The Sterling Area

by

DAVID WIGHTMAN

Part II - WORLD WAR II REGULATIONS AND CONVERTIBILITY CRISIS

The Sterling Area During World War II.

The outbreak of war immediately set the British Government a formidable problem of mobilising all available external finance to pay for vitally needed imports in the face of a rapidly diminishing power to export. Before America entered the war, the United Kingdom's capacity to wage war on the scale necessary to ensure victory was dangerously constricted to the limits imposed upon her capacity to pay for overseas supplies (1). To tackle the problem involved, in the first place, the imposition of exchange control and six months before the outbreak of war the Treasury had already prepared the following draft regulations, to be put into immediate operation on the outbreak of hostilities.

1) A regulation making dealings in gold and foreign exchange a monopoly of the Treasury and its authorised agents and giving power to the Treasury to limit sales to current requirements.

2) A regulation requiring that all gold and all holdings of designated foreign currencies be offered for sale to the Treasury.

3) A regulation prohibiting all payments to residents outside the United Kingdom except with Treasury permission.

4) A regulation empowering the Treasury to exercise control over all securities marketable abroad and to call for their registration with a view to their ultimate acquisition by the Treasury.

These regulations came into force under the Defence (Finance) Regulations of 3rd September 1939, and by them the sterling area acquired its war-time definition. The Treasury was empowered to grant exemption from the prohibition against making payment to residents outside the United Kingdom, in respect of those countries who held their principal monetary reserves in sterling at London and imposed exchange controls similar to the United Kingdom. The granting of this important exemption meant giving statutory definition to what were in fact sterling area countries (2). At one stage in the war the sterling area became co-terminous with all those fighting on the side of the allied countries. They remained free from exchange control in their dealings with one another, but maintained a united front in all their external transactions (3). Each member of the sterling area was left to operate its own exchange

(1) W. K. Hancock and M. M. Gowing, *British War Economy*, p. 118. The following brief description of the war-time changes in the sterling area relies heavily on this source.

(2) The first of a series of Statutory Rules and Orders to define the sterling area was dated July 17th 1940 and included the United Kingdom and Isle of Man, all the Dominions, Colonies, dependencies and mandated territories, Egypt and the Anglo-Egyptian Sudan and Iraq. The changing fortunes of war brought about variations in the composition of the area. In 1941 its boundary was extended to the Belgian Congo, various « Free French » colonies, Iceland, Faroe Islands, Syria and Lebanon and, later, Madagascar. Most of these territories were removed from the area when relations were once more established between them and the governments of France and Belgium with the liberation of 1944. On the other hand, parts of the British Empire which were occupied, such as Malaya, Burma and Hong Kong, though remaining technically within the sterling area, were for all practical purposes outside it.

(3) It should be noted that the exchange control of New Zealand, imposed as early as 1938, applied to both sterling and non-sterling area countries, as did that of Australia from August 1939. Likewise, the import licesing restrictions of these two countries were applied to both sterling and non-sterling area countries.

control the broad objective being the necessity for the greatest economy of hard currencies and gold. To this end, exchange control was imposed to restrict capital movements, while control over commercial transactions was achieved by import licensing. Once an import licence had been granted the necessary foreign exchange was automatically forthcoming. In actual fact, as the war progressed, the most effective control over imports into the sterling area proved to be, not its holdings of foreign exchange or its import licensing policy, but the raw materials allocation schemes and the shipping pooling arrangements operated by the allies.

As part of the same united front, the sterling area countries agreed to pool their earnings of hard currencies in a central reserve to be held by the Exchange Equalisation Account in London. In exchange for their hard currency earnings, member countries were given sterling which was credited to them in London. They all had the right, however, to draw on the pool and though the British financial authorities might give advice or warning, each member country was expected to use its own discreation and sense of responsibility in granting import licenses.

In addition to the pooling of hard currencies, the financing of British imports was much facilitated by the fact that all member countries were willing to supply goods and services to the United Kingdom against deferred payment in the form of sterling balances; even Canada and Newfoundland, both outside the area, were willing to accept deferred payment in the common cause of war. In addition to these arrangements, a number of payments agreements, notably with Argentina, were concluded by which Britain could import against deferred payment. In this way, this country was able to tap the vast resources of the sterling area itself, as well as some countries outside it, which would not have been possible if immediate payment had been required.

The sterling area arrangements had thus facilitated an impressive task of war finance. The habit of leaving their external reserves in London made it easy for many sterling area countries to extend credit to Great Britain on a scale which might not have been possible if it had been determined by negotiated loans of specific amounts. The enormous growth in sterling liabilities in London suggests however that this mechanism also had its disadvantages for Great Britain. « The elasticity of the machine had made it all too easy for Britain to shoulder new international debts which, had it not been for the accomodating nature of the mechanism, might never have been allowed to appear as debts at all » (4). If the task of financing goods and services from sterling area sources proved easy enough, the problem of financing dollar imports became difficult to the point of complete breakdown. All suitable securities were sold to replenish a rapidly dwindling reserve of gold and dollars in London, but by April 1941 these reserves were down to £ 3 million. In March 1941, however, the United States Lend Lease Act was passed and it then became certain that whatever obstacles there were in the way of a successful prosecution of the war, a dollar shortage was not to be one of them.

With the growth of Lend Lease there went a marked decline in the importance of the sterling area mechanism for pooling hard currencies. But like the easy way in which sterling area countries extended credit to Great Britain, Lend Lease had a price that the future had to face and pay. On the strength of Lend Lease the British export trade was sacrificed. No lend lease aid was to be used in production for export, while American Congressmen viewed with suspicion any increase in British exports which would compete with American export industries at the same time as this country was receiving assistance. Moreover, their disfavour was extended to any growth in the central reserves of gold and dollars, which they felt would be at the expense of the American taxpayer. It was useless for the British financial authorities to point out that, though the central gold and dollar reserves were being kept down, the sterling liabilities of Great Britain were growing at a great pace, for to the United States this was a matter for India, the Dominions and non-belligerent countries. As a result, resources for victory were mobilised, but at the expense of casting away

(4) Paul Bareau, *The Sterling Area*, British Commonwealth Affairs Pamphlets, No. 3, Longmans 1950.

the resources necessary for the country's livelihood when that victory was achieved.

The war-time mobilisation of the financial resources of the sterling area brought into being the « dollar pool »; it also brought into existence one of Great Britain's most intractable post-war problem, the enormous growth in the sterling balances held in London. The foregoing account of the external financing of Britain's war effort has already indicated the reasons why these balances grew at a great pace. In the first place, the dollar receipts from Indian jute and tea, from the cocoa of West Africa and from United States expenditure in Egypt, India and Australia were paid into the central reserve in exchange for sterling. Secondly, Britain imported food and raw materials from sterling area countries on terms of deferred payment and so swelled the sterling balances in London. But the most important single factor in the war-time growth of the sterling balances in London was the enormous military expenditure of Britain in India and the Middle East. The sterling liabilities of Britain to sterling area countries at the end of the war stood at £ 2,723 million of which £ 1,732 million represented Britain's military expenditure in defending India, Burma, Egypt and the Middle East. The broad picture at the end of the war is indicated in the following table.

EXTERNAL LIABILITIES OF THE UNITED KINGDOM: BY AREAS (£ millions) (5)

	31st Dec. 1941	31st Dec. 1942	31st Dec. 1943	31st Dec. 1944	31st Dec. 1945
Sterling Area:					
Dominions	139	189	236	342	384
India, Burma & Middle East	399	695	1,141	1,537	1,732
Other Sterling Area Countries	318	388	473	555	607
Total Sterling Area	856	1,272	1,850	2,434	2,723
North and South America	240	256	278	280	303
Europe	180	242	281	299	267
Rest of World	23	48	56	60	62
Total Liabilities	1,299	1,818	2,465	3,073	3,355

The figures in some cases understate the improvement in the creditor positions of member countries. South Africa and India, for example, undertook substantial long-term sterling debt repatriation. In the case of India, she repaid in six years the borrowing of sixty years and emerged from the war a creditor nation (6). Great Britain thus emerged from the war with her external liabilities swollen from £ 556 million on 31st Dec. 1939 to £ 3,355 million on 30th June 1945, about three quarters of the latter figure being owed to countries within the sterling area. The total amount of British external disinvestment at the end of the war was over £ 4,000 million; her exports were down by two thirds in volume over 1938 and the gold and dollar reserves had been halved in the same period. It was in such a position of economic weakness that Britain had to bear these enormous debts (7).

To many people in this country, this burden seemed a poor reward for the great efforts Britain had made in the Allied cause; to have to owe so much for example to Egypt and India after defending these two countries seemed quite wrong. Apart from such moral issues, critics in this country pointed out that the Egyptian and Indian balances had been artificially swollen by rampant inflations, to which the Egyptians and Indians retorted that it was British expenditure which caused the inflation and brought about serious dislocation to their economies. The rights and wrongs of these debts clearly extend beyond the scope of economic reasoning into the indefinite world of moral and political argument, where it is

(5) *Source*: Statistical Material presented during the Washington Negotiations, Dec. 1945, Cmd. 6707.

It is important to note that precise figures of the total amount and distribution of sterling balances are very difficult to obtain. In part this is due to the lack of an agreed definition of what a sterling balance is; in part, because the government white papers on the subject are constantly revising past figures. But not the least important reason is the attitude of the Bank of England and the Treasury in maintaining a secrecy about these liabilities in much the same way as a banker does about his customers' accounts. The fact that an accurate picture of the sum total of these balances, their distribution, the extent of blocking and releases is required for an intelligent discussion of their burden on the British economy seems to be of less importance. For a detailed discussion of these and other difficulties see H. A. Shannon, *The Sterling Balances of the Sterling Area 1939-49*, « Economic Journal », September 1950.

(6) H. A. Shannon, *The Sterling Balances of the Sterling Area 1939-1949*, « Economic Journal », September 1950, p. 540. See also the Table in Appendix II of this article.

(7) For a clear statistical presentation of the effects of war on Britain's economy see Cmd. 6707 and Hancock and Gowing, *op. cit.*

proposed, for purposes of this article, to leave them.

What is clear however is that any scaling down of the burden of Great Britain's sterling liabilities could only have done as part of a much wider settlement of inter-Allied war debts. But though the physical resources of war were shared out, the financial burdens were not. Britain was unfortunate to have fought so much in areas where assistance from the local population had to be paid for in post-dated cheques. The result was that the debts of the Allies at the cessation of hostilities seemed to have been primarily determined by the wholly arbitrary factor of who fought whose war, where. Nevertheless, it was also obvious that such enormous balances were going to be a big problem in the way of a return to the smoothly functioning sterling currency system of the pre-war years. The Americans were much more interested however in the fact that these balances, together with the sterling area dollar pool, presented a formidable obstacle in the way of a return to a world of non-discrimination and free multilateral payments. They had good reasons for taking this view, and, when, therefore, a British delegation went to Washington in 1945 to seek a loan to enable Britain to restore equilibrium to a seriously dislocated balance of payments position, it was not surprising that these two leading features of the post-war sterling area should have figured so prominently in the negotiations.

The Anglo-American Financial Agreement and the Sterling Area.

The abrupt ending of lend lease in August 1945 made negotiations for American financial assistance imperative. That the Americans would make such assistance conditional on this country putting into practice some of the principles of the Bretton Woods Agreement was not surprising. As early as 1942 Britain had signed an agreement with the United States which defined the « benefits » and « considerations » accruing to America in return for lend lease. In the famous Article VII of this Agreement, both governments pledged themselves to work for « the elimination of all forms of discriminatory treatment in international commerce and to the reduction of tariffs and other barriers » (8). It was to be expected therefore that the implementation of this article would form an important part of any discussion for further United States assistance.

In the Washington Loan Negotiations that ensued the Americans showed a very keen interest in the sterling area balances and dollar pool. In the first place, they saw in these large balances, freely spendable within the sterling area but not convertible into dollars, a powerful factor that might tend to divert trade away from the United States. They regarded these balances as to some extent representing the same kind of financial contribution to the war effort made by the holders of these balances which, in the case of the United States, had been made by lend lease and was most generously being written off. For the same reason, they did not want to see any part of this dollar loan to Britain being used to pay the sterling area creditors.

The American negotiators also had a deep suspicion of the sterling area dollar pool and worked for its dissolution. It took some time to convince them that the mechanism of the dollar pool affected the distribution of dollar expenditure by sterling area countries, and hence the demand for particular categories of American exports, but that as no country after the war desired to hoard dollars, its dissolution could not lead to an increase in the aggregate amount of dollars spent.

The Americans however had other reasons for disliking the dollar pool, for expenditure from it did not seem to them to be determined by free market principles, while, with its suggestion of a centrally operated mechanism it was felt that its operation might work to the injury of weaker members of the sterling area. In short, the popular American view of the sterling area pictured it as a consciously created and centrally controlled monetary bloc in the hands of the financial authorities in London who used it as an offensive weapon of trade discrimination.

