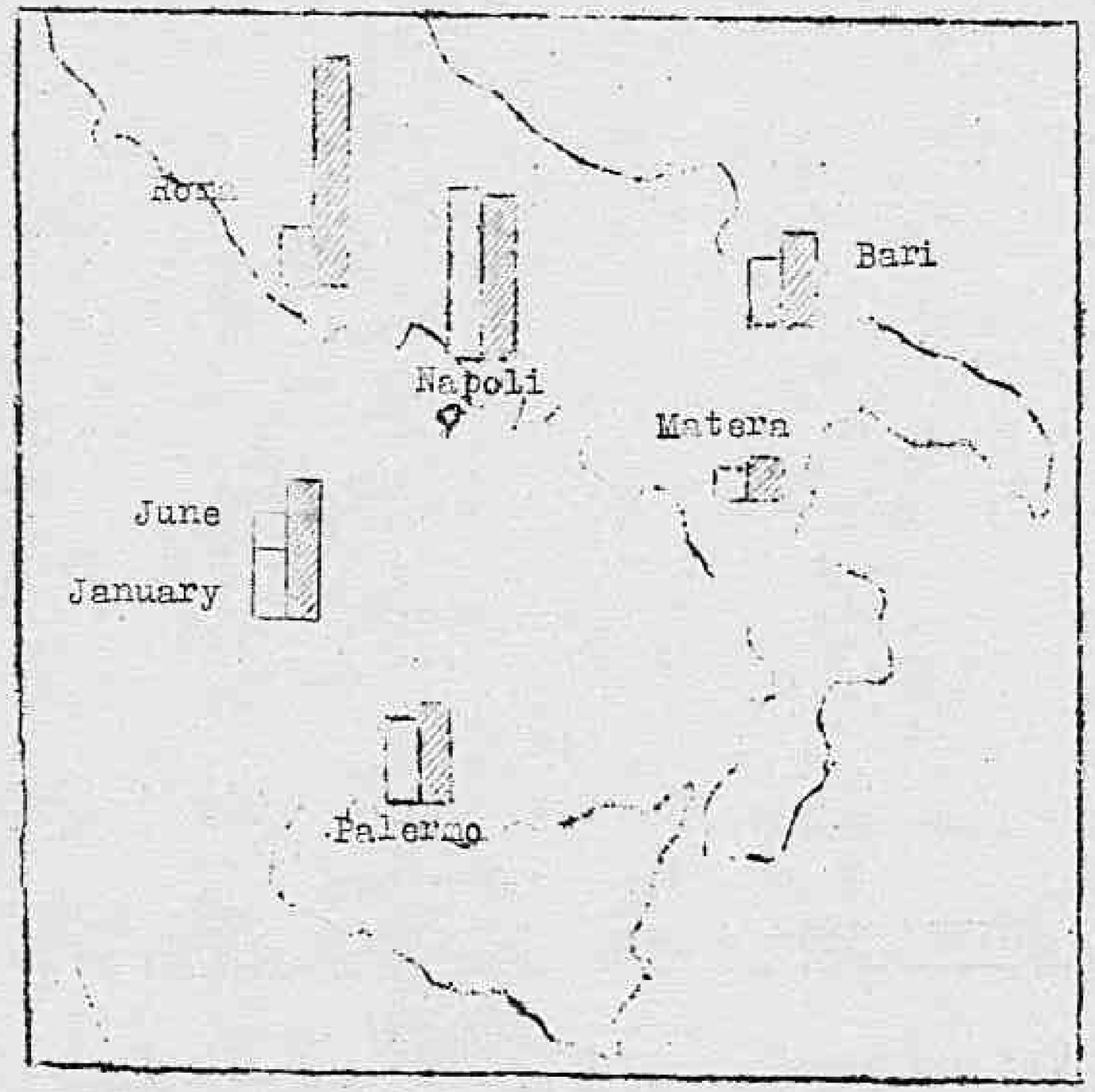
Expenditure per Person per Month for Purchase of Budgeted Foods (in Lire)

	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	596	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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Caltanissetta	-	412	441	490	555	560	525	-
Catania	-	612	567	558	752	894	900	-
Enna	-	560	465	506	596	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	-	-	-



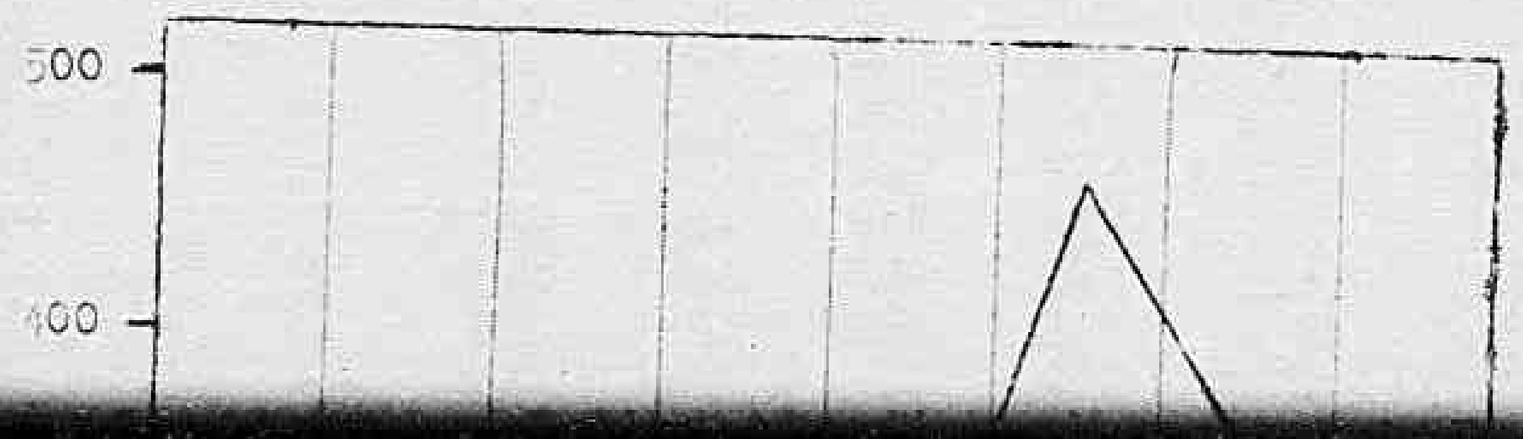
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Appendix III,
Para 4.

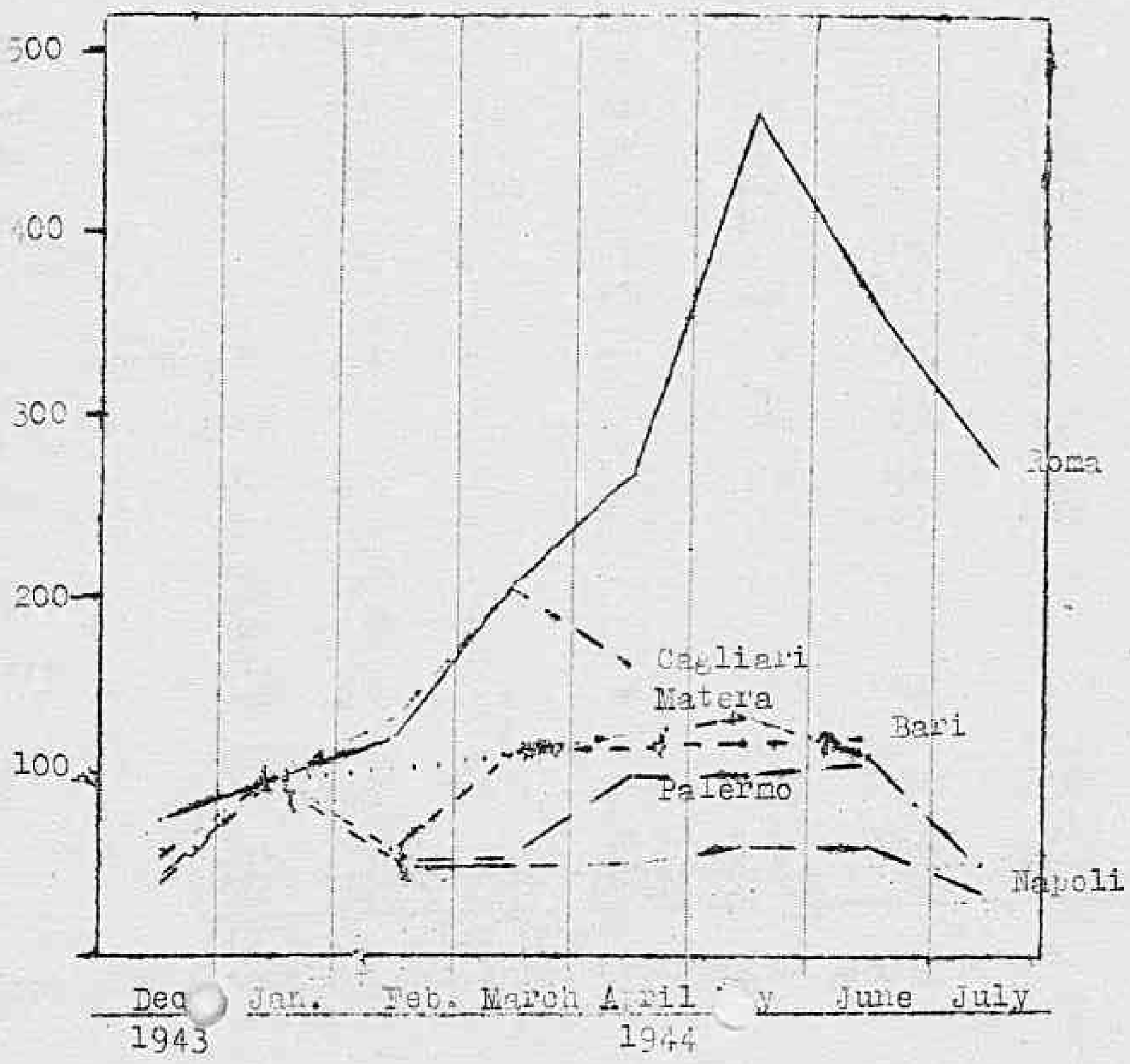
Expenditure per Parsad per Month for Purchase of Budgeted Foods
(Index: January 1944 = 100)

	1943	1944						
	Dec.	Jan.	Feb.	March	April	May	June	July
Roma	78.5	100.-	121.5	205.2	268.5	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.-	93.3	121.1	128.0	129.3	130.4	-
Brindisi	71.7	100.-	-	-	-	-	-	-
Lecce	66.1	100.-	-	-	-	-	-	-
Taranto	53.2	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	118.9	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	292.5	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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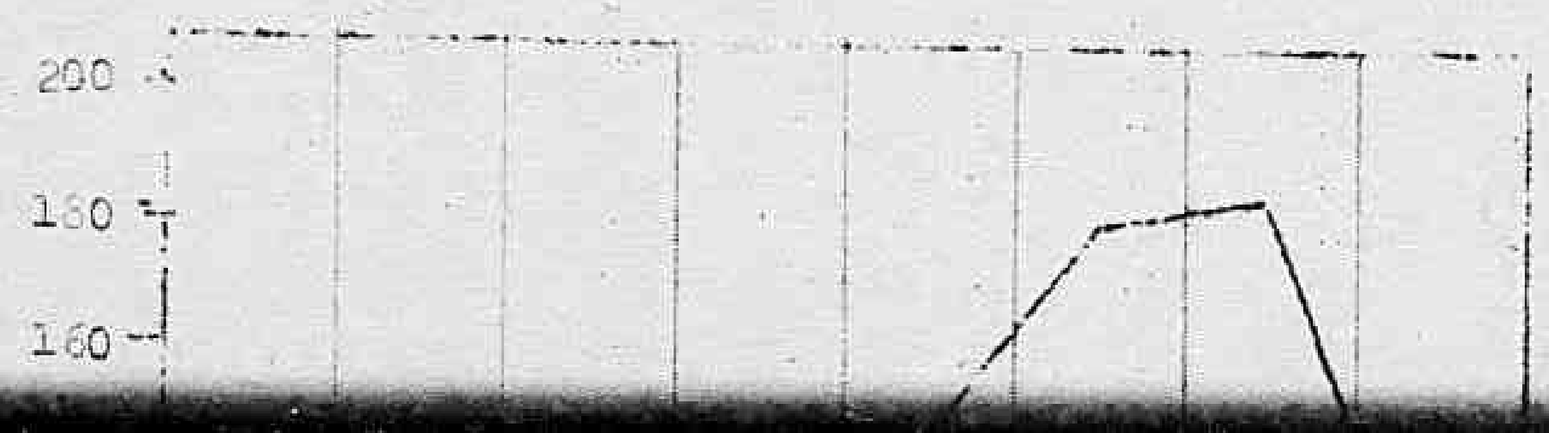
Catania	-	100.-	72.6	91.2	122.9	140.1	1[illegible]	-
Enna	-	100.-	83.0	90.4	106.4	121.1	119.6	-
Messina	-	100.-	90.3	99.7	101.7	100.3	130.8	-
Palermo	-	100.-	80.9	85.0	100.7	108.8	114.3	-
Ragusa	-	100.-	93.2	107.3	134.7	147.4	127.0	-
Siracusa	-	100.-	106.3	111.9	132.5	140.0	137.2	-
Trapani	-	100.-	88.9	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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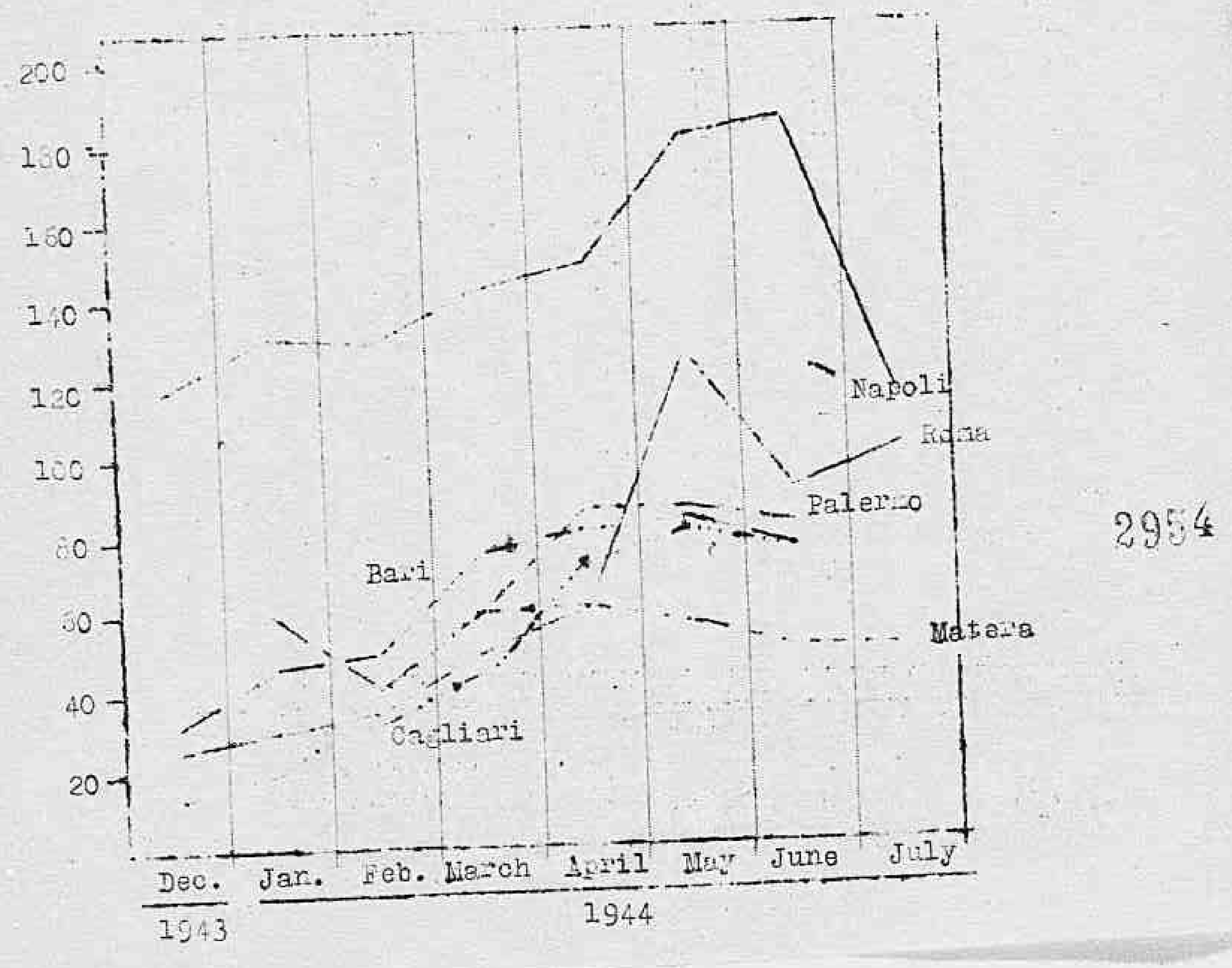
Bread, Retail Black Market Prices
(Monthly averages, Lire per kilogram)

	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
Salerno	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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Catania	68	60	50	69	99	84	78	-
Enna	56	60	45	60	78	84	120	-
Messina	-	80	63	90	90	84	81	-
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	-



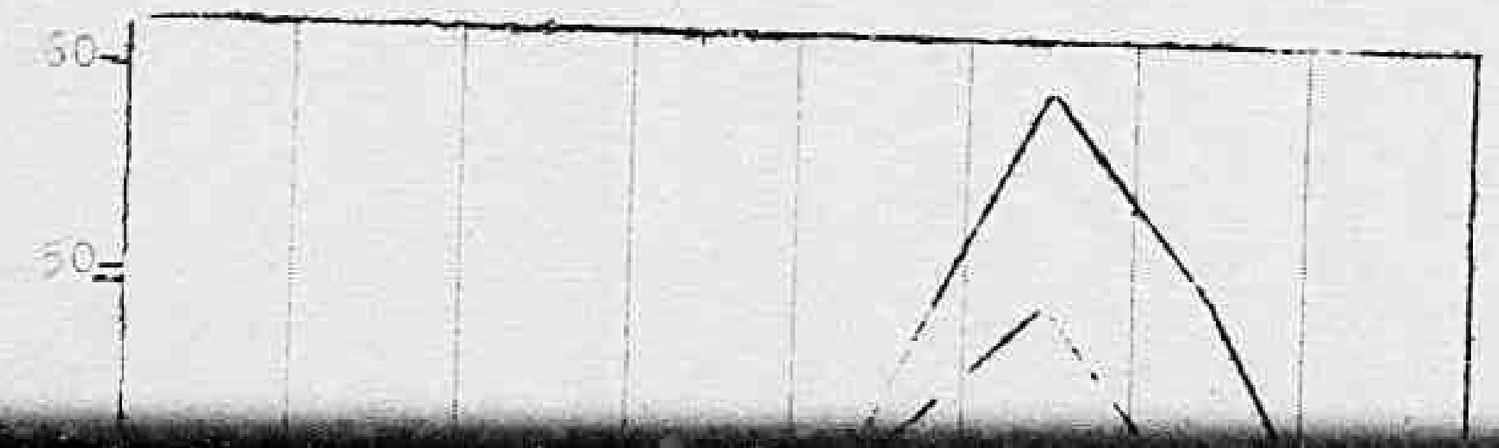
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App. E,
F. 6

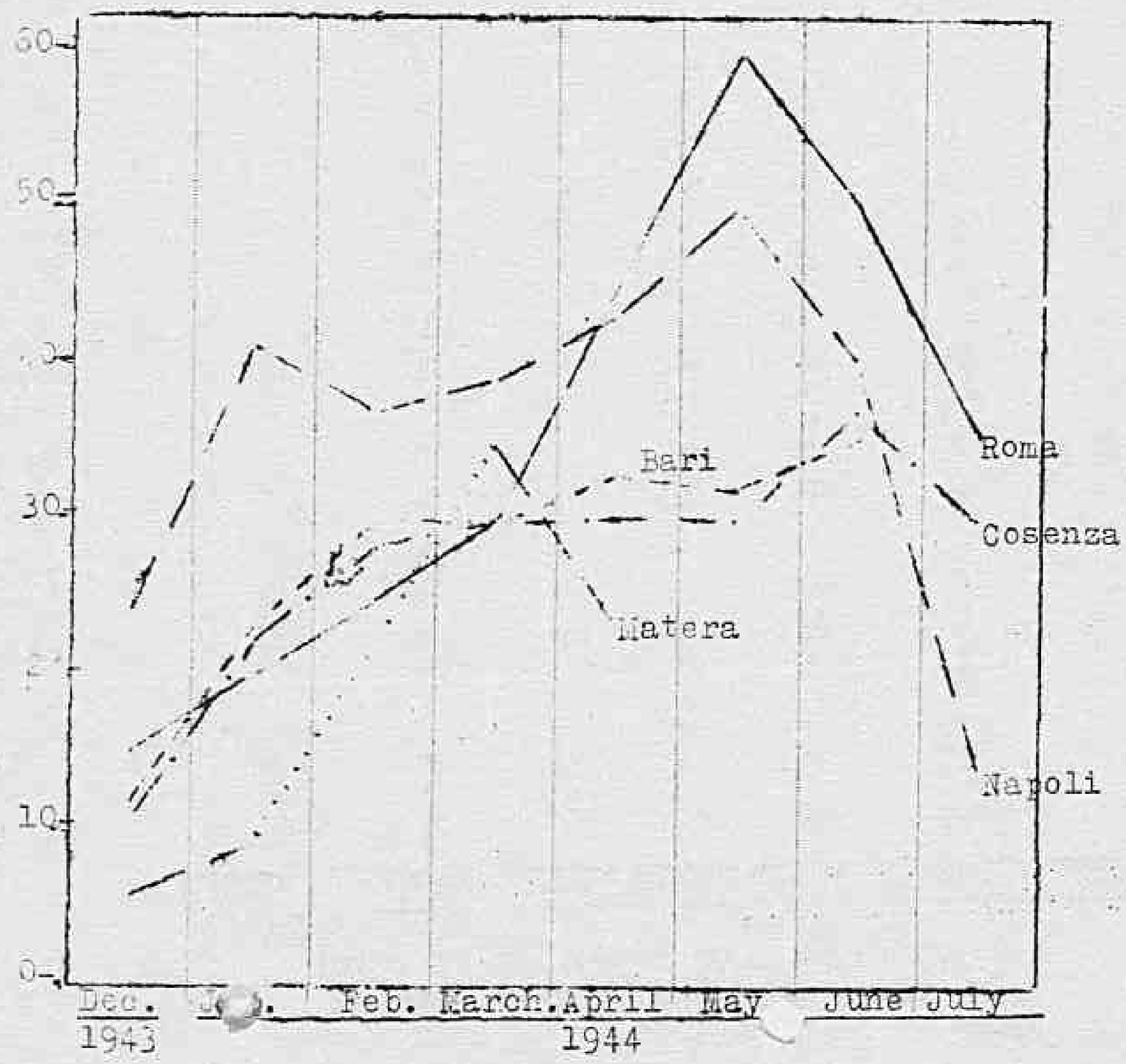
Potatoes, Retail Black Market Prices
(Monthly averages, Lire per kilogram)

	1943	1944						
	Dec.	Jan.	Feb.	March	April	May	Juone	July
Roma	15	20	25	30	45	60	50	35
Napoli	24	41	37	39	43	50	40	-
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	46	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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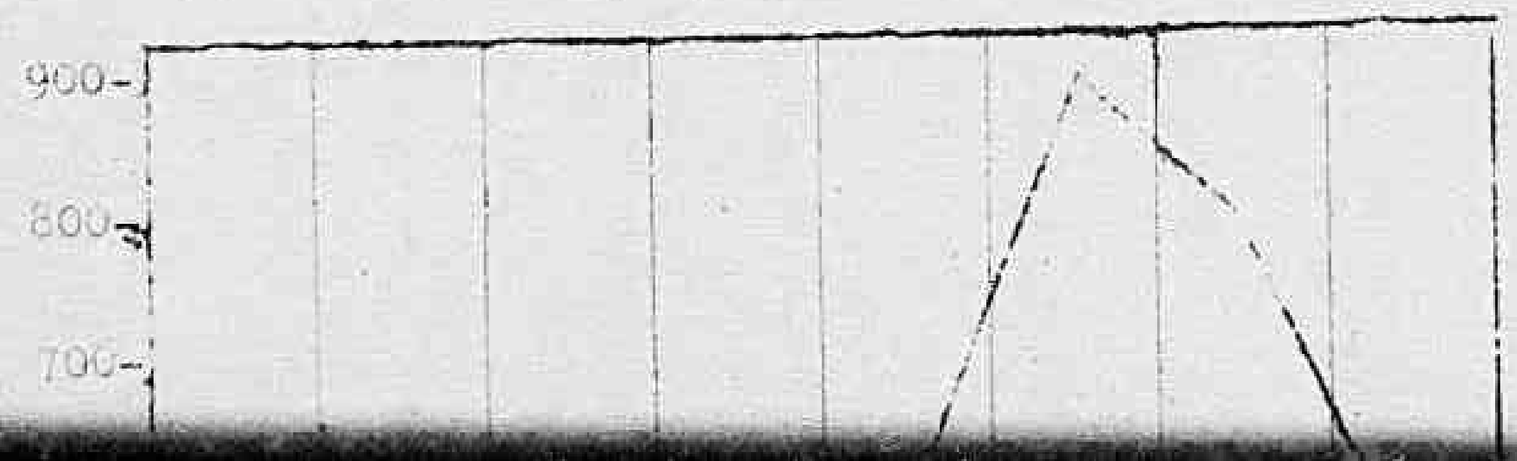
Agrigento	-	-	-	-	-	-	-	-
Caltanissetta	-	-	-	-	-	-	-	-
Catania	-	-	-	-	-	-	-	-
Enna	-	-	-	-	-	-	-	-
Messina	-	-	-	-	-	-	-	-
Palermo	-	-	-	-	-	-	-	-
Ragusa	-	-	-	-	-	-	-	-
Siracusa	-	-	-	-	-	-	-	-
Trapani	-	-	-	-	-	-	-	-
Cagliari	-	-	-	-	-	-	-	-
Nuoro	18	-	55	25	35	35	-	-
Sassari	-	-	15	20	38	36	33	-



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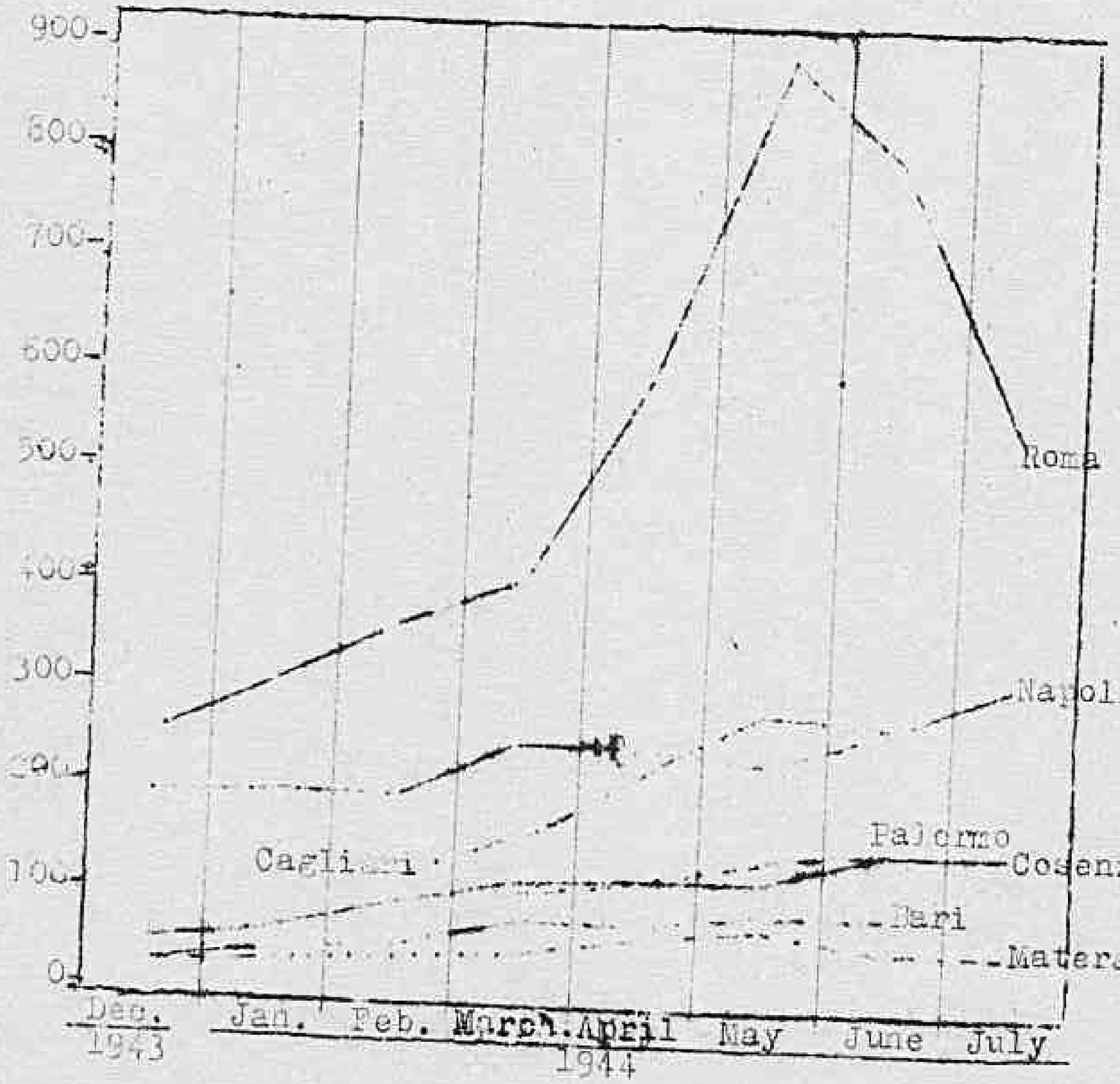
Olive oil, Retail Black Market Prices App. II. F. 7
(Monthly averages, Lire per kilogram)

	1943	1944						
	Dec.	Jan.	Feb.	Marh	April	May	June	July
Roma	250	300	360	400	600	960	800	950
Napoli	196	200	197	248	244	233	269	310
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	60	55
Potenza	90	-	-	120	121	135	135	-
Catanzaro	33	-	-	-	60	60	92	-
Cosenza	57	66	95	113	120	120	150	150
Reggio Calabria	40	48	-	65	-	73	66	-
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	108	120	113	100	145	135	156	-
Cagliari	150	-	120	160	220	281	275	-
Nuoro	75	-	190	170	188	248	325	-
Sassari	55	-	130	148	197	209	310	-



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Catania	90	95	-	83	110	130	110	-
Enna	100	130	-	80	100	-	125	-
Messina	-	73	-	80	90	-	143	-
Palermo	-	135	-	103	118	140	159	-
Ragusa	-	95	-	78	103	-	128	-
Siracusa	-	70	-	93	114	120	120	-
Trapani	108	120	113	100	146	135	156	-
Cagliari	150	-	120	160	220	281	275	-
Nuoro	75	-	190	170	188	248	325	-
Sassari	95	-	130	148	197	209	310	-



