

Survey of the Italian Monetary Situation

1. — Last April, when the first number of this Review published the "Considerations on the Dynamics of the Italian Inflation" by prof. G. Pietranera, the doubts on the future of the lira were growing, stimulated not only by the steady increase of the currency and the rise in prices, but above all by the grave budget deficit estimated at not less than 610 milliard lire for the financial year 1946-47. How could the Treasury cover such a deficit and the others of like proportions foreseen for the future without recourse to new big note issues which would accelerate the progressive disintegration of the currency? What other remedies could be applied when the Government was losing credit, the subscriptions to Treasury bills were falling off more and more, when the possibility of floating public loans was becoming problematic after the poor results of the Reconstruction Loan issued in December 1946, when business was competing with the Treasury for the means required for reconstruction and reconversion, when the negotiations for foreign loans were proceeding slowly and laboriously? These remarks, repeated and turned into slogans, were beginning to shape the market outlook and to condition its behaviour, and this was leading to what might have become the first stage in a national flight from the lira. During March and April 1947, but more especially in April, this danger acquired alarming proportions. The lira crisis made itself felt with full force in that most sensitive of business circles, the stock-exchange. The general index number for shares which, with marked ups and downs, had followed since 1946 an upward trend, thus adjusting itself to the rise in other prices, more than doubled in a few weeks. It rose from 1669.37 on 20 March 1947 to 3593.06 on 5 May 1947 (1938 = 100, Milan Stock Exchange). Such a boom, which again placed the Bourse in the centre of the stage after nearly twenty years of slumber, clearly showed the disorderly and speculative hunt for plus-values and above all for refuge investments. The crisis had not time to develop in the commodity and instrumental goods markets, but there also the upward trend of prices was more accentuated than in the first two months of 1947.

The change of Government that occurred in May 1947 and the prospect of a more systematic and better co-ordinated financial plan, with credit restrictions, control of the money market, limitation of expenditure, and growth of revenue receipts, led to a partial reversal of the situation. Quotations slumped by nearly 50% on the exchanges (from 3593 on May 5 to 1875

on July 7); this was due mainly to the tightening of credit on which inflated positions rested. On the other hand, the markets for real goods weathered the shock, though the rise in wholesale prices were less steep in June. Indeed they were and still are influenced by the further note issues called for by Treasury needs and by the scarcity of goods, aggravated by the poor crops obtained in Italy in 1947.

The apparently contradictory situation to which this has given rise (July 1947) is substantially a situation of suspense. What is now known as "the second inflation of the lira", that developed since June 1946, has reached what might be called a turning-point. In some directions it has been contained and abruptly mastered; in others it is continuing; positive and negative factors cross wires, oppose one another, and condition the lines of the financial policy that the new Government is trying to make more decisive and coherent. The critical point has not yet been turned, even though the efforts now being made allow us to hope that we are entering on a new phase of consolidation.

In the following paragraphs we shall endeavour:

(a) to supply the data required for documenting the inflationary dynamics of the first half of 1947;

(b) to describe more especially one aspect of the situation on which Prof. Pietranera could not dwell, i.e., bank credit in its connections with monetary dynamics and with the present discussions on the need of a more systematic credit policy;

(c) to define the more important positive and negative features of the immediate prospects.

*The growth of note circulation and the rise of prices**

2. — Taken as a whole the note circulation (Bank of Italy notes, AM lire, and Treasury notes) has increased from 30 June 1946 to 31 May 1947 by 162.6 milliard lire, or by about 40% (Table I). The average monthly increase in this period was 14.7 milliards, a rate of increase that might have been exceeded in June 1947.

This growth of the currency was matched by a steady relative recovery of total production as compared to the first post-war period, a production which has however remained nearly stationary during the period under consideration.

NOTE CIRCULATION AND INDUSTRIAL PRODUCTION IN ITALY

(June 1946 - May 1947)

Date	Note circulation (a)		General Index of Industrial Production (b) (June 1946=100)
	Amount (milliard lire)	Index number (June 1946=100)	
1946 June	402.5	100	100
July	414.8	103	104
August	425.1	106	100.44
September	430.3	109	111
October	452.9	113	107
November	465.3	116	96
December	512.4	127	90
1947 January	503.3	125	80
February	511.7	127	79
March	531.2	131	80
April	548.7	136	97
May	565.1	140	114

(a) Bank of Italy notes, Treasury notes and A-M lire.

(b) Provisional estimates by the Confederazione Generale dell'Industria Italiana.

Industrial output touched its highest point in September 1946 when it rose to 59.58 (1938=100), it fell during the winter, mainly owing to the deficient sup-

ply of electric power, and recovery only set in in the spring of 1947. The general index number of industrial production varied as follows (1938=100) in 1946: 57.06 in October; 51.55 in November, 48.0 in December; and 1947: 46 in January, 42 in February, 47 in March, 52 in April, 61 in May (Table I), and undoubtedly increased in June.

Gross agricultural production, which had fallen to 57% of the 1938 level in 1945, rose to 75% in 1946; the forecasts for 1947 are however less favourable, owing to the poor cereal crops.

The growth of the note currency, matched by the comparatively steady level of production, would seem therefore, at first sight, to justify a 40 to 50% increase in prices at the end of the first half of 1947.

But the general rise in wholesale prices on the free market from June 1946 to May 1947 amounted to 85%; the cost of living rose 115%. In June 1947 the respective increases stood at 104% and 125% (Table II).

How explain this divergency?

To fill the gap and account more fully for the inflationary phenomenon as a whole, we believe that the range and bearing of the fundamental factors of monetary dynamics must be more thoroughly studied.

National Production and the Home Market

3. — In the first place, the results of the revival in production since June 1946 should be estimated in

PRICES AND QUOTATIONS IN ITALY.

(June 1946 - June 1947)

Date	Wholesale prices (a)	Food-stuff (a)	Cost of Living (a)	Share quotations (a)	Price of gold		U.S.A. dollar		Lst. paper		Swiss franc	
					in lire per gr.	Index (a)	Price in lire	Index (a)	Price in lire	Index (a)	Price in lire	Index (a)
1946 June	100	100	100	100	653	100	366	100	1057	100	122	100
July	99	99	99.77	111	710	108	401	109	1222	115	123	100.8
August	102	107	108	136	846	129	484	132	1368	129	133	109
September	108	110	114	143	947	145	512	139	1461	138	168	127
October	118	116	122	130	940	143	507	138	1427	135	167	126
November	135	128	130	184	1012	154	568	154	1651	156	189	154
December	149	115	152	227	1078	165	655	178	1825	172	199	163
1947 January	164	151	163	207	911	139	596	162	1693	160	171	140
February	167	155	170	264	844	129	577	157	1732	163	161	131
March	169	163	181	354	999	139	613	167	1816	171	176	144
April	175	188	200	482	1070	163	696	190	1982	187	194	159
May	185	207	215	552	1134	173	805	219	2335	220	219	179
June	204	214	225	423	1007	154	741	202	2147	203	193	158

(a) June 1946=100.

Sources: as for Table D in Appendix.

relation to international trade and the volume of goods which has exercised effective pressure on the level of domestic prices. To what extent and at what rate has production been used by the home market? What ratio has been absorbed by exports or been withheld to build up stocks? What contribution has been made by imports?

The problem of production thus broadens out into a wider problem, that of calculating the volume of goods which has really been available during that period, a calculation which may widen or narrow the difference ascertained between the growth of the note circulation and the rise of prices.

This group of problems—in themselves so delicate—is moreover complicated by other concomitant circumstances of undoubted importance for the dynamics of inflation. Among the more important of these is the growth in the volume of business (and in this connection it would be worth while to make a special analysis of the stock-exchange), the psychological causes that may have affected the velocity of circulation, and in correlation with them, any variations in the distribution of money incomes that may have increased the pressure on the commodity market.

It is difficult to solve these problems, for exhaustive statistical data are missing, the situation is a fluid one, and immediate results are often in contrast with long term ones. The following notes therefore only attempt to make a first sketch of the situation arising from the various factors mentioned.

4. — During the period under consideration, which marked the re-entry of Italy into the international trade circuit, the excess of imports over exports was very marked. It has been calculated at 432.5 million dollars in 1946 and at 40 milliard lire in the first quarter of 1947 (see Tables L and M in Appendix).

It might therefore seem at first sight that the opening of trade relations with foreign countries made a notable immediate contribution to the supplies available on the home market, thus helping to contain inflation.

But a more attentive study of some circumstances leads to a more cautious judgment. The benefits Italian consumption and production have obtained from relations with foreign countries must to a large extent be frankly ascribed to Allied "relief", and we may therefore enquire to what extent and within what limits the current of goods entering Italy may rightly be described as "foreign trade".

Under these conditions the rapid recovery of Italian exports since the first quarter of 1946, especially for certain finished products (1), is of special signifi-

(1) Exports, which in 1944-45 barely covered 3.3% of imports (as against 72.2% in 1938), succeeded in 1946 in covering, according to valuable estimates (see Table L in Appendix), 6% of imports including UNRRA supplies; in the first quarter of 1947 the percentage rose to 51% (see Table M in Appendix).

cance in view of the general depletion of the home market and has been the subject of lively controversy. In the opinion of some, this policy is held to have had inflationary reactions, and to have uselessly impoverished the home market. This opinion has been expressed by Prof. Luigi Federici in a recent article: "Acting on the presumption that we should only have been able to import the food essential for our existence and the raw materials required for the revival of our production, by procuring by exports the necessary foreign exchange, we sold last year on foreign markets most of the goods in our warehouses and the largest possible volume of those that were being gradually produced" (2).