In return therefore for a loan of $ 3,750 million, Britain had to assume heavy obligations

(8) Agreement on the Principles applying to Mutual Aid. Cmd. 6341, 1942.

in respect of the future use of sterling as a currency and of the sterling area as a currency system. The most important provisions are set out in articles 7 to 10 of the Financial Agreement (9).

1) Article 7 provided that sterling earned in current transactions should be freely convertible without discrimination, within one year of the agreement becoming effective.

This meant that the sterling area dollar pool should be dissolved.

2) By Articles 8 and 9 Britain agreed to observe the principle of non-discrimination in her overseas trade and payments. This did not apply to capital transactions.

3) Article 10 laid down broad principles that were to be applied in the future treatment of accumulated sterling balances:

« The settlements with the sterling area countries will be on the basis of dividing these accumulated balances into three categories:

(a) balances to be released at once and convertible into any currency for current transactions;

(b) balances to be similarly released by instalments over a period of years beginning in 1951; and

(c) balances to be adjusted as a contribution to the settlement of war and post-war indebtedness and in recognition of the benefits which the countries concerned might be expected to gain from such a settlement ».

All sterling releases were to be made freely convertible, as with sterling earned in current transactions, not later than one year after the agreement had become effective. In addition to these main provisions affecting the sterling area, Britain agreed not to use any of the loan to pay off her other debts and not to arrange any loan from the countries of the British Commonwealth on more favourable terms than the American Loan (10).

In spite of a very serious balance of trade position, Britain had agreed in return for an American loan, to put into practice within one year of its becoming effective, the twin ideals of convertibility and non-discrimination. All other signatories of the Bretton Woods Agreement were to have a breathing space of at least five years. On the 15th July 1947 one year after the Loan Agreement had been ratified by the United States, the sterling area was in effect to drop its war-time trappings and revert to the pre-war system. Notwithstanding the enormous economic losses Britain sustained in the war, and the grievous damage inflicted on her economy, it was expected that sterling should and could return to its pre-war status as an international currency and London revert to its position as a great international banking centre. The pursuit of the twin ideals, so the Americans believed, would restore to Great Britain her former financial and commercial supremacy (11). The Loan Agreement was not without its critics in this country. Some economists pointed out that international economic equilibrium was a condition of convertibility and non-discrimination and not the other way round; among the Labour politicians were those who believed that Britain had signed away her ability to maintain full employment, while many Conservatives feared for the safety of imperial preference (12). Many persons felt the bargain to be a very hard one and were aggrieved at the seeming callousness of the American negotiators towards so self-sacrificing a war-time ally (13). Spokesmen for the British Government pointed however to the lack of an alternative course of action save, in the absence of the Loan, great economic misery for this country; they believed the price had to be and could be paid. With this confidence British

(9) Cmd. 6708.

(10) Britain is due to begin repaying the principal and interest on the loan at the end of this year and it is thus of relevance to note that no waiver of interest will be allowed unless, amongst other conditions, there is a proportionate reduction in the releases or payments of sterling balances.

(11) After a particular doctrinaire session on these twin ideals, Lord Keynes is alleged to have remarked: « There was a stage in the negotiations when I was convinced that the Mayflower must have come to this country filled with lawyers; but this afternoon I go back to the earlier theory; she was filled with theologians ».

(12) Under the regime of import restrictions imperial preference naturally became of less significance to the sterling area.

(13) « The Economist » for example on 15th December declared with some warmth that « it is for the Americans to say what pleasure they take in a bargaining victory won over their friends at such a price... Beggars cannot be choosers. But they can, by long tradition, put a curse on the ambitions of the rich ». For some interesting sidelights on the negotiations see R. F. HARROD, *The Life of John Maynard Keynes*, MacMillan, 1951, particularly Chapter IV.

officials began to tackle the complicated task of preparing the way for convertibility on the 15th July 1947.

Preparations for Convertibility.

In the year following the ratification of the Loan Agreement by the United States the British Government was involved in a whole series of negotiations to try and reconcile the ideals of non-discrimination and convertibility with the existence of large sterling balances in London. The conditions of the Loan Agreement involved, in the first place, action to segregate current earnings of sterling from the accumulated balances and secondly, agreement on the extent of immobilisation of these balances and the amount of sterling that could safely be released from them in any one year. The first task was a technical problem for the Bank of England; the second, was as much a political as an economic problem. The distribution of these balances after the war meant that the most difficult negotiations would have to be concluded with Egypt, India and Argentina.

Article 10 (i) (c) of the Loan Agreement had envisaged some scaling down of these enormous sterling liabilities for the sterling area countries. The Americans took the very reasonable attitude that their generosity in cancelling the bulk of Britains lend lease indebtedness should be matched by some equivalent gesture on behalf of the holders of sterling balances. But, apart from the serious political difficulties in the way of any scaling down of Britain's debt to such economically underdeveloped countries as Egypt and India, the very conditions of the Loan Agreement itself made any such cancellation extremely difficult. Convertibility of sterling in July 1947 was an obligation assumed by Britain under the Agreement; but the scaling down and release of balances were matters for settlement between Britain and her creditors and the latter were not signatories to the Agreement. It soon became clear that by generalising the obligation to make sterling freely convertible by 1947 the Agreement had removed one of Britain's best bargaining weapons and made any scaling down of the balances pretty well impossible. Moreover, the knowledge that the principles of non-discrimination and convertibility were to be applied to sterling, far from diminishing, actually increased the pressure of creditors for large releases from their balances. It is not very surprising therefore that apart from gifts of £ 20 million and £ 10 million from Australia and New Zealand respectively, in no case up to December 1947 was it possible to induce sterling area countries to scale down their large balances. Furthermore, some indication of the success of Britain's sterling area creditors in pressing for releases is given by the following table.

	Total Balances (Lst. millions)	Releases (Lst. millions) « Ordinary Releases »	Working Balance	Other non-recurrent releases
India (In August 1947, Reserve Bank holdings. Official figures) . . .	1,160	35 (70*)	30	—
Iraq (In August 1947, Holdings of the Financial Authorities. Reported figures)	60	4*	2	9+**
Egypt (At end June 1947, Holdings of the Authorities. Figures of H. A. Shannon, *op. cit.*)	356	8	12	12+**
	1,576			

* Denotes the annual rate of release for 1947.

** The plus sign indicates a quantity in excess of figure quoted.

From the above table it can be calculated that the total of actual releases, available during convertibility, that is from 15th July until 20th August 1947 was £ 112 million out of total holdings by these three countries of £ 1,576 millions. But the ordinary releases at the presumed annual rate amounted to £ 90 million which compares strangely with the figure of £ 43¾ millions which the Loan Agreement tentatively thought to be a supportable average annual rate of release. Yet the above figures relate only to three sterling area countries whose total sterling holdings amounted to only 43% of all sterling balances on 30th June 1947 (14).

That some degree of convertibility of sterling was necessary after the war is illustrated by the case of Argentina. During the war shipping and import controls and the pressure of economic warfare had compelled many countries to hold sterling irrespective of its defects or qualities. With the end of the war this power of compulsion had gone, particularly with countries like Argentina, which were in a very strong trade bargaining position. Argentina had £ 130 million owing to her in 1946 and was the largest single holder of balances outside the sterling area. Her strong bargaining position is reflected in a clause in the Anglo-Argentine Agreement of September 1946 which allowed Argentina full convertibility of all current earnings of sterling (15). Some countries would therefore have to be conceded convertibility if Britain was to be able to import certain vital supplies of raw materials and foodstuffs. But the important point about limited convertibility was that it would have preserved an important bargaining weapon for Britain in the formidable task of settling her sterling liabilities and restoring her world trading position. This advantage the Loan Agreement removed.

Agreements were therefore concluded with India, Egypt and Iraq which released certain amounts from the sterling balances to meet current expenditure and fixed the terms on which the immobilised balances were maintained. In the case of Egypt and Iraq doubts about the efficiency of their exchange and import licensing control had compelled Britain after the war to give them a specific allocation of hard currency out of the central reserve. During the war, the allocation of supplies by the Middle East Supply Centre and the allied shipping pool had proved an effective check on their imports. With the abandonment of these checks, at the cessation of hostilities, control over imports became the full responsibility of the Iraq and Egyptian Governments. In June 1947 Egypt left the sterling area and, according to the economic press at the time, this was a purely voluntary withdrawal (16).

But the most prominent changes initiated by the British financial authorities in preparation for convertibility were not with members of the sterling area, but with countries with whom the area had important trading connexions. These countries normally held sterling assets and used sterling in partial settlement of their own international payments. It became part of the policy of the British exchange control authorities to extend the multilateral use of sterling among these countries and, accordingly, the Transferable account system was established in February 1947 (17).

(14) I am indebted to Mr. Bennathan of this University for the calculations made in the above Table and for the Table in Appendix II of this article.

Article 10 of the Loan Agreement prevented discrimination in the payment of the sterling balances. It is interesting to note that, since it was unlikely that such large debts could be paid for in dollars or convertible pounds, but could possibly be paid by arranging special deliveries of capital equipment from the United Kingdom over a long period of time, this particular condition amounted, in an important sense, to a prohibition of payment of the sterling balances. In addition, depending on its interpretation, the doctrine of non-discrimination could also prevent Britain concluding long term bulk purchase agreements for her food imports.

(15) Another clause in the Agreement permitted Argentina to meet any deficit with the sterling area out of such parts of her balances which were blocked by that agreement and called forth a strong protest from the United States on the ground that this constituted a discriminatory use of the sterling balances and therefore violated Article 10 of the Anglo-American Financial Agreement. This protest reflected the tenacity with which America clung to the dogma of non-discrimination, especially as for some years, the possibility of the Argentine ever having a deficit with the sterling area was very remote. It so happened that the sale of British investments in Argentine railways for £ 150 million in February 1947 exceeded the value of Argentina's sterling balances and so nullified the clause that gave so much offense to the Americans.

(16) It is difficult to see how a reading of the Chancellor of the Exchequer's statement on the matter can bear this interpretation. In reply to a question in the House of Commons Dr. Dalton said: « The simple point is that within the Sterling Area there is no exchange control. We have reached the view and the Egyptian Government have accepted and agreed with it, that there must be exchange control in future as between this country and Egypt, particularly in respect of these sterling balances. There is no way in which this can be brought about so long as Egypt remains in the Sterling Area. Therefore, the purpose which lead us to seek Egypt's agreement — which we have obtained — to her leaving the Sterling Area was to enable exchange control, which we hold to be absolutely indispensable in this case, to operate ». (House of Commons Official Reports, 5th Series. Vol. 439). This statement makes it clear that the initiative for Egypt leaving the sterling area came from Britain, because of the laxity of Egyptian exchange control. There was also some suspicion that Egypt was making barter agreements whereby hard currency imports were increased by witholding the receipt from exports which, had they been canalised through banking channels, would have accrued to the sterling area dollar pool.

It should also be noted that just before the end of Britain's mandatory period, Palestine was excluded from the sterling area. It was clearly impossible for her to remain within it while the Palestine war continued.

(17) It was pointed out at the time that an extension of the multilateral use of sterling was essential to the recovery of

Though the Transferable Account countries lie outside the sterling area, any discussion of the convertibility crisis or of the future of sterling as an international currency, must take note of the leading features of this system. After February 1947 sterling earned in current transactions by these countries could be transferred automatically, and without prior sanction from the British financial authorities, to any other country in the Transferable Account system or could be used for transactions with countries belonging to the American Account system (18). Any earning of sterling by the American Account countries in current transactions was automatically convertible into dollars, or could be used for settlement with countries in the Sterling Area or in the Transferable Accounts system. The formal introduction of the latter system meant, therefore, that not only was there a great extension of the multilateral use of sterling, but that through transactions with the American Account countries sterling became convertible before July 1947, when full convertibility was due to be restored under the terms of the Loan Agreement. Membership of the Transferable Accounts system presupposed that a country was willing to accept sterling from countries outside the sterling area and to control its capital movements so as to prevent drawings on sterling balances for other than current transactions. The latter provision was important to the financial management of the sterling area in view of the real danger of a capital leak through the Transferable Account system.

By July 15th 1947 the facilities of the Transferable Account system were available to eighteen countries and monetary areas (19). Convertibility arrangements with a number of other countries could not be concluded in time and had to be postponed; it was decided however that Britain could use its own discretion to permit transferability to and from these countries (20).

