

## Italy's State Budget, 1945-48

by  
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Today almost four years have elapsed since the close of the war, and the problem of national finance, still perhaps far from being solved, nevertheless shows unmistakable signs of clearing up. Thus, with figures at hand and after a rapid survey of recent developments we are able to feel the pulse of the present situation and, by comparing the results of our sustained efforts, to appreciate the difficulties that still must be overcome before a balanced budget can be secured.

I. — We might have studied Italian national finance on the basis of estimates made regarding the future development of the Financial Administration, as well as by closely examining the final economic results of past years and the modifications they have brought in the consistency and structure of the national estate. Bearing in mind the peculiar economic situation of the period in question, *i.e.* from June 1945 until today, it would be preferable to have the final budgets for those years. Unfortunately, the latest such account published was for the financial year 1941-42 and the only available periodical information is that given by the monthly Treasury Report, a publication which only partially makes up for the lack of a full final statement. We have no other choice, therefore, than to rely on this Report in order to obtain, provisionally and in a very summary form, data on the assessed revenues and pledged expenditures, and on the cash movement of both budgetary and Treasury transactions.

Before undertaking the examination of available data it is only fitting that we should attempt to give a general picture of the structure of the Italian budget. While in Great Britain and the United States

the accounting system shows cash movements, the method used in Italy is that of the "current budget", *i.e.* a budget kept for a given fiscal year (1) which registers all the sums the Government has acquired the right to collect or incurred the obligation to pay, quite independently, as we shall see, from the actual cash movements relating to collections and disbursements, either for the current or preceding fiscal year.

The revenue to which the Government is legally entitled is determined by assessments, its liabilities are represented by its pledged expenditures. During the course of the fiscal year not all assessments can, for obvious reasons be collected, nor can all obligations be actually paid. Under the Italian system of accountancy 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.

Both revenue and expenditures fall into two large groups; *current* revenue and expenditures and revenue and expenditures affected by means of *capital movements*. The expression *current* is used for those operations of revenue and expenditure that determine a respective improvement or deterioration of the Government's economic situation. Thus, for example, the yield of taxation, payments received for public services, and income from the national estate are entered under the heading of current 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 current expenditures.

Revenue arising from and expenditures effected by means of capital movements would, on the other hand, bring about not a variation, but only a transformation of the factors affecting the Government's economic situation.

Revenue arising from the movement of capital includes that arising from the issue of loans, the recovery of credits granted by the Government in past years, the alienation of national property, as well as from all those operations which increase the national

(1) The Italian fiscal year does not coincide with the calendar year, but runs from July 1 to June 30 of the following year.

patrimony by the sums received, but which are offset by a corresponding debt of the Government or even by a reduction of State credits. Capital movement expenditures include the repayments of national debt, the grant of loans to persons or bodies other than to those belonging to the Government Administration, the purchase of property, industrial plants and securities, the acquisition of share holdings, or the execution of public works or buildings; these operations, while on the one hand they entail a disbursement of funds, on the other improve the economic condition of the State.

The subdivision of all budgetary transactions into the two groups indicated above is of prime importance in estimating the results of the fiscal year. The significance of a balance, a surplus, or a deficit varies substantially if referred to one rather than to the other heading.

For example, the yield of taxation, let us say, is not sufficient to cover Government expenditures; there will then be a *current economic* deficit, as its cover will entail in any case a deterioration of the capital situation of the State. To cover the deficit, the Government may issue a loan; in this case, while the national debt is increased, the chapter "movement of capital" will close with a surplus, *i.e.* with a credit balance of a purely financial character. Therefore, an examination of the "current" portion of the budget enables us to appraise the situation from the economic standpoint, while the "movement of capital" figures, by showing how the Government procures the means to meet a current deficit, or what use it makes of a current surplus, indicates the final budgetary situation, from a financial standpoint.

II. — Some idea of the development of the Italian financial situation and of the enormous difficulties facing Government officials during

TABLE I

CURRENT BUDGET ESTIMATES AND ASSESSMENTS  
(Movement of capital excluded)  
(millions of lire)

	Original estimates	Assessments and obligations	Percent. differences
1945-46:			
Revenues . . . . .	29,909	128,476	+ 330
Expenditures . . . . .	113,593	309,120	+ 348
Deficit . . . . .	- 83,684	- 380,644	+ 355
1946-47:			
Revenues . . . . .	148,055	352,006	+ 138
Expenditures . . . . .	341,015	932,059	+ 173
Deficit . . . . .	- 192,960	- 580,053	+ 201
1947-48:			
Revenues . . . . .	520,560	827,802	+ 59
Expenditures . . . . .	831,775	1,547,153	+ 86
Deficit . . . . .	- 311,215	- 719,351	+ 131

the first three years immediately following the war is to be had by comparing the original budget estimates with the figures at present available for assessments and liabilities relating to each of those years.

The figures given in the Table I are anything but reassuring. On examining them one is lead to minimize the importance of the budget estimates, although these estimates should really mark the limit within which receipts as well as expenditures are to be kept. As the table shows, both headings regularly exceeded those limits to such an extent that the value and purpose of the estimates themselves become doubtful. Furthermore it is apparent that unfortunately the growth of expenditure constantly exceeded that of revenue, so that each year the balance has shown a more startling deficit than any estimate provided for (2).

It is true that estimates are drawn up some months before the beginning of the fiscal year. Rapidly changing economic conditions and unforeseen needs, especially social requirements, are such that at times the estimates are exceeded even before the beginning of the year to which they refer. This, in fact, has been frequently and officially pointed out by the qualified authorities (3).

(2) In the special instance of the 1945-46 financial year, when percentage differences were heaviest, it should be remembered that the estimates referred to 36 provinces, whereas assessments and liabilities referred to 49, to which ten were added from August 5, 1945, and all others, with the exception of Venezia Giulia, since January 1, 1946. As a result the territory under the jurisdiction of the legal Government was subject, during that fiscal year, to a dual administration: that of the Italian Government and that of the Allied Military Authorities. Final results show that the totals of the two Administrations amounted for expenditures to 546.5 billion Lire, revenue to 129.3 billions, with a deficit of 397.2 billion Lire.

(3) In his report to the Constituent Assembly on March 29, 1947, Minister Cilliopoli stated that "a considerable portion of the increases which have profoundly modified estimates of expenditure is caused by the inclusion of liabilities due from the beginning of the fiscal year in question, but not yet inserted in the budget, or to expenditures allotted to previous accounts, but deferred. For example, the figure for the political price of bread, which amounts to 90 billion Lire, was incurred in June 1946 and only at the present time is it added to the budget; pledged expenditures for public works and projects of land reclamation and improvement, although authorized by the budget law were not included in the first estimates, nor were as another 45 billion Lire afterwards appropriated on the basis of provisions made during preceding years. In the same manner the sliding scale was applied to payments for depen-

The fact that the percentage variations of assessments, liabilities and of the deficit itself, have gradually decreased to the point where, during the present fiscal year, they have remained almost within the limits of the estimated budget, can be interpreted as a sign that the most dangerous phase has been passed. This is due not only to a better knowledge on the part of the authorities of the many and complex problems the budget presents, but also to the removal, since September 1947, of perhaps the most disturbing cause of so much disorder — the constant rise of prices.

III. — After the preceding brief account of the inherent difficulties of national budgetary policy and operations which have confronted the government offices at every turn, we can

now proceed to an examination of the development of the economic situation as shown by the budget itself. (See Table II).

Ascertained revenue jumped from 128 billion Lire in 1945-46 to 828 billions during the year 1947-48, i.e. an increase of 544 per cent. Pledged expenditures, which reached the sum of 509 billions during the first fiscal year after the war, rose to 1,547 billions, equal to 204 per cent. Consequently, during those three years receipts increased much more rapidly than expenditures, the improved ratio of cover having gone from 25.2 to 53.5 per cent. It may be observed that by the third fiscal year after the end of the war, the percentage is still too low to be entirely satisfactory, almost half the amount of expenditures remaining uncovered by total revenue. From an objective point of view, however, the progress made since the period of greatest depression, 1943-44, is well worth noting. In that year, in fact, although expenditures continued to rise (229.3 against 135.2 billion Lire for the preceding year), revenue, due to the military and political crisis, dropped from 48.9 to 41.5 billion Lire. The

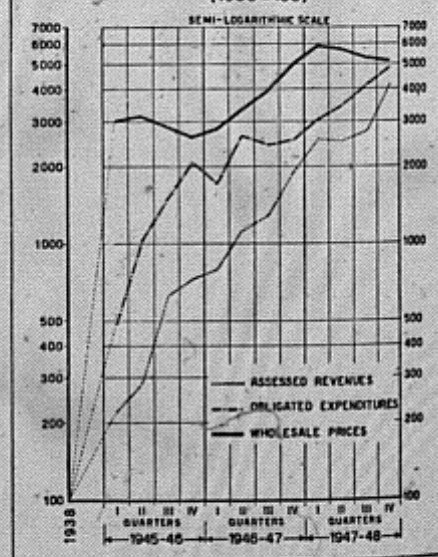
TABLE II

CURRENT ASSESSMENTS AND OBLIGATIONS  
(millions of lire)

	1945-46	1946-47	1947-48
<b>Assessments</b>			
Recurrent . . . . .	125,320	145,979	674,133
Non recurrent . . . . .	3,156	5,027	153,669
<b>Total . . . . .</b>	<b>128,476</b>	<b>151,006</b>	<b>827,802</b>
<b>Obligations</b>			
Recurrent . . . . .	160,411	317,721	615,393
Non recurrent . . . . .	348,709	614,336	931,760
<b>Total . . . . .</b>	<b>509,120</b>	<b>932,057</b>	<b>1,547,153</b>
<b>Surplus (+) or deficit (-)</b>			
Recurrent . . . . .	- 35,091	+ 28,256	+ 58,740
Non recurrent . . . . .	- 345,553	- 608,309	- 778,091
<b>Total . . . . .</b>	<b>- 380,644</b>	<b>- 580,053</b>	<b>- 719,351</b>
<b>Assessments as a per cent. of obligations</b>			
Recurrent . . . . .	78.1 %	108.9 %	109.6 %
Non recurrent . . . . .	0.9 %	1.0 %	16.5 %
<b>Total . . . . .</b>	<b>25.2 %</b>	<b>37.8 %</b>	<b>53.5 %</b>

deuts of the State, and the instauration of the price revision for works allowed on a lease".

Minister of the Treasury Pella, in his more recent report of June 1948, also stated, in reference to the fiscal year 1947-48: "The principal groups of expenditures authorized regard State personnel, cost for whom increased by 147 million Lire as compared to the previous year, following the new economic provisions agreed on; public works, including in particular the programs enacted to relieve unemployment and the general improvement of economic conditions in Southern Italy; the political prices of cereals and fuel, which are respectively represented by a yearly 160 and 60 billion Lire. Other increased expenditures relate to appropriations to welfare projects and to the interest on the public debt".

CHART I  
- ASSESSED REVENUES, OBLIGATED EXPENDITURES AND WHOLESALE PRICES (1938 = 100)

ratio of expenditures covered fell to the extremely low limit of 18.1 per cent. In 1944-45 revenue rose to 47.8 billion Lire, but this nominal increase was of small help in meeting the further increase of prices. In spite of the progressive currency depreciation which hampered the proper functioning of the fiscal machinery, current lire assessments for 1945-46 represented an improvement even of real income, but revenue was not high enough to regain the ground previously lost. In fact, al-

indicative of the general movement of the indices:

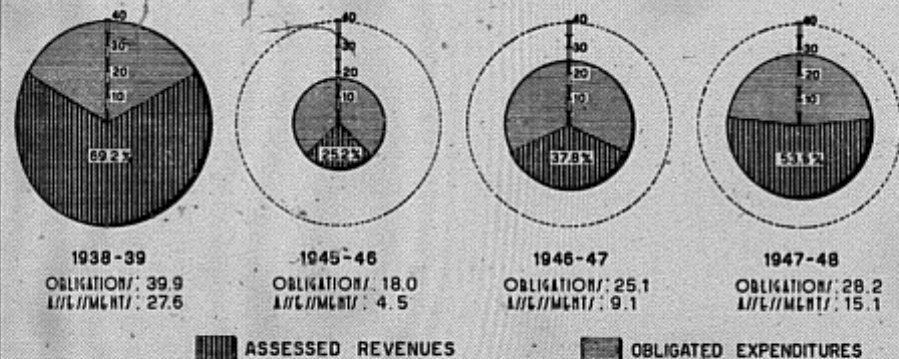
	Average July-September 1945	Average April-June 1948
Assessments	221	4176
Liabilities	492	4839
Wholesale prices	3068	5189

But even so favourable a development of the curves was not enough to prevent the deficit from growing as a whole: from 381 billion lire in 1945-46 it rose to 580 in 1946-47, and to 719

CHART II

## - CURRENT ASSESSMENTS AND OBLIGATIONS COMPARED WITH 1938-39

(In billions of lire - In 1938 purchasing power of the lira)



though revenue was equal to approximately 4 and a half times that of the year 1938-39, expenditures had reached a figure almost 13 times higher than in that earlier year.

The curve of assessments, liabilities and wholesale prices for the 36 month period, July 1945 to June 1948, is given in Chart 1, on the basis of quarterly indices calculated with reference to the year 1938-39.

The line of development of the three curves is significant; starting at points widely separated from one other, they have gradually drawn together due to the more rapid increase of revenue as compared to that of expenditures, and, more recently, to a weakening of prices. This coming together of the three groups of figures between the first and the last quarter under consideration is shown also by the following list

billion lire during 1947-48. These figures, however, are of only relative value since they refer to different periods and to lire having different purchasing powers. If, on the basis of the movement of wholesale prices (4) since 1938, we were to give the total deficit in the lira value of that time, we should arrive at the following figures:

	1945-46	1946-47	1947-48
(in millions of lire 1938)			
Assessments	4,538	9,075	15,105
Liabilities	17,058	25,132	28,214
<b>Deficit</b>	<b>13,420</b>	<b>16,057</b>	<b>13,109</b>

(4) This ratio was calculated on a month-by-month survey of the data on assessments, liabilities and of the deficit, taking as a basis the value of the Lira in terms of its 1938 purchasing power, as it results from the corresponding wholesale price index.