Prof. Federici argues that the need of exporting goods in order to secure foreign exchange where-with to make essential imports has not been demonstrated. His main argument may be briefly stated in the words of Federici himself: "Presumably in 1946 we received as gifts and on credit about 8/10ths of our imports. This means that, in spite of the zeal of the exporters who rushed to the easy conquest of markets needing everything and for the time being free from any form of competition, our lack of goods only enabled us to pay by our exports for barely 1/5th of our purchases abroad. Now, was foreign exchange absolutely essential for securing this fifth? And was it worth while to deprive ourselves of those goods to secure so modest a return?"

We see, indeed, that in 1946 Italy was able to avail herself of various means of payment estimated at 1,097 million dollars for purchases abroad. Our total imports, amounting to some 900 million dollars, were covered to the extent of 4/5ths (about 720 million dollars) by these means of payment, exclusive of

(2) LUIGI FEDERICI, *Il Problema industriale italiano* ("Italy's Industrial Problem") in *Rivista di Politica Economica*, June, 1947, p. 679. Federici also asserts that a more cautious consideration of the real general interests should have convinced manufacturers that it would have been better business to sell on the home market with a view to lowering prices, checking the rise in wages, and thus reducing labour costs, rather than making every effort to push up exports. The A. does not deny that some exports were and are desirable in the general interest and he mentions more especially such luxuries as silk materials, perfumes, choice wines, etc., which the country should have renounced in view of its impoverishment. He considers however that the exports of such finished products in general use as cotton and wollen fabrics, shoes, etc., upset conditions in the country instead of promoting its economic and social prosperity. In this connection, we would remind the reader that the index numbers for clothing and general cost of living rose from June 1946 to June 1947, the former from 3107 to 9065 and the latter from 2611 to 5865. The initial percentage difference of 19% had thus risen to 55% in June 1947. As regards the relative weight of clothing expenses as an item in the cost of living, see G. TAGLIACARNE, *Cost of Living*, etc., p. 78 of this issue.

the proceeds of exports (1937-38=725) (3). Exports therefore (372 million dollars) served for the most part to secure means of payment which were either not used or unusable.

It should however be remembered that part of these means of payment (about 270 million dollars) was placed at the disposal of the Treasury for future requirements and that another part was not used for sound reasons (4). The reasons for the failure to spend the part earmarked should therefore be considered and this would lead us to compare immediate with long term needs, as will be shown further on.

The heavy deficit in our balance of payments for the first-quarter of 1947 has not silenced the views of those who object to a policy of indiscriminate exportation, and this notwithstanding the fact that UNNRA assistance has come to an end. Rather, the doubts they express have been extended to other branches of activity. But we cannot enter further into this discussion, which refers for the most part to contingent and transitory aspects of the situation. The whole problem dealt with is very complex, and reflects the difficulties the country must face and the lively differences of opinion aroused by the estimates of the priorities which should be assigned to the many needs

(3) Report of the Bank of Italy, 31 March 1947, p. 45 et seq. According to this Report, Italy registered to her credit the following sums in 1946:

Ordinary items:	
a) Exports:	Millions of doll.
— regulated by the Decree Law n. 39 of 26/3/46	283.9
— regulated by general clearing agreements	45.5
— reciprocity transactions	3.8
— exported by UNNRA	3
— private compensations	35.8
b) Emigrants' remittances and other invisible items	50
Total	422
Extraordinary items:	
— UNNRA fund	380
— residual troop pay fund	150
— residual F.E.A. fund	60
— post-liberation accounts	60
— Export-Import Bank loan	25
Total	1,097

(4) Report above mentioned, loc. cit. The difficulties standing in the way of the use of the residual means of payment have been various: general scarcity of raw materials and commodities on foreign markets; impossibility of spending British exchange outside the Commonwealth area; high rate of exchange for imports from free valuta countries.

struggling to secure possession of the scanty available means (5).

Naturally, the rise in dollar exchange from 225 to 350 lire-as from August 2, 1947, and the control of import licences—considered by many inadequate—have provided fresh arguments to those who favour that foreign trade be temporarily subject to priority discriminations.

5. — We cannot here make a thorough examination of this very delicate matter, for which moreover exhaustive data are lacking. Undoubtedly, the criticisms referred to have their importance when we consider contingent situations of brief duration, a situation, moreover, which post-war disequilibria have made unduly sensitive. They should therefore induce us to be very cautious in estimating the development of the Italian supply situation as a whole, during the period under review, and it is possible that for certain branches, such as clothing, the results arising from the accelerated revival of exports may have been on the whole negative for the immediate monetary situation.

Should the matter however be considered over a longer period than that to which the critics of the export policy refer, the conclusions reached might perhaps be different. It would then be seen that part of the means of payment accumulated as the result of previous exports has been available in 1947 and it will exercise a beneficial effect.

On the other hand, had exports been restricted, the return of Italian products on the international market might have been sacrificed to the needs of immediate consumption. Substantially, the problem is one of a choice between a policy favouring larger immediate consumption, and a policy which aims at rebuilding capital resources and reinserting Italy in the currents of world economy. Undoubtedly, there is room between these two alternatives for an infinite variety of middle courses. But in any case it must also be admitted that the valuable results of expanding exportation for the collective interests of the na-

(5) It is now pointed out, for instance, that the most important of our exports in the 1st quarter of 1947 are still those of the textile industries (47.19 %); while, on the import side, raw materials for those industries account for 25.67 % of the total and will provide stocks for a long period. This priority granted to raw materials most of which will be processed far abroad, and whose reaction on the market will anyhow be delayed, has been considered excessive when compared to other supplies more urgently needed by the home market now suffering from scarcity of goods.

On the other hand, fear is expressed at the results of the growing exports of fresh vegetables and fruit (140,914 tons valued at nearly 6 milliard lire in the 1st quarter of 1947, equal to 14 % of the total value of our exports) on a country in which the consumption of meat is as small as it is in Italy, and it is pointed out that the cost represented by this item of expenditure to the family budget has risen more than eight-fold from June 1946 to June 1947.

tion depend on a whole series of conditions that preclude the revival of a free international market; conditions which, as a matter of fact, do not exist.

6. — Tightness on the home market arising in certain branches from the special export policy has perhaps been accentuated by the recovery, however modest, of the purchasing power of the working classes whose long privations lead them naturally to put pressure on the supply of essential commodities. This is one of the critical points of the process of inflation brought about by the operation of the sliding-scale, which aims at adjusting nominal wages to the rising cost of living.

This adjustment unfortunately sets in motion the vicious circle of wages-cost of living-wages, as an alarming fatality. Thus, while from the first half of 1946 until April-May 1947 real wages and real salaries improved somewhat (6), a further improvement can

(6) Several calculations have been made on this matter and the increase of real remuneration has been estimated at between 45 and 65 per cent from the 1st quarter of 1946 to the end of the 1st quarter of 1947. Real rates of pay however remain below the pre-war level, and to a marked degree for the higher ranks of salaried employees (see G. TAGLIAMANTE, *Cost of Living*, etc., in this issue, p. 79).

hardly be expected as a result of automatic adjustment as apart from such real factors as the increase of production, higher labour yield, larger imports of raw materials, etc.

In any case, the effects of the improvement, which for many reasons may seem dangerous and precarious, can be seen in the rise in the cost of living and of food, and also in the velocity index of currency circulation in the food sector.

7. — The divergency we have noted between production, foreign trade, and consumption has not entailed an arrest in business activity. The trend of course is not uniform in all branches, and there has been relative underconsumption of clothing as shown by the index number for retail sales in the big stores; but the other index numbers have all risen more or less (Table III) and, within certain limits, point to positive anti-inflationary developments. Above all the revival of railway traffic due to reconstruction has been and still is encouraging.

A special reference should be made to activity on the stock-exchanges which from June 1946 to May 1947 shows the highest comparative rises for the volume of business and the level of quotations. The rise in stock quotations, which to a large extent has been

MOVEMENT IN SOME BRANCHES OF HOME TRAFFIC AND AFFAIRS

TABLE III

Date	Index of railway traffic (1938=100) (a)		Index of retail sales in big stores (1938=100) (b)	Number of shares dealt on Stock-exchanges of Milan and Rome (c)		Index of daily clearings (1938=100) (d)
	Goods carried	Passengers		Thousand	Index (January 1946=100)	
1946 January	—	—	—	1,218	100	1,091
» February	—	—	—	1,666	132	1,023
» March	65	98	—	918	75	1,238
» April	64	102	—	1,004	82	1,328
» May	58	96	—	2,080	171	1,451
» June	53	98	100	2,431	199	1,371
» July	64	127	110	3,767	309	1,825
» August	66	152	91	3,590	295	1,671
» September	65	159	115	2,805	230	1,930
» October	67	155	151	2,001	164	2,539
» November	64	145	119	4,947	46	2,544
» December	61	195	125	3,764	309	3,002
1947 January	60	135	91	3,371	277	2,672
» February	58	123	69	2,809	231	2,557
» March	72	154	83	3,858	317	3,080
» April	76	—	93	3,052	250	—
» May	—	—	101	2,336	192	—
» June	—	—	—	2,325	191	—

(a) Indices calculated on data supplied by the *Rassegna Economica* of the Associazione fra le Società Italiane per azioni, May-July, 1947.

(b) Indices corrected for price level (*Centro per la Statistica Aziendale* of Florence).

(c) Sources: *Centro per la Statistica Aziendale* of Florence; *Review Negozia*, 1947; financial newspaper *Il Sole*, 1947. Indices calculated by us.

(d) Source: *Congiuntura Economica*, 1947.

a movement for their adjustment to other prices, is shown in Table F in the Appendix. Generally speaking, the recovery of the stock-market may be considered advantageous not only to the readjustment of the productive activities of the country, but also from a purely monetary standpoint. To a certain extent it may have made it possible to discharge on the stock exchanges part of the potential means of inflation which would otherwise have been centred on the commodity market. On the other hand, however, the bullish trend on the financial market, which has made itself felt on several occasions, leading to the speculative boom of March-April 1947, could not fail to stimulate inflationary tendencies on the home market, especially as regards the general rise in the velocity of the currency circulation.