As a result of these preparations for convertibility the British Government had built up a system which was, in effect, the basis for a substantial extension of the area within which sterling could be used to make multilateral payments. It was not expected that there would be any serious drain on the central reserves of gold and dollars when full convertibility came into operation. The British Government had the right under Article 10 (ii) of the Loan Agreement to ask for a postponement of the convertibility of any « sterling balances released or otherwise available for current payments ». If the Americans ever made an offer of postponement it was refused by the British Government. Not even a severe fuel crisis with the consequent industrial dislocation could daunt the optimism of the British financial authorities. On July 19th 1947, four days after full convertibility had been effected « The Economist » could write that « it is unlikely that there will be any resultant pressure on the British gold and dollar reserves in the future ». On this note of optimism, sterling was supposed to have recovered the prestige that goes with full convertibility, the sterling area took on much more of its pre-war character and the City of London looked forward to regaining its former international status.

the international banking business and the life of the city of London. « The bill on London and the sterling acceptance credit would have died a natural death in a regime of strictly bilateral monetary agreements and inconvertible sterling », « The Economist », July 19th 1947, p. 118.

This concern with the prestige of sterling and the City of London apart from awakening memories of Britain's return to the international gold standard in 1925, affords perhaps a clue to the optimism with which the British financial authorities set about preparing for convertibility.

(18) The following are members of the American Account system:

Bolivia	Honduras
Columbia	Mexico
Costa Rica	Nicaragua
Cuba	Panama
Dominican Republic	Philippine Islands
Ecuador	Salvador
Guatemala	U.S.A. and its Dependencies
Haiti	Venezuela

This system dates from the war years and was thus not an innovation like the Transferable Account system.

(19) They were as follows: Belgian, Netherlands, Portuguese and Spanish Monetary Areas. Sweden, Norway, Czechoslovakia, Argentina, Uraguay, Brazil, Finland, Italy, Egypt and the Egyptian Sudan, Canada, Newfoundland, Ethiopia and Iran.

(20) They were the following: Austria, Denmark, Hungary, France, Paraguay, Turkey, Bulgaria, China, Greece, Poland, Rumania, Siam, U.S.S.R., and Yugoslavia. It should be noted that there were a number of smaller countries with whom special arrangements were made for « administrative transferability ». These countries, which included Afghanistan, Albania, Korea, Liberia and Nepal, could not fulfil the conditions for membership of the Transferable Account system and so control over transfers of sterling was exercised directly by the United Kingdom.

The Convertibility Crisis of 1947.

The glories of full convertibility lasted just over five weeks; on the 20th August the Chancellor of the Exchequer was compelled to announce its suspension (21). In the few weeks prior to August 23rd the average weekly rate at which the central reserves were running out was $ 150 million, while during the last of those weeks the figure reached $ 237 million. At such a rapid rate of withdrawal the whole of the American dollar credit would have been used up by the beginning of September. The cost of convertibility proved too great; the amount of sterling that would be made convertible into dollars had been misjudged, the optimism with which the whole operation was approached was misplaced. Fundamentally, the greatest miscalculation was a psychological one; it was expected that countries would have sufficient faith in sterling to continue to transact a much larger proportion of their trade in the currency than proved to be the case (22).

At the time of the negotiations for a dollar credit, the Americans were determined to purge sterling of all economic heresy; in doing so they made it impossible for Britain to have a planned recuperation from the serious economic effects of the war. The British financial authorities, with the traditional bankers' desire to meet all his obligations and prove his credit worthiness, believed they could withstand this shock treatment. In the reconstruction of the British economy after the recent war, much had been learnt from the economic experiences of the nineteen twenties. But remembering the desires to get back to the gold standard after World War I and so restore the prestige of sterling, remembering the great efforts that were made to make the restored gold standard work and the serious cost that such efforts involved, the economic historian, reflecting on the convertibility episode of 1947, may be pardoned for thinking that what has not been learnt after Word War II may be just as significant.

The rapidity with which the dollars were drained away from the central pool suggests that there was a run on sterling. How this came about and through what channels is uncertain, as the picture is one of great confusion. Clearly, a great amount of sterling was unexpectedly made convertible (23). But it is very difficult to assess the cost of convertibility, in the sense that certain quantities of sterling became convertible which were not convertible before. A number of countries converted their gross rather than their net balances of sterling arising from current transactions, a clear indication that they did not expect convertibility to last. Countries were given the right to convert sterling into dollars for their current transactions only; the rapidity with which the dollar pool was drained suggests that they converted beyond their current requirements, in fact, converted some of their reserves as well. That there was a serious capital flight from the sterling area also seems certain, but its extent can only be a matter for conjecture. The fact was that the rising dollar crisis in Europe had rapidly become generalised and most countries took the opportunity of convertibility to get out of sterling into dollars. In this respect, the sterling area countries must bear their full share of the responsibility for the run on sterling (24).

The crisis called for a complete re-negotiation or reconsideration of not only the sterling area arrangements, but also the whole series of agreements concluded with the Transferable Account system. The right of automatic trans-

(21) It is interesting to note that convertibility into gold in September 1931 was not abandoned but suspended.

(22) « The Economist », after the event, pleaded that the economic press of the country had been misled by the optimism of the British financial authorities. But as it was able to arrive at its own views as to the probable course of events on the basis of its own calculations of the 5th April 1947 this excuse is not very convincing.

(23) « The Economist » on November 1st 1947 calculated that out of a total dollar expenditure by sterling area countries, including the United Kingdom of $ 3,115 million between July 15th and August 23rd 1947 the maximum leakage could be put at $ 1,000 million or 30% of the total dollar expenditure. Some part of this 30% of the total was however planned expenditure by the sterling area countries and was known beforehand. Something slightly under $ 1,000 million constituted therefore the amount of unexpected convertibility by sterling area countries.

(24) Between 1946 and 1947 the balance of payments position of sterling area countries, excluding the United Kingdom, with the dollar area worsened by £ 205 million. Between 1947 and 1948 it improved by £ 170 million. (United Kingdom Balance of Payment 1946 to 1950. Cmd. 8201). This gives some indication of the pressure brought by the sterling area countries on the central resources of gold and dollars during the crucial year of convertibility.

fer of sterling from this Account into the American Account had to be withdrawn. The Transferable Account system had undoubtedly provided one of the main channels through which the central gold and dollar reserves suffered its largest and most unexpected loss. In the search for perfection, the negotiators of the Loan Agreement had thus destroyed what was good in a widening area of convertibility. Payments in sterling among countries in the Transferable Account group and between this group and the sterling area could however continue without any prior permission from the British exchange control authorities. The monetary agreements concluded between Britain and these countries stipulated that both countries agreed to hold a certain amount of each others currencies and any holdings beyond this limit could be convertible into gold. In general these countries where ones with whom the sterling area had no great surplus or deficit on current transactions (25). In addition to these countries, there are a number of others who can use sterling, without the administrative approval of the British Exchange Control, only for payments to the sterling area countries (26). There is no rigid or permanent division between the transferable and bilateral account countries. The object of British exchange control policy is to ensure the maximum multilateral use of sterling without endangering the central reserve of gold and dollars. To this end, authorisations as to the uses to which countries outside the sterling area can put their currently earned sterling vary according to whether sterling is becoming « harder » or « softer » for them (27). The following Table illustrates the use of sterling in trade outside the sterling area.

USE OF STERLING TRANSFER FACILITIES
(Excluding all transfers to and from the American Account)
(£ millions)

	1948	1949
Automatic facilities	88	144
Administrative facilities	152	124
Total	240	268

Source: « Planning », Vol. XVII, No. 331.

If there had to be extensive re-negotiations as to the uses for which sterling might be put outside the sterling area, the convertibility fiasco showed that there was room for an all round tightening up of exchange and import control within the area. The Commonwealth Finance Ministers met in September 1947 to work out a more vigorous economy of dollars and to stop the leaks at the periphery of the area. The strength of the chain of exchange and import control of the sterling area depended on the strength of its weakest link. The British Government therefore sent out Treasury teams to make sure that the controls were as strong as those in force in the United Kingdom. On the 1st October 1947 the British Exchange Control Act came into operation as an attempt to codify the various regulations by which the power to control the sterling exchange was vested in the Treasury. There was no substantial changes as a result of this act; it merely formalised exchange control practice and gave it permanent shape. But there was an important change of phrase; what had since 1939 been known as the « sterling area » became the « Scheduled Territories », and by this change of phrase the faint tinge of financial imperialism that clung to the term « sterling area » was removed (28).

The sterling area survived intact the attempt to restore its pre-war character so soon after the end of hostilities. But the cohesion of the area was to suffer further strains and these may best be considered as part of the two major problems which were left to it as a legacy from the war and which, by their very nature, must be considered as new features. Though the dollar pool is merely a formalisation of the habits of the sterling exchange standard, nevertheless, the extensive restrictions on the uses to which sterling may now be put, has brought new problems and additional strains. Again, the sterling balances by their very size must be regarded as a new feature of the area and now constitute one of its most intractable problems.

(25) In July 1951 they included the following:

The Anglo-Egyptian Sudan
Austria
Chile
Czechoslavakia
Denmark (including Greenland and the Faroe Islands)
Egypt
Ethiopia
Finland
Greece
Iran
Italy and Italian Somaliland
Norway
The Netherlands Monetary Area
Poland
Siam
The Spanish Monetary Area
Sweden
Trieste
U.S.S.R.

(26) These are known as the « bilateral countries » and consisted in July 1951 of the following:

Argentina
Belgian Monetary Area
Brazil
Bulgaria
Canada
The French Monetary Area
The Western zone of Germany
Hungary
Japan
Paraguay
Peru
Portuguese Monetary Area
Rumania
Switzerland
Syria
Transjordan
Turkey
Uraguay
Vatican City
Yugoslavia

The American Account system remained of course the same after the suspension of general convertibility.

(27) « The general principle on which authorisation is made is that the country for which a transfer of sterling is authorised is not less likely to use the sterling to make payments to the sterling area than the country which is authorised to make the transfer ». « Planning », *The Sterling Area*, Vol. XVIII, Nos. 331 and 332, July 23rd and August 12th 1951, published by Political and Economic Planning.

(28) The « Scheduled Territories » consist of the United Kingdom; the Dominions; the colonial dependencies, including the mandated territories and British Protectorates; Burma; Iraq; Transjordan and Iceland.

Part III - DOLLAR POOL, STERLING BALANCES AND PRESENT PROSPECTS

The Sterling Area Dollar Pool.

The state of the central reserves of gold and dollars is vital to the management policy of the sterling area, as the convertibility episode and later, the devaluation crisis only too clearly showed. The economic factors which determine the amount of gold and dollars in these reserves, and the mechanism by which they are distributed, must therefore be considered in any analysis of the nature of the sterling area. The earlier description of the external financing of Britain's war effort has already indicated some of the main methods by which these reserves are built up.

In the first place, the dollar receipts from sterling area products are sold in return for sterling; unless Britain pays for these sales of dollars to the central reserve with her own exports, an increase of dollars in the pool will be matched by an increase in the sterling balances held in London (29). Moreover, as the bulk of the dollar earning exports of the sterling area are primary products, changes in the central reserve reflect cyclical changes in world prices for primary products. The rapid fall in commodity prices in 1949, reflecting a short American business recession, thus provided one of the main reasons for the devaluation of sterling in September of that year. On the other hand, a rise in world primary product prices, though increasing the value of the reserves, also results in unfavourable terms of trade for Britain, which imports four fifths of her raw materials and over half her food (30). It would appear therefore that as the central dollar reserves have been built up in the last few years, Britain has not only incurred further sterling liabilities but suffered a deterioration of her terms of trade. Moreover, it is ironic to note that, as import restrictions are relaxed or tightened up according to whether the reserves are rising or falling, dollar purchases by the sterling area have been more freely permitted when world commodity prices have been booming and have been restricted when world commodity prices have been falling.

The second main method by which the reserves are built up is by purchases of gold

(29) The main dollar-earning products of the sterling area countries in 1949 were textiles, vehicles and spirits from the United Kingdom; Australian wool; Indian jute and other manufactures; South African diamonds; Malayan rubber and tin; Gold Coast cocoa and West Indian sugar. After the United Kingdom the colonies were the main source of dollar earning products. (Commonwealth Trade in 1949, a memorandum prepared by Commonwealth Economic Committee, London, 1950). In so far as British capital is invested in the production of dollar earning primary products, a considerable proportion of the increased dollar earnings flows direct to this country in the form of dividends and interest payment and do not lead to an increase in the sterling balances.