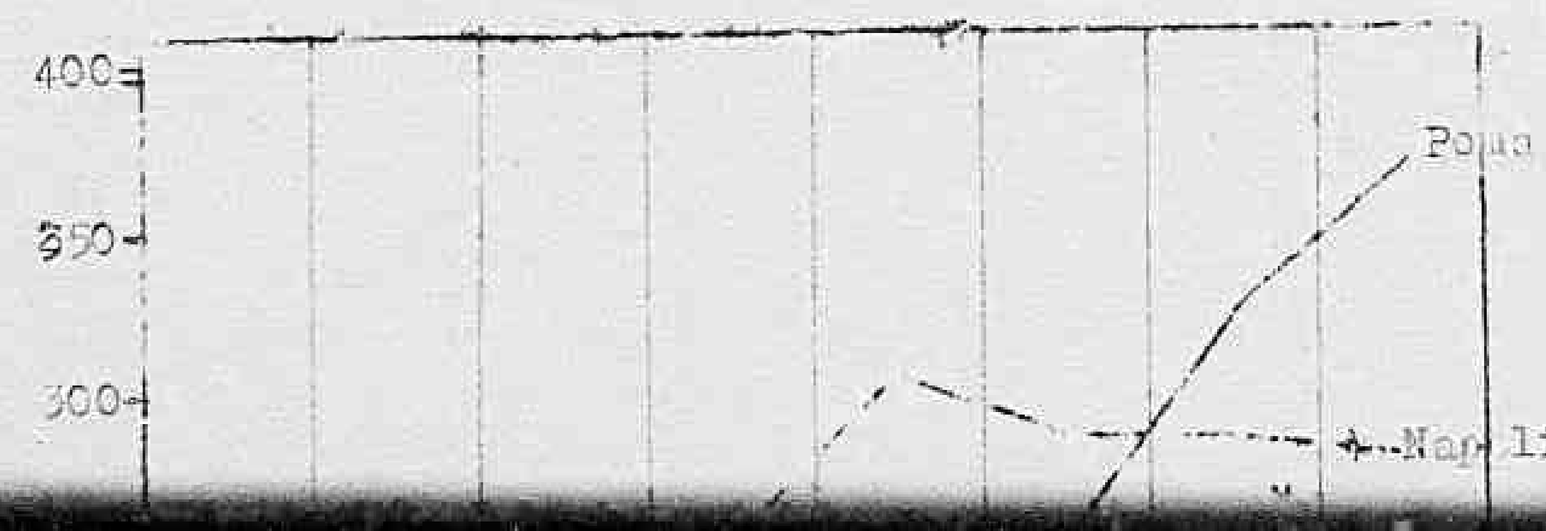
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Meat, Retail Black Market Prices (monthly averages, Lire per kilogram)

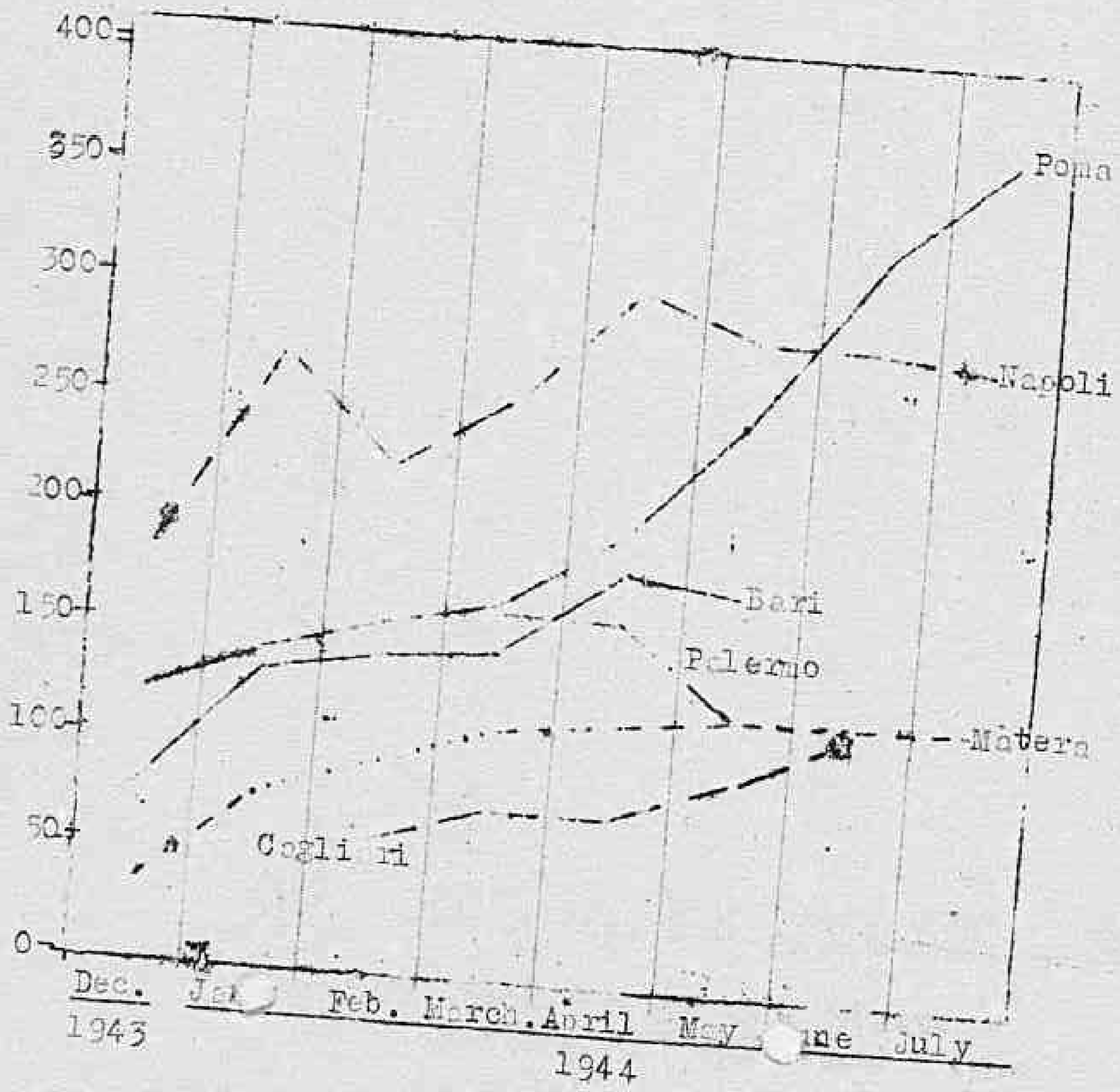
App. E
P. 8.

	19++							
	Dec.	Jan.	Feb.	Marh.	April	May	June	July
Roma	120	140	155	165	200	250	325	370
Napoli	180	270	223	253	306	288	285	280
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	-	-	1[illegible]	120	120	--	--
Cosenza	50	80	85	68	95	100	120	120
Reggio Calabria	-	-	-	-	-	-	--	-
Agrigento	-	95	-	140	140	120	120	-
Caltanissetta	-	106	-	135	14[illegible]	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	65	80	67	65	-



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Catania	–	105	–	135	140	120	120	–
Enna	100	90	–	90	98	125	121	–
Messina	79	80	–	101	114	100	100	–
Palermo	–	110	–	123	140	122	111	–
Ragusa	–	137	–	162	160	135	145	–
Siracusa	–	100	–	110	130	120	120	–
Trapani	–	85	–	98	120	121	121	–
	–	108	–	121	162	120	120	–
Cagliari	60	–	60	73	73	94	118	–
Nuoro	33	–	70	49	45	49	55	–
Sassari	45	–	100	65	80	67	65	–



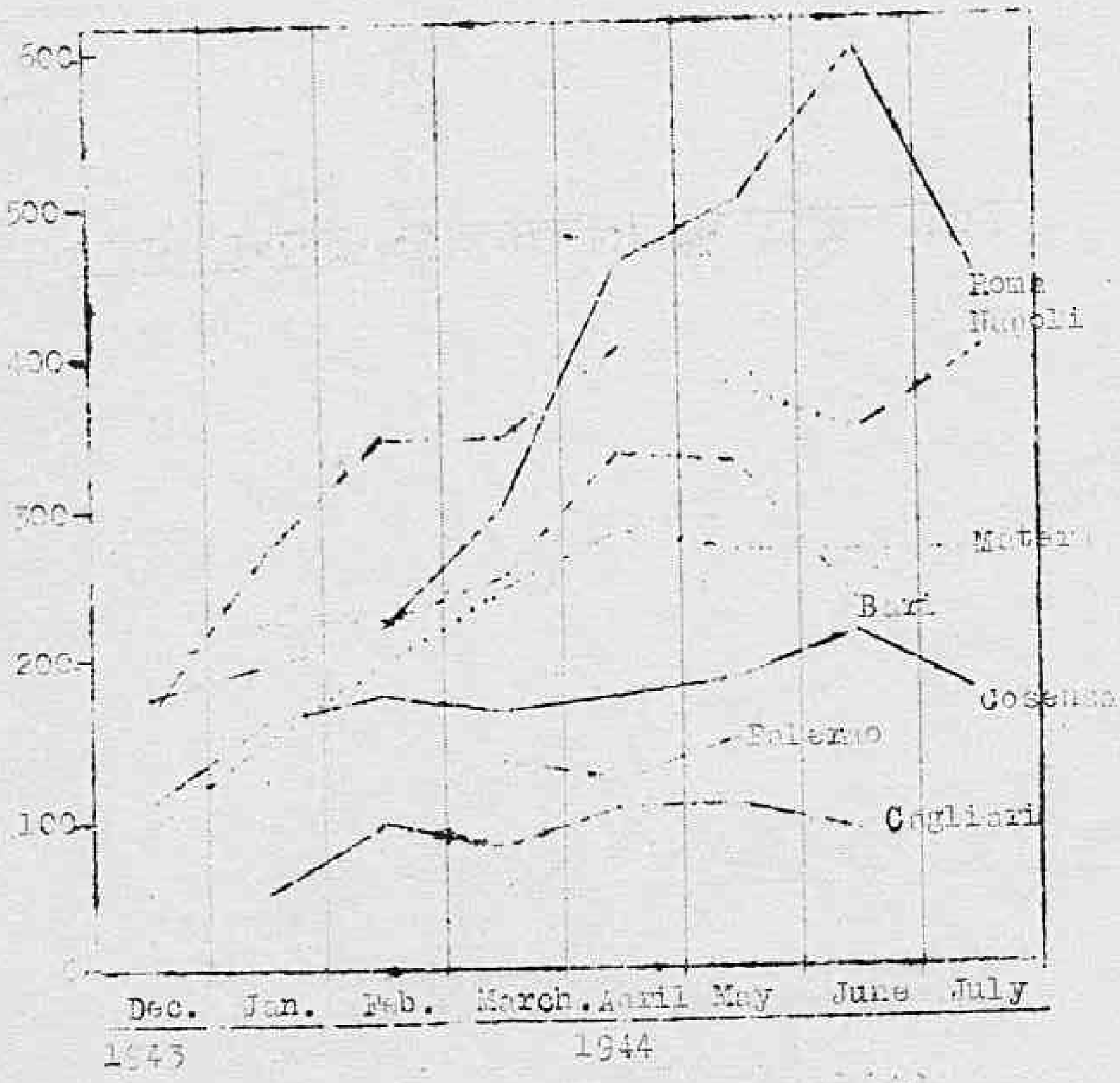
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Cheese, Retail Black Market Prices — App. E,
(Monthly averages, Lire per kilogram)

	1943	1944						
	Dec.	Jan.	Feb.	March	April	May	June	July
Roma	180	200	225	300	460	500	600	450
Napoli	172	275	350	350	411	-	357	400
Salerno	-	-	-	-	-	-	-	-
Bari	203	230	230	268	338	333	240	-
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	160	170	180	190	200	180
Reggio Calabria	144	161	-	-	-	-	-	-
Agrigento	-	115	-	110	110	-	133	-
Caltanissetta	-	140	-	126	-	160	101	-
Catania	190	151	-	150	172	-	175	-
Enna	160	150	-	103	-	-	113	-
Messina	-	142	-	140	135	130	130	-
Palermo	-	124	-	137	123	150	107	-
Ragusa	-	105	-	95	-	-	117	-
Siracusa	-	120	-	129	-	200	132	-
Trapani	68	100	100	108	110	110	153	-
Cagliari	50	-	95	80	105	108	90	-
Nuoro	38	-	70	60	73	78	78	-
Sassari	45	-	70	58	80	-	70	-

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Caltanissetta	-	140	-	120	-	130	-	-
Catania	190	151	-	150	172	-	175	-
Enna	164	130	-	103	-	-	113	-
Messina	-	142	-	140	135	130	130	-
Palermo	-	124	-	137	123	150	107	-
Ragusa	-	105	-	95	-	-	117	-
Siracusa	-	120	-	129	-	200	132	-
Trapani	68	100	100	108	110	110	153	-
Cagliari	50	-	95	80	105	108	90	-
Nuoro	38	-	70	60	73	78	78	-
Sassari	45	-	70	58	80	-	70	-

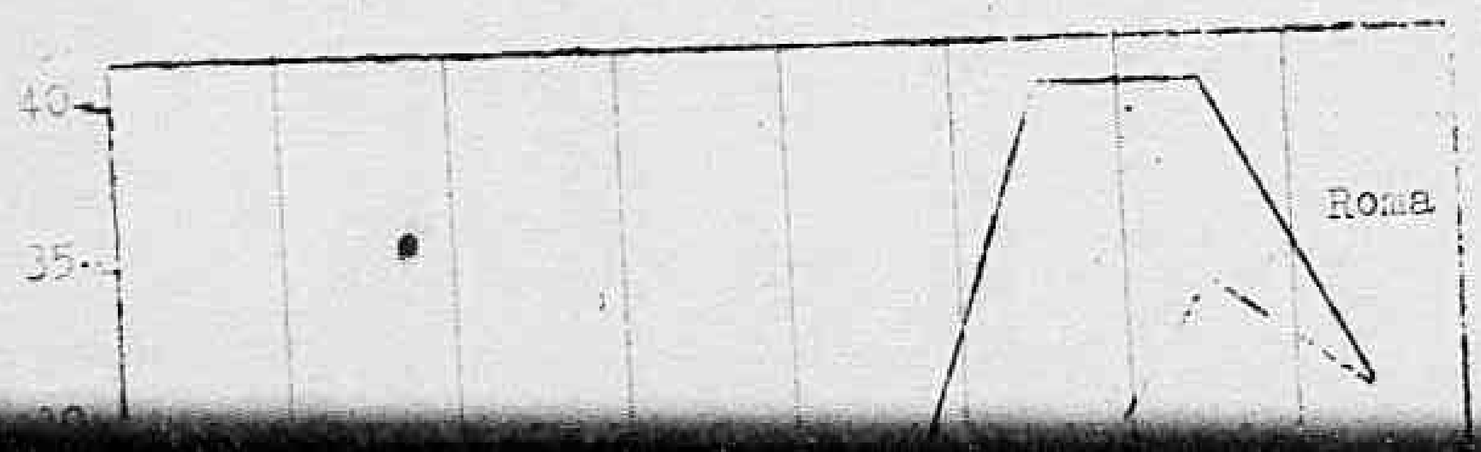


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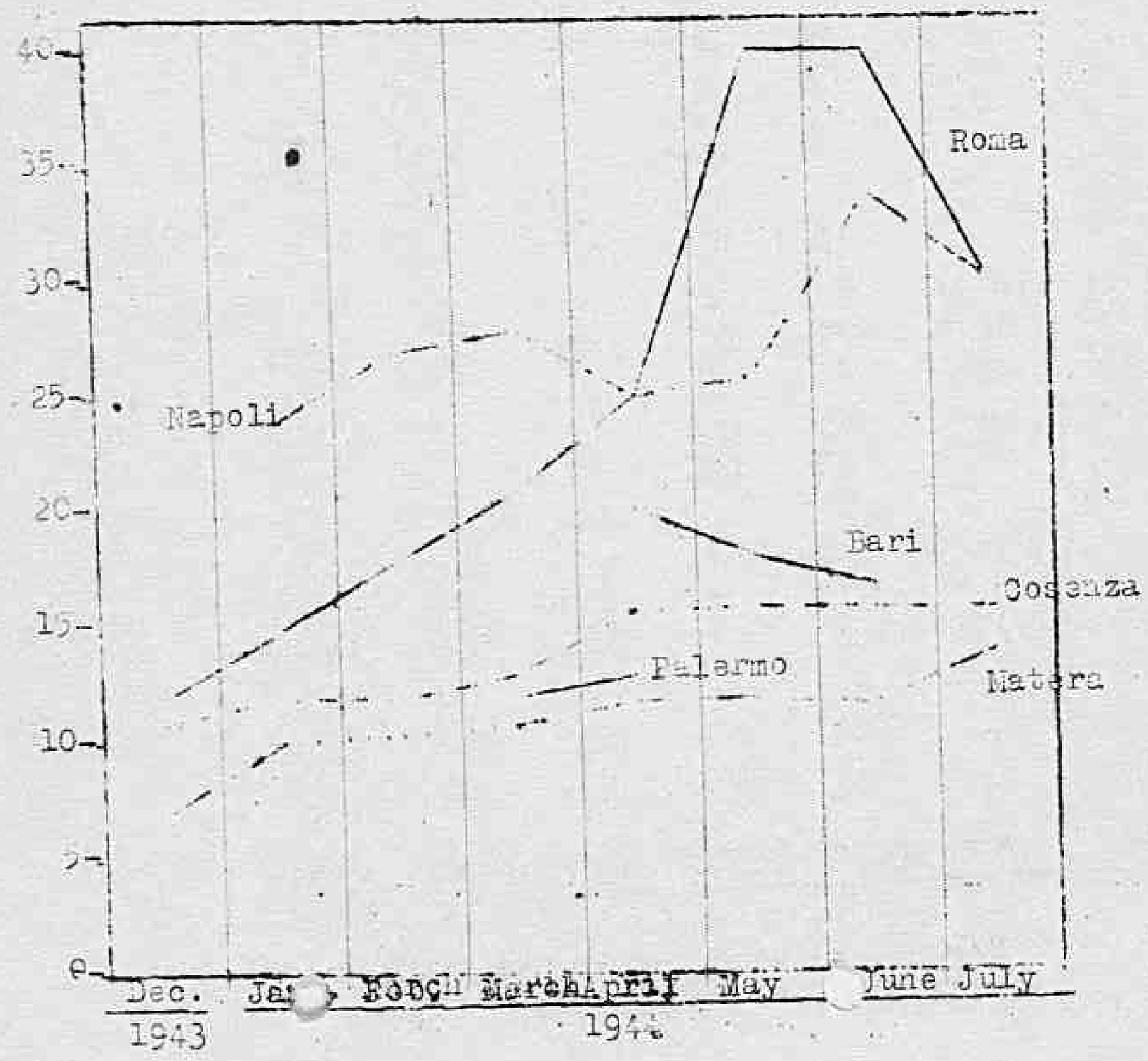
Milk, Retail Black Market Pri. (Monthly averages, Lire per liter)

	1943	1944						
	Dec.	Jan.	Feb.	Merh.	April	May	June	July
Roma	12	15	18	21	25	40	40	30
Napoli	-	24	27	28	25	26	34	39
Salerno	-	-	-	-	-	-	-	-
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	14	-	-	16	16	-	-
Agrigento	-	14	-	15	15	-	16	-
Caltanissetta	-	16	-	20	20	-	18	-
Catania	25	20	-	20	20	-	22	-
Enna	-	-	16	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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Enna	–	–	[illegible]	[illegible]	[illegible]			
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	–	–	–	–	–	–	–	–



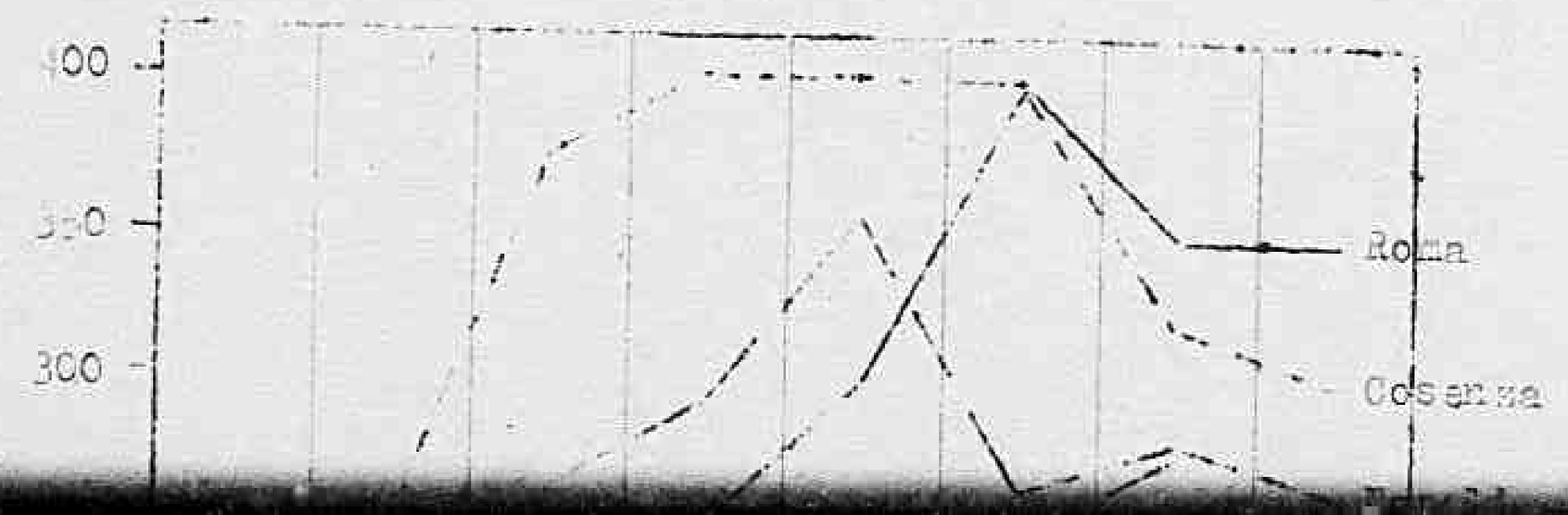
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Sugar, Retail Black Market Prices

(Monthly averages, Lire per kilogram)

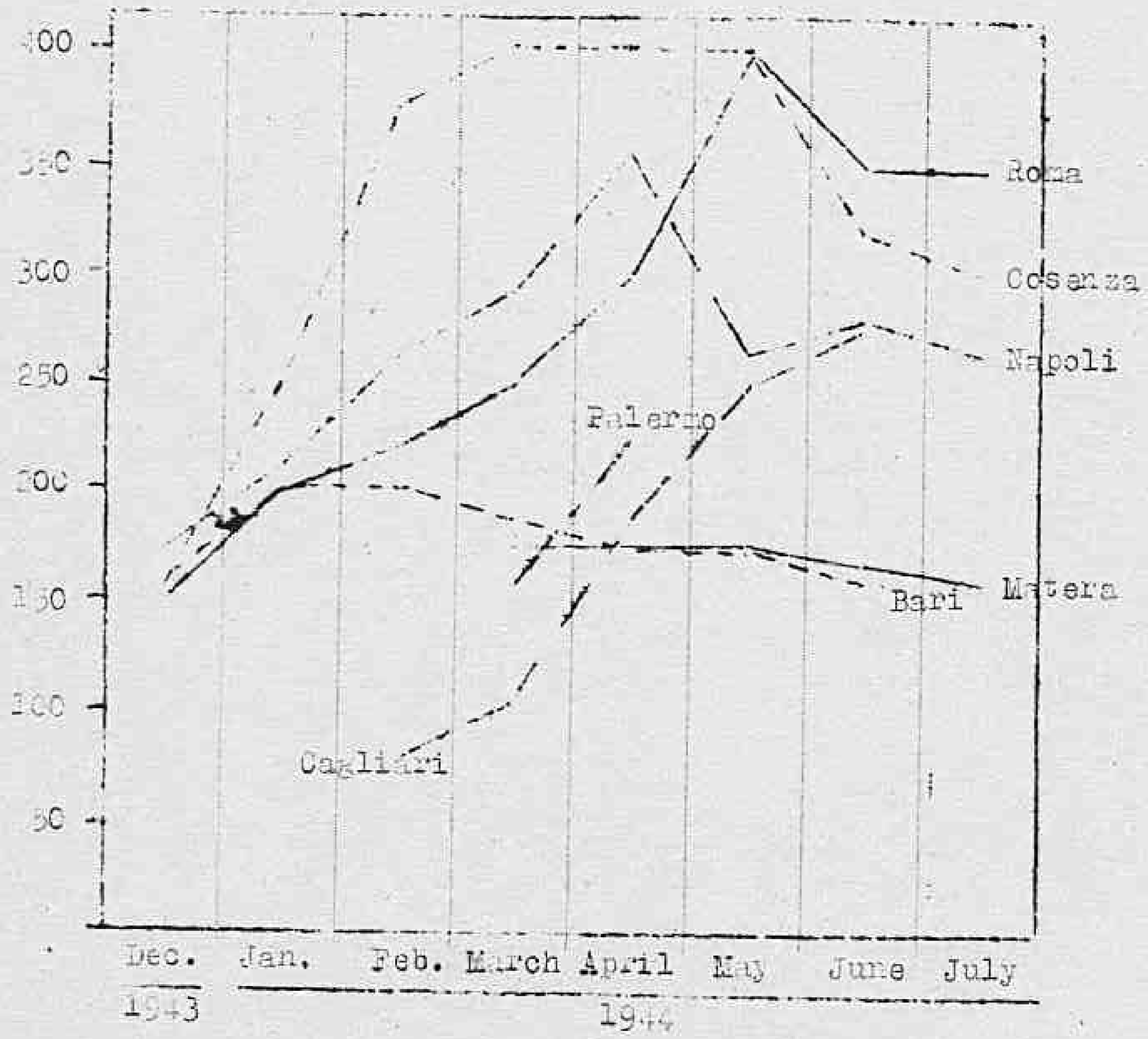
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P. 11.

	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	128	158	-	-	70	50	-	-
Foggia	137	138	-	-	-	-	-	-
Matera	-	-	-	175	175	175	168	180
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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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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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 Institute retains records of every life insurance policy in Italy by means of the "cessioni legali", or compulsary 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 Ranieri Babboni
Leonida Bonanni
Emanuele Filiberto Carnevali
Michele Castelli (Senator of the Kingdom)
Salvatore Contarini (Senator of the Kingdom)
Antonio Galemini
Domenico Galante
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).

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

Morano di Custoza who is in Verona,

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Consiglieri: Giuseppe Ranieri Babboni
Leonida Bonanni
Emanuele Filiberto Carnevali
Michele Castelli (Senator of the Kingdom)
Salvatore Contarini (Senator of the Kingdom)
Antonio Galemini
Domenico Galante
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

Morano di Custoza who is in Verona,

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 Institute 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 Bresciani (national counsellor), Michele D'Addezio, Mario Dzio 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.

4. On the accession 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 three various changes, but who, from his association with Fascist policy towards the Institute since 1939, had become suspect in certain quarters. On the issue of General Bencivenga's proclamation calling back all executives who had been dismissed under the Republican regime, Sraffa 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 Liguoro 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 last month. 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 1939, prior to that having been in the Ministry of Agriculture, contrast significantly with his outstanding position in Italian insurance generally, and his membership of the British Institute of Actuaries.

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

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

8. Assets moved North

(a) Ordinary Branch

			book value
Government Securities			
Nominative	Lire	690,740,542	
Bearer	"	110,041,900	Lire 800,982,442
Deeds of real estate			
Nominative	"	122,199,500	
Bearer	"	29,000	Lire 122,228,500
Various Bonds			
Nominative	"	72,241,900	
Bearer	"	120,120	Lire 72,362,020
			Lire 995,573,962

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).

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(a) Ordinary branch

			Book value
Government Securities			
Nominative	Lire	690,340,542	
Bearer	"	110,001,900	Lire 800,342,442
Deeds of real estate			
Nominative	"	122,199,500	
Bearer	"	22,000	Lire 122,221,500
Various Banks			
Nominative	"	72,241,900	
Bearer		120,120	Lire 72,362,020
			Lire 994,926,962

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. 582 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			
Nominative	Lire	545,320,000	
Bearer		[illegible]	Lire 560,040,600

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

(c) Credit fund (a side of the Institutes activities not devoted)

		Book value
Government securities		
Bearer	Lire	25,420,000

(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 (non-buildings)

	book value (Dec. 1942)
Tirana (under construction)	16,000
Cairo	4,645,000
Tunis	3,698,000
Tripoli	7,715,000
Benghasi	3,854,000
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	223,696	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
Crowns, Norway		2,086
Escudos		10,631

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Tripoli		1,715,000
Benghasi		3,854,000
Addis Ababa and Harrar		2,602,000
	Lire	22,651,000

(b) Other

	Bank Accounts	Investments, deposits & credits
£ sterling	326	53
" gold	255	-
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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	359,830	-
Pesetas	38,614	5,738
Pesos M/. Argentine	-	153,212
Drachma	22,038,989	35,631,613
Milreis	-	177,788
Kune	-	1,274,663
Sols (Peru)	-	137,949
Italian Lire	9,262	2,852,034

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Reasons for the above holdings are:

(a) business of own branch offices in Egypt, Croatia, 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) "Daria" and "Nordisk" of Denmark
(iv) Reassurances Generales, of France
(v) Kolnische, Muenchener, Vereinigung 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.
Praevidentia, 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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Praevidentia, 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.

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 seperate 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

13071/F

22 July 1943

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-Commissions, HQ ACC Public Safety

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 1943 of the Finance Sub-Commission, Headquarters Allied Control Commission.

For Captain ELLERY W. STONE, USNR:

Colonel,
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 TO ACC

FOR JUNE 1944

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

Capt. Andrew Kamarck, F.A.
Lieut. (JG) J.E. Hicks, (USCGR)
Lieut. G.H. Willis, (USNR)
Major B.F.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, AFC 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

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APPENDICES

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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.

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

[illegible] for the 27 provinces then occupied

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II. GOVERNMENT FINANCE

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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 lire, which compares with 8,665 million in the same month a year ago. These figures include all credits to the State budget account at the Provincial treasuries, including Capo X.

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. 1944/43
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	23	1	24	100
Potenza	32	2	34	27	2	29	85
TOTAL	[illegible]9	82	1,011	1,233	126	1,359	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							
Catanzaro	110	10	120	74	6	80	67

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Brindisi	44	2	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
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	[illegible]9	82	1,011	1,233	126	1,359	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	1221	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							
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	288	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 CAPO X.
(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	96,650	33,188	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	1,692
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	505	476
TOTAL	1,221,585	809,757	66	60,033	106,443
REGION II. (Bari, Brindisi, Lecce, Taranto, Matera, Potenza)					
Capo I Manuf. Taxes	61,338	80,919	132	12,548	13,876
Capo II Customs	118,747	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	322,519	151	2,120	8,675
Capo VIII Indirect Taxes	215,736	244,978	113	22,396	30,839
Other Receipts	3,697	5,506	143	503	1,933
TOTAL	1,010,471	1,360,283	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	20,036	33	4,461	2,758
Capo IV. Monopolies	662,458	228,155	35	79,584	18.639
Capo V. Lotteries	90,067	38,899	43	9,477	7,182
Capo VI. Direct Taxes	398,882	344,224	86	10,390	6,493
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	1,711,626	963,917	56	158,198	104,833
REGION VI (Foggia, Campobasso.					
Capo I. Manuf. Taxes	4,238	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	3,560
Capo VIII Indirect Taxes	66,191	39,918	60	8,861	8,604
Other Receipts	9,899	14,985	151	4,540	197
TOTAL	183,436	148,582	81	17,312	16,959

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Capo VI Direct Taxes	214,140	322,519	151	2,120	3,075
Capo VIII Indirect Taxes	215,736	244,978	113	22,396	30,839
Other Receipts	3,827	5,503	143	503	1,933
TOTAL	1,010,121	1,360,443	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	20,036	33	4,461	2,758
Capo IV. Monopolies	662,458	229,155	35	79,584	18,639
Capo V. Lotteries	90,667	38,889	43	9,477	7,132
Capo VI. Direct Taxes	398,882	344,224	86	10,390	6,493
Capo VIII. Indirect Taxes	413.147	289,082	70	41,148	64,628
Other Receipts.	13,692	9,800	72	1,779	3,324
TOTAL	1,711,626	963,917	56	158.198	104,833

REGION V: (Foggia, Campobasso.