8. — Indeed, the objective factors so far mentioned have reacted on and are in their turn influenced by the psychology which leads to the flight from money to real goods.

The flight from lira towards the several kinds of refuge investments may be represented, with the rough approximation already referred to (7), by the velocity index for the various branches. We will do so by referring to the initial volume of the currency in 1938 (22 milliard lire) and to the volume in April 1947 (548 milliard lire). The increase—as shown by Table IV—has been general but in varying measure; the roughly approximate calculation does not however allow of quoting an average even if merely indicative. All we can do is to note an upward trend to which may be ascribed some degree of responsibility for the rise in prices above the limit marked by currency expansion.

9. — Quantitative analyses, however approximate, do not lend themselves to a more thorough study of the several factors of monetary dynamics—note circulation, production, foreign trade, the domestic mar-

(7) G. PETRANERA, *Considerations on the Dynamics, etc.* above mentioned, p. 29.

ket, the flight from the lira, etc. The difficulties met with in making such estimates—aggravated by the deficiency of reliable statistical data—explain indeed the varying and contradictory opinions held on this matter.

Should one however wish to venture a general conclusion, there would seem to be good grounds for stating that the increase that occurred between June 1946 and June 1947 in the level of wholesale prices and the cost of living cannot be explained by the uncertain and sometimes contradictory reactions of the factors so far dealt with. Therefore at least a considerable part of the divergency already emphasized between the increase in note circulation and the rise of prices, still has to be accounted for. To close the gap, we must turn our attention to credit expansion—which has been the object of so much discussion—and to the connected and sustained competition for scarce materials; this we shall do in the following paragraphs.

Bank Money Expansion and Credit Policies

10. — During the period coinciding with the "second inflation of the lira", or roughly speaking, since June 1946, the money market has enjoyed *de facto* freedom. The Government has not exercised the controls with which it is theoretically vested by the Italian Bank Act of 1936 still in force (8); in practice the Banks have been left quite free to develop independ-

(8) Art. 32 provides that banks must comply with the instructions given by the supervising authorities as regards "the interest rates and the conditions regulating deposits and current accounts; the ratio between the several categories of investments considered both in relation to their liquidity and to the several branches of economic activity to which they refer; the ratio between net assets and liabilities, and the various modes of investing any deposits in excess of the amount fixed by the said ratio, etc."

TABLE IV

REAL VALUE OF CURRENCY IN CIRCULATION AND VARIATIONS IN THE VELOCITY OF CIRCULATION

	Prices in Lire		Real value of note circulation on 30 April 1947 (milliard lire) (1938=22)	Velocity index on 30 June 1946 (1938=1)	Velocity index on 30 April 1947 (1938=1)	Percentage increase of the velocity index in the period 30 June 1946-30 April 1947
	On 30 June 1946	On 30 April 1947				
	(1938=1)					
Fine gold	25.12	40.53	13.52	1.37	1.627	118.70
U.S.A. dollar	19.26	36.63	14.96	1.05	1.471	140.10
Lat. paper	11.37	21.31	25.71	0.63	0.85	134.9
Swiss franc	28.04	44.59	12.29	1.47	1.79	121.80
Foodstuffs	28.32	66.24	8.26	1.85	2.66	144.—

ent plans unchecked by any general policy designed on systematic lines.

This has been one of the many aspects of that crisis of government authority brought about in Italy by the grave events of the war and by inflation, a crisis that in view of sharply contrasting interests can only be slowly overcome. From the technical standpoint, the possibility for the Government to assert its authority was perhaps weakened by partial and hasty reforms; for instance, the abolition pure and simple of the Ministerial Committee and Inspectorate for the Protection of Savings and the Exercise of Credit (September 1944) injured rather than promoted the efficiency of the guiding action of the Government.

Viewed from this standpoint, the Italian situation has developed on radically different lines from those followed, under more fortunate circumstances, by other liberated countries of Western Europe, above all by Belgium and Holland. This divergence does not consist only in the fact, significant as it is, that Italy, after lengthy discussions, decided to abandon the idea of exchanging the currency notes and the accompanying measures of a partial block of the liquid means in the hands of the public, which in Belgium and Holland provided the basis for an energetic action for monetary rehabilitation (9).

The difference, which is correlated to the diversity of some fundamental objective conditions, went yet further, involving the use of other means of controlling the money market which do not require the complicated operations entailed by the note exchange, or are quite normal and even compatible with a competitive economy.

None of the following means have been employed in an efficient way in Italy to stem the growth of inflation in 1946:

(a) automatic ratios fixed for liquidity of solvency

(b) The "exchange of banknotes" found support in Italy almost exclusively under the following three aspects: (a) as a measure against the foreign holders of large parcels of Italian banknotes illegally acquired or carried out of the country during the war (e.g. in Germany); (b) as a means of affording relief to the Treasury, resulting from the cancellation of the notes not presented for exchange; (c) as a means for acquiring a more thorough knowledge of the consistency of private fortunes with a view to the assessment of the proposed extraordinary tax on capital.

In the course of the discussions and controversies to which the proposal gave rise the two first aims gradually lost importance as a result of the "safety measures" the parties concerned had time to take. The third aim—the fiscal one—though it was reiterated again at the time when the extraordinary tax on capital was adopted (July 1947) did not succeed in securing its adoption.

Generally speaking, practically no attention was paid to that feature of the operation which, considered as a means for controlling inflation, is the most important of a "monetary purge", i.e., its value as a means which allows of neutralising the superabundant purchasing power by partially blocking liquid funds and then by gradually unfreezing them to meet the needs of the home market and the Treasury.

or investments in Government securities, such as were fixed by the Belgian Government in February 1946. Even the ratio of 1 : 30 which the Italian banks should have maintained between capital plus reserves and deposits, has been submerged by the forces of inflation and has not been applied, though it has neither been modified nor replaced by any other rule better suited to prevailing conditions;

(b) the requirement that credit operations for amounts exceeding certain fixed limits be authorised by the central authorities, as in Holland. Measures of this kind would however have been of doubtful value in Italy owing to the different features of the market;

(c) the raising of the bank rate, to which some liberated countries of Western Europe have had recourse. The Italian authorities doubted the efficacy of an increase for such purposes, as the ample funds at the disposal of the banks made them independent. In Italy the bank rate has thus remained unchanged at 4%. This negative attitude may be comprehensible under the special circumstances, even if it may seem desirable in the future to revive the use of the bank rate as one feature in a more organic system for the direction of credit;

(d) neither has any general policy been adopted for guiding and co-ordinating the action of the banks based on an organic conception of monetary and credit problems, a policy enforced chiefly by means of persuasion and the establishment of co-operative relations between the controlling bodies and the banking world. This would perhaps have been the wisest plan to follow. Although France has not displayed the same vigor as Belgium and Holland, yet the *Conseil National du Crédit* has made an interesting experiment in this matter since December 1946.

What has been the effect on market trends of the substantial liberty enjoyed by the Italian banks? What have been the characteristic developments of Italian banking and how have they reacted on the course of inflation?

11. — Two articles published in this review, by Prof. A. Gambino and by Dr. M. Mancini, afford a critical survey of the developments of Italian banking in 1946. The considerations that emerge from these two articles and from other analyses may be summed up as follows:

(a) Expressed in real values, the amount both of banks deposits and bank loans (exclusive of those to the Treasury) has shrunk considerably as compared to the pre-war figures (10). But in considering currency problems, it is the intensity and velocity of the movements rather than the actual amounts that should be studied. Viewed from this angle, the banks have been exercising a special influence of late. In-

(10) Deposits: from 55,532 million lire on December 31, 1938 to 39,668 million lire (corrected for price level) on December 31, 1946; credits to clients: from 44,700 million lire to 11,857 million lire.

deed, the variations both in deposits and loans to clients were exceptionally wide in 1946, exercising greater pressure than ever on the monetary dynamics.

(b) In the case of deposits, there was an increase of 63.4% in 1945 and of 77.4% in 1946 (from 248 to 406 and then to 721 milliard lire) as compared to an increase of 12.1% and of 2.9% in 1936 and 1937 respectively. As in 1945 and 1946 the circulation increased by a much smaller percentage (22% and 31.5 per cent respectively), the ratio of deposits to circulation, which had slumped from 252% in 1938 to 86.8% in 1944, marked a partial recovery, touching 104.3% at the end of 1945 and 140.7% at the end of 1946.

What this increase in the volume of bank deposits in 1946 (315 milliard lire) represents for business expansion will be realised if we compare the figure to that for the national income. It amounts to about 15% of the national income as against an increase of less than 5% in 1936 and a still smaller one in 1937.

(c) Still more marked has been the increase in

influence on the "creation of deposits" (12). In this way the banks, reversing a policy followed until 1944, contributed during 1946 to increase the inflation caused by the expansion of "legal tender" currency by the stimulus given to the expansion of bank money.

(e) Credit expansion was not halted on December 31, 1946; it has continued at a notable even though less rapid rate in the early months of 1947, notwithstanding the first doubts and warnings. Data are available only for a few banks, but those on the situation of the four major banks (*Banca Commerciale Italiana, Banca Nazionale del Lavoro, Banco di Roma, Credito Italiano*) on 31st March 1947 are significant enough. In their case the increase in the first quarter of 1947 amounted to about 30 milliard lire for the credits to clients and to some 23 milliard lire for the alien funds (bank money); the percentages of increase remain at a fairly high level—exceeding 16% and 8% respectively—as compared to over 42% and 14.5% in the fourth quarter of 1946 and over 40% and 30% for the third quarter of that year (Table V).

