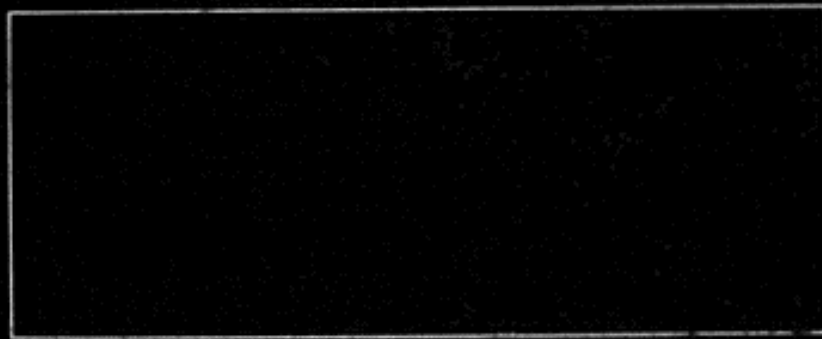


BANCA NAZIONALE DEL LAVORO  
QUARTERLY REVIEW



R O M E

# BANCA NAZIONALE DEL LAVORO

HEAD OFFICE: ROME  
VIA VITTORIO VENETO, 119

## Condensed Statement of Condition, September 30<sup>th</sup>, 1947

LIABILITIES	(Lire)	ASSETS	
Capital . . . . .	1,150,000,000	Cash, Balances with Banks & Money at call . . . . .	29,270,951,810
Ordinary Reserve Fund . . . . .	207,500,000	Bills receivable & Treasury Bills . . . . .	23,510,197,949
	1,357,500,000	Government Securities, Bonds & other Securities . . . . .	1,737,441,477
Deposits & Current Accounts (including Balance of Profit and Loss) . . . . .	85,080,888,857	Contango, Advances on Securities & Loans . . . . .	51,009,808,301
Cheques in circulation ( <i>assegni circolari</i> ) . . . . .	8,696,809,873	Sundry Accounts . . . . .	1,654,550,400
Bills for collection . . . . .	4,555,839,130	Premises . . . . .	138,956,480
Guarantees & Acceptances for A/C of Customers . . . . .	5,276,785,338	Furniture & Fixture . . . . .	1
Sundry Accounts . . . . .	4,878,205,015	Customers' Liability for guarantees & Acceptances . . . . .	5,276,785,338
Staff individual Retirement Accounts . . . . .	1,487,417,823		112,598,693,774
Unearned Discount & other unearned Income . . . . .	356,455,728	Securities deposited by Third Parties . . . . .	24,096,180,181
	112,598,693,774	Special guaranteed Accounts . . . . .	11,556,933
Depositors of Securities . . . . .	24,096,180,181	Staff Assistance & Retirement Fund Securities deposited by the Bank as guarantee . . . . .	688,274,237
Accounts guaranteeing special Accounts . . . . .	11,556,933		137,394,705,125
Bank's Securities guaranteeing staff Assistance and Retirement Fund . . . . .	688,274,237		
	137,394,705,125		

## AUTONOMOUS SECTIONS FOR SPECIAL CREDITS

### AUTONOMOUS SECTION FOR MORTGAGE CREDIT

Aggregate Capital and Reserves L. 93,630,830.30

### AUTONOMOUS SECTION FOR HOTEL AND TOURIST CREDIT

Aggregate Capital and Reserves L. 193,758,147.80

### AUTONOMOUS SECTION FOR CINEMA CREDIT

Aggregate Capital and Reserves L. 325,154,214.05

## SUMMARY

In the article on "False Aims in I.T.O. Draft Charter", Professor Francesco Coppola D'Anna, who was an observer on behalf of the Italian Government at the Geneva Conference on Trade and Employment, develops some critical views on the Draft Charter which is now to be ratified by the World Conference at Havana. The author particularly emphasises the "false aims" which, in his opinion, obscure what should be the real and fundamental aim of the I.T.O. and threaten to complicate its functioning by an orientation not in accordance with historical reality. From this aspect, he considers the greater part of the regulations contained in the Draft Charter as superfluous, while, on the other hand, he complains that the functions of conciliation and organisation which the I.T.O. is called upon to fulfil are not adequately covered. In conclusion, Professor Coppola touches on the delicate problem that the I.T.O.—in its proposed form—might develop into a superstate planned economy, arbitrary and irresponsible, with serious results for countries that are economically weak in the post-war world.