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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	3,560
Capo VIII Indirect Taxes	66,191	39,918	60	8,861	8,604
Other Receipts	9,899	14,985	151	4,540	197
TOTAL	183,436	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	112,939	111	5,704	17,683
Capo V. Lotteries	5,293	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	285,299	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	2,428	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 M.G. 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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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.B. 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 of 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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0. ~~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
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Total Military	1,137.8	1,343.8	
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Extra Allowances to Stevedores & Longshoremen	21.0	48.0	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)

Capitolo 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 [illegible]

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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
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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	28.0	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	19.5
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	2,145.9
Disbursements outside budget	720.0	968.5
Transfer of Funds	600.0	31.7
	1,048.1	954.4

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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
Payments in Suspense	395.5	2,664.8
Total General Payments	4,947.9	7,065.3
Special Accounts	2,654.3	2,953.6
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	Puglia
Finance	46.1	75.2	12.3	6.6	62.0	28.
Justice	5.8	15.6	2.4	.8	8.5	4.
Foreign Affairs					.8	
Italian Africa		.4				
Education	4.3	39.3	29.6	.8	17.0	9.
Interior	32.2	156.6	.9	.5	64.5	241.
Public Works	11.9	20.6	.6	.2	21.5	6.
Communications	1.6	67.5	13.3		78.0	28.
Agriculture	5.7	6.8	.3	.3	4.0	1.
Industry & Commerce	.2	1.1			2.0	
Popular Culture						
Foreign Exchange						
Total Civil	107.8	383.1	59.4	9.2	258.3	321
Military						
Army	162.4	9.8	.8	.3	2.5	709
Navy	35.2	1.7	.2		1.8	286
Air Force	48.7					35
Total Military	246.3	11.5	1.0	.3	4.3	1,031
Total Budget Disbursments	354.1	394.6	60.4	9.5	262.6	1,353
Disbursements ouside Budg.	7.7	715.4	6.3	6.3	110.6	110
Transfer of Funds					31.7	
Autonomous Administrations	37.9	204.2	118.6	45.3	164.5	364
Total	399.7	1,314.2	185.3	61.1	569.4	1,828
Payments in suspense	3.6	17.5	8.3	11.7	2,507.5	14
Total General Payments	403.3	1,331.7	193.6	49.4	3,076.9	1,842
Special Accounts	349.7	504.6	66.3	27.6	592.8	1,306
Temporary Cash Deposits	.1	6.2	3.8	.2	.8	1
Total	753.1	1,842.5	263.7	77.2	3,670.5	3,151

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s for Liberated Italy = May 1944

llions of lire)

	Calabria	Lucania	Campania	Puglia	Foggia	Campobasso	Total
2	12.3	6.6	62.0	28.4	5.4	2.7	238.7
6	2.4	.8	8.5	4.6	.7	.5	38.9
			.8				.8
				.2			.6
4				9.8	.3	.5	101.6
3	29.6	.8	17.0	241.3	.2	.2	490
5	.9	.5	64.5	6.3	.1		61.2
6	.6	.2	21.5	28.9			189.3
5	13.3		78.0	1.9	. 5		19.5
8	.3	.3	4.0	.3			3.6
1			2.0				
1	59.4	9.2	258.3	321.7	7.2	3.9	1,150.6
						.2	885.4
8	.8	.3	2.5	709.4			325.5
.7	.2		1.8	286.6			84.4
				35.7			
			4.3	1,031.7		.2	1,295.3
.5	1.0	.3	262.6	1,353.4	7.2	4.1	2,445.9
.6	60.4	9.5	110.6	110.0	10.0	2.2	968
.4	6.3	6.3	31.7				31
			164.5	364.6	18.3	1.0	954.4
.2	118.6	45.3	569.4	1,828.0	35.5	7.3	4,400.5
.2	185.3	61.1	2,507.5	14.9	77.1	47.6	2,664.8
.5	8.3	11.7	3,076.9	1,842.9	112.6	54.9	7,065.3
.7	193.6	49.4	592.8	1,306.7	82.1	23.8	2,953.6
.6	66.3	27.6	.8	1.6			12.7
.2	3.8	.2	3,670.5	3,151.2	194.7	78.7	10.031.6
.5	263.7	77.2					

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	61.4	29.1
Interior	277.4	225.3
Public Works	16.1	16.8
Public Works (State Roads)	27.0	74.4
Communications:		
State Railways	32.5	130.3
Agriculture	1.3	2.1
Industry & Commerce	.3	6.4
Popular Culture		.2
Total Civil	496.8	901.9
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.

6. Provincial and communal budgets and expenditures

[illegible] have been received at the Ministry

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Military		
Army	648.5	937.2
Navy	767.8	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
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6. Provincial and communal budgets and expenditures

a. Budgets for the calander 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, 68 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.
>
> "(2) That no payments shall be made under principles (a) and (b) above until claims have been presented and examined, admitted, and payment

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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;

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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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(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 Salerno 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, AMG 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 AMG. 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 AMG 5th and 8th Armies for experience. These Regional officers work in the territory to be assigned to their Region with AMG 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, [illegible] lire. Initial delivery was requested on 1 September and it will

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disburse only Metropolitan [illegible] only limited supplies of AM lire available, which are to be reserved for the Armed Forces, in so far as possible.

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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 AFA 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 All lire, to serve as cover for these deposits, as it held only 3,159 millions in All lire, but of this amount a portion was held as reserve against accounts of various sections of ACC 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-Commissioner 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 [illegible] accounts held by nationals of the United Nations only, for the [illegible] of such accounts, in Italy, not more than [illegible] 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. 38. 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.

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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 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 risen 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 1,090 to 1,073 million lire, the decline was due wholly to ~~reductions~~ in ~~discount~~ 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.)

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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 amount available which could be withdrawn as secured advances by banks came to over 3 billion lire.

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

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3. Financial arrangements for requisitioned hotels

Suggestions had been received both from AMG 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 nor 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

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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 amassing 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

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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 contracts calling for payment in whole or in part in a 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 crop 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

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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 6 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	46		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] problems of a technical nature. The Director-

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August	89	110	50	
September	124		60	
October	202		85	
November	243		115	
December	300			
			125	
1944				
January	350		130	
February	336		150	
March	360		150	
April	330	580	180	125
May	390			

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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 SFO, AMG 5th Army, and later to the SFO, 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 Finance 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

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ments 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.

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 affecting 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 Malattia 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. "Providenza" 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:

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 "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 published, 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 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

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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 May 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 A.M. 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 1,38¼ 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:

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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;

(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.

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) integrazione (temporary adjustment),

(iv) aggiunta 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.

d. 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 Malattie ai Lavoratori. The Syndicate contributions (Contributi Sindacali) 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 Agricoltura 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 organisations 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 [illegible] of the

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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 "volkswagon" 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 authorized in the contribution for invalidity and old age. No other increases are authorized.

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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 CMF 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 State 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 [illegible] has given trouble, primarily because these agencies lacked

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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 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 ship-side to the national Federazione dei Consorzii, which will in turn resell to Regional and Provincial Consorzii Agrarii, thus eliminating the accounting on Provincial and Regional levels by ACC/AMG.

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.

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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 EM/CR 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.

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

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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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D. Financial Accounting Reorganization

1. Executive Memorandum No. 64 was issued instructing that in future the policy would be to centralise 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 VIII 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 centralisation 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.

G. 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 for wages paid out of ACC/AMG funds to civilian employees in messes and billets. Regional Accountants were reminded of their duties to see that the instructions contained in

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on the spot with accounting problems that arise in newly [illegible] 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.

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4. During the month particular attention has been paid to the control of expenditure for wages paid out of ACC/AMG 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.

E. H. Foley

Colonel,
Joint Director,
Finance Sub-Commission.

C.R. Fraser-Smith

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. AM lire put into circulation (in hands of				

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3. Disbursements for purchase of exports	.2	.1	.2	.5
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
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13. Approximation to increase in currency circulation (6 + 12)	19.1	3.1	3.2	25.4
14. AM 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 M

	Quantities (thousands of long tons)						Landed Cost	Value		
	Thru Dec. 1943	Jan.	Feb.	Mar.	Apr.	May	Total Thru May	(Thous. of lire per ton)	Thru Dec. 1943	Jan
Food										
Flour	72.8	30.0	62.0	54.8	26.5	16.5	262.5	13.2	961	39
Wheat	9.8	47.1	29.6	24.0	29.0	68.1	207.6	11.7	115	55
Soup, dhy	2.8	3.9	4.1	11.4	10.2	5.2	37.6	59.6	165	23
Stew, M & V	–	–	–	12.3	8.1	9.0	29.4	56.0	–	–
Meat, 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	8
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
									127	

Proceeds from sales of civilian supplies

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FOR CIVILIAN CONSUMPTION THROUGH MAY 1943

of long tons) Landed Cost			(Thous. of lire per ton)	Value at Landed Cost (millions of lire)						
pr.	May	Total Thru May		Thru Dec. 1943	Jan.	Feb.	Mar.	Apr.	May	Total Thru May
6.5	16.5	262.5	13.2	961	396	818	723	350	218	3,466
9.0	68.1	207.6	11.7	115	551	346	281	339	797	2,429
0.2	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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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

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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. designate 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:

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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	1,823,000

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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), Acquapendents (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 HQ. 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. H. A. Webb, 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.

Rome Province. The banks in Rome Province were closed by the posting of Proclamation No. 4. 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 A.F.H.Q. 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 wwhere buildings and vaults were ruined. Whereever 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 AMG 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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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 REMOVING.

Rome Province. The banks in Rome Province were closed by the posting of Proclamation No. 1. 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 A.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 AMG 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.

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 AMG 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 pecularly 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 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

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and the officials of the Banca d'Italia, Viterbo.

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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, province and state offices for June and July;
(d) supplying of cash to banks for reopening.

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.

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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 I. T. Italian tax collecting machinery and instructions by him to the communal authorities and the esattori that all tax laws are to be enforeced 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 P.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, 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.

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CASE 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.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, 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 C — BANKING STATISTICS

Page 1

Table 1

Italian State Account at Banca 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 Banca d'Italia to State	11,092	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
Increase in Contabilita' Speciale accounts	1,742	482	2,224
Increase in deposits of cash guarantees	114	7	121
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
81	71	10	27	7	20
			10	6	4

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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
Increase in Contabilita' Speciale accounts	1,742	482	2,224
Increase in deposits of cash guarantees	114	7	121
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	6
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 AM Accounts)
31 May 1944 (millions of lire)

Branch	Bank Notes	State Notes	AM Lire	BMA 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	-	-	-	144
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.

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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	-	-	-	144
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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Bari								
Brindisi	-1,708	343	10,654	9,294	1,699	-339	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	-919	-3,475
Cosenza	2,199	1,683	1,569	5,451	-3,682	1,126	-397	-1,744
Reggio Calab.	-4,220	1,884	125	-2,211	-3,181	1,834	-	-
Catanzaro	-4,692	2,600	3,098	1,006	-	-	3,073	2,501
Avellino	-2,690	-1,006	2,040	-1,656	-2,364	1,792	-	-
Benevento	329	270	-	599	-	-	1,883	40,028
Napoli	-7,004	11,124	1,032	5,152	-24,162	13,983	116,695	119,499
Salerno	-11,713	-2,163	4,097	-9,779	-3,132	5,936	15,146	15,146
Cagliari	1,175	8,434	4,142	13,251	-	-	332	332
Nuoro	-738	3,704	4,064	7,030	-	-	17,362	17,362
Sassari	871	4,899	9,863	15,633	-	-	144,732	169,861
TOTAL (24 Provinces.)	230,802	40,777	104,181	-85,844	-7,631 (16 Provinces)	25,760		

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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	2,927	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	455	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 DISBURSEMENTS
FOR THE PERIOD TO 31 MAY 1944
(expressed in lire)

( )=Red Figure

SCHEDULE No.		TOTAL TO 30 APRIL 1944	CURRENT MONTH
I	NEW A.M. LIRA NOTES RECEIVED		
	As Notified to Washington	42,589,728,000	6,254,400,000
	Shortages Revealed on Opening Boxes	(1,080)	(50)
	Lire	42,589,726,920	6,254,399,950
II	DEPOSITS BY AMG/ACC DIVISIONS		
	(a) Economic and Supply Division	557,069,071	418,134,974
	(b) Economic and Supply Division - Deposits on Returnable Containers	17,914,299	12,254,187
	(c) Public Health Division	24,974,318	13,773,960
	(d) Legal Division (principally bail)	5,437,000	3,282,600
	(e) Other Divisions	27,700	-
	Lire	605,422,388	447,445,721
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	(6,430,000)
	(c) From Others	1,318,640	(1,118,140)
	Lire	7,931,440	(7,548,140)

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APPENDIX D

ALLIED FINANCIAL AGENCY

F/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			
hington	42,589,728,000	6,254,400,000	48,844,128,000
on Opening	(1,080)	(50)	(1,130)
Lire	42,589,726,920	6,254,399,950	48,844,126,870
DIVISIONS			
apply	557,069,071	418,134,974	975,204,045
apply			
Deposits			
e Cont-	17,914,299	12,254,187	30,168,486
Division	24,974,318	13,773,960	38,748,278
(prin-			
)	5,437,000	3,282,600	8,719,600
s	27,700	–	27,700
Lire	605,422,388	447,445,721	1,052,868,109
BANKS			
NTING			
LD	182,800	–	182,800
aymasters	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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SCHEDULE No.		TOTAL TO 30 APRIL 1944	CURRENT M
IV	DEPOSITS		
	(a) By Controller of Property		
	(1) Psychological Warfare Board-Film Section	916,103	925
	(2) A.G.I.P.	10,000,000	-
	(3) Moharwas & Son	117,219	-
	(4) Changimal Co.	108,714	-
	(5) Goods Ex German Steamers	846,500	-
	(6) Unione Militare	2,400,000	(2,400
	(7) Misan Felice	-	154
	(8) Miscellaneous (under Lire 100,000 each)	455,023	9
	(b) By U.S. Army Units-See Sched. XXVIII, (e), (4)	60,744,602	5,256
	(d) By Others		
	(1) "A" Force	960,000	(12
	(2) Command Paymaster No8 Com'd Pay Office, C.M.F.	283,505	(24
	(3) Pasquale Esposito	108,600	-
	(4) Comitato Italiano Petroli	-	45,000
	(5) Enemy Unit Funds	-	1,9
	(6) Various (under Lire 100,000 each)	155,911	(10
	Lire	77,096,177	50,626

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	TOTAL TO 30 APRIL 1944	CURRENT MONTH	TOTAL TO 31 MAY 1944
ler 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
Militare	2,400,000	(2,400,000)	-
lice	-	154,435	154,435
neous (under Lire			
each)	455,023	8,374	463,397
ny Units-See Sched.			
), (A)	60,744,602	5,256,120	66,000,722
	960,000	(12,500)	947,500
Paymaster No8 Com'd			
e, C.M.F.	283,505	(243,775)	39,730
Esposito	108,600	-	108,600
Italiano Petroli	-	45,000,000	45,000,000
t 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	CUR
V	PROCEEDS OF SALES IN ITALY OF SUPPLIES		
	(a) Economic & Supply Div.		
	(1) Supplies Imported or Drawn from Armies	470,325,838	2
	(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	3
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
IN ITALY			
Supply Div.			
Imported or	470,325,838	296,867,336	767,193,174
m Armies			
Purchased	4,981,228	1,842,900	6,824,128
th Division			
Imported or	9,799,898	4,628,082	14,427,980
m Armies	-	4,500	4,500
Purchased Locally			
l Division			
Imported or	432,000	276,600	708,600
m Armies	485,538,964	303,619,418	789,158,382
Lire			
CT OF AMG/ACC REVENUE			
e			
eceived from Banks	3,091,650	263,766	3,355,416
ous Receipts	545	-	545
	3,092,195	263,766	3,355,961
ue) to close of	124,820,840	14,776,132	139,596,972
ue) previous mth.	7,163,372	994,963	8,158,335
venue received by AFA prev.mth,alloc.in cur mth	54,566	(54,566)	-
venue received by AFA current month	-	2	2
Lire	135,130,973	15,980,297	151,111,270
ittances (AF Accounts):			
rs ($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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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.O.	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	14,626,109
	(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	7,655,413	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 AIRIL 1944	CURRENT MONTH	TOTAL TO 31 MAY 1944
ST			
to P.C.	21,254,000	1,020,000	22,274,000
	148,082,000	(1,020,000)	147,062,000
Lire	169,336,000	-	169,336,000
PPLIES			
America	35,385,989	14,026,109	49,412,098
	268,929,544	69,256,143	338,185,687
	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
LY	16,852,750	16,963,859	33,816,609
Lire	431,147,900	156,237,389	587,385,289
PPING EXPENSES			
TS, EXPORTS &			
lian Personnel	7,655,413	4,612,832	12,268,245
ses and Approach			
	469,735	847,527	1,317,262
	2,264	500	2,764
ping Charges	8,807,885	4,293,204	13,101,089
	464,815	2,110,050	2,574,865
Lire	17,400,112	11,864,113	29,264,225

period to 30 April 1944, the total
ncluded in "Disbursements in Res-
ure", as follows:-
Lire 8,485,990
" 8,914,122

0266

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

SECRET

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	492,429,665	(4,170,000
	(c) To Communes	1,182,808,593	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	1,188,85
	(2) Advisory Council for Italy	650,000	913,99
	(3) Library of Congress - for purchase of books	211,134	92,05
	(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	4,34
	Lire	6,261,063,873	49,869,06
XVI	LOANS		
	(a) To Banks	5,320,000	(2,320,00
	(b) To Others	960	-
	Lire	5,320,960	(2,320,00
XVII	PAYMENTS TO PERSONS IN ITALY ON ACCOUNT OF REMITTANCES FROM ALLIED COUNTRIES		
	(a) Remittances from United States of America	Lire 4,246,000	2,162,15

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	TOTAL TO 30 APRIL 1944	CURRENT MONTH	TOTAL TO 31 MAY 1944
easury,			
e 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			
f proper vouch			
ete informat'n	3,602,464	1,188,853	4,790,987
for Italy	650,000	913,992	1,563,992
ss - 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
c del Bambino,			
a Gabriello -			
	100,000	-	100,000
vances 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
ITALY ON ACCOUNT			
LIED COUNTRIES			
ited States of			
Lire	4,246,000	9,182,450	13,428,450

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

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SCHEDULE No. XVIII

PAYMENTS IN RESPECT OF SUBJECTS OF ALLIED NATIONS

	TOTAL TO 30 APRIL 1944	CURRENT MONTH	T
(a) Emergency Financial Assistance to			
(1) U.S.Nationals	2,258,620	666,100	
(2) British "	1,152,550	305,400	
(3) Greek "	19,300	-	
(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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	L TO 30 APRIL 1944	CURRENT MONTH	TOTAL TO 31 MAY 1944
nce to			
	2,258,620	666,100	2,924,720
	1,152,550	305,400	1,457,950
	49,300	-	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
efugee			
	247,271	556,530	803,801
ssions			
ion	150,000	45,000	195,000
	76,000	44,000	120,000
	954,000	20,000	974,000
sion	400,000	-	400,000
	8,000	5,000	13,000
	115,000	70,000	185,000
re	5,885,246	1,712,030	7,597,276

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SCHEDULE No. XIX		TOTAL TO 30 APRIL 1944	CURRENT MONTH
	PAYMENTS CHARGEABLE TO ITALIAN STATE IN RESPECT OF ITALIAN REFUGEES, ETC.		
	(c) Payments in Respect of Italian Refugees	18,440	2,762,827
	(b) Emergency Financial Assistance Payments to Other than Allied Nationals		
	(1) Albanian Nationals	16,633	-
	(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. 785016

	TOTAL TO 30 APRIL 1944	CURRENT MONTH	TOTAL TO 31 MAY 1944
ITALIAN			
	48,440	2,762,827	2,811,267
Post-Ethan			
	16,833	–	16,833
	1,200	4,000	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
	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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Declassified E.O. 12356 Section 3.3/NND No. 785016

SECRET

SCHEDULE No.		TOTAL TO 30 APRIL 1944	CURRENT MO
XX	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	14,832,800	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	4,000,
	(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	500,544,
	Lire	23,306,103,158	4,585,692,

0273

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

	TOTAL TO 30 APRIL 1944	CURRENT MONTH	TOTAL TO 31 MAY 1944
ALLIED ARMED FORCES			
lican Army			
in Lire	11,740,808,000	2,122,400,000	13,863,208,000
in Yellow Seal Dol- ($ 1,505,300, total te)	150,530,000	-	150,530,000
ican Navy			
in Lire	190,766,000	-	190,766,000
in Yellow Dollars ,000, total to date)	21,200,000	22,600,000	43,800,000
ish Army			
in Lire	7,923,651,830	1,882,948,000	9,806,599,830
in P.M.A. Pounds 02,600-15-6, total e)	761,040,310	40,000,000	801,040,310
ish Navy			
in Lire	14,832,800	13,200,000	28,032,800
in Francs (Fcs. 15,915 to date)	31,830	-	31,830
Air Force			
in Lire	14,035,000	4,000,000	18,035,000
in Francs (Fcs. 844, total to date)	2,639,688	-	2,639,688
h Armed Forces			
in Lire	2,486,568,000	500,544,000	2,987,112,000
Lire	23,306,103,458	4,565,692,000	27,891,795,458

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

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SCHEDULE No. XXI		TOTAL TO 30 APRIL 1944	CURRENT MONTH
	DISBURSEMENTS IN RESPECT OF AMG/ACC		
	EXPENDITURE		
	(a) AFA Expenditure		
	Emoluments of Civilian Personnel	107,386	2,810
	Motor Tnspt.-Maintenance of Vehs.	760	-
	Other Adm. Expenses		
	Printing & Stationery	35,496	3,290
	Maintenance of Offices	[illegible]	-
	Maintenance of Office Equipment	1,905	-
	Sundries	1,284	-
	Total, Other Admin. Expendit.	43,095	3,290
	Special Expenditure		
	Purchase of Office Furniture and Equipment	94,799	900
	Reconditioning of Offices and Billets	51,590	6,800
	Total Special Expenditure	146,389	7,700
	Financial Expenditure		
	Interest Paid to Banks	1,555,087	6,748
	Bank Service Charges	408,333	-
	Total Financial Expenditure	1,963,420	6,748
	Total AFA Expenditure	5,261,050	20,548
	(b) AMG Expend.(to close of prev.mth)+	38,743,982	6,638,203
	(c) ACC Expend.(to close of prev.mth)+	14,151,120	6,868,134
	(d)AMG/ACC Disbursements made by AFA, direct in previous month, allocated in current month	2,533,832	(2,533,832)
	(e)AMG/ACC Disbursements made by AFA, direct in current month	-	10,855
	Lire	60,689,984	10,403,906

+ See Schedule No. XIV

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

	TOTAL TO 30 APRIL 1944	CURRENT MONTH	TOTAL TO 31 MAY 1944
T OF AMC/ACC			
en Personnel	107,386	2,810	110,196
nce of Vehs.	760	-	760
	35,496	3,290	38,786
ces	4,410	-	4,410
ce Equipment	1,905	-	1,905
	1,284	-	1,284
. Expendit.	43,095	3,290	46,385
Furniture	94,799	900	95,699
ffices	51,590	6,800	58,390
	146,389	7,700	154,089
e	4,555,087	6,748	4,561,835
nks	408,333	-	408,333
s	1,963,420	6,748	4,970,168
penditure	5,251,050	20,548	5,281,598
ure	38,743,982	6,038,203	44,782,185
ce of prev.mth)+	14,151,120	6,868,134	21,019,254
nts made by AFA, month, allocat-	2,533,832	(2,533,832)	-
nts made by AFA, month	-	10,855	10,855
Lire	60,689,984	10,403,908	71,093,892

IV

0276

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

SECRET

SCHEDULE No.		TOTAL TO 30 APRIL 1944	CURRENT MO
XXII	DISBURSEMENTS OF ADVISORY COUNCIL FOR ITALY		
	(a) U.S. Delegation	-	59.
	(b) British "	-	82.
	(c) Russian "	-	82.
	(d) Yugoslav "	-	8.
	(e) Greek "	-	35.
	(f) French "	-	40.
	Lire	-	406.
XXVII	CONTRA ACCOUNTS		
	Foreign Exchange Credits		
	(1) U.S. Dollars, ($ 769,527.73 total to date)	29,214,300	47,738.
	(2) Sterling, (£ 9,164 - 5 - 8 total to date)	10,000	3,655
	Lire	29,224,300	51,394

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	TOTAL TO 30 APRIL 1944	CURRENT MONTH	TOTAL TO 31 MAY 1944
SORY			
	-	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	-	406,008	406,008
its			
otal 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

0278

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SECRET

SCHEDULE No. XXVIII

TOTAL TO 30 APRIL 1946

CASH ON HAND & IN BANKS AT END OF PD.
(Incldg.Mut.&Unfit A.M.Lire Notes O/H)

(a) Current Cash-Lire		883,231
(b) Reserve Cash-Lire		11,415,320,000
(c) Bank Current Accounts-Lire		
Banco di Sicilia		456,905,116
Banca d'Italia		866,522,273
Banco di Napoli		65,664,157
Credito Italiano		55,085
Banca Commerciale Italiana		3,308,990
Total, Bank Current Accounts	1,422,475,621	
Total Lira Funds	12,838,670,852	
(d) Non Lira Currency O/H or in Bks		
(1) Yellow Seal Dollars, ($ 1,515,668.31 total to date)		141,169,893
(2) B.M.A. Pounds, (£ 573,194-16-5 total to date)		151,655,521
(3) Maltese Pounds		56,650
(4) Tripolitanie Lire		70,850
(5) Francs		12,064
Total Non Lira Currency	292,964,378	
(e) Other Balances with Banks		
(1) Bank of Italy No.2 Account+		200,000,000
(2) CAS Rome Ltr of Credit A/C+		-
(3) Funds Deposited with Italian Banks for Remittance Payments		-
(4) Funds Deposited by U.S. Army Units - See Sched. IV (b)	60,744,602	
	260,744,602	
	13,392,387,834	

MUTILATED AND UNFIT A.M.LIRA NOTES ON HAND — 3,522,513

Lire 13,400,980,347

+ Items (e), (1) & (2), above together = Item No.7

0-2-7-9

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	TOTAL TO 30 APRIL 1944	CURRENT MONTH	TOTAL TO 31 MAY 1944
WKS AT END OF PD.			
.M.Lire Notes C/H)			
e	883,233	(484,413)	398,820
e	11,415,320,000	1,861,400,000	13,276,728,000
ounts-Lire			
	466,905,116	(52,691,383)	414,213,733
	866,522,273	388,675,248	1,255,197,521
	55,684,157	(25,065,285)	40,618,872
	55,085	7,724,435	7,779,520
e Italiana	3,308,990	5,200,020	8,509,010
rent Accounts	1,422,475,621	303,843,035	1,726,318,656
e	12,838,678,854	2,164,766,622	15,003,445,476
y C/H or in Bks			
llars,			
1 total to date)	141,169,893	10,390,938	151,560,831
5 total to date)	151,655,521	77,622,408	229,277,929
	56,050	(56,050)	-
ire	70,850	(70,850)	-
	12,064	(12,064)	-
Currency	292,964,378	87,874,382	380,838,760
ith Banks			
No.2 Account	200,000,000	1,400,000,000	1,600,000,000
f Credit A/C	-	500,000,000	500,000,000
d with Italian			
ttance Payments	-	65,091,541	65,091,541
d by U.S. Army			
hed. IV (b)	60,744,602	5,256,120	66,000,722
	260,744,602	1,970,347,661	2,231,092,263
	13,392,387,034	4,222,988,665	17,615,376,499
A.M.LIRA			
	8,592,513	(2,993,665)	5,598,848
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

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	14
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

U.S. Dollar Remittances

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Liberty Title & Trust Co., Philadelphia	[illegible]	194
Manufacturers Trust Company, New York	5,188.50	145
Manufacturers National Bank of Detroit	89,280.50	2433
Marine Midland Trust Company of New York	1,402	29
Merchants Bank of New York	5,696	142
National Bank of Detroit	1,461	51
National Shawmut Bank of Boston	12,028.50	305
National City Bank of New York	5,682	104
Pan American Trust Company, New York	63,534.25	1492
Perara Company, New York	5,650.50	230
Philadelphia National Bank, Philadelphia	5,832	149
Public National Bank & Trust Co., New York	2,125	52
Stabile Bank & Trust Co., Boston	9,261.83	331
Sterling National Bank & Trust Co., New York	12,486	491
United States Lines, New York	2,108.50	234
Whitney National Bank of New Orleans	2,331	269
	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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Declassified E.O. 12356 Section 3.3/NND No. 785016

Public Safety
FSR/111

14027/2

NEAR HEADQUARTERS
ALLIED CONTROL COMMISSION
Finance Sub-Commission
A.P.O. 394

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 29 para. C.

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 300 and 350 lire per kilo, respectively; the prices of fruits and 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 calorie value of beans per unit weight.

J. J. LANLER
Lt. Cmdr. USCGR
Finance Sub-Commission

JJL/ef

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Public Safety S.C

14027/2

2A

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
AMG Five Army
" Eight "

Regional Finance Officer
Region I
" II
" III
" IV
" V
" VI
" VII
Senior Finance Officer
A.G Five Army
" Eight "

RC & 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.

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RHLA/PFP

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

21b

S E C R E T

HEAD QUARTERS
ALLIED CONTROL COMMISSION
FINANCE SUB-COMMISSION
APO 394

13071/F

11 May 1944

REPORT OF THE FINANCE SUB-COMMISSION HQ ACC

FOR APRIL 1944

Col. A. P. Grafftey-Smith (B)) Joint Directors, Finance Sub-
Col. E. H. Foley (A)) Commission

Capt. R. E. L. Timmons)
Capt. Andrew Kamarck, U.S.) 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 Eng. 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 Joanna, 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] Bank of Naples.

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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.

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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 some 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. P. Graffety-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 1944 wheat delivered to the Ammassi 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 ammassing.

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 1944 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 ACC toward urban landowners, all rents be required to be paid in money with real 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 differences 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 ammassi

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(c) That the price of bread be fixed at not over 5 lire per kilo, the differences 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 amassing programme 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 amassing.

(ii) A programme of comparing week-by-week results of the amassing 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 amassed grain 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) Inauguration of a vigorous publicity campaign to convince the people of Italy that they must amass enough food to take care of their urban population, that compulsory amassing is absolutely necessary in deficit 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 at harvest time and keep harvesting costs down, the use of the Italian army for harvest labour and the strict control of threshers be adopted for AMG territory and recommended to the Italian Government, as described in the memorandum on page 11.

(d) That all major crops be amassed.

In making these recommendations, the Finance Sub-Commission contended:

(a) That a programme comparable to that outlined will make the amassing programme a success without an excessive price of wheat, and that - owing to the height of black market prices and other factors - without such a comparable programme, the amassing programme will be a failure, however high the price of wheat may be put.

(b) That the prices recommended will amply 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 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

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adopted for U.S territory and recommended to the Italian Government, as described in the memorandum on page 12.

(f) That all wages be frozen.

In making these recommendations, the Finance Sub-Commission contended:

(a) That a programme comparable to that outlined will make the assembling programme a success without an excessive price of wheat, and that - owing to the height of black market prices and other factors - without some comparable programme, the assembling programme will be a failure, however high the price of wheat may be put.

(b) That the prices recommended will amply 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 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 5 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 5 lire. (The effect upon the Italian Government deficit of paying 1,150 lire per quintal for wheat and keeping the price of bread at 5.60 lire is discussed in the memorandum on page 5.) If the wheat and bread prices recommended by the Finance Sub-Commission are agreed upon, and if the costs of transport, milling, baking, and retailing can be limited to 5 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 5 lire, is 7 billion lire.