(30) The figures given in Appendix I show a great increase in the value of the reserves in 1950 as a result of the Korean war and re-armament boom. In the first quarter of this year, the gold and dollar reserves had increased by $ 458 millions, but only by $ 109 millions in the second quarter.

and at this point, the relation of South Africa to the sterling area needs to be defined. During the war South Africa had agreed to sell to the United Kingdom not less than £ 80 millions of gold a year, this country undertaking in return, to meet South Africa's reasonable requirements of foreign currency against payment in sterling. After 1947, this arrangement was replaced by an agreement whereby South Africa made Britain a gold loan of £ 80 millions repayable in three years and became fully responsible for her own dollar earnings. South Africa had thus severed her link with the dollar pool, but continued to enjoy access to British capital and markets which have been two of the most important advantages of membership of the sterling area. From Britain's point of view, the new relationship had an important weakness; it meant that South Africa could draw capital funds from this country to cover a high level of British imports and use its output of newly mined gold to offset its own dollar deficit, thereby depriving Britain of the opportunity of earning gold in its current transactions with South Africa. The increase in South Africa's sterling balances as a result of such capital exports, including «capital flight», from Britain, postponed the day when her sterling reserves would be exhausted and payment for imports would have to be made in gold. But early in 1950 South Africa announced her willingness to pay gold for all « essential » imports issued under open license. Britain was therefore given an opportunity to earn gold by making her exports to South Africa competitive with those of all other countries, including the United States (31).

In addition to South Africa, the European Payments Union has in the very recent past, provided an important source of gold for the sterling area central reserves. The existence of sterling balances held by a number of West European countries proved an obstacle to the inclusion of the sterling area in the European Payments Union scheme (32). The difficulty was overcome when the United States agreed to indemnify Britain against any gold losses incurred as a result of the use of these sterling balances by E.P.U. countries. In this way, sterling became freely transferable among members of the E.P.U. and surpluses and deficits between the sterling area on the one hand and the E.P.U. countries on the other have been automatically compensated under the rules of the new payments agreement.

Before the war Britain was able to meet its import surplus from North America and the European continent out of the export surplus it had with the sterling area countries. As a result of the war, this multilateral system of payments broke down much to the disadvantage of this country. The United Kingdom was not able to benefit from its surpluses with the rest of the sterling area because thest were largely offset by capital movements, and by reductions in the sterling balances. Moreover, the pre-war surplus of the sterling area with the dollar area had changed to a deficit and the rest of the sterling area therefore became a net claimant on the central reserves (33). The large holdings of sterling balances together with unrestricted movements of private capital explain why, in the years following the war, Britain had the paradoxical situation of a continuing heavy dollar transfer in multilateral settlements, while its over-all balance on current account had returned to nominal equilibrium (34). These

(31) It was calculated that Britain might receive 25-50% of the Union's gold output by this means, but it should be noted that the definition of « essential » goods could always change. On these developments see: N. N. Franklin, *South Africa's Balance of Payments and the Sterling Area, 1939-1950*, in « Economic Journal », 1950.

(32) In the middle of 1950 these balances amounted to about £ 200 millions and were mostly held by Italy, Portugal, Sweden and France.

(33) If capital transfers had not been available, imports of the rest of the sterling area would have had to be held at a level more commensurate with their current export earnings. This would have meant a smaller volume of purchases from the United Kingdom but also, most probably, from the United States. Hence, the net dollar deficit of the rest of the sterling area would have been smaller if exports from the United Kingdom to them had been paid for. See: *Gold and Dollar Deficit of the Sterling Area*, in « Economic Bulletin for Europe », Vol. I, No. 2, 1949, prepared by Research and Planning Division, United Nations, Economic Commission for Europe.

(34) During 1950, both the United Kingdom and the rest of the sterling area had surpluses with the United States. This great change in the dollar position of the sterling area was mainly due to merchandise transactions, notably a severe reduction in imports and a less spectacular rise in exports. In addition, there was an increase in the surplus with E.P.U. Only part of the great increase in the central reserves was due

capital movements which for many decades have constituted an important factor binding the members of the area together had now become a much more complicated problem for Britain.

According to one estimate, the overseas sterling area had a net deficit of £ 752 millions on current account with all countries between January 1947 and January 1950; this was financed as to £ 632 millions by an outflow of capital from Britain and as to £ 120 millions by net drawings on the sterling balances (35). Furthermore, the same source has calculated that £ 350 millions of the £ 632 millions of capital outflow was due to capital flight, particularly to Australia and South Africa. Such a flow of hot money directly increases the sterling balances of the receiving country.

That there had been serious flights of capital from Great Britain is suggested by the rapidity with which the dollars drained away at the time of convertibility, while, at the time of devaluation serious capital flight probably turned a bad economic situation into a financial crisis. It is a serious reflection on the British financial authorities that such laxity in the country's exchange control should have been permitted, especially, as part of this capital flight led to a dollar leak, as a result of loopholes in the regulations of some members of the sterling area. It would appear that this relaxation of exchange controls by the British financial authorities was motivated once again by consideration of prestige (36). The foregoing discussion has indicated the main factors influencing the value of the sterling area gold and dollar reserves. It now remains to consider the method by which these central reserves are allocated or made available to member countries.

The method of operation of the dollar pool made public by the British financial authorities, stresses the point that each member country has the right to draw on the central reserves for its own dollar requirements, but is expected to exercise a sense of responsibility in issuing import licenses, so as not to lead to a wholesale drain of dollars (37).

This account of the operation of the dollar pool implies that there is no allocation of dollars from the centre and the role of Britain is confined to giving advice or warning to the rest of the sterling area. But there is much that this view leaves unexplained, and because of the great secrecy surrounding the financial management of the sterling area, one can only guess at the true nature of the dollar pool mechanism.

What is certain is that there must be some method by which each member country is made aware of the current state of the reserves and the rate of drawing on those reserves by each other member country. Without such information it is difficult to see how any member country could be expected to exercise a sense of responsibility in issuing import licenses; while to preserve a sense of fairness in the distribution of the total dollar expenditure of the area, each member country must be aware, and presumably approve, of the dollar import programme of every other member. How otherwise would India, for example, be sure that in relation to Australia, she was getting a fair share of the dollars available for distribution? What is here suggested is that not only is there a dissemination of information on these matters from the centre country, but that a broad coordination of dollar import programmes takes place in London. In short, the broad lines of dollar investment in the sterling area are deter-

to changes in Britain's balance of payments position, and that, by a reduction in imports, which was reflected in a decline in stocks. The main increase in the dollar and gold reserves was due to the rest of the sterling area and was made against an increase in the sterling balances which now stand higher than at any time since the war (Appendix I).

(35) « The Banker », January, 1951, page 21.

(36) T. Balogh, *The Dollar Crisis*, p. 117 and 118. The economic press seems uncertain about the desirability of capital exports from the United Kingdom especially in view of the fact that the exchange controls of India, Pakistan, Australia, New Zealand and South Africa apply both to sterling and non-sterling area countries.

(37) It should be noted that there has never been a complete pooling of all the gold and dollars of the members of the sterling area. South Africa has maintained a substantial reserve of gold, while Australia up until convertibility had begun to build up its own gold reserves by withholding part of its current gold production. In 1944, India was allowed to retain 20% of her net « hard currency » earnings as a separately held reserve, while in 1945, as a result of an agreement between the Palestine Government and the Jewish Agency, « gift dollars » remitted direct to Palestine from the United States could be used for the purchase of raw materials and capital equipment to build up the National Home.

mined in London and then import licenses are issued up to the amount of dollar expenditure agreed upon for each country. If drawings on the dollar pool are in fact determined by some such method as this, it is abundantly clear why a close secrecy is maintained on the subject, for it might be politically impossible to maintain the pooling of gold and dollar reserves if it became widely known in Australia, for example, that their dollar investment programme was being largely determined in London. By maintaining a secrecy about the operation of the dollar pool, the mechanism is taken out of the arena of political debate. But the administrative machinery by which this broad co-ordination of dollar expenditure is achieved, remains to be considered and here again a great deal of speculation has to be done.

There are, first of all, periodic meetings of the Finance Ministers of the Commonwealth, though these consultations have tended to depend on the emergence of a crisis (38). Such meetings do not therefore provide the necessary mechanism for a regular interchange of views and information and for the discussion of policy. Moreover, unless such meetings were to become a mere fact-finding body, they would need the services of a secretariat to provide the information needed for policy making. Such a secretariat exists in the form of a Sterling Area Statistical Committee set up by the Treasury in 1947, upon which representatives of all the Dominions and Eire sit. Its function is to provide a forum to supply information to its members about balances of payments, the gold and dollar reserves and so on. But the real discussions to arrive at broad agreement on dollar import policies, would appear to be taken by the Commonwealth Liaison Committee also set up in 1947 but, in this case, by the Cabinet Office. The periodic meetings of the Commonwealth Finance Ministers, the Sterling Area Statistical Committee and the Commonwealth Liaison Committee would appear to constitute the machinery through which major decisions of management policy for the sterling area are taken, and through which one presumes, the co-ordination of dollar investment programmes is achieved (39).

The strains inherent in the restrictions on dollar expenditure exercised by members of the sterling area can be smoothed out by this administrative machinery. But it is obvious that a heavy responsibility for the management of the currency area still falls on Britain, and in the case of the colonial dependencies, this country has a clear economic and moral obligation to see that they get a fair share of the benefits that accrue from « hard currency » pooling and policy decisions with regard to the treatment of the sterling balances. In this respect, it is far from certain whether the benefits these territories derive from the dollar pool are at all commensurate with their dollar earning capacities and their great need of economic development. Not only should they get a more than fair share of dollar investment expenditure, but it is also essential that Britain should make available a reasonable supply of capital and consumer goods upon which the colonial dependencies can spend the sterling they get in exchange for their dollar earnings (40).

The exploration into the origins of the sterling area made in Part I, indicated the way in which countries developed the habit of leaving their foreign currency earnings in London in the form of reserves. The pooling of foreign

(38) The decision to devalue sterling in September, 1949, aroused criticism from some Commonwealth countries, particularly India, because it was taken by the United Kingdom without prior consultation with them. The British financial authorities seem to have little excuse for this failure to consult other members, for the Finance Ministers had met in July to agree on cuts in their dollar import programmes and the possibility of devaluation was not on the agenda.

(39) For a discussion of the government of the sterling area see «The Economist», 14th January, 1950 and «Planning», No. 332, 12th August, 1951. Much of the technical execution of policy is done by the Bank of England which has Commonwealth representatives among its advisers, but not on its Court of Governors.

(40) On this point, Professor ARTHUR LEWIS writes: « So long as restrictions on colonial dollar purchases continue the United Kingdom may get away without giving goods; this is then a form of compulsory import of capital from the colonies, which went on during the war and for some time after, but makes nonsense of talk of colonial development, besides continuing to submit the colonies to the serious inflationary forces by which they are all besieged at present » (Proceedings of the Manchester Statistical Society, 12th January, 1949). Moreover, if Britain gives the colonies goods in return for their sterling, which either because of price or quality she cannot sell in open competition with dollar countries, then the restriction on colonial dollar expenditure becomes a form of subtle exploitation.

currencies is thus not an innovation of World War II. But the fact that sterling became inconvertible, made the dollar pool mechanism necessary and has given rise to an important new strain on the cohesion of the area. The danger is that continuing restrictions on the use of sterling in international transactions may induce members to cease using London as their banker and make their own direct payments arrangements with the non-sterling world. In the case of the colonial dependencies, such an expression of discontent at the continuing restriction on sterling expenditure, would most likely take the form of a rising wave of economic nationalism.

The Problem of the Sterling Balances.

The growth in Britain's sterling liabilities during the war and the economic forces that affected their size in the post-war years, have already been considered. The sterling liabilities of the United Kingdom on the 31st December, 1950 stood at £ 3,757 millions, of which £ 2,734 millions was owing to member countries in the sterling area. That the paying off of these enormous debts is going to be a great problem for Britain needs no arguing; and it should also be obvious that when, how and in what amounts these debts are to be paid are questions which constitute a potential threat to the cohesion of the sterling area.

To the extent that the balances are liquidated, some proportion of Britain's production of goods and services is used to discharge the liability instead of paying for current imports of goods and services. On the one hand, therefore, the British financial authorities are very concerned with the amount of unrequited exports this country can afford in any one year; on the other hand, the holders of these balances are very interested in securing the maximum amount of repayment in any one year, so as to finance, for instance, schemes of economic development. But any impression that the rate of liquidation of these debts has and is being determined by a nice balance between real economic cost and need would be misleading. The complicating factor is that sterling releases are frequently determined by political considerations. Some indication of the problems involved is given by the following Table.

ESTIMATED STERLING BALANCES
OF STERLING AREA COUNTRIES
(£ millions)

	June 30 1945	Dec. 31 1948	Dec. 1949
Australia	118	280	375
New Zealand	64	64	60
South Africa	33	35	55
Eire	179	225	225
India	1,116 (India and Pakistan)	820	720
Pakistan		155	140
Iraq	71	90	82
Ceylon	61	52	45
Malaya	85	105	110
East African Colonies	81	105	110
West African Colonies	91	145	150
Other Colonies	244	245	250
Unidentified, errors and omissions	—	+ 1	— 25
	2,143	2,322	2,297

Source: « The Banker », May 1950. The figures for total sterling liabilities given in the above table do not agree with those given in Appendix I which are the very latest estimates (Cmd. 8201). The U.K. Balance of Payments White papers are constantly revising the estimates for past totals of sterling liabilities. But though, on the basis of slightly different total figures, « The Banker » would have to re-calculated the distribution of the balances, the broad picture presented by the above table would not be altered.

