

The Italian Budget: 1938-1952

by

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For a proper appraisal of the following data, some preliminary explanations of the technical terms may be useful (*). First of all, we refer to the distinction between (a) the so-called « *bilancio di competenza* » (assessed revenue and pledged expenditure) and the so-called « *bilancio di cassa* » (actual cash receipts and payments), and (b) « *effective* » revenue and expenditure, and revenue and expenditure resulting from « *capital movement* ».

(a) While in Great Britain and the United States the accounting system shows cash movements, the method used in Italy is that of a budget which registers all the sums the Government has acquired the right to collect or incurred the obligation to pay during a fiscal year (*bilancio di competenza*) quite independently from the actual cash movements relating to collections and disbursements. The actual cash incomings and outgoings during the twelve months are recorded in the « *bilancio di cassa* ». All assessments for a given financial year not collected during that year give rise to the formation of « credit arrears », while obligations not paid become « debit arrears ». Both credit and debit arrears may be collected or settled during a subsequent fiscal year.

(b) Both revenue and expenditures fall into two large groups: (i) « *effective* » revenue and expenditures and (ii) revenue arising from and expenditures effected by means of « *capital movement* ».

The expression « *effective* » is used for those revenues and expenditures that determine a respective improvement or deterioration of the Government's financial situation. Thus, for example, the yield of taxation, payments received for public services, and income from the national estate, etc. are entered under the heading of « *effective* » receipts. Interest on the State debt, salaries, wages, and pensions paid to dependents of the Government, costs incurred for the production of services and, in short, all sums appropriated in order to assure the proper functioning of the Government machine and to satisfy public needs are listed as « *effective* » expenditures.

Revenue arising from and expenditures effected by means of « *capital movement* » would, on the other

hand, bring about not a variation, but only a transformation of the factors affecting the Government's financial situation. They include: (i) on the credit side, the issue of loans, the recovery of credits granted by the Government in past years, the alienation of national property, etc.; (ii) on the debit side, the repayments of national debt, the grant of loans to persons or bodies other than those belonging to the Government Administration, the purchase of property, industrial plants and securities, the acquisition of share holdings, etc.

(c) We have stated that the heading « *capital movement* » covers the issue of loans; but, in a further qualification, it is necessary define that it includes only funded and redeemable debts, leaving out of account the floating debt. This should be borne in mind when estimating the drain on liquid resources of the money and capital market, which occurs through the creation by the Treasury both of floating and non-floating debt.

The exclusion of the floating debt from the « *movement of capital* » accounts will be clear when we remember the functional differences between the floating debt on the one hand and the redeemable and funded debt on the other. The former is intended to meet temporary cash needs of the Treasury within the same fiscal year; the latter (except for the rather infrequent case of capital investments made by the Government) should supplement the « *effective* » receipts and expenditure », providing the financial resources needed for covering « *effective* » expenditures when « *effective* » receipts are found to be insufficient and affording the means for investing the surplus when the contrary is the case.

This substantially complementary character of the two groups (effective revenue and expenditure, and movement of capital) has however been gradually disappearing and it has become mainly a task of the Treasury (*i.e.* of the floating debt) to cover the deficits occurred in the field of « *effective* » revenue and expenditure. In some fiscal years both the « *effective* » revenue and expenditure and the « *movement of capital* » accounts closed with a deficit; and both the deficits were covered by the floating debt.

The Italian Government has recently published the final results of the fiscal years running

from 1944-45 to 1950-51 (1). So it is now possible to bring together in a uniform series the data for the pre-war and post-war period. This not only allows of interesting comparisons, but enables us to place in a proper background the examination of the more recent developments and prospects of Italian public finance. We have added the data for the fiscal years 1913-14, 1924-25 and 1928-29 to the more recent ones, for they show a situation nearer to normal than that of 1938-39. We also give the provisional results for 1951-52 and the estimates for 1952-53.

The « *bilancio di competenza* »: the revenue.

1. — The fourteen fiscal years from 1938-39 to 1951-52 all closed with a deficit as far as « *ef-*

with a deficit only for the three years 1947-48, 1948-49 and 1950-51; a deficit of 69 billion lire is also foreseen for the 1952-53. On the whole, in spite of the surpluses obtained in this field, total expenditure (effective and for movement of capital) constantly exceeded, over the whole period, total receipts. Expressed in current lire the series of « *effective* » deficits shows an unbroken, even if irregular, growth over the ten years from 1938-39 to 1947-48. Einaudi's stabilisation policy allowed of a change of trend as from 1948-49; but the goal of a balanced budget to which an approach had been made in 1949-50 and 1950-51 again retreated in the following fiscal year as a result of the situation following on the Korean war and of the rearmament policies. The deficit estimated for 1952-53 stands at 428 billion lire (Table I) (2).

TABLE I

ITALIAN BUDGET SUMMARY: ASSESSMENTS AND OBLIGATIONS IN MILLIONS OF CURRENT LIRE

Fiscal year	« <i>Effective</i> », assessments and obligations			Movement of capital			T o t a l		
	Revenue	Expenditure	Surplus (+) or deficit (—)	Revenue	Expenditure	Surplus (+) or deficit (—)	Revenue	Expenditure	Surplus (+) or deficit (—)
1913-14	2,265	2,501	— 236	516	321	+ 195	2,781	2,822	— 41
1924-25	18,293	16,852	+ 1,441	6,488	1,907	+ 4,581	24,781	18,759	+ 6,022
1928-29	20,186	19,646	+ 540	832	1,196	— 364	21,018	20,842	+ 176
1938-39	27,576	39,853	— 12,277	3,016	2,774	+ 242	30,592	42,627	— 12,035
1939-40	32,350	60,389	— 28,039	30,285	9,166	+ 21,119	62,635	69,555	— 6,920
1940-41	34,234	98,223	— 63,989	21,614	7,136	+ 14,478	55,848	105,659	— 49,811
1941-42	41,224	118,570	— 77,346	49,797	4,171	+ 45,626	91,021	122,741	— 31,720
1942-43	50,376	135,161	— 84,785	53,770	24,667	+ 29,103	104,146	159,828	— 55,682
1943-44	47,236	222,794	— 175,558	13,200	10,252	+ 2,948	60,436	233,049	— 172,613
1944-45	64,635	311,265	— 246,630	42,964	7,641	+ 35,323	107,599	318,906	— 211,307
1945-46	160,180	564,204	— 404,024	98,407	52,899	+ 45,508	258,587	617,103	— 358,516
1946-47	382,387	910,099	— 527,712	338,150	298,824	+ 39,326	720,537	1,208,923	— 488,386
1947-48	850,876	1,696,599	— 845,723	140,634	211,964	— 71,330	991,510	1,908,563	— 917,053
1948-49	1,140,554	1,635,907	— 495,353	44,039	100,952	— 56,913	1,184,593	1,736,859	— 552,266
1949-50	1,418,575	1,714,202	— 295,627	341,518	230,740	+ 110,778	1,760,093	1,944,942	— 184,849
1950-51 (a)	1,672,555	1,935,012	— 262,457	270,344	321,047	— 50,703	1,942,899	2,256,058	— 313,160
1951-52 (b)	1,719,672	2,205,792	— 486,120	336,878	274,058	+ 62,819	2,056,550	2,479,850	— 423,300
1952-53 (c)	1,703,831	2,132,020	— 428,189	40,780	109,123	— 68,343	1,744,311	2,241,143	— 496,832

(a) Figures given in the « *Relazione generale sulla situazione economica del Paese* » submitted to Parliament by the Minister of the Treasury, Hon. G. Pella, on March 31, 1952, p. 129.