(e) That in view of the effect of raising the price of bread sufficiently to cover a high wheat price or of the effect 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 make 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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B. The Cost of Living

1. Naples

(a) The black market price of bread continued to rise in Naples. It was approximately 150 lire per kilogram throughout April and over 160 in the first week of May. It is believed that the situation is largely personal and reflects the exhaustion of black market supplies of local wheat from the 1943 harvest. This explanation is evidenced by the fixed price in bi-weekly bread prices that has occurred recently in country towns and by the almost complete substitution of white bread sold from Anglo-American stock for country bread on the Naples black market.

(b) Black market prices of potatoes and pork also rose there, the former to 45 and 300 lire, respectively, per kilogram. However, the black market prices of these very important items have declined. Olive oil declined from about 260 to 240 lire per litre, largely as a result of two small issues of national olive oil at the end of March and the end of April; fish declined very sharply, from 250 to 125 lire per kilogram, largely, it is believed, as a result of the fish marketing programme developed by the Fisheries Division of AMG; and vegetables declined owing to the appearance of spring crops.

(c) During March and April a total of .4 litres of olive oil, 500 grams of sugar, 130 grams of cheese, 800 grams of dried vegetables, 400 grams of canned stew, and a small quantity of canned soup were distributed in Naples in addition to the regular daily bread ration of 200 grams.

(d) The result of these black market price changes and increased official food distribution has been that the cost of living in Naples has been kept in control, and at the end of April it was lower than at any time since last February. Cost of living figures, in lire per person per week, comparable to those presented in earlier numbers of the Monthly Report, are given below. These for March are slightly lower than the preliminary figures published last month, since at that time complete information on official distributions was not available.

The cost of living in Naples
(per person per week)

7 March	345 lire
14 March	362

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	November 1943	January 1944	April 1944
	(Lire per person per week)		
Ordinary	95	120	160
Workers	100	140	180
Miners	50	75	160
Peasants	50	100	150
Anglos	300	350	335

(b) The changes in these figures are due to each other result haphazardly from the current unfounded shortage of bread supplies of black or white bread, a situation that favours (relatively) city workers in which American flour is more readily obtainable through official channels, and that favours (relatively) cities like Rome that are in the midst of the grain 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 known announcements by the Italian Government and its agencies in the area now comprising liberated Italy amount to around 26 billion lire. Only 4 billion of this was offset by gross revenues. The remainder, 22 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 and 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 an addition to 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 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 600 million

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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 26 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 (1 billion lire); and an increase in Government bills outstanding, Buoni del Tesoro ordinari (1 billion lire).

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Less than one-tenth of the Government's current deficit in March was covered by the sale of government securities, Buoni del Tesoro ordinari, there being a net investment of 230 million in these 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.

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", so 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 24 billion lire.

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In addition, there is a total of about 3 billion lire of advances made by AMA 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. From the very nature of the data, derived from a compilation of individual branch reports, each of which is distorted by transfer items, the data become more meaningful when all provinces 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 Germany may appear on the accounts of the Banca d'Italia in Bari, but the actual cash has to be provided by the Banca 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 Banca d'Italia branch in an AMG region or in an AMG 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 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 230 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 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 occupation of Rome in January, it has not been sufficient

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d'Italia in Naples. The Italian Government is also drawing various projects for the Allied forces in AMG regions which are a charge on its budget and may appear either on the accounts of the Banca d'Italia branch in an AMG region or in an AUT region.

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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
Taormina	106	151	-45	12	3	9
Calabria	75	69	6	15	10	5
Puglia (less Foggia)	321	577	244	112	121	-9
Sardegna	141	49	92	18	5	13
Sicilia	1,085	578	505	563	360	203
Total ACC	2,263	1,474	789	739	507	232
Campania (less Salerno)	436	466	-30	90	91	-1
Foggia	38	43	-5	4	5	-1
Campobasso	29	33	-4	16	13	3
Total AMG	503	542	-39	110	109	1
Grand Total	2,765	2,016	750	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)

	SALERNO	LUCANIA	CALABRIA	PUGLIA LESS FOGGIA	SARDEGNA	SICILIA	TOTAL A.C.C.	CAMPANIA less SALERNO
"Deficit" in State Account								
Total payments less payments on account of Buoni del Tesoro ordinari	738	507	2,163	8,971	4,612	1,909	19,250	4,700
Less receipts less receipts on account of Buoni del Tesoro ordinari	61	53	177	1,453	363	563	2,673	779
Excess of disbursements	724	454	2,286	7,518	4,249	1,346	16,577	3,921
How State "Deficit" was met								
Credit advanced by Banca d'Italia to State	201	-	912	3,705	1,733	-	6,551	1,602
Decrease in balances held by State at Banca d'Italia on 1 July 1943	337	185	520	1,204	1,110	-	3,356	595
Advances from AMA and AMG	-	100	400	850	560	490	2,700	-
Funds supplied from ROME	-	200	600	900	-	126	1,826	1,400
Net receipts or net repayment (-) in Buoni del Tesoro Ord. on account	-6	-50	3	210	83	581	823	-46
Increase or decrease (-) in Conto Speciale accounts	192	18	-150	640	158	146	1,304	367
Increase in deposits at cash guarantees	-	1	1	9	3	3	17	3
TOTAL	724	454	2,286	7,518	4,249	1,346	16,577	3,921

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TABLE 1.

Italian State Account at Banca d'Italia
1 July 1943 through 31 January 1944
(In millions of lire)

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LABRIA	PUGLIA LESS FOGGIA	SARDEGNA	SICILIA	TOTAL A U C	CAMPANIA less SALERNO	FOGGIA	CALABRIA	TOTAL A M G	
2,463	8,571	4,612	1,909	19,250	4,700	333	564	5,397	24,647
177	1,453	363	565	2,673	779	99	34	912	3,585
2,286	7,518	4,249	1,346	16,577	3,921	234	330	4,465	21,062
912	3,705	1,733	-	6,354	1,602	-	-	1,602	8,153
520	1,204	1,110	-	3,356	595	159	290	1,044	4,400
400	850	860	490	2,700	-	-	30	30	2,730
600	900	-	126	1,826	1,400	-	-	1,400	3,226
3	210	85	581	823	-46	-7	-6	-59	764
-150	640	458	146	1,304	307	81	14	402	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	4,465	21,062

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TABLE 2.

Italian State account at Banca d'Italia
month of March 1944
(millions of lire)

	SALERNO	LUCANIA	CALABRIA	PUGLIA less FOGGIA	SARDEGNA	SICILIA	TOTAL A C C	CAMPANIA less SALERNO
1. "Deficit" in State Account								
Total payments less payments on account of Buoni del Tesoro ordinari.	347	87	235	1,068	360	1,020	3,117	569
Total receipts less receipts on account of buoni 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.d.	n.d.	306
Decrease in balance held by State at Banca d'Italia on 1 July 1943.	-	31	85	-	-	n.d.	n.d.	63
Advances from AFA and AM	-	25	50	200	188	n.d.	n.d.	-
Funds provided from ROAM	-	-	-	-	-	n.d.	n.d.	72
Net receipts or repayments on buoni del Tesoro ordinari account	9	1	4	68	12	n.d.	n.d.	24
Increase or decrease (-) in Combelgia Special	198	22	-18	-396	-68	n.d.	n.d.	25
Increase or decrease (-) in deposits of cash as guarantees	-	-	-	-4	-	n.d.	n.d.	-
TOTAL	336	79	197	839	286	n.d.	n.d.	462

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TABLE 2.

...an State account at Banca d'Italia
month of March 1944
(millions of lire)

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...A	PUGLIA less FOGGIA	BASILICATA	SICILIA	TOTAL A C C	CAMPANIA less SALERNO	FOGGIA	CATANZARO	TOTAL A.A.C.	GRAND TOTAL LIBERATED ITALY
	1,068	360	1,020	3,117	569	74	61	704	3,821
	229	74	196	556	107	9	2	118	674
	839	286	824	2,561	462	65	59	586	3,147
	971	154	n.d.	n.d.	306	-	-	306	n.d.
	-	-	n.d.	n.d.	63	56	89	208	n.d.
	200	188	n.d.	n.d.	-	-	-	-	n.d.
	-	-	n.d.	n.d.	72	-	-32	40	n.d.
	68	12	n.d.	n.d.	-4	-1	2	-3	n.d.
	-336	-68	n.d.	n.d.	25	10	-32	3	n.d.
	-4	-	n.d.	n.d.	-	-	32	32	n.d.
	839	286	n.d.	n.d.	462	65	59	586	n.d.

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TABLE 2. (Contd.)

	SALERNO	LAZIO	CALABRIA	PUGLIA Less FOGGIA	SARDEGNA	SICILIA	TOTAL A C C.	CAMPANIA less SALERNO
3. Bank of Italy financed its advances to State								
Increase or decrease (-) in value ordinari in circulation	183	10	-50	30	3	n.d.	n.d.	-336
Increase or decrease (-) in deposits	51	-11		431	158	n.d.	n.d.	739
Net repayment of advances	2	2	-	17	2	n.d.	n.d.	28
Other transactions	11	20		336	79	n.d.	n.d.	233
Interest on funds				36		n.d.	n.d.	
Total credit receipts	247	21	n.a.	1,124	242	n.d.	n.d.	920
Less funds provided to the State	129	31	n.a.	971	154	n.d.	n.d.	369
Net increase or decrease in cash holdings during the month	118	-10	-135	153	88	n.d.	n.d.	551

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TABLE 2. (Contd.)

CAMPANIA less SALERNO	PUGLIA less FOGGIA	BASILICATA	SICILIA	TOTAL A.C.C.	FOGGIA	CENTOCELLE	A.C.C.	GRAND TOTAL LIBERATED ITALY
-336	28	n.d.	n.d.	n.d.	n.d.	n.d.	n.d.	n.d.
739	7	n.d.	n.d.	n.d.	n.d.	n.d.	n.d.	n.d.
284	12	n.d.	n.d.	n.d.	n.d.	n.d.	n.d.	n.d.
233	-	n.d.	n.d.	n.d.	n.d.	n.d.	n.d.	n.d.
		n.d.	n.d.	n.d.	n.d.	n.d.	n.d.	n.d.
920	47	n.d.	n.d.	n.d.	n.d.	n.d.	n.d.	n.d.
369	56	n.d.	n.d.	n.d.	n.d.	n.d.	n.d.	n.d.
351	-9	n.d.	n.d.	n.d.	n.d.	n.d.	n.d.	n.d.

-50	30	3	n.d.	n.d.				
	431	158	n.d.	n.d.				
-	17	2	n.d.	n.d.				
	336	79	n.d.	n.d.				
	36		n.d.	n.d.				
n.d.	1,124	242	n.d.	n.d.				
n.d.	971	154	n.d.	n.d.				
-135	153	38	n.d.	n.d.				

(b) Repayment of 15 December 1943 bond maturity. In Table IV ... shown the first complete tabulation for Liberated Italy ... repayment through 31 March 1944 of the 15 December 1943 ... nine-year bond maturity. A total of 72.6 million lire ... been paid, probably accounting for about one-quarter of t... 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 millions 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	1.9	6.7	29
Sardegna	2.7	n.d.	n.d.
Sicilia	18.5	est 34.0	55
Total AMG	35.0	n.d.	n.d.
Campania (less Salerno)	35.5	125.5	28
Cerignola	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 upward trend of recent months received a further impetus from the formation of the new Government incorporating the six parties. Even the 5 per cent Rente of 1906 is even selling above par. 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 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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Sicily	18.2	est 54.0	33
Total AMG	57.8	n.a.	n.a.
Campania (less Salerno)	39.3	105.3	28
Abruzzo-Basso	1.1	n.a.	n.a.
Puglia	1.1	n.a.	n.a.
Total AMG	57.6	n.a.	n.a.
Grand total liberated Italy	72.6	est 300.0	est 25-30
Total old 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 whole board 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 purchasers hope eventually to enforce, and that the Rente was issued prior to Fascism and, therefore, may be less subject to liquidation.

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
9-year bonds, 5% 1944	85	94	n.a.	95 - 97	99
9-year bonds, 5% 1948	n.a.	n.a.	n.a.	87	96
9-year bonds, 5% 1949	70	81	79	85	95
9-year bonds, 5% 1950 1st issue	70	81	79	84 - 85	95
9-year bonds, 5% 1950 2nd issue	70	81	79	84	95
9-year bonds, 5% 1951	70	81	79	84	95
9-year bonds, 4% 1951	64	74	69	73	85
Redimibile Italiane, 3%	67	81	80	83	94
Rente 3.50% (1906)	80	90	91	96 -	100.50
Redeemable long-term bonds, 5%	n.a.	n.a.	n.a.	84	n.a.
Redeemable long-term bonds, 3.50%	63	71	n.a.	67 - 68	83

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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. Jung, 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 required 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 SFOs of A & 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 communal and provincial purposes. No objections were raised and from 1 May all advances, either by AFA or by A & B officers directly or indirectly, for communal or provincial purposes (outside 5th and 8th Army areas) must receive prior authorization from this Headquarters. This step completes the centralization in this Headquarters of authority for granting advances for the financing of Italian governmental activities. During 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 5.8 billion lire. The break-down by AFA offices and by purpose of advance is shown in Table VI. Of this total, only 600 million were advanced to the Italian Government by AFA Headquarters. The remainder, 5.2 billion lire, was advanced by Regional and Provincial Finance Officers.

TABLE VI

Allied Financial Agency Advances

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Santhia 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 SFOs 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 communal and provincial purposes. No objections were received and from 1 May all advances, either by AFA or by AMG officers directly or indirectly, for communal or provincial purposes (outside 5th and 8th Army areas) must receive prior authorization from this Headquarters. This step completes the centralization in this 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 5.8 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 AFA 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)

	Bari	Naples	Palermo	Rosario	Region IV	Total
	(In millions of lire)					
To Italian State Treasury and State Institutions	1468	85	1756	885	85	4279
To Provinces	24	48	370	7	6	447
To Communes	10	259	734	3	46	2910
Total to Public Bodies	1511	334	2860	855	137	5787
To Others	17	6	2	-	7	34
Total advances (excluding repayments)	1528	392	2862	895	144	5821

(Includes advances extended by accounting officers in the field during month)

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(e) As reported last month, the Minister of Finance agreed to transfer to AFA the sum of 1.9 billion lire in repayment of previous advances. This amount will be deposited in a special No. 2 account of AFA with the Banca d'Italia 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 Banca d'Italia to make the repayment to AFA were not issued until May. It has, moreover, been decided that the agreement with the Banca d'Italia should be amended so as to provide that the cash reserve of AFA Lire held by the Banca d'Italia shall not fall below the balance held in the No. 2 account of AFA.

(f) As of 31 March 1944, the Banca d'Italia held 5.6 billion lire in currency (Table VII). This includes any cover held for AFA or ANC accounts (totalling around 900 million) but does not include any mutilated, dirty, or otherwise unspendable notes. 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 provision

(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 farming profits 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 and more frequent provisional assessments, and that they shall have the power, up to 6 years after the end of the war, 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 [illegible] and that the appropriate officials

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of currency reserve to current liabilities of the [illegible]
Bank [illegible] in Liquidated Italy is thus around 40 per cent.

5. Revenue

1. 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 taxable profits 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 and more frequent provisional assessments, and that they shall have the power, up to 6 years after the end of the tax, 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 case of under-declaration; and that the appropriate officials be empowered to make immediate assessments of penalties, subject to the approval of the Inspectorate or the Ministry;

(iv) That the rates of duty shall be increased; that the requirement that a part of profits should be invested in 3 per cent government bonds shall be abolished; that officials be empowered to collect the tax on all assessments in three instalments instead of six; and that the exemption limit for 1945 profits be increased in order to reduce the amount of work now being done on very small cases.

(b) The administration mechanism with which assessments 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 machinery 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 deemed due to rises in general price levels was studied 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	B.M.A. Pounds	Dollars	Emergency Italian currencies	Total
Matera	11	1	47	10	-	-	69
Potenza	12	5	72	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	6	-	-	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	10	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	173	5	425	-	1	-	604
Ragusa	1	1	37	-	-	-	39
Siracusa	5	1	88				

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Reggio Calabria	36	1	122	1	-	-	159	
		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	32	45	2	-	-	120	
TOTAL Puglia (less Foggia)		220	73	337	26	-	-	656
Salerno		188	4	157	15	1		366
Cagliari	4	-	56	-	-	-	60	
Nuoro	10	1	36	-	-	1	48	
Sassari	54	-	60	-	-	31	150	
TOTAL Sardegna		68	6	152	-	-	32	258
Agrigento	14	2	128	-	-	-	144	
Caltanissetta	60	4	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	38	2	1	-	69
Avellino	26	3	53	3	-	-	85	
Benevento	40	7	32	1	1	-	81	
Caserta	38	-	18	4	-	-	60	
Napoli	263	-	210	25	14	-	2907	252
TOTAL Campania (less Salerno)		1.087	10	313	33	15	-	1.456
GRAND TOTAL Liberated Italy		2.506	174	2.777	111	19	32	5. 619

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(d) A memorandum, included as Appendix 'A' to this record, has been prepared giving our views on long-run 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 demonstrators dispersed. On 30 March a larger demonstration took place during which the direct taxation office was badly damaged by fire and the tax collection office was damaged by bombs. It appears probable that the second demonstration was inspired by interested parties, since the originals of all tax rolls have disappeared from the tax office and all rolls in the collection office were destroyed, while most of the local documents were generally unharmed. 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 Barrabasso di Mazzara, in Trapani Province, about 200 people demonstrated for increased bread rations on 6 April. They set fire to furniture and papers at the Municipio and at the tax collection office and attacked the mills. 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 Finance and Commerce Sub-Commission in which it is hoped a definite policy can be agreed upon.

4. Use of the Guardia di Finanza

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(b) At Hamchamo [illegible], on the west frontier, about 200 people demonstrated for increased grain rations on 6 April. They set fire to furniture and papers at the Kadjidji [illegible] at the tax collection office and threatened the police. During the disturbance money was stolen from the personnel of safety. The extent of the damage to official records in this case is not yet known.

5. Customs

The customs situation in Libreville [illegible] is still very unsatisfactory. Duties are being levied in many parts [illegible] at others. Discussions are in progress with the Treasury with a view to introducing legislation in which it is hoped a uniform policy can be applied [illegible].

4. Use of the Gendarmerie in finance

Agreement has been reached with the Public Safety Sub-Commission that personnel of the Gendarmerie should be used entirely in their duties except in cases of emergency and in the northern areas of the 5th and 6th Areas.

5. Revenue collections

(a) Revenue for the month of March exceeded those of February, even though March is not a month in which bi-annual direct tax payments fall due. Total trade revenue, i.e. total receipts exclusive of Dept X, were 472 million Frs in March, against 469 in February. The increase is entirely attributable to substantial increases in monopoly revenues in the provinces of Sud and Ogooue; in almost all other provinces revenues declined from February to March as they would be expected to do.

(b) Total revenues for the first three months of 1946 are only about 90 per cent of those for the first three months of 1945, although for most provinces, revenues 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 Haute Ogooue province, which formerly contributed about 35 per cent of the total revenues of this area and now contributes only about 20 per cent. It is largely because of the serious decline of revenue from Haute Ogooue province that total revenues this year are less than those of last year.

(c) Detailed revenue figures are given in Table VIII. By comparing this table, in which is shown the percentage of revenue for the first three months of each year to those for the first three months of last year, with the table published last month, in which was shown the percentage of revenue for the eight months ending February fifth of the comparable period a year earlier, it will be seen that the revenue picture is slowly improving. In the provinces other than Taranto, Caltanissetta, Ragusa, Siracusa and Catanzaro, the percentages shown in Table VIII(cont.) are considerably higher 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 remains almost impossible to obtain any estimates even on a monthly basis from the Italian Government covering Italy expenditures. For the month of April, notwithstanding the extension on 14 February of Italian jurisdiction beyond Naples, the estimate for April prepared by the Ministry of Finance, Rome-Sbl. Comm. originally covered only Puglia. A request was made for an estimate covering the balance of territory under Italian jurisdiction. At the end of the month no estimate had been received covering Sicily. Actually the estimate for Puglia was received on 12 April, and estimate for Regions II and VIII plus Salerno was received on 16 April, and the estimate for Sardinia on 1 May. This is a clear indication that these estimates are not being used by the Italian Government for any purpose, since from the standpoint of time of preparation alone they are merely historical. There is no justification for preparing estimates solely for the purpose of creating an appearance of control. The point at which both is reached - that the Italian Government has prepared estimates and expenditures only when it felt the need for additional supplies of currency. For this reason the estimates are not expenditure estimates, but solely estimates of pro rated 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 Puglia

	March	April			
	Puglia	Puglia	Regions II, VIII, & Salerno	Sardinia	Total
		(In millions of lire)			
Finance	16.0	16.0	35.0	15.0	66.0
Justice	.0	5.0	9.0	4.0	14.0
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			

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Salerno was received on 16 April, and the estimate for Sardinia on 1 May. This is a clear indication that these estimates are not being used by the Italian Government for any purpose, since from the standpoint of time of preparation alone they are merely historical. There is no justification for preparing estimates solely for the purpose of creating an appearance of control. The point so often made is rebutted - 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 expenditure estimates, but solely estimates of proposed cash disbursements. These very inadequate estimates are given in the following table:

TABLE II

Comparison of Italian Government Estimates of Cash Disbursements for Liberated Italy (excluding Sicily) for April, and March Estimates for Puglia

March	April			
Puglia	Puglia	Regions II, VII, & Salerno	Sardinia	Total
	(In millions of lire)			
Finance	16.0	16.0	35.0	15.0	66.0
Justice	5.0	5.0	5.0	4.0	14.0
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	90.0	134.0	324.0
Public Works	8.0	8.0	12.0	14.0	34.0
Communications	170.0	200.0	90.0	80.0	370.0
Agriculture	3.0	2.0	3.0	3.0	8.0
Industry & Commerce	.5	.5	1.0	1.0	2.5
Merchant Marine	-	1.0	-	-	1.0
Total	318.5	355.5	217.5	317.0	890.0
Monopolies	40.0	90.0	5.0	3.0	98.0
Lottery	.5	.5	.1	-	.6
Public Debt	24.0	12.0	8.0	1.0	21.0
Total	64.5	102.5	13.1	4.0	119.6
Total Civil Ministries	383.0	458.0	230.6	321.0	1,009.6
War	174.5	160.5	311.2	174.1	645.8
Navy	201.1	139.0	47.2	15.6	201.8
Air Force	76.0	47.6	21.0	20.4	89.0
Total Military	451.6	406.5	372.4	210.1	996.0
Total Government	834.6	864.5	610.0	531.1	2,005.6

* 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	2	7	4	13	144
Catania			26		14	30	13	57	-
Enna	1	3	1	5	2	6	2	10	200
Messina	13	6	14	33	6	7	8	23	70
Palermo	37	36	17	90	25	58	63	146	162
Ragusa	1	4	2	7	2	6	4	12	171
Siracusa	2	6	1	9	4	7	6	17	189
Trapani			6		1	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
Matera	1	3	1	5	2	5	2	9	180
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	9	28	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	1	4	2	6	67
Napoli	145	189	105	439	30	111	81	222	51
Salerno	9	13	9	31	10	6	10	26	84
Total	159	212	120	491	45	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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Palermo	37	36	17	90	25	58	63	146	162
Ragusa	1	4	2	7	2	6	4	12	171
Siracusa	2	6	1	9	2	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	2	10	6	19	158
Matera	1	3	1	5	2	5	2	9	180
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	2	14	9	28	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	13	9	31	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	16	8	34	2	6	8	16	47
Total	10	23	11	44	3	8	10	21	48
REGION VI									
Cagliari	27	22	2	51	8	21	42	71	139
Nuoro	1	3	1	5	1	2	2	5	100
Sassari	3	5	2	11	5	7	5	17	155
Total	31	30	6	67	14	30	49	93	139
REGION VII									
Catanzaro	10	14	9	33	5	9	6	20	61
Cosenza	3	8	4	15	4	9	7	20	133
Reggio C.	7	14	9	30	3	5	9	17	57
	20	36	22	78	12	23	22	57	73
GRAND TOTAL	400*	550*	327	1277*	204	469	472	1145	90*

* Partly estimated

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2. New Italian Government budget

During April there was submitted to the Italian Government a proposed procedure for the control of Government expenditures. The basic instrument required is a budget for the territory under Italian Government jurisdiction. This document was to have been operative on 1 May for the balance of this fiscal year, and an entirely new budget prepared for the fiscal year beginning 1 July. An adequate budget for the remainder of the fiscal year was deemed impossible by the Italian Government, but steps were initiated to prepare a budget for the next fiscal year. Budget estimate forms were distributed to be returned to the Ministry of Finance by 15 May. The new Minister of Finance has submitted that he considers the new procedure, which had been a road to by his predecessor. It has been pointed out to the new Minister that rapid progress must be made if the budget is to be ready by 1 July. The failure of the former Minister of Finance to take any steps to prepare a budget for the remainder of the current fiscal year means that Regions I, III and VII and now Sardinia (without any form of budgetary control.

3. Local Government budgets

The budgetary control situation of provinces and communes is somewhat better than that of the Italian Government. This is due not to any real efforts on the part of the Italian Government, but simply because normal Italian law provides for more accurate kind of control on the provincial level. The situation is such that some control of communal budgets is being exercised by the Prefects, but none at the State level. Little progress has yet been made in the evaluation of data of the actual expenditures of provinces and communes, month by month, during 1945. This information is required to maintain some measure of control over the quarterly estimates of provinces and communes. From provinces, only five estimates have been received, and none from communes. The Director of the Division for Local Finance is taking steps to obtain the necessary data.

At the Ministry of Interior only 32 annual budget estimates have been received for the year 1944. All these were from communes, with none from provinces. As there are 1962 communes in liberated Italy, the volume of work that must be accomplished by the Italian Government before 1 July is clearly evident. The Budget Bureau of the Ministry of Interior has a completely inadequate staff to cope with the volume of work that will flow through his office. In the Ministry of Finance, the Central Commission for Local Finance has not yet been appointed. It is the body charged with the determination of what costs will be granted to local governments that require additional funds over and above their tax resources. Under ACC directives this function is performed by ACC officers, but at present

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4. Italian Government cash disbursements

Attempts to procure meaningful expenditure data have met with no success. The monthly reports made by the Provincial Treasury Sections of the Banca d'Italia continue to be the only source of any information regarding Governmental expenditures. The reason given for reliance on cash disbursement reports is stated by the Italian Government to be lack of personnel. Whether this be true or not, the fact remains that, so long as this situation continues, the responsibility for making payments cannot be determined in such a way as to distinguish between money being spent in liberated Italy on authority of (1) the Allied powers, (2) the present Italian Government, and (3) the former Mussolini Government at Rome. What is known is that cash disbursements are being made by the Banca d'Italia on the authority of all three. The following table shows the consolidated figures of cash disbursements for March as prepared by the Banca d'Italia.

It purports to indicate that, excluding Naples Province, total cash disbursements in all of liberated Italy were approximately 6.6 billion lire. However, 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 thus far to determine how much "double counting" is included in this item. It is possible that net cash disbursements were between 4 and 5 billion lire in March.

As pointed out in the Finance Sub-Commission's Report for February, we have been urging the Ministry of Finance to allocate the large item "pagamenti collettivi" to the proper budget headings. It should be noted that in the above table there was a net decrease of 1.5 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 for Puglia. If this is true, the Italian Government appears to have merely shifted a large miscellaneous item from one classification to another, without attempting to break the item down and allocate it to its proper expenditure headings. If this large item is allowed to remain as an ostensible war expenditure of the Italian Government, it might be used later as a bargaining counter by the Italians in future negotiations. We have asked the Government to give us a detailed statement of the items composing the 1.2 billion lire decline in "pagamenti collettivi".

Until the Italian Government reconstitutes the Corte dei Conti, it will be impossible to obtain true cash disbursement figures. The condensed reporting of disbursements by each branch of the Banca d'Italia does not show in many cases the true nature or purpose of a disbursement and does not distinguish between net cash payments and transfers between the various accounts. The Bank of

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autonomous bodies. It has been impossible thus far to determine how much "double counting" is included in this item. It is possible that net cash disbursements were between 4 and 5 billion lire in March.

As pointed out in the Finance Sub-Commission's Report for February, we have been urging the Ministry of Finance to allocate the large item "pagamenti 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 for Puglia. If this is true, the Italian Government appears to have merely shifted a large miscellaneous item from one classification to another, without attempting to break the item down and allocate it to its proper expenditure headings. If this large item is allowed to remain as an undistributed war expenditure of the Italian Government, it might be used later as a bargaining counter by the Italians in future negotiations. We have asked the Government to give us a detailed statement of the items composing the 1.8 billion lire decline in "pagamenti collettivi".

Until the Italian Government reconstitutes the Corte dei Conti, it will be impossible to obtain true cash disbursement figures. The condensed reporting of disbursements by each branch of the Banco d'Italia does not show in many cases the true nature or purpose of a disbursement and does not distinguish between net outgo-ments 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 Banco d'Italia. Only at this central office could the Italian Government distinguish between transfers and net disbursements.

As an example of the impossibility of determining from existing Banco d'Italia records the purpose of cash expenditures, a study was made of disbursements paid out in the province of Salerno, classified under the headings used to show the purpose of budget payments by the Treasury Section of the Banco d'Italia. This study revealed that the classification was useless for the purpose stated, since while certain payments are classified as pensions and others as salaries, these are 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, 78 per cent, with 2 per cent for other purposes.

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TABLE X

Cash Disbursements for Liberated Italy (Naples Province

March 1944

(in millions of lire)

MINISTRY	Sicilia	Puglia	Lucania	Campania *	Campobasso	Fo
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 Afrion	.2	2.0		1.0		
Education	46.1	56.7	.6	21.0	.3	
Interior	213.3	213.4	.3	57.8	.3	
Public Works	18.6	11.0	.4	18.4	.	
Communications	47.1	115.4		54.5		
War	21.0	1991.4	.	.7	.2	
Navy	1.1	196.0	.	.2	.	
Air Force	.	189.0	.	.	.	
Agriculture	23.4	7.3	.1	1.5	.	
Industry and Commerce	.8	.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	109.5	9.6	13.1	13.0	
Autonomous Administration (Monopolies, post offices, state roads, etc.)	43.6	495.7	29.3	27.6	1.2	
Total	943.5	3481.7	47.4	178.3	25.3	
Payments in suspense and movement of funds	198.1	-2262.2	49.5	-46.3	48.5	
Total General Expenses	1141.6	1219.5	96.9	432.0	73.8	
Special Accounts	565.6	1516.0	29.2	72.9	52.5	
Temporary Cash Deposits (repayments)	27.3	2.0		.1		
Total	1734.5	2737.5	126.1	505.0	126.3	

* Campania: Naples excluded.

. Figure less than 100,000 lire

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TABLE X

Disbursements for Liberated Italy (Naples Province excluded)

March 1944

(in millions of lire)

Sicily	Puglie	Lucania	Campania *	Calabria	Foggia	Sardegna	Calabria	TOTAL
114.7	74.0	6.5	31.3	10.0	5.2	20.8	13.5	276.0
14.6	7.0	.6	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	138.9
243.3	213.4	.3	57.8	.3	.2	2.7	1.0	519.0
18.6	11.0	.4	18.4	.	2.3	4.7	.3	55.7
47.1	135.4		54.5			1.9	.4	218.4
21.0	1991.1	.	.7	.2	.	202.0	.4	2185.7
1.1	196.0	.	.2	.	.	26.6	.	223.9
.	109.0	.	.	.	.	.	.	189.0
23.4	7.3	.1	1.5	.	.	2.4	.3	35.0
.0	.7	.	1.2	.		.2	.	2.9
	1.5							1.5
530.9	2830.5	8.5	192.6	11.1	8.4	277.7	20.7	3886.4
369.0	149.5	9.6	13.1	13.0	4.6	5.1	19.3	583.2
43.6	195.7	29.3	272.6	1.2	20.8	79.7	50.5	1053.4
943.5	3431.7	47.4	478.3	25.3	33.8	362.5	120.5	5493.0
193.1	-2262.2	19.5	-46.3	48.5	57.6	2.6	134.2	-1810.0
1141.6	1219.5	96.9	432.0	73.8	91.4	365.1	254.7	3675.0
946.6	1516.0	29.2	72.9	52.5	32.0	434.1	73.0	2775.3
27.3	2.0		.1			.1	80.1	109.6
1734.5	2737.5	126.1	505.0	126.3	123.4	799.3	407.8	6559.9

. 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 dei Conti is necessary, and he has stated that it will be created at the earliest date possible with solution of his personnel 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 certain special categories and intended to meet corresponding expenditures. At present no such balance is being accounted, the revenues being held dormant 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 Banco d'Italia, has been to enable the Commissioner and Vice-Commissioner to re-integrate the 30 branches of the Banco 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 Banco 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 moving, with AMG assistance, over 100 billion lire in currency from Salerno. 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 Banco d'Italia, and, moreover, to secure a repayment of 1.9 billion lire on account of earlier advances. The branches of the Banco d'Italia in AMG territory have likewise been put under the control of the Commissioner and Vice-Commissioner of the Bank. This has made possible the shifting of responsibility for meeting the Governmental deficit from AFHQ to the Banco d'Italia in AMG regions also.