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In his paper entitled "Three Forms of Capital Levy in Italy", Professor Benvenuto Grizziotti comments on the text of the important fiscal measures which, in September 1947, were finally accepted after a long series of discussions, both parliamentary and technical. The author draws attention to the logical reasons which, in his opinion, would have justified the adoption of a capital levy on corporate bodies in addition to that on individuals, but he criticises the actual methods by which the legislature has sought to achieve this aim; still more severe is his criticism of the general defects of the capital levy as a whole, which he considers too heavy and disturbing to economic life, while at the same time liable to widespread evasion. Professor Grizziotti's views form part of a considerable movement of criticism regarding the capital levy now being enforced, to which in recent months other experts have contributed interesting studies — among them, Professor Gino Borgatta (in *Rivista Bancaria* of September 1947) and Professor Cesare Cosciani (in *Rivista di Politica Economica* of October 1947).

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The tobacco industry in Italy merits attention from more than one point of view: (a) as the result of efforts, lasting over a considerable time, to transplant into Italy the cultivation of a product which was foreign to the physical make-up of the country; (b) as a monopoly organisation directed by a special form of State Administration; (c) as one of the main sources of revenue for the Treasury. These aspects of the problem are clearly brought out in the article which Dr. Pietro Cova, Director-General of the Autonomous Administration of the Italian Government Monopolies, contributes to the present issue under the title: "The Italian Tobacco Industry: A State Monopoly". Particular interest attaches to the facts and figures he is able to give on the success of the work undertaken to repair the enormous damage caused by the war to this indus-

try. In regard to the main problems of the present time, the author states his opinion frankly on the need both for a more clearly defined autonomy for the Administration of Government Monopolies, and for a pricing policy for tobacco which should tend to secure the maximum fiscal yield in this time of grave financial difficulty in Italy.

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The "Premises and Tasks of the Special Fund for Financing the Italian Engineering Industry"—established in September 1947 with a grant from the State of 55 milliard lire—are discussed by Dr. Roberto Tremelloni, a member of the Italian Constituent Assembly and President of the Fund itself. This, in essence, should be an instrument for the co-ordination and rationalization of the engineering industry, the most important section of Italian industry, and the one most severely hit by the difficulties, both structural and financial, of this transitional period. This Fund should, therefore, mean the end of the piecemeal governmental interventions of the recent past, and should act as the centre of a series of coherent and anti-inflationary measures aiming at a final re-organization of the industry.

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In the paper on "Bank Credits in Italy Classified by Business Branches and Bank Groups (1936-1946)", Dr. Marcello Mancini offers an analysis of the marked variations shown during the period 1936-1946 in the credits granted by the Italian Banking Institutes in favour of the various sections of economic activity in the country. This analysis, based on statistical material published by the Bank of Italy in September, 1947, may offer useful data for the study of the main vicissitudes in Italian business activity during the last turbulent decade.

The Banca Nazionale del Lavoro assumes no responsibility for opinions or facts stated by authors whose contributions are published in the present Review.

All communications regarding the Review should be addressed to Banca Nazionale del Lavoro, Ufficio Studi, Roma, Via Vittorio Veneto 119.

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Stabilimento A. Staderini - Roma, Via Crescenzo 2

## False Aims in I. T. O. Draft Charter

by

FRANCESCO COPPOLA D'ANNA

1. — It is a great pity that so often we face the problems of to-day and to-morrow with minds over-crowded with the memories of the past. This past is usually either approved or condemned indiscriminately, as a whole, without any attempt to incorporate it into an historical picture of the conditions and causes which had shaped it in this particular fashion. Thus one is led to consider the past either as a golden age to be revived or as a danger to be prevented.

