

Reconstruction

1. The new political leadership confronts the nation's problems

The new political leaders, who came to power with the collapse of the Fascist regime, faced a host of major tasks admitting no delay. One was to grasp the scope and key points of the transformation that had taken place in the Italian economy over the twenty years during which almost all of them had been in exile or political isolation. An equally urgent task, as the nation emerged from two decades of closure and from the lacerations of war, was reawakening foreign and especially Anglo-Saxon business and financial interest. This could be achieved with a flow of information on Italy's economy, its pressing needs, its human and material resources and the new prospects it could offer in such greatly altered circumstances.

To map the nation's economic conditions, the new political class created an Economic Committee under the Ministry for the Constituent Assembly established by Viceregal Degree 435 of 31 July 1945. Composed of experts designated by political parties,¹ government ministries² and the Ministry for the Constituent Assembly,³ the Committee was installed in office on 29 October under the chairmanship of the economist Giovanni De Maria, Chancellor of the Bocconi University of Milan, flanked by coordinators for the five sub-committees: Manlio Rossi Doria (Agriculture), Giannino Parravicini, later replaced by Giuseppe Di Nardi (Banking and Insurance), Sergio Steve (Finance), Armando Cammarano (Industry) and Felice Villani (Monetary Affairs).⁴ During the six months of the Committee's proceedings the information and Documentation Bulletin of the Ministry for the Constituent Assembly, first published on 20 November 1945, provided detailed and timely reports on the activities of the various subcommittees,⁵ the questionnaires prepared, the personalities questioned in hearings and, subsequently, the results of the principal discussions. On 25 June 1946 its final

¹ Paolo Baffi and M. Rossi Doria (Action Party), P. Grifone and G. Regis (Communist Party), P. Campilli and E. Vanoni (Christian Democrat Party), V. Marrama and C. Ruini (Democratic Labour Party), G. Medici and G.U. Papi (Liberal Party), and P. Battara and G. Micheli (Socialist Party). See *Bollettino di informazione e documentazione del Ministero per la Costituente* (hereinafter *Bollettino*), I, 3, Rome, 10 December 1945, p. 9.

² N. Bado (Finance), A. Bozzi (Reconstruction), A. Carrante (Agriculture), G. Del Vecchio (Treasury) and C. Gra (Industry and Commerce). *Ibid.*

³ V. Angiolini (with functions of Secretary General), V. Berlin, F. Caffè, A. Galvano, A. Cammarano, L. Ceriani, V. Ciarrocca, A. De Feo, F. Dello Joio, G. Di Nardi, A. Molinari, G. Ottaviani, E. Ottolenghi, P. Pagliuzzi, G. Parravicini, F. Pollack, C. Rodano, E. Rienzi, P. Saraceno, G. Stamatii, S. Steve and F. Villani.

⁴ *Ibid.*

⁵ *Bollettino* I, 4, pp. 10-11; I, 5, pp. 11-12; II, 1, pp. 7, 10-12; II, 2, pp. 11-13, 24; II, 3, pp. 14-17; II, 4, pp. 11-13; II, 5, pp. 8-17; II, 6, pp. 9-16; II, 7, p. 13; II, 9, p. 9; II, 10, p. 10; II, 12, p. 14; II, 14, pp. 2-5; II, 18, p. 23.

issue stated that the Committee had in May begun drafting "an extensive report describing the features of the present situation and the main strands of opinion regarding the policies to be followed for national economic recovery". The full report comprised ten volumes - five reports and five volumes of hearings, along with several specially commissioned monographs.⁶ Less than a month later, on 20 July 1946, the Ministry for the Constituent Assembly was dissolved.

This is not the place for detailed discussion of the Committee's abundant harvest of facts, figures, observations and proposals. But it is important to note that the Committee's publications provide a multi-faceted picture of the conditions of the Italian economy, not only in the dramatic period from late 1945 to mid-1946 but also throughout the era of Mussolini.⁷

2. Attempts at breaking out of international isolation

The reports of the Economic Committee contained valuable information on the structure, institutions, legislative framework and principal difficulties of the Italian economy. This gave the nation's new leadership a much-needed overview of the situation in which it had to intervene, but its capacity to act was limited: limited by the damage caused by hundreds of bombing raids, compounded in the Centre and South by that provoked by the fighting as the Allies advanced, not to mention the destruction that the Nazis had systematically wrought during their retreat; limited because Italy's foreign-exchange reserves were inadequate, its supplies of raw materials scantier than ever and its dependence on imported foodstuffs extremely high; limited because the Allied military government reserved for itself the power to issue currency ("Am-lire") but, from the moment the Allied armies had entered Italy, following the guidelines laid down by Churchill and Roosevelt, had restricted itself to watchdog functions and avoided shouldering any governmental responsibility.⁸ Eisenhower had dropped any notion he may once have had in this regard, and was convinced that "attempting to govern Italy directly would place an unmanageable burden on Allied manpower and economic resources".⁹ This did not preclude the Allied authorities' acting to provide indispensable aid.¹⁰

As it happened, between 1943 and 1945, American aid in the form of private donations in cash and kind, public disbursements, including benefits from the United Nations Relief and Rehabilitation Agency (UNRRA), and emigrants'

⁶ *Bollettino*, II, 18 (25 June 1946). The volumes actually number more than ten. The records of the hearings of some subcommittees, e.g. industry, take up two volumes each.

⁷ The author is completing a study of the Committee's activity.

⁸ J.E. Miller, *The United States and Italy, 1940-1950. The Politics and Diplomacy of Stabilization*, (The University of North Carolina, Chapel Hill and London, 1986), p. 41.

⁹ *Ibid.*, p. 49.

¹⁰ *Ibid.*, pp. 150 *et seq.*

remittances¹¹ had saved Italy from collapse.¹² This assistance was not enough, however, to set the country on the road to recovery, so that as early as 1944, with the end of the war still far off, the Italian government sent a delegation to the United States to plead for loans.