This Table shows that the biggest reductions in the sterling balances were in the amounts held by India, Pakistan and Ceylon. In fact, it is stated in another source, that the sterling balances of these three countries have been drawn down by £ 340 millions for current purposes from 1946 to 1949 (41). For assessing the potential burden on the British economy from the existence of these balances, the important point is not so much their total size as the amount available for spending at any particular date. By agreements concluded with Iraq, Ceylon, India and Pakistan so much of their old balances were blocked, the remaining proportion being the true measure of the potential drain in Britain's real resources from sterling releases (42).

(41) *The Colombo Plan*, Cmd. 8080.

(42) Likewise, agreements were concluded with non-sterling countries, the largest beneficiaries from sterling releases being

The figures for the distribution of the balances between 1945 and 1949 also show that the reduction of the holdings of India, Pakistan and Ceylon was offset to an important extent by the increased holdings of Australia, South Africa and the British colonial dependencies. In the case of Australia and South Africa, these increases no doubt reflect in part the capital movements from the United Kingdom discussed earlier (43). But it would be a great mistake to assume that certain members of the sterling area, even the wealthier ones, will always be ready to increase their sterling balances. The result of a sharp fall in primary product prices, for example, would most likely lead the Australians to use their balances for increased public works programmes in an effort to soften the impact on the Australian standard of living.

The method of release as well as the size of these balances has been the subject of much argument and controversy in Britain. Certainly the method and timing of the releases has not been entirely satisfactory. The greatest pressures for releases have tended to come when the sterling area balance of payments with the dollar area has been in serious difficulties, that is, when the level of demand in the United States has tended to decline. This has meant that the pressure for unrequited exports from Britain has increased just when the American market has been turning more competitive. But the greater the demand for unrequited exports, the higher the prices they will command in terms of sterling and the greater will be the gap between British prices and dollar prices (44). The method of annual release has also put a premium on political bargaining power, while, from the point of view of the sterling area countries, such bargaining has prevented any long term plannig on the basis of advanced knowledge of how much sterling would become available for development schemes.

It is now out of the question for Britain unilaterally to scale down these balances. Apart from the difficulty of scaling down balances held in a variety of ways, from the central reserves for the Reserve Bank of India to the great number of individual holdings in Eire, such a scaling down would be politically disastrous. From Britain's point of view, moreover, any scaling down is incompatible with her position as an international banking centre for the area.

One possible solution of the problem has already been suggested by the Colombo Plan. The external finance needed to finance the six year programme of economic development envisaged by the Plan, reaches a total of £ 1,084 million. Of this amount, £ 246 millions is expected to be financed out of the sterling balances of India, Pakistan, Ceylon, Malaya and British Borneo over the period of six years (45). This scheme at least formalises releases of sterling and enables development programmes to be planned. But its financing also depends on a certain amount of dollar aid from the United States and this opens up the possibility of

Egypt and the Argentine. Figures for the distribution of releases for all countries have been something like the following:

1947	£ 156½ millions
1948	£ 267 »
1949	£ 218 »

« The Economist », May 13th, 1950 gives the distribution as between balances which are blocked and restricted and those which are freely available for spending as follows:

£ (millions)

	Blocked and Restricted	Free	Total
End 1947 . . .	1,800	1,713	3,573
» 1948 . . .	1,600	1,759	3,359
» 1949 . . .	1,350	1,994	3,344

Again, the figures refer to the total of all sterling liabilities and are based on estimates which have since been revised. But the broad picture is interesting in showing for example that though the total balances changed very little between 1948 and 1949, the amount freely spendable was greatly increased, while the amount blocked was correspondingly reduced. In other words between 1948 and 1949 the amount of sterling payable on demand with British exports rose and it is this figure therefore which constituted the immediate potential call on British resources.

(43) The increases in the sterling balances of the colonial dependencies are disturbing for they show that the net British investment in the colonies has been very much less than the figures for expenditure under schemes of colonial development and welfare would at first suggest.

(44) There would seem to be a mutually inflationary process at work. The increase in these balances as a result of sales of dollars to the central reserves is inflationary for the sterling area countries, while the liquidation of these liabilities by unrequited exports is inflationary for Britain. Inflationary pressure in Britain reduces, of course, the real value of the balances held in London and strains the self restraint of member countries even further.

(45) Cmd. 8080.

Britain's enormous sterling liabilities being treated in conjunction with America's Point IV programme of economic aid to underdeveloped countries. The balances might be scaled down if it was done in return for dollar aid from the United States. The principal creditor countries would, however, be very sensitive to any transfer of Britain's debts, while the thought that the American taxpayer might shoulder them would not appeal to American Congressmen.

Yet, from the American point of view, the existence of these enormous liabilities as the experience of 1947 clearly demonstrated, presents a formidable obstacle to the progress of sterling towards true convertibility with other world currencies. However politically delicate it might be to negotiate a scaling down of these balances in return for American aid to certain economically underdeveloped members of the sterling area, it does seem a solution worth exploring.

But a treatment of the sterling balances along these lines must bring with it a change of outlook by the financial institutions and authorities in London. If a proportion of Britain's sterling liabilities are to be regarded, in effect, as war debts, albeit a belated recognition, then the traditional international banking attitude of the City of London must be modified. We have already had reason to question the compatibility between the maintenance of this traditional banking viewpoint and the emergence of these enormous sterling debts of Britain as a result of the war. The premature attempts to restore the prestige of sterling has more than once endangered the true conditions for such prestige. Yet, if these liabilities continue to be treated as bank balances, then they can neither be indefinitely immobilised nor can members of the sterling area be expected to exercise a perpetual restraint in liquidating them. But if the scaling down of these balances can be achieved on the basis of increased American aid to economically underdeveloped members of the sterling area, then not only would the level of world economic activity be raised by such action, but an important obstacle in the way of restoring full convertibility to sterling would be fast on the way to removal.

The Cohesion of the Sterling Area.

It now remains to consider, by way of conclusion, the cohesion of the sterling area since the war, for it is upon this that the survival of the system depends. But any attempt to summarise all the factors that determine the cohesion of the sterling area and therefore its chances of survival as a currency system, is practically impossible because the future strength of these influences cannot be determined with any certainty. All that is hoped for here is to indicate some of the important factors which such an assessment would have to take into consideration if it was ever attempted.

In the first place, it is important to remember that many of the habits which gave the sterling area its distinctive character in the past still continue today. The member countries continue to pool their reserves, while the essential banking operations for the whole area are still centralised in London. This policy of maintaining their exchanges stable in terms of sterling continues to be a principal characteristic of the sterling currency system, as the devaluation of 1949 clearly demonstrated (46). In addition to the preservation of these important practices, the ties of investment and trade, which were fundamental to the growth of the sterling area in the past, still remain as powerful factors binding the member countries together. As is shown in Appendix II, over 47% of total British investment in 1948 was made in the countries of the sterling area though the absolute amount was, of course, very much lower than in 1939. Exports to the Commonwealth countries accounted for 51% of total United Kingdom exports during 1949, as against 45% in 1938, while imports of Commonwealth origin amounted to 45% of total imports as compared with a pre-war figure of 37 per cent (47).

(46) Pakistan was the one exception in 1949, preferring to maintain the old rate of exchange with sterling rather than devalue together with all the other members.

(47) *Commonwealth Trade in 1949*, by the COMMONWEALTH ECONOMIC COMMITTEE, London, 1950. The figures for Commonwealth trade include Canada, which is not a member of the sterling area, but exclude Eire, Iraq, Transjordan and Iceland which are members. Except perhaps in respect of Canadian imports into the United Kingdom, it is doubtful if these percentages would be much altered by bringing them into conformity with membership of the sterling area.

The tariff negotiations conducted under the General Agreement on Tariffs and Trade would seem to indicate that imperial preference continues to be a strong bond between the Commonwealth members of the area (48).

Since the war, the common problem of a dollar shortage has enabled members of the sterling area to act together in defence of the central reserves of gold and dollars. The area is surrounded by a chain of exchange and import control, each link of which is required to be of equal strength with every other link. Some member countries undoubtedly have access to larger reserves than they could build up themselves if they left the area. They might even be reduced to the status of a country in the « bilateral account » system, in which case, the area over which sterling is a convenient method of payment would be considerably reduced.

Membership of the area also gives countries the advantage of preferential treatment in respect of their capital requirements, especially in the matter of sterling releases, as the Colombo Plan shows.

All these factors constitute powerful compulsions keeping members within the area.

But it is not only hard-headed calculations of economic advantage which holds it together; its history shows that common bonds of political understanding must also be considered as a powerful factor making for cohesion. That history, moreover, has shown it to be capable of great flexibility in its monetary arrangements. Yet it would be presumptuous to assume that the compulsions which keep members within the sterling area at the moment will always be more important than the disadvantages which seem at present to accompany a decision to leave the area. Our analysis of the nature of the dollar pool mechanism and the problem of the sterling balances, has shown that both these features of the present-day sterling area constitute great potential strains on the cohesion of the system. Whether this cohesion is maintained clearly depends in part, on the way policy decisions with regard to dollar import programmes and the treatment of sterling balances are taken and administered. But apart from the actual method of government of the area, much of its future is inevitably bound up with the future of sterling itself, as an international currency. A continuance of the present restrictions on the use of sterling for international payments will inevitably put a great strain on the ties which bind member countries together. Much, therefore, depends on the future possibilities of sterling returning to full convertibility if the sterling area is to maintain its cohesion. Economists will no doubt continue to debate the great issues involved in the progress of sterling towards a realisation of the ideals of convertibility and non-discrimination. All that is suggested here, is that these discussions will be more fruitful if made against a background of understanding of the genesis, nature and mechanism of the sterling area, which it has been the purpose of this article to explore.

(48) Imperial preference is not essential to the survival of the sterling area, though it may still play an important role in the economic relation of the Commonwealth countries. It is doubtful, for instance, if imperial preference benefits the colonial dependencies, except in respect of one or two commodities like sugar and tobacco from the West Indies. It might cause serious friction between Britain and the colonies if, for example, cheap Japanese textiles were prevented from entering colonial markets in the interests of the dearer Lancashire products.

APPENDIX I

STERLING AREA STERLING BALANCES AND GOLD AND DOLLAR RESERVES
ANALYSIS OF THE NET GOLD AND DOLLAR SURPLUS OR DEFICIT 1945-50

Year	U.K. Sterling Liabilities to Sterling Area Countries (Lst. millions) At Dec. 31	Inc. (+) or Dec (−) over period	Gold and Dollar Reserves (Lst. millions at prevailing exchange rate) At Dec. 31	Inc. (+) or Dec. (−) over period	Gold and Dollar Reserves (U.S. doll. millions) (a) At Dec. 31	Inc. (+) or Dec (−) over period	Gold and Dollar Loans and Grants (b) (U.S. dollar mill.)	Sterling Area Gold and Dollar Surplus (+) or Deficit (−) (a−b) (U.S. doll. mill.)	Of Which: U.K. Gold and Dollar Surplus (+ or Deficit (−) with Dollar Area (U.S. doll. mill.)	Of Which: Net Gold & Dollar Surplus (+) or Deficit (−) with Dollar Area (U.S. doll. mill.)	Of Which: Net Gold & Dollar Surplus (+) or Deficit (−) with Dollar Area (Lst. mill. at prevailing exch. rate)	Of Which: Net Gold and Dollar Receipts from (+) or payment to (−) Non-dollar Countries on whole Sterling Area Account (U.S. do mill.)
1945	2,454	—	610	—	2,476	—	—	—	—	—	—	—
1946	2,417	— 37	664	+ 54	2,696	+ 220	1,124	— 904	— 1,272	+ 64	+ 16	+ 304
1947	2,288	— 129	512	— 152	2,079	— 617	3,514	— 4,131	— 2,673	— 759	— 189	— 699
1948	2,361	+ 73	457	— 55	1,856	— 223	1,487	— 1,710	— 1,320	— 78	— 19	— 312
1949	2,352	— 9	603	+ 146 *	1,688	— 168	1,363	— 1,531	— 1,123	— 132	— 17	— 276
1950 (Jan-June)	2,570	+ 218	865 **	+ 262	2,422 **	+ 734	514	+ 220	— 130	+ 356	+ 127	— 6
1950 (July-Dec.)	2,734	+ 164	1,178	+ 313	3,300	+ 878	293	+ 585	+ 124***	+ 432***	+ 154***	+ 29***

(*) The increase of the sterling value of the gold and dollar reserves in 1949 is due to devaluation of the pound. (**) At June 30th. (***) Provisional.

Source: The Sterling Area, in « Planning » No. 331, July 23rd, 1951, published by Political and Economic Planning.