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1. The banking policy of the Finance Sub-Commission as regards the Banco d'Italia, was to enable the Commissioner and Vice-Commissioner to reintegrate the 30 branches of the Banco 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 Banco 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 having, UNRRA and AMG assistance, over 100 billion lire in currency from Sicily. Such a demand thereby had to be met by an advance from AFA. As described in an earlier section, it has, therefore, been possible for AFA to stop making further advances of funds in the territory under the Italian Government, this burden being entirely assumed by the Banco d'Italia, AFA, moreover, to secure a repayment of 1.9 billion lire on account of earlier advances. The branches of the Banco d'Italia in AFC territory have likewise been put under the control of the Commissioner and Vice-Commissioner of the Bank. This has made possible the shifting of responsibility for effecting the Governmental credits from AFA to the Banco d'Italia in AFC regions also.

3. One of the important functions of the Banco d'Italia is its supervision and inspection of commercial banks. It is largely through this important function that bank credit is policed. Work was begun during the month to stimulate the Banco d'Italia to check on the operations of its branches in this field.

4. The Banco d'Italia is called upon to provide subsequent lire notes to Italian military forces and to Allied forces for special purposes. To ensure that it be able to meet such demands, the Banco d'Italia has issued a confidential circular to its branches asking them to attempt quietly to increase their holdings of metropolitan lire. However, Banco d'Italia holdings of AM lire are to be maintained at a level high enough to cover fully the AFA No. 2 account.

5. Instructions were issued to the branches that Banco d'Italia notes bearing the Banco d'Italia seal "BI" in place of the Fascio symbol were to be accepted. However, any such notes bearing the date of a decree later than 8 September 1943, were to be accepted but not paid out again.

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B. Central Bank Credit

1. We do not have information on the amount and movement of central bank credit in liberated Italy. From these data, it is possible to draw some general conclusions. Comparing December 1945 with December 1942, it can be seen that the amount of central bank credit outstanding was approximately the same at both times. Since December 1945, however, there has been a very large decline in the amount of central bank credit outstanding, from around 2.1 billion lire on 31 December 1945 to less than 1.3 billion lire on 31 March 1946. At the same time, due to the resumption of advances, the amount of central bank credit available but not used increased by .4 billion lire during March alone to a total on 31 March of 1.5 billion lire.

2. The decrease in use of central bank credit is merely one part of the movement of funds from the public 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 deposited large sums. As the table on current liabilities of the Banca d'Italia shows, 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 4 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 exclusively normally 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 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 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 commodities, are stagnant. There has been very little buying of Government securities in the period from September 1945 through February 1946. Some purchases of Buoni del Tesoro ordinari by some of the banks, the Banco di Roma in particular, were reported under the "Portfolio" classification and largely account for the increase shown in this

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The practice of banks appears to be to hold relatively permanently at the Banco 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 4½ per cent per annum 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 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 Banco 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 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 Roma in particular, were 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 money coming in is re-deposited at the Banca d'Italia. Bankers' deposits of the principal banks of Naples at the Banco d'Italia increased from under 500 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 2905 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 account 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, Banca Commerciale Italiana, Credito Italiano, Banca d'America e d'Italia, Banco Nacionale del Lavoro, Monte dei Paschi di Siena, Banca di Calabria, Banco della Provincia 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 AFA:		
To Italian Treasury and Carbosard - (parastatal coal mines)	885	
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
Net increase in circulation		1,000

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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 AFs:		
To Italian Treasury and Carbosardi - (guaranteed coal mines)	885	
To Allied finance officers and paymasters, less holdings on 31 March	200	
Increase of veglia 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
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 in 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 BANK CREDIT

	SALERNO	LUCANIA	CALABRIA	PUGLIES loss FOGGIA	SARDEGNA	SICILY	TOTAL KING'S EM
Rediscounts (Portafoglio su piazze Italiane)	27	n.d.	85	291	51	108	462
Advances (Anticipazioni)	28	n.d.	84	236	29	330	707
T O T A L	55	n.d.	169	527	80	438	1,169

CENTRAL BANK CREDIT

31 DECEMBER 1943

Rediscounts (Portafoglio su piazze Italiana)	12	n.d.	91	118	23	15	259
Advances (Anticipazioni)	52	n.d.	112	263	28	195	650
T O T A L	64	n.d.	203	381	51	210	909

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TABLE XI

BANCA D'ITALIA CREDIT
31 DECEMBER 1942

(in millions of lire)

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	CALABRIA	PUGLIE less FOGGIA	SARDEGNA	SICILY	TOTAL KING'S ITALY	CAMPANIA less SALERNO	FOGGIA	CAPO BASSO	TOTAL A.M.G.	GRAND TOTAL Liberated Italy
n.d.	85	291	51	108	462	330	n.d.	54	384	846
d.	84	236	29	330	707	225	n.d.	19	244	951
d.	169	527	80	438	1,169	555	n.d.	73	628	1,797
			3rd DECEMBER 1943							
d.	91	118	23	15	259	78	233	34	345	604
d.	112	263	28	195	650	786	77	12	875	1,525
d.	203	381	51	210	909	864	310	46	1,220	2,129

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TABLE XLI

BANCA D'ITALIA CREDIT
29 FEBRUARY 1944

(in millions of Lire)

CENTRAL BANK CREDIT USED	SALERNO	BASILICATA	CALABRIA	PUGLIE less FOGGIA	SARDEGNA	SICILIA	TOTAL KING'S IT
Rediscounts	9	12	55	56	20	49	201
Advances	35	9	75	251	22	165	555
T O T A L	44	21	130	307	42	212	756
CENTRAL BANK CREDIT AVAILABLE							
Residual available on advances to Banks	48	21	154	389	4	1,402	2,032
Residual available on advances to others	45	14	42	139	33	169	383
T O T A L	93	35	174	528	37	1,553	2,415

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TABLE XII

BANCA D'ITALIA CREDITS
29 FEBRUARY 1944

(in millions of lire)

ALGERIA	PUGLIE less FOGGIA	SARDEGNA	SICILIA	TOTAL KING'S ITALY	CAMPANIA less SALERNO	FOGGIA	CAMPO LASCO	TOTAL A M G	GRAND TOTAL Liberated Italy
						198	13	272	473
55	56	20	49	201	61				
79	251	22	165	555	293	58	11	362	917
130	307	42	212	756	354	256	24	634	1,390
134	389	4	1,424	2,032	465	50	16	453	2,485
40	139	33	109	383	133	16	16	111	494
174	528	37	1,533	2,415	598	66	34	554	2,909

TABLE XIII

BANCA D'ITALIA CREDIT

31 MARCH 1944

(in millions of lire)

ERIA	PUGLIE less FOGGIA	SARDEGNA	SICILIA	TOTAL KEG'S ITALY	CAMPANIA less SALERNO	FOGGIA	CALABRIA	TOTAL A M G	G R A N D T O T A L Liberated Italy
55	62	7	67	212	33	198	13	244	456
75	213	23	204	557	181	47	11	239	796
130	275	30	271	769	214	245	24	483	1,252
146	459	124	1,413	2,205	751	61	16	828	3,033
41	143	33	110	390	116	17	20	153	543
187	602	157	1,523	2,595	867	78	36	981	3,576

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TABLE XLII

BANCA D'ITALIA CREDIT

31 MARCH 1944

(in millions of lire)

CENTRAL BANK CREDIT USED	SALERNO	LUCANIA	CALABRIA	PUGLIE less FOGGIA	SARDEGNA	SICILIA	TOTAL KING'S ITALY	CAMPANIA less SALERNO	FOGG
Rediscounts	9	12	(Feb) 55	62	7	67	212	33	1
Advances	34	8	(Feb) 75	213	23	204	557	181	
T O T A L	43	20	(Feb)130	275	30	271	769	214	2
CENTRAL BANK CREDIT AVAILABLE									
Residual available on advances to banks	41	22		146	459	124	1,413	2,205	751
Residual available on advances to others	49	14		41	143	33	110	390	116
T O T A L	90	36		187	602	157	1,523	2,595	867

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TABLE XLII

BANCA D'ITALIA CREDIT

31 MARCH 1944

(in millions of lire)

IE SARDEGNA SICILIA	TOTAL KING'S ITALY	CAMPANIA less SALERNO	FOGGIA	CAMPOBASSO	TOTAL A M G	G R A N D T O T A L Liberated Italy
7 67	212	33	198	13	244	456
23 204	557	181	47	11	239	796
30 271	769	214	245	24	483	1,252
124 1,413	2,205	751	61	16	828	3,033
33 110	390	116	17	20	153	543
157 1,523	2,595	867	78	36	981	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
Salerno	246	299
Lucania	236	226
Calabria	656	532
Puglia (less Foggia)	2,111	2,584
Sardinia	966	1,155
Sicily	2,927	3,426
Total King's Italy	7,174	8,822
Campania (less Salerno)	2,666	4,202
Foggia	69	141
Carabinieri	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	957
Interest bearing	210	228
Residual available on advances	502	493
Total	1,466	1,678
Grand total	10,198	12,690

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of the poor have found it necessary to call on their past 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 five 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 30 to 40 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 XIX. 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 Minister further agreed to notify all Intendenze and Esattori that the War Act of 1939 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

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to the first part of 1949 and then rose [illegible]
of 1943 but fell back to the early 1943 levels after our occupation of Southern Italy.

2. The statistics available are given in Table XIX. 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.

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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.

3. The Minister of Finance agreed that the financing of labour costs and supplies purchased by Peninsular Base Section for construction of a power line from Naples to Rome will be financed through a capitolo in the budget of the State railways. Insurance of payment 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-examined and redrafted 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 of which will be used in every future operation, while the other will be used only when conditions necessitate the closing of banks.

5. Dissolution of Fascist Organizations. Early in the month it became apparent that some Ministries of the second 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 XV

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	253	915	1,674	2,039
Discounts (Portafoglio)	403	586	459	596
Secured Advances	360	360	364	363
Over-drafts	1,621	1,681	1,667	1,664
Special loans on securities (Riporti)	224	215	210	209
Other loans (Mutui)	352	354	354	356
Investments	93	175	185	189
Other assets	10,181	10,091	9,837	10,347
Total	13,668	14,414	14,981	16,189
Liabilities				
Current Account deposits	448	595	701	775
Savings and Time deposits	1,640	1,939	2,027	2,323
Current accounts of correspondence	1,370	1,557	1,803	2,040
Bank Drafts	6	37	72	77
Other liabilities	10,204	10,286	10,378	10,971
Total	13,668	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	69	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	83	75	84
Savings and time deposits	572	776	857	962
Current accounts of correspondence	324	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

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Liabilities				
Current Account deposits	448	595	701	778
Savings and Time deposits	1,640	1,939	2,027	2,323
Current accounts of correspondence	1,370	1,557	1,803	2,040
Bank Drafts	6	37	72	77
Other liabilities	10,204	10,286	10,378	10,971
Total	13,668	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	65	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	324	409	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

Assets				
Cash	32	71	96	62
Deposits with other banks	95	166	175	174
Discounts (Portafoglio)	42	38	40	41
Secured Advances	41	39	37	37
Over-drafts	38	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	1,148	1,325	1,518	1,653
Liabilities				
Current Account deposits	55	69	38	42
Savings and time deposits	205	237	292	319
Current accounts of correspondence	262	371	408	466
Bank Drafts	3	32	40	19
Other liabilities	623	616	740	807
Total	1,148	1,325	1,518	1,653

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TABLE XVII

Postal Savings
February 1944

(in thousands of lire)

	Postal Saving Bonds	Postal Saving Books	Current Accounts.	Total
Salerno	-606	637	-674	-643
Potenza	-6,737	2,316	578	-3,903
Bari	-3,680	7,531	112,788	116,639
Matera	-1,470	588	n.d.	- 882
Taranto	-2,083	2,810	1,398	1,325
Brindisi	-1,495	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	1,021	-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

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Bari	-3,680	7,531	112,78[illegible]	11[illegible],659
Matera	-1,479	588	n.d.	- 882
Taranto	-2,083	2,e10	1,398	1,325
Brindisi	-1,495	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	1,021	-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
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	-3,453 *	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	-9,304	4,503	n.d.	-4,801
Palermo	n.d.	n.d.	10,077	10,077
Messina	n.d.	-1,084	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	-598	-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	2620	14.823.663	5658
November	2462	22.150.326	8.997	2765	18.994.171	6870
December	1861	13.881.946	7.459	2337	15.639.848	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	9484
March	2487	25.564.754	10.279	2989	15.562.648	5207
April	2272	27.246.345	11.992	2337	21.812.857	9334
May	2558	37.095.080	14.502	2218	18.654.290	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	1013	11.671.940	11.522	207	1.315.950	6357
October	418	4.947.954	11.837	296	2.469.820	8344
November	952	14.161.902	14.876	n.d.	n.d.	n.d.
December	686	8.842.447	12.890	n.d.	n.d.	n.d.
1944						
January	710					

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1943						
January	1859	20.282.814	11.029	2374	22.836.484	9704
February	2468	24.821.447	10.057	2329	17.430.370	9484
March	2487	25.564.754	10.279	2989	15.562.648	5207
April	2272	27.246.345	11.992	2337	21.812.857	9334
May	2558	37.095.080	14.502	2218	18.654.290	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	1013	11.671.940	11.522	207	1.315.950	6357
October	418	4.947.954	11.837	296	2.469.820	8344
November	952	14.161.902	14.876	n.d.	n.d.	n.d.
December	686	8.642.447	12.590	n.d.	n.d.	n.d.
1944						
January	749	8.889.891	11.869	n.d.	n.d.	n.d.
February	1160	13.705.410	11.815	n.d.	n.d.	n.d.

* Source: Italian Government Imposta 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 ACC 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. [illegible] prepared a study of 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 EXCHANGE PROBLEMS AND OPERATIONS OF THE ALLIED FINANCIAL AGENCY

A. Plans for the occupation of Rome

Discussions have taken place with the Senior Finance Officer, AFHQ 5th Army regarding occupation of Rome. A member of Finance Sub-Commission Headquarters will accompany the G5 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 demobilization programme. Currency has been linked with bank deposits and Government securities in the plan, in order to provide a far-reaching programme for the taxation 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

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Therefore, this month the material usually presented in the Report has been incorporated in the text of this Report.

V. [illegible] AND EXPENSES PAYABLE AND CHARGEABLE BY THE MILITARY FINANCIAL AGENCY

A. Plans for the occupation of Rome

Discussions have taken place with the Senior Finance Officer, AFHQ 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 taxation of it and as its 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 [illegible] Italian currency. However, so long as the [illegible] industrial areas of Italy, this is not likely to occur. On the other hand, an evacuation of all Italy would enable us to put a conversion scheme 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. Steps were taken during April to suppress the market in blue seal dollars. There is no positive evidence that the Germans are disposing of looted dollars now or in liberated Italy. On the contrary, the Nazis may be attempting to obtain dollars in this area for use elsewhere. Since the Germans have principle facilities from which to obtain all the dollars 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 ACC-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 the courts have interpreted the existing language 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 transactions. Italians are not believed to be selling blue seal dollars to Allied personnel. Such personnel 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 Merchant Marine authorities have advised seamen that 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 court, and stress in bold print that violations aid the Axis. 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 MGA and MMT. 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 spot check seamen 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 Natousa 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 Mediterranean

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members of crews before distributing that no blue seal currency may be taken ashore. Port security officers spot check seamen 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 Natousa 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-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	

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 29 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 AGO 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 dollars per calendar quarter until General License 77 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 enlisted 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, 1944).

As far as Sicily is concerned, it should be noted that only in rare instances have documents been presented having a validity of over 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

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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 All Lira 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 Lira notes, and the recovery of 30 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 AFA Deposits

On 26 April each branch of AFA was instructed to require interest from Italian commercial banks, other than the Bank of Italy, as from 1st 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 AFA 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 AFA.

G. Non-recognition of Expatriation Transfers

1. The American State Department brought to the attention of ACC a proposed shipment of 1,600 tons of machinery from S.N.I.A. Viscosa Milano to its Spanish corporate affiliate, Sociedad Nacional Industrias Applicaciones Cellulosa 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 publicize, 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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(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.

(d) Any physical or juridical person who makes or attempts to make 2229
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 past 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 by AFA Naples, into an account maintained by No. 8 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 layout for 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 ACS (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

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to Appendix D. AFA will continue to send two [illegible] direct to the United States and British Treasuries in accordance with its previous instructions.

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2. Regulations covering the destruction of mutilated AM lire notes and those which have become unfit for further circulation by reason of their condition were issued on 18 April, 1944 and embrace the following requirements. In forward areas, including AMG 5th and AMG 8th Army territory, this authority is given to all AMG officers, Disbursing officers of the U.S. Army Finance Department, and British Army Paymasters. All other areas are under the jurisdiction of AFA only. Two witnesses are required to view the destruction, appointed by the Commanding Officer of the nearest U.S. or British Army unit in the forward areas. In all other areas, the Regional Commissioner concerned will appoint two officers as witnesses. Certificates evidencing the proper destruction of AM lire notes will be executed showing 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 AM 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 acquisitions 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, staff considerations 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 accounting personnel, both officers and enlisted men or other ranks.

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and sales submitted to Regional Headquarters by the Provincial Supply Officers. In the early stages of ANF 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, staff considerations 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 ANF 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.

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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 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 adverse 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 with visits 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." These 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 procedures are 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 underlying 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 Accountant 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 reports is the inadequacy of personnel, both officers and enlisted men or other ranks. The inadequacy of the accounting personnel was originally anticipated in October, 1943, when the Chief Finance Officer requested MTOUSA, APO, that a pool of five junior officers and twenty other ranks be formed for training in supply accounting. It was not found possible by AFHQ 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	(Completed but not yet received)	-	-
Region II				
Puglie	Yes	Yes	Yes	Yes
Lucania	None	-	-	-
Region III	Yes	Yes	-	-
Region IV and AAG 5th Army	Yes	Yes	Yes	Yes
Region V and AAG 8th Army	Yes	Incomplete	Incomplete	Incomplete
Region VI	Yes	Yes	Yes	Yes

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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	(Completed but not yet received)	-	-
Region II Puglia Lucania	Yes None	Yes -	Yes -	Yes -
Region III	Yes	Yes	-	-
Region IV and AIG 5th Army	Yes	Yes	Yes	Yes
Region V and AIG 8th 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 remaining 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 Lucania Compartment 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 making financial and commercial arrangements, which activites 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 ACC/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 ACC/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 ACC/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 Castellamarre 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, AAI.

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 million 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 (E), Finance Sub-Commission, visited London where discussions were held with the War Office, the British Treasury and the American Finance Mission

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1. During the month of April the Chief Accountant, in company with the Joint Director (E), 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 ACC for inclusion in their records. The tentative decisions arrived at are at present being considered in Washington.

C. Discussions in Algiers on British Army - ACC 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 ACC. He also held discussions with the British Deputy Paymaster in Chief with a view to clearing up certain outstanding accounts between the British 2395 ACC 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. CMF 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 MAC (Finance) AFHQ for onward transmission to Washington and London.

5. The accounting procedure for recording the destruction of mutilated and unfit Allied Notes was prepared and distributed to AFA branches.

6. Classified headings for disbursements made by the Advisory Council for Italy were prepared for transmitted 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 occurences in Sicily. An agent of [illegible] endeavoured to float an insurance company of his own.

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5. The proposals in TAC 136 regarding one [illegible] derived from experts were discussed, and further instructions on this subject were requested of COS.

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 MSS (Finance) AFHQ for onward transmission to Washington and London.

5. The accounting procedure for recording the destruction of mutilated and unfit AM Lira 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 occurences in Sicily. An agent of the Fondiaria 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 dropped. It also came to light that, without the knowledge of the ACC Regional authorities, an agent of Riunione Adriatica di Sicurta had applied in February to the Agrigento Court and succeeded in having himself appointed as a "Curatore Speciale" (or Commissioner) for all Sicily, and that by virtue of this appointment he was beginning to issue instructions to representatives of his Company in Sicily. Cabled instructions were accordingly sent to the Regional authorities instructing them to take steps to have this agent's appointment nullified.

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 7 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 Rauoco
(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)	Alleanza Vita	Sig. Evaristo Bellfiore
(g)	Anonima Infortuni	Comm. Avv. Alessandro Muniz-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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	(iv) Assicuratrice Italiana	Rag. Antonio Viatorchi
(d)	Compagnia di Milano	Rag. Antonino Giarmoleo
(e)	Compagnie di Torino	Ing. Cesare Micheluzzi
	Subsidiary companies; (i) La Preservatrice (ii) La Vittoria (i) La Fiume Subsidiary company; (e) La Terra	Ing. Cesare Micheluzzi Ing. Cesare Micheluzzi Sig. Amadeo Zaccone Sig. Amadeo Zaccone
(f)	Alleanza Vita	Sig. Evaristo Belfiore
(g)	Anonima Infortuni	Comm. Avv. Alessandro Muris-Verandn

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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.

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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 ACC 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 1865" (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 "fleet" 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 AMG transports

The Department has been requested to assist in arranging third-party insurance for AMG 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 AMG 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) assure 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 maternity and maternity. But unemployment benefits vary with previous employment working life and are generally

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- 2. Proposal for general coverage of employees of Allied forces

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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 agency 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 application from such pensioners. The commission's rules are to be submitted to the King's Government for adoption by a separate decree. If and when adopted, the entire decree which amendments will be republished for territory under AMG.

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 Finance and 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 can 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 authorised 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 unauthorised 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.

E H Foley h
Colonel,
Joint Director,
Finance Sub-Commission.

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E H Foley h
Colonel,
Joint Director,
Finance Sub-Commission.

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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 AMG 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 AMG and Italian officials in the field who have expressed themselves upon the subject. In making this recommendation the Finance Sub-Commission contends:

I. 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 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 -

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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 incomes to buy food, not because their incomes have been increasing. 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.

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

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of the population, is to be quadrupled, will constitute an enormous pyschological 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 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

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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

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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.

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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 it is expected will be amassed would add about 7 billion lire to the annual deficit, and to purchase at comparable prices and subsidies, the other agricultural products necessary for the maintenance of the cities would nearly double the deficit. Clearly, this cannot be done.

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.

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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 generally 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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7 kilos of ration bread	29.20 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 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 whom 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 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 pasta, 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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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 490 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:

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2. The increase is greater for those receiving a heavy worker's ration, a class whom 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

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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, balding, 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 pasta, 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 those 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	15₰	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, as 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

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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 amassi 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 1,148 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 convinces 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

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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 questionnair. It is a most unreliable average, however, for, of the provinces submitting a figure, only one-

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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, share-croppers, and bandopis. 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 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:

(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 550 per cent.

(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

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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 family 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 Agricultur, 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

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Man labour	2,700	lire	per hectare
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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:

$$\left\{ \frac{(\text{yield} - \text{seed retention}) \text{ price} - \text{money rent}}{\text{yield} - \text{seed retention and rent in kind}} = \text{comparable price} \right\}$$

	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 764 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 idle 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 peak 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 Ammassatori, 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 set, price cannot be depended upon as the principal inducement to amassing. We believe that some form of imaginative and bold compulsion must

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at harvest time, or, failing [illegible] harvest the crop for a reasonable supplemental wage paid by the farmer. 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.

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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 amassing. We believe that some form of imaginative and bold compulsion must be used in 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 inf[illegible]ntal wishes of farmers is not essential.

3. Signor Giuseppe Pignalosa of the Consorzio Trebbiatori at Matera has suggested the use of threshers in the amassing programme. The Consorzio Trebbiatori has general supervision over the threshing industry. Signor Pignalosa 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 amassi 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-

Colonel,
Joint Director,
Finance Sub-Commission.

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Colonel,
Joint Director,
Finance Sub-Commission.

JEH/PFP

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APPENDIX 'B'

HEADQUARTERS
ALLIED CONTROL COMMISSION
FINANCE SUB-COMMISSION
APO 394

13058/F

26 April 1944.

REFORM 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

(c) excessive reliance on per quantum consumption taxes.

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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.

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	

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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	
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	5,600.0	
Stamp tax	950.0	
Additional stamp and registration tax	580.0	
Radio	105.0	
Government concessions	255.0	
Amusements	115.0	
Playing cards	10.0	
Railways, passenger	23.5	
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	250.0	
" " 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.

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Total indirect business taxes	144.8	
		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	250.0	
" " 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		32,488.3

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 1944:

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(a) 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 24%
(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

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(j) A sliding scale of tax rebates for large families, graduated according to the size of the family;

(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.

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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 18 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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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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(b) Wages and Salaries (including bonuses, pensions, etc.)

The Richezza 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.

(c) 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 [illegible] certain portion of the amount of produce permitted to

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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.

(i) Partnership Profits

It is suggested that 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 ("catasto"), 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,

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of Treasury securities.

(d) 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.

(e) 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 most new plantations and most buildings constructed since 1916 (and therefore the most valuable ones) not being on the rolls at all.

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.

(f) 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.

(g) Payment

The first instalment should accompany 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 Minster. 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 [illegible]

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(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 strengthend 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 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 6%. 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:

2882

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, Richezza Mobile tax and normal profits must be invested in 3½ 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

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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 6½% 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 on [illegible] which is so [illegible] measured as excess profits. Furthermore, it makes the settlement of cases extremely difficult, since there is little incentive left to settle. The administrative machinery is thus clogged to an unreasonable extent. Further more, the compulsory arrest of the loan will prejudice the programme 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 a 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 Richezza Mobile files, 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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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 these 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 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 5% 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

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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 present 100% increase. Elasticity should be provided to meet future changes in the economy.

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 1750 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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So much as does not exceed lire	Transfers to: 1.a) descendants in direct line b) only child & its descdents.	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	5½	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

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to pay.

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25,000	10	20	30
50,000	12	24	36
100,000	15	29	43
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 avoidance 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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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 them 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 surcharge rates will be required.

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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.

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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 advanced administratively as Italy. . . . 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 organisation 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 tolleranza. If he has been granted a tolleranza, 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; good 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

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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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ANNEX 10

MONETARY MEASURES INTRODUCED 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
(5) British Military Authority notes (spear-head currency)
(6) Titoli stampigliati (in Puglia) (spear-head currency)
(7) Titoli di credito of Sardinian banks (emergency Italian currency)
(emergency Italian currency)

The spear-head currencies are being withdrawn from circulation by the Allied Financial Agency. The emergency Italian currencies are being withdrawn by the Banca d'Italia.

2. "Titoli stampigliati"

244,073,600 lire of "titoli stampigliati" were issued in Puglia in the fall of 1943 and have now 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 make sure 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 two 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 libera 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 commercial 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 amount outstanding).

The foregoing instruments of credit to secure the privilege of legal tender had to bear, stamped on the back and signed by the Director of the branch of the Banca d'Italia, the statement: "The present instrument of credit

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Allied Financial Agency. [illegible]
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2. "titoli stampigliati"

241,072,600 lire of "titoli stampigliati" were issued in Puglia in the fall of 1943 and have now 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 21 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 statutory 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 commercial 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 amount outstanding).

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 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 of (locality) (Signature)".

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The titoli could be issued only in fixed denominations of 50, 100, 500, 1,000, 5,000, 10,000, 20,000 and 50,000 lire.

The titoli issued were made out to the Director, Banca d'Italia. In addition to the stamp authenticating the titolo on the back, the rest of the back was covered by hatch 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 "titoli stampigliati" 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 241 million lire of titoli stampigliati that were issued, represent- ed the creation of money by the Banca d'Italia, or a simple continuation of the usual powers of the Banca.

In January 1944, the Banca d'Italia began gradually to withdraw the "titoli stampigliati" from circulation. As they came back into the Banca d'Italia, lines were drawn across their face and, 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 43,295,000 lire were issued with the 40% reserve requirement.

TABLE A

Vaglia, Assegni, Foglietti di Credito issued in Sardinia

1 September - 31 January 1944
(in thousands of lire)

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Banco di Napoli) were to have all the assets and validity of paper money and to be accepted by everyone without any discount in payment. No final denominations were laid down in the order, thus making possible the circulation of legal tender currency in old denominations.

The inflationary possibilities are manifest in allowing the issuance by commercial banks of credit instruments having legal tender (assegni circolari and boni di credito) which were 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 was covered fully at the Banca d'Italia by the banks issuing them, and only 45,493,000 lire were issued with the 40% reserve requirement.

PART A

Titoli, Assegni, Boni 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
Banco 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	54,236	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, Redi 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	79,125
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 15 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 vaglie cambiari and assegni bancari liberi as legal tender.

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APPENDIX 'D'

ALLIED FINANCIAL AGENCY

CONSOLIDATED STATEMENT OF ASSETS AS AT THE CLOSE OF BUSINESS ON 31 MARCH 1944

(Expressed in Lire)

Previous Month				
16,232,441,535	1. CASH ON HAND AND IN BANKS (Sch. I)			15,712,557,903
	2. OTHER BALANCES WITH BANKS:			
625,000	(b) Funds deposited by Banks with AFA (sec 12e)			
48,505,652	(c) Funds Deposited by US Army Units (sec 12c)	41,580,055		
	(d) Foreign Exchange Credits (sec 12d) £ 193,485.50	19,343,390		
	(e) Banca d'Italia No. 2 Account (sec 6f)	200,000,000		260,728,385
1,415,367,541	3. FUNDS HELD BY ACCOUNTING OFFICERS IN THE FIELD (pending allocation to expenditure or other accounts)			1,210,198,945
	4. AM STAMPS:			
66,480,000	(a) Reserve	148,082,000		
20,234,000	(b) Delivered to Italian Post Office	21,254,000		169,336,000
177,825,955	5. PAYMENTS FOR ACCOUNT OF AAC ECONOMIC & SUPPLY DIV. (Sch III)			306,917,355
	6. ADVANCES (No date specified for repayment and no interest rate fixed in advance):			
3,845,444,690	(a) To Italian State Treasury Armed Forces and State Institutions	4,278,966,050		
423,483,780	(c) To Provinces	446,743,338		
1,010,910,969	(d) To Communes	1,061,569,027		
21,059,810	(e) To Others	33,979,734		
		5,821,098,149		
	(f) Less: Repayments of advances to State etc. (sec 2c)	200,000,000		5,621,098,149
	7. LOANS (Date of repayment or interest rates specified):			
99,597,999	(a) To Banks	53,365,664		
2,320	(b) To Others	236,300		

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1,415,367,541	in the Bank (Treasury expenditure or other accounts)		1,210,198,945
	4. In STAMPS:		
66,480,000	(a) Reserve	148,082,000	
20,234,000	(b) Delivered to Italian Post Office	21,254,000	169,336,000
177,825,935	5. PAYMENTS FOR ACCOUNT OF A.C. ECONOMIC & SUPPLY DIV. (Sch III)		306,917,355
	6. ADVANCES (No date specified for repayment and no interest rate fixed in advance):		
3,645,444,660	(a) To Italian State Treasury Armed Forces and State Institutions	4,278,906,050	
428,483,780	(c) To Provinces	446,743,353	
1,010,910,909	(d) To Communes	1,061,569,027	
21,089,810	(e) To Others	33,879,734	
		5,821,098,149	
	(f) Less: Repayments of advances to State etc. (see 2c)	200,000,000	5,621,098,149
	7. LOANS (Date of repayment or interest rates specified):		
98,597,999	(a) To Banks	53,985,664	
3,320	(b) To Others	236,500	54,121,964
25,259,049,231	9. PAYMENTS ON ACCOUNT OF OCCUPATION COSTS (Schedule V)		25,334,736,704
17,897,328,423			20,154,853,892
43,156,377,654	Lire		43,489,597,596

(Signed) D.B. MATHIAS, Major
for L.G. CRAWLEY, Colonel,
CHIEF ACCOUNTANT.