The altered trend of the movement of prices during the nine months September 1947 to June 1948, with revenue and expenditures both rising, has changed the final results to such an extent that the deficit for 1947-48 is inferior not only to that for 1946-47, but even to that for 1945-46. (See Chart II).

IV. — Experience has proved that in order efficaciously to restore the balance of the budget we must first attain a simultaneous improvement of both revenue and expenditures; i.e., there must be an increase of revenue and a contraction of expenditures leading the two groups of figures towards a meeting point. If we are to discover the extent to which such

CURRENT BUDGET ASSESSMENTS

TABLE III

	1945-46		1946-47		1947-48	
	millions of lire	percent. of total	millions of lire	percent. of total	millions of lire	percent. of total
Revenue from taxation	110,433	90.6	320,517	91.1	685,915	82.9
Other Revenue:						
— Pertaining to the budget	25,043	9.4	31,469	8.9	70,387	8.5
— AUSA and USFAP counterpart lira fund	—	—	—	—	71,500	8.6
<b>Total</b>	<b>125,476</b>	<b>100.0</b>	<b>352,006</b>	<b>100.0</b>	<b>827,802</b>	<b>100.0</b>

a balance has been achieved in post-war Italy, we shall first need data on both sub-headings. We shall begin by giving that on revenue.

By far the greater part of the current revenue of the State is provided by taxation; only a small portion is provided by income from the national estate or by profits realized from the supply of a few public services of minor importance.

The figures given in Table III show that during the first two years in question there was no change worth noting in the distribution among the various component items. Tax returns, which represented approximately 91% of total revenue, underwent a contraction during 1947-48 due to an entirely new type of extraordinary fund which came to take its place on the yearly budget.

These funds, in Lire, were made available by the implementation of two organizations for aid to Italy, the A.U.S.A. and the U.S.F.A.P.

formed to take the place of the U.N.R.R.A. program, which had expired (5), while waiting, at the same time, for the European Recovery Program to go into effect.

In accordance with the agreement stipulated with the American Government on July 4, 1947, the Italian Government undertook to form, with the net returns derived from the sale of products freely given by the *Aid United States Administration*, a Lira Fund which amounted to approximately 41 billion Lire. Since the agreement furthermore proposes that the above mentioned funds be used for the financing of welfare projects and works of general public utility, a program of investments (for about 35 billion Lire) was arranged. Out

of that sum 10 billion Lire were assigned to meet expenditures for work of general aid: the laying out of which was directly provided for by the A.U.S.A. in collaboration with a delegation of the Italian Government, and 25 billion Lire were allotted to public works the carrying out of which had already been included in the State budget. The budget was thus released by the special fund from the task of finding other necessary means of payment. According to the monthly Treasury Report of last June the estimate at the beginning of the year 1947-48 was for 23.5 instead of 25 billion Lire.

The same thing happened with regard to the United States Foreign Aid Program, approved by the agreement stipulated between the Governments of the two countries as of

(5) U.N.R.R.A., which had no direct bearing on the budgetary account, will be examined at a later point with reference to Treasury operations.

January 3, 1948 (6), which provided for the utilization of the Lira fund:

— to reduce the Italian public debt or to withdraw currency from circulation;

— for any other purpose, agreed on by the two Governments, intended to promote currency stabilization in Italy.

As part of this agreement a plan for the allotment of 52 billion Lire to the Italian budget has thus far been approved (28 billions to pay for projects of the Ministry of Transport-

question, in Table IV, which shows also the percentage of the total accounted for by the various groups. The shift from certain types of taxes to others, during the war years and those following the war, is made quite clear.

During 1938-39 direct taxes together with the indirect taxes on business transactions and on consumption accounted for almost 82% of fiscal revenue. By 1945-46 the proportion was much altered: returns from the tax on business transactions increased, while that from custom duties and the taxes on consumption and from

REVENUE FROM TAXATION

TABLE IV

	1938-39		1945-46		1946-47		1947-48		Index-numbers 1938-39 = 100
	millions of lire	percent. of total	millions of lire	percent. of total	millions of lire	percent. of total	millions of lire	percent. of total	
Direct Taxes:									
— recurrent	5,529	23.8	21,846	18.8	53,174	16.6	97,346	14.2	1,761
— non recurrent	1,096	4.7	—	—	12,968	4.0	67,447	9.8	6,154
Indirect taxes on transactions	6,089	26.2	49,696	42.7	142,423	44.5	260,955	38.0	4,286
Custom duties and consumption taxes	6,380	27.5	6,874	5.9	42,403	13.2	136,967	20.0	2,146
Consumption taxes on State monopolized products	3,580	15.4	35,782	30.7	65,337	20.4	115,589	16.9	3,229
Lotteries	544	2.4	2,235	1.9	4,232	1.3	7,611	1.1	1,399
<b>Total</b>	<b>23,218</b>	<b>100.0</b>	<b>116,433</b>	<b>100.0</b>	<b>320,537</b>	<b>100.0</b>	<b>685,915</b>	<b>100.0</b>	<b>8,954</b>

ation, another 20 for the Ministry of Agriculture, and 4 billions, finally, for the repairing and reconditioning of two large merchant wessels). During 1947-48, 48 billion Lire were utilized, the remaining 4 billions being credited to the budget of the following year.

Altogether the Funds mentioned above amounted to 71.5 billion Lire, or 8.5% of the total revenue. This sum, when included in the budget, provides a considerable cover for the deficit.

Taxation revenue, divided into its main groups (7) is given, for the period of time in

direct taxes decreased owing to the different degrees of elasticity shown by the single groups of taxes in adapting themselves to the altered purchasing power of the currency.

transactions; 3) customs duties and the indirect consumption tax; 4) consumption taxes on State monopolies; 5) State lotteries and other lotteries.

The first group includes the traditional direct taxes on capital and real estate (farm lands, buildings, income tax - *ricchezza mobile*) etc., the supplementary progressive tax on income, which is a personal tax, and the ordinary tax on capital which was replaced in 1947 by an extraordinary tax. For the fiscal year 1946-47 also the non-recurrent taxes were included in this group, after which time they were transferred to the extraordinary chapter of the budget (they include levies on excess war profits, on speculative profits, etc.).

Indirect taxes on transactions cover a rather heterogeneous group of fiscal receipts such as the taxation of successions (which is a deferred estate duty, economically identified with the direct taxes), the turnover tax which in some respects is more akin to the consumption tax, the stamp duty and the registration tax.

Of the group of customs duties and indirect taxes on consumption the main ones are the customs duty (especially the duty on the importation of mineral oils) and tax on production, the greatest returns for which come from the manufacture of sugar, of spirits, and of artificial textile fibers.

The principal monopolies, are those on tobacco and salt.

(6) Different procedure was adopted for the sterilization of the fund in Lire, corresponding to the value of the goods coded, under the U.S.F.A.P. than for the A.U.S.A. Plan. In fact the Italian Government is pledged to deposit in a special account kept with the Bank of Italy not the net returns from the sale of the aforesaid goods, but a sum in Italian currency equivalent to the sum in dollars indicated by notifications from the United States Government and calculated on the basis of import rates applicable in Italy to all other products.

(7) Italian financial statistics subdivide taxation revenue into 5 principal groups: 1) direct taxes; 2) indirect taxes on business

The group of indirect taxes on business transactions, in so far as it regards taxable which have automatically absorbed price increases, has been able to attain, more than any other group, a real value of a certain stability.

The opposite is true for the direct taxes which, owing to the method of assessment, disclose considerable stickiness. Certain facilities granted to classes deriving their incomes exclusively from work, particularly as regards the income tax (*ricchezza mobile*) and the complementary tax, have even placed a check on the further increase of the nominal revenue. A remedy to the persistence of this phenomenon has been achieved by the reinforcement of direct extraordinary taxation, following the introduction of the three levies on capital established in March 1947, which began to yield returns in June of that year.

The group of custom duties and of indirect taxes on consumption, though it had suffered a much greater decrease, dropping to an almost insignificant level because of the weakening of international trade and the reduction of national production, rapidly picked up between the years 1945-46 and 1947-48, without, however, regaining the position it occupied before the war.

A very particular trend was manifested by the taxes on consumption of State monopolized goods which during the war followed changing currency values more closely than any other group. In 1938-39 they represented 15% of total revenue, jumping to the second place during the first post-war year, after which time they gradually dropped, returning, in 1947-48, to their earlier standing.

In that year the altered percentage positions of the various groups, as compared with 1938-39, are obviously explicable on the basis of the increase registered by each. The total yield having increased almost 30 times as compared to that of the base year, the groups which exceed that limit, the taxes on business transactions and the monopolies, improved their position, while direct and consumption taxes and the yield of State and other lotteries, remained below the level of that limit, and regressed.

The considerable increase of total tax revenue, after the low level reached during the last year of the war, is the combined result of

the strenuous efforts of the administrative offices and of the sacrifices made by the community.

Besides the disruptions caused by the constant variation of prices, already mentioned, the war and later the political disturbances of 1943 had greatly diminished the efficiency of the financial administration which was further affected by the «fiscal strike» of the taxpayers in the provinces occupied by German armies and which spread afterwards to all the other regions of the country. As a solution to the difficulties with which they were consequently faced, Government authorities developed an extensive and complex program aiming at the two following fundamental purposes:

— a revision of assessments and of the rates of preexisting taxes (in order to adapt their yield to the new purchasing power of the Lira) and the introduction of new ordinary and extraordinary taxes;

— the reorganization of the central and local administrative offices.

Without going into details about the long series of measures adopted at the end of the war, we can say that all the preexisting categories of revenue were modified to meet changing values. Direct taxes underwent numerous revisions, both of an automatic nature (tax on farm lands, on building, the ordinary tax on real estate, etc.) and of an analytical nature (the tax on income — «*ricchezza mobile*» — and the surtax on income) in an attempt to restore to taxation the importance it had before the depreciation of the Lira. Measures, too, were not lacking that tended to alter the extent to which personal income is taxed especially in view of the burden laid on the poorer classes.

As regards indirect levies, substantial modifications were made in the turnover tax (*imposta generale sull'entrata*) in order to eliminate evasion and to simplify its application. Other measures consisted mainly in readjusting the charges for Government managed public services.

More important were the measures taken for extraordinary finance. Long discussions, not confined to technical problems, led to the law instituting the three extraordinary taxes on

capital, which have been extensively studied in a preceding number of this review (8).

As regards activities for fiscal reorganization of the same period we have no concrete data other than figures of the amounts by which they contributed to the increase of revenue. Much has been achieved thus far, but there is also much to be done before the task of bringing tax rates up to date and of finding new sources of revenue can be considered an accomplished fact (9).

The measures passed during these last three years were barely sufficient to meet in part the requirements of current problems and did not provide that organic whole characteristic of a well laid out plan; still less were they able to diminish the inherent defects of the out-moded Italian taxation system which had been further burdened by the artificial superstructure imposed on it during the war.

The urgent need for fiscal reform was no doubt felt, but action was put off until the day when the economic conditions of the country would be able to assure the stability of the measures taken. In the meanwhile a committee of experts, formed in October 1947, established the general lines along which a reordering of Italian fiscal policy should proceed: a report on this matter was made to the Parliament by the Minister of Finance (10).

(8) See Banca Nazionale del Lavoro Quarterly Review, No. 1, October 1947, B. GRIZIOTTI, *Three Forms of Capital Levy in Italy*, p. 149 et seq.

(9) The present Minister of Finance, Vanoni, in his last report to the Parliament on October last, discussed at length the problems that still exist in this sector. Total or partial evasions, he declared, are still very numerous, and are favored by the delays with which assessments are made, due to the present system and to the scarcity of trained investigators. The Minister blamed the lessened importance of direct taxation to the difficulties that interfere with an adequate distribution of taxation officers and to needs arising from the assessment of extraordinary levies.

(10) The main features of such a reform can be summarized as follows:

— the liquidation as rapidly as possible of the extraordinary legislation relating to war profits (the collection of special duties on speculative war and fascist regime profits) the application of which has proved costly and has yielded little;

— reorganization of the fiscal system through the elimination of taxes that give little yield, a settlement of the various tax rates, a search for new sources of revenue, and the revision of present assessments. The settlement of rates should be based on the principle of progressive rates for both direct and indirect taxation.

V. — There is little to say about current budget expenditures, for the subdivision by departments, the only one shown by the Monthly Treasury Report, does not make their economic character sufficiently clear. Nevertheless it can be seen from Table V that the expenses of an extraordinary nature are those which contribute in the largest measure — though in a decreasing ratio — to form the totals: 69% in 1945-46; 68% in 1946-47; 60% in 1947-48.

TABLE V  
CURRENT BUDGET EXPENDITURES  
(millions of lire)

	1945-46	1946-47	1947-48
<i>Ordinary</i>			
Treasury	38,793	58,731	121,619
Finance	12,915	38,275	81,919
Justice	6,494	11,401	23,096
Foreign Affairs	1,344	2,352	5,663
Colonies	302	770	2,092
Public Education	23,061	49,820	102,222
Interior	15,550	24,090	47,484
Public Works	4,945	6,068	6,919
Transport	374	1,162	1,846
Post and Telecommunications	—	—	5
Merchant Marine	—	—	1,596
Defense	52,771	115,548	208,078
Agriculture and Forests	2,005	7,419	4,580
Industry and Commerce	385	585	960
Labor and Social Security	960	5,950	6,935
Post War Assistance	410	265	—
National Consultative Assembly	6	—	—
Constituent Assembly	63	—	—
Reconstruction	8	—	—
Foreign Trade	23	192	373
Budget	—	—	6
<i>Total</i>	160,411	317,723	615,393
<i>Extraordinary</i>			
Treasury	119,996	207,813	473,711
Finance	950	2,660	13,635
Justice	50	57	824
Foreign Affairs	211	189	876
Colonies	2,366	3,169	4,153
Public Education	1,506	2,135	5,060
Interior	30,597	68,623	85,442
Public Works	96,638	180,785	227,133
Transport	1,286	4,828	8,354
Post and Telecommunications	—	—	—
Merchant Marine	—	—	8,484
Defense	73,005	37,982	59,138
Agriculture and Forests	4,233	89,833	30,200
Industry and Commerce	132	1,281	2,117
Labor and Social Security	581	3,973	12,607
Post War Assistance	17,156	10,984	—
Reconstruction	—	—	—
Foreign Trade	4	24	25
Budget	—	—	—
<i>Total</i>	348,709	614,336	931,759
<i>Grand Total</i>	509,120	932,059	1,547,152

Among the Ministries that have the largest volume of pledged expenditures are:

— For the ordinary part, the Ministry of the Treasury, which has to meet the charges for the general services of the State, and the Ministry of Public Education and that of National Defence in which the heaviest charges are those for the staff;

— For the extraordinary part, it is again the Ministry of the Treasury, for the charges relating to political prices, the extraordinary grants to the autonomous undertakings, the pay-

Although distinctly different from the management of the budget and the national estate, Treasury management is still closely connected with them, first of all because it is the budgetary situation that determines the cash exigencies for which the Treasury must provide and, secondly, because some Treasury operations affect the budget or lead to changes in the national estate account.