ACTIVITY INDICES OF THE FOUR MAJOR ITALIAN BANKS (a)

TABLE I

Date	1		2		3	4
	Total deposits		Credits to clients			
	Amount (million lire)	Index	Amount (million lire)	Index		
30 June 1946	185,845	100	88,877	100	100	100
30 September 1946	242,390	130	124,769	140	108	99
31 December 1946	277,541	149	177,395	199	134	107
31 March 1947	300,796	162	207,085	233	143.9	109

(a) Banca Commerciale Italiana, Banca Nazionale del Lavoro, Banco di Roma, Credito Italiano.

the volume of bank loans to clients; it was 117.50% in 1945 (from 73.9 to 160.7 milliards), and 171.3% in 1946 (from 160.7 to 436 milliards) against a percentage of 5.5 in 1936, the pre-war year of maximum credit expansion. The rise of bank loans was accelerated in the second half of 1946 during which it increased by no less than 90%. In this way, the ratio between bank loans to clients and alien funds (total deposits plus *assegni circolari*) (11), which had fallen from the 78.7% of 1938 to 26.7% in 1944, had risen to 54.4% at the end of 1946.

(d) It is not possible to express in figures the extent to which these variations in the amount of deposits were determined by the loans made by the banks; but the credit expansion—as a result of the well-known correlations—had undoubtedly a decisive

In the second quarter of 1947 there was, however, a sudden halt in the concession of bank loans.

(f) The expansion of business credit (loans to clients) proceeded at a rate which led to a sudden change affecting the Treasury. In the second half of 1946 the deposits placed by the banks at the disposal of the Treasury fell from 366.9 to 362.7 million lire, and the ratio of such assets to total deposits fell from 68.8% to 50.2%. The reduction would have been yet more marked were we to consider only the last quarter of 1946. This led to a more pressing need for new note issues, with all their inflationary reactions. Events developed along line similar to those experienced in France in 1946, and would re-

which did the largest credit business. Thus we find a minimum increase of 94.8% and 213% respectively for alien funds and credits to clients in the case of the three "banks of national interest" to an increase respectively of 60.1% and 132.1% for the Savings Banks. (See Table E, in Appendix).

pay a careful analysis like that made for that country by the *Conseil National du Crédit* in its "Premier Rapport Annuel", 1947.

12. — The above skeleton data call attention to the two points of the Italian banking system now most discussed. The first concerns the appreciation of the so-called credit expansion which has occurred in Italy, more especially from June 1946 to April 1947. In the opinion of Prof. Gambino this uncontrolled experiment has not been without inflationary reactions. The second point relates to the general problem of securing a systematic direction of credit policies, a problem to which the aforesaid credit expansion and its reactions on the Treasury situation have drawn attention. On this point both Prof. Gambino and Dr. Mancini agree on the need of a more systematic central policy.

The writer of this Survey agrees with the cautious general conclusions of Prof. Gambino and Dr. Mancini to which he would only add a few further remarks.

13. — It is interesting to note that some of the comments contained in the Federal Reserve Bulletin of March 1947 on the "rise of bank loans" in the United States in 1946 throw light on the Italian experience, more especially on the June 1946-April 1947 phase of credit expansion (13): "Strength in the demand for bank credit stems largely from forces accompanying a high level of economic activity and rising prices. Many of the loans extended by banks in 1946 facilitated the expansion in production of goods and services during the year and in this way contributed to overcoming inflationary pressures. At the same time, however, the addition of new deposits from the increase in bank loans was in itself a further inflationary factor. In addition, some of the funds made available through bank loans were used by business to bid for scarce material... or by consumers to swell the demand for goods in short supply, without resulting in any substantial addition to the national production. In other words, by borrowing from banks, some producers were able to bid away productive resources from others, who in turn were induced by active business conditions to seek additional credit with which to protect their own operations. Some business and individuals, moreover, were encouraged by inflationary price advances to seek loans for purposes of inventory speculation, and these loans not only added nothing to production but tended to reduce total output".

This passage could well be used to describe the developments of the Italian situation, only the colours would have to be heightened.

Thus, in the case of Italy, "the level of economic activity" in the second half of 1946 diverged to a much more marked degree from that of credit ex-

(13) Federal Reserve Bulletin, March 1947, p. 242.

pansion and the creation of bank money; to confirm this one need only compare the force of this last inflationary factor to the comparatively stationary situation of Italian production and the moderate upward trend of traffic, the data for which will be found in paragraphs 2 and 7.

Given these conditions of scarcity, there can be no doubt that the influx of credit waves must have favoured an eager search for scarce materials by competitive producers, leading to further price inflation.

In Italy, moreover, the desire to secure raw materials was stimulated not only by the competition among producers to secure priority in the resumption of production, but also, and to a much greater degree than elsewhere, by the endeavour to build up stocks as an insurance against the wavering policy of the Government in making allocations, and against lira depreciation. The hoarding of raw materials, lasting agricultural products, and finished products, in expectation of progressive price rises, had undoubtedly been directly and indirectly fostered by the expansion of bank loans with its inevitable reactions on the inflationary pressures.

Nor can it be excluded that the effects of credit expansion have not been limited to the creation of bank money and the support of speculative trends; it is more than likely that in some marginal cases they have reacted on the legal tender itself, not only indirectly by compelling the Treasury to have recourse to the printing press, but directly, by forcing the Central Bank to intervene for liquidity purposes. The statements of the Bank of Italy (see Table C in Appendix) from the end of February to the end of April 1947 reveal an increase of some importance both for discounts (about 7.5 milliard lire which cannot be accounted for by the food pools) and for advances (over 5.5 milliard lire). The reason for these variations are not known, but various circumstances make it seem likely that they were due for the most part to assistance given—by new issues—to strengthen the liquidity of some banks that had responded perhaps too willingly to the growing request for credit. It would seem that similar operations occurred also in May 1947; this would confirm a somewhat inflationary pattern of the previous banking policies.

14. — To avoid misunderstandings on the part of those who consider the matter from other standpoints, it should be remembered that when inflationary reactions are attributed to the credit expansion of 1946-47, the matter is considered: a) in its monetary aspect only, and b) quite apart from any appreciation of the activity of the individual banks.

First of all, the admission of the inflationary reactions of that credit expansion does not imply failure to recognise the service it rendered to the needs of Italian economic reconstruction. Prof. C. Bresciani-Turroni (14) has called attention to this point, by not-

(14) In the newspaper *Corriere della Sera*, July 16, 1947.

(11) See footnote 9, p. 115 of this issue.

(12) It should be noted that the maximum growth of alien funds in 1946 occurred in the case of those groups of banks

ing that the vigorous action of the banks was the necessary means for the recovery of Italian productive activities, and is therefore deserving of approval from that viewpoint. We must share this opinion, but with two limits. The first is the limit beyond which bank loans may have been used to encourage certain forms of speculation or for competition in building up stocks and securing products and raw materials on a poorly supplied market. The second limit is traced by the needs of the Treasury. We cannot expect that the Italian Treasury, in this very difficult period of adjustment, could and should be able to do without the support of the banks. The success of the policy it pursues depends indeed on their co-operation which alone can supplement the other sources of revenue and prevent an excess of inflationary issues which would be injurious to economic recovery itself. One of the fundamental problems that the liberated European States have to solve in their efforts at securing monetary rehabilitation is precisely this of adjusting the needs of public finance and those of production. The solution which finally is considered to be the most daring and logical, the Belgian plan, aimed at preventing, ever since February 1946, that monetary rehabilitation should be sacrificed to the requirements of private investments. In the opinion of some, it would have even ended by giving priority to the former purpose over the latter, as a result of the automatic features of the system adopted. In Italy, where a long-sighted and systematic policy of the Belgian type was impossible, a solution of this problem can no longer be delayed. Undoubtedly in our country it is much more difficult to conciliate public requirements with those of business, for in Italy the available supply of capital is far more inadequate to meet the several competing needs, and the presence of 2 million unemployed makes it necessary to encourage production and therefore to follow a more elastic credit policy. But an arrangement under which the needs of the Treasury are not neglected should be reached here also, even if the priorities be different. Indeed, it is essential for monetary stability that production be assisted and encouraged; but monetary stability is in its turn essential to the sound development of productive activities and it cannot be secured if the Treasury should be compelled—here and now—, by a too marked inversion of bank credit, to finance exclusively by inflationary measures the deficits arising from the legacy bequeathed by the war. Recourse by the Treasury to the money market should of course be co-ordinated with a strict financial policy which will select the objects of national expenditure and make sure of their productive character; perhaps the difficulties encountered in this matter can explain the resistance offered and the perplexity felt even by "neutrals" at the claims of the Treasury.

In the second place, credit expansion, with its possible inflationary reactions, does not, with a few possible exceptions, authorise us to blame the conduct of the individual banks. Left to their own devices,

and in the absence of a systematic plan for co-ordinating their action, the several banks could only be guided in their conduct by the classic rule which tells them to seek their own advantage by applying the rules likely to assure the best returns on unilateral lines. This inevitably led them to give their preference to commercial transactions and to participate in highly profitable business arising from the contingent situation. Market activity led to a rise in the already high rates and commissions. This made it possible to consolidate the profit and loss accounts, depressed by the growing cost of staff. It should have been the business of the monetary authorities to incorporate the necessarily one-sided criteria guiding the banks in a body of general rules drawn up to meet the requirements of monetary rehabilitation and the direction of credit policies. This is the task the new Government is now tackling, though later than the other liberated countries of Western Europe.

15. — It is not yet possible to say how this task will be accomplished. The work is still in the study stage and only the general outline of the plan under consideration is so far known. The two aspects of the question are: (a) the reorganisation of efficient organs of control, and (b) the determination of the general rules regulating the control itself.