(Signed) JAMES H. PEHEK,
Major, Spec. Res.
Chief of Mis.

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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

CONSOLIDATED STATEMENT OF LIABILITIES AS AT THE CLOSE OF BUSINESS ON 31 MARCH 1944

(Expressed in Lire)

Previous Month				
121,142,056	10.	DEPOSITS BY AMG DIVISION (pending allocation to revenue or other accounts):		
		(a) Economics & Supply Div.	251,260,958	
3,418,997		(b) Public Health Division	16,708,341	
407,710		(c) Legal Division	3,067,960	
16,808,785		(d) Economic & Supply Div - containers	23,669,886	
				294,707,145
17,254,245	11.	FUNDS OBTAINED FROM BANKS AND OTHERS BY ACCOUNTING OFFICERS IN THE FIELD		15,814,417
	12.	DEPOSITS:		
625,000		(a) By Banks with AFA (see 7b)		
13,641,655		(b) By Controller of Property	13,641,655	
48,565,652		(c) By US Army Units (see 2a)	41,300,033	
		(d) For Remittances $193,483.50	19,348,350	
2,955,948		(e) By Others	2,475,391	
				76,845,429
195,074,305	13.	RECEIPTS FOR ACCOUNT OF AMG ECONOMIC & SUPPLY DIVISION (Schedule III)		343,981,320
	14.	RECEIPTS FOR ACCOUNT OF AMG 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	
(460)		Less: Shortages revealed on opening Boxes	(1,600,480)	
				42,588,127,520
56,714,000	17.	NEW AM STAMPS RECEIVED		169,336,000
43,156,377,654			Lire	43,489,597,596

	(a) For Headquarters	2,473,591	
2,955,948	(c) By Others		76,843,429
	13. RECEIPTS FOR ACCOUNT OF AMG ECONOMIC & SUPPLY DIVISION (Schedule III)		345,981,320
195,674,356			
	14. RECEIPTS FOR ACCOUNT OF AMG PUBLIC HEALTH DIVISION - Sales in Italy of Medical Supplies Imported from the United States of America		757,765
95,778			
	16. NEW LIRE NOTES RECEIVED		
42,589,728,000	As notified to Washington	42,589,728,000	
(480)	Less: Shortages revealed on opening Boxes	(1,600,480)	42,588,127,520
86,714,000	17. NEW LIRE STAMPS RECEIVED		169,336,000
43,156,317,654		Lire	43,489,597,596

(Signed) D.B. MATHIAS, Major
for H.G. CRAWSHAW, Colonel,
CHIEF ACCOUNTANT.

(Signed) JAMES H. FENTON,
Major, Spec. Res.
Chief of AFL.

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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

B.M.A. Pounds	[illegible]	
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	
Tripolitanis 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	22,153,437	
(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	29,381,602	
(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		

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(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		

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(2) Paid in Yellow Seal Dollars		
(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.	5,575,965	
(ii) Items paid or received by AFA direct from 1 March 1944 to date	1,980,971	2870 (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)

EXPENDITURE	TOTAL TO 29 FEB 44	MONTH OF MAR 44	TOTAL TO 31 MAR 44
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	4,253,834	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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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	286,353	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

NOTE 1. "Emoluments of Civilian Personnel (Chauffeurs)" in the amount of Lire 14,685 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 "Maintenance of Offices", as at 29 FEB 44.

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APPENDIX B

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 (operaio). 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 sickness, 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 greatest form of discrimination against manual workers is found in the differential 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 get all 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.

Insurance Institutes

sharply drawn, & feel that is clearly reflected in social insurance arrangements. As 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 sickness, 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 greatest 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.

3. 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".)

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This Institute provides insurance against industrial accidents and diseases, and has recently had merged with it, a parallel body for agricultural workers, the "Cassa Mutua Infortuni Agricoli".

(b) Istituto per l'Assicurazione di Malattie ai Lavoratori (commonly known as "Malattie").

This Institute was formed by a comparatively recent merger of the "Cassa Mutua Malattie 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 Malattia 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 (in millions of lire)
Previdenza:		
Pensions (invalidity and old age)	2,175	692
Unemployment Benefits	322	228
Tuberculosis Benefits	387	331
Marriage and Maternity Benefits	356	156
Military Allowances (Richiamati)	201	1,035
48 hour guarantee (Integrazione)	302	34
Family Allowances	3,336	3,636
Total for Previdenza	7,061	6,112
Infortuni (industrial injuries)	722	696
Malattie (sickness benefits)	792	682
Grand Total	8,575	7,492

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Institution	Contributions	Benefits
	(in millions of lire)	
Previdenza		
Pensions (invalidity and old age)	2,175	692
Unemployment Benefits	322	228
Tuberculosis Benefits	387	331
Marriage and Maternity Benefits	338	158
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 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 hazard.

5. By law, the Infortuni organization is bound to pay benefits irrespective of the state of premium collections for the individual.

E. Sickness Insurance (Malattia)

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) specialised 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 1941, collections and benefit payments for all Italy of the four "Casse" now forming the Malattia organization were 792 and 682 million lire respectively.

F. State Employee Insurance (Ente 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 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 Banco Nazionale del Lavoro for remittance to Rome. The local offices of the "Tato" 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

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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 1941, collections and benefit payments for all Italy of the four "Casse" now forming the Mutualita organisation were 792 and 682 million lire respectively.

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1. This organisation 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 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)

1. Nearly all remaining Social Insurance, forming by far the greater proportion, is handled by the Previdenza organisation. 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 2921 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 employer. 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 L2,174,000,000, pension payments to L692,000,000. The reserve for pensions on 31 December 1941 was L17,091,000,000.

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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, c.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.

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Italy.

I. Military Allowances (Richiamati and Sussidi Militari)

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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 9% 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 coverages 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 eliminate the Fascist features 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 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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Public Safety S-C
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New file
Finance S-C Reports

HEADQUARTERS
ALLIED CONTROL COMMISSION
FINANCE SUB-COMMISSION
APO 394

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 AFC Five Army
AFC Eight Army
All Sub-Commissions, HQ ACC.

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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.

( ) Tobey Jr
Colonel,
Joint Director,
Finance Sub-Commission,
for: D. H. SMITH, Col., C.A.C.,
Executive Officer,
Economic Section.

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SECRET

HEADQUARTERS
ALLIED CONTROL COMMISSION
FINANCE SUB-COMMISSION
APO 534

15071/E

10 April 1944

REPORT OF THE FINANCE SUB-COMMISSION FOR MARCH 1944

During the month a Joint Directorate for the Finance Sub-Commission was announced. Early in the month, Colonel E. H. Foley, Jr., Joint Director of the Sub-Commission, returned to the Theatre from Washington, where he arranged for the preparation of a new Italian Government currency and discussed many aspects of the Italian financial problem with interested U.S. Government departments and agencies.

In March, the Theatre was visited by a United States War Department Mission, consisting of Colonel Andrew Stewart, Fiscal Division, War Department; Lieut-Colonel T. A. McCloskey, Budget Division, War Department; Mr. J. C. Hevitt, General Accounting Office; Mr. Harold Glasser, Division of Monetary Research, U.S. Treasury Department, and Mr. Gilbert Cuba, Bureau of Accounts and Deposits U.S. Treasury Department. The Mission was primarily interested in the accounts and records maintained by the Finance Sub-Commission and the procedures under which supplies and funds are accounted for. The Mission visited Naples, Salerno, and Palermo, and held extensive discussions with various sections of the Finance Sub-Commission and with other Sub-Commission whose work was related to the interests of the Mission. Important specific points which were discussed with the Mission are referred to below in the appropriate sections of this Report.

At the conclusion of their work here, the Mission proceeded to London for discussions with the British War Office. Since there was want in differences of view between Washington and London on supply accounting procedures, it was deemed desirable that a representative of AFHQ be present at the London discussions. Accordingly, Colonel L. W. Gardiner-Smith, Joint Director of the Sub-Commission, proceeded to London at the end of March, accompanied by the

sub-Commission announced. [illegible] Division, [illegible]
Joint Director of the Sub-Commission, returned to the Pacific from Washington,
where he arranged for the preparation of a new Italian Government currency and
discussed many aspects of the Italian financial problem with interested U.S.
Government departments and agencies.

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Lieut-Colonel T. A. McCarthy, Budget Division, War Department; Mr. J. S. Hewitt,
General Accounting Office; Mr. Harold Simmons, Division of Monetary Research,
U.S. Treasury Department, and Mr. Gilbert Gude, Bureau of Accounts and Deposits
U.S. Treasury Department. The Mission was primarily interested in the accounts
and records maintained by the Finance Sub-Commission and the procedures under
which supplies and trade are conducted for. The Mission visited Naples,
Bari, Foggia, and Palermo, and held extensive discussions with various sections of
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deemed desirable that a representative of AFHQ be present at the London
discussions. Accordingly, Colonel [illegible], Deputy Director, Joint Director of the
Sub-Commission, proceeded to London at the end of March, accompanied by the
Chief Accountant.

I. [illegible]

A. Report of the Foreign Economic Administration's Survey Mission on the Economic Activities of AFHQ

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The FEA Italian Survey Mission, headed by Mr. Adlai E. Stevenson,
Special Assistant to the Secretary of the Navy, visited Italy in the
latter part of December 1943 and early January 1944. Upon the Mission's
return to Washington a report embodying their findings and conclusions was
submitted to the Administrator of FEA on 5 February 1944.

Copies of this report were forwarded to AFHQ, and the Economic
Section requested various Sub-Commissions to comment on the parts of the report
relevant to their respective fields. Section IV of the report, entitled "Price
Trends and Inflation" was passed to Finance Sub-Commission.

The Finance Sub-Commission made a detailed analysis of this section of
the FEA report. It believe that the report made several errors of interpretation

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government financial reforms, is currently being reviewed and strengthened.

In view of the importance of the ECL Report and the Finance Sub-Committee's comments thereon, both documents are reproduced at Appendix A to this Report.

B. The cost of living

During March the cost of living continued to rise in Naples but remained far short of the very high level recorded at the end of January before the bread ration was increased from 120 to 300 grams per day. Figures comparable to those previously published, representing the cost of purchasing a typical working class budget for one week (defined in the Allied Report of this Sub-Commission) are as follows:

Week ending	23	February	- 342 lire
"	"	7	March - 355 "
"	"	14	March - 377 "
"	"	23	March - 360 "

The black market price of bread rose from 130 lire at the end of February to about 140 lire, but the sharp increase in the price of olive oil from 200 to 260 lire per litre was responsible for the greater part of the increase that has occurred in the cost of living. The price of meat also rose during the month. Partly offsetting these factors was a decline in the price of fish, and a small distribution of American dried peas under the rationing programme in the week ending 23 March which, by making a certain part of black market peas unnecessary for that week, caused the cost of living to decline from 14 March to 23 March.

C. Price Adjustment

The recommendation of the Finance Sub-Commission on price adjustment questions have previously been published in this Report. There has recently been established in the Economic Section a Price Committee, upon which the Finance Sub-Commission is represented, to decide all price fixing and price adjustment questions. The secretary of this committee will prepare a monthly report, including with a report for March, in which all information on these matters will hereafter be available.

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(c) A memorandum of the Finance Sub-Committee submitted to the Italian Government and containing certain revisions in the Italian tax system was handed to us in response to this request for February. Discussion concerning these proposals has been in progress during the past month, from which the following points have developed:

(i) The profits tax assessments. The new profits tax assessments are considerably in arrears, owing to delays in making assessments and hearing appeals. This is a matter of considerable concern, since such taxes should be collected when due currently if they are to have their full anti-inflation effect. In a period of rapid inflation the value of revenues to the Government and the amount of effective taxation is based upon the taxpayer's and upon the degree to which tax payments are current. Furthermore, the difficulties of collecting taxes, particularly those involving considerable back-taxes has its own, increase materially with the delay in assessment and collection. Many of the arrears are already thought to be irrecoverable owing to offsets to claims against the Government for war damage compensation and for materials supplied to the Government. Accordingly, recommendation was made to the Finance Minister that assessments should be made more frequently and collected more rapidly, and that collections should be made through channels other than the Banks. The Minister has agreed to speed up assessments, but up to the present he has not agreed to a change in the Banking system nor to our suggestion that a withholding tax be made for more rapid collections.

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(ii) Declarations of income. One of the important recommendations made by the Mission was that the Finance Minister use that requiring annual declarations of income from all persons subject to income taxes. Skeleton forms for such returns have been prepared and were submitted to the Minister with a letter of 25 April stating our view that a compulsory return is essential if any progress is to be made in income taxation. The Minister agreed in principle, but doubts that any considerable number of taxpayers can be made to file returns, or that many of the returns received would be filled out in correct form. He is to be advised whether one form can be used to cover all directly taxed income.

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(iii) Legislation to empower the State to deal with under assessment. The letter of 29 March also included specific recommendations for legislation necessary to empower the State to make additional assessments where the original assessment was based upon inadequate or false information. Under the present Italian system, once an assessment is agreed upon between taxpayer and officials in respect of a taxable period, it cannot in practice be reopened. Moreover, no adequate criminal penalties exist to prevent misrepresentation or concealment of information by the taxpayer. The Minister agrees that the present system, under which fiscal information is obtained largely by official and unofficial "snooping and informing" is highly undesirable and unduly expensive. He also agrees that it will be necessary to strengthen the existing laws to provide the means whereby fraud and evasion can be detected and punished. However, he has not taken any action to implement this conclusion.

(iv) Turnover tax. A plan by which the turnover tax can be made to reflect more closely actual current turnover has also been submitted to the Minister. At the present time the turnover tax is either collected by stamps, with no attempt to check a taxpayer's stamp purchases against the volume of his transactions, or else it is assessed on the basis of the taxpayer's turnover for the previous year as arrived at for income tax purposes. Briefly, the plan proposes to require a monthly declaration of turnover by all taxpayers having a business volume above some minimum figure, say 50,000 lire. This declaration would serve as a form of preliminary self-assessment, payment being made concurrently with the filing of the declaration. The extent to which it is practical to rely upon periodic declarations of turnover for the preliminary assessments for this tax is still under discussion.

(b) Another source of tax revision suggestions is the answers submitted by Italian tax officials in response to a request from the Minister of Finance, made at our suggestion last January, that such officials state what can, in their opinion, be done to improve the tax organization, to avoid unnecessary work, and to effect other administrative economies. An Italian committee will be appointed to examine and report upon the answers received.

2. The Imposta di consumo

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Municipal revenues - 1935

		All entrance counties	Provincial entrance counties only
		(percent of total revenue)	
i.	Impôts directs	46	56
ii.	Impôts fonciers sur les bâtiments (Municipalités qui ont adopté ce mode d'imposition. Généralement, municipalités de moins de 50,000 habitants qui emploient généralement ce mode d'imposition. Impôt direct sur l'occupation des maisons, calculé d'après la valeur locative de la maison. Impôt foncier sur les bâtiments est un impôt sur le revenu total brut de tous les locataires d'un immeuble. Si le revenu brut est de plus de 6,000 livres par année, le taux d'impôt est pris dans les estimations pour les 36 mois précédents. Autrement, le revenu pendant les 12 mois précédents est employé.)	2	7
iii.	Impôts fonciers sur les terrains nus (Impôts fonciers sur les terrains nus et autres biens immobiliers.)	15	3
iv.	Impôts fonciers sur les terrains (Impôts fonciers sur les terrains et autres biens immobiliers.)	9	11
v.	Impôts industriels, commerciaux, professionnels et impôts de franchise (Inclus Impôt sur le revenu, différentes taxes supplémentaires sur le revenu et certains groupes.)	8	8
vi.	Impôts divers et minimums (Taxe d'habitation, taxe de véhicules à moteur, licences de commerce, enregistrement de noms.)	2	1
vii.	Autres impôts directs	11	11
		100	100

En 1942, 10 per cent d'augmentation générale des impôts directs, et tous les comtés ont été autorisés à charger les taux prescrits pour la classe 1 de comtés. Auparavant, les comtés étaient divisés en 3 classes, selon la taille de la population, et différents taux d'impôts étaient prescrits, les comtés plus petits étant autorisés à charger les plus hauts taux.

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iv.	[illegible]	9	11
v.	[illegible]	8	8
vi.	[illegible]	2	1
vii.	[illegible]	11	11
		100	100

In 1943 a 10 per cent increase in rates was granted, and all [illegible] were permitted to charge the rates prescribed for class 1 overseas. Formerly, the overseas were divided into 3 classes, according to size of [illegible], and 6 different scales of rates were prescribed, the larger overseas [illegible] to charge higher rates.

(c) Decline in taxable revenue. Despite the changes in rates mentioned above, revenue from the tax on overseas have declined, 2866 as follows in the last four years. This decline has resulted from the much smaller volume of [illegible] in this field, since the increase in the percentage [illegible] has more than offset the increase in rates. The decline in taxable revenue from the taxation of the foreign, which it is desired to [illegible] "per quantum" rather than "ad valorem" basis, is due to the fall in [illegible] prices that has been [illegible] for many years. In the case of other overseas the decline has been less [illegible] because the [illegible] on which the tax is levied are relatively [illegible]. Decline in such a case, because the [illegible] that has made less [illegible] in the smaller items, which usually [illegible] the small overseas have been [illegible] to other [illegible] that [illegible] prescribed for large overseas only.

(d) Recent experience in Mexico. Taxable revenues have been declining for several years, and the expense of collecting the tax has been [illegible].

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(i) Total gross collections for 1943 were only 61 per cent of 1942 collections, 59 per cent of 1941 collections, and 36 per cent of 1939 collections. The data are as follows:

Total gross collections of the imposte di consumo in the Commune of Naples

	1939	1941	1942	1943
	(in millions of lire)			
Bevande	19	22	22	15
Cerni	20	15	14	7
Altri commestibili	4	2	2	1
Combustibili	15	15	16	10
Materiali da Costruzione	5	3	2	1
Altre tasse	1	.5	.5	.2
Total	64	61	59	36

(ii) In 1939 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 some communes to as much as 27 per cent in others. Collection costs for the Commune of Naples in 1939 were 7 per cent, while in 1943 the costs, which in this case include some small costs not properly chargeable to the imposte di consumo, amounted to 10 million lire out of total collections of 36 million lire, indicating that the cost of collection was almost 30 per cent of gross collections and about 70 per cent of the revenue realized by the Commune. The absurdity of this situation, in which the burden imposed upon consumers is almost doubled by the costs of collecting the tax, can be further illustrated. As further illustration is necessary, by the fact that in 1943 649 people were employed in collecting the tax in the Commune of Naples, and average collections per employee for the entire year were only 60,000 lire. In fairness, this statement must be slightly modified, since a small part of the time spent by these employees is not properly chargeable to the imposte di consumo. But in this situation was in 1943, it is estimated that in 1944, while 155 less employees will be used to collect the tax in Naples, the cost of collection will increase 50 per cent, largely as a result of wage increases. Further more, under an agreement of April 1943 the collection companies have been able to shift much of the burden of wage payments for collection personnel on to the communes. In the Commune of Naples the estimated wage costs of the collection company for 1944 are slightly less than in 1943 while the estimated [illegible] for the personnel employed in the work are more than 130 per

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(iii) In 1939 the average cost of collection of the Imposta di Consumo for all of Italy was about 12 per cent of gross collections, varying from about 6 per cent in some communes to as much as 27 per cent in others. Collection costs for the Comune of Naples in 1939 were 7 per cent, while in 1943 the costs, which in this case include some small costs not properly chargeable to the Imposta di Consumo, amounted to 15 million lire out of total collections of 30 million lire, indicating that the cost of collection was almost 50 per cent of gross collections and about 70 per cent of the revenue realized by the Commune. The absurdity of this situation, in which the burden imposed upon consumers is not much doubled by the costs of collecting the tax, could be even more illustrated, if further illustration is necessary, by the fact that in 1943 447 people were employed in collecting the tax in the Comune of Naples, and gross collections per employee for the entire year were only 60,000 lire. In fairness, this statement must be slightly modified, since a small part of the costs apart by these employees is not properly chargeable to the Imposta di Consumo. Even in this situation one in 1943, it is estimated that in 1944, while fewer employees will be used to collect the tax in lire, the cost of collection will increase 50 per cent, largely as a result of wage increases. Furthermore, under an agreement out of March 1943 the collecting companies have been able to shift much of the burden of wage increases for collection personnel on to the communes. In the Comune of Naples the estimated wage costs of the collection company for 1944 are slightly less than in 1943 while the estimated wage costs for the communal personnel employed in the work are more than 150 per cent higher. Collected costs for the Comune of Naples in 1943 and estimates for 1944 are as follows:

Expenses of collection of the Imposta di Consumo
Comune of Naples

	1943	1944 estimated
	(in millions of lire)	
Wages - Direct personnel	3.6	2.2
average number of employees:		
1943 - 220		
1944 - 84		
Wages - Communal personnel		
Charged to Direct Taxes	3.8	4.8
Charged to Comune	5.8	13.7
average number of employees:		
1943 - 447		

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3. Customs

(a) Report of field survey of Italian ports.

The two officers of the Customs Sub-Section have completed their tour of Sicily and parts of the mainland. In the course of their tour the Customs officers visited 13 ports, of which they state 10 can be considered as activated and which ought to exert a control, namely the ports of Naples, Marina di Vibo Valentia, Reggio Calabria, Messina, Catania, Siracusa, Gela, Licata, Porto Empedocle, Palermo. They report that Bari, Brindisi, and Taranto are under de facto naval control as also are parts of the ports at Messina, Catania, Siracusa, and Palermo. The following figures were obtained on coastal traffic at the present time:

Port	Tons unloaded	Tons loaded	Period
Marina di Vibo Valenti	572	961	Feb. 1944.
Reggio Calabria	2,390	2,000	Jan. & Feb. 1944
Messina	617	546	" " 1944
Catania	1,590	1,289	" " 1944
Siracusa	1,000	1,000	" " 1944
Licata	1,350	450	" " 1944
Porto Empedocle	200	200	" " 1944
Palermo	591	856	" " 1944

The Italian Customs staff is reported as being reasonably efficient but incapable of maintaining adequate control, but not well distributed amongst the various ports. Maria Vassalliano 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 adequate for present requirements. However, new trade agreements requisitioned Customs buildings should be released wherever possible. The existing geographical divisions of the Customs service are considered satisfactory and able to assume control over further ports as they are re-opened. The Guardia di Finanza is available at all ports, but is not fully occupied in its proper "preventive" duties. The efficiency of Customs control and the satisfactory of other trade appeals depends upon the release of this force immediately from 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 shortage districts. Such improvements is feasible if all requisitioned coasting vessels not now required could be released for trade, and, in consultation with the Naval authorities, system of "War Clearance Bonds" initiated that would permit coastwise movements

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The Italian Customs staff is reported as being reasonably efficient and capable of maintaining adequate control, but not well distributed amongst the various ports. Major Wheatcroft 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 adequate for present requirements. Recovery of trade improves requisitioned Customs 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 released. The Guardia di Finanza is available at all ports, but is not fully occupied on its proper "preventive" duties. The efficiency of Customs control and the settlement of other tax appeals depends upon the release of this force completely from 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 shortage districts. Such employment as possible of all requisitioned coasting vessels not now employed could be released for trade, and, in consultation with the Naval authorities, a system of "War Clearance Ports" initiated that would permit coastwise voyages within the hours of daylight.

(b) Amalgamation of customs work with revenue

The two officers of the Customs Sub-Section have now left this theatre. The work of their Sub-Section is being amalgamated with that of the Revenue Sub-Section.

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4. Customs collections

(a) During February a revision was made in the procedure for reporting revenues so as to ensure that returns from King's Italy and those from Liberated territory would be uniform. A considerable number of these returns have now been received and the statistical position has therefore improved. Discrepancies are still fairly numerous, however, and the Italian officials are not yet able 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 complete, represent the total credits to the State Budget (Entrate di Bilancio) in its accounts at the provincial capitals. The corresponding figures for receipts exclusive of Capo X (which consists principally of transfer items), are 475 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 Capo X)
(millions of lire)

Province	year 1942/43 — 6 months to Dec/42	Jan. 1943	Feb. 1943	Total 1943 for 8 months	year 1943/44 — 6 months to Dec/43	Jan. 1944	Feb. 1944	Total for 8 months	Percentage 1943-44 to 1942 - 43
REGION I-Sicily									
Agrigento	24	2	6	32	20	3	7	30	94
Caltanissetta		2	5		11	2	7	20	
Catania					42	14	30	86	
Enna	13	1	3	17	10	2	6	18	106
Messina	80	13	6	99	15	8	7	30	30
Palermo	251	37	36	324	67	25	58	150	46
Ragusa		1	4		12	2	6	20	
Siracusa	24	2	6	32	16	4	7	27	84
Trapani					18	4	12	34	
Total					311	64	140	415	
KING'S PROVINCES (Puglie)									
Bari	327	71	89	487	419	93	162	574	118
Brindisi	24	3	6	33	35	3	10	48	146
Lecce	41	4	10	55	52	5	14	71	129
Taranto	69	7	13	89	44	4	7	55	61
Total	461	85	118	664	550	65	133	748	113

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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 for same period of previous fiscal year, and revenues for first 6 months of fiscal year 1943 - 44 as a percentage of same period of previous fiscal year).

	Direct taxes	Indirect taxes	Monopolies	Manufacturing profits, customs, lotteries, and other receipts	Total Revenues
SIDRA (3 provinces)					
% of total revenues 1943-44	48	35	14	3	100
% of total revenues 1942-43	44	27	30	11	100
1943-44 revenues to 1942-43	103	64	19	15	50
FUCHIA (4 provinces)					
% of total revenues 1943-44	20	19	46	7	100
% of total revenues 1942-43	21	16	39	24	100
1943-44 revenues to 1942-43	152	115	130	40	113
REGION II (4 provinces)					
% of total revenues 1943-44	48	36	13	3	100
% of total revenues 1942-43	27	30	39	4	100
1943-44 revenues to 1942-43	97	66	18	44	50
REGIONS III A & B (5 provinces)					
% of total revenues 1943-44	44	21	26	9	100
% of total revenues 1942-43	25	24	37	14	100
1943-44 revenues to 1942-43	85	42	35	30	49
TOTAL (16 provinces)					
% of total revenues 1943-44	39	43	32	6	100
% of total revenues 1942-43	25	24	36	15	100
1943-44 revenues to 1942-43	104	63	59	35	66

The table shows that in the fiscal year 1942-43 monopolies provided the greatest part (almost 40 per cent) of the revenues of the Government, and that

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of total revenues 1943-44	25	19	30	26	100
of total revenues 1944-45	21	19	39	21	100
1943-44 revenues to 1944-45	152	113	130	40	113
REGION II (3 provinces)					
of total revenues 1943-44	48	36	13	3	100
of total revenues 1944-45	27	30	39	4	100
1943-44 revenues to 1944-45	97	66	18	44	50
REGIONS III & V (5 provinces)					
of total revenues 1943-44	44	21	26	9	100
of total revenues 1944-45	35	24	37	14	100
1943-44 revenues to 1944-45	65	42	35	30	49
PUGLIA (1 province)					
of total revenues 1943-44	39	23	32	6	100
of total revenues 1944-45	25	24	36	15	100
1943-44 revenues to 1944-45	104	63	56	33	66

The table shows that in the fiscal year 1944-45 monopolies provided the greatest part (almost 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 18 provinces as a whole but for each of the areas. In the present fiscal year, however, several significant changes have occurred. Monopolies remain the most important source of revenues only in Puglia. In all other areas direct taxes (principally the turnover tax and the war-time excess profits taxes) have become the most important source. This change has resulted from the great decline in monopoly revenues, especially in Sicily and Region II, and not from increases in revenues from direct and indirect taxes. Indeed, indirect tax revenues in this fiscal year are only 63 per cent of the amount last fiscal year. Revenues from direct taxes have been maintained in Sicily and Puglia and in the total of the 18 provinces, but they are only 85 per cent of last fiscal year in Region III and V. Manufacturing taxes yielded 4 per cent of total revenues last fiscal year and the same percentage this fiscal year. Revenues from tariffs and customs, however, which accounted for 3 per cent of total revenues last fiscal year are almost zero this year.

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5. Monopolies

(a) Tobacco. During the month ACC gave its approval to the Italian Government's recommendations for the prices to be paid farmers for tobacco grown in the 1943 season under contracts with the Government. 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 42 tons of cigarette paper was enroute. The production capacity of the nine factories now in complete or partial operation is stated to be as follows: (in thousands of kilos monthly) cigars - 160; cigarettes - 367; cut tobacco - 84. The tobacco drying and curing capacity, especially that near Salerno, has been very considerably reduced by the destruction of the war and by Army requisitioning. In the Salerno area present capacity is only about 1/5 of pre-war.

(b) Salt. The principal salt works is at Margherita di Savoia in Foggia province. This is working satisfactorily, but, owing to transport 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 adoption of a long-term scheme for rail transport in place of the present practice of depending upon weekly allocations.

(c) Matches. 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 about 6 million boxes a month, or 75 per cent of capacity. About half of this production is supplied to the Allied forces.

C. 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 King's Italy which was formerly AMG Regions I and II dual authorities in the field of budgetary control. This resulted from the fact that such territory had been placed on 15 February under the jurisdiction of the Italian government, which could not at that time assume control of fiscal opera-

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transport in place of one present [illegible]

(c) Matches. 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 about 6 million boxes a month, or 75 per cent of capacity. About half of this production is supplied to the Allied forces.

c. 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 King's Italy which was formerly AMG Regions I and II dual authorities in the field of budgetary control. This resulted from the fact that such territory had been placed on 16 February under the jurisdiction of the Italian government, which could not at that time assume control of fiscal operations. By agreement AMG continued to function in the area until 31 March 1944. Thereafter fiscal control is to be the responsibility of the Italian Government. The assistance of AMG during March was requested by the Italian Government, but resulted in the case of at least one province in the issuance of "authorities 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 Banco d'Italia 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 recording expenditure became apparent. A procedure has been formulated and is being submitted to the Italian Government. Essentially, the suggested procedure would provide for a revised budget and the accumulation of expenditure data independent of the Banco d'Italia. Once such expenditure data is available, problems in connection with the disbursement figures of the Banco d'Italia such as "pagamenti

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collective", (described in this Sub-Commission's February Report) should be solved.

(ii) Sicily. Local government expenditure control set up during February for Sicily provided 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 originally 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 were adequate 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 sole purpose is to serve as a basis for estimating the need for currency by the Banca 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	15.0	15.0	15.0
Interior	55.0	70.0	100.0
Public Works	6.0	10.0	8.0
Communications	190.0	210.0	170.0
Agriculture	3.0	3.0	3.0
Industry and Commerce	.5	.5	.5

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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	30.0	20.0	16.0
Justice	5.0	5.0	5.0
Foreign Affairs	1.0	1.0	1.0
Education	15.0	15.0	15.0
Interior	55.0	70.0	100.0
Public Works	6.0	10.0	8.0
Communications	190.0	210.0	170.0
Agriculture	3.0	3.0	3.0
Industry and Commerce	.5	.5	.5
Total Civil Ministries	295.5	332.5	318.5
Monopolies	70.0	45.0	40.0
Lotto	.5	.5	.5
Public Debt	16.0	22.0	24.0
Total exclusive of Military	380.0	400.0	383.0
Army (Puglia only)	157.0	189.3	174.5
Navy (Puglia only)	168.4	175.9	201.1
Air Force (Puglia only)	34.5	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 Puglia 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	169	175
Lucania	20	23	20
Calabria	47	50	51
Sicily	37	32	35
Campania	93	184	166
Sardinia	234	150	177
Total Army	579	614	626
Italian Navy			
Puglia	169	176	201
Campania	69	36	51
Sardinia		19	26
Total Navy	238	231	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	923	1,009

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Total Army	570	614	626
Italian Navy			
Puglia	163	176	201
Campania	69	86	51
Sardinia		19	26
Total Navy	236	281	278
Italian Air Force			
Puglia	84	59	51
Campania	2	5	3
Sardinia	15	14	46
Sicily	3		
Total Air Force	104	78	105
Total Italian military	920	973	1,009

Examination of the two tables of expenditure estimates indicates that the Italian armed forces are spending more than twice as much as the civil government and also that a little less than one-half the military spending is in Puglia.