The Treasury reports all operations of the fiscal year in its "monthly summary account" which shows the movement:

CASH MOVEMENTS CONCERNING THE STATE GENERAL BUDGET

(milliards of lire)

TABLE VI

	1945-46			1946-47			1947-48		
	On this year account	Arrears	Total	On this year account	Arrears	Total	On this year account	Arrears	Total
<i>Current Budget:</i>									
Receipts	146.0	2.9	148.9	357.4	7.0	364.4	712.6	12.5	725.1
Payments	364.2	42.6	406.8	552.0	144.6	696.6	893.7	287.9	1,181.6
Deficit	-218.2	-39.7	-257.9	-194.6	-137.6	-332.2	-181.1	-275.4	-456.5
<i>Movement of Capital:</i>									
Receipts	84.5	7.0	91.5	301.0	2.4	303.4	48.8	8.1	56.9
Payments	36.3	6.7	43.0	163.9	12.9	176.8	122.3	23.5	145.8
Surplus (+) or Deficit (-)	+48.2	-5.7	42.5	+137.1	-10.5	+126.6	-73.5	-15.4	-88.9
<i>Total</i>									
Receipts	230.5	3.9	234.4	658.4	9.5	667.9	801.4	20.6	822.0
Payments	400.5	49.3	449.8	715.9	157.6	873.5	1,016.0	311.4	1,327.4
Deficit	-170.0	-45.4	-215.4	-57.5	-148.1	-205.6	-214.6	-290.8	-505.4

ments made to the Allied Forces, the financial liabilities connected with the peace treaties; and the Ministry of Public Works for repairing and reconstructing public works, paying damages for privately owned buildings injured by the war, and for public works undertaken for the relief of unemployment.

VI. — Besides dealing with the management of the budget and of the national estate, referred to at the beginning of this paper, Italian accountancy also deals with the management of the Treasury funds. This covers the collection of receipts and the settlement of current payments, as well as those shown by capital movement, and other operations which the Treasury carries out in its own name, some of which are in every way comparable to banking operations.

— of receipts and payments for the management of the budget (these go under the heading "budgetary operations");

— of receipts and payments effected in the name of the Treasury itself (the so-called "extra-budgetary operations");

— of cash, the balance for which is determined at the end of each month or of the fiscal year, by the two preceding operations.

We shall begin by considering the budgetary operations for the three fiscal years as shown by the supplementary Treasury accounts at the end of each year (11).

(11) Since the fiscal year 1928-29 Italian accountancy, although with regard to receipts and payments only, has included in its books part of the following year by prorogating the date of closure by one month, i. e. extending it from June 30 to July 31. Thus liabilities incurred or revenue assessed by June 30 can be respectively met or collected until July 31, after which date they go to make up the arrears of the year in question.

In order to examine the various aspects of the cash movement Table VI has been drawn up to include, under the separate headings "current budget" and "movement of capital", revenue realized and payments made, showing whether they refer to operations of the current fiscal year or to operations of preceding years (arrears).

As a direct consequence of the progress of the assessments and liabilities, it is first of all noticeable that actual payments during the three years were always higher than receipts and that the deficit as a whole continually increased, rising from 258 billions in 1945-46, to 332 billions in 1946-47, and finally, during 1947-48 to 417 billion Lire. Even so, considering separately the development of receipts and of payments, although both groups increased during the three year period, receipts rose by 414 per cent while payments, moving more slowly, showed an increase of only 191%; the effect of this was practically to limit the variation of the deficit to 62%. The improved cash movement is also attested by the ratio of payments covered by receipts which from the first to the third fiscal year rose gradually from 36.6% to 64.7%.

The category "movement of capital" does not display a similar regularity; the first year showed a credit balance of 42 billion Lire which rose to 127 billion during the following year, only to drop to a deficit of 89 billion Lire in 1947-48. However, as has already been noted, this category includes, along with other transactions, the issue of loans. In fact, during the first two years—which benefitted respectively by the proceeds from the 5% Five Year Treasury Bonds and by the 3½% Reconstruction Loan—receipts exceeded payments, while the last year, during which no such operations took place, showed a deficit. This is furthermore proved by the fact that if the above mentioned operations are deducted from the figures for the category in question the result is that also for 1945-46 movement of capital closes with a deficit of 3 billions while the surplus is reduced to only 3.5 billion Lire for 1946-47 (12).

(12) During the first months of 1945-46 subscriptions to the Five Year 5% Treasury Bonds (which had been issued in the last part of the preceding year, in the Southern provinces) was

If we exclude recourse had to the financial market, during the first and third year in question, we must add to the current deficit that of the movement of capital and the total cash deficit of the budgetary operations would amount to:

287,673 million Lire in 1945-46
328,696 " " " 1946-47
595,454 " " " 1947-48

If we consider this same movement of receipts and payments according to whether they relate to current operations or to operations of preceding years, we come upon another interesting aspect of the situation.

It is obvious that the far greater portion of operations refer to the current fiscal year; this holds true both for revenue—almost entirely made up of receipts (during the period in question they constitute from 97.5 to 98.5 per cent of the total receipts)—and for expenditures. With regard to expenditures, however, payments on arrears in the account show a steady tendency to increase (having gone from 11% in 1945-46 to 18% for 1946-47 and finally to 23.5%), while the percentage of payments for current operations showed a corresponding decrease (from 89 to 76.5%). (See Table VII).

The situation is justified by the constant increase of total cash deficit and by the insufficiency of available funds with which to cover

extended to provinces North of the Gothic Line. This operation brought in a revenue, in coupons and in currency, of 72,250 million Lire; if we deduct this sum from the receipts of the movement of capital category (85,489 million Lire) the latter figure is reduced to 13,239 millions. Since the total payments for this same category had amounted to 43,034 million Lire, the surplus of 42,455 millions therefore becomes a deficit of 29,795 million Lire.

The Reconstruction Loan issued in 1946-47 shows other characteristics. This loan is redeemable in 30 years at a yearly interest rate of 3 and a half percent; subscriptions were allowed not only in currency, but also in some short-term coupons, in Treasury Bills and in various types of medium-term Treasury Bonds. Total proceeds, excluding the cost of the issue and the interest equalization payments amounted to 224,882 million Lire of which 78,158 millions were derived from the conversion of medium-term Treasury Bills and 23,653 from the conversion of Government debts payable in instalments which had been discounted by the *Consorzio per sovvenzioni in valori industriali* and rediscounted with the Bank of Italy. The proceeds in coupons and cash amounted to 123,071 million Lire which when deducted from the balance of movement of capital, reduce the surplus from 126,611 to 3,548 million Lire.

this deficit. The possibility of bringing forward from one year to another a proportionately increasing volume of liabilities (13) (which at the end of the year become arrears) can continue for a length of time that is in direct relation to

TABLE VII

## PERCENTAGES OF GENERAL MOVEMENT OF CASH

	On this year account	Arrears	Total
	(percent. of total)		
1945-46			
Receipts . . . . .	98.4	1.6	100.0
Payments . . . . .	89.0	12.0	100.0
Deficit . . . . .	78.9	21.1	100.0
1946-47			
Receipts . . . . .	98.6	1.4	100.0
Payments . . . . .	82.0	18.0	100.0
Deficit . . . . .	85.0	15.0	100.0
1947-48			
Receipts . . . . .	97.5	2.5	100.0
Payments . . . . .	76.5	23.5	100.0
Deficit . . . . .	42.3	57.5	100.0

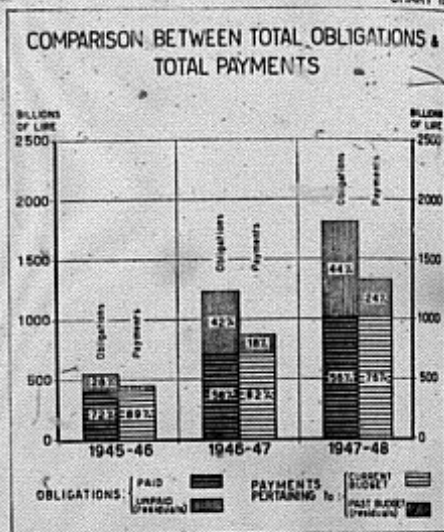
the nature of the expenditures. As individual arrears expire, or better, cannot be further prolonged, they are covered by available funds acquired during the current year. Consequently the credits for that year are reduced and it is necessary to put off payment of a corresponding amount of current expenditures.

(13) The so-called "policy of arrears" was followed in Italy during and immediately after the African campaign of 1935 due to a considerable expansion of public expenditures. This is shown in the table given below which reveals a deferment of current payments in constant increase, even after payments made or the forfeiture of claims are taken into account, causing a continual increase of total debit arrears:

Fiscal years	Arrears accumulated during the year in question			Net total of arrears at the end of each fiscal year
	Credits	Debits	Differences in excess of credits	
	(in billions of lire)			
1935-36	3.8	5.4	1.6	1.8
1936-37	2.2	9.2	7.0	6.6
1937-38	2.4	9.4	7.0	7.1
1938-39	2.5	9.7	7.2	8.1
1939-40	2.7	17.6	14.9	16.0
1940-41	3.2	16.4	13.2	17.9
1941-42	2.8	17.6	14.8	21.6

The practice of accumulating debit arrears affords only a temporary relief to the Treasury and, while constantly renewing the debt previously formed, it brings about a yearly increase of the debt itself. This is clearly demonstrated by the direct comparison of total liabilities for expenditure with the corresponding movement of payment (see Chart III).

CHART III



During 1945-46, 401 billions were paid against liabilities amounting to 553 billion lire; thus, 72% of pledged expenditures was covered while the remainder was set forward. Correlatively, of 450 billion lire of total payment, 89% went to cover current transactions and 11% to cover arrears. During the two following years the sum of expenditures not covered rose to respectively 520 and 797 billion lire, equal to 42% and 44% of all obligated expenditures, this also in relation to the fact that the payment of debit arrears has absorbed a proportionately greater amount of available funds, going from 18% of the 1946-47 total to 23.5% during 1947-48. That during the last year the percentage of obligations set forward did not change greatly, as had been the case during the first and second years under study, leads us to believe that an active policy of arrears is no longer practiced. The real in-

crease, from 520 to 797 billion lire, is to be considered, rather than the natural consequence of an increase of liabilities, as dependent on the altered nature of expenditures. A great portion of these, are not of an immediate kind, a more or less lengthy period of time having transpired before relative allotments can be definitely and finally paid.

The lack of complete accounts for the fiscal years prior to June 30, 1942, does not permit us to determine the exact amount of arrears for the end of the three years under review. The arrears accumulated during each of the three years might be calculated by comparing revenue and expenditures as they appear from the budgetary account appended to the publication of the monthly Treasury Report, but for various reasons, this calculation would allow only very approximate results (14).

We will therefore limit ourselves to a few remarks based on the estimates of the financial Authorities who, having at their disposal much more reliable data, are more qualified to draw up calculations of this kind.

In a message to the Constituent Assembly on October 4, 1947, the Minister of the Budget estimated the net total of debit arrears at the end of the year 1945-46 at approximately 220 billion lire. Of this sum 180 billions represented real debt burden of the cash position, while the remainder consisted of payments already made but not yet included in the budget accounts. Although cash movement for the year 1946-47 shows that 148 billion lire were paid against these arrears, during the same year, 491 billion lire of new arrears were formed (519 billions of debit and 28 billion lire of credit arrears) so that, by June 30, 1947, they had risen altogether to 563 billion lire. Still, ac-

(14) As already mentioned the data thus far available for 1945-46, refers only to the budget administration of the legal Government, excluding that of the co-existing Allied Military Government for which very often obligations were immediately registered. Furthermore figures for both assessments and obligations are only tentative and there are no precise data available regarding possible variations. Before being actually realized or paid, assessments may become uncollectable or liabilities may be cancelled. Furthermore, many payments, the sum of which is not exactly certain, have already been made by the Treasury but not yet charged to the budget; thus total residuals due would seem larger than they really are. The elimination of these items will come about not by a further disbursement of funds but only a simple readjustment of the Treasury and budget accounts.

ording to a later calculation made by the same offices, the global figure was of approximately 530 billion lire (585 billions of debit arrears and 55 billions of credits); actual indebtedness to third parties, however, decreased to 400 billions when we take into consideration payments made but not yet entered in the budget account.

Finally the Minister of the Treasury, in his report to the Parliament last June, estimated total debit arrears as of the end of June 1948 at approximately 700 billion lire, pointing out that about 600 billion lire referred to the 1947-48 year and the remainder to previous years. This distribution allowed the Minister to conclude that the problem of arrears was no longer a serious cause for worry. Newly formed arrears will not exert an immediate pressure on the budget since many liabilities call for a long period of time before being definitely liquidated; thus the Treasury's problem is only to meet payment of arrears and current liabilities which cannot be transferred to the account of the new fiscal year.

VII. — Thus far we have considered the total results of the cash movement of the budget. Now we examine how receipts and payments are divided respectively according to categories of revenue and the nature of expenditures.

We can begin with current receipts which, as a direct result of the development of assessed revenue, show for the three years in question a tendency to continual increase. Except for some slight divergences, determined by the different systems used for the collection of the various taxes, the same movement is shown for receipts as for assessments.

First place among taxation returns has constantly been held by the group of indirect taxes on transactions, followed at a considerable distance by direct taxes; next, constant nearing the yield of this latter group, is that of custom duties and of the indirect consumption taxes. Proportionately conspicuous has always been the fiscal yield of the State monopolies (see Table VIII).