(b) *Conto riassuntivo del Tesoro*, June, 1952.

(c) Estimates.

fective » revenue and expenditure are concerned. The « *movement of capital* » accounts closed

The picture undergoes a marked change if revenue and expenditure are converted

(*) For a general picture of the structure of the Italian State Budget, see the article *Italy's State Budget, 1945-48*, by G.E.M., in this Review, No. 8, January-March 1949, pag. 49 ff.

(1) The data for 1948-49, 1949-50 and 1950-51 are still liable to variations, but probably of minor importance.

(2) In comparing the estimates for 1952-53 with the results of the previous fiscal years, account should be taken of the

from current lire into lire of like purchasing power (3) (Table II). The deficit for the fiscal

the equalised series to the impressive figure of 621.2 billion lire. In the first two fiscal

TABLE II

ITALIAN BUDGET SUMMARY: ASSESSMENTS AND OBLIGATIONS IN MILLIONS OF 1950-51 LIRE

Fiscal Year	Revaluation coefficients (a)	« Effective » assessments and obligations			Movement of capital			Total		
		Revenue	Expenditure	Surplus (+) or deficit (-)	Revenue	Expenditure	Surplus (+) or deficit (-)	Revenue	Expenditure	Surplus (+) or deficit (-)
1913-14	239.86	543,283	599,890	- 56,607	123,767	76,995	+ 46,772	667,050	676,885	- 9,835
1924-25	46.04	842,210	775,866	+ 66,344	298,707	87,798	+ 210,909	1,140,917	863,664	+ 277,253
1928-29	50.60	1,021,412	994,088	+ 27,324	42,099	60,518	- 18,419	1,063,511	1,054,606	+ 8,905
1938-39	50.60	1,395,346	2,016,562	- 621,216	152,610	140,364	+ 12,246	1,547,956	2,156,926	- 608,970
1939-40	45.77	1,480,659	2,764,004	-1,283,345	1,386,144	419,528	+ 966,616	2,866,803	3,183,532	- 316,729
1940-41	39.78	1,361,828	3,907,311	-2,545,483	859,805	295,804	+ 564,001	2,221,633	4,203,115	-1,981,482
1941-42	34.96	1,441,191	4,145,207	-2,704,016	1,740,903	145,818	+ 1,595,085	3,182,094	4,291,025	-1,108,931
1942-43	25.41	1,280,054	3,434,441	-2,154,387	1,366,296	626,788	+ 739,508	2,646,350	4,061,229	-1,414,879
1943-44	8.10	382,612	1,804,631	-1,422,019	106,920	83,041	- 23,879	489,532	1,887,672	-1,398,140
1944-45	3.19	206,186	992,935	- 786,749	137,055	24,375	+ 112,680	343,241	1,017,310	- 674,069
1945-46	2.04	326,767	1,150,976	- 824,209	200,750	107,914	+ 92,836	527,517	1,258,890	- 731,373
1946-47	1.34	512,399	1,219,533	- 707,134	433,121	400,424	+ 52,697	965,520	1,619,957	- 654,437
1947-48	1.00	850,876	1,696,599	- 845,723	140,634	211,964	- 71,330	991,510	1,908,563	- 917,053
1948-49	1.00	1,140,554	1,635,907	- 495,353	44,039	100,952	- 56,913	1,184,593	1,736,859	- 552,266
1949-50	1.00	1,418,575	1,714,202	- 295,627	321,518	230,740	+ 110,778	1,760,093	1,944,942	- 184,849
1950-51	1.00	1,672,555	1,935,012	- 262,457	270,344	321,047	- 50,703	1,942,809	2,256,059	- 313,160
1951-52	1.00	1,719,672	2,205,792	- 486,120	336,878	274,058	+ 62,819	2,056,550	2,479,850	- 423,300
1952-53	1.00	1,703,831	2,132,020	- 428,189	40,780	109,123	- 68,643	1,744,311	2,241,143	- 496,832

(a) Very small coefficients of revaluation would have had to be used for the financial years 1947-48 onwards. We have preferred to leave the original figures unaltered, as this has the advantage of enabling us to discuss figures that are given in the accountancy documents for the Budget.

year 1938-39, which in current lire seems a very moderate one (12,277 millions), rises in

years of the war period, the deficit rises in geometric ratio; there is a further small increase in the third; but it declines very rapidly in the last three war years. After a moderate

discrepancies occurred in all the financial years between estimates and actual assessments, as shown in the following table:

« EFFECTIVE » REVENUE AND EXPENDITURE: COMPARISON BETWEEN ORIGINAL ESTIMATES AND ACTUAL RESULTS (millions of current lire)

Fiscal Year	« Effective » revenue			« Effective » expenditure			« Effective » deficit		
	Original estimates	Actual assessments	Differences	Original estimates	Actual obligations	Differences	According to original estimates	According to actual assessments and obligations	Differences
1945-46	29.909	160.180	+ 140.271	113.593	519.219	+ 405.266	83.684	359.039	+ 275.355
1946-47	148.055	382.387	+ 234.332	341.014	893.068	+ 552.054	192.959	510.681	+ 317.722
1947-48	520.560	850.876	+ 330.316	831.775	1,690.972	+ 859.197	311.215	840.096	+ 528.881
1948-49	800.752	1,140.554	+ 339.802	1,251.756	1,635.907	+ 384.151	451.004	495.353	+ 44.349
1949-50	1,222.783	1,418.575	+ 195.792	1,396.914	1,714.202	+ 317.288	174.131	295.627	+ 121.496
1950-51	1,227.000	1,672.555	+ 445.555	1,396.984	1,935.012	+ 538.028	169.984	262.457	+ 92.473
1951-52	1,454.771	1,719.672	+ 264.901	1,813.773	2,205.792	+ 382.019	369.002	486.120	+ 117.118

As can be seen, the estimated deficit for 1952-53 (428 billion lire) is less than the actual, but higher than the estimated deficit for 1951-52.

(3) Current lire have been converted into lire of like pur-

chasing power on the basis of wholesale price and cost of living index numbers of the two calendar years in which the fiscal year fell.

rise in the first postwar fiscal year (1945-46), the deficit again falls in 1946-47; but it swells to an alarming extent in 1947-48 when the inflationary spurt touched its climax. As already stated, a movement for the recovery of the budget started as from 1948-49 and continued until the fiscal year 1950-51; but it was followed by a further increase of the deficit in 1951-52.

2. — In the fourteen fiscal years from 1938-39 to 1951-52, the « effective » expenditure pledged by the Italian Government has totalled 30,625 billion present-day lire, the average being 2,187 billion per annum, of which less than half (15,190 billion) have been covered by « effective » receipts.