(a) A special decree, D.L.P. No. 691, of July 17, 1947, has just been issued which deals with the first point. It sets up an "Interministerial Committee on Credit and Savings" to which it assigns "general supervision for the protection of savings, and over matters relating to credit transactions and foreign exchange". The Minister of the Treasury is the Chairman of the Committee on which sit the Ministers of Public Works, Agriculture, Industry and Commerce, and Foreign Trade. The Governor of the Bank of Italy takes part in the meetings of the Committee exercising "the powers and functions vested in the Head of the Inspectorate of Credit" by the Bank Act of 1936. "In making its enquiries and carrying out its decisions the Committee makes use of the Bank of Italy to which are assigned the functions of the Inspectorate of Credit", which, as stated, was suppressed by the D.L.L. No. 226 of September 14, 1944.

We have thus returned in part to the pre-war system; the suppression of the Inspectorate of Credit still holds good, its place being taken, generally speaking, by the Bank of Issue.

(b) As regards the second point, we have already mentioned that the Bank Act of 1936, still in force, assigned to the credit control organs ample powers for directing investments and fixing rates. It would seem from the statement of principles made by Prof. Einaudi—Minister of the Budget and Governor of the Bank of Italy—that in exercising these powers the Authorities will respect the independent initiative of the individual banks. Thus, as regards the control of the "quality" of the investments, ac-

tion would be limited to laying down general lines which would not mortify the responsibility and enterprise of the banker. The announcement of these principles has been received with satisfaction as in keeping with the free enterprise system existing in Italy, and with the proved capacity of the Italian banking system. On the other hand, a new device would be introduced to assure quantitative control, and this gives rise to some opposition and to many doubts. Substantially, the proposal contemplates the automatic mechanical control of bank deposits by enforcing special "reserve requirements" related partially to the capital and reserves of the banks, and partially to the alien funds held by them. Thus, for the time being, participation of the Treasury in the resources of the money market, and in the long run a more efficient means of controlling expansions arising from cyclical movements would be assured. A summary description of the proposed system is given by Dr. Mancini in his study. The proposal is still however the subject of lively controversy. The criticisms which the Belgian and Dutch banks have expressed in more or less explicit terms of the strictness of the systems of control introduced in those countries (15) are now being repeated in Italy. What is most dreaded is inelasticity in the banking system and the draining of resources for purposes that are not those most advantageous to the community. These are the dangers inherent in any automatic system; they can only be attenuated when the organs of control possess a degree of sensibility and equilibrium which enables them to vary the reserve percentages as conditions may require. Considered from this angle, the organisation of the control organs becomes a matter of much importance, now *de jure* disciplined by the above mentioned decree of July 17, 1947.

16. — Meantime, prior to the reorganisation of the control organs, and while awaiting the elaboration of the new principles to be adopted, the banks have carried out a general policy of credit restriction. June and July 1947 are marking a typical phase of credit stringency in Italy. As was to be expected, this sudden change of policy has already given rise to delicate problems for those many branches of Italian industry which are in need of rebuilding stocks or must convert or modernise their plants. The execution of such plans calls for large investments of capital the companies do not possess, and they therefore need an easy money market. On many sides attention is already being called to the danger that "stringency" may overstep the critical point beyond which it defeats the objects it has in view, acting as a drag on the recovery of production. Pressure is already being exerted from important quarters in favour of less

(15) See, for instance, the 1947 Reports of the *Banque de la Société Générale de Belgique* (pp. 26-27), the *Rotterdamische Bankvereeniging* (pp. 7-8), etc.

stringent measures. It will be up to the new organs of control to perform the very difficult task of finding the right line of demarcation, and of incorporating credit policies in a wider general policy designed to stem the forces of inflation.

Present Problems and Prospects

17. — Prof. Einaudi is basing his plans for the control of inflation on the classic principle that the solution of the financial problem is the necessary premise for monetary rehabilitation. Public expenditure must be curbed, and national revenue forced up, so as to reduce the budget deficit and with it the issue of bank notes. Such is the policy now guiding the management of Italian finance which has led to the creation of the new "Ministry of the Budget".

Undoubtedly a remarkable effort has already been made to balance the budget for the financial year 1947-48 (see Table A in Appendix). The original estimates, drawn up last April, placed receipts at 520 milliard lire, almost four times the figure of the original estimates for 1946-47. To secure these results the Government counts above all on strengthening ordinary taxation, assigning to extraordinary taxation a subsidiary and emergency function. Thus the larger receipts as compared to the estimates for 1946-47 are provided to the extent of 275,016 million lire by ordinary taxation, and to the extent of 97,499 millions by extraordinary (capital levy, war and emergency profits, etc.).

As the April estimates placed expenditure at 831,771 million lire, the deficit was foreseen in 311 milliards, or about half the probable amount of that which will be shown by the final accounts for 1946-47. Even leaving aside the depreciation of the lira, this result is undoubtedly encouraging.

But will it be really secured, or will the estimates be overwhelmed by unforeseen developments in national finance, so "dynamic" in this critical stage of events? The experience of 1946-47, during which the gap between receipts and expenditure continued to widen until it reached 610 milliard lire, is a warning that weighs on the present estimates. Speaking on June 18 ult., Minister Einaudi said: "the difficulty consists in preventing estimated expenditure from rising more rapidly than assessed receipts". Fortunately, not only is the situation clearly understood by our financial authorities, but it is being energetically tackled by an elastic policy which aims at covering every increase of expenditure by a like increase of income. Until now these two "racers" have kept abreast. In the revised estimates, presented in July 1947, expenditure, as a result of recent developments, had risen to 922 milliard lire, but receipts had also risen to 612 milliards, and the estimated deficit thus

continued to stand at 309 milliard lire. And this is another and very encouraging fact.

What will be the further developments in the race between revenue and expenditure? There seems to be little doubt that expenses will show further increases; many factors are already at work to bring this about. Among these, a specially dangerous item is that represented by the cost of civil service salaries which absorb nearly one third of the revenue originally estimated. The rising cost of living and the agitation to secure salary rises for public employees are premonitory symptoms. Again, Government purchases abroad of such essentials as wheat are rising with the higher exchange rates in force since August 2 (from 225 to 350 lire for the dollar).

If the Government is to offset these and similar negative factors, it will have to persist energetically in the policy of which we have noted the first instances: it must secure new receipts by means of heavier taxation, raise political prices kept at an artificially low level, contain certain items of expenditure. It should undoubtedly be possible to act on expenditures; need only remember that the Ministry of Defence absorbs over 153 milliard lire (over 18% of total estimated expenditure) of which more than 54 per cent is accounted for by the cost of salaries, mostly to civilian staff; moreover, generally speaking, the civil service is over-stuffed with unproductive persons. Theoretically, the increase of political prices might also be justified. As for the revenue, the hopes of an increase are based above all on the improvements now being introduced into the services for assessment and control and the repression of tax evasion. Here, however, progress is hindered by serious reasons of a social character (about 2 million unemployed, real wages still considerably below the pre-war level) and by the need that the pressure of taxation on productive enterprises, now burdened by the capital levy decided on in March 1947, be not raised to an anti-economic level.

But the really critical point in the financial situation is not to be found in suchlike difficulties. It may be summed up in two points: (a) the burden of the so-called "passive-balances", i.e. expenditure pledged in previous financial years but not yet settled; and (b) the danger of a steady rise in prices.

18. — It is reckoned that expenditure pledged in previous financial years that still has to be met-amounted on June 30, 1947, to nearly 500 milliard lire. This is a burden weighing dangerously on the current and on future financial years. The extent to which it will affect the situation in the next twelve months cannot be calculated, but very probably it will make its influence felt and will tend to drive up the cash outgo of the Treasury beyond the 310 milliards odd which have been estimated.

It would already be very difficult for the Treasury to cover a deficit of 310 milliard lire by recourse to the Italian money market thus avoiding the need of

further currency inflation, at least in the next few months. The system of "reserve requirements", to which reference has been made above as a means of securing for the Treasury a share of bank funds, has, like all else, its limits (16), and the placing of a medium or long term loan would call for a preliminary consolidation of public confidence. This will make it inevitable, at least in the first months of the financial year, to have recourse to new, even though limited, note issues.

A further cause for the expansion of such issues may be found precisely in arrears of expenditure.

Then again, during the next few months the pressure on the currency of the needs for financing the wheat pools will make itself felt, though to a much less extent than in 1946 owing to the poor harvest, as a result of which currency expansion from this cause is estimated at 10 to 15 milliard lire as against 31.4 milliards in 1946 (17).

19. — The Italian market will therefore have to stand for yet other months the pressure of new note issues, notwithstanding all the efforts of the Government to avoid them. This calls attention to the problem already so critical, of prices. Will the market succeed in absorbing the new note issues, neutralising their pressure on prices?

The fact is that in the two months following mid-May, while stock-exchange quotations fell from the speculative heights previously touched, prices continued to rise, by 5.19% for the foodstuff cost and by 14.78 per cent for wholesale prices in May, and by 6.54% and 2.05% respectively in June, nor has the trend been reversed in July (Table VI).

TABLE VI

PRICE MONTHLY INCREASES IN ITALY (a)
(January-June 1947)

Month	Wholesale prices	Foodstuff cost	Cost of Living
January	+ 2.09 %		
February	+ 3.64 %	+ 1.52 %	+ 1.61 %
March	+ 6.37 %	+ 2.13 %	+ 2.84 %
April	+ 9.51 %	+ 10.23 %	+ 9.19 %
May	+ 14.78 %	+ 5.19 %	+ 5.00 %
June	+ 2.05 %	+ 6.54 %	+ 6.42 %

(a) Calculated from data of the *Bollettino dei prezzi*, n. 3, of the Central Institute of Statistics.