As regards revenue other than that provided by taxation it is necessary to point out for the last year in question the yield of AUSA and

USFAP funds of which, though they amount 71.5 billion lire, only 40.4 billions were actually collected; this can be considered the result of the slowness with which returns were received and by a wise policy of not making advances from the funds themselves until the yield from the sale of products had been actually gathered in.

TABLE VIII  
CURRENT BUDGET RECEIPTS  
(millions of lire)

	1945-46	1946-47	1947-48
<i>Revenue from Taxation:</i>			
1) Direct Taxes:			
— recurrent	18,399	45,050	83,600
— non recurrent	2,186	12,414	61,676
2) Indirect taxes on transactions	64,981	551,774	259,857
3) Additional tax on direct taxes and indirect taxes on transactions	1,008	3,571	7,997
4) Custom duties and consumption taxes	3,611	46,902	140,303
5) Consumption taxes on State monopolized products	36,490	64,765	116,800
6) Lotteries	1,676	3,164	6,115
<b>Total</b>	<b>133,551</b>	<b>127,615</b>	<b>676,348</b>
<i>Other Revenue:</i>			
— pertaining to the budget	15,315	36,791	48,284
— AUSA and USFAP counterpart lira fund	—	—	40,446
<b>Total</b>	<b>15,315</b>	<b>36,791</b>	<b>88,730</b>
<b>Grand Total</b>	<b>148,866</b>	<b>164,406</b>	<b>765,078</b>

More interesting is the question of current payments, listed not only according to the departments to which they refer, as in the phase of liabilities, but also subdivided according to categories of expenditure. It is worth while stopping for a moment to make clear certain points about these last items.

In the new classification payments are subdivided differently from the current budget; there are, in fact, payments for normal liabilities and payments for exceptional liabilities, rather than liabilities for ordinary and for extraordinary expenditures. Such a subdivision into the two great groups is based on the idea of considering as exceptional payments the expenditures that appear in the balance only as non-recurrent items, for instance burdens arising directly out of the war, and of considering as normal payments relating to recurring liabilities

(15). Obviously this grouping is merely illustrative and has no bearing on the principle of budget unity; according to this principle total current expenditures is at the basis of total current revenue and the results of the budget are given by the balance between the two headings.

During the three years in question, notable above all was the change in the ratio between normal and exceptional expenditure. Whereas in 1945-46 payments relating to exceptional items represented almost 60% of the total, greatly surpassing therefore normal expenditure, during the following fiscal year, although they remained almost unaltered as an absolute amount; they dropped, as a percentage, to little more than half the payments for normal expenditure (16). The position remained substantially the same during last year, payments for normal expenditures having continued to represent the greater part of the total (61%), while exceptional expenditures, although they were almost doubled in actual figures as compared with the previous year (from 246 to 456 billion lire), hardly reached 39% of total payments (see Table IX).

As regards normal expenditures, the most conspicuous amounts are represented by payments for personnel. Considerable, too, are payments for the civil service and military expenditures for the armed services. The total amount allotted to the service of the public

(15) Listed as normal are those expenditures for personnel — both in technical and in administrative positions, in military service and in the police force or belonging to the teaching profession, including also pensions — and expenditures which regard services. These last concern the functioning of the State organization, interest on public debts, public works, excluding war damage repairs, war pensions, etc.

Considered as exceptional charges on the other hand are the contributions to autonomous enterprises for the integration of their respective budgets and for the reparation of war damages; the integration of the budgets of local units; the reparation of war damages to public works and to reclaimed land; the compensation of war damages to private individuals; the cost of assistance to nationals ruined by the war, to refugees, and to war prisoners; exceptional military expenditures and, finally, the cost of maintaining the political prices of some products.

(16) The reversal of the situation between the two fiscal years 1945-46 and 1946-47 in the distribution of normal and exceptional expenditures, is not so much due to an analogous change as regards liabilities, as to the fact that the sum of exceptional liabilities had increased though not being covered during the first year and, consequently, by being brought forward to the next budget.

debt has doubled, due to the increase of redeemable and floating debt, but this sum has decreased, as a percentage, in relation to its previous position (14.7% during 1945-46; 6.9% in 1946-47 and 1947-48). Of the payments covering exceptional expenditures, which reflect the numerous exigencies that the State was called upon to meet during the post-war period,

TABLE IX  
CURRENT BUDGET PAYMENTS  
(millions of lire)

	1945-46	1946-47	1947-48
<i>Recurrent expenditures:</i>			
1) Service of public debt	24,110	30,938	50,482
2) Salaries and wages	73,375	153,063	284,243
3) Pensions	7,832	21,611	40,471
4) Armed Forces (salaries and wages excluded)	18,600	53,739	96,115
5) Public works for land reclamation and railway construction	7,731	109,792	91,485
6) Civil services	32,362	81,750	162,449
<b>Total</b>	<b>164,010</b>	<b>450,893</b>	<b>725,245</b>
<i>Non-recurrent expenditures:</i>			
7) Reconstruction, war damages compensations and repairs	64,683	75,593	188,772
8) Subsidies to State operated enterprises to settle budgetary deficit	34,505	61,671	95,241
9) Subsidized prices of State controlled foodstuffs	—	—	45,262
10) Settlement of outstanding military expenses, and supplies and services rendered to Allied Forces	126,022	95,607	101,339
11) Miscellaneous	17,506	12,884	25,766
<b>Total</b>	<b>242,716</b>	<b>245,755</b>	<b>456,380</b>
<b>Grand Total</b>	<b>406,726</b>	<b>696,648</b>	<b>1,181,625</b>

there has naturally been an evolution of the various single groups of items that go to make up the whole. Well ahead of any other item during 1945-46 was the group of expenditures concerning the liquidation of war liabilities (military and assistance expenditures and others deriving from the armistice). As a whole the sum of these expenditures has gradually diminished, and has dropped still more sharply as a percentage of the budget, the more time passes since the end of the war (from 52% for the first fiscal year to 22% during the last). On the other hand, expenditures arising out of reconstruction needs, the rehabilitation of the

national economy and compensation for war damage have continued to increase. An increase was registered also for subsidies to cover deficits in autonomous undertakings (17).

TABLE X  
RECEIPTS & PAYMENTS FOR MOVEMENT OF CAPITAL  
(millions of lire)

	1945-46	1946-47	1947-48
<i>Receipts:</i>			
Floating of loans	78,369	224,905	33
Miscellaneous refunds (a)	6,656	72,770	45,979
Other items	464	5,773	10,872
<b>Total</b>	<b>85,489</b>	<b>303,448</b>	<b>56,884</b>
<i>Payments:</i>			
Payments of debts	18,841	82,637	11,512
Granting of loans	12,394	22,123	33,653
Advances to State-operated concerns	—	28,871	14,500
Advances to local governments (provinces, communes and other entities)	281	8,773	28,887
Shares in stocks	55	700	51,927
Government imports	—	29,069	1,428
Other items	11,463	4,656	3,883
<b>Total</b>	<b>43,034</b>	<b>176,829</b>	<b>145,790</b>

(a) Mainly sale of Allied war surplus material and other goods supplied by Allied Nations in counterpart of liabilities taken by the Italian Government.

VIII. — We have already stated that budgetary operations reflect directly on the Treasury management. This management is, in fact, entrusted with the task of collecting revenue and of covering budget expenditures and therefore also with obtaining the means of meeting eventual cash deficits. This was the position in which the Treasury found itself during the period in question, payments having constantly exceeded budget receipts; it is evident that the deficit could not be covered other than by an increase of public debt.

Table XI shows the variations that have taken place in the three items that make up the Treasury position, that is to say, debts, credits and cash on hand; variations of their algebraic sum are the same as budget variations.

(17) In Italy, the greater part of the public services, such as the railroads, postal and telegraphic services, the construction and upkeep of national highways, are managed by Government corporations. It is obvious therefore that not only the problems of reconstruction but also those inherent in their management lean on the State budget rather than on the private economy.

tions, the only difference being that they are preceded by the opposite sign.

TABLE XI

CASH MOVEMENTS ON TREASURY'S ACCOUNT  
(millions of lire)

	1945-46	1946-47	1947-48
Changes in:			
Treasury's debts . . .	+ 186,922	+ 171,925	+ 496,559
Debts to the Treasury . . .	+ 14,767	+ 21,991	- 37,026
Cash on hand . . .	+ 13,734	+ 11,709	+ 45,921
Total . . .	+ 215,423	+ 205,625	+ 505,454

The greater part of the funds collected represented an increase of debts which, especially during the last year, were almost entirely used to cover the Treasury deficit. Contrary to what had happened during the two preceding years, the amount of Treasury credits increased and absorbed rather than created new available funds. In all three years Treasury means were insufficient to cover the excess of disbursements over budgetary receipts; this resulted necessarily in constant recourse to the cash on hand which approximately corresponds to the balance of the current account with the Bank of Italy (18). Let us briefly examine the single credits and debts, beginning with the latter.

The present structure of Treasury debts includes: *the floating debt, current accounts, receipts to be settled* and other of minor items. Of all these, only the floating debt is a true debt with third parties (19); by now it has ceased to be a means of meeting a temporary

(18) Cash on hand (fondo di cassa) includes in addition to the balance of the current account with the Bank of Italy — which reflects the position of the local Treasury offices managed by that Bank and constitutes the largest portion of them — also the available funds held by the Central Treasury office, the State Mint and other accounting offices, as well as those funds actually in the process of being transferred from one Administration to another.

(19) Current account balances represent available cash funds pertaining to Administrations dependent on the State which are temporarily utilized by the Treasury for its own needs. Unlike the floating debt they therefore represent debts of an internal character and they are not all burdensome. The same can be said for the "receipts to be settled" the principal single item of which consists of the "Treasury drafts", that is, securities through which the Treasury itself assumes the settlement of the accounts with the dependent administrations.

cash disequilibrium and has become a fundamental method of covering the budget deficit. Despite its juridical structure, it has in fact been transformed into a long-term debt, since it is continually renewed and increases rather than fluctuates during the fiscal year.

During the period in question, the floating debt has assumed ever greater importance, reaching in 1947-48 a proportion absolutely outweighing all other debts (84.2% of the total); the financial market, however, did not take up any of this debt (see Table XII).

TREASURY'S DEBTS  
(millions of lire)

	1945-46	1946-47	1947-48
Changes in:			
<b>FLOATING DEBT</b>			
1) Short-term Treasury Bonds & Bills . . .	+ 81,314	+ 39,918	+ 203,709
2) Advances by the Bank of Italy . . .	+ 12,326	+ 22,879	+ 107,501
— Temporary . . .	—	—	99,700
— Extraordinary . . .	+ 12,326	—	—
— For the Allied Armed Forces . . .	—	+ 22,879	+ 8,308
3) Interest bearing current accounts . . .	+ 52,669	+ 42,339	+ 107,014
— "Cassa Depositi e Prestiti" & its managed concerns . . .	+ 51,158	+ 43,806	+ 86,211
— "Banco di Napoli" & other Banks . . .	+ 1,511	- 1,567	+ 20,722
Total . . .	+ 146,309	+ 105,056	+ 418,131
<b>OTHER DEBTS</b>			
— relating to UNRRA counterpart lira fund . . .	+ 15,000	35,203	- 5,349
— AFA accounts and sequestrated enemy State and Army funds . . .	—	+ 15,368	+ 16,314
— relating to Italian Government imports . . .	—	+ 3,487	+ 6,360
— Relating to sales of goods supplied by Allied Nations . . .	+ 29,399	- 23,722	- 5,065
— Miscellaneous . . .	+ 6,214	+ 34,493	+ 66,059
Total . . .	+ 46,613	+ 66,880	+ 78,321
<b>Grand Total</b>	+ 186,922	+ 171,925	+ 496,559

In fact, during that year no medium or long-term loans were issued and the general budget deficit reached a sum almost two and a half times that of the preceding years. With regard to the three different items that make up the

floating debt (20), the issue of Treasury Bills provided the Treasury with the most efficient means for obtaining funds. During the last year subscriptions exceeded reimbursements by 204 billion lire, an imposing figure that was achieved thanks to a number of circumstances which reinforced the satisfactory nature of this form of investment.

Thus for example, the increase by half a point of the interest rate, beginning in September 1947, accentuated the difference of yield existing between this and all other investments (21); the regulations issued in August 1947, regarding obligatory banks reserves, induced the banks to absorb a very great amount of short-term Government securities; the policy of the Bank of Italy tended to invest in ordinary Treasury Bills part of the deposits which it received in the form of cash, on the basis of those same regulations regarding bank reserves (22).

Since December 1936, Treasury recourse to the Bank of Italy had taken the double form of "extraordinary" and "temporary" advances (23). When the issue of Am-Lire by the Allied Military Authorities ceased in March, 1946, and by a special arrangement between the Treasury and the Bank of Italy in the following December, a new type of advance was established to furnish the Allied Armed Forces

(20) The floating debt is constituted: a) by ordinary Treasury Bills, expiring within 1 to 12 months; b) by interest-bearing current account balances which the "Cassa Depositi e Prestiti", the social security agencies administered by it, and the banks keep with the Treasury; and c) by various kinds of advances made by the Bank of Italy.

(21) Beginning on September 21, 1947 the interest rate of Treasury Bills expiring within from one to two months was raised from 2.75 to 3.25%; that of the Bills expiring within ten to twelve months was raised from 4.50 to 5%. Also the interest rates of Bills falling due within three to nine months were increased by half a point.

(22) In this regard it is worth remembering that between July 1, 1947, and June 30, 1948, banks holdings of ordinary Treasury Bills increased from 166.4 to 256.5 billion Lire, while holdings of the Bank of Italy went from 78 to 110 billion Lire. Thus the contribution of the banking system rose to 162.1 billions against a total of 204 billion Lire.