J. Authorities to spend

Under Italian procedure authorities 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 15 indicates the amounts of "ordini di accreditamento" countersigned by the Minister of Finance.

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Amounts of ordini di accreditamento
countersigned by the Italian Ministry of Finance
for the Italian Government (Regia less Regnia)
(in millions of lire)

Ministry	Approximate monthly average - 8 Sep 43 to 31 Dec 43.	Jan 1944	Feb 1944
Finance	8.4	10.4	11.6
Justice	.8	2.5	1.3
Foreign Affairs	.4	.4	.3
Education	9.6	15.0	16.7
Interior	70.2	24.8	98.4
Interior (It Navy Admin)	-	2.9	-
Public Works	3.2	5.2	2.5
Public Works (State Lands)	1.5	1.2	-
Communications (Merchant Marine)	1.3	3.3	2.7
Communications (Railways)	13.6	15.5	15.9
Communications (Posts & Telegraph)	.1	-	-
Agriculture	1.6	1.8	.5
Industry & Commerce	.3	.1	1.3
Popular Culture	.4	(1)	(1) (2)
Foreign Exchange (Finance)			
Monopolies (Finance)	30.4	167.5	75.9
Total Civil	152.0	197.7	221.1
Military			
Army	805.1	368.9	1,051.7
Navy	71.0	221.4	233.2
Air Force	25.0	129.3	91.3
Total Military	304.1	739.6	1,276.2
Total Government	456.9	937.3	1,597.3

(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

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Public Works (State Funds)	1.5	1.2	-
Communications (Merchant Marine)	1.5	3.3	2.7
Communications (Railways)	16.6	15.5	15.9
Communications (Post & Telegraph)	.1	-	-
Agriculture	1.6	1.8	.5
Industry & Commerce	.3	.1	1.3
Foreign Exchange (Min neg)	.4	(1)	(1)
Monopolies (Finance)			(2)
	30.4	157.5	73.9
Total Civil	152.8	197.7	221.1
Military			
Army	205.1	568.9	1,051.7
Navy	74.0	221.4	233.2
Air Force	25.0	129.3	91.3
Total Military	304.1	758.6	1,376.2
Total Government	456.9	937.3	1,597.3

(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

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In the absence of expenditure data, the Italian Ministry of Finance has been using the cash disbursement figures of the Treasury Section of the Banca d'Italia. Such figures do not serve the purposes 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 disbursement figures further substantiates the conclusion that Italian Government spending is the major inflationary force in liberated Italy.

5. Provinces and communes

(a) During the month an examination was made of the financial procedures of communes and provinces. In order to obtain data with which budget estimates for the current year could be compared, returns were called for from

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17 provinces and 188 communes. The total number of communes concerned is 1,510, but it was estimated that more than 80 per cent of all communal expenditures would be contained in the 188 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 also due at the Italian Ministry of Finance on 15 March. To date none have been received.

The Interior Sub-Commission is about to issue a circular, preceding an Italian Royal decree, to ensure that the 1934 law governing local government is to be set aside and the law of 1915 restored in its place. The power to levy local taxation and authorise expenditure is less under the 1915 law than under that of 1934, and the attention of the Interior 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.

(B) A survey of certain previously requested returns from the province of Caserta and 33 of its communes revealed:

(i) The estimated expenditure for 3 months January 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 September 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 23 per cent of the estimated expenditure for the province, and 66 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 3.5 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 [illegible] with the Minister of Finance looking toward the preparation of an [illegible] these discussions have not

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(i) The estimated expenditure for 3 months January 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 September through November 1943 was 77 per cent in the provinces and 76 per cent in the communes;

(iii) In the budget estimates for the 3 months January through March 1944, the estimated revenue is 25 per cent of the estimated expenditure for the province, and 68 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 5.5 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 adequate budget for the fiscal year 1944 - 45. These discussions have not developed to the point where a report can be given, but will be covered fully in subsequent reports.

D. Cash position of the Italian Government

1. Experience in March

(a) Owing to limitations of personnel, communications, and transport, the Italian Government was not able during March to assume financial control over Regions I and II, and these Regions therefore continued to function semi-independently. The Finance Ministry attempted to devote its attention to the consolidation of the Government in Puglia (less Foggia). The Finance Minister's estimates of the Government's cash position there for the month of March were as shown on page 15.

Estimate of cash position of the Italian Government
March 1944

(millions of lire)

Estimated total cash expenditures of Italian Government in March (Civil Government in Pacific Zone Military in all zones)	1,390	
Net deficiency in Bank d'Italia cash reserve on 1 March	31	
Total currency needs for the month		1,421
Less		
Government needs to be met by Bank (Issue Dept.)	140	
Transfer of funds from Sicily	200	
Inflow of currency to Bank d'Italia through increased deposits, repayment out of advances, etc.	220	
Military Forces entering Pacific Zone:		
Sold by Allied Command Regionale 227		
Guardia and Carabinieri 71		
Guardia 56		
Sicily 39		
Sold by AMGOT Guardia 166	557	
Total receipts to be otherwise met		1,117
Net currency advance needed by Italian Government in March		304

(b) When considered analytically as in the foregoing table, the conclusion to be reached from the Minister's estimates is that an advance of 304 million lire is required. However, the estimates are not presented to us in this form, but rather in the form of a running commentary on his list of estimates. As a result, the Minister of Finance arrives at the following conclusion: "On the basis of the above figures, I consider that only approximately, at most, 50 (?) currency in lire will be necessary in order to meet the cash expenses of the Italian Government up to the end of March and have a cash fund in the Banca d'Italia up to a limit of (but the 400,000,000 which I consider indispensable for any unforeseen emergency". (Memorandum of the Minister of Finance to the Finance Sub-Committee, 9 March 1944.)

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Transfer of funds to Italy			115
Inflow of currency to Banca d'Italia through increased deposits, reimbursement of advances, etc.			200
Military forces outside Sardinia:			220
Paid by vaglia:	Campania	227	
	Lucania and Calabria	71	
	Sardinia	56	
	Sicily	35	
Paid by AMG Sardinia		168	557
Total resources to be subtracted			1,117
Net currency advance needed by Italian Government in March			304

(b) The reasoning underlying the Force line table, the conclusion to be reached from the Minister's estimates is that an advance of 304 million lire is required. However, the estimates are not presented to us in this form, but rather in the form of a running deficiency on his list of estimates. As a result, the Minister of Finance came to the following conclusion: "On the basis of the above figures, I consider that only a small supply, if any, of AMG currency in Italy will be necessary in order to meet the cash payments of the Italian Government up to the end of March and keep a cash fund in the Banca d'Italia up to a minimum of about Lire 400,000,000 which I consider indispensible for any unforeseen emergency". (Memorandum of the Minister of Finance to the Finance Sub-Committee, 9 March 1944.)

This discrepancy between estimate and conclusion appears to have occurred through the Minister's adding into his estimate of receipts for the month, the cash balance of 369 million lire that the Banca d'Italia held at the beginning of the month in Sicily. Actually, since this 369 million lire cash balance was 31 million below the 400 million minimum reserve, it represented no supply of available funds but a demand for 31 million lire. Myrin made this error, which resulted in giving him an estimated surplus of 65 million lire in currency for the month rather than a shortage of 304 million, the Minister gradually failed to show this surplus in his memorandum to us.

(c) No advance was made to the Italian Government during the month. While complete data are not yet available, it appears that the flow of currency into the Banca d'Italia was so much better than the figure shown in the Minister's estimates that no advance was required. The transfer of 200 million lire from the Banca d'Italia in Sicily to the Banca d'Italia in Naples, as shown in the estimate, was accomplished.

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2. Summary of past experience

A summary comparison of the Finance Minister's estimates of his currency needs with the "actual needs" as they appeared in the operations of the Banca d'Italia is given below. The sums actually advanced on the scale as those shown as "actually needed", a circumstance resulting from the fact that the advances of December and January were made near the ends of those months and with the aid of Banca d'Italia operations figures.

	Finance Minister's estimates of Government currency needs for the month.	Actual needs as shown in operations of the Banca d' Italia during the month.
	(In millions of lire)	
December 1943 - Advance requested	1,000	450
January 1944 - Minister's calculations	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 calculations adjusted by elimination of errors	504	0

3. Plans for the future

(a) Beginning 1 April all advances on Italian Government account in Ming's Italy or AMG Regions must be cleared through Finance Sub-Commission Headquarters in order to make possible the coordination of the cash position as a whole.

(b) On 31 March a conference was held with the Minister of Finance and the Vice-Governors of the Banca d'Italia at which agreement was reached on a plan to make possible the absorption of excess cash in branches of the Banca d'Italia and a plan for a more regularized examination 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

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December 1943 -	Advance requested	1,000	450
January 1944 -	Minister's calculations	470	
	Advance requested	450	
	Minister's calculations adjusted by elimination of error of 50 million lire	420	250
February 1944 -	Advance requested	0	0
March 1944 -	Advance requested	0	
	Minister's calculations adjusted by elimination of error	304	0

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	(millions of lire)
Naples	500
Sicily	800
Salerno	100
Puglie (less Foggia)	100
Lucania and Calabria	100
Total	1,900

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It was further agreed at the conference that towards the end of every month the currency position of the Banco d'Italia would be reexamined and that the Number 2 account would be adjusted in the light of these surveys.

B. The AOC 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 bank operations. From time to time important descriptive studies of the Italian financial system will also be published in the Review. The new statistical office of the Banco d'Italia is now beginning to assemble considerable data. This material will be set up in permanent categories 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 PROBLEMS

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 lire 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, appear to have obtained wide acceptance, 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 dispose of 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 free

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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 dispose of 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 are real shortages of all essential items, and that for many years the Italian Government has had a large and growing deficit, are sufficient to demonstrate that Allied troop expenditures are by no means the original cause of inflation or the only inflationary force now at work. Accordingly, the Finance Sub-Commission's studies concentrated upon the measurement of Allied troop expenditures and their inflationary factors, and upon analysis of the effects that might be expected to result from a reduction in troop expenditures achieved through an increase in the dollar value of the lira to, say, 50 lire to the dollar and 200 lire to the pound.

In order to measure the expenditures of Allied troops in Italy it is necessary to subtract from their pay, not only the large sums that 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, cables, and war bond purchases, and deposited with Finance officers. Data on

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sufficiently important factor in the situation to demand restrictive action, their expenditures could be reduced by means, such as compulsory allotments, that would not reduce their real incomes.

The Finance Sub-Commission is strongly of the opinion that the Italian Government deficit, and not Allied troop expenditures, is the principal monetary factor in the Italian inflation. The Italian Government, in continuing to focus attention upon Allied soldiers' expenditures, has obscured its own failure to prevent its revenues from declining and its expenditures from increasing.

B. A programme for conversion of Metropolitan lire

It has been reported for some time that the Germans may, upon abandoning areas in Italy presently occupied, issue 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 as occupation costs in occupied Italy to which should be added the monthly deficit of the Mussolini Government. Finally, there are other forms of liquid assets which may find their way into commodity markets unless strict controls are maintained. To control the large volume of liquid assets that the Allies may encounter in subsequently liberated areas of Italy, detailed study has been made of the possibility of withdrawing in the near future all Metropolitan lire outstanding in presently liberated Italy. Such currency would be withdrawn on a one-to-one basis. This step would then free our hands for any drastic action which may be necessary in areas subsequently liberated, including the blocking and control of Metropolitan lire, bank deposits, government securities, and perhaps even other forms of liquid assets. It is to be emphasized that an onerous administrative burden would be incurred should either or both of these measures be adopted. Before any decision is taken on this question, the views of the Combined Chiefs of Staff will be requested. Attention has also been given to the possibility of withdrawing Bank of Italy notes issued under August and October decrees, and declaring them non-legal tender. These notes bear the monogram of the Bank of Italy in lieu of the vestigial fascist symbol appearing on other Metropolitan lire and, of course, have different decree dates. In all other respects the two types of notes are similar. It has been decided that no such action should be taken because of the great difficulty of distinguishing such notes from other issues of Metropolitan lire.

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C. Preparation of a new Italian Government currency

The Joint Director (A) of the Finance Sub-Committee brought with him on his return from Washington samples 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 and State 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 approved designs were accepted by the Minister of Finance for the Government, subject to certain minor technical changes. The samples of the proposed notes, together with the suggested modifications, have been returned to Washington for preparation of 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 Lieutenant Marine, the Allied Navies, and the Air Transport Command to control the importation of Blue Seal dollars into Italy. Warnings are being posted on all ships, at Air Transport centers, and better facilities for the conversion of dollars into lire have been arranged. Dealers in Blue Seal dollars are being identified and prosecuted. Arrangements are being made whereby banks will impound 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 clearing and foreign exchange agreements

The groundwork is being laid for a complete investigation of the financial position of the National Foreign Exchange Control Institute (Istonabi) in Rome, once that city is liberated. Valuable data have already been obtained from branches of the Banca d'Italia in Naples and Bologna regarding the operations of Istonabi. The Sub-Commission is obtaining texts of clearing and exchange agreements, confidential circulars, and explanations of particular accounts provided for in the clearing arrangements with Germany and satellite countries. In addition, substantial quantities of advices from Istonabi to branches of the Banca d'Italia are being successfully censored in cooperation with the Counter-Intelligence Corps of the United States Army.

F. All lire currency

The major development of the month was the decision to order the resumption of shipments of AM lire from Washington, taken for the dual purpose of covering necessary expenditures of Allied forces in future months, and withdrawing from the over-crowded storage room of the Bureau of Printing and Engraving some of the currency which has already been printed and boxed. As of 22 February 1944, the Bureau had 17.70% [illegible]

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in blue for I dollars now being inserted and prosecuted. Arrangements are being made whereby banks will impound all blue note dollars presented for deposit or for exchange into lire. Other measures, which cannot be disclosed at this time, are also being taken.

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F. AM lire currency

The major development of the month was the decision to order a resumption of shipments of AM lire from Allied sources, 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 Bureau of Printing and Engraving some of the currency which has already been printed and issued. As of 29 February 1944, the Bureau held 17,705 millions of lire which were ready for shipment, while an additional quantity of notes, valued at 12,295 million lire, was to be printed. In placing the shipment order with the Bureau, it was requested that the shipments be made each month to Naples, in an amount slightly in excess of AFHQ's current monthly requirements, in order to facilitate proper storage of the currency in AFHQ. Assuming that all shipments are received at the specified rate, and that disbursements of AM lire notes do not exceed the February figure of 1,664 million lire, the reserve held at the end of March plus the new shipments should cover normal requirements for new notes for approximately eleven months, from 31 March 1944. The 1000 lire note is the one which is disbursed most rapidly, relative to available supply.

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During the month, a relatively small shipment of AM lire, valued at 724 million lire, was lost at sea in the course of transhipment from Palermo to Naples. This is the first loss of AM lire resulting from the hazards of water transport; one of the earliest shipments from the U.S. was destroyed when a

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cargo plane crashed in Florida. The cargo 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 51 984 001 B - A 74 976 000 B
10 lire	A 74 240 001 A - A 74 304 000 A
	A 74 368 001 A - A 74 432 000 A
	A 75 072 001 A - A 75 200 000 A
	A 75 584 001 A - A 75 648 000 A
	A 75 712 001 A - A 77 184 000 A
	A 77 248 001 A - A 77 312 000 A
	A 77 440 001 A - A 89 984 000 A
50 lire	A 72 576 001 A - A 72 896 000 A
	A 72 672 001 A - A 77 504 000 A
	A 73 248 001 A - A 89 984 000 A
100 lire	A 88 640 001 A - A 21 984 000 A
500 lire	A 21 952 001 A - A 18 176 000 A
1000 lire	A 18 016 001 A - A 18 175 000 A

With a view to reducing the possibility of raising 50 lire, all branches of the Allied Financial Agency were instructed on 30 March 1944 to destroy all, in so far as possible, paying out unopened boxes of 50 lire which were printed 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 50 lire notes, as laid down in a Circular 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 make payments to and to obtain receipts directly from certain Allied and All Dominion, or Colonial military units which are paying out AM Lire for military purposes, whenever it is physically possible for the said Allied unit to draw funds in AM 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 these Allied, Dominion, or Colonial officers who will be designated by COS to receive funds from BPA. Records of past issues to these forces are being obtained from the British Deputy Paymaster in Chief so that refunds may be made to cover past issues of AM lire. On 22 March the British [illegible] reported that COS would [illegible] advances made to [illegible]

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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 Minister and the Finance Sub-Commission, PAO. Accordingly, after 1 April 1944, no further advances will be made to the Italian treasury, to parastatal institutions or to the Bank of Italy or any other Italian bank by AFA or by any AAI officer other than those serving under the Senior Civil Affairs Officers with the 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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[illegible] by each ATA court with the [illegible] of [illegible] and [illegible] checking 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) In any directive providing that custodians of unit funds should be liable only for the currency received by them and not liable in dollars.

(b) Custody of these funds in Blue Seal ATA, in the case of an Army Finance Officer, rather than in the name of the custodian, with the Army Finance Officer holding the exchange risk.

(c) Purchase by ATA from an Army Finance Officer of Treasurer's cheques, payable to the Allied Financial Agency, in Blue Seal dollars outside of Italy, or payable in Yellow Seal dollars in Italy, to be held in trust by ATA, the dollar liability which ATA would continue to assume."

J. Foreign exchange transactions

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

The Combined Civil Affairs Committee of 303 was advised on 9 March that the Banco di Napoli was prepared to act as agent for effecting authorized remittances to Sardinia and to the ten provinces of southern Italy which were listed in Section II, A,1 of the February Report. On 31 March ATA advised ATA that banks in the U.S. would begin to send remittances to this agent on or about 15 April 1944. The license authorizing such remittances has not as yet been received, but instructions have been sent by the Banco di Napoli to its branches.

In view of the desire expressed by additional U.S. banks to send remittances directly to the Banco di Sicilia, rather than through the seven agents already who initially undertook to make remittances, the Banco di Sicilia was authorized to increase the number of its U.S. correspondents to twenty, and to effect remittances for non-correspondent banks if properly covered and if accompanied by airmail confirmation of a dollar deposit with a correspondent bank to cover such remittance lists. Some modifications in British remittance procedure were transmitted to Palermo on 30 March, the chief of which was the agreement of the Bank of England to effect remittances for the sterling area countries on behalf of the U.K., and the grant of permission to effect remittances to grandchildren, grandparents, brothers, and sisters of the remitter, as well as the closer relatives previously specified. As of 16 March 1944, the sum of £ 82,302, representing 1,925 remittance orders, or an average of about £ 43.00

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shipments of new currency, to facilitate rapid handling by AFA upon receipt. Arrangements were also made to convert blank or incompletely printed notes to the Bureau of Printing and Engraving in Washington. The primary purpose of the mission, however, was to explore the advantages of certain accounting changes, chief of which was the segregation of the detailed operating accounts of ACC from AFA's accounts, which would continue to appear in its books only the detailed records relating to advances to the Allied armed forces, bulk transactions with the Italian treasury and their governmental agencies, foreign exchange transactions, and its own operating accounts. Several other changes in the form of accounting statements were also discussed. The mission also received a detailed statement of AFA's functions and its place in the Finance Sub-Commission and related memoranda to ACC officers in the field. Individual members of the mission also gave advice on numerous questions now confronting AFA, 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 civilians, the Fifth Army's request that currency collected by Graves Registration Officers on the battlefield be destroyed at once on the battlefield, and other matters discussed in previous sections of this report.

IV. FINANCIAL INSTITUTIONS

A. General

1. Implementation of Administrative Memorandum Number 99

After the completion of discussions with the Italian Government and representatives of the Allied armed forces, the final documents containing ACC's part of the programme (under which the Italian Government will pay for local supplies furnished to the Allied armies) were delivered to Brig. General Hamblen, Administrative Echelon, 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 Banco d'Italia

The branch of the Banco 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 Ubaldo Pettinari, recently appointed Vice-Commissioner of the Bank, will also manage the other Badoglio 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 commercial bank operations and the postal savings system. As these become available they will be included in the

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Italian Government's over-all budget. The Sub-Commission exercises control over Italian Government expenditures through the consideration of this budget. In terms of number and, the procedure starts in that extraordinary items, after examination and approval by both the A.C.C staff and officials from the Italian officials, are included in the proper state, provincial or regional budget.

4. Fascist organization in the field of finance

A memorandum was sent to the Legal Sub-Commission setting forth the Fascist corporative and confederate structure in the field of finance, including the types of dependent national federations and syndicates. The Legal Sub-Commission is gathering information from all Sub-Commissions on these Fascist organizations, if any, still operating, and those which, while not operating, have not yet been formally abolished. The Finance Sub-Commission informed the Legal Sub-Commission that none of the financial confederations or their constituent units is functioning at the present time. In those areas in which AMG General Order Number 1 has been posted, the provincial Unions (which represent in the provinces the nine National confederations) have been abolished, as well as all branches, constituent syndicates, and units thereof. The question whether all parts of the confederate structure in the field of finance have been abolished formally is here under because (a) the Finance Sub-Commission has not been informed whether AMG General Order Number 1 has been posted in every part of the liberated area, and (b) the abolition of merely the Provincial Unions and their dependent units leaves in question the status of those parts of the system above the provincial level. In order to insure uniformity and inclusiveness in the handling of all Fascist action in the field of finance, the Finance Sub-Commission suggested that the Legal Sub-Commission give consideration to a Royal Decree/A.F. Order which would abolish by joint action, in both Italian Government and AMG territory, the entire structure of the Confederazione Delle Previdenza e del Credito, the Confederazione Fascista Delle Aziende del Credito e Dell' Assicurazione, the Confederazione Fascista dei Lavoratori delle Aziende del Credito e dell' Assicurazione, and all their associate and dependent bodies. Such action would formally abolish the entire structure erected by Fascism to organize employers and employees in the fields of finance, banking, and insurance.

5. Biographical data on bank appointees

In response to a request from ACC, biographical data are gathered and forwarded on men appointed to important banking or financial posts by the Italian Government with ACC approval.

6. Cassa di Risparmio di Trieste

A study was made of organization and work of this institution. Its chief purpose is to serve as a depository for savings funds, to receive

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The question whether all parts of the Commercial Structure [illegible] Finance have been abolished formally is long overdue because (a) the Finance Sub-Commission has not been informed whether AMG General Order Number 1 has been posted in every part of the Liberated area, and (b) the abolition of merely the Provincial Unions and their dependent units leaves in question the status of those parts of the system above the Provincial Union level. In order to insure uniformity and inclusiveness in the handling of all Fascist bodies in the field of Finance, the Finance Sub-Commission suggests that the Legal Sub-Commission give consideration to a Legal Decree/AMG Order which would declare by joint action, in both Italian Government and AMG territory, the entire structure of the Corporazione delle Previdenza e del Credito, the Confederazione Fascista delle Aziende del Credito e dell' Assicurazione, the Confederazione Fascista dei Lavoratori delle Aziende del Credito e dell' Assicurazione, and all their associate and dependent bodies. Such action would formally abolish the entire structure created by Fascism to organize employers and employees in the fields of finance, banking, and insurance.

5. Biographical data on bank appointments

In connection with request for [illegible], biographical data was gathered and forwarded on men appointed to important banking or financial posts by the Italian Government with AMG approval.

6. Study of Deposits and Deposits

A study was made of organization and duties of this institution. Its chief purpose is to serve as a depository for unclaimed funds, to receive responsible or postal savings funds, etc.(before Allied occupation) to [illegible] to previous owners. The various functions of this [illegible] postal savings, although still connected with the Banco d'Italia in a loose manner, are available to the general public as a branch of Treasury. Laws to prevent [illegible] are no longer being made. These functions of the Cassa, modified as indicated, continue in the Liberated Italy.

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7. Inventories of commercial and provincial buildings

After discussions with the Minister of Finance and Finance Sub-Commission representatives from Regions I and III, it was decided that no [illegible] new project until a program should be authorized. Those projects now under way should be completed but in these cases every effort is to be made to conserve building materials.

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Consider that a new Swiss law on the control of insurance companies is to be issued shortly, and it was decided that no action by the Insurance Department should be taken at present.

It was further decided that no letter from the Insurance Department should be sent to Rome pointing out that the Italian Government's request for information needed by ACC from head offices of Italian companies with foreign branches, and also that there might be opposition to Axel Lundquist's plan for obtaining the information needed by ACC from head offices which be obtained through the Italian Government.

3. Government Financial Facilities

The Minister for Industry, Commerce and Labour (Mr Smith), in reply to a question by the Insurance Department, said that the Government considered the safeguarding of policyholders' interests as a matter of great importance, and that it would not, as a matter of general policy, permit any action to be carried into effect, or to continue without legal permit, any business in Southern Ireland by insurance companies wholly because they were in German-Owned and Italy to pursue methods similar to those used in Southern Ireland. He was considering the scheme, then first in operation in Italy, through banks for payments on business already in force, and the second scheme for promoting and obtaining renewal of new business by such Companies as were seeking re-insurance. (It would be remembered that re-insurance is ordinarily extensively used by Italian Companies for every type of risk). The matter was still under consideration.

4. Investigation of Italian Insurance Company

Discussion took place on the question of information needed by ACC from head offices of insurance companies, and on the advisability of asking a visit of the Commercial Counsellor (Mr Lundquist) to the chief Italian Consulate, which has its head office in Naples. It was decided that such information should be obtained through the Italian Government. The particulars being called for from the Controller were:

(a) balance of assets and liabilities in each European country under enemy domination.

(b) any possible control over the company.

(c) the extent to which business is reinsured with, and reserves deposited with, foreign companies.

(d) any blocked property in the hands of the company likely to concern the Controller of Property.

(e) any treaties of trade made in order to benefit enemy interests.

It is hoped that this information will be available from the Italian Government during August. It should be noted that the extent of this information

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is such as can be obtained only from head offices. It is considered worthy of note that when discussing the matter with the Government Officials concerned, he volunteered the information that the Company was thought to have extensive connections with Soviet. He fully agreed with the general principle of investigation, for which his Ministry has ample powers under existing laws. In this connection, steps are being taken by the Italian Government to reconstitute the Service dell' Assicurazione, an Government Insurance Department, as soon as suitably qualified staff are available.

5. Valuation of property for fire insurance purposes

The Insurance Department is studying the revision of fire insurance valuation of allied properties in the case of the Controlled Property. This matter is in course of discussion both with leading companies writing fire business, and with the Government.

E. Social Insurance

1. Italian Government action

At the invitation of the Minister of Industry, Commerce, and Labour, the Insurance Department attended a conference with Dr. Canevari, as Director-General of Labour in the Ministry, dealing with all questions of Social Insurance. At this conference 130 officials representing the Labour and the Industry and Commerce Sub-Commissions were present. The former officer had been in touch with the Directors-General on Social Insurance, whose functions have been unaffected by the division of responsibilities between the two sub-commissions as agreed to by the respective chiefs in February.

The agreement allocated to the Labour Sub-Commission "adequacy of payments to beneficiaries" (with Public Welfare Sub-Commission), "proper methods of ensuring prompt and regular payments" and "all dealings with Institutions ..... to ensure proper and regular payments" and "all dealings with Labour which touch on the Insurance System". The Finance Sub-Commission is to "assume responsibility for all of the financial aspects of the Plan, including ..... actuarial analyses .... and study.... with a view to increasing their efficiency and diminishing waste, in administration.....". It was stated on behalf of the Government that it was proposed to set up a Royal Commission to study the whole structure of Italian Social Insurance with a view to unifying the various Institutes and "Enti" into one body, and to coordinating the present numerous branches into one, giving the new body semi-autonomous powers. Further information on the work of this Royal Commission should be given in future Reports. The Government is also considering the [illegible] Italy on the same lines as for

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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 31 March 1944 prepared by the Finance Sub-Commission, giving general and detailed comments on the facts and figures of the Report and on the analyses and recommendations of the Mission.

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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 an even more damaging factor; namely, the inflationary spiral. Rising prices and doubt as to the future of the lira tend to encourage hoarding and tumultuous business. The Finance Division of AAC 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, officers of the Finance Division of AAC 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 had 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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is underway in Italy and has given serious stimulus to [illegible] of obtaining 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

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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 70%, although on some items the increase was between 200% and 300%.

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In December, in Sicily, AMG official prices for everything except bread, pasta, olive oil, sugar, milk, coal, petroleum products, rice and soap were rescinded and control over prices of all other commodities was transferred to the local municipal administration. The latter undertook a study of prices and for the initial month fixed no maxima. Since August 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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made by Italian officials in Palermo in November was examined by the Mission, but copies were not available.

(page 22) Roughly summarizing the info contained, it may be said that the actual cost of living increased approximately 150% from September, 1942 to September, 1943. By the first week in November, it had risen further to approximately 200%.

In Naples, there were no complete cost-of-living studies as yet. A stenographer working in the Military Administration offices had a typical budget showing a cost of 177 lire per day to feed a family of 5 at one meal, and that a very limited one. A barber said that the daily food for his family of 7, 4 adults and 3 children, cost 250 lire.

2. Wages

The rising cost of living naturally brought pressure to change wage scales. As a result of the price studies made in Palermo, AMG in November authorized an increase in the wages of government employees in Sicily on a graduated scale amounting to 70% of the first 1,000 lire per month, 60% on the second 1,000, 50% on the third, 20% on the fourth, and 10% on the fifth. Private employers were authorized to increase wages in accordance with this formula, and apparently many have done so. 250 lire a week is fairly average pay for a stenographer. A waiter in an officers' mess now makes 250 lire per week. Labor employed by the Army, which is not subject to the AMG formula for government employees, generally receives from 50 to 100 lire a day.

The same graduated increase in governmental salaries was later adopted in the Naples region. It was also adopted in the King's Italy and there the increase was extended to Italian soldiers as well. The increase has by no means eased pressure on the family budget. If anything, it appears to lag behind the price increase.

Persons entitled to unemployment compensation under Italian law have been receiving their customary benefits. Obviously, these payments will have to be placed on a scale corresponding to the rising cost of living. Estimates of total unemployment are not very satisfactory. There are said to be 110,000 in Naples, of whom 30,000 are eligible for unemployment compensation.

10% on the [illegible] ... wages in accordance with this formula, and presently many have done so. 250 lire a week is fairly average pay for a stenographer. A waiter in an officers' mess may make 250 lire per week. Labor employed by the Army, which is not subject to the AMG formula for government employees, generally receives from 50 to 100 lire a day.

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Persons entitled to unemployment compensation under Italian law have been receiving their customary benefits. Obviously, these payments will have to be placed on a scale corresponding to the rising cost of living. Estimates of total unemployment are not very satisfactory. There may still be 110,000 in Naples, of whom 30,000 are on file for unemployment compensation.

B. Inflationary Factors

1. Inflationary Factors before Allied Occupation

Inflation was well underway before the Allied invasion. Notes issued by the Bank of Italy, which has a monopoly of the note issue in denominations longer than 10 lire, increased over 200% between 1940 and July, 1943. The issue of Bank of Italy notes stood at 21.5 billion lire in 1940 and 96.5 billion lire in July, 1943. This increase was almost entirely attributable to governmental war expenditures.