APPENDIX II

UNITED KINGDOM INVESTMENT IN STERLING AREA COUNTRIES AND GROSS INCOME THEREFROM

Country	Nominal Capital Values (£. millions)			Reduction (£. millions)	Percentage Reduction	% Reduction in Govt. & Munic. Loans	Interest and Dividend from all Securities (£. millions)		
	1939	1945	1948	1939–1945	1939–1945	1939–1945	1939	1945	1948
(1)	(2)			(3)	(4)	(5)	(6)		
Eire	18	18	20	nil	—	7.2	.8	.8	.9
Australia	522	429	397	93	17.8	18.3	22.3	19.7	17.3
New Zealand	144	107	66	37	25.7	26.8	5.7	4.5	3.1
India	379	82	60	297	78.5	98.0	18.5	7.7	5.7
Pakistan			9						.6
Burma	20	15	14	5	25.0	—	2.4	negligible	.5
Ceylon	27	25	26	2	7.4	23	1.8	2.2	2.4
Malaya	65	64	64	1	1.5	7.1	4.0	.6	3.8
South Africa	206	111	127	95	4.6	79.8	18.0	12.2	15.0
British West Africa	54	49	47	5	9.2	18.6	4.1	3.0	3.6
British East Africa	24	21	15	3	12.5	11.2	1.0	.9	1.3
British Central Africa	72	70	79	2	2.8	1.7	5.0	3.9	7.4
Egypt	11	4	(7)	7	63.7	95.5	.6	.3	(2.1)
Sudan	14	12	(11)	2	14.2	—	.9	1.0	(1.0)
Total Sterling Area (a) (+ = more than)	1,594+	1,040+	(b) 938+	544	34.7	44	87.3+	58.2+	(b) 63.1+
Sterling Area as % of all countries (+ = more than)	45,8	43,2	47,8	(c) 51,6			60.6+	54.4+	54.3+

a. Includes « other Commonwealth » and British West Indies: « Other » includes Newfoundland, a non-sterling area country.
b. Excludes Egypt and Sudan; by 1948 both countries no longer members of the sterling area.
c. Reduction on sterling area account as a percentage of reduction on account of all other countries (including unclassified).

Source: BANK OF ENGLAND, *U.K. Overseas Investments 1938 to 1948 (1950)*, Tables (1), (2), (3) and (22).

Notes

(i) Figures of investment are given in nominal values and may over-state the real indebtedness of sterling area countries to the United Kingdom, than if market values could be given.

(ii) The tables brings out the distribution between countries in the sterling area and the proportion of total British overseas investment in the area. It is clear that investment in the sterling area is more profitable than investment elsewhere. Thus in 1948, sterling area investments accounted for 47.8% of total investments but yielded 54.3% of total income from all foreign investments.

(iii) It should also be noted that the rise in sterling balances in London during the war would have been greater had there not been a reduction by £ 544 million in British investment. Column (5) shows that extent to which reduction in Government external debts was pursued as a deliberate policy by certain sterling area countries. Thus India, for example, eliminated practically the whole of her government external debt; Egypt and South Africa also show heavy reductions.

(iv) The decline in income from sterling area investments between 1939 and 1945 was an important contributory factor to that general decline in British invisible income which made the balance of payments position of this country so acute after the war.

STATISTICAL DATA ON THE ITALIAN ECONOMIC SITUATION

ITALIAN BUDGET SUMMARY - ASSESSMENTS AND OBLIGATIONS
(milliards of lire)

Table A

Financial year beginning 1st July	Assessed revenue					Engaged expenditure					Surplus or deficit		
	Current revenue			Movement of capital	Total	Current Expenditure			Movement of capital	Total	Current revenue and expenditure	Movement of capital	Total
	Recurrent	Non recurrent	Total			Recurrent	Non recurrent	Total					
1938–39	27	0.9	28	3	31	23	17	40	2.8	43	— 12	+ 0.2	— 11.8
1945–46	125	3	128	92	220	160	349	509	44	553	— 381	+ 48	— 333
1946–47	346	6	352	335	687	318	614	932	303	1,235	— 580	+ 31	— 549
1947–48	674	154	828	200	1,028	615	932	1,547	262	1,813	— 719	— 66	— 785
1948–49	919	96	1,015	45	1,060	796	723	1,519	98	1,617	— 504	— 53	— 557
1949–50	1,081	368	1,499	344	1,793	892	829	1,771	213	1,984	— 322	+ 131	— 191
1950–51	1,265	411	1,676	247	1,923	1,015	838	1,853	341	2,194	— 177	— 94	— 271

Source: Conto riassuntivo del Tesoro.

ITALIAN BUDGET SUMMARY - FINANCING OF CASH DEFICIT
(millions of lire)

Table B

	1946–47	1947–48	1948–49	1949–50	1950–51
Assessments and Obligations (a) - Deficit	— 549,000	— 784,764	— 556,705	— 191,768	— 270,707
Receipts and Payments (b) - Cash deficit	— 205,625	— 505,454	— 419,964	— 83,619	— 91,943
Financing of cash deficit:					
Treasury Bills	+ 39,918	+ 203,709	+ 262,564	— 24,530	+ 100,621
Advances of the Bank of Italy	+ 22,878	+ 107,509	— 2,884	+ 19,077	— 19,077
Interest bearing current accounts: *Cassa DD. PP.* and insurance instit. (c)	+ 43,806	+ 86,288	+ 223,443	+ 159,514	+ 123,237
Interest bearing current accounts: Banking institutions	— 1,566	+ 20,726	— 39,449	— 10,176	— 6,899
Floating debt - Total	+ 105,036	+ 418,232	+ 443,674	+ 143,885	+ 197,882
Other Treasury Debits and Credits (d)	+ 88,880	+ 41,301	— 67,773	+ 40,282	— 37,365
Changes in cash position	+ 11,709	+ 45,921	+ 44,063	— 100,548	— 68,574
Grand Total	+ 205,625	+ 505,454	+ 419,964	+ 83,619	+ 91,943

(a) Current revenue and expenditure and movements of capital. (b) Receipts and payments on year account and arrears; current revenue and expenditure and movements of capital. (c) For more than 90%, a/cs. with « *Cassa Depositi e Prestiti* » (*Cassa DD. PP.*) which collects the deposits of the Postal Savings Banks. (d) Debits and credits with government's agencies and other public bodies.

Source: Conto riassuntivo del Tesoro.

ITALIAN DOMESTIC PUBLIC DEBT
(milliards of lire - Index Numbers, 1938=100)

Table C

End of period	Consolidated and others		Redeemable debt		Floating debt					Treasury notes	Total of domestic public debt	
					Treasury bills	Interest bearing current accounts	Advances by the Bank of Italy	Total				
	Amount	I. N.	Amount	I. N.				Amount	I. N.		Amount	I. N.
1938 - June	53	100	49	100	9	20	1	30	100	1.5	133.5	100
1947 - »	53	100	429	875	279	188	366	833	2,777	6.9	1,321.9	990
1948 - »	53	100	419	855	483	295	473	1,251	4,170	7.1	1,730.1	1,296
1949 - »	53	100	392	800	744	479	470	1,693	5,643	8.4	2,146.4	1,608
1950 - » (a)	53	100	586	1,196	719	628	490	1,837	6,123	9.0	2,486.0	1,862
1951 - March	53	100	579	1,182	839	724	471	2,034	6,780	9.0	2,675.0	2,038
April	53	100	579	1,182	829	721	471	2,021	6,737	9.0	2,662.0	1,994
May	53	100	579	1,182	839	746	471	2,056	6,853	9.0	2,697.0	2,020
June	53	100	691	1,410	820	744	471	2,035	6,783	9.0	2,788.0	2,088

(a) Rectified.

Source: Conto riassuntivo del Tesoro.

Table D

DEPOSITS AND CURRENT ACCOUNTS IN ITALIAN ORDINARY BANKS AND POSTAL SAVINGS BANKS

End of period	Ordinary Banks (a)						Postal Savings Banks						Percent ratio to deposits and c/a of ordinary Banks
	Deposits		Current Accounts (b)		Total		Deposits		Current Accounts		Total		
	Milliards of lire	Index numbers	Milliards of lire	Index numbers	Milliards of lire	Index numbers	Milliards of lire	Index numbers	Milliards of lire	Index numbers	Milliards of lire	Index numbers	
1938	38	1	17	1	55	1	29	1	1.1	1	30	1	54.7
1945	240	6	166	9	406	7	92	3	13	12	105	3	25.8
1946	368	10	330	20	698	12	140	5	25	23	165	5	23.7
1947	528	14	485	28	1,014	18	199	6	33	30	232	8	22.9
1948	805	21	715	41	1,520	27	342	12	51	46	380	12	25.0
1949	1,016	27	933	55	1,949	35	522	18	135	122	657	22	33.7
1950	1,172	31	1,063	62	2,235	41	689	24	128	116	816	27	36.5
1951 January	1,172	31	1,083	64	2,255	41	701	24	132	120	833	28	36.9
February	1,174	31	1,083	64	2,257	41	708	24	124	113	832	28	36.9
March	1,180	31	1,091	64	2,271	41	715	25	137	124	852	28	37.5
April	1,182	31	1,089	64	2,271	41	720	25	135	123	855	28	37.6
May	1,189	31	1,097	65	2,286	41	727	25	139	126	866	29	37.9
June	1,188	31	1,090	64	2,278	41	731	25	152	138	883	29	38.8
July	1.215	32	1,145	67	2,359	43	736	25	158	144	895	30	37.9

(a) Public Law Credit Institutes, Banks of National Interest, Ordinary Credit Banks, People's Co-operative Banks, Savings Banks and Pledge Banks of 1st Category.
(b) Inter-bank current accounts are excluded.
Source: *Bollettino* of the Bank of Italy.

Table E

DEPOSITS, CURRENT ACCOUNTS AND ASSETS OF ITALIAN BANKS (a)
(millions of lire)

Items	New Series (b)						
	31.12.48	31.12.49	31.3.50	30.6.50	31.12.50	31.3.51	30.6.51
Amounts outstanding							
Deposits and current accounts	1,520,278	1,948,720	1,999,211	2,004,731	2,234,906	2,271,054	2,278,302
Cash and sums available at sight	169,048	228,140	186,540	182,352	221,621	178,859	171,502
Fixed deposits with the Treasury and other Institutions	177,748	265,898	309,131	263,729	280,417	275,475	281,552
Government Securities (c)	414,200	427,761	450,906	518,405	545,755	576,213	570,945 (e)
Credits to clients (d)	1,129,196	1,473,679	1,469,763	1,512,983	1,772,344	1,824,318	1,889,950
Index Numbers: 31-12-1948 = 100							
Deposits and current accounts	100	128.2	131.5	131.9	147.0	149.4	149.9
Cash and sums available at sight	100	134.9	110.3	107.9	131.0	105.8	101.5
Fixed deposits with the Treasury and other Institutions	100	149.4	173.9	148.4	157.7	155.0	158.4
Government Securities (c)	100	103.2	108.9	125.2	131.7	139.1	137.8
Credits to clients (d)	100	130.5	130.1	134.0	156,9	161.6	167.4
% of deposits and current a/cs							
Deposits and current accounts	—	—	—	—	—	—	—
Cash and sums available at sight	11.1	11.7	9.3	9.1	9.9	7.9	7.5
Fixed deposits with the Treasury and other Institutions	11.7	13.6	15.5	13.2	12.5	12.1	12.4
Government Securities (c)	27.2	21.9	22.6	25.9	24.4	25.4	25.1
Credits to clients (d)	74.2	75.6	73.5	75.5	79.3	80.3	82.9

(a) The data refer to 365 banks (commercial and savings banks) which hold about 99% of the total deposits collected by all Italian banks.
(b) The Bank of Italy has revised the quarterly series on banking assets, beginning from December 1948. For back figures (old series) see, *Recent Banking Developments in Italy*, this Review, No. 11, October-December 1949, pp. 230-231.
(c) Treasury bills and other Government securities. Nominal value.
(d) Includes: bills on hand (portafoglio), contango (riporti), advances (anticipazioni), current accounts (conti correnti), loans recoverable on salaries (prestiti su pegno e contro cessione stipendio), loans (mutui), current accounts with sections for special credits (conti correnti con le sezioni speciali), credits abroad (impieghi all'estero), non-Government securities (titoli non di Stato).
Source: *Bollettino* of the Bank of Italy.