(23) Both these advances operations were regulated by the Ministerial Decree of December 31, 1936, which set the maximum limit for temporary advances at one billion Lire and no limit at all for extraordinary advances. The latter were to be used to meet exceptional requirements, by an agreement between the Minister of the Treasury and the Governor of the Bank of Italy, and were guaranteed by interest-bearing Treasury Bills bringing a reduced interest rate.

with available funds in Lire. With the conclusion of the Peace Treaty the issue of Lire ceased, after having reached the sum of 31.4 billion Lire by June 30, 1948. Normal relations, which take their origin in the cash service of the State, have continued to manifest themselves through the "Current Account for Treasury Services". The Treasury, not finding in the money market sufficient means to meet its exceptional needs, drew largely upon that current account in order to make payments in excess of its normal revenue and of existing available funds, and was able to evade the regulations regarding advances and draw just the same from the Bank of Italy to finance part of its cash deficit. The necessity of regulating this form of indebtedness towards the Bank of Italy, which since July 1947 had provided a means towards inflation, led to the Legislative Decree n. 1490, of December 24, 1947, setting the maximum limit of the current account deficit at 50 billion Lire.

The development of both budgetary and extra-budgetary operations during the first half of that same year was such that the deficit itself surpassed by far the amount provided, and the observance of the legal measures induced the Treasury to consolidate the entire deficit in "temporary" advances, the limit for which was increased by Decree on January 21, 1948, from 1 to 100 billion Lire (24).

This shows how an evaluation of the contribution of the Bank of Italy requires an examination not only of the transactions for advances, which figure among the items of the floating debt, but also of the balance on current account which represents almost entirely the "cash on hand" position of the Treasury.

In covering the budgetary deficit, a considerable part has been played by the balances of interest-bearing current accounts that the *Cassa Depositi e Prestiti*, the Social Security Agencies, and the banking system keep with the Treasury. Both these last and the ties with

(24) As the Treasury continued to press upon the Bank of Italy during the second half of the year 1947-48, the strict limit of 50 billion Lire was later substituted (L.D., May 7, 1948) by a more elastic system and one more consonant with the budget position. The new regulation, which is still in effect, laid down that the Treasury's deficit on current account with the Bank of Italy is not to surpass 15% of the total amount of current expenditures appearing in the budget estimates and successive alterations of these estimates.



the money market have been studied at length in a previous article of this review (25). Following the implementation of obligatory reserves, as already mentioned, the movement of withdrawals by the Banks — which, during the year 1946-47, was greater than the variation between the sum total at the beginning and at the end of the year (— 1.6 billion lire) would lead us to believe — was reversed during the last year in question, giving way to an increase of almost 21 billion lire.

During 1947-48 the contribution of the *Cassa Depositi e Prestiti* was approximately doubled as compared with the two preceding years, due to the use that this institute was able to make of the new flow of deposits placed with the Postal Savings Offices, which are administered by the *Cassa Depositi e Prestiti*. This flow of deposits had been encouraged by an increase in the interest rate on postal securities, which, simultaneously with the interest rate on Treasury Bills, rose to 5%.

Among the minor items of Treasury debts there are some that merit brief attention. Thus, for example:

(1) The U.N.R.R.A. Lira Fund, which originated in the first program of aid to Italy from the United Nations, representing the net profits derived from the sale of products given without cost to Italy. This fund was placed with the Bank of Italy to be used later in accordance with a five-year aid and rehabilitation program. Contrary to the use made of AUSA and USFAP funds, the funds made available by U.N.R.R.A. were destined rather to projects not already provided for by the budget than to Government projects; for this reason the budget was not directly relieved. Nevertheless, the Treasury derived an advantage from the Lira Fund, having temporary recourse to it for Treasury cash requirements. During the three years in question the utilization of the UNRRA Lira Fund presents two very distinct phases: during the first, which extended from June, 1946, to September, 1947, the Treasury continued to absorb available funds up to a maximum sum of 43.8 billion lire; during the second, which began in

October 1947 and which may continue until the Fund is completely exhausted, the Treasury has gradually been returning the sums borrowed to the *Administration of the international aid program* set up for the execution of the plan mentioned above. By the end of June, 1948, the debt still amounted to 34.9 billion lire, whereas it had amounted to 40.2 billion lire the year before; thus 5.3 billion lire were returned during the year 1947-48.

(2) The A.F.A. accounts and the fund sequestrated from enemy States, which represent available funds blocked by the Allied Military Authorities upon their arrival in Italy, have been gradually released by these Authorities and turned over to the Italian Treasury. The Treasury will provide for allotments to be made to the firms or persons that are rightfully entitled to them, as well as to the appropriation of the remainder, acquired in accordance with the terms of the peace treaty. As a whole the funds of this group which have been temporarily utilized by the Treasury amounted to 31.7 billion lire, of which 15.4 billions were absorbed during the year 1946-47 and 16.3 billion lire during 1947-48. This debt will disappear in the future, as the Treasury proceeds, bit by bit, to their liquidation on the basis of the criteria already mentioned.

As regards Debts to the Treasury, Table XIII shows the variations in the several items for each of the years under consideration.

DEBTS TO THE TREASURY TABLE XIII  
(millions of lire)

	1945-46	1946-47	1947-48
<i>Changes in:</i>			
Operations relating to payments effected abroad (contabile del Portafoglio) . . . . .	+ 135	- 684	+ 44
Unsettled payments — others . . . . .	- 10,925	- 2,022	- 30,777
— on budgetary account . . . . .		- 3,562	- 14,199
Miscellaneous . . . . .	+ 25,557	+ 24,997	- 6,293
<i>Total</i> . . . . .	+ 14,767	+ 21,991	- 37,026

The more important changes are those in the group "payments to be settled" (26) re-

(26) Payments to be settled are inclusive, among others, of: (1) the sums in foreign exchange paid by the *Cashier of the Portafoglio* on account of the several Departments and referring

presenting disbursements of various kinds made by the Treasury on its own account, but which refer to the budget. They are therefore credits held by Treasury administration, which are extinguished as they are gradually transferred to the Budget administration. In the interval from July, 1, 1945, to June 30, 1948, their value has steadily increased, rising from 48.8 to 92.5 billion lire, entailing the absorption of 43.7 billion lire of available resources, of which 30.7 billion in the single year 1947-48, uncompensated by other credits, as had been the case in the previous financial years. Therefore the "Debts to the Treasury", which, taken as a whole, had eased the cash situation by providing 14.8 billion lire in 1945-46 and 22 billion in 1946-47, burdened it to the extent of 37 billions in 1947-48. It should be specified, however, that these are purely book transactions, as the payments to be settled are disbursements already made and relate to the budget administration; as such they should be added to those already formally inserted therein.

IX. — So as to give a general view of the cash movement under its dual quantitative and qualitative aspects, Table XIV has been compiled. It shows that during the three financial years under consideration, the growing volume of payments has been met by classifying actual receipts in 5 different groups, independently of the rules under which they are classified or inserted in the Budget or Treasury accounts, but taking into consideration the sources from which they arise.

The five groups have been formed as follows:

1 - *budget items* which cover (a) current receipts (tax revenue and other minor budget

expenditure for which appropriations have already been made in the Budget. Differing in this from the systems followed in other countries, which for operations of this kind avail themselves of the banks, the Italian Treasury makes these payments through an organ of its own which is part of the financial administration and is known as the "Contabile del Portafoglio"; (2) the payments made against orders issued in the name of several persons and which have not yet been fully settled. During the last war years some Treasury disbursements were entered under this heading for which no provision had been made in the budget; they therefore are in the nature of "outstanding cash balances" (*aspetti di cassa*).

receipts) excluding therefrom, in the year 1947-48, receipts from the AUSA and USFAP Lira Funds; (b) the balance of capital movements, net of items directly related to the financial market (issue or repayment of loans) or represented by other contributions of the United States;

2 - *recourse to the money and financial markets* including the yield of Treasury Bonds and of current accounts with the *Cassa Depositi e Prestiti* and the Banks, and the proceeds of the issue of medium and long-term loans;

3 - *recourse to the Bank of Italy*, including the creation of new means of payment, either by the various forms of advances or by incurring indebtedness to the "cash fund". To simplify the calculations the volume of the last is identified with the Treasury current account balance.

4 - *financial relations with the Allies*. An endeavor has been made to bring together in this group all the items from which the Treasury has obtained, either provisionally or definitively, monetary means arising either from the assistance given by the United Nations and the United States (UNRRA, AUSA, and USFAP funds) or from reimbursements (troop pay funds and suspended accounts) or from cessions made in the form of a loan (surplus war supplies) or from the liberation of funds blocked by the Allied Military Authorities;

5 - *other Treasury debts (exclusive of the floating debt) and credits* inclusive of all those items of an internal nature, most of which will be settled by regulating the Budget accounts.

The examination of Table XIV enables us to draw some interesting conclusions.

In the first place, the current payments, which rose successively from 407 to 697 and then to 1,182 billion lire in the three financial years, have been covered by current receipts to an increasing extent (37% in 1945-46, 52% in 1946-47, 61% in 1947-48). On its side, the item "movement of capital" — exclusive of the proceeds of capital loans and of transitory items arising from foreign help — closes in each of

(25) M. MANCINI, *The Italian Money Market and the Financing of the Treasury*, Banca Nazionale del Lavoro Quarterly Review, No. 2, July 1947, p. 100 et seq.

## MEETING OF CURRENT BUDGET EXPENDITURES

TABLE XIV

	1945-46		1946-47		1947-48		Total July 1, 1945 June 30, 1948	
	Millions of lire	% of current budget expenditures	Millions of lire	% of current budget expenditures	Millions of lire	% of current budget expenditures	Millions of lire	% of current budget expenditures
<i>Payments for Current Budget Expenditures (-)</i>	406,726	100.0	696,648	100.0	1,181,625	100.0	2,284,999	100.0
<i>I - Other Budgetary Items</i>								
- Receipts for current expenditures pertaining to the budget (+)	+ 148,866	+ 36.6	+ 364,406	+ 52.3	+ 724,632	+ 61.3	+ 1,237,904	+ 54.2
- Receipts minus payments relating to movements of capital (h)	- 36,451	- 9.0	- 69,184	- 9.9	- 122,057	- 10.3	- 227,692	- 9.9
<i>Total (I)</i>	+ 112,415	+ 27.6	+ 295,222	+ 42.4	+ 602,575	+ 51.0	+ 1,010,212	+ 44.3
<i>II - Recourse to the Money and Financial Markets</i>								
- Floating (+) or refund (-) of medium and long term loans	+ 72,250		+ 123,071		+ 7,138		+ 188,183	
- Short-term treasury bonds	+ 81,314		+ 39,918		+ 203,709		+ 324,941	
- Interest bearing current accounts	+ 52,669		+ 42,239		+ 107,014		+ 201,922	
<i>Total (II)</i>	+ 206,233	+ 50.7	+ 205,228	+ 29.5	+ 303,858	+ 25.7	+ 715,046	+ 31.3
<i>III - Recourse to the Bank of Italy</i>								
- Advances	+ 12,326		+ 22,879		+ 107,308		+ 142,713	
- Cash on hand	+ 13,734		+ 11,709		+ 45,911		+ 71,364	
<i>Total (III)</i>	+ 26,060	+ 6.4	+ 34,588	+ 4.9	+ 153,219	+ 13.0	+ 214,077	+ 9.3
<i>IV - Allied Assistance</i>								
- Temporary recourse to the UNRRA lira fund	+ 5,000		+ 35,263		+ 5,349		+ 34,914	
- Sales of Allied War surplus Property			+ 22,289		+ 16,153		+ 120,289	
- Sales of goods supplied by Allied Nations (d)	+ 36,055		+ 26,721		+ 19,071		+ 31,682	
- AFA accounts and sequestrated enemy State and Army Funds			+ 15,368		+ 16,314		+ 40,446	
- AUSA and USFAP counterpart lira funds					+ 40,446			
<i>Total (IV)</i>	+ 41,055	+ 10.1	+ 99,641	+ 14.3	+ 86,635	+ 7.3	+ 227,331	+ 9.9
<i>V - Other Treasury Debts (e) and Credits</i>	+ 20,981	+ 5.2	+ 61,971	+ 8.9	+ 35,402	+ 3.0	+ 118,354	+ 5.2
<i>Grand Total (I to V)</i>	+ 406,744 (f)	+ 100.0	+ 696,650 (g)	+ 100.0	+ 1,181,626 (h)	+ 100.0	+ 2,285,020 (i)	+ 100.0

(a) Excluding the A.U.S.A. and U.S.F.A.P. counterpart lira funds.

(b) Excluding the floating debt and the refund of medium and long term loans, sales of Allied war surplus property, and sales of goods supplied by Allied Nations.

(c) Excluding the change in 3.50% Reconstruction Loan of 23,653 million lire of Treasury bills (certificate) held by the Consorzio per Sovvenzioni su Valori Industriali.

(d) Sales of goods supplied by Allied Nations as they are registered either in the Treasury account or in the Budget.

(e) Excluding the floating debt.

(f) Including 18 million lire of erroneous registration.

(g) Including 2 million lire of erroneous registration.

(h) Including 1 million lire of erroneous registration.

(i) Including 21 million lire of erroneous registration.

the three years with an excess of disbursements over receipts (36.5, 69.2, 122.1 billion lire respectively in the three financial years).

The money and the financial markets have made the largest contribution in providing the means for satisfying total cash requirements. Their contribution has, however, gradually declined as budget receipts have risen and thus in the course of the three financial years the position of the two groups has been reversed. In 1945-46 current payments were covered to the extent of 28% by budget receipts and of 51% by recourse to the money market; in 1947-48 the ratios were respectively

absolute figures has been growing, both in the form of advances and in that of the shrinkage of the initial cash fund. In 1947-48 the amount thus obtained was nearly five times that obtained in the previous financial year (153.4 billion lire as compared to 34.6 billion), the percentages in the three years having risen from 6.4% to 13% of the current payments.