It would probably not be an exaggeration to say that such an "anti-historical" attitude towards reality is the chief cause of the errors and failures abundantly strewn along the road traversed by mankind. If proof were necessary, no better illustration could be given than the period between the two World Wars and our present post-war times. After the war of 1914 the underlying motive of all national and international policies was to return to pre-war conditions. In our own times, on the contrary, there is a determination to avoid the appearance of the same phenomena that characterised the decade which followed the outbreak of the world economic crisis. Both the above tendencies coincide to a great extent, as the avoidance of the mistakes made during the ten years which preceded the Second World War implies the revival of that sort of "golden age" which we are by now accustomed to see in the period stretching from the last years of the nineteenth century to the outbreak of the First World War.

In reality, recalling the past to life, no matter what judgement we pronounce upon it, is an impossible task. The problems of to-day and to-morrow can be solved only in conformity with the conditions and necessi-

ties that prevail to-day or may prevail to-morrow.

2. — Such considerations apply very strongly to the study we are about to make of the scope and meaning of the Draft Charter of Trade and Employment, which, after having been passed by the Preparatory Committee of the International Trade Conference, was approved a few weeks ago at Geneva and is now waiting for definitive ratification at the Diplomatic Conference which will open in Havana on the 21st of November.

It is not necessary to recall the origin of this project which derives substantially from the Atlantic Charter and from the mutual aid agreements based on the American Lend-Lease Act. The first draft was the work of a group of American officials and although since then it has undergone countless alterations, the fundamental lines of the present Draft are still the same as they were in the beginning and they reflect the point of view that still prevails in the great transatlantic confederation.

Confronted by an historical responsibility of unprecedented gravity, the United States of America are justly anxious to avoid a general lack of economic equilibrium in the world. Just such a lack of equilibrium brought about an almost complete collapse of the world economy during the decade which followed 1930, and the United States fear that in our present post-war period the tragedy may repeat itself: various countries, in an attempt to save themselves, may resort to measures not consistent with the interests of others, and, in a final analysis, detrimental to all.

In reality, however, it is an open question whether the methods of commercial policy adopted during the ten years preceding the Second World War, were in fact as harmful as is generally thought. They may not deserve the condemnation they have received, and it is not impossible that, given the conditions resulting from the world economic crisis, they had a positive function in making it possible to continue a certain amount of trade and commerce which otherwise would not have taken place. Much can be said for and against the agreements on economic collaboration which were experimented with at that time, but one thing is clear: such agreements, if separated from the political background in which it was customary to incorporate them, may deserve a very different valuation from the one usually given to them.

Nevertheless, it cannot be denied that there are solid grounds for anxiety on the part of the United States of America. A real danger exists. Serious as it is from the economic point of view, it is, perhaps, more serious in its other aspects. There is always the possibility that, confronted by exceptional difficulties and unable to count upon collective action, individual countries may be driven to isolated action and induced to adopt measures that are harmful to others and would only aggravate the general lack of economic equilibrium. In spite of all the good will, disordered and unorganized action dictated by momentary and often mistaken estimates of the situation, is bound to be detrimental to one and all.

In the meantime, nothing is more praiseworthy than the task which the United States assumed in the beginning and which the Organization of the United Nations later made its own, of creating an instrument that would encourage ordered and coordinated action both in the commercial field and in the wider sphere of general economic activity.

3. — The task of creating and running such an organization is certainly not easy, but should not be considered impossible, if the men engaged in it keep the aim to be reached constantly in view and do not allow themselves

to be misled by false aims. Unfortunately, in our view, false aims are already darkening the horizon of the proposed *International Trade Organization* and the danger already exists of our being led along the wrong track.

It is possible that the fundamental task which we have discussed so far did not appear so clear to the original compilers of what later became the Draft Charter of Trade. This would not be surprising, given the absolute novelty of the point of view which it was necessary to adopt.

It is not so easy to explain the fact that its logical formulation is still very nebulous today, after so much passionate debate on almost every word of the original Draft. The trouble is that the discussions both at the first and at the second session of the Preparatory Committee did not go into the real substance of the Draft, *i. e.* into its scope and aims, and the relation between the aims it is pursuing and the means with which it is intended to secure them. The delegations which participated in the work of the Committee adopted as a starting principle the idea that the Draft had been already adopted in its fundamental lines and, therefore, that it was subject only to touching-up and slight modification. Thus all their efforts were concentrated mainly upon the introduction of such "escape" clauses as were particularly needed by the countries they represented.