The difference (15,435 billion) has been covered: (a) in part by the surpluses secured in « movement of capital » accounts, *i.e.* substantially by the creation of funded and redeemable debts; (b) in part by the issue of Treasury Bills and other forms of floating debt; (c) and in part by increasing the volume of debit arrears.

Now, on June 30, 1952, the domestic national debt (funded, redeemable, and floating) had risen by 2,943.5 billion current lire as compared to June 30, 1938 (4). On the other hand, net debit arrears had increased by 1,352.8 billion (5). The difference between the total of these figures and that above stated of lire 15,435 billion (6), equivalent to 11,138.7 billion, shows approximately the extent to which inflation has « lightened » public finance, to the loss of the Government's creditors. And it should be borne in mind that the figure of 11,138.7 billion lire refers only to the debts incurred by the Government since the 30th of June 1938. It takes no account of the national debt and arrears already existing at that date and practically annihilated by war and post-war inflation. In any case, even if we limit ourselves to developments subsequent to 1938, one can clearly see what a formidable tax has been levied by inflation on the Government's

(4) Total national domestic debt on 30th June, 1938: 144.5 billion lire; on 30th June, 1952: 3,077 billion.

(5) Net debit arrears on 30th June, 1938: 7,696 million lire; on 30th June, 1952: 1,360,448 million.

(6) Budget deficit for the period 1938-39/1951-52, calculated in present-day lire, as far as the effective receipts and expenditures are concerned.

creditors, consisting for the most part of the scattered and anonymous mass of small savers.

3. — As is shown by Table I, government receipts, which in 1913-14 stood at 2,265 million lire — equal to 543.3 billion present-day lire — had risen in 1938-39 to 27,576 million current lire, equivalent to 1,395.3 billion present-day lire. In a period of 25 years, receipts expressed in lire with a like purchasing power had therefore risen about 2.5 times, the annual rate of increase being 3.7/8%. Taken as a whole, the increase seems to have occurred at a fairly regular rate, in spite of the vicissitudes occurred during the period. But, owing to a variety of historical and long-run economic factors, the development of national income in Italy has always been slow and laborious; therefore a 4% growth in government receipts could only be obtained by an over-rapid increase of the fiscal burden, which is in danger of exceeding the taxable capacity of the country and of hampering its economic progress.

As can be seen by Table III, « effective » revenue which, on the eve of the first world war,

TABLE III
PERCENTAGE OF « EFFECTIVE » REVENUE TO NATIONAL INCOME

Fiscal year	National income at factor cost (a) (milliards of current lire)	« Effective » revenue			
		« effective » revenue - Total		of which revenue from taxation (b)	
		milliards of current lire	% to national income	milliards of current lire	% to national income
1913-14	19.00	2.26	11.90	1.96	10.32
1938-39	117.54	27.57	23.46	23.40	19.91
1947-48	5,134.00	850.87	15.41	709.21	13.81
1948-49	5,882.00	1,140.55	19.38	977.37	16.78
1949-50	6,101.00	1,428.57	23.24	1,106.13	18.13
1950-51	6,566.00	1,672.55	25.47	1,248.69	19.01
1951-52	7,423.00	1,719.67	23.10	1,445.56	19.47

(a) The figures for national income refer to the calendar years in which the several fiscal years begin.

(b) Central government tax receipts only. Therefore the taxes levied by local government bodies (provinces, communes, etc.) and the social charges are excluded.

accounted for a little less than 12% of the national income at factor cost, accounted for almost 23.5% on the eve of World War II; likewise the share of « effective » receipts derived from taxation had risen from a little more

than 10% to nearly 20% of the national income (7). In 1938 the taxable capacity of Italy was already availed of to a point that excluded the possibility of further considerable increase. Indeed, when the war broke out, the inability of the country to make a greater financial effort became obvious. Receipts registered indeed nominal increases; but if we set aside the first fiscal year, 1939-40, the nominal increases were matched by a decline in real terms (Table II).

During the last period of the war, government receipts expressed in real terms shrunk, as a result of the complete breakdown of government administrative apparatus, to a much more considerable extent than the national income. The weight of the fiscal burden was therefore lightened. But, as normal conditions gradually returned, the yield of taxation began once more to rise. In the fiscal year 1950-51 the percentage ratio of « effective » receipts to national income had already exceeded the level of 1938-39 (25.47% as against 23.46%) while the ratio of « receipts from taxation » to national income had almost returned to the former level (19.01% as against 19.91%).

The ratio between « effective » receipts and national income fell during 1950-51 so that it stood slightly below the level recorded for the last pre-war fiscal year (23.10% instead of 23.46%). This reduction is, however, due to the smaller amount of the « E.R.P. Funds » (133,672 million lire as against 301,939 million in the previous fiscal year). On the other hand, tax receipts grew at the same rate as the national income, indeed a little more, as they absorbed 19.47% of it, as against 19.01% in the previous year, and 19.91% in 1938-39. The burden of central government taxation has therefore attained the level of the last pre-war fiscal year, a level so high that it should be considered beyond the capacity of a fundamentally poor and overpopulated country like Italy.

Nor should it be forgotten that, if we take into consideration not only the central government taxation — as in Table III — but also the taxes levied by local authorities (provinces, communes, Chambers of Com-

(7) Effective receipts from other sources than taxation consist for the most part of the income obtained from government properties. In these post-war years, however, they have been fed, above all, by International Aid.

merce, etc.) and the social charges (8), then the ratio between « receipts from taxation » in this wider sense and the national income largely exceeds the 1938 level. In fact, the last two groups account for so large a share of the total Italian fiscal burden that if they be disregarded, the results obtained are entirely misleading. For 1952-53 the yield of local taxes and social charges has been calculated at 900 billion lire, being no less than 52.8% of the « effective » receipts collected by the central government in that same year. The Minister of the Treasury, Hon. G. Pella, in a Report to the Chamber of Deputies in January 1952, calculated the ratio between receipts from taxation (inclusive of those levied by local authorities and social charges) and national income at 29% (9).

Naturally the growth of current budget receipts, which proceeded with increasing velocity in the first post-war years, slackened as the limits of the taxable capacity of the country were being approached. And, as can be seen from Table IV, the decline in the rate of in-

TABLE IV
TREND OF « EFFECTIVE » REVENUE

Fiscal Year	Index numbers (1944-45 = 100)	Revenue in each fiscal year as compared to the previous one, Percentage changes
1945-46	160	+ 60
1946-47	250	+ 57
1947-48	412	+ 66
1948-49	553	+ 34
1949-50	688	+ 24
1950-51	811	+ 18
1951-52	834	+ 2.8

crease has been particularly marked in 1951-52 (2.8% against 18% in 1950-51). This shrinkage in the rate of expansion, as already mentioned, is however largely accounted for by the item « international aid ». The « ERP funds » which were entered in the budget receipts for

(8) The social charges have increased in a very marked degree, rising from 3,240 million lire in 1938 to 454,805 million in 1950, i.e. a 140 fold increase.

(9) Nota Preliminare al Bilancio di Previsione per l'Esercizio Finanziario dal 1° luglio 1952 al 30 giugno 1953, Camera dei Deputati, Atti Parlamentari, Documenti, Disegni di Legge e Relazioni, Doc. XIII, pag. 20.