The group of items arising from foreign help presents marked variations. From a total of 41 billion lire in the first post-war financial year (about 10% of current payments) the figure rose to a peak of nearly 100 billion (14.3% of payments) in 1946-47, falling to 87

## INTERNAL PUBLIC DEBT

(millions of lire)

TABLE XV

	as of June 30, 1945	as of June 30, 1946	as of June 30, 1947	as of June 30, 1948
<i>Long &amp; Medium Term Loans:</i>				
- Consolidated	52,945	52,945	52,947	52,946
- Redeemable:	206,293	278,569	438,851	419,275
5% Reconstruction Loan	—	—	231,000	106,000
3.50% Reconstruction Loan	—	—	—	125,000
5 and 9 Years Treasury Bonds	163,348	236,048	157,048	148,388
Other redeemable debt	42,945	42,521	40,803	39,687
<i>Government currency</i>	7,281	7,348	6,856	7,109
<i>Total</i>	266,519	338,862	488,654	479,330
<i>Floating Debt:</i>				
- Short-term Treasury Bonds and Bills	157,695	239,009	278,927	482,656
- Advances by the Bank of Italy	330,686	343,012	365,890	473,399
- Interest bearing current accounts	93,085	145,754	187,994	295,007
<i>Total</i>	581,466	727,775	832,811	1,251,062
<i>GRAND TOTAL</i>	847,985	1,066,637	1,321,465	1,730,392

51% and 26%. Within the group, however, the distribution between long, medium and short-term indebtedness has been altered. Until the end of 1946-47 the issue of Five Year Treasury Bonds and of the Reconstruction Loan had made a substantial contribution to the total yield of the group (35% in 1945-46; 60% in 1946-47). In the following year not only were there no operations of the kind, but the Five Year Treasury Bonds which matured during that financial year had to be repaid. Receipts from private savings were therefore limited to those obtained from the money market, above all from the sale of Treasury Bills.

Recourse to the Bank of Italy expressed in

billions in the last year (7.3% of payments). This movement is a result of the different growth of the several items composing the group. The UNRRA contribution, which was small in the first year (5 billion lire), and higher in the second (35 billion), became negative in the last (-5.3 billion), as a result of the execution of the plan for reinvestment of the fund. This shrinkage has, however, been offset by the contributions of the AUSA and USFAP funds. In 1947-48, a shrinkage is also noted in the items referring to from the sale of surplus war goods and of goods imported by the Italian Government which has used for this purpose the dollar credits granted by the United States

on account of pay to the troops and outstanding accounts.

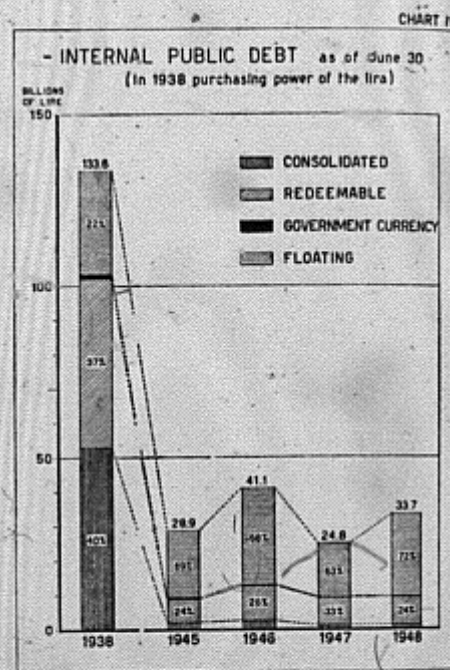
X. — Repeated recourse to the money market to finance part of the Government expenditure has led, in the course of the three years under consideration, to the steady growth of the national debt. Table XV shows the consistency of the several debts which enter into the total, giving the amounts at the beginning of the period and at the close of each of the financial years considered.

As this table shows, the national debt increased during the period running from June 30, 1945 to June 30, 1948, by 882 billion lire, *i.e.* by 104%. This increase is accounted for above all by the floating debt (670 billions, equivalent to 76% of the total increase) and to a lesser extent by the medium and long term debt.

The different rate of increase of the fundamental groups of debt (consolidated, redeemable and the floating debt), has naturally altered their percentage distribution in relation to total indebtedness. On June 30, 1945, the consolidated and redeemable debt accounted for 30.5 per cent of the existing debt (redeemable debt 24.3%, consolidated debt 6.2%) the floating debt 68.7%, while Treasury notes accounted for barely 0.8% of the total. Three years later the percentages were respectively 27.3% for the capital debt, 72.3 for the floating debt, and 0.4 per cent for Treasury notes.

On June 30, 1948 the national debt has attained a total equal to 12 times that of 1938; taking into account the depreciation of the currency that has occurred in the meantime, the real values are greatly reduced. In Chart IV the consistency of the several groups of the national debt has been expressed at the close of each of the financial years *in terms of 1938 lire* (on the basis of the wholesale price index numbers). The Chart speaks clearly enough: while in the financial year 1938-39 the service of the national debt called for 6.8 billion lire and absorbed 17.6% of current expenditures, in 1947-48 it called for some 75 billions which represented barely 4.8% of total expenditure.

These data do not however afford a complete picture of the indebtedness of the Government, which cannot be given in the absence of the publication of the final accounts. For this purpose we should bear in mind such other



items as passive arrears, the cash deficit, the amount of the allied military lire put in circulation and which have not yet been assigned a settlement in the accounts, and finally the annuities for deferred payments, *i.e.* those appropriations distributed over several financial years and for which the Government has already taken over the cost.

XI. — This panoramic and necessarily summary review of the several phases of the complex administration of the national budget, presents a sufficient number of data to enable us to appreciate the effort accomplished for assuring the rehabilitation of Italian finances during the first three financial years of this post-war period. While the effort made has been notable, especially when we remember the gra-

vity of the crisis in which the political and military vicissitudes of the last decade had led the country, that still to be made is seen to be no less arduous and severe. The development of the situation in the first months of the current financial year, confirm the fact that further progress has already been made. The consolidated monetary stability which provides the environmental conditions required for

carrying out the fiscal reform, the principles of financial orthodoxy reaffirmed and firmly pursued by the present Administration, the spirit of international collaborations which already finds expression in a large scale action of support, are all features of the situation which allow us to believe that the budget rehabilitation is now no longer unattainable, and is no longer far off.

## STATISTICAL APPENDIX

## EXPLANATORY NOTES

Supplementary to the « Explanatory Notes » contained in No. 3 of October 1947 of this Review (p. 197), and subsequent additions, we give here below some further particulars on the statistics relating to (a) bank credits to clients, (b) industrial production, (c) unemployment, now the subject of discussions in Italy.

## Bank credit to clients (see Table D)

Four series of statistics are now published on bank credits to clients, which differ one from the other, corresponding to four different forms of enquiry and elaboration.

(1) A first series is that obtained from the annual returns on credits classified by branches of economic activity. Each year the several banks are required to supply the Bank of Italy with a statement showing outstanding credits on 31st December classified by branches of activity. The last statement now published refers to December 31, 1947. The data were inserted by us in No. 6 of this Review, July 1948, (p. 398, Table E).

(2) A second series is that compiled on the basis of the annual returns of credits classified by geographical areas. Each year the banks are also required to send in to the Bank of Italy the statement of outstanding credits on 31st December, classified by provinces. The differences between this series and the previous one are trifling and are to be ascribed to inaccuracies of detail.

(3) A third series is that based on the « quarterly balance-sheet statements », which the banks are required to send to the Bank of Italy. This is the series used by the Bank of Italy in 1946-47 (See Report of the Governor for 1946, p. 27), and is obtained by summing up the followings items: bills on hand (portafoglio), advances (anticipazioni), current accounts (conti correnti), correspondence accounts (c/c di corrispondenza), contingencies (riporti), loans (mutui).

This third — quarterly — series has the advantage over the two first — annual — series of showing credit movements for relatively brief periods, and therefore offers valuable elements for forming an opinion on credit policy.

The method of calculation, however, is not quite accurate as (a) it does not take account of rediscounted bills and other secondary items; (2) it includes accounts in foreign exchange (1) and inter-bank accounts, globally.

(4) To correct the deficiencies of the third series, the Report of the Governor of the Bank of Italy for 1947 (p. 161) had

(1) Accounts in foreign exchange, opened under the Decree Law of March 26, 1946, consist of that part of the foreign bills obtained for goods exported that can be freely sold by the exporter. See on this matter in No. 6 of this Review: B. BOVEDANI: *Exchange Rate Structure and Price Levels in Italy 1947-1948*, p. 356 et seq.

recourse to some careful calculations and prepared a fourth series which include rediscounted bills, non-Government securities owned by the banks, and participations, and eliminate completely accounts in foreign exchange and inter-bank accounts. But even this series is considered as not definitive and defective on account of omissions.

We give here below the data on bank credits to clients at December 31, 1946 and December 31, 1947, calculated respectively by the four mentioned systems:

	Dec. 1946	Dec. 1947
	(millions of lire)	
(1) classified by branches of activity . . . . .	396,940	743,444
(2) » » geographical areas . . . . .	396,135	733,443
(3) based on the « quarterly statements » . . . . .	436,000	790,200
(4) » » » system of the Bank of Italy report for 1947 . . . . .	418,168	732,200

As these returns show, the highest figures are obtained by adopting the system No. 3. The lowest figure, which in 1946 was obtained from returns classified by branches of economic activity, was instead obtained in 1947 by the system of returns adopted by the Bank of Italy in its Report for 1947. The figure obtained by the first system, which in 1946 was still considered to err by omission, ranks, at the end of 1947, between the results obtained by the systems No. 4 and No. 3, and therefore should not be far from showing the real situation.

In Table D of this Statistical Appendix (p. 74), the calculation of the credits is made by system No. 3, which over values their real amount; the data should therefore be interpreted with the limitations referred to. (As they include the foreign exchange accounts and the inter-bank accounts, these items have also been included among the liabilities, in calculating the « alien funds » (*fondi dei terzi*), to make them as uniform as possible).

We would point out, however, that (a) the ratio between credits calculated by system No. 3 and « alien funds » inclusive of inter-bank and foreign exchange accounts, and (b) the ratio between credits calculated by system No. 4 and « alien funds », non-inclusive of inter-bank and foreign exchange accounts, give almost identical results. Therefore, the data of Table D, even if the individual figures be defective, may be considered sufficiently indicative of the trend of the variations in bank credits to clients and of the ratio between such credits and the deposits.

## Industrial production (see Tables P, Q)

The index numbers of industrial production are compiled by the General Confederation of Italian Industry and by the Central Institute of Statistics. The series compiled by the Confederation

of Industry was first calculated on the basis 1939=100 (2). Since January 1948 the index numbers have been calculated on the basis 1938=100. This was deemed advisable more especially because the marked increase of production that occurred in 1939 (nearly 15 % above the previous year) helped to give the impression of an excessively heavy reduction of present output as compared to that of the pre-war period. In addition, as new statistical data were available, the index numbers for the several branches — and consequently the general index number — have been revised, and suitable corrections made. The principles on which the returns and the calculation are made, have, however, not been changed.

In judging these index numbers it should first be noted that they are compiled on a relatively narrow basis. Thus, not only is no account taken of several branches of industry of minor importance, but neither are the three great branches represented by the engineering, food, and building trades considered, as it is not yet possible to secure for them the necessary statistical data. On the output movement in these three branches only cautious inductions can be drawn. It seems, however, that the level of production of the food industries is now higher than in the pre-war period. It is more difficult to express an opinion in the case of the engineering trades. Bearing in mind that depression in some departments may be offset by greater activity in others, it may be supposed that, taken as a whole, the situation is not very different from that of the general average for all Italian industries. On the other hand, the building trades are still far less active than in pre-war years. On the basis of these hypotheses it would therefore seem justifiable to conclude that the general average level of production is not very different from that registered by the index of the Confederation of Industries.

Recently the Central Institute of Statistics has also started publishing an index number on the basis 1947=100 (3). The series begins with the month of January 1947. In drawing a comparison between the two index numbers, that of the « Confederation » and that of the « Institute », the following facts should be borne in mind: (a) the index number of the Institute of Statistics is based on considerably fuller returns than that of the Confederation — especially in the case of the branches of industry of minor importance — but here again the engineering, food, and building industries are excluded; (4) the index numbers are calculated using the arithmetical average instead of the geometrical average used by the « Confederation », and the weighting is made on the basis of the « added value » of the production.

The two index numbers are in marked agreement as regards the growth of production that occurred from 1947 to 1948, and as the movement of production in the several months. As can be seen, both the data in Table P and those in Table Q show an upward trend in the first half of 1948, a period of relative stagnation during the summer months, and a net recovery in

(1) For further details on this matter and the method of calculation adopted, see « Explanatory Notes » in No. 3, October 1947, of this Review. The respective index numbers were published in the first numbers of the Review (see No. 1, 2, 3, 4, 5, 6).

(2) The index numbers of the Institute of Statistics were published in No. 7, October 1947, of this Review.

(3) The classification by groups of industry is that proposed by the Commission of Statistics of the Economic and Social Council of the United Nations, for international classifications.

September, followed by a slight decline in the ensuing months. On the whole, in 1948 the index of industrial production rose, as compared to 1947, by some 7.3 % according to the data compiled by the Institute of Statistics, and by 8 % according to those of the Confederation. From December 1947 to December 1948 the former places the productive increase at about 17 %. As the Institute — as above stated — has not yet published its index on the basis 1938=100, it is not possible to compare the two series for the purpose of appraising the present level of production as compared to pre-war. Nevertheless, semi-official statements, based on the elaborations now being made by the Institute of Statistics, place Italian industrial output at the end of 1948 at about 90 % of 1938 figures. These conclusions, however, are judged unduly optimistic and not sufficiently objective by the « Confederation », and are attributed (a) to the system followed in making the calculation, and above all (b) to the comparatively heavier weight attributed to those branches of industry in which the movement of production has been more favourable as compared to that attributed to other branches in which the movement has been less so.

## Unemployment (see Table S)

Still more uncertain are the estimates dealing with the actual number of unemployed persons. In this connection it should be remembered that the Italian statistics on unemployment, based on data collected by the decentralised offices of the Ministry of Labour (provincial and regional offices), show the numbers registered with the Labour Exchanges which — as it is known — do not coincide, for various reasons, with the number of those actually unemployed. The Ministry of Labour has recently taken a special census of the unemployed and has started the publication of a new series of statistics — from which the data given in Table S have been obtained — in which it has endeavoured to obviate some of the drawbacks for which the former series seemed to be not very reliable. Those figures were considered to err considerably on the side of excess because: (a) workers succeeded in many cases in remaining on the registers of the Labour Exchanges even after they had found employment; (b) persons not actually unemployed, such as pensioners and others seeking occupations other than those held, may register with the Labour Exchanges.