This has increased somewhat the flexibility of the system of control and discipline which the Charter of Trade intends to introduce, but the basic conception of the project and the whole approach to the problem originally laid down by the American experts have remained entirely what they were before.

All the speakers at the last plenary sessions of the Preparatory Committee displayed a certain lack of ease in presenting the results of their work, evidently feeling its inadequacy to the great task which they should have solved. They all spoke of compromise and seemed to beg forgiveness for having been obliged to agree to solutions which did not fully conform to the opinions of any of the participants. Compromise, however, is inevitable in any collec-

tive work and, if secured in good faith and with the full consciousness of the scope of the mutual concessions, it is the means of keeping to the middle way which, in practice, carries the greatest possibility of securing the interests of all.

The evil is not in the recourse to compromise in the detailed and undoubtedly careful revision of the original draft carried out by the Preparatory Committee. The evil is in not having insisted upon bringing into the full light the spirit of this Draft and its inner logic, and in not having directed primarily upon the latter light of a clarifying criticism. It is owing to this very uncertainty as to what the Charter of Trade is meant to be or should be, and as to what its fundamental aim is or should be, that the authors of the Draft that is being sent to Havana appear to be perplexed and dubious.

4. — We have already hinted at the main function which the proposed I.T.O. should fulfil: namely, to secure that individual countries should not conduct their commercial policy along incoherent and mutually harmful lines, dictated by short-sighted considerations inevitably leading to an aggravation of the general difficulties, a decline in the economic situation, and embitterment in political relations. The I.T.O. should ensure that, when adopting measures of commercial policy that may be necessitated by its economic conditions or internal exigencies, each country should take care that such measures do not clash with the interests of other countries or with the world economy as a whole. In fact, whenever possible, they should be incorporated in a commercial and economic policy jointly elaborated, with the aim of ensuring the greatest development of production, exchange and consumption of all goods in all countries, and creating the greatest opportunity for employment and the highest standard of living that can be attained.

It is impossible to see what other aim the proposed Organization could pursue if it desires to remain true to the demands made upon it by the realities of the world of to-day, and

if it does not wish to disperse its efforts in a vain attempt to oppose the developments made necessary by the acceleration in economic dynamics. In fact, the leader of the United States delegation stated explicitly at the opening of the first session of the Preparatory Committee that the Charter does not intend to establish free trade. The United States of America, in spite of their more than favourable balance of trade, are the first not to wish to repeat the gesture made by England exactly a century ago. And it is evident that they have good reasons for such a refusal. In spite of the opinion of orthodox economists who, more or less openly, keep referring to the famous theory of Ricardo, the world economy would not gain much from the complete abolition of tariff walls, for what would be saved in costs would be lost by the increase in instability.

5. — If the task of the proposed International Organization can only be that of guaranteeing "fair play" among the various countries in the very important field of commercial and economic relations in general, then perhaps nine-tenths of the rules contained in the Draft are superfluous. On the other hand, the problems concerning the function of conciliation and arbitration which the Organization is called upon to fulfil, are not adequately covered or regulated, either from the point of view of procedure or substance.

In fact, this function was obscured in the minds of the original compilers of the Draft by the conviction formed during the decade preceding the war that the « enemy number one » of international trade and peaceful relations among peoples is the so-called bilateralism, the "quota-system", preferential tariffs and exchange control. Such limitations are held to be discriminatory and, as such, are condemned.

A large part of the Draft is devoted to the condemnation of all such practices which, in principle, it is intended to abolish with the minimum of delay possible. However, it was obvious that the execution of such a radical programme was impossible, not only in the very critical conditions of our post-war period, but even under conditions much more similar

to those that prevailed during so-called normal periods, so that another large part of the Draft is engaged in anticipating and regulating possible exceptions. In other words, it envisages cases in which it might be permissible to take recourse to one or other of the above-mentioned practices, and lays down the procedure to be adopted for such exceptions.

This work is entirely sterile and in our view it is doomed to failure. Apart from the fact that the abolition of the barriers, which hamper exchanges cannot by itself revive international trade and give the world the benefit of the international division of labour (1), we must bear in mind that it is impossible to establish what methods, regulations or practices may alone be considered legitimate. Nor is it much use delving into a labyrinth of casuistry which might turn out to be endless, in order to decide in advance whether and under what conditions the unlawful of to-day might become lawful to-morrow.