(16) Be it remembered that the yield of the money market to the Treasury fell to 146 milliards in the first post-war fiscal year 1945-46, when business revival had only timidly started (see M. MANCINI, *The Italian Money Market* etc., Table III in this issue).

(17) See Report of the Bank of Italy, March 31, 1947, p. 223. This year, unfortunately a bad crop year, the volume of wheat to be pooled is estimated at 900,000 m. tons (18)

Should this trend persist, the financial policy of the Government would be seriously endangered. The gap between income and expenditure would widen; and the dreaded spiral of mutual reactions, now further strengthened by the sliding scale for wages, would accentuate inflationary developments. A relative stabilisation of prices, therefore, is not only the aim of present Italian financial policy, but also its necessary premise; as was clearly stated in the debates on the chances of success of the capital levy (18).

Thus the action taken to fight inflation broadens out beyond the purely financial field and enters that of general economic problems. Within this ampler purview, a more vigilant credit policy finds its place, a policy which, without mortifying productive activity, should find the means of preventing note expansion and the price movements from being accentuated by forms of credit expansion. But while credit policy plays a supplementary part to monetary policy, and demands the same spontaneous collaboration of the banks whose best interests require the arrest of currency depreciation, yet there are limits to a policy which must needs be elastic, especially during the present stage of reconstruction.

After all, the primary factor for neutralising note issues and blocking-price movements is to be found in the growth of production and of the supplies available for the home market. Thus the field of action shifts once more and includes problems whose solution no longer depends on the efforts, however energetic and co-ordinated, of the Italian Government, but also, and to a marked degree, on foreign collaboration. Indeed, never so much as now has the monetary problems become for Italy a problem of contributions from abroad, more especially from the United States.

20. — Now, what are the prospects for production and supplies in the near future?

As for industry, the production plans drawn up some time ago by the Italian Government estimated output at a considerably higher figure than that actually attained in the second half of 1946, as they placed it at not less than 80-85 per cent of the pre-war figure. This expectation is very encouraging, but (as past experience shows) it must be accepted with caution as, in Italy, the so-called "plans" are

against 2,300,000 in 1946) and total payments due to farmers at 40,000 lire per ton (against 23,000 in 1946) should amount to less than 40 milliard lire. It seems probable, however, that, as a result of the urgent food needs of the country, the grain will only be held for a short time by the pools and that reimbursements will follow closely on the financing operations. And although the extent to which the banks, authorised to finance the pools, will rediscount their bills with the Bank of Italy is uncertain, it may be expected that the growth of the currency due to the pools will fluctuate around 1/3rd or 1/2 of the amount of the note issue for the 1946 crop.

(18) See C. COSSANT, *Italian Tax Policy*, in this issue.

drawn up by government organs for the purpose of determining needs with a view to the distribution of certain key materials and semi-fabrics, and must not be looked upon as systematic plans for co-ordinating growth in the several branches of industrial production. In any case, the execution of these industrial plans, which would allow of neutralising and absorbing, at least partially, the increased volume of currency, is dependent: (a) on the available supplies of raw materials, coal, liquid fuels and electric power; (b) on the increased facilities for ocean transports and inland traffic.

(a) In the case of raw materials, the outlook, rather difficult for ferrous metals, is favourable for coal; a further increase in available supplies of liquid fuel, which have already been much more abundant in the last few months, is also expected.

As for electric power, difficulties are foreseen for the winter months owing to weather conditions, and also owing to the much heavier consumption for domestic and industrial purposes, which has outstripped the market increase in productive potential. This branch of production is one of critical importance, requiring long-term financing for the erection of new plants.

(b) Sea transport facilities are steadily increasing and further developments are expected thanks to the building now going on in the ship-yards and to the hoped-for grant of 200,000 tons of tonnage by the United States. The improved conditions of railway carriage within the country are more than satisfactory.

On the whole, symptoms point to an improvement in the industrial situation in the next few months. In the month of July it is believed that average activity will have risen to about 70% of the 1938 average; during the ensuing months—until winter—there will probably be further developments and the estimated percentages are likely to be reached, with favourable reactions on the monetary situation.

On the other hand, the agricultural situation as a whole causes anxiety, especially as regards the supply of cereals. The amount of the wheat to be delivered to the pools was theoretically estimated at about 900,000 m. tons. Now, this amount would provide the already small ordinary bread ration only for a few months. To assure that ration until the new harvest, imports, reckoned at about 3.2 million tons, would be required. Moreover, a situation of scarcity continues in some other important branches of agricultural production, both as compared to 1938 and as compared to the requirements of the country, increased by the steady growth of the population.

The critical feature of the Italian situation, and the most formidable enemy to the financial and monetary plans outlined by the Government is precisely the serious deficiency of food supplies. It is here, above all, that the battle for financial rehabilitation will be fought in the next few months.

In other occasions also the fate of the lira has been

bound up with the fate of the crops. The last occasion, which it is interesting to recall, was when, in 1924, the failure of the cereal crops reacted dangerously on the plans then in hand for monetary stabilisation, leading to a marked rise in prices and exchange rates (19). Today, the status of Italian economy is very different from what it was in 1924, and its power of resistance and recovery is incomparably less.

Incoercible, fundamental needs that have been neglected for years past, are now placing pressure on the market, again impoverished by adverse seasonal con-

(19) In 1924 the wheat crop fell to 4.6 million tons; 700,000 tons less than the average of the previous three years. This led to a general rise in prices and exchange rates. While in the first nine months of 1924 the general level of wholesale prices, calculated by Prof. R. Bachi, had fluctuated around 570 (1913=100), it rose to 591 in October, to 611 in November, and to 630 in December.

In the case of exchange rates, while the dollar-lira rate only showed a moderate rise, quotations for the pound sterling and the Swiss franc fluctuated more widely, rising from 98.96, the average for the first half of the year, to 102.22 in December for the British pound, and from 400.99, the average for the first half of the year, to 450.8 in December for the Swiss franc. Note circulation was also affected by the new situation, and marked an increase of not less than 867.6 million lire. See G. MORTARA, *Prospettive Economiche*, 1935, p. 22 et seq.

ditions. Food prices are being forced up more and more, and the upward movement threatens to continue, perpetuating a dangerous inflationary spiral arising from the connections between cost of living, wages, costs, and the prices of other commodities, their mutual reactions, the social unrest and the psychological alarms to which they give rise. Should we reach the threshold of winter before reliable safeguards have been secured, the present co-ordinated efforts of the Italian Government and their results would run the risk of being undermined. Unfortunately, Italy is now as dependent on foreign supplies for her food as she is for her raw materials. The problem has thus become one of foreign loans (20), and also of priorities and of rapidity in the allocations discussed at the recent Paris conference. It is also for this that the Italian Government has responded with such keen interest to the Marshall plan, and our country is one of the most unconditional supporters of ever closer forms of international co-operation.

L. G.

(20) On this point reference should be made to the interesting considerations of prof. C. BRESCIANI-TURBINI, *Foreign Loans and Italian Economy*, in *Review of the Economic Conditions in Italy*, Banco di Roma, vol. I, No. 3, May 1935, p. 133.

STATISTICAL APPENDIX

ITALIAN STATE BUDGET (1)
(in milliards of lire)

Table A

Fiscal Years beginning 1st July	Ascertained receipts					Engaged expenditure					Surplus or deficit		
	Actual receipts			Move- ment of capital	Total	Actual expenditure			Move- ment of capital	Total	Actual receipts and expenditure	Move- ment of capital	Total
	Ordinary receipts	extra- ordinary receipts	Total			Ordinary expenditure	extra- ordinary expenditure	Total					
1938/39	27	0.9	28	3	31	23	17	40	2.8	43	- 12	+ 0.2	- 11.8
1941/42	38	3	41	50	91	35	83	118	4	122	- 72	+ 46	- 31
1942/43	43	6	49	54	103	42	93	135	39	160	- 86	+ 29	- 57
1945/46	425	3	128	92	220	160	349	599	84	553	- 381	+ 48	- 333
1946/47 (July-April)	251	5	256	292	548	245	519	764	240	1,004	- 508	+ 52	- 456

(1) Data 1943/44 and 1944/45 not available.

Source: *Bollettino Mensile* of the Istituto Centrale di Statistica, Rome, 15 July, 1947.SITUATION OF THE INTERNAL NATIONAL DEBT
(in millions of lire)

Table B

Date	Consoli- dated and others	Redeemable debt	Floating debt				Notes of the State	Total of internal public debt
			Treasury Bills	Interest- bearing current accounts (a)	Advances by the Bank of Italy	Total		
1938 (30 June)	52,995	49,126	8,922	19,959	1,000	29,881	1,563	133,565
1943 " "	52,945	178,092	53,130	55,306	59,882	168,318	5,919	405,274
1944 " "	52,945	176,059	61,867	59,522	79,841	201,231	6,500	416,735
1945 " "	52,945	206,293	157,695	93,085	330,686	581,466	7,281	847,985
1946 " "	52,945	278,569	239,009	145,754	343,012	727,775	7,348	1,066,637
1947 (30 April)	52,945	429,344	269,570	169,508	365,891	804,969	7,348	1,294,606

(a) Cassa Depositi e Prestiti (Government Institution administering the postal deposits), Banking Institutes and others.
Source: *Bollettino mensile* of the Istituto Centrale di Statistica, Rome, 15 July, 1947.RESERVES AND PRINCIPAL ITEMS OF THE BANK OF ITALY
(in milliards of lire)

Table C

End of period	Reserves	Bill dis- counted	Advan- ces made against securi- ties and goods	Trea- sury bills	Securi- ties	Extraor- dinary advan- ces to the Trea- sury	Debts at sight	Current accounts deposits	Interest- bearing time deposits by banks	Trea- sury current account	Operations made dur- ing the period	
											Dis- counts	Advan- ces
1938	3.8	3.7	3.7	—	0.8	2	0.9	0.9	—	0.8	13.9	36.6
1943	2.2	5.5	7.2	8	0.9	79	7.9	17.4	18.5	47.3 (a)	20.9	60.3
1944	0.5	3.8	4.1	30	0.9	202.7	14.2	24.6	81.9	98.4 (a)	12.6	39.3
1945	0.5	9.8	5.4	68	0.9	342.7	13.4	46.9	120.2	20.5	25.4	105.7
1946	0.5	44	13.1	68	37.8	342.7	15.1	59.1	101.2	10.1	97	264.6
1947 February	0.5	43.3	12.1	68	37.7	342.7	14.8	57.1	90.1	21.6	7.8	30.8
March	0.5	41.7	14.2	68	37.7	342.7	16.2	53.4	91.7	6.8	15.8	40.2
April	0.5	50.9	17.8	68	37.7	342.7	16.6	38.8	96.4	7.8	24.8	47.9

(a) Treasury debt.