Headed by two bankers, Quinto Quintieri and Raffaele Mattioli, accompanied by Mario Morelli, future head of the Confederation of Italian Industry, Enrico Cuccia, destined to become and remain the undisputed arbiter of the Milan investment bank Mediobanca, and Egidio Ortona, a Foreign Ministry official later to serve as Italian ambassador to the United States,¹³ the delegation set to work hard, had numerous meetings, acted with all possible intelligence and vigour, and spent days of alternating hope and disappointment, as we know from the account, albeit partial, left by Ortona.¹⁴ But after five months in Washington they came away only with a better trade arrangement between Italy and the United States, failing to secure promises either of further aid or of reimbursement of the cost of the Am-lire issued by the Allied military government to pay for the upkeep of the Allied armies in Italy.¹⁵

Loans were not forthcoming. The American banks denied the Italians' request for credits in the absence of collateral, considering that Italian assets in the United States had been frozen at the outbreak of hostilities. They would remain so until the end of the war and would be released only upon assessment of damage to American properties in Italy and elsewhere and after due payment of reparations.¹⁶ Not even a visit to Italy in November 1945,¹⁷ after the war had ended, by Amadeo Peter Giannini, founder and chairman of the Bank of America, was enough to put loans in the pipeline. Meeting with businessmen, bankers and industrialists in Rome and Milan,¹⁸ Giannini did not fail to promise loans, but he also warned that they would be delivered only when the Left had been bridled. In effect, Giannini's visit to Rome "gave a psychological lift to the Right".¹⁹

The only sizable loan to Italy was made in December 1945 by Morgan Guaranty Trust of New York, but it was a loan to FIAT and was the result of the latter's long-standing ties with General Motors, not of the Italian government's efforts.²⁰

¹¹ *Ibid.*, p. 177.

¹² *Ibid.*, p. 153.

¹³ E. Ortona, *Anni d'America. La ricostruzione 1944-1951*, (Il Mulino, Bologna, 1984), pp. 16 *et seq.*

¹⁴ *Ibid.*, pp. 30-85.

¹⁵ Miller, *The United States and Italy*, p. 177.

¹⁶ *Ibid.*, p. 182.

¹⁷ G.D. Nash, *A. P. Giannini and the Bank of America*, University of Oklahoma Press, Norman, Oda., and London, 1992, p. 141.

¹⁸ F. A. Bonadio, *A. P. Giannini Banker of America*, (University of California Press, Berkeley, Los Angeles and London, 1994), pp. 26 *et seq.*

¹⁹ Miller, *The United States and Italy*, p. 182.

²⁰ *Ibid.*

The Allies gave no sign of wanting to change course, even when Italian-Americans²¹ and many others expressed fears that the dramatic economic conditions in Italy might generate social unrest and violence.²² There had already been advance warnings of this in numerous strikes and street demonstrations; sharp clashes with the police leaving a toll of dead and wounded. Yet this political instability acted as a deterrent to aid to Italy. In January 1946 the US Congress barely approved a modest increase in the allocation of UNRRA funds to Italy, while the British government continued to view economic aid to Italy with "hostility and suspicion"²³ and the Soviet Union was pushing for war reparations.

Short of foreign exchange and in need of raw materials for the country's surviving factories, the Italian government decided in February 1946 to have Ambassador Tarchiani in Washington submit a request for a loan of no less than \$950 million from the Export-Import Bank. The US authorities found the report accompanying the request a "brilliant bit of advocacy, but lacking in solid economic foundations".²⁴ Despite the efforts of Tarchiani, Ortona and the other Italian diplomats in Washington,²⁵ the request was not approved. Pressed by Rome, Tarchiani went so far as to ask to be received by President Truman in order to lay out the difficult Italian situation and entreat his intercession with the National Advisory Committee for approval of aid and loans amounting to \$300 million that had been proposed by William L. Clayton, Assistant Secretary of State for Economic Affairs.²⁶ But Truman gave no commitment,²⁷ and the National Advisory Committee again put off any decision. In May 1946 Clayton and Secretary of the Treasury Frederick M. Vinson pressed again for a transfer of funds to the Italian government as reimbursement for the upkeep of the Allied armies, but the House of Representatives turned down this request. After the Italian elections of 2 June 1946, which brought the end of the monarchy and the defeat of the Left,²⁸ the American attitude softened,²⁹ as shown by the House's approval in July 1946 of a loan to Italy.³⁰ In November of that year, with inflation worsening in Italy, the National Advisory Committee recommended approval of a \$100 million Export-Import Bank loan to Italy. This loan was not disbursed at that time.³¹

The Americans' delays and second-thoughts cloaked the fact that the Italian government, comprising representatives of all the parties of the National

²¹ G. Meyer, *Vito Marcantonio Radical Politician 1902-1954*, (State University of New York Press, New York, 1989), pp. 121-22; Miller, *The United States and Italy*, pp. 185-87.

²² Miller, *The United States and Italy*, p. 184.

²³ *Ibid.*, p. 205.

²⁴ Ortona, *Anni d'America*, p. 138.

²⁵ *Ibid.*

²⁶ *Ibid.*, p. 48.

²⁷ Miller, *The United States and Italy*, p. 206.

²⁸ S.J. Woolf, ed., *L'Italia 1943-1950. la ricostruzione*, Laterza, Rome and Bari, 1974, pp. 444.

²⁹ E. Corbino, "L'economia", in *Dieci anni dopo 1945-1955*, (Laterza, Bari, 1955), p. 423; G. Carli, *Cinquant'anni di vita italiana*, with P. Peluffo, (Laterza, Rome and Bari, 1993), p. 47.

³⁰ Miller, *The United States and Italy*, p. 210.

³¹ G. Carli, *Cinquant'anni di vita italiana*, p. 54.

Committee of Liberation, was far from being free to act and on several occasions had been on the verge of paralysis. Not the least of its problems was the “two-track” tactics adopted by the Communists and Socialists, who voted for the government’s resolutions while backing anti-government protest demonstrations punctuated by not infrequent calls for the government to resign, in a situation marked by economic stagnation and increasingly alarming acts of violence.⁵² At the end of 1946, just as Italy appeared to be approaching the brink of political and economic collapse, “United States public and governmental interest in Italy reached its lowest point”.⁵³ This further deterred US investors.

As Ortona recalls, the US government had to resort to “tricks” to come up with a minimum of finance for Italy.⁵⁴ The trade deficit of \$500 million for 1946 was covered with some of the funds assigned by the UNRRA to Italy, \$50 million allocated by the State Department in October 1946⁵⁵ in partial reimbursement of Italy’s outlays for the American troops stationed there, and a \$25 million loan provided by the Export-Import Bank for cotton purchases in the United States.⁵⁶

Despite the best efforts of the Italian-American community, only a handful of American firms showed any interest in investing in Italy. Some attention was paid to the Italian market by the big tobacco companies and by Automatic Electric of Chicago, which, together with International Telephone and Telegraph, was keen to buy equity interests in the Italian telephone industry.⁵⁷

3. The origins of the Review

As 1946 drew to a close, Italy, gripped by a severe currency crisis, growing inflation and rampant unemployment and having to upgrade the technological base and expand the capacity of its industry, desperately needed an infusion of foreign enterprise and capital. Such a contribution would not be likely as long as the Italian economic and social situation was so largely unknown abroad. Nor would the prejudices against Italy be dispelled unless the country’s needs and problems were described and its potential explored and analyzed.