The point which matters, and which alone can guarantee an ordered and peaceful development of international economic relations, is an agreement which would engage all the contracting States not to adopt measures likely to inflict unfair damage upon other contracting States or hamper in any fashion the economic development of other States. Likewise the contracting States should bind themselves to refer the controversies that may arise among them concerning the fulfilment of the above obligations to the future I.T.O. which would attempt conciliation and, failing that, refer the matter to arbitration by a special Chamber functioning within the Organization itself, or to a special section of the International Court at the Hague.

These principles alone should form the content of the Charter of Trade to be submitted to the World Conference at Havana. Such an innovation would entirely omit the problems which chiefly worried the Preparatory Committee and upon which no agreement was reached among the eighteen delegations that took part in the work. There would be the

(1) "Paris and Geneva". *The Economist*, Sept. 27, 1947, p. 506.

great advantage of having set out the problem clearly and of having given it a *juridical solution* that would neither mortgage nor compromise in any way the practical solution of the infinite range of problems that may arise later, while leaving intact the fundamental principle that everything is forbidden that may unjustly harm a single member or the whole community of nations participating in the Agreement.

6. — Unfortunately, the Draft which was finally approved at Geneva follows quite another line and it would certainly not be easy to induce the World Conference at Havana to change it suddenly.

Reviving, on the other hand, the idea of so-called "economic disarmament", which formed the topic of so many discussions at the League of Nations during the inter-war period, the original compilers of the Draft suggested that the entry into force of the Charter should be followed without delay by a demonstration of goodwill in the shape of a general lowering of tariff walls. The Preparatory Committee went even further and suggested that such a demonstration of goodwill should precede the meeting of the World Trade Conference. Consequently, during the Second Session of this Committee, side by side with the drafting of the Charter of Trade and Employment, negotiations were conducted amongst the delegations of the eighteen participating countries with the view to the greatest possible number of mutual tariff reductions and other possible tariff concessions.

This undertaking was very timely, especially as it represented the only efficacious means of combatting the scepticism that seemed so justified by the results of the World Economic Conference of 1927. As far as it is possible to judge at present, the results secured, even if not spectacular, seem to be worthy of considerable interest. In any case they are likely to exercise a beneficial influence upon the forthcoming Conference in Havana.

7. — Such as it is to-day, the Charter of Trade and Employment not only appears defective in its historical and logical basis, but it

also presents some aspects which must seriously worry the countries that are called upon to sign it.

The serious aspect of the Draft lies, as in the case of its predecessors, in the fact that by joining the I.T.O. a country which is not in a position to dominate in some manner or other the activity of this Organization, may lose entirely the power to determine its own commercial policy and consequently also its own economic and social policy.

The numerous exceptions envisaged and the "escape" clauses abundantly introduced into the Draft, may easily create deception as regards the actual scope of the obligations and the limitations imposed by the Charter. It must be borne in mind, however, that it is only rarely and in a provisional manner that a member-State will be allowed to break outright one of the principles laid down in the Charter. As a rule, a member is only allowed to apply to the I.T.O. for the authorization for such a derogation. Consequently the multiplicity of the examples listed in the Charter as possible causes for a deviation from the fundamental norms only means that even the most unorthodox or unsuitable measures may be adopted if the I.T.O. gives its consent. However it also means that, except for a few cases in which automatic derogation is allowed, no measure of commercial policy can be adopted by any member-State without the sanction of the I.T.O.

8. — To overcome any reluctance to join the proposed I.T.O., which more than one country may feel under these circumstances, and to avoid the possibility of any country being easily induced to resign after once having joined, a special arrangement has been devised. This arrangement is so ingenious and efficacious that the attention of the countries which intend to discuss the Charter in Havana should be drawn to it.

The arrangement consists of a positive and of a negative part. The positive part is constituted by the Most Favoured Nation clause, in virtue of which any reduction in tariffs or facilities accorded by one member-State to an-

other is automatically extended to all the other members of the I.T.O.