Source: *Bollettino mensile* of the Istituto Centrale di Statistica, Rome, 15 July, 1947.

Table D

Date	Note circulation		Wholesale prices	Food-stuff cost	Living cost	Share quotations	Fine Gold		Foreign currencies				Foreign currencies for export					
	Amount	Index					Price per gram	Index	Dollar		Pound Sterling paper		Swiss Franc		Dollar		Pound Sterling	
									(a)	(b)	Price (lire)	Index (b)	Price (lire)	Index (b)	Price (lire)	Index (b)	Price (lire)	Index (c)
1945 December	365.8	1,723	3,666	—	—	517	833	2,216	1,102	—	3,000	—	—	—	—	—	—	
1946 January	366.5	1,717	3,404	—	—	445	775	2,010	1,117	122	2,837	—	—	—	—	—	—	
February	366.1	1,689	3,401	—	—	421	634	1,842	1,131	106	2,465	—	—	—	—	—	—	
March	361.9	1,741	3,184	3,491	2,793.8	364	564	2,637	869	98	2,279	—	—	—	—	—	—	
April	360.8	1,727	3,087	3,772	2,774.3	324	535	2,455	783	88	2,069	—	—	—	—	—	—	
May	361.2	1,747	2,985	3,797	2,770.0	324	609	3,040	1,026	98	2,069	—	—	—	—	—	—	
June	402.4	1,758	2,965	3,613	2,648.6	432	653	3,054	1,097	122	2,357	305	—	—	1,150	1,513	138	
July	415.2	1,845	2,949	3,533	2,611.3	574	710	2,820	1,376	123	2,866	478	—	—	1,264	1,664	162	
August	435.4	1,890	3,016	3,490	2,695.5	635	846	3,096	1,541	133	3,093	302	—	—	1,254	1,654	160	
September	439.6	1,959	3,209	3,887	2,834.7	781	947	3,547	1,646	138	3,096	395	—	—	1,254	1,654	160	
October	453.2	2,014	3,595	4,113	3,193.3	748	940	3,947	1,401	167	3,883	604	—	—	1,053	1,697	147	
November	465.6	2,069	3,999	4,530	3,611.2	1,059	1,012	4,733	1,477	167	3,883	604	—	—	1,053	1,697	147	
December	512.7	2,278	4,416	5,043	3,974.3	1,301	1,078	5,042	1,651	189	4,395	967	—	—	1,053	1,697	147	
1947 January	503.6	2,238	4,176	5,344	4,245.1	1,191	911	4,286	1,475	199	4,027	842	—	—	1,521	1,821	132	
February	512	2,275	4,048	5,491	4,446.6	1,514	844	3,947	1,997	171	3,975	528	—	—	1,519	1,819	132	
March	531.6	2,318	5,028	5,758	4,721.2	2,034	979	3,496	1,993	161	3,744	589	—	—	1,697	1,997	147	
April	549.1	2,440	5,194	6,628	5,212.8	2,767	1,070	4,115	1,816	176	4,045	602	—	—	1,697	1,997	147	
May	565.1	2,511	5,492	7,314	5,612.0	3,169	1,134	4,461	1,982	194	4,459	676	—	—	1,697	1,997	147	
June	—	—	6,038	7,551	5,865.7	2,490	1,007	3,573	2,147	2,308	4,456	842	—	—	1,697	1,997	147	

(a) In milliards of lire.

(b) 1938=100.

(c) May, 1936=100.

Sources: Note circulation: *Bollettino mensile* of the Banca d'Italia, 1946/47. Indicesof wholesale prices, prices of fine gold and prices of foreign currencies and foreign currencies for export: Centro per la Statistica Aziendale di Firenze. Indices of foodstuff cost and of cost of living, share quotations: *Quotazioni di titoli e valute* of the Gruppo Edimont (Milan), 1947. Other indices elaborated by us.PRINCIPAL ITEMS OF THE ITALIAN BANKING INSTITUTES (a) Table E
(in milliards of lire)

	1938	1939	1940	1941	1942	1943	1944	1945	1946
Alien Funds (b):									
Public Law Credit Institutes	9.2	11.3	15.8	21.2	27.4	39.9	46.3	101.0	173.2
Banks of National Interest	14.6	17.0	20.4	26.3	31.9	43.6	29.6	126.2	242.0
Ordinary Credit Banks	14.1	9.9	11.8	16.4	22.2	27.5	49.2	91.5	170.2
Peoples' Co-operative Banks	—	6.0	7.3	9.6	13.1	17.1	25.2	48.2	84.3
Savings Banks and Pledge Banks of 1st category	(c) 18.9	18.9	19.7	24.0	29.3	32.7	67.0	81.1	150.2
Total	56.8	63.1	75.0	97.5	123.9	150.8	277.2	451.2	800.8
Cash and items available at sight (c):									
Public Law Credit Institutes	1.7	2.5	4.5	4.2	5.4	11	21.7	18.9	27.5
Banks of National Interest	3.5	4.6	4.7	4.8	7.6	23.2	61.0	13	30.4
Ordinary Credit Banks	0.9	1.2	1.5	1.9	3.3	6.1	17.4	14.8	26.8
Peoples' Co-operative Banks	0.5	0.5	0.7	1.2	1.8	2.8	12.2	9.4	9.5
Savings Banks and Pledge Banks of 1st category	(c) 1.7	1.6	1.7	2.5	3.5	4.5	11.4	13.3	19.4
Total	8.3	10.4	13.2	14.6	21.6	47.5	125.7	69.4	113.6
Fixed Deposits with Treasury and other Institutions (c):									
Public Law Credit Institutes	—	—	—	—	—	0.3	12.1	24.7	24.5
Banks of National Interest	—	—	—	—	—	—	1.6	66.3	53.6
Ordinary Credit Banks	—	—	—	—	—	—	0.01	13.0	12.4
Peoples' Co-operative Banks	—	—	—	—	—	—	0.3	9.3	11.9
Savings Banks and Pledge Banks of 1st category	—	—	—	—	—	—	0.8	5.8	4.6
Total	—	—	—	—	—	0.3	14.8	120.0	107.0
Securities (d):									
Public Law Credit Institutes	3.3	3.4	4.8	6.0	8.8	13.2	20.8	31.3	42.7
Banks of National Interest	2.5	2.9	4.4	6.5	9.7	10.9	11.5	13.3	38.2
Ordinary Credit Banks	5.2	3.2	3.8	6.3	9.6	12.3	20.8	32.8	51.5
Peoples' Co-operative Banks	—	2.4	3.1	4.5	6.5	9.2	12	14.9	26.2
Savings Banks and Pledge Banks of 1st category	(c) 9.7	9.9	10.6	15.1	19.8	23.4	29.6	50.8	71.7
Total	20.7	21.8	26.7	39.3	54.4	69.0	91.7	143.1	224.3
Credits to clients (f):									
Public Law Credit Institutes	9.5	10.6	11.8	16.9	19.9	15.7	16.7	34.7	66.5
Banks of National Interest	12.8	13.9	15.7	20.7	24.5	18.4	16.7	43.7	136.4
Ordinary Credit Banks	8.9	9.3	9.6	12.1	16.5	14.5	17.8	39.2	99.5
Peoples' Co-operative Banks	4.4	4.7	5.9	6.5	8.6	7.8	9.6	20.3	50.7
Savings Banks and Pledge Banks of 1st category	(c) 9.1	8.9	9.3	10.3	9.9	10.4	13.1	22.8	52.9
Total	44.7	47.4	52.3	66.5	79.4	66.8	73.9	160.7	436.0

(a) Beginning 1943, this table relates to 365 Banking Institutes holding about 99% of total bank deposits.

(b) Includes: savings and sundry deposits, current accounts and *assegni circolari* in circulation (see note 9, p. 115).

(c) See Table V, note a, p. 117.

(d) See Table V, note b, p. 117.

(e) For 1938 Pledge Banks of 2nd category are included.

(f) Includes the so-called *impieghi*, i.e. the items specified in Table VI, note b, pag. 107, except—since 1942—current accounts with sections for special credits, loans of Pledge Banks and Loans recoverable on salaries.Sources: *Relazione* of the Banca d'Italia for 1938/41 and *Bollettino mensile* of the Banca d'Italia 1946/47 for 1942 and seq.