The policy of autarky, dating from imposition of sanctions by the 52 countries of the League of Nations for Italy’s aggression against Ethiopia, had cut Italy off from the rest of the advanced world. Autarky had helped to keep international public opinion in the dark about whatever progress Italy had achieved and had made it difficult for Italy to partake of the benefits of technical advances abroad.

⁵² Miller, *The United States and Italy*, pp. 192-93.

⁵³ *Ibid.*, pp. 99, 188, 210.

⁵⁴ Ortona, *Anni d’America*, p. 172.

⁵⁵ Miller, *The United States and Italy*, p. 208.

⁵⁶ C. Bresciani-Turroni, “Foreign loans and Italian economy”, *Review of Economic Conditions in Italy* (hereinafter *Review*), 1, 3 (May 1947), p. 133; Miller, *The United States and Italy*, p. 206.

⁵⁷ Miller, *The United States and Italy*, p. 209.

The initiative that would lead to the birth of the *Review* came in an environment of increasing awareness of the need to overcome Italy's persistent isolation.

It is not known how the initiative came to be taken by Banco di Roma. It may be conjectured that Costantino Bresciani Turrone, the bank's chairman from 1945, an eminent economist and old friend of Luigi Einaudi,³⁸ discussed and concerted the plan with Einaudi, who was Governor of the Bank of Italy at that time. But there is no documentary evidence supporting this hypothesis, not least because the two men met privately and generally left no traces. What is certain is that on 13 December 1946 the head of the research office of Banco di Roma, Felice Gattamelata, evidently on the basis of a prior agreement with Bresciani Turrone, submitted to Banco di Roma's Executive Committee a memorandum proposing that the bank publish an English-language *review* to be sent "free of charge to the most important importing and exporting companies abroad, as well as to the leading banks". The first issue was set to appear on 15 January 1946 and the editorial was to be written by Bresciani Turrone himself.

The initiative was intended to promote a programme of international business exchange, which was the cornerstone of reconstruction but which appeared "frustrated in part by the inadequacy of relevant publications, especially in foreign languages". This circumstance constituted "a stumbling-block for foreign businessmen with a superficial knowledge and misconceptions regarding the principal matters of concern to the Italian people".³⁹ The Board meeting that approved the project emphasized that the publication was addressed primarily to the countries of the Anglo-American.⁴⁰ Ten years later, in 1956, this motivation would be spelled out more explicitly by Ugo Foscolo, Banco di Roma's Managing Director, who noted that "at the time, after the tragic parenthesis of the war, our economy's integration into the world economy dominated essentially by the United States and Britain was fraught with difficulties owing in part to the lack of objective information on our economic conditions".⁴¹ This idea was expressed in the first issue of the *Review* in January 1947. Under the signature Banco di Roma, the *Review* announced that it was being published for the benefit of Italy's friends abroad, to provide facts that might serve to enhance international trade and clarification on any and all economic or financial problems.⁴²

In addition to Bresciani Turrone's introductory essay, the first issue of the *Review* included a series of notes, comments and statistics painting a broad

³⁸ L. Einaudi, *Diario 1945-1947*, ed. P. Soddu, (Laterza, Rome and Bari, 1993), pp. 365, 376, 433, 456, 470, 514, 523 and 706. Also, see Luigi Einaudi's extremely commendatory preface to Bresciani Turrone's volume, *Introduzione alla politica economica*, (Einaudi, Turin, 1942), pp. 13-16.

³⁹ Archivio Storico Banco di Roma (hereinafter ASBR). Consiglio di Amministrazione (C.A.), Promemoria per il Consiglio di amministrazione, Comitato esecutivo del 19 dicembre 1946. The memorandum bears the date 13 December 1946.

⁴⁰ *Ibid.*

⁴¹ U. Foscolo, "Perchè è sorta la *Review of Economic Conditions in Italy*"; in *L'economia italiana nel decennio 1947-1956. Review*, special tenth anniversary issue, 1957, p. XIII.

⁴² "To our readers", *Review*, I, 1 (January 1947), p. 1.

picture of the structure and changes under way in the Italian economy. The journal also reproduced news items on the textiles, metallurgical, engineering, electrical, chemical, shipbuilding, paper, construction, mining and food processing industries, transport, agriculture and the livestock sector. Nor did it neglect the money and credit market, finance, foreign exchange, raw materials, state finances, the stock exchange, international agreements, reconstruction of electric power infrastructure and the railways, consumption, prices and wages.⁴³

The collection of facts and figures was certainly useful for potential foreign investors and conveyed to them the impression of a country prepared to expend its energies in a variety of sectors and to overcome the legacy of the war.

4. Inflation and the need for foreign capital

Italy's foremost problem when the *Review* first appeared in January 1947 was surely inflation, both a result of the country's grave economic situation and a source of even more severe difficulties.

After the war the public budget continued to run a heavy deficit; indeed the shortfall was even larger than that recorded before the war.⁴⁴ In 1938 floating debt had represented less than a quarter of the total public debt; by mid-1946 it accounted for seven tenths.⁴⁵ This had involved a sizable increase in the volume of currency in circulation, which had risen from around 19 billion lire in 1938 to more than 73 billion at the end of 1942 and then doubled to around 157 billion at the end of 1943. This stock of currency was pushed up by around 18 billion lire issued by the Allied military government. The currency in circulation thus comprised Am-lire, state notes, central bank notes and coin. Total circulation continued to grow, rising to over 319 billion lire at the end of 1944 and 390 billion a year later. It more or less held steady at that level until April 1946, despite a further issue of around 5.5 billion Am-lire, but from that date, as Guido Carli later wrote, inflation visibly began to take off.⁴⁶ By the end of June currency in circulation had risen to more than 402 billion lire. Then, while Am-lire circulation diminished by a few billion, as the government had pledged to provide the equivalent in lire, and the stock of state notes outstanding remained constant, the stock of Bank of Italy notes in circulation began to soar: from just over 300 billion lire in June 1946 to more than 417 billion in December.⁴⁷ In a word, inflation was accelerating sharply and threatened to get out of control. The pro-inflation camp had in fact succeeded in forcing the resignation on 2 September

⁴³ The issue also found space to praise the results of De Gasperi's visit to the United States. *Ibid.*, pp. 18-20.

⁴⁴ Istituto per gli studi di economia, *Annuario della congiuntura economica italiana 1938-1947*, ed. A. De Vita *et al.*, (Valllecchi, Florence, 1949) (hereinafter *Annuario*), pp. 490-91.