1950-51 for no less a sum than 301.9 billion lire, equal to 18.05% of total « effective » receipts, fell in 1951-52 to 133.67 billion, barely 7.77% of the total (Table V).

As international aid is reduced, the pledged expenditure has to be met in an ever larger measure by tax revenue. Indeed, « revenue from other sources than taxation » will only make a very modest contribution, when international aid is excluded, to total receipts. The revenue from taxation in 1946-47 — i.e. in an exceptionally bad year — barely covered 35.4% of expenditure, a very small percentage when compared to such relatively normal years as 1924-25 and 1928-29 (respectively 90.2% and 94.9%). Since 1946-47 there has been a considerable improvement. The percentage of expenditure covered by receipts from taxation rose from 41.8% in 1947-48, to 59.7% in 1948-49 and 64.6% in 1949-50. This improvement had been obtained at first more especially by higher receipts, and later on by the stabilization of expenditures. But 1950-51 witnessed a further rise in expenditure, and the rate of cover has therefore shown no improvement, although receipts from taxation marked a further rise, amounting to almost 13%.

The new phase of Italian public finance which opened in the fiscal year 1950-51 presents very serious prospects because expenditure has begun once more to rise with unexpected speed, while tax receipts are inevitably entering on a period of relative stability. By and large, their growth will tend to remain within the limits of the percentage expansion of national income. This means that it will not be possible to try to cover the deficit by raising receipts; the only way will be a more severe policy of expenditure. We therefore fully endorse the warning given by the Minister of the Treasury, Giuseppe Pella, to Parliament and to the country at large when in his financial statement on April 23, 1952 he stated that « the deficit is always a latent threat of inflation, and that if inflationary reactions are to be avoided its cover will entail the drain of cash resources of which private enterprise will thus be deprived ». We would venture to add to this warning the hope that both Government and Parliament will realise the dangers

involved in the growth of public expenditure, and will have the courage to reverse the engine before it is too late.

There can be no doubt that in a country like Italy, even the most orthodox exponents of liberal economy may consider justifiable not only an expenditure of 2,200 billion present-day lire but even a much larger sum. Ever since she attained her political unity, the need has been felt of large public investments as necessary pre-requisites for strengthening her economic structure and expanding real income. But ever since then, public expenditure has been checked by the low level of income which limits the taxable capacity and the possibility of capital accumulation. This explains the exasperatingly slow rate at which Italian economy has developed in the 90 and more years of national unity. And to the extent to which this explanation is valid, it acquits the governments that have followed one another in office from the charge of failing to lead the country wisely along the path of economic progress.

Again today, the problem that should be always present to the mind of all Italian politicians who are able to realise the implications involved in the massive inflation of government expenditures, should be that of ascertaining whether the appropriations entered in the Budget of 1952-53 are for purposes which can really be considered as justifiable and essential, when the « realities » of the present Italian economic situation are taken into due consideration. These « realities » are the impossibility of covering such a volume of expenditure by current receipts; the consequent need of borrowing in the money and capital market thus draining off a share of the already scanty resources available for private enterprises; the possibility, not to be excluded *a priori*, of a drop in confidence on the part of investors in government securities which would again compel the Treasury to have open or concealed recourse to the printing press; the tragic consequences of a policy which would attempt to cover such a volume of expenditure by raising the tax level to a limit quite disproportionate to the tax and saving capacity of the country; finally, the huge volume of debit arrears (of

«EFFECTIVE» REVENUE BY MAIN CATEGORIES

TABLE V

	1913 1914	1924 1925	1928 1929	1938 1939	1946 1947	1947 1948	1948 1949	1949 1950	1950 1951	1951 1952
A) Millions of current lire.										
1 - Revenue from taxation:										
a) Direct taxes	560	5,569	5,308	6,813	64,507	165,254	198,152	202,648	230,256	229,894
b) Turnover tax	338	3,239	3,325	6,089	141,756	268,604	366,946	398,737	458,321	524,361
c) Custom duties and taxes on consumption	625	4,485	5,783	6,380	42,403	141,761	206,052	256,054	286,460	339,554
d) Monopolies	335	2,276	2,787	3,580	65,337	115,806	178,767	211,533	227,047	254,108
e) Lotteries	107	429	525	544	4,148	7,241	12,174	18,152	25,205	29,391
f) Other taxes	—	—	—	—	4,120	10,550	15,283	19,008	21,400	68,260
Total	1,965	15,998	17,725	23,406	322,271	709,216	977,374	1,106,132	1,248,689	1,445,568
2 - Other effective revenue (ex- clusive of International Aids)	300	2,295	2,461	4,170	60,116	88,214	54,123	95,461	121,927	140,432
Effective revenue - Total (exclusive of Internatio- nal Aids)	2,265	18,293	20,186	27,576	382,387	797,430	1,031,497	1,201,593	1,370,616	1,586,000
3 - International Aid:										
a) E.R.P. Funds	—	—	—	—	—	—	109,057	196,982	301,939	133,672
b) A.U.S.A. Funds	—	—	—	—	—	25,446	—	—	—	—
c) Interim Aid Funds	—	—	—	—	—	28,000	—	20,000	—	—
Effective revenue - Total	2,265	18,293	20,186	27,576	382,387	850,876	1,140,554	1,418,575	1,672,555	1,719,672
B) Percentages.										
1 - Revenue from taxation:										
a) Direct taxes	24.73	30.44	26.30	24.71	16.87	19.42	17.37	14.29	13.77	13.37
b) Turnover tax	14.92	17.70	16.46	22.08	37.07	31.57	32.17	28.11	27.40	30.49
c) Custom duties and taxes on consumption	27.59	24.52	28.64	23.14	11.09	16.66	18.07	18.05	17.13	19.75
d) Monopolies	14.79	12.44	13.81	12.98	17.09	13.61	15.67	14.91	13.57	14.78
e) Lotteries	4.72	2.35	2.60	1.97	1.08	0.85	1.07	1.28	1.51	1.70
f) Other taxes	—	—	—	—	1.08	1.24	1.34	1.34	1.28	3.97
Total	86.75	87.45	87.81	84.88	84.28	83.35	85.69	77.98	74.66	84.06
2 - Other effective revenue (ex- clusive of International Aids)	13.25	12.55	12.19	15.12	15.72	10.37	4.75	6.73	7.29	8.17
Effective revenue - Total (exclusive of Internatio- nal Aids)	100.—	100.—	100.—	100.—	100.—	93.72	90.44	84.71	81.95	92.23
3 - International Aid:										
a) E.R.P. Funds	—	—	—	—	—	—	9.56	13.88	18.05	7.77
b) A.U.S.A. Funds	—	—	—	—	—	2.99	—	—	—	—
c) Interim Aid Funds	—	—	—	—	—	3.29	—	1.41	—	—
Effective revenue - Total	100.—	100.—	100.—	100.—	100.—	100.—	100.—	100.—	100.—	100.—

which we shall speak further on) that hang, like the sword of Damocles, over the Treasury situation.

The « Bilancio di competenza »: the expenditure.