In compiling the new series, the first endeavour has been to strike off the lists persons who were found not to be entitled to be registered in them. In this way the number of registrations, which at the end of June 1948 (the last month for which the data of the old series are available) stood at 2,283,650, at the end of October (first month for which the data of the new series are available) had been rectified and stood at 1,752,187, showing a reduction as compared to the June figure of 531,463 persons, i.e. 23 %. And as that time of year an increase of seasonal unemployment is usually registered, it is reasonable to ascribe the reduction solely to the results of the special census. In addition to this, the total number of persons registered has been classified in four groups which clearly show the actual situation of the persons concerned. These groups are (a) pensioners and persons now employed but seeking other occupations; (b) housewives in search of a first job; (c) young persons under 21 years of age or demobilised men in search of a first occupation; (d) unemployed persons previously employed. Now, persons belonging to the first group cannot rightly be considered

as unemployed (at the end of December 1948 they numbered 87,386 being 4% of the total), and perhaps the same may be said of a percentage of the persons classified in the second group, who probably are productively engaged in the household or on some form of craft.

On the other hand, not all the unemployed are registered with the Labour Exchanges; thus (a) a certain number, more especially of unemployed agricultural labourers in South Italy, escapes registration owing to the difficulties in the way of making the returns; (b) the so-called « intellectual unemployment » is not entered at all in the registers of the Labour Exchanges; (c) neither are the mass of workers and employees who have not been dismissed from their employment solely because of the decree for blocking dismissals (in October 1948 the excess number of workers on the pay-rolls of industrial concerns was calculated to total some 150,000).

The break which has occurred in the system used in making the returns and the unreliable character of the old series do not allow of formulating accurate statements on the real movement of unemployment in Italy for the whole of 1948. It would however seem possible to say that in the first months of 1948 the number of unemployed was declining (the index numbers for industrial production support this opinion), whereas during the months of November and December, for which more reliable data are available, unemployment again began to increase. The number of unemployed increased by 175,249, equal to 10.2% in November, and by 230,235, equal to 11.2% in December. We may therefore consider that the number of 2 million unemployed as generally stated, is confirmed, a number which clearly shows the serious nature of the Italian economic problem.

**SYMBOLS EMPLOYED:** In conformity with the Statistical Office of the United Nations, the following symbols and used:  
 ... = not available.  
 — = nil or less than half the final digit shown.  
 Decimal figures are preceded by a full stop (.)

ITALIAN BUDGET SUMMARY  
 (in milliards of lire)

Table A

Fiscal year beginning 1st July	Ascertained receipts					Engaged expenditure					Surplus or deficit		
	Actual receipts			Movement of capital	Total	Actual expenditure			Movement of capital	Total	Actual receipts and expenditure	Movement of capital	Total
	Ordinary receipts	Extraordinary receipts	Total			Ordinary expenditure	Extraordinary expenditure	Total					
1938-39	27	.9	28	3	31	23	17	40	2.8	43	— 12	—	— 11.8
1941-42	38	3	41	30	91	35	83	118	4	122	— 77	+ 46	— 31
1942-43 (a)	43	6	49	54	103	42	93	135	5	160	— 86	+ 29	— 57
1945-46	125	3	128	92	220	160	349	509	44	553	— 381	+ 48	— 333
1946-47	346	6	352	335	687	318	614	932	303	1,235	— 580	+ 31	— 549
1947 - 1948	674	154	828	200	1,028	615	932	1,547	265	1,813	— 719	— 65	— 785
July 1948 - January 1949 (b)	507	56	563	25	588	440	412	852	56	908	— 289	— 31	— 320

(a) Data 1943-44 and 1944-45 not available.

(b) The deficit for the financial year 1948-49 is now calculated in 513 milliards of lire.

Source: *Bollettino Mensile* of the Central Institute of Statistics (Istituto Centrale di Statistica), Rome, 1947-48.

ITALIAN INTERNAL NATIONAL DEBT  
 (In milliards of lire - Index Numbers, 1938=100)

Table B

End of period	Consolidated and others		Redeemable debt		Floating debt					Notes of the State	Total of internal national debt	
	Amount	I.N.	Amount	I.N.	Treasury bills	Interest bearing current accounts	Advances by the Bank of Italy	Total			Amount	I.N.
								Amount	I.N.			
1938 June	53	100	49	100	9	20	1	30	100	1.5	133.5	100
1945 "	53	100	206	420	157	93	331	581	1,936	7.3	847.3	635
1946 "	53	100	278	567	239	146	343	728	2,426	7.3	1,066.3	799
1947 "	53	100	429	875	279	175	366	820	2,733	6.6	1,308.6	980
1948 August	53	100	419	856	359	286	473	1,318	4,393	7.3	1,797.3	1,346
» Septem.	53	100	419	856	387	301	473	1,361	4,537	7.4	1,840.4	1,378
» October	53	100	419	856	603	294	472	1,396	4,613	7.6	1,875.6	1,405
» November	53	100	419	856	679	316	472	1,407	4,690	7.8	1,886.8	1,413
» December	53	100	417	851	631	313	472	1,416	4,720	7.7	1,893.7	1,418

Source: *Bollettino Mensile* of the Central Institute of Statistics, 1947-1948.

PRINCIPAL ASSETS AND LIABILITIES OF THE BANK OF ITALY  
 (in milliards of lire)

Table C

Item	December 31, 1938		December 31, 1946		June 30, 1947		December 31, 1947		1948				
	mil-liards of lire	%	mil-liards of lire	%	mil-liards of lire	%	mil-liards of lire	%	June 30		December 31		
									mil-liards of lire	%	mil-liards of lire	%	
<b>Assets</b>													
Gold	3.8	16.8	.5	.07	.5	.06	.5	.05	.5	.05	1.3	.09	
Foreign Exchange deposited abroad	—	—	8.7	1.2	4.3	.6	12.8	1.2	13.1	1.2	17.2	1.3	
Cash	.5	2.04	1.1	0.2	.8	.1	1.3	.1	1.3	.1	1.5	.1	
Sundry debtors	—	—	9.5	1.4	22.9	3.0	49.2	5.1	94.9	8.9	213.8	16.3	
Bank lending to the Government (a)	5.5	24.3	594.5	85.3	611.9	81.3	720.6	74.7	825.0	77.3	876.6	66.7	
Credits to clients (b)	12.9	56.4	63.6	9.1	69.5	12.8	171.5	17.7	117.6	10.6	180.7	13.7	
Other assets	.1	.5	18.8	2.7	15.6	2.1	9.9	1.0	12.7	1.2	22.9	1.7	
<b>Total</b>	22.8	100.0	696.9	100.0	752.6	100.0	965.0	100.0	1,066.7	100.0	1,314.0	100.0	
<b>Liabilities</b>													
Note circulation	18.9	83.09	505.0	72.5	577.6	76.7	788.1	81.7	815.9	76.5	963.0	73.3	
Sight drafts	.9	3.9	15.1	2.2	16.5	2.2	16.2	1.7	16.6	1.5	17.9	.4	
Demand Deposits	.8	3.6	59.1	8.5	41.0	5.5	52.5	5.4	56.0	5.4	68.0	5.2	
Time Deposits	.3	1.3	106.0	15.2	83.9	11.2	86.5	9.0	149.7	14.0	164.0	12.5	
Lira-Fund available	—	—	—	—	—	—	—	—	17.9	1.6	58.1	4.4	
Other liabilities	1.8	7.9	11.6	1.7	33.5	4.4	22.5	2.3	24.1	2.9	42.9	3.3	
<b>Total</b>	22.8	100.0	696.9	100.0	752.6	100.0	965.1	100.0	1,066.7	100.0	1,314.0	100.0	

(a) Includes: Government securities, advances to the Treasury, advances on Allied Forces account, current account with the Treasury, sundry credits on Government account, gold deposit abroad due by the State.

(b) Includes: Inland bills, bills for collection, advances.

Source: *Bollettino* of the Bank of Italy.



NOTE CIRCULATION, PRICES, WAGES AND QUOTATIONS IN ITALY  
(Index Numbers, 1938=100)

Table I

Month	Note Circulation (a)		Wholesale Prices (c)	Foodstuffs cost (c)	Living cost (c)	Wages in industry (e)	Share quotations (d)	Fine gold	
	Amount (b) (milliard lire)	Index						Price 1 gram (lire) (d)	Index
1945 December	389.8	1,732			2,764		517	823	3,165
1947 March	531.6	2,318	4,139	4,482	3,823	3,285	2,374	900	3,496
» June	584.3	2,608	3,729	5,971	4,355	4,131	2,293	1,007	3,871
» September	674.6	2,998	6,202	6,846	5,631	4,670	2,006	1,046	4,021
» December	795.0	3,537	5,526	6,196	4,929	5,105	1,206	827	3,186
1948 March	804.8	3,577	5,318	6,206	4,919	5,133	1,272	982	3,777
» June	823.0	3,674	5,142	6,111	4,835	5,135	1,091	848	3,761
» September	869.7	3,865	5,967	6,162	4,910	5,417	1,333	936	3,600
» October	880.2	3,912	5,724	5,923	4,838	5,419	1,290	980	3,769
» November	884.8	3,932	5,667	5,869	4,870	5,420	1,321	936	3,600
» December	970.9	4,316	5,696	5,969	4,917	5,415	1,378	995	3,817

(a) Includes: Bank of Italy notes, Treasury notes, and A-M lire; (b) *Bollettino* of the Bank of Italy, 1947-1948; (c) *Bollettino Mensile* of the Central Institute of Statistics, 1947-1948; (d) Concern's Statistics Centre of Florence.

YIELD OF THE ITALIAN SECURITIES, BY MAIN CATEGORIES  
(Per cent per annum)

Table L

Year or month	Government Securities				Share Securities (quoted on the Milan Stock Exchange)
	Bonds		Treasury Bills	Average	
	Consolidated	Redemtable			
1938	5.40	5.37	5.07	5.33	5.17
1946	5.13	4.78	5.55	5.43	0.54
1947	5.72	5.59	6.88	6.16	0.48
1948 March	5.66	7.14	5.99	6.55	1.53
» June	5.34	6.17	5.30	5.76	3.13
» September	5.29	6.22	5.21	5.75	2.74
» October	5.33	6.28	5.41	5.85	2.57
» November	5.30	6.16	5.36	5.72	2.65
» December	5.36	6.11	5.62	5.84	2.72

Source: *Bollettino* of the Bank of Italy, 1948.

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

Table M

Month	All Commodities	Foodstuffs		Textiles	Hides, Skins and Foot-wear	Raw materials, metal and engineering products	Fuels and lubricants	Chemical raw materials and products	Paper goods	Lumber	Bricks, Lime and Cement	Glass
		Vegetable	Animal									
1946 July	2,675	2,252	4,243	3,826	3,687	3,154	1,400	3,137	3,034	2,767	3,205	3,741
1947 January	3,754	2,973	6,549	5,880	5,138	3,161	2,145	4,656	4,383	4,929	4,353	3,741
» March	4,139	3,171	7,301	5,954	5,611	3,855	2,455	5,198	5,495	5,232	5,204	3,741
» June	5,329	4,185	9,085	6,988	6,796	5,066	3,592	5,565	9,105	7,741	6,060	4,608
» September	6,202	5,114	10,411	7,154	7,088	6,476	3,757	6,504	9,505	7,872	6,643	4,608
» December	5,526	4,393	8,035	6,404	4,953	6,296	4,063	5,815	7,894	6,346	6,309	4,608
1948 March	5,318	4,354	7,720	6,033	4,797	6,009	4,186	6,017	6,751	6,049	6,403	4,608
» June	5,142	4,177	7,085	6,172	4,557	5,851	4,342	5,810	5,560	5,893	6,174	4,889
» September	5,767	5,303	7,790	5,883	4,723	5,795	4,669	5,846	5,167	5,323	5,994	4,889
» October	5,724	5,220	7,674	5,901	4,883	5,800	4,685	5,852	5,164	5,530	5,961	4,889
» November	5,667	5,163	7,632	5,953	5,031	5,712	4,536	5,817	5,164	5,561	5,976	4,889
» December	5,696	5,278	7,678	5,996	5,316	5,712	4,432	5,814	5,164	5,571	5,988	4,889

Source: *Bollettino dei prezzi* of the Central Institute of Statistics, 1948.

WAGES AND SALARIES IN ITALY  
(Inclusive of family allowances)  
(Index Numbers, 1938=100)

Table N

Categories	1946	1947				1948				
	March	June	Oct.	Dec.	March	June	Sept.	Nov.	Dec.	
<b>Industry:</b>										
Specialised workers	1,496	3,970	4,501	4,909	4,917	4,272	4,499	4,502	4,497	
Skilled workers	1,285	3,463	3,192	4,260	4,281	4,922	5,195	5,193	5,187	
Ordinary workers and skilled labourers	1,600	4,295	5,623	5,316	5,337	5,331	5,610	5,623	5,618	
Labourers	1,732	4,208	6,138	5,724	5,790	5,802	6,129	6,138	6,134	
<b>General index of Industry</b>	<b>1,544</b>	<b>4,131</b>	<b>5,419</b>	<b>5,103</b>	<b>5,133</b>	<b>5,135</b>	<b>5,416</b>	<b>5,420</b>	<b>5,415</b>	
<b>Land Transport:</b>	<b>1,594</b>	<b>4,034</b>	<b>5,307</b>	<b>4,995</b>	<b>5,003</b>	<b>5,003</b>	<b>5,303</b>	<b>5,314</b>	<b>5,299</b>	
<b>Government Civil Employees:</b>										
Groups A and B (a)	957	1,895	2,839	2,487	2,487	2,487	2,839	2,839	2,839	
Group C (b)	1,375	2,575	4,054	3,550	3,550	3,550	4,054	4,054	4,054	
Subordinated staff	1,531	2,853	4,906	4,028	4,028	4,028	4,906	4,906	4,906	
<b>General index of Government Civil Employees</b>	<b>1,199</b>	<b>2,292</b>	<b>3,601</b>	<b>3,114</b>	<b>3,114</b>	<b>3,114</b>	<b>3,601</b>	<b>3,601</b>	<b>3,601</b>	

(a) Administrative and executive grade.

(b) Clerical grade.

Source: *Bollettino dei Prezzi* of the Central Institute of Statistics, 1947-1948.