⁴⁵ *Ibid.*, p. 504.

⁴⁶ G. Carli, *Cinquant'anni di vita italiana*, p. 47.

⁴⁷ *Annuario*, p. 46.

of Treasury Minister Epicarmo Corbino, who had spoken out for the need to cut spending. Meanwhile, the exchange rate of the lira against the dollar was plunging, pulling down the lira against other currencies in the process. Small wonder, then, that the first issue of the *Review* opened with Bresciani Turrone's article on the exchange rate of the lira and that articles treating various aspects of the problem appeared in the next few issues.⁴⁸

Drawing on Germany's experience after the First World War, Bresciani Turrone emphasized that exchange fluctuations would be inevitable "unless a temporary financing from abroad takes place".⁴⁹ In support of his position that the lira's weakness was primarily a reflection of the performance of the balance of payments and not of the government budget, contrary to the prevailing view in the Anglo-Saxon countries, Bresciani Turrone argued that "a serious and permanent disequilibrium of the balance of payments of a country, by exerting a continuous pressure on the external value of the currency, may influence internal prices and therefore the internal value of the currency, thereby seriously hampering the financial measures taken by the government concerned".⁵⁰ There was nothing to indicate that the lira's situation at the time was comparable to that of the German mark and other currencies following the First World War. Yet the lira was in danger, Bresciani Turrone warned. The government's efforts and the people's sacrifices would be of no avail if they were not backed "by substantial foreign credits which, by squaring the balance of payments, will check the gradual deterioration of the external value of the currency".⁵¹ It may have been a coincidence but it is nonetheless significant that, at that very time, Prime Minister Alcide De Gasperi was preparing to visit the United States to obtain the loans that Bresciani Turrone argued were necessary for the defence of the lira,⁵² and the *Review* ran an article on the visit.⁵³ On the day of De Gasperi's departure Einaudi wrote in his diary that he did not expect much to come of the visit: the Americans would offer "small change, 50 or 100 [million dollars] in order to prevent the worst", but "not any real aid, because of the Communists".⁵⁴

In May 1947 Bresciani Turrone returned to the subject.⁵⁵ As the inflation rate indicated, Italy was suffering from an increasingly acute shortage of foreign exchange. Beyond what little remained of the UNRRA's 1946 funds for Italy,⁵⁶ there was a pledge of a \$100 million Export-Import Bank loan that had been made to De Gasperi during his visit to the United States and sundry American

⁴⁸ *Ibid.*, p. 100.

⁴⁹ C. Bresciani Turrone, "The exchange rate of the Italian lira", *Review*, 1, 1 (January 1947), p. 9.

⁵⁰ *Ibid.*, p. 11.

⁵¹ *Ibid.*, p. 12.

⁵² The visit lasted from 5 to 15 January 1947. An important account of the visit, with information on the Italian delegation and the meetings that took place, is found in Orton, *Anni d'America*, pp. 175 *et seq.*

⁵³ "Signor De Gasperi's visit to America", *Review*, 1, 1 (January 1947), pp. 18-20.

⁵⁴ Einaudi, *Diario*, 3 January 1947, p. 714.

⁵⁵ Bresciani Turrone, *Foreign Loans*, pp. 133-41.

⁵⁶ Miller, *The United States and Italy*, p. 214.

promises of an as yet unspecified amount of credit. This was not enough to cover a payments deficit that Bresciani Turrone estimated at between \$700 million and \$875 million.⁵⁷ Italy needed hundreds of millions of dollars in loans to redress the balance of payments, reinforce the currency, foster industrial recovery and help create a stabilization fund that would allow the Italian government to defend the lira without further resort to International Monetary Fund resources.

In calling for larger loans from the Export-Import Bank and from the World Bank, which had been set up under the Bretton Woods agreements, Bresciani Turrone was well aware that loans from the two banks, pursuant to their articles of agreement, were subject to definite conditions, including the presentation of specific reconstruction and development projects requiring large imports of machinery and equipment. He pointed out, however, that, even more than capital for its industry, Italy needed raw materials and foodstuffs.

In the decades before the war, Bresciani Turrone wrote, Italy's engineering industry had given the country electric power plants, iron and steel mills and other facilities which in peacetime could cover most of the national requirement for capital goods. What machinery Italy did import consisted of equipment and goods made from speciality steels not available in the domestic market. In any case, these purchases represented no more than 7 to 10 per cent of total imports.

Only between 12 and 14 per cent of Italy's industrial apparatus had been damaged by the war. The highest incidence of damage – about 30 per cent – was in the industrially underdeveloped Centre and South, whereas the damage in the North amounted to no more than 5 per cent. The engineering industry had emerged almost unscathed and was, in fact, already coping with the demands of reconstruction, most notably the provision of transport equipment. By contrast, the need for foodstuffs and raw materials was immense. According to Bresciani Turrone, a theory that deemed capital for the purchase of capital goods productive and capital which served to purchase consumer goods such as cereals, fats and meat unproductive reflected the situation that had existed before the First World War. The countries in course of industrialization at that time needed machinery more than anything else from abroad, being themselves producers of food and raw materials. The picture changed radically during the interwar period, with industry spreading and local supplies of raw materials and foodstuffs beginning to dry up. Rebuilding a railway required human labour as well as iron, cement and wood, Bresciani Turrone observed. Capital allocated to maintaining the workers was no less productive than that spent for purchases of machinery or construction supplies.

To shed further light on Italy's overall needs, Bresciani Turrone focused on two key sectors whose requirements contrasted sharply in magnitude, the electric power industry and the maritime transport sector. In the former, imports

⁵⁷ *Ibid.* In an interview with *The New York Times*, De Gasperi said Italy needed \$880 million to square the balance of payments. The Americans challenged this figure, however. It was admitted that \$350 million or so would be enough to achieve the same result.

represented no more than 5 per cent of total capital spending on a facility, making a loan to finance them comparatively useless. By contrast, Italy had lost nine tenths of its merchant fleet during the war and the requirement was so great that during his visit to the United States De Gasperi had asked for 50 Liberty ships over and above the 50 purchased in 1946.⁵⁶

In laying out this detailed analysis Bresciani Turrone had several aims in mind: to provide a theoretical basis for Italy's particular loan requirements, to obviate the constraints imposed by the Export-Import Bank and the IBRD, and to explain to the Americans why imports of capital goods figured far less prominently than those of food and raw materials in the projects drawn up by the Industrial Committee for Reconstruction.