5. — Towards the end of the second world war (1944-45) the expenses of the Italian government, inclusive of the Allied Military Administration and that of the Fascist government, had fallen to a figure that differed but little, expressed in lire of equal purchasing power, from that of 1928-29. But in the first seven post-war fiscal years government expenditure has been steadily rising, very largely exceeding the rate of increase registered in the decade from 1928-29 to 1938-39. In the period running from 1945-46 to 1951-52 the annual rate of increase has been 13.09% (11.5% if we exclude 1951-52) as against 7¼% in 1928-29/1938-39. The volume of current expenditure, after approaching the level of 1938-39 (in real terms) in 1950-51, exceeded it in 1951-52, when it stood at 2,205 against 2,016 million lire in 1938-39.

The structure of the expenses incurred in 1938-39 and in postwar period presents marked divergencies (Table VI and VII).

Military expenses (ordinary and emergency) and expenses for the Colonies and Albania were entered on the 1938-39 budget for no less than 18,381 millions of current lire (roughly equivalent to 930 billion present-day lire) and accounted for little less than half of the total outlay (46.2%). In the 1950-51 budget this group of expenses is entered at 387.8 billion lire (20.1% of the total), a reduction of 542.2 billion lire. According to the estimates, the percentage weight of this group of expenses will increase somewhat in 1951-52 (22%) and in 1952-53 (22.2%).

Another budget item that has been greatly reduced is the service of the national debt. As a result of the inflationary developments, it has fallen from 6,775 million lire in 1938-39, equal to 342.8 billion present day lire (17%), to 102 billion (5.3%) in 1950-51 (10), with a

(10) Here too the percentage of participation rises slightly in 1951-52 (6%) and in 1952-53 (6.1%).

difference of more than 240 billion lire. When we add this figure to the 542 billion lire saved in the military and colonial field, we obtain a global reduction of 782 million lire, roughly equal to 40% of the expenditure, both of the 1950-51 and 1938-39 budget expressed in present-day lire.

With a reduction on such a large scale it may seem strange that expenses have again reached, in real terms, the exceptionally high levels attained in the last pre-war fiscal year.

The fact is, as can be seen from Table VI, the post-war budgets provide for groups of expenditure that did not appear in those of pre-war period. Thus, in 1950-51 we find the expenditures for war damage compensation (14.3 billion lire), the expenditures under the Peace Treaty (38.8 billion), and the subsidies to the public autonomous corporations (first of all the State Railways). Altogether, this group of expenses, to which the so-called « special funds » are to be added, appears in the 1950-51 budget for 114.1 billion lire, or 5.9% of the total expenditures.

Of much greater importance, however, are the increases in several groups of expenditure already existing in the 1938-39 fiscal year.

Among these, the first place is held by expenditures on public works and railways which amounted in 1950-51 to a little less than 374 billion lire (19.5% of the total), whereas in 1938-39 they amounted only to 2,489 million, equal to 126 billion present-day lire (6.2%). Thus, for this single item the expenses incurred have increased by 248 billion lire. And, apart from the question of how this sum has been expended (a question which does not come within the scope of this article), it is impossible to deny the need of devoting all possible attention to the reconstruction, modernisation, and completion of essential public works on which the possibility of the country's economic expansion so largely depends.

Another item which shows a marked increase is that of Education, which in 1950-51 called for 180.6 billion lire (10.7% of total) as against only 2,149 millions, equal to 108.7 billions of present-day lire, in 1938-39 (5.4%).

A third group that has grown considerably as compared to pre-war days is that for social assistance: almost 111 billion lire in 1950-51

« EFFECTIVE » BUDGET EXPENDITURE, BY MAIN CATEGORIES
(Millions of current lire)

	1913-14	1924-25	1928-29	1933-39	1946-47	1947-48	1948-49	1949-50	1950-51	1951-52	1952-53
Service of public debt	534	4,050	4,449	6,775	39,361	75,179	91,015	99,585	2,289	...	...
State's general charges (a)	164	364	383	1,214	22,572	46,492	42,220	48,633	63,241	...	...
Services of the Finance, Treasury and Budget Ministries	237	1,467	1,838	1,612	45,218	56,173	71,239	86,687	94,793	...	...
Expenditure connected with receipts (b)	—	—	—	877	13,396	17,879	18,050	32,021	37,431	...	...
Justice	95	431	495	595	11,555	23,930	32,023	36,554	49,529	...	...
Defence	650	3,154	4,289	1,050	100,193	189,295	236,171	271,849	372,433	...	...
Public works (c)	225	1,566	2,107	2,489	290,880	391,006	473,986	267,730	373,850	...	...
Economic services (d)	77	519	653	2,383	19,616	75,734	58,544	156,249	93,539	...	...
Education	156	1,272	1,394	2,149	53,428	110,125	134,851	167,176	180,642	...	...
Ex-Italian colonies	14	420	494	3,847	1,293	2,771	5,708	16,991	15,422	...	...
Social Assistance	20	164	166	907	59,420	82,756	99,148	103,136	110,880	...	...
Services abroad (e)	15	94	182	296	2,480	6,233	8,879	12,147	13,374	...	...
Police	130	757	1,009	1,227	39,863	79,324	85,761	93,300	107,944	...	...
War pensions	—	1,211	1,212	829	12,773	24,136	39,294	57,230	87,435	...	...
Expenditure for Albania	183	1,319	150	484	—	—	66,360	—	—	...	...
Regional and local finance	—	—	—	—	32,334	65,223	—	86,438	122,803	...	...
Contributions to autonomous Administrations (f)	—	—	—	—	41,981	82,024	73,240	70,679	56,371	...	...
War charges	—	—	—	—	43,075	65,293	32,769	35,287	14,304	...	...
Peace Treaty	—	—	—	—	13,358	69,754	26,278	68,024	38,802	...	...
Subsidies (g)	—	—	—	—	57,620	232,040	38,500	600	—	...	...
Sundry	1	64	825	74	704	1,232	1,871	3,886	8,930	...	...
Total	2,501	16,852	19,646	39,853	910,099	1,696,599	1,635,907	1,714,202	1,935,012	2,205,792	2,132,020

(a) Funds earmarked for raising Staff salaries, etc., expenses for Presidential Bureau of the Republic, Presidential Bureau of the Council of Ministers, Legislative Assemblies; expenses for internal Administration; reserve funds for unforeseen expenses; expenses for public worship; fire-brigade services and protection of the civilian population; etc.

(b) Restitutions and reimbursements; Government and other lottery prizes; etc.

(c) War loss reparations; roads (grants to the National Autonomous Road Corporation (Azienda Nazionale Autonoma Stradale); upkeep of public works; land-reclamation works; allocations to the *Cassa del Mezzogiorno* (100 billion lire for the financial year 1951-52 and 80 billion for the financial year 1952-53); annuities due to the INA-CASE Administration (subsidised housing).

(d) Land-reclamation works; grants in aid of land improvement works; enlargement of the programme of ship-building for the merchant marine; transports; agriculture and forests; public entertainments; information services; tourist activities; Government grant to the « Fund for the training of skilled workers »; etc.

(e) Diplomatic and Consular representations; cultural relations with foreign countries, etc.

(f) Mainly to the railway system.

(g) Wheat.