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Just before the Allied invasion, there was a tremendous withdrawal of bank deposits. Most branches of banks in Sicily remained open for business up to the occupation date in the area where the branch was located. Runs had reduced the cash deposits at the banks to a very small percentage of the total deposits. It is fair to say that AMG's

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guaranteed [illegible] by the U.S. Treasury. Because of the following Secretary Morgenthau's announcement, such arrangements have now been made to withdraw these currencies from circulation and to exchange them by all Allies.

[illegible] have been declared to be legal tender by military government and circulated at par and interchangeably with the indigenous Italian currency. Military government has always held the position that it is not "buying" or "selling" [illegible] lire. It does not actively buy pounds or dollars, but will in fact buy them currency. The lira derives its value from the fact that it is the value de facto of occupied territory.

Nevertheless, the American and British treasuries are getting credit in their official accounts for amount equivalent at the fixed rate of exchange to the AM-lire issued to their own armies. This fact, however, has no bearing on the [illegible] acceptance of AM-lire.

Facilities are [illegible] in Sicily and Sardinia and in Italy south of Rome for the manufacture of Italian currency. So far, arrangements have not been made for the printing of Italian currency in the Allied countries. Therefore, the total [illegible] of the note issue in the occupied area is accounted for by the currency issued by the Allies.

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(pp. 24-25) (2) Expenditures in Italy

The lira [illegible] used by the armies, British, American and French, and by the U.S. Navy, to pay their personnel, and to pay for local services and supplies. The total amount expended through these channels as of November 30, 1943 was 6,463,405,000 lire. It is estimated that at least half of this amount was [illegible] in Sicily.

Assuming a continued expenditure by the armies at the same rate (which is probably a conservative assumption), total expenditures by the armies now, two months later, must be over 12 billion.

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Th financial position of the Italian
national government constitutes another source of inflation.
Preliminary figures prepared by the Undersecretary of Finance
for the month of October showed estimated expenditures for the
month of October of 1,250,000,000 lire as against es-
timated revenues of 650,000,000 lire. The problem is not so
much one of increasing this deficit as it is providing the
actual purchasing power which is needed to meet the Italian
governmental needs. Information was obtained from the Chief
of the Division of Bonds in advance Italian govern-
ment on a month-to-month basis, and as of the middle of December
arrangements were being worked out with the Undersecretary of
Finance for the extension of the floating budget figures and the supply-
ing of additional data. As of the middle of December,
Italian authorities were already behind in this line.

Funds for the purchase of exports from
Italy were provided in lire. It is true, however, there have
been large purchases of exports and the total expenditures
for this item, as of November 30, were in the neighborhood
of 11,300,000 lire.

(c) Currency Receipts of AFHQ

Against these expenditures, AFHQ has certain
receipts. Civilian supplies reported to have been sold
through Italian distribution channels and the proceeds received
(page 23) in lire by AFHQ. To November 30, however, the total receipts
from this source amounted to only 31,000,000 lire. Some of
funds collected by the Controller of Property have been deposited
with SACMED (the Allied Military Mission for Economic Affairs,
agency for AFHQ).

The banks, pursuant to various financial
arrangements, have also sold bills with AFHQ. However, the
total amount of currency withdrawn from circulation by deposits
with AFHQ and by receipts from the sale, as of November 30,
would total 1,080,000,000 lire.

(d) Increase in the Circulating Medium

It is extremely difficult to arrive at any

Funds from the purchase of exports from Italy are credited in lire. It does, however, there have been no large increases of receipts of the total expenditures for this purpose, as of November 30, were for the most current (1,500,000 lire.

(c) Currency Receipts of AMG

Against these expenditures, AMG has certain receipts. Civilian supplies imported by AMG have been sold through Italian distribution channels and the proceeds received in lire by AMG. To November 30, however, the total receipts from this source amounted to only 24,000,000 lire. Such cash receipts as are received by the Controller of Property are deposited with AMG (the Allied Military Government) Financial Agency, Financial Agency for AMG.

(p. 26)

The lire, pursuant to various financial arrangements, have been deposited with A.M.G. However, the total amount of currency withdrawn from circulation by deposits with AMG by receipts from sales, as of November 30, fell under 1,000,000,000 lire.

(d) Increase in the Circulating Medium

It is extremely difficult to arrive at any satisfactory estimate of the net increase in circulation since the invasion. The total amount of currency outstanding as of November 30 was officially announced as 14,000,000,000 lire. Deducting this, of course, was in circulation. As has been pointed out above, not all of the army pay has gone into circulation. There are many people in areas of Italy both with whom we do not deal with Italian banks. In the month of November, for example, Allied troops drew more than 4 billion lire in currency. An estimate of 2,500,000,000 lire outstanding in the hands of the public, which will be conservative, has been made. The question is how much of this amount of money has permanently gone out of the hands of individuals, and it is likely that much of this money comes from hoards rather than from bank-to-bank circulation.

It was also stated, in December, that circulation in Sicily alone had been increased, from military sources only, by over 5 billion and 4 billion lire.

In any case, the net increase has been sufficient to have considerable effect upon the price level. The occupation of Italy together with the [illegible]

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[illegible] lira. This [illegible] was, of course, a [illegible] certainly, in the case of Sicily, the price of 100 lire to a dollar [illegible] of goods. In terms of [illegible] , it reduced the lira [illegible] of the assessed value. It was [illegible] the Italian [illegible] a very low opinion of the lira and thereby encouraged the [illegible] of goods and the raising of prices. The absence of further [illegible] to insulate the Italian economy from the effects of this enormous [illegible] for exports [illegible] immediately. In the case of sulphur, for example, the [illegible] of 900 lire a ton, while in December, producers were asking the Allies for 2,500 lire per ton. In granting the [illegible] the fact that many persons [illegible] in Italian [illegible] of the Allied [illegible] tended to treat the lira as equivalent to 1 cent in the [illegible] of prevailing [illegible] prices.

C. Fiscal measures

The most effective way of dealing with the inflationary [illegible] is to withdraw [illegible] quantities of [illegible] currency [illegible]. This, of course, is one of the [illegible] during the period of military operations. The financial division of AMG was given much credit by the inflationary pressure [illegible] when it [illegible] the circulating media through the [illegible] of service channels, the [illegible] of tax collections, and the [illegible] of the financial [illegible] as a method of [illegible] off [illegible] credit. It has also recommended price control measures.

1. Reopening of the banks

The reopening of the banks was successful in both Sicily and Naples. In Sicily [illegible] extended lines of credit totaling 1,600,000,000 lire to the banks to finance the initially anticipated withdrawals. Two or three days after the reopening, deposits began to exceed withdrawals in Sicily. As of December, bank deposits totalled 750,000,000 lire. The banks have used the line of credit only to the extent of 500,000,000 lire. At the same time or shortly thereafter, the postal savings system was re-established. The banks were

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reopened in Sicily on various dates from September 6 to September 15. A withdrawal limit was fixed at 5,000 lire per account, plus payrolls, taxes and social insurance contributions.

In Naples on October 29, AMG entered into arrangements with the Bank of Italy whereby the latter would extend credit to the Neapolitan banks to protect their reopening. (page 26) No limitation on withdrawals was fixed for the Naples reopening. As of November 30, AMG had deposited 600,000,000 lire with the Bank of Italy in Naples for the purpose of protecting the reopening. In similar fashion, reserves were supplied to the Bank of Italy in Foggia II in order to permit the reopening of the banking system there. There were no runs on the banks when they were reopened.

There are several reasons for the excess of deposits over withdrawals. It is thought that in Sicily to a large extent the deposits represent a return of the heavy withdrawals which were made by the people in the months preceding the invasion. The same is probably true in Naples. In addition, the lack of goods in the market leaves merchants with funds which they cannot employ after they have sold out their stocks. Officials of the Bank of Naples thought that these proceeds resulting from the liquidation of stocks accounted for a good part of their deposits.

AMG's principal objective in opening the banks has been to provide a means for removing the circulation of money. Other commercial 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 directives. Government bonds constituted one of the principal assets of the banks. Discontinuance 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% of par. Discontinuance of the sale of bonds created difficulties for the Italian government because the sale constituted one of

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Stock stocks. Officials of the Bank of Naples thought that these accounts resulting from the liquidation of stocks accounted for a good deal of their deposits.

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On November 2, 1943, the Combined Chiefs of Staff authorized the Financial Subcommission of AMG to take steps to resume payment of interest and principal of government debt. An immediate question was the handling of maturity of 9-year, 4% Treasury bonds due on December 15, 1943. Arrangements were made with the Undersecretary of Finance of the Badoglio cabinet whereby AMG would advance sufficient sums to the Italian government to pay off this bond issue. The total amount of this bond issue held in the occupied area was estimated at 300,000,000 lire. While publicity was given to the payment of this bond issue to the end that the Italian government might begin to rehabilitate 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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3. Taxation

As has been noted above, AMG's efforts to effect the resumption of tax collections have been fairly successful. However, in view of the prices now prevailing, and the large increase of circulation, it will be necessary to increase the tax rates. The Italian tax structure is peculiarly complicated. In fact, one of the principal obstacles in restoring tax collections in Sicily was the difficulty AMG had in understanding the Italian tax system. Some taxes have been abolished, such as those levied for support of the Fascist syndicates. Before taxation can be effective as a deflationary instrument, the tax system will have to be revised and tax rates will have to be increased.

4. Price Control

AMG's initial policy was to decree that the official prices of foodstuffs and other goods were to remain in effect. In general, this was unsatisfactory because the Italian Fascist system of fixing maximum prices was very poor and the maxima were inadequately enforced. The Italian maxima had been put into effect piecemeal and the prices themselves were frequently set without much regard for cost conditions. As a result, there was a serious maladjustment between the prices of various goods and there were discrepancies between the cost of production and the official prices. The black market was in a flourishing condition when the Allies came in. In addition, AMG did not have the facilities for vigorous enforcement of price maxima. AMG had no police of its own, and for a long time the Civilian Supply and Resources Division could not get the Public Safety Division, which was responsible for the control of the local police, and confronted by a host of other pressing problems, to take much interest in the enforcement of price levels. The local police, in their turn, could not be relied upon to act vigorously in the enforcement of legal prices and the suppression of the black market. At Siracusa AMG succeeded in getting the cooperation of military authorities and vigorous measures were taken to place prices under control, but in Palermo, the evil was never rigorously tackled. The AMG price orders, issued in August, which increased the legal price levels considerably, were soon outstripped by the rising cost of living.

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4. . . . .
(2d par)

effort of a specialized staff. ~~It~~ does not appear to have had such staff at the present time. Furthermore, the rising of maximum prices in relation to cost in a period of tremendous scarcity and rapid inflationary rises is next to impossible. Certain vital prices in Italy, such as the prices of wheat and coal, are heavily subsidized by the government and cannot be increased from artificial levels without serious disturbance to the whole cost of living. All in all, the prospect for price control is not bright.

D. Conclusions as to Inflation

As long as the present rate of military expenditures continues in Italy, it is hard to anticipate a slackening of the inflationary spiral. When the Allied armies are withdrawn, the Italian government will be confronted with a tremendous problem 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 stress.

Some relief may be expected in the immediate future if the plans of AMG detailed above for the continued importation of sufficient food to provide the basic ration 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 them an agriculturalist, suggested that a daily ration of 250 grams of bread and 100 grams of pasta would be sufficient. However, the situation has already gone so far and the supply of money will continue to increase so alarmingly, that the Mission finds it hard to believe that a solution of the food question alone will ~~ch~~ fully arrest the inflationary trend. Similarly, the measures now being taken to increase the diversion of money through taxes and savings, however important, can only be palliatives.

(page 31) One asset on which the Germans may flood the country with currency is what they leave. The Allied armies and the Italian air circulate lire freely, and the plates and other facilities for manufacturing the latter, together with ample stocks of paper, are in the German hands.

At present, the Lira has no future. There is no prospect or no plan for its stabilization. This situation leads to forms which prevents its devaluation. Speculation deters businessmen from exchanging commodities and goods

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HEAD QUARTERS
ALLIED CONTROL COMMISSION
ECONOMIC SUB-COMMISSION
APO 394

13021/E

31 March 1944.

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 1944 on above subject.

2. Section IV of the FEA Report contains 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 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 as a record of events. For convenience in reading, the sections in Part II have been made parallel to those in the FEA Report and the subjects discussed are in the same order.

PART I

COMMENTS ON THE MAJOR CONCLUSIONS AND INTERPRETATIONS OF THE REPORT.

A. The Inflation Situation

The Report states in many places that a considerable portion of the inflationary situation is the result of actual food shortages in the cities and towns, a shortage created by poor 1943 harvests, woefully inadequate enforcement of the cereals 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 an analysis of the [illegible]

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5. 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 as a record of events. For convenience in reading, the captions in Part II have been made parallel to those in the FEA Report and the subjects discussed are in the same order.

PART I

COMMENTS ON THE MAJOR CONCLUSIONS AND INTERPRETATIONS OF THE REPORT.

A. The Inflation Situation

The Report states in many places that a considerable portion of the inflationary situation is the result of real food shortages in the cities and towns, a shortage created by poor 1945 harvests, woefully 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 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 causes and remedies 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 by the use of AM lire to finance the Italian Government. Finally, we disagree strongly with the conclusion reached by the FEA Mission that the dollar/sterling value of the lira is too low.

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B. The Inflationary Effect of AM lire

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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entire Italian army, [illegible]

that advances of AM lire were necessary to give the Banco di Sicilia in Puglia an adequate currency reserve for the conduct of Government business. To the end of January 1944, these advances totalled only 650 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 Italians' deposits and postal savings recipocsits at the branches of the Banco di Sicilia 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 Banco di Sicilia.

(b) 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 carries when 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 FAA 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 FAA 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.

(c) The major monetary force contributing to the Italian inflation is the Italian Government deficit. At the present time, this deficit amounts to approximately 3 billion lire per month. Since 1 July 1943, the deficit of that part of Italy now liberated is approximately 20 billion lire. There is little basis for effective control of the deficit either by the Italian Government or by AMG. To date the Italian Government has initiated little action and it has not wholeheartedly cooperated with us in our efforts to impose a system of effective expenditure control or to improve the collection of revenues.

(c) It is sometimes thought that AMG can control Italian Government expenditures through its ability to provide or refuse AM lire to the Government. The experience in February when no currency advances were made clearly demonstrates that this is not the case. Specific control cannot be exercised because there is no direct relation between any particular expenditure and the advance of currency to the Government.

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[illegible] number of orders. Furthermore, Italians are [illegible] to [illegible] always prefer the sterling or dollars, but the fact that they are allowed by law to hold, or buy, foreign exchange in any way encourages the private use of lire for a great deal more in any way indicate the true relationship between sterling and the lira. The fact that the black market rates respond to a very large extent to official changes, like fluctuations according to war news, shows in itself how unreal the rates are as an indication of the intrinsic value of the currencies. Moreover, it is very easy for any belligerent country to manipulate the black market rates for its own currency, as those of other countries. The latter being so unstable, it is possible to bring about considerable changes in rates by intervention of very modest dimensions. German agents are known to have supplied [illegible] the Lisbon black market on various occasions. Surely [illegible] to such influences cannot be taken seriously."

3. It is unfortunate that the FEA Mission closes its discussion of the inflation problem in Italy with the statement that, "Allied action on the promise of Allied action to support the lira would seem to be the only possibility for effective stabilization". Italy has enormous economic problems; she must reestablish the means of production; she must recreate the conditions under which producers can and will bring their products to market; and she must alter the distribution of income and of tax burdens sufficiently to permit the working classes to acquire a sufficient share of her necessarily much reduced national income. All of these things must be done and must be done soon. The Allies are sending supplies to Italy to see her through the present emergency and to give her the opportunity to solve her internal economic problems. To think that we ought also to provide support for the lira, or that such support would in any manner assist in the solution of Italy's current problems is completely misleading. In normal times support to the lira in the form of a foreign loan would provide a means for the purchase of imports beyond Italy's ability to pay, and would thus have permitted Italy to hold the lira at a higher value than her economy warranted. At the present time, however, Italy is receiving whatever imports the world's competing war-time demands permit, without making current payments, and without suffering any pressure on the lira which is effectively fixed at 100 lire to the dollar. A foreign loan or the promise of a foreign loan or any other purely financial connection with Italy could not improve the present situation.

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E. Internal Stabilization Program

The real stabilization test is required is the stabilization of the domestic purchasing power of the lire. A program is required that recognizes the many sources of inflation in Italy and offers effective solutions to both the monetary and supply aspects of the problems.

The part of the anti-inflation program that falls to the Finance Sub-Commission is being formulated and applied as rapidly as possible. By necessity a large part of the work of this Sub-Commission has consisted in improvising day-to-day measures. Such improvisation has been necessary because both ACC and the Italian Government have been almost continuously in a process of reorganization.

When the Badoglio government fled from Rome and established itself at Brindisi, it was faced with the necessity of reestablishing central government machinery and lines of authority and control over provincial and local administration. This work had to be carried on by a Finance Ministry staffed, at the beginning, with 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 restoration of such an integrated structure is a first step in establishing effective expenditure control.

Likewise, it was not until February that the relationship of ACC to AMG was clarified. For several months previously, the then forward areas (including Naples) were under AMG 15th Army Group. ACC authority was limited to the territory then under the Badoglio government (4 Puglie provinces) and Region I (Sicily) and Region II (Southern mainland) were under sole AMG. The Finance Sub-Commission now has jurisdiction over both ACC Regions I and II and AMG 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 ACAO for comment. It will deal with expenditure control, a realistic and effective tax program, price control, and governmental finances.

F. Currency Conversion

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Likewise, it was not until February that the relationship of AGC to AMG was clarified. For several months previously, the then forward areas (including Naples) were under AMG 15th Army Group, AGC authority was limited to the territory then under the Badoglio government (4 Apulia provinces) and Region I (Sicily) and Region II (Southern mainland) were under pure AMG. The Finance Sub-Commission now has jurisdiction over both AGC Regions I and II and AMG 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 CCAC 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 AM 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 presses and 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 CCAC with 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 FEA 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 25 ff)

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2. Financial Operations of Military Government

(a) Nature of the Currency (page 23 ff)

The FTA Report states that as soon as sufficient quantities of AM Lire were available to replace the specified currencies, paymasters discontinued the issuance of yellow seal dollars and BNA 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 paymasters, on the other hand, have continued to pay out substantial quantities of BNA pounds until very recently, although they had already drawn 1,747 million AM lire by 31 October 1943, and have not required an appreciably larger working balance since that time. The decision as to the currency paid out is made by the British and American paymasters, and is not under the control of AMG. AM Lire, yellow seal dollars, and BNA pounds are still legal tender under both AMG and Italian governmental regulations. However, Italian banks have been directed by AMG to redeem and hold yellow seal and BNA currency for the account of AFA, which in turn delivers specified currencies to the respective pay masters for use in other theatres. There is a continuous, but small, influx of yellow seal and BNA 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 AFA to the end of February:

	Lire values
Yellow seal dollars	240,013,656
BNA pounds	646,090,717
	886,104,373

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Since the FEA Mission left Italy, arrangements have been made for the printing of a new Italian currency in the United States. Designs 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 AM lire (page 24 ff)

The FEA Report states that the total amount of AM lire expended through American, British, and French military channels as of 30 November 1943 was 6.5 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 AM lire in cash and had expended only 4.3 billion, plus a relatively small amount of sequestered currencies. 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 FEA.

Secondly, the FEA 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 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 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 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 4.5 billion.

(c) Currency Receipts of AMG (page 25 ff)

After detailing the channels through which AM lire have been put into circulation, the FEA Report lists only one of the channels through which it is absorbed, namely receipts from AMG sales to civilians. Other channels of absorption are sequestered bank deposits with the Bank of Italy or with AMG, Italian Government and commercial bank repayment

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rapidly than new issues were being bought. This "running 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 Puglia and Sardinia sale was not discontinued but receipts recorded ended 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 redemption 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 9-year 4 Treasury Bonds, the Report leads the reader to infer that 300 million lire was advanced by AFA and used in meeting the maturity. Arrangements were made to advance all 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 sections and no specific advance was made by AFA to cover repayment of the bond issue except in Sicily, where 50 million lire was provided for this purpose because the Banco d'Italia had not been reopened on the date of maturity. Only approximately one quarter of the Sicilian advance was used. In other areas, the redemption was handled by the Banco d'Italia in the same way as other outpayments on Government account. The available figures on repayment 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 fails to note that the resumption of interest payments on the whole of the Italian Government debt began on 1 January.

3. 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 appendix stating our views on methods of increasing revenues and revising the taxable returns. Among other things in the recommendations under discussion are:

(a) Requirements that employers file annual returns of actual receipts for tax purposes;

(b) Concentration of assessment and collection of the excess profits and turnover taxes;

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d'I. In the same way as other outlays on Government [illegible] available figures on repayment of the bond issue up to 31 January are given in Table V of the ABC Monthly Financial Review of March 1944, a copy of which is attached. The Report also deals [illegible] to 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 revenues is given in the January and February reports of the Finance Sub-Commission, attached. The February report contains an appendix stating our views on methods of increasing revenues and revising the tax structure. Among other things in the programme 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) extension of the legal powers of tax officials to make supplementary assessments and to enforce penalties for incorrect returns.

4. Price Control (para 29 iv)

Comments on this section of the report are being submitted by the Secretary of the Economic Section's Price Committee.

E. H. Foley, Jr.,
Colonel,
Joint Director,
Finance Sub-Commission.

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Appendix "F"

CONFIDENTIAL

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 Kamarck, 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 20 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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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 30 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.

B. FINANCIAL STATISTICS.

1. Italian Government "Deficit". 2841

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 "deficit" 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 1,300 million lire a month.

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	Luccania	Calabria	Puglia less Foggia	Sardinia	Sicily	Total King's Italy
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.	
Total inpayments less receipts on account of Buoni del Tesoro ordinari	53	45	139	1,224	289	n.d.	
	387	375	1,689	6,679	3,964	2,852	15,946
2. How State "Deficit" Was Met.							
Advances from AFA and AMG	0	75	170	650	675	2,852	4,422
Funds supplied from Rome	0	200	200	900	--	n.d.	1,300
Credit advanced by Banca d'Italia to State	72	0	288	2,734	1,579	n.d.	4,673
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
Net receipts from Buoni del Tesoro ordinari or net repayment (-)	-16	-51	-1	142	74	n.d.	148 264
Increase or decrease (-) in Contabilita' Speciale accounts and in deposits in cash as guarantees	-6	9	-128	1,043	525	n.d.	1,443
Total	387	375	1,689	6,679	3,964	2,852	15,946

n.d. - no data.

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LE I
at Banca d'Italia
29 February 1944
of lire)

. Puglia less ia	Foggia	Sardinia	Sicily	Total King's Italy	Campobasso	Foggia	Campania less Salerno	Grand Total of All Liberated Italy
824	7,903	4,253	n.d.		303	258	4,131	
139	1,224	289	n.d.		32	90	673	19,843
689	6,679	3,964	2,852	15,946	271	168	3,458	
170	650	675	2,852	4,422	32	0	0	4,454
200	900	--	n.d.	1,300	0	0	1,327	2,627
268	2,734	1,579	n.d.	4,67[illegible]	0	0	870	5,543
,160	1,210	1,111	n.d.	3,980	200	104	959	5,223
-1	142	74	n.d.	148 ~~264~~	-7	-7	-42	92 ~~162~~
-128	1,043	525	n.d.	1,445	46	71	344	1,909 1,895
1,689	6,679	3,964	2,852	15,946	271	166	3,458	19,243

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 9,000 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 tomeet 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 1,900 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 Puglie 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

Net 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

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	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
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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 - 25 January 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. 20 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, Luccania, 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)

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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

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Based on the samples of Campania, Calabria, Luccania, 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
Luccania	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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3. Postal Savings.

a. In several provincee, 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(incmmp)
Total	710	16,081	14,967	-293	30,135
	(incmmplete)				(incmmplete)

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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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
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(In thousands of lire)

January 1944.	Cagliari	Sassari	Nuoro	Total
Postal Savings Bonds	-3,152	1,325	-406	-1,833
Postal Savings Books	7,008	3,797	1,984	12,789
Total	3,856	5,122	1,578	10,956
February 1944.				
Postal Savings Bonds	850	429	-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 4,800 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).

b. A Vice-Commissioner, [illegible]

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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 200 000 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).

b. A Vice-Commissioner, Admeto 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'It
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-T Ital Pri
Salerno	4	117	(1)	121	12	(1)	12
Luccania	4	19	(1)	153	14	(1)	2
Calabria	7	87	3	229	4	(1)	3
Puglia (less Foggia)	71	167	0	119	12	(1)	23
Sardinia	6	66	6	102	(1)	0	7
Sicily	*	335 *	n.d.	1,153	n.d.	n.d.	33
Campobasso	4	71	0	8	1	0	7
Foggia	2	18	0	32	25	(1)	2
Campania (less Salerno)	10	763	(1)	198	8	2	77
Total	108 *	1,643 *	9	2,115	76	2	1,76

(1) Total less than 500,000 lire.
* State notes included with Banca d'Italia notes in Sicily.

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TABLE VII

uary 1944 Currency Holdings of Banca d'Italia,
Liberated Italy
excludes AM lire held as 100% cover
or AFA and other Allied deposits,
xcludes all currency which because
f condition cannot be paid out)
(In millions of Lire)

ati	AM Lire	BMA Notes	Dollars	Sub-Total Italian Printed	Sub-Total War Currencies	Grand Total
	121	12	(1)	121	133	254
	153	14	(1)	23	167	190
	229	4	(1)	97	233	330
	119	12	(1)	238	131	369
	102	(1)	0	78	102	180
	1,153	n.d.	n.d.	335	1,153	1,488
	8	1	0	75	9	84
	32	25	(1)	20	57	77
	198	8	2	773	208	981
	2,115	76	2	1,760	2,193	3,953

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	Re- ab-
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	1	11	
Sicily	n.d.	n.d.	n.d.	n.d.	n.d.	
Campobasso	0	30	16	0	5	
Foggia	(1)	10	50	13	0	
Campania (less Salerno)	(1)	2,152	1,417	157	64	
Total of above	228	4,695	1,219	613	184	

(1) Less than 500,000 lire.
* Believed to include 201 million of AFA accounts.

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TABLE VIII

Current Liabilities of Banca d'Italia
(excluding vaglia)
29 February 1944
(In millions of Lire)

nks	Due to Non-Bank Creditors						
ring: Residual available on advances	Non-interest bearing current accounts	Interest-bearing current accounts	Residual available on advances	Sub-Total due to banks	Sub-Total due to non-bank creditors	Grand Total
unts:							
40	74	18	49	105	141	246
21	174	7	14	41	195	236
134	67	21	40	528	128	656
412	127	58	136	1,810	321	2,132
129	1	11	33	953	45	998
n.d.	n.d.	n.d.	n.d.	n.d.	n.d.	n.d.
16	0	5	18	46	23	69
50	13	0	16	60	29	89
¥.417	157	64	77	2,549	298	2,847
1.219	613	184	383	6,092	1,180	7,272

counts.

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 3 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 repercussions 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 [illegible]

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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%
" " " "		

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" " 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
" " " 5-6 months	——	3.75
" " " 7-8-9 months	——	4.75
" " " 10-11-12 months	——	5.00

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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 matured 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.C. are redeemed. On the nine-year 4% bonds which came due 15 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 1955. 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,

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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
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
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APPENDIX 'C'

13106/F

29 March 1944.

SUBJECT: Request by Badoglio Government that the dollar value of the lira 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 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. Wages returned to Finance officers in the form of PX 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

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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 unfeasible.

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:

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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. If was returned to Finance Officers in the form of PX sales, war bond sales, cable remittances, postal remittances and soldier deposits of 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 wage cut in terms of lire. If the soldiers continue to send home the same amount of dollars as previously, then the reduction in lire expenditure in the area will amount to 900 million lire. But if, as appears more reasonable, the soldiers return to the Finance Officers only the surplus lire out of their pay, and they tend to maintain the level of their lire expenditures, then the reduction of lire 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 lire, by only 700 million lire per month. This assumes that the average soldier will reset to cut in his lire wages by reducing his dollar remittances to the United States one third. It is reasonable to expect that the soldiers will regret

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to 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 lire 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; and 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 complex 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 and the real

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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 and 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 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 dollars or dollar credits for the lire 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 require 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 lira 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 lira 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 import nce attaches to soldier expenditures, a sharp appreciation 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 incumbent that effective measures be taken. The change in the exchange rate is not an effective step.

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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.
E. H. FOLEY, Jr.,
Colonel,
Joint Chief Finance Officer.

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COPY.

File No. 543

Salerno, 24/2/1944.

OFFICE OF THE CHIEF OF GOVERNMENT

TO : GENERAL NEIL 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 Vice-Secretarius, 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 being the most serious and pressing.

Also the Minister of Finance has during the past two months repeatedly supplied data on the exchange position to various members of the Allied Control Commission and has not failed to emphasize the gravity and urgency of the situation.

[illegible] is still being determined,

the Allies, the rate of exchange fixed by the Italian Government for 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 harm 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 being 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 necessity 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 proportion with the purchasable goods available in Italy, have notably multiplied in a sense unfavourable 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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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 actual experiment of defeated or liberated countries; for the necessity that behind the lines of any Army so 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 deep, 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

/s/ BULLOCK

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HEADQUARTERS
ALLIED CONTROL COMMISSION
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APO 394

APPENDIX 'G'

13106/F

29 March 1944.

SUBJECT: Request by Badoglio Government that the dollar value of the lira 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 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 slowdown the inflationary process. Monthly payments to all Allied troops in Italy have been computed at an average of 6,725 millions of lire for the [illegible]

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(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 IX sales, war bond sales, public 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 wage cut in terms of lire. If 2832 soldiers continue to send home the same amount of dollars as previously, then the reduction in lire 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 lire out of their pay, and they tend to maintain the level of their lire expenditures, then the reduction of lire 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 react to a cut in his lire wages by reducing his dollar remittances to the United States one third. It is reasonable to expect that the soldiers will react

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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 lire 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 lire 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; and 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 [illegible] in fixing domestic prices at the present time, particularly

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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 and 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 extent that, in the short run, the advantage 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 now. 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 dollars or dollar credits for the lire 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 lira 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 lira 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 lira would immediately cut the income of troops in lire. The morale of our troops would be seriously affected by such a drastic step. Otherwise 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 [illegible]

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III. The Allied Control Commission is vitally interested in curbing 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 final 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 program 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

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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 proportion with the purchasable goods available in Italy, have notably multiplied in a sense unfavourable 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, became 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 opinion spreads 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 control experiment of defeated or liberated countries; for the necessity that behind the lines of my Army so 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 deep, 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

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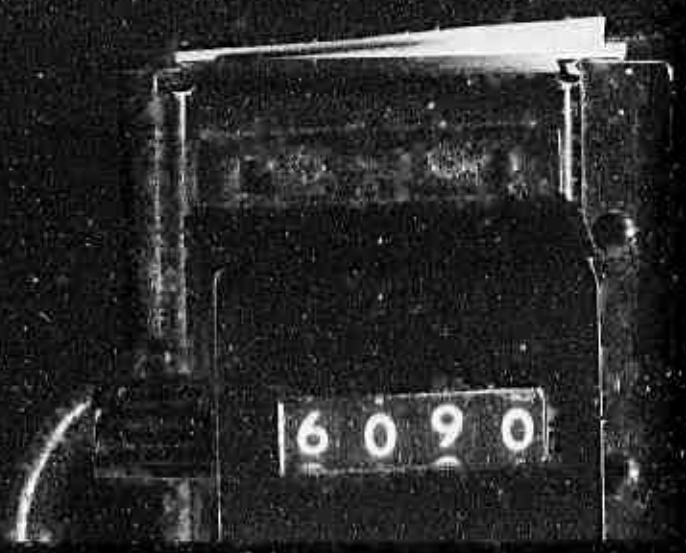
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Very cordially Yours

/s/BADOGLIO

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