Table F

NOTE CIRCULATION, PRICES, WAGES AND SHARE QUOTATIONS IN ITALY
(Indexes, 1938 = 100)

Year or month	Note Circulation (a)		Wholesale prices (c)		Cost of Living (c)	Wage rates in industry (c)	Share quotations (b)	Fine gold	
	Amount (b) (milliards of lire)	Index	All commodities	Foodstuffs				Price of one gram (lire) (d)	Index
1945 December	389.8	1,732	. .	. .	2,764	. .	517	823	3,165
1947 December	795.0	3,537	5,526	6,196	4,929	5,105	1,206	827	3,180
1948 December	970.9	4,316	5,696	5,969	4,917	5,415	1,416.9	995	3,827
1949 June	905.4	4,024	5,219	5,416	4,990	5,426	1,526.3	1,035	3,981
December	1,058.2	4,700	4,747	4,954	4,753	5,791	1,511.3	957	3,680
1950 June	994.2	4,419	4,671	5,069	4,823	5,811	1,428.8	775	2,981
December	1,176.4	5,228	5,424	5,567	5,009	5,962	1,589.1	919	3,535
1951 March	1,101.7	4,896	5,746	5,539	5,199	5,972	1,727.8	932	3,585
April	1,086.4	4,828	5,697	5,522	5,317	6,165	1,629.2	918	3,531
May	1,079.6	4,798	5,680	5,573	5,323	6,165	1,639.9	897	3,450
June	1,100.3	4,890	5,595	5,456	5,394	6,329	1,618.3	868	3,338
July	1,132.1	5,031	5,557	5,443	5,392	6,638	1,636.4	867	3,340
August	1,132.3	5,030	5,523	5,455	5,373	6,684	1,678.1	859	3,304

(a) End of year or month. Includes: Bank of Italy notes, Treasury notes, and A-M-lire; (b) *Bollettino* of the Bank of Italy; (c) *Bollettino Mensile di Statistica* issued by the Central Institute of Statistics; (d) Business Statistics Centre of Florence.

Table G

PRICES AND YIELDS OF ITALIAN SECURITIES BY MAIN CATEGORIES
(annual or monthly averages)

Year or month	Government Securities								Share Securities	
	Bonds				Treasury Bills		Average			
	Consolidated		Redeemable							
	Price (index number '38 = 100)	Yield (per cent per annum)	Price (index number '38 = 100)	Yield (per cent per annum)	Price (index number '38 = 100)	Yield (per cent per annum)	Price (index number '38 = 100)	Yield (per cent per annum)	Price (index number '38 = 100)	Yield (per cent per annum)
1938	100.0	5.40	100.0	5.37	100.0	5.07	100.0	5.33	100	5.17
1946	105.3	5.13	112.1	4.78	91.3	5.55	98.2	5.43	781.7	0.45
1947	94.4	5.72	98.1	5.59	73.7	6.88	86.5	6.16	2,235.8	0.64
1948	99.4	5.43	85.8	6.60	89.2	5.93	87.6	6.22	1,319.5	2.31
1949	105.9	5.10	96.1	5.89	94.6	5.59	96.0	5.68	1,567.7	3.97
1950	105.4	5.13	93.4	6.06	93.6	5.68	93.6	5.83	1,528.2	5.44
1951 March	102.5	5.27	87.6	6.46	85.9	6.16	88.0	6.19	1,727.8	6.16
April	101.3	5.33	86.8	6.52	85.6	6.18	87.6	6.22	1,629.2	6.66
May	101.1	5.34	86.5	6.54	86.2	6.14	87.6	6.22	1,639.9	6.79
June	101.5	5.32	87.3	6.48	87.1	6.07	88.6	6.15	1,618.3	7.12
July	101.5	5.32	88.3	6.41	88.0	6.01	89.6	6.08	1,636.4	7.14
August	102.1	5.29	90.0	6.29	90.0	5.88	91.4	5.96	1,678.1	6.96

Source: *Bollettino* of the Bank of Italy.

Table H

WHOLESALE PRICES BY GROUPS OF COMMODITIES
(Indexes, 1938 = 100)

Period	All Commodities	Foodstuffs		Textiles	Hides, Skins and Footwear	Raw materials, metal and engineering products	Fuels and lubricants	Chemical raw materials and products	Lumber	Paper goods	Bricks, Lime and Cement	Glass
		Vegetable	Animal									
1947 June	5,329	4,185	9,085	6,988	6,796	5,066	3,592	5,565	9,105	7,741	6,060	4,608
December	5,526	4,393	8,035	6,404	4,953	6,296	4,063	5,815	7,894	6,546	6,309	4,608
1948 June	5,142	4,177	7,085	6,172	4,557	5,851	4,342	5,810	5,560	5,893	6,174	4,889
December	5,696	5,278	7,678	5,996	5,316	5,712	4,432	5,814	5,164	5,571	5,988	4,889
1949 June	5,215	4,967	6,469	6,004	4,412	5,373	3,919	5,659	4,650	5,660	6,082	4,889
December	4,747	4,493	6,054	5,644	4,112	5,165	3,878	5,314	4.502	5,664	6,239	4,957
1950 June	4,671	4,754	5,780	5,539	3,580	4,695	3,631	5,183	4,320	5,648	6,048	4,928
December	5,424	4,892	7,254	7,343	5,503	6,285	4,106	5,497	6,497	5.807	6,071	4,928
1951 March	5,724	4,952	6,968	8,279	6,127	6,636	4,727	6,206	8,829	6,879	6,277	4,886
April	5,697	4,980	6,819	8,279	5,656	6,689	4,735	6,219	8,796	7,000	6,373	4,886
May	5,680	4,979	7,012	8,146	4,950	6,696	4,722	6,296	8,693	7,042	6,517	4,886
June	5,595	4,842	6,970	7,830	4,619	6,708	4,745	6,132	7,272	8,610	6,680	4,886
July	5,557	4,783	7,093	7,602	4,737	6,688	4,728	6,003	7,257	8,710	6,704	4,886
August	5,523	4,720	7,336	7,353	4,720	6,685	4,734	5,925	7,303	8,530	6,692	4,886

Source: Bollettino Mensile di Statistica.

WAGES AND SALARIES IN ITALY

(gross retributions - inclusive of family allowances)

(Indexes, 1938 = 100)

Table I

Categories	1948 Dec.	1949 Dec. (d)	1950 Dec.	1951 April	1951 May	1951 June	1951 July	1951 August
Industry:								
Specialized workers	4,497	4,590	5,239	5,436	5,436	5,590	5,827	5,870
Skilled workers	5,187	5,252	5,786	5,983	5,983	6,126	6,414	6,460
Ordinary workers and semi-skilled labourers	5,618	5,662	6,113	6,323	6,323	6,482	6,800	6,849
Labourers	6,134	6,163	6,536	6,742	6,742	6,940	7,300	7,365
General index of Industry	*5,415*	*5,471*	*5,962*	*6,165*	*6,165*	*6,329*	*6,638*	*6,684*
Land Transport	*5,299*	*5,679*	*5,811*	*5,989*	*5,989*	*6,218*	*6,505*	*6,589*
Government Civil Employees:								
Group A (a)	2,851	2,851	3,373	3,373	3,373	3,373	3,373	3,373
Group B (b)			3,424	3,424	3,424	3,424	3,424	3,424
Group C (c)	3,947	3,947	4,223	4,223	4,223	4,223	4,223	4,223
Subordinate staff	4,679	4,679	4,928	4,928	4,928	4,928	4,928	4,928
General Index of Government Civil Employees	*3,533*	*3,533*	*3,936*	*3,936*	*3,936*	*3,936*	*3,936*	*3,936*

(a) Administrative grade; (b) Executive grade; (c) Clerical grade; (d) The net remunerations have been reduced since April 1, 1949 as a consequence of the special deduction made for financing the « Fanfani Plan » for housing reconstruction (Act No. 43 of 28-2-1949).

Source: Bollettino Mensile di Statistica.

NATIONAL INDEX OF LIVING COST

(Indexes, 1938 = 100)

Table L

Year or month	All Items	Foodstuffs	Clothing	Heating and lighting	Housing	Miscellaneous
1947 - December	4,929	6,196	6,866	2,393	269	4,359
1948 - December	4,917	6,149	5,810	3,069	399	4,387
1949 - December	4,753	5,719	5,845	3,464	574	4,502
1950 - March	4,682	5,658	5,650	3,429	595	4,586
June	4,823	5,888	5,544	3,418	595	4,585
September	5,007	6,090	5,693	3,495	869	4,641
December	5,009	6,014	6,252	3,602	897	4,739
1951 - March	5,199	6,105	7,065	3,665	1,258	5,070
April	5,317	6,280	7,129	3,673	1,267	5,092
May	5,323	6,297	7,144	3,671	1,265	5,097
June	5,394	6,412	7,108	3,687	1,260	5,108
July	5,392	6,366	7,048	3,707	1,259	5,410
August	5,373	6,333	6,983	3,728	1,265	5,432

Source: Bollettino Mensile di Statistica.

ITALIAN INDUSTRIAL PRODUCTION INDEXES (a)

(unadjusted - monthly averages, 1938=100)

Table M

Year or month	General Index	Mining	Manufactures: Total	Food	Textiles	Lumber	Paper	Metallurgy	Engineering	Non metallic ores	Chemicals	Rubber	Electric Power
1949 - *Average*	105	90	101	111	96	58	91	85	115	96	105	115	136
1950 - *Average*	119	101	114	134	103	59	106	105	123	119	121	132	160
1950 - March	121	105	118	135	113	64	109	98	132	125	115	143	148
June	118	93	112	118	95	62	103	111	127	130	119	124	172
September	125	102	120	135	112	61	111	116	130	116	121	146	165
December	129	100	125	171	110	55	110	106	122	119	144	134	164
1951 - March	140	108	135	141	122	62	124	128	138	130	163	171	183
April	137	109	132	133	117	63	117	136	133	130	162	164	180
May	141	109	135	137	113	62	118	150	136	135	171	169	196
June	138	108	131	133	109	65	112	144	134	132	163	158	193
July	143	124	136	139	110	66	112	144	145	132	170	170	201

(a) On the problem of index numbers on Italian industrial production, see this Review, No. 16, January-March 1951: E. D'Elia, *A Note on the Index Numbers of Italian Industrial Production*, pag. 34; *National Income, Consumption and Investments in Italy*, pag. 3.

Source: Bollettino Mensile di Statistica.

Table N

CAPITAL, SHARE PRICES, AND DIVIDENDS OF ITALIAN COMPANIES QUOTED ON STOCK EXCHANGES (a)

	Companies	Face Capital at August 31, 1951 (thousands of lire)	Nominal value of shares at August 31, 1951 (lire)	Price of shares at August 31, 1951 (b) (lire)	1950 dividend (c) (lire)	Percentage of 1950 dividend on nominal value (d)	Percentage of 1950 dividend on price at August 31, 1951
	Financial and Insurance						
1	Assicurazioni Generali	6,000,000	3,000	6,340	200	10	3.15
2	Finsider	14,400,000	500	475	37,50	7.50	7.89
3	G.I.M. (Soc. Gen. Industrie Metallurgiche)	720,000	1,000	2,245	70	14	3.11
4	Industrie Agricole Ligure Lombarda	1,530,000	2,000	9,260 (Ge)	300	15	4.32
5	Soc. Ital. Strade Ferrate Meridionali	17,500,000	1,000	1,445	75	7.50	5.19
6	La Centrale	9,800,000	4,000	5,980	250	8.33	4.18
7	La Fondiaria Incendio	150,000	125	800	40	32	5 —
8	L'Assicuratrice Italiana	150,000	500	790 (Tr)	35	7	4.43
9	Soc. Naz. Sviluppo Imprese Industriali	3,000,000	500	638	35	7	6.27
10	Pirelli & C.	288,000	100	930	40	40	4.30
11	Riunione Adriatica di Sicurtà	2,880,000	1,500	1,725	75	6	4.35
12	S.T.E.T. (Soc. Torinese Esercizi Telefonici)	20,000,000	2,000	2,100	150	7.50	7.14
	Textile						
13	Châtillon	5,500,000	1,000	3,590	130	13	3.62
14	Cotonificio Cantoni	1,200,000	1,000	17,050	500	50	2.93
15	Cotonificio F.lli Dell'Acqua	563,500	500	87,000	—	—	—
16	Cotonificio Ligure	40,000	500	4,700 (Ge)	70	14	1.48
17	Cotonificio Valle Ticino	1,440,000	100	220	20	20	9.09
18	Cotonificio V. Olcese	2,000,000	1,000	4,020	250	25	6.22
19	Cucirini Cantoni Coats	2,000,000	1,000	7,720	300	30	3.89
20	De Angeli Frua	6,000,000	3,000	3,760	225	7.50	5.99
21	Filatura Cascami Seta	840,000	4,000	7,300	300	7.50	4.11
22	F.I.S.A.C. (Fabbr. Italiane Seterie e Affini)	630,000	200	424	30	15	7.07
23	Lanificio Feltrificio Scotti	60,000	40	52	—	—	—
24	Lanificio Gavardo	315,000	300	4,350	200	66.67	4.60
25	Lanificio Rossi	1,500,000	2,000	14,125	400	40	2.83
26	Lanificio Targetti	250,000	100	264	20	20	7.58
27	Linificio e Canapificio Nazionale	3,400,000	500	1,296	60	12	4.63
28	Manifattura di Lane di Borgosesia	1,500,000	4,000	13,210 (To)	600	60	4.54
29	Manifattura Rossari & Varzi	600,000	1,200	18,450	550	55	2.98
30	Manifattura Rotondi	330,000	5,000	16,700	700	23.33	4.19
31	Manifattura Tosi	200,000	1,250	4,650	300	24	6.45
32	Manifatture Cotoniere Meridionali	2,880,000	800	1,312	80	13.33	6.10
33	Snia Viscosa	21,000,000	1,200	2,660	225	18.75	8.46
34	Tessiture Seriche Bernasconi	640,000	400	305	20	5	6.56
35	Unione Manifatture	61,600	1,000	325,000	2,800	280	0.86
	Electrical						
36	Soc. Adriatica di Elettricità	28,000,000	1,000	875.50	60	6	8.00
37	C.I.E.L.I. (Comp. Impr. Elettriche Liguri)	16,000,000	2,000	1,903	110	5.50	5.78
38	Dinamo - Soc. Ital. Imprese Elettriche	5,000,000	2,000	1,925	120	6	6.23
39	Soc. Edison	75,000,000	2,000	1,841	120	6	6.52
40	Soc. Elettrica Bresciana	6,000,000	2,000	1,890	120	6	6.35
41	Soc. Elettrica della Campania	1,485,000	1,000	1,265	80	8	6.32
42	Soc. Elettrica Sarda	4,650,000	2,500	2,115	140	7	6.62
43	Soc. Elettrica Selt-Valdarno	12,000,000	3,000	3,130	240	8	7.67
44	Soc. Emiliana di Esercizi Elettrici	5,600,000	2,000	1,808	120	6	6.64
45	Esticino (già Soc. Elettr. Basso Milanese)	1,800,000	1,000	907	55	5.50	6.61
46	Soc. Gen. Elettr. della Sicilia	7,500,000	2,000	1,965	140	7	7.12
47	Soc. Gen. Pugliese di Elettricità	2,250,000	1,000	1,070	80	8	7.47
48	Soc. Idroelettrica Piemonte S.I.P.	37,309,999	1,200	1,078	84	8.40	7.79