Bresciani Turrone returned to the subject in September in conjunction with the commencement of activity of the World Bank, which counted Italy among its 45 founders and which proposed to finance only capital projects and investments with bonds to be sold mainly in the United States. He repeated that Italy's problem was not new plant and equipment so much as insufficient supplies of raw materials. Between mid-1945 and mid-1947 Italy had rebuilt industry to its prewar capacity and in some sectors, such as engineering and chemicals, had surpassed the level reached in the early years of the war. But the engineering industry was only working at 25 per cent of capacity because of fuel shortages. These were caused in part by the state of the rail system, which was running at barely 60 per cent of its prewar capacity, in part by inadequate shipping capacity and in part by insufficient electric energy output owing to the wartime halt in power-plant construction, which had resumed very slowly after the war.⁵⁷ Bresciani Turrone once again made the point that Italy needed raw materials from abroad even more than capital goods for the steel industry, telephone industry and other sectors. "Supplies of raw materials will stimulate Italian exports and for this reason foreign loans would serve indirectly to improve Italy's trade balance and secure for Italy sufficient currency with which to pay for her imports". Finally, he added, economic recovery was also contingent on a reduction in production costs via an increase in labour productivity, which was a good deal lower than its prewar level. Much would depend "on the attitude of the working classes or, to put it better, on the attitude of their leaders".⁵⁸ And so we come to another aspect of the complex story of postwar reconstruction.

5. The problem of the exchange rate

De Gasperi's visit to the United States had not yielded brilliant results. The Americans had aired their concerns about the political situation in Italy and, in releasing only half of the \$100 million of loans approved by the Export-Import

⁵⁶ *Ibid.*, pp. 135-41.

⁵⁷ C. Bresciani Turrone, "The World Bank and the needs of Italy", *Review*, 1, 5, pp. 268-69.

⁵⁸ *Ibid.*, 269-70.

Bank, made it known that the remainder would be disbursed and more would follow once the situation had become more reassuring.⁶¹ They had also handed back two ocean liners confiscated during the war, the *Conte Grande* and the *Conte Biancamano*.

In short, as Einaudi had foreseen in his diary, the Americans wished to see the Far Left ousted from the government and the formation of a coalition extending from the Centre to the Social Democratic Left.⁶² The Italian political situation was in fact headed in just that direction. As early as the summer of 1946, Epicarmo Corbino, the Treasury Minister, had sought to use the economic crisis to flush out the Communists. De Gasperi "fully shared Corbino's desire to come to a showdown with the Communists", but he did not think the time was ripe; the peace conference was still under way, and a move to exclude the Communists from the government might have caused the Soviet attitude towards Italy to harden. De Gasperi therefore accepted Corbino's resignation.⁶³ The problem was confronted between February and May 1947, and De Gasperi's fourth government, formed on 31 May, excluded the Socialists and Communists and saw Luigi Einaudi take over the direction of economic policy. The political change was preceded by a wave of violent strikes and demonstrations, causing many to fear that Italy would take the Greek route⁶⁴ and suffer a Communist coup attempt.⁶⁵ At the height of these clashes, in April 1947, Washington let De Gasperi know he could count on American aid if he formed a "homogeneous" government without the Communists. This promise was extended and strengthened in the weeks that followed, signalling the firm American commitment to an anti-Communist political solution in Italy.⁶⁶ In an address delivered at Harvard University just days after the formation of De Gasperi's fourth government, US Secretary of State George C. Marshall announced the European recovery programme that would bear his name.

In reality the Americans had awakened to Europe's dramatic economic situation. On 27 May 1947 Assistant Secretary of State Clayton warned Washington that Italy would go bankrupt by the end of the year if it did not receive additional aid, and that the Socialists and Communists would then lose no time in taking over.⁶⁷ Inflation was gaining momentum. Currency in circulation rose from 513 billion lire in December 1946 to 565 billion at the end of May 1947 and reached 795 billion at the end of that year.⁶⁸ This expansion occurred notwithstanding a complex policy directed towards centralizing note issue and government attempts

⁶¹ Ortona, *Anni d'America*, pp. 183-84.

⁶² Miller, *The United States and Italy*, p. 220.

⁶³ Quoted in G. Werner, "Italia e le potenze alleate dal 1943 al 1949", in S. J. Woolf (ed.), *L'Italia 1943-1950*, p. 79.

⁶⁴ Miller, *The United States and Italy*, pp. 224 *et seq.*

⁶⁵ *Ibid.*, p. 226.

⁶⁶ *Ibid.*, p. 230.

⁶⁷ *Ibid.*, pp. 230 *et seq.*

⁶⁸ *Annuario*, p. 46.

to reduce the pressure on the Bank of Italy by issuing Treasury bills, not all of which were taken up, and resorting to advances from a number of banks. The government even dropped its plan to convert the currency, which had caused a stampede of lira holders to buy foreign currency and goods. In order to stimulate the market and private production, the quasi-monopoly of foreign exchange in force in Italy since December 1934 was relaxed. Under the new rules, exporters had to sell only 50 per cent of their proceeds to the Italian Foreign Exchange Institute and were allowed to hold the remainder, which they could use to pay for their own purchases abroad or sell within two months in settlement of imports not subject to restrictions. These concessions were subsequently granted to other activities able to bring in foreign exchange, and provisions were issued to facilitate the repatriation of capital.

The result was the creation of two foreign-exchange markets: one free, for private imports, the other controlled by the state. To narrow the difference between the two, the official exchange rate was calculated by adding 125 lire to the lira/dollar rate of 100 set at the time of the Allied landing in Sicily. The official exchange rate was thus fixed at 225 lire to the dollar, effective from 10 May 1946,⁶⁹ but the free-market rate, which responded to supply and demand, was already well above 300 and the gap was widening. The free-market rate reached 683 lire to the dollar by the end of the year,⁷⁰ dipped temporarily to 644 between January and April 1947, and then soared to more than 800 in May.⁷¹

The increased divergence between the official and free-market exchange rates of the dollar, which set a pattern for all the other currencies, had a considerable impact on trade in goods and services. The matter was discussed in July 1947 and the solution, adopted on 2 August, was to abolish the additional quota of 125 lire and increase the official rate to 350 lire to the dollar. This did not eliminate the gap between the two rates, but in conjunction with other measures it helped to initiate a downward fluctuation of the free rate, which was in the vicinity of 645 lire at the end of October. One month later – pursuant to Decree Law 1347 of 28 November, which provided for the quotation to be established monthly by the Italian Foreign Exchange Institute on the basis of the average of the daily quotations of the dollar in the preceding month, excluding quotations under 350 lire or over 650, and with the dollar/sterling parity set at \$1.04 to the pound⁷² – the official exchange rate stood at 589.47 lire. In December it rose to 603, i.e. higher than the free-market rate of 582.⁷³

The measures issued in order to align the two rates reflected the need to stimulate productive activity and the conviction that export growth would ensue,

⁶⁹ E. Corbino, "Moneta e politica valutaria nel dopoguerra", in *L'economia italiana nel decennio 1947-1956*, pp. 206-208.