(3.7%) as against 907 million lire in 1938-39, equivalent to a little less than 46 billion present-day lire (2.3%).

matches that found between the total expenses pledged for the fiscal year 1950-51 (1,935 billion) and the countervalue in present-day lire

« EFFECTIVE » BUDGET EXPENDITURE, BY MAIN CATEGORIES
(Percentages)

TABLE VII

	1913 1914	1924 1925	1928 1929	1938 1939	1946 1947	1947 1948	1948 1949	1949 1950	1950 1951	1951 1952 (a)	1952 1953 (a)
Service of public debt	21.35	24.03	22.65	17.00	4.37	4.43	5.56	5.81	5.29	6.00	6.10
State's general charges	6.56	2.16	1.95	3.05	2.50	2.74	2.58	2.84	3.27	5.30	6.40
Services of the Finance, Treasury and Budget Ministries	9.47	8.70	9.36	4.04	5.02	3.31	4.36	5.06	4.90	5.20	4.60
Expenditure connected with receipts	—	—	—	2.20	1.49	1.05	1.10	1.87	1.93	2.10	2.20
Justice	3.80	2.56	2.52	1.49	1.28	1.41	1.96	2.13	2.09	2.30	2.00
Defence	25.99	18.72	21.83	35.26	11.12	11.16	14.44	15.86	19.25	21.40	21.70
Public works	8.99	9.29	10.72	6.25	32.28	23.05	28.97	15.62	19.32	15.60	14.90
Economic services	3.08	3.08	3.32	5.98	2.18	4.46	3.58	9.11	4.83	3.40	4.80
Education	6.24	7.55	7.10	5.39	5.93	6.49	8.24	9.75	9.33	10.20	9.60
Ex-Italian colonies	0.56	2.49	2.51	9.65	0.14	0.16	0.35	0.99	0.80	0.60	0.50
Social Assistance	0.80	0.97	0.84	2.28	6.59	4.88	6.06	6.02	5.73	5.90	6.30
Services abroad	0.60	0.56	0.93	0.74	0.28	0.37	0.54	0.71	0.69	0.80	0.70
Police	5.20	4.49	5.14	3.08	4.42	4.68	5.24	5.44	5.58	5.80	4.90
War pensions	—	7.19	6.17	2.08	1.42	1.42	2.40	3.34	4.52	5.10	4.40
Expenditure for Albany	7.32	7.83	0.76	1.21	—	—	—	—	—	—	—
Regional and local finance	—	—	—	0.11	3.59	3.85	4.06	5.04	6.35	3.80	5.00
Contributions to autonomous Administrations	—	—	—	—	4.66	4.83	4.48	4.12	2.91	3.00	2.30
War charges	—	—	—	—	4.78	3.85	2.00	2.06	0.74	0.60	0.60
Peace Treaty	—	—	—	—	1.48	4.11	1.61	3.97	2.01	2.70	2.30
Subsidies	—	—	—	—	6.39	13.68	2.35	0.04	—	—	0.60
Sundry	0.04	0.38	4.20	0.19	0.08	0.07	0.12	0.22	0.46	0.20	0.10
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

(a) Percentages calculated on the basis of the estimated absolute figures.

Expenditure on the police services has also risen: 62 billion present-day lire in 1938-39 (3.5%) as against 108 billion in 1950-51 (5.6%); war pensions have risen from 42 billion (2.1%) to 87 billion (4.6%); subsidies in aid of local government finance from 2.3 billion lire (0.17%) to 122.8 billion (6.4%).

The groups of expenditure mentioned (of which four quite new and six considerably increased) show a total of 710.5 billion lire of new expenses. Other increases of minor importance are found in the expenditures on government general services, for Justice, Public Worship, etc.

The final result of all these variations sums up in an increase of 736.8 billion lire, as against a reduction of 818.3 billion, with a minus difference of 81.5 billion lire which

of the expenses pledged in the fiscal year 1938-39 (2,016.5 billion).

The detailed account of the 1951-52 expenditures has not yet been published so it is not possible to draw comparisons with the figures for the previous years. The percentages — calculated on the estimates — do not seem to show marked differences between 1950-51 on the one hand and 1951-52 and 1952-53 on the other; the most notable change is the steady increase of military expenditures, for which the figure passes from 372 billion lire (19.3%) in 1950-51 to 389 billion (21.4%) estimated for 1951-52 and 463 billion (21.7%) estimated for 1952-53.

6. — The striking amount spent on government employees deserves a note apart. It is

estimated for 1952-53 at 677.68 billion lire as compared to 594.77 billion in 1951-52; and is equal to 31.84% of total expenditure (32.6% in 1951-52) and to 45.05% (46.53%) of revenue from taxation.

The ratio between the cost of staff on service and pensioned, in 1938-39 and in 1952-53, is shown in the following table:

	1938-39 (assessments)	1952-53 (estimates)	I. N. (1938=1)
	(millions of lire)		
Staff on service	6,541.1	585,998.7	89.59
» pensioned	968.7	91,680.2	94.64
Total	7,509.8	677,678.9	90.24

The above figures only refer to the staff in the employ of the several Ministries and so take no account of the charge incurred for the staff of the so-called « Autonomous Administrations » which is estimated for 1952-53 at 220,734.5 million lire against 3,462.9 million in 1938-39.

Therefore, taken as a whole, the expenditure on the salaries of the civil servants amounts in the estimates for 1952-53 to 898,413.4 million lire, being 81.88 times the expenditure incurred in 1938-39, as against a rise in the cost of living and in wholesale prices which slightly exceeds 50 times. The average salary, however, increased 44 times only (11). The discrepancy between the rise in total expenses and the increase in the average per unit remuneration is due to the « inflation » that has occurred in the meantime in the number of the government employees, which have risen from 1938 to 1949 (12) by no less than 40% approximately, as can be seen in the following prospect:

	1938	1949
On service in the Ministries	548,848	709,439
Staff of Autonomous Administrations	234,957	319,912
Total	783,805	1,089,261

(11) See Statistica Appendix, Tables G and I, pp. 178-179.

(12) Accurate data are not yet available for the subsequent years. The increase in the number of civil servants and the lower per unit remuneration they receive are among the principal causes of that deterioration of administrative services which is one of the problems most discussed now in Italy.

The « Bilancio di cassa » and the problem of arrears.

7. — As noted at the opening of this article, while the « bilancio di competenza » shows assessed receipts and pledged expenditure, the « bilancio di cassa » registers cash incomings and outgoings. As a rule, the figures in these two budgets do not coincide. Indeed it is almost impossible that all the assessed receipts in a given financial year should be collected within that year; and the same may be said of pledged expenditure. Receipts assessed and not collected and expenses pledged but not paid, form the so-called « arrears ». Under normal conditions the differences — due to the inevitable delay that occurs between assessments and collections, commitments and payments — should remain within narrow limits. Under such conditions, an « arrears problem » does not arise. But it becomes one of pressing importance when, as has happened in Italy in these post-war years, credit and debit arrears — and, what is still more serious, the surplus of the latter over the former — attain such figures as to represent a potential threat not only for the Treasury situation but for the monetary stability of the country.