The negative part of the arrangement is still under discussion, as it was not possible to reach a satisfactory agreement at either session of the Preparatory Committee. It is worth noting, however, that Article 31 of the original Draft forbade every member-State of the Organization to make any agreement with a non-member-State, whereby the latter would enjoy any benefit deriving from the Charter. It was further specified that no member-State could grant tariff reductions, already given to other members, to countries that refused to become members or resigned their membership, unless expressly authorized by the I.T.O. The same article finally obliged all member-States to renounce as soon as possible such previously contracted obligations as would force them to extend to non-member States the benefits of the Charter.

As we have seen, Article 31 of the original Draft did not secure the approval of the Preparatory Committee which prepared alternative texts, leaving it to the Havana Conference to choose whichever it considers best or to compile another and altogether different one. Of the three different texts which will be placed before the Conference, one reproduces almost literally the article in question, one is a little different in substance, and only the third text leaves every member free to make or to continue any commercial treaty with non-member States. The only stipulation is that such treaties should not aim to secure preferential treatment or some other exclusive advantage for the signatory countries.

In any case, whenever the Most Favoured Nation clause is combined with another clause which is inspired more or less by the criteria contained in the above-mentioned Article 31, an almost irresistible pressure will be exercised on all countries which, owing to their size or the type of their economy, are not able to remain economically independent. For the same reasons it will be practically impossible for a State to leave the I.T.O. once it has joined it.

Membership of the I.T.O. would become

an indispensable condition without which it would be impossible to enjoy non-discriminatory treatment by any member of the Organization. A country that stays out, or leaves the Organization after having joined it, would be practically expelled from all the markets belonging to the States that are members of the Organization. Its goods would be subject to the general tariff: in other words, they would be excluded from the reductions or other tariff concessions afforded by one member country to another. This is a serious matter, for it is well known that even a slight difference in the tariff treatment of a product prevents its marketing much more effectively than would a very high tariff applied uniformly and regardless of the origin of the product.

9. — The arrangement described above may be put into practice or it may not. The probability of our seeing the I.T.O. come into being and later withstand all the great trials that are in store for it, is to a great extent connected with the amount of coercion that it will be possible to exercise on the reluctant countries by means of this arrangement. It is thus very difficult for the Havana Conference to avoid introducing something very similar.

If the other rules of the Charter remain more or less what they are now, the I.T.O. will, for all practical purposes, assume control of the commercial and consequently of the whole economic and monetary policy of the contracting countries, which will be obliged to follow its directions and submit to its decision.

Thus we shall see the beginning of a new type of superstate planned economy, the chief feature of which is that its enforcement and the decision as to the policies to be followed will be entrusted to an organization which will have no responsibility for its consequences, unlike the internal planned economy of a single State, which is directly responsible for the fate of the country.

10. — All the above considerations may, in our opinion, still have a constructive value on the eve of the meeting of the World Trade Conference which has been entrusted with the

task of giving a definitive form to the Charter and establishing the powers and the functions of the I.T.O. In spite of everything, we are still in time for a re-examination of the problem and for the adoption of a line of conduct more suited to the real necessities of the world economy. We are still in time for the creation of something that would really help the ordered and pacific development of production and consumption, and the improvement in the general standard of well-being, which are the very aims that both the Charter of Trade and the Charter of the United Nations pursue.

However, even in case the draft approved by the Preparatory Committee remains unchanged in its main lines, more mature consideration may in practice induce the I.T.O. to adopt a line of policy better suited to the fundamental aims which it is called upon to pursue and to the concrete historical reality of international economic relations.

The process of clarification of ideas is, alas, very slow and apt to meet with obstacles of various kinds. The discussions which took place at the Preparatory Committee, in spite of their being confined to narrow questions of detail, have already led to results the importance of which cannot be ignored. Still more important results will certainly emerge from the discussions that will take place in Havana and in the press of various countries. The more the problem is studied from all its aspects and in the light of practical reality, the more imperative appears the necessity of keeping up with history. It is impossible to revive the past and it is necessary, therefore, to adapt political action to the conditions prevailing today and, as far as possible, to those that will prevail in the near future.

Discussion will help to separate, in the multiplicity of the aims pursued by the present Draft, those that really do respond to the exigencies of an ordered and peaceful economic development of the world, from the others that, being nothing else than false aims, would only mislead the action of the I.T.O. and render it sterile, instead of helping it to secure that success that we earnestly wish in the interest of the whole of mankind.