⁷⁰ *Annuario*, p. 100.

⁷¹ *Ibid.*

⁷² Corbino, "Moneta e politica valutaria", p. 214.

⁷³ *Annuario*, p. 100-101.

giving rise to foreign-currency inflows that would replenish the foreign-exchange reserves and thus strengthen the lira.

This productivity and market-orientated policy had found favour with Einaudi, who advocated it in an article in the *Review* in March, when he had yet to be appointed Budget Minister.⁷⁴ Analyzing the effects of the compulsory stockpiling of wheat and the subsidized price of bread, Einaudi demonstrated that paying the buying-in price to wheat farmers caused the general price level to rise, more than offsetting any hypothetical reduction in the cost of living attributable to the subsidized price of bread. His conclusion was that eliminating bread subsidies and wheat stockpiling would reduce public expenditure and release resources that could be put to better use.⁷⁵ The message from the Governor of the Bank of Italy was that, for the lira to be strengthened, it was indispensable to squeeze out useless public spending and eliminate one of the factors of expansion in currency circulation. To be sure, the question of how to inject sufficient capital into the national economy remained open.

6. To expand employment

Whereas Bresciani Turrone argued that substantial foreign loans were vital in order to cover the payments deficit and consolidate the lira, Francesco Coppola D'Anna, also writing in the *Review*, contended that capital was needed primarily to upgrade industry and augment its ability to offer employment.⁷⁶

At least two million people were out of work, Coppola D'Anna observed. Since capital investment per worker had to be at least \$2,000, the required amount came to \$4 billion, a sum he estimated was equal to two thirds of Italy's national income in a normal pre-war year. One also had to count the cost of replacing war-destroyed or obsolescent plant, which in pre-war dollars Coppola D'Anna put at \$13-14 billion.

Italian industry was seriously undercapitalized, Coppola D'Anna argued. For instance, the horsepower-to-worker ratio had been equal to 1.4 according to the 1937-39 census, as opposed to 1.8 in Germany in 1925 and 2.7 in Britain in 1930 (for firms with more than 10 employees).

In 1928 Italy had accounted for 3.15 per cent of worldwide industrial output, ranking sixth after the United States, Germany, Britain, France and the Soviet Union. In terms of per capita industrial production, however, Italy stood only in eleventh place,⁷⁷ trailing far behind the leading countries of the West. Italy's dearth of raw materials was no justification, Coppola D'Anna observed. The fact

⁷⁴ L. Einaudi, "Currency circulation and compulsory wheat pools", *Review*, 1, 2 (March 1947), pp. 65-70.

⁷⁵ *Ibid.*, pp. 69-70.

⁷⁶ F. Coppola D'Anna, "Economic progress and capital investments", *Review*, 1, 4 (July 1947), pp. 197 *et seq.*

⁷⁷ The index numbers were as follows: the United States 722, Canada 444, Great Britain 403, Switzerland 400, Germany 355, France 337, Belgium 275, the Netherlands 256, Czechoslovakia 229, Denmark 200, Italy 153. *Ibid.*, p. 206.

that the Netherlands lacked iron mines, Sweden coal mines, and Switzerland and Denmark both, showed that industrial development did not depend on a country's size, natural resources or economic power, but only on its degree of technological advancement. To make matters worse, Italy's industrial underdevelopment was not counterbalanced by an advanced agricultural sector; on the contrary, given the modest average fertility of Italy's soil, there was already an excess supply of labour in farming. Italy thus had no choice but to develop a wide-ranging, diversified, technologically advanced industrial sector, providing jobs to increasing numbers of workers; if it failed to do this, its people were destined to live "a life of privation and sacrifice".⁷⁸

7. The fall in prices

Coppola D'Anna's article appeared in the *Review* of July 1947, when prices were still gaining pace. The dramatic peak of inflation came in September, when, as Guglielmo Tagliacarne wrote, the lira reached its all-time low.⁷⁹ That month the wholesale price index was 62 times higher than its average level for 1938 and about 300 times higher than it had been in 1913, although these overall comparisons conceal a wide diversity according to product and sector. Prices turned downwards in October and continued to fall in the following months. In November the index was 56 times above its 1938 level, and even larger declines were recorded for food prices, including oil, pork, beef, cheese, sugar and wine. In Tagliacarne's opinion, the turnaround was attributable to Luigi Einaudi's taking over the helm of economic policy – first and foremost to the credit tightening he had imposed on the banks, but also to the considerably more liberal approach the government had taken with regard to food imports and distribution. No doubt the progressive liberalization helped to increase market supply, but the fall in prices, most notably those of food, also reflected that autumn's bumper crops of wine and oil. The byproducts of oil processing increased the supply of feed for livestock. The resulting growth in the livestock population allowed the market to be plentifully supplied with lard, butter and other products as well as meat. Meanwhile, the virtual closing of the central European market to Italian exports of fresh and dried fruit and the low demand for these products from Britain worked to drive down their prices on the domestic market. The cost of living was also brought down by the modest scale of the increase in private and public service charges (gas, water, transport, telephone and postal service), which averaged just 20 per cent, and above all by the smallness of increases in electricity rates, which were only 8.7 times higher than in 1938, whereas the wholesale prices of food and clothing were respectively 62 and 72 times higher. Owing to its low cost, electricity had been substituted

⁷⁸ *Ibid.*, p. 207.

⁷⁹ G. Tagliacarne, "Prices and credit policy", *Review*, 1, 6 (November 1947), pp. 333 *at seq.*

for gas, coal, wood and other fuels. Tagliacarne was not particularly happy about this situation. In his view, the failure to adjust electricity rates to the actual rise in costs had led to a deterioration in plant that was seriously harmful for society as a whole. He expected Einaudi's approach to result in an increase in prices in these sectors, so as to align the demand for all products and their prices at their marginal cost.⁸⁰ In short, not a general, indiscriminate reduction in prices, but a normalization or stabilization, pursued with special attention to the exigencies of the market. In other words, following Einaudi's slogan, "neither inflation nor disinflation".⁸¹

8. The Marshall Plan

The hopes kindled by Secretary of State Marshall's announcement of a European recovery plan at Harvard on 5 June 1947 also played a role in bringing down prices. According to an article in the *Review*,⁸² the plan had met with a positive reception except from the parties of the Left and the newspapers *La Repubblica* and *L'Unità*, the latter the official voice of the Communist Party. Among the newspapers that had come out in its favour were *Il Globo*, *24 Ore*, *Il Tempo* and *Il Corriere della Sera*.