The difference, from 1938-39 to 1951-52, between assessments and collections are shown in Table VIII. As will be seen, the situation has undergone a radical change since the second world war. In the first four fiscal years of the series (1938-39 to 1941-42) cash receipts were nearly equal to assessments. The difference rose to 2.67% in 1942-43 and widened in 1943-44, when it amounted to 23.1%, but it declined again in the following years, as the civil services gradually reacquired efficiency. However, there has not been a return to the pre-war ratios. As a whole, in the seven fiscal years from 1945-46 to 1951-52 the collections have amounted to 7,979 billion lire: being some 10.5% below the figure for assessments (8,914 billions). There has been, however, a net improvement in 1951-52 during which collections almost equalled assessments: the percentage difference has fallen to 5.51% as against 16.77% in 1950-51 (and 1.88% as against 11.68% if effective revenue only be taken into account).

The comparison between payments and commitments leads in part to similar conclusions. Expressed in percentages, the difference registered between assessments and

TABLE VIII

ASSESSED REVENUE AND PLEDGED EXPENDITURE; CASH RECEIPTS AND PAYMENTS; DIFFERENCES
(Millions of current lire)

Fiscal Year	Assessed revenue	Cash receipts	Differences		Pledged expenditure	Cash payments	Differences		Surplus (+) or deficit (-)		Differences	
			absolute figures	%			absolute figures	%	Between assessed revenue and pledged expenditure	Between cash receipts and payments	absolute figures	%
A) « Effective » revenue and expenditure.												
1938-39	27,576	27,367	- 209	- 0.76	39,853	38,795	- 1,058	- 2.65	- 12,277	- 11,428	- 849	- 6.92
1939-40	32,350	31,478	- 872	- 2.70	60,389	52,500	- 7,889	- 13.06	- 28,039	- 21,022	- 7,017	- 25.03
1940-41	34,234	34,090	- 144	- 0.42	98,223	96,072	- 2,151	- 2.19	- 63,989	- 61,982	- 2,007	- 3.14
1941-42	41,224	40,755	- 469	- 1.14	118,570	115,076	- 3,494	- 2.95	- 77,346	- 74,321	- 3,025	- 3.91
1942-43	50,376	47,606	- 2,770	- 5.50	135,161	131,716	- 3,445	- 2.55	- 84,785	- 84,110	- 675	- 0.80
1943-44	47,236	44,557	- 2,679	- 5.67	222,794	102,946	- 119,848	- 53.79	- 175,558	- 58,389	- 117,169	- 66.74
1944-45	64,635	59,610	- 5,025	- 7.77	311,265	352,543	+ 41,278	+ 13.26	- 246,630	- 292,933	+ 46,303	+ 18.77
1945-46	160,180	149,652	- 10,528	- 6.57	564,204	391,300	- 172,904	- 30.65	- 404,024	- 241,648	- 162,376	- 40.19
1946-47	382,387	366,145	- 16,242	- 4.25	910,099	723,225	- 186,874	- 20.53	- 527,712	- 357,080	- 170,632	- 32.33
1947-48	850,876	768,024	- 82,852	- 9.74	1,696,599	1,164,103	- 532,496	- 31.39	- 845,723	- 396,079	- 449,644	- 53.17
1948-49	1,140,554	995,346	- 145,208	- 12.73	1,635,907	1,360,781	- 275,126	- 16.82	- 495,353	- 365,435	- 129,918	- 26.23
1949-50	1,418,575	1,273,579	- 144,996	- 10.22	1,714,202	1,474,664	- 239,538	- 13.97	- 295,627	- 201,085	- 94,542	- 31.98
1950-51	1,672,555	1,477,280	- 195,275	- 11.68	1,935,012	1,687,953	- 247,059	- 12.77	- 262,457	- 210,673	- 51,784	- 19.73
1951-52	1,719,672	1,687,268	- 32,404	- 1.92	2,205,792	2,004,822	- 200,970	- 10.02	- 486,120	- 317,554	- 168,566	- 53.08
B) « Effective » revenue and expenditure and movement of capital.												
1938-39	30,592	30,431	- 161	- 0.53	42,627	41,315	- 1,312	- 3.08	- 12,035	- 10,884	- 1,151	- 9.56
1939-40	62,635	61,783	- 852	- 1.36	69,555	60,946	- 8,609	- 12.38	- 6,920	+ 837	+ 7,757	+ 112.09
1940-41	55,848	55,580	- 268	- 0.48	105,659	103,249	- 2,410	- 2.28	- 49,811	- 47,669	- 2,142	- 4.30
1941-42	91,021	90,772	- 249	- 0.27	122,741	117,878	- 4,863	- 3.96	- 31,720	- 27,106	- 4,614	- 14.55
1942-43	104,146	101,369	- 2,777	- 2.67	159,828	155,712	- 4,116	- 2.58	- 55,682	- 54,343	- 1,339	- 2.40
1943-44	60,436	46,473	- 13,963	- 23.10	233,046	109,982	- 123,064	- 52.81	- 172,610	- 63,509	- 109,101	- 63.21
1944-45	107,599	99,138	- 8,461	- 7.86	318,906	356,235	+ 37,329	+ 11.71	- 211,307	- 257,097	+ 45,790	+ 21.67
1945-46	258,587	237,588	- 20,999	- 8.12	617,103	425,975	- 191,128	- 30.97	- 358,516	- 188,387	- 170,129	- 47.45
1946-47	720,537	670,272	- 50,265	- 6.98	1,208,923	914,760	- 294,163	- 24.33	- 488,386	- 244,488	- 243,898	- 49.94
1947-48	991,510	825,266	- 166,244	- 16.77	1,908,563	1,320,369	- 588,194	- 30.82	- 917,053	- 495,103	- 421,950	- 46.01
1948-49	1,184,593	1,067,358	- 117,235	- 9.90	1,736,859	1,489,071	- 247,788	- 14.27	- 552,266	- 421,713	- 130,553	- 23.64
1949-50	1,760,093	1,618,512	- 141,581	- 8.04	1,944,942	1,689,301	- 255,641	- 13.14	- 184,849	- 70,789	- 114,060	- 61.70
1950-51	1,942,899	1,617,164	- 325,735	- 16.77	2,256,059	1,776,267	- 479,792	- 21.27	- 313,160	- 159,103	- 154,057	- 49.19
1951-52	2,056,550	1,943,138	- 113,412	- 5.84	2,479,851	2,275,903	- 203,948	- 8.96	- 423,301	- 332,765	- 90,536	- 29.91

conclusions. Here again the differences were slight until the end of 1942-43, but widened in 1943-44 when nearly 53% of the pledged expenditure was in arrears. In absolute figures, the worst year was 1947-48, when payments fell behind commitments for more than 588 billion lire (30.82%). Then the margin narrowed, and again the 1951-52 has been the best

payments in 1951-52 is the lowest recorded since the end of hostilities (13).

(13) The improvement recorded in the fiscal year 1951-52 is in part, however, only apparent, as it is the consequence of the system of accountancy used in the case of some large items (such as the amounts assigned to the *Cassa del Mezzogiorno*), which on maturity are paid into an account opened with the Treasury in the name of the payee.