(a) Of about 20,000 Italian Joint Stock Companies only 211 list their securities on the Exchanges. The Official list of the Milano Stock Exchange records quotations of 118 shares, of which only 80-90 are regarded as « active ».

(b) Official closing prices of the Milan Stock Exchange. For shares quoted on other Stock Exchanges the following indications are given: Fi=Florence; Ge=Genoa; Na=Naples; Ro=Rome; To=Turin; Tr=Trieste.

(c) 1950 business year.

(d) The nominal value to which the percentage refers, is that resulting at the end of 1950 business year and does not necessarily coincide with figure stated in column I (August 31, 1951), owing to the monetary revaluations of share face value carried out later by some companies.

Continued on page 174

Continued from page 173.

	Companies (a)	Face Capital at August 31, 1951 (thousands of lire)	Nominal value of shares at August 31, 1951 (lire)	Price of shares at August 31, 1951 (b) (lire)	1950 dividend (c) (lire)	Percentage of 1950 dividend on nominal value (d)	Percentage of 1950 dividend on price at August 31, 1951
49	Soc. Lucana Imprese Idroelettriche	480,000	1,000	1,255 (Na)	80	8	6.37
50	Soc. Meridionale di Elettricità	30,240,000	1,000	865	56	7	8.09
51	Officine Elettriche Genovesi	4,500,000	2,000	1,830 (Ge)	120	6	6.56
52	Orobia	10,000,000	1,000	930	57	5.70	6.45
53	Ovesticino	5,000,000	1,000	904	60	6	6.64
54	Piemonte Centrale di Elettricità	2,728,000	400	403 (To)	32	10.67	7.94
55	Soc. Romana di Elettricità	12,000,000	3,000	3,160	240	8	7.59
56	Unione Esercizi Elettrici	6,000,000	400	395	32	8	8.10
57	Vizzola Soc. Lombarda per distribuzione elettricità	15,960,000	2,000	2,080	160	8	7.69
	Communications, Water and Gas						
58	Soc. dell'Acqua Pia Antica Marcia	1,980,000	1,000	955 (Ro)	50	5	5.24
59	Acquedotto De Ferrari Galliera	1,575,000	350	728 (Ge)	24	6,86	3.30
60	Soc. per la Condotta di Acque Potabili	1,540,000	2,000	3,160 (To)	120	6	3.79
61	D. Tripcovich & C. - Soc. Navigazione Rimorchi e Salvataggi	225,000	2,000	7,270 (Tr)	350	17.50	4.81
62	Soc. Ferrovie Nord Milano	1,214,220	1,500	2,170	75	15	3.45
63	Ferrovie Torino Nord	700,000	100	86 (To)	5	5	5.81
64	Italcable - Serv. Cablografici Radiotelegrafici e Radioelettrici	4,200,000	3,000	2,905 (Ro)	180	9	6.20
65	Soc. Italiana Condotte d'Acqua	500,000	250	390 (Ro)	22.50	9	5.77
66	Soc. Italiana Gas	11,000,000	20	20	1.40	7	7.50
67	Soc. It. Strade Ferrate del Mediterraneo	774,333	1,500	2,770	75	5	2.71
68	Liquigas	1,550,000	200	971	50	25	5.15
69	Navigazione Alta Italia	375,000	2,000	10,650 (Ge)	450	22.50	4.22
70	Soc. Strade Ferrate Secondarie Meridionali	1,200,000	1,250	1,200 (Na)	75	6	6.25
71	Soc. Telefonica Tirrena	9,000,000	2.500	2,325	175	7	7.53
	Chemicals						
72	A.N.I.C. - Azienda Nazionale Idrogenazione Combustibili	7,200,000	100	191	12	12	6.28
73	Soc. Elettrica ed Elettrochimica del Caffaro	643,125	250	642	50	20	7.78
74	Mira Lanza	810,000	1,350	2,150	150	11.11	6.97
75	Monte Amiata - Soc. Mineraria	984,000	600	1,580	75	12.50	4.75
76	Montecatini - Soc. Gen. per l'Industria Mineraria e Chimica	48,000,000	600	854	72	12	8.43
77	Rumianca	3,000,000	50	46.75	4	8	8.56
78	S.A.F.F.A. Soc. Fabbr. Fiammiferi Affini	2,000,000	200	782	42	21	5.37
79	S.I.O. - Soc. Ind. Ossigeno ed altri Gas	300,000	200	575	40	20	6.95
80	Stabilimenti Chimici Farmaceutici Riuniti Schiapparelli	67,500	150	277 (To)	25	16.67	9.02
81	Stabilimento Minerario del Siele	494,208	300	1,360	60	20	4.41
82	Talco Grafite Val Chisone	600,000	3,000	10,500 (To)	600	20	5.71
	Minerals, Metals and Engineering						
83	Ansaldo	3,725,000	200	172	—	—	—
84	Cantieri Riuniti dell'Adriatico	200,000	100	220 (Tr)	—	—	—
85	Comp. Ital. Westinghouse Freni e Segnali	420,000	350	278 (To)	—	—	—
86	Dalmine	4,500,000	500	1,980	90	18	4.54
87	Ercole Marelli & C.	1,000,000	500	459	40	8	8.71
88	Edoardo Bianchi - Fabbrica Automobili e Velocipedi	1,344,000	100	105.50	8	8	7.58
89	F.I.A.T.	36,000,000	400	492	50	12.50	10.16
90	Franco Tosi	1,319,913	250	156	—	—	—
91	Ilva	7,500,000	200	171.50	14	7	8.16
92	Ernesto Breda - Soc. Ital. per Costruzioni Meccaniche	1,125,000	300	42	—	—	—
93	La Magona d'Italia	1,000,000	1,000	3,435	280	28	8.15
94	Soc. Metallurgica Italiana	900,000	1,000	2,720	150	15	5.51
95	Soc. Monteponi	2,400,000	500	1,653	75	30	4.54

(a) (b) (c) (d) See foot-notes on page 173.

Continued on page 175

Continued from page 174.

	Companies (a)	Face Capital at August 31, 1951 (thousands of lire)	Nominal value of shares at August 31, 1951 (lire)	Price of shares at August 31, 1951 (b) (lire)	1950 dividend (c) (lire)	Percentage of 1950 dividend on nominal value (d)	Percentage of 1950 dividend on price at August 31, 1951
96	Soc. Naz. delle Officine di Savigliano	1,000,000	500	84	—	—	—
97	Soc. Nebiolo	1,680,000	80	42.50	—	—	—
98	Officine Elettroferroviarie Tallero	675,000	150	150	15	10	10
99	Officine Moncenisio - già Anon. Bauchiero	525,000	1,250	780 (To)	100	10	12.82
100	Pignone	1,000,000	500	500	—	—	—
101	Reggiane - Officine Meccaniche Italiane	2,000,000	50	11.25	—	—	—
102	S. Giorgio - Società Industriale	3,000,000	1,000	3 (Ge)	—	—	—
103	Tecnomasio Brown Boveri	800,000	500	863	70	14	8.11
104	Terni - Soc. per l'Industria e l'Elettricità	10,500,000	200	205	12	6	5.85
105	Whitehead Moto-Fides - Stabilimenti Meccanici Riuniti	400,000	200	157	—	—	—
	Foodstuffs						
106	Distillerie Italiane	1,467,000	750	2,305	110	14.67	4.77
107	Eridania - Zuccherifici Nazionali	3,300,000	2,750	12,820	550	20	4.29
108	Soc. Ital. per l'Industria degli Zuccheri	2,700,000	1,500	5,510 (Ge)	785	53	4.75
109	Soc. di Macinazione Molini Certosa	24,000	75	1,050	—	—	—
110	Esercizio Molini (già Molini Alta Italia)	502,000	1,000	1,055	70	7	6.63
111	Molini Antonio Biondi	60,000	200	532 (Fi)	—	—	—
112	Molini e Pastificio Pantanella	400,000	100	245 (Ro)	15	15	6.12
113	Motta - Soc. per l'Industria Dolciaria e Alimentare	500,000	2,000	1,500	90	4.50	6.—
114	Romana Zucchero	480,000	300	770	20	6.67	2.60
115	Esercizio Molini (già Semoleria Italiana)	502,000	1,000	1,085	70	7	6.45
116	Venchi Unica - Soc. Prod. Dolciari e Affini	468,720	50	59.50 (To)	—	—	—
117	Zuccherificio di Sermide	250,000	1,000	4,930 (Ge)	200	20	4.05
118	Zuccherificio del Volano	315,600	750	2,370 (Ge)	105	14	4.43
	Agricultural and Real Estate						
119	Soc. Bonifica Terreni Ferraresi	1,000,000	500	602	35	7	5.81
120	Compagnia Italiana Grandi Alberghi	3,000,000	1,000	1,474	100	10	6.78
121	Eternit - Pietra Artificiale	892,500	100	197	15	15	7.61
122	Fondi Rustici - Soc. Agricola Industriale	680,000	800	1,145	80	8	6.98
123	Soc. A. Garboli	300,000	500	590 (Ro)	20	4	3.38
124	Soc. Generale Immobiliare	6,867,500	250	297	23	9.20	7.74
125	Istituto Romano Beni Stabili	4,098,300	3,000	3,950	150	6	3.80
126	Italcementi - Fabbriche Riunite Cementi	4,000,000	1,000	6,450	300	30	3.10
127	La Milano Centrale	562,500	1,500	4,285	75	5	1.75
128	Soc. per il Risanamento di Napoli	1,269,000	1,350	3,300 Ro)	95	7.30	2.88
129	Silos di Genova - Magazzini Gener. Sbarchi ed Imbarchi di Cereali e Semi	720,000	4,000	8,300	250	125	3.01
	Sundry						
130	Cartiera Italiana	500,000	1,000	2,010 (To)	100	10	4.97
131	Cartiere Burgo	4,800,000	2,000	240	240	24	5.02
132	Soc. Ceramica Richard-Ginori	810,000	250	985	50	20	5.07
133	Concerie Italiane Riunite - C.I.R.	400,000	500	1,500 (To)	80	16	5.33
134	Industria Naz. Cavi Elettrici	600,000	100	118 (To)	8	8	6.77
135	Soc. Ital. dei Forni Elettrici e dell'Elettrocarbonium	14,000	175	7,400 (Ro)	90	51.43	1.21
136	La Rinascente - Soc. per l'Esercizio di Grandi Magazzini	1,000,000	25	38.75	2	8	5.16
137	Soc. del Linoleum	580,000	100	159	14	14	8.80
138	Manifattura Italiana C. Pacchetti	200,000	200	384	30	15	7.81
139	Pirelli S.p.A.	14,400,000	600	945	70	14	7.41

(a) (b) (c) (d) See foot-notes on page 174.