Presented as a tool for accelerating European reconstruction through cross-border economic coordination, the plan was viewed in Italy as a great opportunity for international cooperation and internal development, the *Review* reported. Italian industry clearly stood to gain from the abundant prospects of collaboration with Belgium, France, Germany, Switzerland, Austria, Turkey, Czechoslovakia and Poland. No less important were the advantages that would accrue to agriculture from land reclamation projects in the Maccarese near Rome, the district of Ferrara, the Sele Valley and other zones. Europe and Italy would reap major benefits from the increase in the employment of Italian workers in Italy and abroad.⁸³ Examining the details of the question, the *Review* pointed out that Italy's contribution to the economic recovery of Europe depended on imports of the foodstuffs necessary to ensure a minimally acceptable standard of living and of the raw materials essential for completing the work of reconstruction. These two points, often reiterated by Bresciani Turrone, were the core of the memorandum that the Minister for Industry, Ivan Matteo Lombardo, submitted to Washington. The Italian government's requests were granted: of the \$703,600,000 assigned to Italy for imports of products from the United States in the first year of the European Recovery Programme, as the Marshall Plan was formally called, Italy would be able to import 35 per cent in foodstuffs, 14 per

⁸⁰ *Ibid.*, pp. 335-41.

⁸¹ *Ibid.*

⁸² "The Marshall plan seen by Italians", *Review*, I, 4 (July 1947), pp. 209 *et seq.*

⁸³ *Ibid.*, pp. 211, 213-214.

cent in coal, and the rest in machinery, oil facilities, steel products, electrical goods, chemical products, etc. Although the priorities were set, the question of which firms would benefit from the imports of machinery, equipment and raw materials was left open. The Americans agreed similar plans with each of the other fifteen countries participating in the ERP,⁸⁴ and each beneficiary proceeded independently of the others. Consequently, as Francesco Vito remarked in the *Review*,⁸⁵ there was absolutely no coordination in planning for conversion, reconstruction and development even between Italy and France, with which Italy was in the meantime negotiating a customs union.

In the same issue of the *Review* Vito also addressed the question of what might be done with the Lira Fund, the proceeds in lire of the sale to individuals and firms of goods imported under the ERP. He examined two possibilities – sterilizing the proceeds for the purposes of currency stabilization, or applying them to reduce the public debt (and so reducing the burden of taxation and indirectly fostering economic recovery) – but found neither suited Italy's case.

Italy's problem of problems – mass unemployment – was discussed by Coppola D'Anna, as well as by Vito in that issue of the *Review*. At a conference held in Paris a few weeks earlier, Italian unemployment had been estimated at 1,995,000, which seemed on the high side. Still, alongside the totally unemployed, who numbered at least 1,702,800, there were approximately 2 million underemployed, i.e. working fewer than 110 days a year, and more than 1 million out-of-work agricultural labourers: a total of some 5 million workers excluded from the benefits of progress. The traditional outlet of emigration was more or less closed. The Paris conference had set 400,000 as the maximum number of Italian emigrants that the other Marshall Plan countries would be able to accept and they had to be skilled workers, whereas most of Italy's unemployed were unskilled. Vito offered a more sophisticated treatment of the problem, however. The compulsory employment quota imposed on firms, totalling between 100,000 and 150,000 workers, saddled Italian industry with a cost of around 60 billion lire, and the excess of labour that individual firms were compelled to take translated into lower overall labour productivity, the cost of which Vito estimated at an additional 100 billion. Industry would recover only if relieved of this burden. In Vito's view, the Lira Fund could serve this end and also help to make a substantial dent in unemployment. In other words, the Fund had to be used for the productive economy, financing public works for the development of the backward areas (in the South) and making investments that would create jobs.⁸⁶

⁸⁴ The sixteen participating countries were Austria, Belgium, Denmark, France, Greece, Iceland, Ireland, Italy, Luxembourg, the Netherlands, Norway, Portugal, Sweden, Switzerland, Turkey and the United Kingdom. See A. W. Dulles, *The Marshall Plan*, (Berg, Providence and Oxford, 1983), p. 39.

⁸⁵ F. Vito, "Italy's economic policy within the framework of European co-operation", *Review*, II, 4 (July 1948), p. 219.

⁸⁶ *Ibid.*, pp. 220-23.

Vito's proposal was a definite success; his prestige as an economist certainly did not hurt, nor did the fact that his article appeared in English in a journal read by Americans avidly interested in Italy. In the event, two months later, at the end of September 1948, the United States agreed that the Lira Fund could be used for a large-scale programme of public works aimed at reducing unemployment. The *Review* promptly addressed the question in an article by Giuseppe Di Nardi.⁸⁷

The problem was the relationship between public works spending and the public finances. Di Nardi underscored the magnitude of the state budget deficit, which amounted to 451 billion lire, or 35 per cent of total expenditure, for the 1948-49 fiscal year, and the fact that the Treasury had a back debt that some put at 700 billion lire and others at more than 900 billion. With figures like these, the fear of inflation had not been eliminated, Di Nardi observed, and in fact the ERP agreements referred to the need for vigorous measures to improve the public finances and so ensure the lasting stability of the lira. On the other hand, the economy had already entered a recession in the summer, with unemployment up by more than 500,000 and consumption declining. The downturn was most pronounced in the capital-goods industries, which were penalized by obsolete plant they could not afford to replace, by the comparative attractiveness of investment in government securities and by a reluctance to invest in industry, evidenced, *inter alia*, by the growth in bank deposits.

In these circumstances, and with domestic firms carrying maximum inventories, it was difficult to absorb the raw materials bestowed by the Marshall Plan. And since Italian manufactures' lack of price competitiveness made it virtually impossible to increase the volume of manufacturing exports, in order to stimulate the domestic market it was essential to launch a programme of land reclamation, low-income housing construction and other public works that would employ plentiful labour.