AVERAGE SHARE QUOTATIONS
 (Milan Stock Exchange: 1938=100)

Table F

	Electrical	Metallurgical and engineering	Mining and chemical	Textiles	General Index
1945 - December 31	550.95	247.13	573.81	914.80	517.09
1946 - December 31	1,226.49	701.20	1,141.—	3,490.38	1,330.94
1947 - January 31	1,051.71	695.53	1,171.37	3,400.74	1,227.42
February 28	1,228.76	870.25	1,398.93	5,120.50	1,569.02
March 31	1,734.03	1,681.38	2,314.41	6,829.96	2,375.56
April 30	2,398.16	2,217.30	3,734.15	9,019.72	3,354.10
May 12	2,254.65	2,166.67	3,945.78	9,184.73	3,348.45
19	1,868.03	1,680.58	3,131.07	8,067.76	2,756.91
20	2,003.—	2,001.71	3,612.55	8,179.22	3,022.69
30	2,144.68	2,149.42	3,632.88	8,658.10	3,169.26
June 3	1,994.01	1,968.80	3,348.73	7,925.23	2,919.50
11	1,694.45	1,556.38	3,601.60	6,149.96	2,354.80
12	1,745.43	1,783.49	2,919.75	6,781.92	2,552.17
30	1,561.16	1,481.08	2,663.78	6,330.15	2,393.93
July 4	1,448.02	1,296.—	2,592.24	6,206.88	2,171.96
7	1,262.59	1,088.12	2,203.19	5,475.61	1,875.43
15	1,147.67	1,105.24	2,534.85	5,758.05	2,024.90

Source: Quaderni di studi e notizie of the Gruppo Edison, Milan, 1947.

MOVEMENT OF ITALIAN JOINT STOCK COMPANIES
 (in millions of lire)

Table G

Movement	1946	1947					Total (Jan.-May 1947)	General Index (1946 = 100 months 1947)
		January	February	March	April	May		
Capital increases:								
a) Formation of new Companies	3,527	260	502	557	332	359	2,010	
b) Increases of capital	13,043	2,129	3,603	17,737	11,213	6,286	40,968	
Total	16,570	2,389	4,105	18,294	11,545	6,645	42,978	
Capital reductions:								
a) Companies dissolved	594	19	135	81	54	26	315	
b) Reductions of capital	437	57	16	18	15	20	126	
Total	1,031	76	151	99	69	46	441	
Net increase	15,539	2,313	3,954	18,195	11,476	6,599	42,537	

Source: *Rassegna Economica* of the Associazione fra le Società italiane per azioni; nn. January to July 1947.

INDEX NUMBERS OF ITALIAN INDUSTRIAL PRODUCTION
 (monthly average 1939=100)

Table H

	Industries						General index
	Textile	Mining	Metallurgical	Building materials	Electric power	Chemical	
1946 January	29.03	47.19	21.15	33.57	81.62	8.08	25.01
February	31.74	48.09	21.98	33.05	65.91	10.16	26.99
March	39.15	50.91	24.90	46.39	75.17	13.73	32.44
April	48.54	53.45	32.41	48.44	77.09	25.10	41.24
May	57.72	56.72	40.70	51.59	87.79	33.99	49.39
June	70.— (a)	51.55	41.29	52.68 (a)	88.96	37.78 (a)	51.44 (a)
July	64.— (a)	54.22	47.93	64.26 (a)	99.93	36.40 (a)	55.53 (a)
August	62.— (a)	51.73	43.20 (a)	58.35 (a)	98.42	42.15 (a)	53.68 (a)
September	66.— (a)	53.92	51.83 (a)	69.60 (a)	103.36	44.48 (a)	59.58 (a)
October	64.— (a)	49.24	50.98	67.36 (a)	99.18	40.12 (a)	57.06 (a)
November	62.— (a)	56.83	42.48 (a)	58.64 (a)	87.59	32.02	51.55 (a)
December	60.— (a)	56.49	39.95 (a)	47.77 (a)	90.88	—	48.— (a)
1947 January	58.— (a)	51.75	37.80 (a)	36.62 (a)	80.32	—	43.— (a)
February	—	48.67 (a)	35.43 (a)	34.03 (a)	72.15	—	42.— (a)
March	—	58.01 (a)	49.75	34.87 (a)	90.81	—	47.— (a)
April	—	47.86 (a)	61.59 (a)	36.10 (a)	103.43	—	52.— (a)
May	—	46.94 (a)	72.— (a)	42.66 (a)	121.95 (a)	—	61.— (a)

(a) Provisional indices calculated by the Confederazione Generale dell'Industria Italiana, Rome, on the basis of partial data.
 Source: *Notiziario* of the Confederazione Generale dell'Industria Italiana, No. 15, 5 August, 1947, p. 71.

ESTIMATED ITALY'S BALANCE OF TRADE IN 1946
 (in millions of dollars)

Table I

Imports	Value	% of total	Exports	Value	% of total
1) Trade through private channels:			1) Trade through private channels:		
a) Clearing	44-43	5.5	a) 50 % system and procedure	279.14	74.6
b) 50 % system	40.38	5.0	b) Clearing	459.48	12.1
c) Barter deals	35.77	4.4	c) Barter deals	35.77	9.6
d) Without disbursement of foreign currencies	20.—	2.5	d) Reciprocity deals	3.75	1.0
e) Reciprocity deals	4.37	0.6	Total exports through private channels	364.14	97.3
Total imports through private channels	144.95	18.0	2) Trade carried out by State and State Agencies	10.15	2.7
2) Trade carried out directly by the State and State Agencies:			Total	374.29	100.0
a) Technical Delegations	204.86	25.4			
b) Italian Exchange Office	1.37	1.4			
Total State imports	216.23	26.8			
3) Gifts and Loans etc.:					
a) U.N.R.R.A.	379.96	47.1			
b) A.R.A.R.	62.65	7.7			
c) Cotton Loan	2.21	0.3			
d) Sundry	0.78	0.1			
Total Gifts, Loans etc.	445.60	55.2			
Total (a)	866.8	100.0			

(a) Not including private donations estimated to amount to 65 millions dollars.
 Source: *Review Congiuntura economica*, 1947; See also *Survey of Italy's Economy* of the U.N.R.R.A. Italian Mission, June 1947 p. 62.

ITALY'S FOREIGN TRADE: PERCENTAGE BY MAJOR COMMODITY GROUPS IN 1946 AND 1938 Table L
TO TOTAL IMPORTS AND EXPORTS (Trade with Dependencies excluded)

Commodity Groups	Imports				Exports			
	1938		1946		1938		1946	
	Quant.	Value	Quant.	Value (a)	Quant.	Value	Quant.	Value (a)
Foodstuffs (b)	3.82	11.98	17.57	29.54	49.17	33.96	44.33	21.33
Industrial raw materials (c)	87.18	47.61	71.25	48.50	23.31	10.18	31.74	7.09
Semi-finished products	7.82	21.69	9.76	10.98	18.48	19.87	12.23	26.39
Finished products	1.18	18.72	1.41	10.98	9.04	35.99	11.71	45.19
	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00

(a) Italian official statistics (particularly those concerning values) are uncertain. Moreover they do not give values for all quantities recorded as these are not always known. To overcome this difficulty a value was assessed for these quantities by calculating a monthly average price for goods in each of the groups under consideration. The value of goods expressed in foreign currency is calculated in lire at the official rate of exchange (plus 125%).

(b) Includes also fruits, vegetables, beverages, live animals, etc.

(c) Includes also solid and liquid fuels.

Sources: *Annuario Statistico Italiano 1938*, and *Statistica del Commercio con l'Estero 1946* of the Istituto Centrale di Statistica, Rome; see also *Survey of Italy's Economy* of the UNRRA Italian Mission, June 1947, p. 476.

ITALY'S IMPORTS AND EXPORTS FROM 1 JANUARY TO 31 MARCH 1947 Table M

	Imports		Exports	
	Metric tons	Thousands of lire	Metric tons	Thousands of lire
January	845,482	19,779,004	139,665	13,701,167
February	860,341	22,285,996	127,112	12,778,255
March (a)	1,473,318	40,799,376	188,392	15,633,284
Total	3,179,141	82,864,376	455,169	42,112,706

(a) Part of the data for March refer to January and February, due to irregularities in the transmittal of data by the Genoa Custom-House.

Source: *Statistica del Commercio con l'Estero*, January-March 1947, of the Istituto Centrale di Statistica, Rome.

AVERAGE OFFICIAL RATES OF EXCHANGE IN ITALY
(Italian lire for unit of foreign currency)

Countries	Unit of account	1945	1939	1946		1947	
				Plus additional quota 125%	from August 1, 1947		
Argentina	Peso	4.434	28.353	56.25	87.50		
Australia	Australian Lat.	?	323.70	726.075	1129.10		
Belgium	Franc	3.242	2.2845	5.1261	7.99		
Brazil	Cruzeiro	1.0383	5.417	11.700	19.08		
Canada	Canadian dollar	18.404	90.909	212.913	350.—		
Denmark	Krone	3.911	20.8768	46.924	72.98		
Egypt	Egyptian Lat.	90.354	415.—	930.600	1447.35		
France	Franc	0.4836	1.9608	1.8893	2.9386		
Great Britain	Lat.	85.437	400.—	906.6825	1411.38		
India (Bombay)	Rupce	?	30.349	67.9725	105.70		
Norway	Norwegian Krone	4.468	?	45.3627	70.57		
New Zealand	N. Z. Lat.	?	325.43	726.290	1129.10		
Holland	Gulden	10.264	37.7415	84.8527	131.77		
Portugal	Escudo	0.778	4.057	9.12825	14.20		
Spain	Peseta	2.1502	9.13	20.5425	31.96		
Sweden	Krona	4.617	23.845	57.375	97.23		
Switzerland	Swiss Franc	4.3352	23.31	52.4475	81.59		
Turkey	L. T.	15.13	77.52	147.4425	124.43		
Union of South Africa	S. A. Lat.	?	403.50	902.115	1402.45		
U.S.A.	Dollar	19.227	400.—	225.—	350.—		