NATIONAL INDEX NUMBERS, OF LIVING COST  
(1938=100)

Table O

Month	All Items	Foodstuffs	Clothing	Heating and lighting	Housing	Sundry
1947 March	3,823	4,842	5,928	1,619	249	2,917
» June	4,655	5,971	6,680	1,902	249	3,471
» September	5,331	6,846	7,154	2,510	260	4,024
» December	4,929	6,196	6,866	2,393	269	4,359
1948 March	4,919	6,206	6,216	2,404	343	4,387
» June	4,835	6,111	5,993	2,354	363	4,317
» September	4,910	6,162	5,750	2,987	377	4,318
» October	4,838	6,041	5,771	2,996	377	4,342
» November	4,870	6,081	5,775	3,059	399	4,360
» December	4,917	6,149	5,810	3,069	399	4,387

Source: *Bollettino dei prezzi* of the Central Institute of Statistics, 1948.

INDEX NUMBERS OF ITALIAN INDUSTRIAL PRODUCTION  
(monthly average 1938=100)

Table P

Year or Month	General index	Textile	Mining	Metal-lurgical	Building Materials	Electric Power	Chemical
1947 Monthly average	75	81	70	63	79	136	75
1948 Monthly average	81 (a)	80 (a)	..	79	86 (a)	149	80
1948 January	68	74	60	55	70	135	64
» February	71	76	59	62	76	132	67
» March	79	80	70	76	78	135	75
» April	83	86	70	76	87	139	78
» May	84	81	64	87	83	154	83
» June	85	76	69	95	84	159	82
» July	83	75	65	93	88	162	83
» August	80	72	55	80	95	156	85
» September	89	81	61	95	98	163	89
» October	86 (a)	89 (a)	60	80	97	152	78
» November	84 (a)	87 (a)	59	76	95	147	85
» December	82 (a)	85 (a)	56	74	87 (a)	150	88

(a) Provisional data.

Source: *Notiziario* of the General Confederation of the Italian Industry (Confederazione Generale dell'Industria Italiana), 1949.

INDEX NUMBERS OF ITALIAN INDUSTRIAL PRODUCTION  
(monthly average 1947=100)

Table Q

Month	General Index	Mining	Manufactures											Elec- tric power
			Total	Ma- nufac- tured food pro- ducts	To- bacco	Textile	Lum- ber	Paper	Rubber	Chem- ical	Petro- leum and coal pro- ducts	Metal- lurgical	Non me- talli- c mi- nerals	
1948 January	95	99	93	99	105	92	75	86	101	92	106	93	110	102
February	96	103	94	88	99	89	75	94	107	93	136	103	95	99
March	103	113	102	127	98	94	87	105	104	104	143	118	99	102
April	105	115	104	118	94	97	95	105	109	104	127	120	107	104
May	107	112	104	117	86	89	79	96	98	120	131	128	105	111
June	110	116	107	113	96	93	89	101	96	111	155	138	103	117
July	111	118	108	122	112	99	80	104	106	121	133	133	108	119
August	103	113	99	106	106	79	62	91	78	127	219	111	108	114
September	119	124	118	135	106	82	126	126	126	187	139	111	108	119
October	116	122	114	145	134	108	82	129	132	116	177	127	113	114
November	112	117	112	152	124	104	79	131	128	116	185	121	107	109
December	112	109	112	110	102	76	128	129	116	186	124	109	111	111

Source: Bollettino Mensile of the Central Institute of Statistics, 1948.

AGRICULTURAL PRODUCTION - PRICES - COSTS

Table R

Year or Month	Agricultural production (Index numbers 1936-39=100)				Agricultural prices (Index numbers 1938=1)				Agricultural costs (Index numbers 1938=1)		
	Herba- ceous crops	Tree and bush crops	Plant product- ion Total	Animal product- ion	Total	Agricul- tural products	Production of animal husban- dry	Total	Prices of farm requisi- tes	Agricul- tural wages	Total
1947	72.8	95.9	80.4	75.3	79.0	46.45 (a)	70.44 (a)	56.07 (a)	66.66 (a)	68.39 (a)	67.44 (a)
1948	88.1	82.7	85.5	86.3	86.3	48.63	70.67	55.43	66.32	67.44	66.83
March						49.81	64.57	55.08	63.43	67.58	65.28
June						51.78	72.19	58.92	64.57	68.27	66.19
September						52.74	75.97	61.17	63.54	70.19	66.47
December											

(a) December 1947.

Source: Ministry of Agriculture.

UNEMPLOYMENT IN ITALY

Table S

Categories	October 1948			November 1948			December 1948		
	men	women	total	men	women	total	men	women	total
1. Employed and pensioned persons seeking other jobs	66,815	9,966	76,781	71,359	11,142	82,501	75,319	12,067	87,386
2. Housewives seeking first job	—	193,810	193,810	—	210,305	210,305	—	211,671	211,671
4. Young people under 21 or veterans seeking first job	218,365	87,806	306,171	245,093	99,381	344,474	264,573	99,210	363,783
4. Unemployed formerly employed	857,802	317,623	1,175,425	957,143	336,013	1,293,156	1,141,875	356,554	1,498,429
Total	1,142,982	609,205	1,752,187	1,273,595	656,841	1,930,436	1,481,769	679,502	2,161,271

Source: Labour Department.

ITALY'S FOREIGN TRADE AND SOME RELATED ITEMS

Table T

Year (first 11 months)	Current lire			1938 Lire (a)				Wholesale price index (b)	National Income		Ratio of foreign trade to national income	Ratio of exports to national income %	Ratio of exports to imports %		
	Imports	Exports	Total of trade	Imports mil- lions	Index	Exports mil- lions	Index		millions in 1938 lire	Index					
1938	20,011	9,260	19,271	10,011	100	9,260	100	19,271	100	100	115,150	100	16.73	8.04	92.50
1947	388,961	181,227	570,188	7,539	75	3,513	38	11,052	57	5,159	87,842	76	12.58	3.99	46.60
1948	733,570	487,664	1,221,234	13,477	135	8,959	97	22,436	116	5,443	114,010	98	19.66	7.85	66.47

(a) The amounts in current lire have been converted into 1938 lire on the basis of the wholesale price index compiled by the Central Institute of Statistics; (b) annual averages.

Source: Columns 1, 2, 3: Central Institute of Statistics, *Statistics of Foreign Trade*. The estimates of national income are the official ones and correspond to the values in dollars contained in the four-year Italian plan communicated to the OEEC and quoted in the summary of the Italian plan in the "Rapport intermédiaire sur le programme de relèvement européen", Vol. I, Paris, 1948.

ITALY'S FOREIGN TRADE, BY GROUPS OF COUNTRIES

Table U

	Imports				Exports							
	1938 (a)	1947 (a)	1948 (a)	1948 (a)	1938 (a)	1947 (a)	1948 (a)	1948 (a)				
	millions of lire	% (b)	millions of lire	% (b)	millions of lire	% (b)	millions of lire	% (b)				
Sterling Area (c) . . . . .	1,484	16.62	42,114	10.83	91,225	12.44	964	13.54	35,928	19.82	94,302	19.30
of which:												
United Kingdom, Ireland & Island (c)	655	7.33	9,411	2.41	23,876	3.25	525	7.51	18,270	10.08	37,829	7.75
Other Countries . . . . .	829	9.29	31,734	8.42	67,349	9.19	429	6.03	17,658	9.74	56,473	11.55
Dollar Area . . . . .	1,738	19.47	195,139	50.17	331,489	45.19	1,106	15.53	22,180	12.24	82,784	16.97
O.E.E.C. countries (d)	4,826	54.94	63,518	16.33	135,752	18.50	3,779	53.08	84,557	46.65	188,606	38.67
Eastern Europe (including USSR) (e) . . . . .	1,144	12.81	2,118	4.62	31,715	4.13	721	10.12	13,823	6.68	33,027	6.73
Other Countries (f) . . . . .	1,474	4.39	96,452	20.46	167,265	22.99	3,225	15.24	43,009	24.69	126,824	26.08
Total . . . . .	10,111	100	388,961	100	733,570	100	9,260	100	181,227	100	487,664	100

(a) First 11 months; (b) The percentages are calculated on the total amount, net of trade with the Italian colonies and possessions; (c) The data between brackets, that represent totals already included in the sums of the other groups of countries, are not to be added up; (d) Austria - Benelux - Denmark - France - Greece - Ireland - Island - Norway - Portugal - United Kingdom - Sweden - Switzerland - Turkey - Western Germany; (e) Bulgaria - Czechoslovakia - Jugoslavia - Rumania - Poland - Hungary - USSR; (f) Argentine - Morocco - Palestine - Spain - Syria - Tunisia - etc.

Source: "Statistiche del commercio con l'Estero", 1947-1948, "Annuario statistico 1938" of the Central Institute of Statistics, Rome.

ITALY'S FOREIGN TRADE IN 1948, BY PRINCIPAL COUNTRIES (a)

Table V

Countries	Total of trade	Imports	Exports	Difference between imports and exports 4=3-2	Percentage ratio of Italian trade with each single country to the whole Italian foreign trade		
					1948 (11 months)	1947 (11 months)	1938 (11 months)
United States . . . . .	316,268	269,976	46,292	- 223,684	25.89	31.87	9.93
Argentina . . . . .	173,762	102,882	70,880	- 32,002	14.22	5.53	1.24
Switzerland . . . . .	62,096	22,719	39,377	+ 16,658	5.08	5.98	3.88
United Kingdom . . . . .	60,071	23,022	37,049	+ 14,027	4.91	4.35	5.94
India and Pakistan . . . . .	36,399	16,310	20,089	+ 3,779	2.98	2.67	2.12
Austria . . . . .	32,274	28,585	3,689	- 24,896	2.64	2.42	1.39
Germany . . . . .	28,683	15,202	13,481	- 1,721	2.34	1.70	23.51
France . . . . .	27,849	6,778	21,071	+ 14,293	2.28	1.55	2.67

(a) First 11 months.

Source: *Statistiche del Commercio con l'Estero* of the Central Institute of Statistics.



EXCHANGE RATES IN ITALY IN 1948  
(monthly averages)

Table X

Month	Dollar		Pound sterling		Cross-rate pound sterling-dollar		Swiss franc		French franc	
	Export rate (a)	Black market rate	Export rate (a)	Black market rate	Export rate (a)	Black market rate	Export rate (a)	Black market rate	Clearing rate	Black market rate
1948										
January	574.50	593	1,696	1420.50	2.95	2.39	138	141.50	1.63	1.70
February	572.75	615	1,797	1481	3.13	2.40	136	148	1.63	1.73
March	573.25	663	1,838.75	1535	3.20	2.31	138	161	1.63	1.80
April	574.00	618.50	1,815.75	1581.50	3.21	2.55	139.50	151.50	2.20	1.70
May	574.75	588	1,900	1565.50	3.30	2.66	141	146.50	2.20	1.68
June	574.25	582	1,955.25	1615.50	3.40	2.77	142.25	145.50	2.20	1.65
July	574.50	584	1,949.25	1649.50	3.39	2.82	143.25	148	2.20	1.68
August	574.75	584	1,936.50	1643	3.36	2.81	144.50	149	2.20	1.61
September	574.75	617	1,940.75	1678.50	3.37	2.72	145	158.50	2.20	1.49
October	574.75	658	1,991.55	1730	3.46	2.62	145.25	168.50	2.20	1.41
November	574.75	643.50	2,113	1814.50	3.67	2.81	144.50	164	2.15	1.40
December	574.75	658	2,316.24 (b)	1936.50	4.03 (b)	2.94	142.75	164.50	2.15	1.35
1949										
January 31st	575	680	2,317.25	1990	4.03	2.92	141	172	2.15	1.31

(a) Export rate is the average between the Italcambi buying rate and the import rate. See, Bruno Brovedani, *Exchange Rate Structure and Price Levels in Italy: 1937-48*, in n. 6 of this Review; (b) Since 15 December 1948, under the Decree of November 27, 1948, there is no free market export rate for sterling but a pegged rate to the dollar.

Source: *Bollettino* of the Bank of Italy.

Table Y

LIRA-DOLLAR AND LIRA-POUND STERLING PURCHASING POWER PARITIES IN 1948 (a)

Month	Wholesale Prices		Ratio $\frac{a}{b}$	Lira-dollar P.P.P. (lire per dollar)	Wholesale Prices in Great Britain (1938=100)	Ratio $\frac{a}{c}$	Lira-Pound sterling P.P.P. (lire per sterling)
	Italy (1938=100)	U.S.A. (1938=100)					
	a	b	$c = \frac{a}{b}$	$d = c \times 22.62$	e	$f = \frac{a}{c}$	$g = f \times 102.16$
1948							
January	5,373	210.8	25.4	574.5	209.2	25.6	2,615.1
February	5,352	204.7	26.1	590.3	213.7	25.0	2,554.0
March	5,318	205.3	25.9	585.8	214.2	24.8	2,533.5
April	5,240	207.1	25.3	572.2	216.2	24.2	2,472.1
May	5,184	208.5	24.8	560.9	217.3	23.8	2,431.4
June	5,142	211.4	24.3	549.6	219.0	23.4	2,390.5
July	5,139	214.6	23.9	540.6	218.7	23.4	2,390.5
August	5,704	215.6	26.4	597.1	217.9	26.1	2,666.3
September	5,769	214.6	26.8	606.2	216.9	26.5	2,707.1
October	5,724	210.1	27.2	615.2	216.7	26.4	2,697.0
November	5,667	208.5	27.1	613.0	217.4	26.0	2,656.1
December	5,696				217.7	26.1	2,666.3

(a) The calculation of purchasing power parities for 1938 assumes the existence of a perfect equilibrium of actual rates and prices in 1929, i.e. approximately a year after stabilization of the lira (1927). Taking 1929=100, the Italian index number of wholesale prices stood in 1938 at 97.76, the U.S. index at 82.48 and the U.K. index at 88.79. By multiplying the quotient of the Italian and U.S. price indexes (1.185) by the lira-dollar rate of exchange in 1929 (19.09 lire per dollar), we obtain the p.p.p. rate for 1938 of 22.62 lire to one dollar. By the same method the lira-pound sterling p.p.p. rate was calculated at 102.16 lire per sterling. As shown in the Table above calculation of parities for 1948 was based on these two 1938 parities.

Sources: Central Institute of Statistics, Rome; Federal Reserve Bulletin; Monthly Digest of Statistics (Board of Trade figures).