Nevertheless, collections and payments continue to lag behind assessments and commitments, and so the arrears continue to swell, even though in this last period the rate of increase has declined. Nor is this all; the debit

to 1,360 billion lire, being the difference between 2,002 billion debit and 642 billion credit arrears. In other words, gross debit arrears have reached a figure which is equal to that for the pledged expenditure of a whole fiscal

DEVELOPMENT AND SITUATION OF THE ARREARS
(Millions of current lire)

TABLE IX

Fiscal Year	Credit Arrears		Debit Arrears		Net debit arrears
	Annual increase	Amount outstanding at the end of fiscal year	Annual increase	Amount outstanding at the end of fiscal year	
A) « Effective » revenue and expenditure.					
1938-39	—	3,519	—	11,875	8,338
1939-40	+ 822	4,341	+ 7,709	19,566	15,225
1940-41	+ 49	4,390	+ 1,666	21,232	16,842
1941-42	+ 468	4,858	+ 2,683	23,915	19,057
1942-43	+ 2,830	7,688	+ 3,281	27,196	19,508
1943-44	+ 2,570	10,258	+ 115,995	143,191	132,933
1944-45	+ 6,285	16,543	— 54,134	89,057	72,514
1945-46	+ 10,317	26,860	+ 204,323	293,380	266,520
1946-47	+ 12,983	39,843	+ 232,918	526,298	486,455
1947-48	+ 84,185	124,028	+ 513,642	1,039,940	915,912
1948-49	+ 145,209	269,237	+ 274,854	1,314,794	1,045,557
1949-50	+ 144,996	414,233	+ 239,538	1,554,332	1,140,099
1950-51	+ 195,275	609,508	+ 247,058	1,801,390	1,191,882
1951-52	+ 32,404	641,912	+ 200,970	2,002,360	1,360,448
B) « Effective » revenue and expenditure and movement of capital.					
1938-39	—	5,508	—	13,638	8,130
1939-40	+ 542	6,050	+ 8,399	22,037	15,987
1940-41	— 10	6,040	+ 1,863	23,900	17,860
1941-42	+ 258	6,298	+ 4,029	27,929	21,631
1942-43	+ 3,438	9,736	+ 3,952	31,881	22,145
1943-44	+ 13,840	23,576	+ 118,643	150,524	126,948
1944-45	+ 8,818	32,394	— 46,709	103,815	71,421
1945-46	+ 20,846	53,240	+ 224,845	328,660	275,420
1946-47	+ 50,955	104,195	+ 344,202	672,862	568,667
1947-48	+ 167,453	271,648	+ 538,862	1,211,724	940,076
1948-49	+ 117,235	388,883	+ 247,526	1,459,240	1,070,357
1949-50	+ 141,582	530,465	+ 255,641	1,714,881	1,184,416
1950-51	+ 325,735	856,200	+ 479,791	2,194,672	1,338,472
1951-52	+ 113,412	969,612	+ 203,948	2,398,620	1,429,008

arrears continue to increase much more than do the credit ones, and therefore the figure for net debit arrears continues to rise, as can be seen from Table IX (14). At the end of the fiscal year 1951-52, net debit arrears amounted

(14) Frequently the net growth of the arrears during the year does not coincide with the difference between collections and assessments (or between payments and commitments) over

year, and the volume of net debit arrears is equal to almost 70%. These figures clearly show how great has been the relief the Treasury has obtained and how heavy is the bur-

den that has been placed by the growing of the arrears on the shoulders of future fiscal years. Indeed, as may be seen from Table VIII the deficit on the « bilancio di cassa » (cash receipts and payments) has always been much lower than the deficit on the « bilancio di competenza » (assessments and commitments).

the same period. The amount of the arrears may indeed vary owing to more accurate settlements of credits or debits, rectification of accounts, credit or debit items occurring during the year, etc.

den that has been placed by the growing of the arrears on the shoulders of future fiscal years. Indeed, as may be seen from Table VIII the deficit on the « bilancio di cassa » (cash receipts and payments) has always been much lower than the deficit on the « bilancio di competenza » (assessments and commitments).

8. — Whatever the causes may have been that have led to the existing situation, it is not easy to believe that cash payments can always lag behind budget commitments. It seems more likely that the trend will be reversed and that payments will exceed commitments, as a result of the settlement of the debts incurred in these emergency years. The arrears thus represent a true « inflationary charge » hidden in the Italian budget.

It has sometimes been asserted that the huge volume of net debit arrears should not cause undue anxiety because they consist, in part, of expenses that are only « administratively » pledged, *i.e.* of appropriations not yet utilised or, at least, of expenses that have not yet reached the stage at which they represent a liquid debt due to third parties. Certainly, in order to express a well-grounded opinion on the real danger they represent for the Treasury it would be necessary to break up the total figure into a series of sub-groups, classified according to their specific character. For instance, is it believed possible to collect all the credit arrears and is it likely that all the debit ones will be paid? And how is it expected that collections and payments will be graduated over a period of time?

Unfortunately the available data do not permit of an answer to these questions. We may recall that the former Minister of the Treasury, Hon. Corbino, in a recent report to the Chamber (15), subdivided the debit arrears into three groups:

(a) the group consisting of *expenditure pledged for purposes carried out but not yet paid*. This is the largest item and the most dangerous as it represents amounts that sometime or other will have to be paid;

(b) the group consisting of *expenditure pledged and appropriated for purposes not yet carried out*; this also is an item of considerable size;

(c) the group consisting of *expenditure authorised but not yet pledged*; this must be the smallest of the three.

Hon. Corbino also stated that it is not possible to give for each of these groups an even roughly approximate figure.

In the case of the credit arrears it is generally believed that they will be collected for almost the whole amount due. But so far experience has shown that if the credit arrears are sooner or later collected almost in full, this is also the case for the settlement of debit arrears. It is not therefore unreasonable to think that during the next few fiscal years all or nearly all the credit arrears will be collected, and all or nearly all the debit arrears will be paid. In this case the budget will be charged with much heavier payments « on account of arrears » (*in conto residui*) than in the past years. On the other hand, the payments « on account of current fiscal year » (*in conto competenza*) will hardly be less than 60% of the expenses pledged — the percentage level at which they have stood in recent years (in 1951-52 the ratio has been 65.4%).

The conclusion to which we are led is that there will inevitably be a marked increase in effective cash payments while the cash receipts may indeed increase, but always to a much smaller extent. Therefore, a severe strain will be imposed on the Treasury. Let us hope that an accurate enquiry into the several items — a study that can only be made by the General Accountancy Department of the government, as it alone possesses the necessary data — will mitigate somewhat the significance and the bearing of the figures set forth in this article, and will afford adequate assurances of the possibility of rapidly collecting the credit arrears, and will give some hope that the avalanche of debit arrears will not descend precipitously on the Treasury. We cannot however forego the need of expressing the fear that the easy situation the Treasury has hitherto enjoyed and still enjoys might have to be paid for at a heavy price in the course of the next years.

(15) *Relazione della IV Commissione Permanente sullo stato di Previsione della Entrata e della Spesa del Ministero del Tesoro, 1952-53* (Atti Parlamentari, Camera dei Deputati, Documenti, Disegni di Legge e Relazioni, No. 2403-A, p. 23).