The financing for these projects was already included on the spending side of the state budget, making it necessary only to identify individual items. Applied to improving the public finances, the Lira Fund would keep expenditure from contracting and the tax burden from increasing – that is, it would perform a countercyclical function. The multiplier set in motion by public works would boost employment in other sectors too. For Di Nardi, it was crucial to spread out the expenditure; so that the multiplier would work gradually, ensuring the depletion of manufacturers' inventories and absorption of output from stocks of raw materials provided by the ERP while preventing an acceleration in currency circulation such as to generate inflation.⁸⁸

The position Di Nardi set forth in the *Review* was in large measure accepted. Part of the Lira Fund was used to increase budget revenues. Ernesto D'Albergo

⁸⁷ G. Di Nardi, 'Expenditure of the 'Lira Fund' for anti-cyclical purposes', *Review*, II, 6 (November 1948), pp. 387 et seq.

⁸⁸ *Ibid.*, p. 389-95.

would later describe the turn for the better in Italy's fiscal situation between 1947-48 and 1949-50⁸⁹ as an improvement achieved without spending cuts other than the abolition of some subsidized prices. Although capital spending had not been sufficient to restore the overall stock of investment, and private housing as well as industrial and port facilities continued to display much war-inflicted damage, the reconstruction of the merchant fleet, national livestock herd, railways and hydro-electric power plants was already at an advanced stage and the threat of inflation was steadily fading. As early as the first eight months of the fiscal year 1948-49, the deficit had been covered with practically no call on the central bank, i.e. thanks to national saving, with purchases of the government securities and a substantial increase in tax revenue. The latter grew from 756 billion lire in 1947-48 to 917 billion in 1948-49 and 1,022 billion in 1949-50.⁹⁰

This effort involved heavy sacrifices. Bank deposits and consumption were below their pre-war levels and some 2 million people were still out of work at a time when emigration did not exceed 200,000 a year, less than half of the country's simultaneous population growth.⁹¹

9. Monetary stability, deflation and unemployment

Unemployment received further attention from Francesco Coppola D'Anna in the March 1949 issue of the *Review*. In his opinion, the magnitude and severity of the problem called for an effort worthy of a country at war. Every resource and decision had to be bent to the struggle against unemployment; Italy's future depended on solving the problem.⁹²

Though not taking an explicit position, Coppola D'Anna in the end sided with those who opposed the government's financial and monetary policy. In Bresciani Turroni's summary of the debate, in "certain circles" it was being asked whether it was right for every effort to be focused "exclusively on monetary stability", and whether that objective should not come after the paramount economic goal of increasing output and employment. The restrictive credit policy that Einaudi had adopted in the second half of 1947 came under particular fire, Einaudi being accused of having provoked a depression and more unemployment.

Bresciani Turroni came out squarely against this interpretation. There was no depression, he said. Witness the high level of prevailing interest rates, particularly for short-term loans; the high ratio of bank loans to deposits, well above that recorded in countries such as the United States and Britain; firms' large and growing demand for credit, which was only partly satisfied; and the competition among banks to capture the largest possible volume of deposits, even if only for short periods. In these circumstances it was surely appropriate

⁸⁹ E. D'Albergo, "Aspects of Italy's post-war fiscal policy", *Review*, III, 4 (July 1949), p. 273.

⁹⁰ *Ibid.*

⁹¹ *Ibid.*, pp. 276 *et seq.*

⁹² F. Coppola D'Anna, "Unemployment in Italy", *Review*, III, 2 (March 1949), p. 99.

to rein in credit; any greater expansion in credit would fuel a rise in prices, undermining the monetary stability that Italy had so laboriously achieved. The real problem, according to Bresciani Turrone, lay in the imbalance between the population and available resources; not even the Marshall Plan, which “had saved Italy from catastrophe”, had been able to eliminate it.

Certainly, the problem was aggravated by the remedies with which the state hemmed in the market and enterprises and by the excessively high wages imposed by the trade unions, but not even a full liberalization of the market and realignment of wages with the effective level of national income would suffice to solve it. There were, Bresciani Turrone concluded, only two practicable alternatives for absorbing the excess of labour in Italy: large-scale emigration over an extended period of time, with all the attendant complications and difficulties, and a substantial influx of foreign capital. Given the stability that the lira had attained, the latter was the path the Italian government ought to pursue with appropriate measures.⁹³

The criticism of the government’s monetary and fiscal policy to which Coppola D’Anna had given voice, rampant particularly in opposition circles and directed above all against the Bank of Italy, gained international prominence in the documents of the United Nations Economic Committee for Europe⁹⁴ and in a country report of the Bank for International Settlements.⁹⁵

The two reports were in evident disagreement, and the clash of views arose from their different interpretation and application of the approach that Keynes had laid out in his famous work during the Great Depression. The BIS noted that the situation in Italy differed radically from the one that had been Keynes’s point of departure: Britain had been gripped by depression, with all the factors of production – capital, labour, land, entrepreneurial initiative – underemployed. In Italy, by contrast, there was an excess of unemployment in relation to land and the country’s other resources. Imperial Britain had been a self-sufficient economy, whereas Italy depended on imports of raw materials and many other products. To avoid sparking inflation, the increase in prices and in consumption and the growth in credit had to be kept within a certain limit. In other words, the increase in lending to industry and trade was conditioned by the flow of effective savings available.

The Economic Committee for Europe, though advocating an expansionary policy, contended that it had been an error for Italy to do away with food rationing⁹⁶ and import controls. Bresciani Turrone challenged this position and offered a spirited defence of the policy of opening up the market, reiterating that Italian unemployment was of a structural nature and could be reduced only

⁹³ C. Bresciani Turrone, “Credit policy and unemployment in Italy”, *Review*, III, 3 (May 1949), pp. 177-78.

⁹⁴ United Nations, *Economic Survey of Europe in 1949*.

⁹⁵ *Economic and Financial Problems of Italy*.

⁹⁶ It is worth recalling that the Labour government in Britain rigorously upheld food rationing during the years in question.

through increased capital investment in productive activities. More than 70 years of industrialization had not erased the imbalance between capital and labour; the permanent emigration of five and a half million Italians between 1880 and 1913 alone had made it possible to support the existing excess of population.

To be sure, employment could increase if the wage level decreased. In Egypt, for example, unemployment was low despite high population density and scant resources, thanks to the extremely low, standard of living of Egyptian workers. A prospect of this sort was neither possible nor desirable in Italy, for it conflicted with the most elementary forms of social justice.⁹⁷

In effect, while the unemployed continued to number around 2 million in early 1950,⁹⁸ output in both industry and agriculture had reached and surpassed the pre-war level.⁹⁹ Economic reconstruction had in fact been accomplished.

⁹⁷ C. Bresciani Turrone, "Two contrasting opinions regarding Italian economic policy", *Review*, IV, 5 (September 1950), p. 357.

⁹⁸ "Statistical section", *Review*, IV, 4 (July 1950), p. 292.

⁹⁹ *Ibid.*, pp. 274 et seq.