

'The two faces of UNRRA' from Il nuovo Corriere della Sera (10 August 1946)

Caption: On 10 August 1946, the Italian newspaper Il nuovo Corriere della Sera describes the difficulties involved in relaunching Italy's economy and highlights the role of UNRRA in the emergency provision of food and economic aid to Italy.

Source: Il nuovo Corriere della Sera. dir. de publ. Guglielmo, Emanuel. 10.08.1946, n° 81; anno 71. Milano: Corriere della Sera. "L'U.N.R.R.A. bifronte", auteur:Lenti, Libero , p. 1.

Copyright: (c) Translation CVCE.EU by UNI.LU

All rights of reproduction, of public communication, of adaptation, of distribution or of dissemination via Internet, internal network or any other means are strictly reserved in all countries.

Consult the legal notice and the terms and conditions of use regarding this site.

URL:

http://www.cvce.eu/obj/the_two_faces_of_unrra_from_il_nuovo_corriere_della_sera_10_august_1946-en-9dc12411-4164-476f-8fb3-9f5706ad739c.html



Last updated: 06/07/2016

The two faces of UNRRA

In a few months' time, when UNRRA relief comes to an end, the problem of our balance of payments will take centre stage. In the first five months of 1946, imports of goods have totalled some 30 000 million lire and exports some 15 000 million lire; these figures are at the official rate and do not take account of the adjustment factor that currently applies: they therefore have to be multiplied by a factor of three or four to obtain values reflecting the real situation.

We can hope, with good reason, that our exports will continue to improve, but there is no doubt that the serious deficit will persist. Very little reliance can be placed on the so-called invisible items of the balance of payments; there is little to be said about freight; tourism may bring us something; remittances from our emigrants are tending to dwindle, partly as a result of the feverish state of the lira. This is a serious and complex problem, therefore, that we need to prepare to put right.

Let us be clear: the problem is not confined to Italy. Other countries are in a similar situation even though they have a sturdier economic structure. The typical example is Great Britain which, after exhausting almost all its wealth abroad during the initial stages of the war, now considers exports to be a national problem. Great Britain has, however, already largely solved its problem. The United States has granted a loan of 3 750 million dollars, albeit with certain conditions that Great Britain was reluctant to accept because they limited its currency and trading autonomy. Canada too has granted its motherland a loan of 1 250 million dollars. Repayments will begin in a few years. Meanwhile, however, Great Britain has an extended breathing space during which it can recover and place its balance of payments on a better footing. France, which has obtained a loan of 720 million dollars from the United States, is in a similar situation.

The first impulse, when looking at the future situation of our balance of payments, is to hope for a further currency devaluation in order to stimulate exports and discourage imports. A more thorough examination, not just of the domestic, but also of the international economic situation, does little, however, to dispel doubts about the advisability of this overly easy path. 'Currency dumping' is a double-edged sword. It may well prove useful initially as a tool for commercial penetration, but ultimately has clear-cut drawbacks, especially for those, like us, who have to buy raw materials from abroad.

It should also be borne in mind here that some currencies have recently been manipulated to achieve goals that are the reverse of those of currency dumping. The Canadian dollar has been revalued by 9 % and the Swedish crown by 14 %. This means that from now on the Canadians and Swedes will purchase imported goods more cheaply and sell exported goods at higher prices. These currency manipulations, possible because of the particular features of Canadian and Swedish exports, have bred many other similar rumours: there has even been talk of the revaluation of the pound, i.e. the currency of a country which is now doing all it can to maximise its exports.

This does not, therefore, seem to be the moment for currency devaluations to increase exports. We need to bear in mind that our problems are largely due to the fact that there is little of what could be called floating capital from our international trade: a trade which, as we know, has always been based on imports of raw materials, their processing in Italy and exports of finished products. If we lack raw materials or the resources to buy them, the entire production machine slows down with all the repercussions that that entails, especially as regards domestic costs and therefore our ability to sell abroad.

Somehow or other we have survived a very critical period in our economic situation, as a result of assistance from UNRRA, an organisation which has freed us from many of our anxieties about food and industrial supplies from abroad; however, restarting our production system at full speed is a problem that has yet to be resolved. On the contrary, as I have said, there seems to be no easy solution. *Quid agendum?*

UNRRA's directors are proposing a loan. Recently, UNRRA's Director General, at the assembly held in Geneva, issued a statement setting out the urgent need to provide the countries that it is assisting with currency so that they can buy what they need to survive in 1947. In the words of the document: 'unless the countries that UNRRA is currently assisting are able, within a maximum of six to eight months, to obtain the

foreign currency that they need to finance these imports, many of their inhabitants will face severe and acute hardship in 1947.' The offer of a loan, even in the short term, to counteract the impact of the sudden discontinuation of all relief, is undoubtedly an excellent proposal; a gloss is nevertheless needed. UNRRA's directors (and this is evident from the statement quoted above) are almost exclusively concerned with food aid. UNRRA is not, however, just a 'relief' organisation. As its name indicates, it should also be helping to 'rehabilitate' the economies devastated by the war. These economies cannot be 'rehabilitated' simply by providing for essential domestic consumption needs, as has largely been the case up to now, but also and in particular by supplying raw materials that can be used to produce goods for export.

An example: one of our major car manufacturers has started to sell cars abroad. Can it sell them without tyres? Obviously not. If, therefore, UNRRA prevents these cars from being fitted with tyres because tyres are reserved for the domestic market, the domestic market is expressly helped in the short term because a larger quantity of tyres is available in this market, but is in practice damaged in the longer term because a profitable export line, which should give us the means independently to obtain fresh supplies of raw materials from abroad, is curbed. Another example: UNRRA is, in substance, the monopoly importer of coal in Italy. If UNRRA wants fuel to be used exclusively to produce goods for domestic consumption, all those industries that produce for export and that cannot otherwise obtain supplies will be seriously harmed. Ultimately, consumers will also suffer since if we do not export we do not import. In 1947, let us not forget, Italy will have to import, and pay for out of its own resources, at least one million tonnes of grain.

I am well aware of the awkward position that the directors of UNRRA are often in when they have to carry out conflicting tasks of 'relief' and 'rehabilitation' at one and the same time. This problem is exacerbated by the fact that UNRRA's raw materials are sold at allocation prices, while the finished products, of which these raw materials form part, are sometimes sold at free prices. However, this is a problem which can be resolved in other ways, as has recently been the case with the agreement on the processing and sale of 31 million kilograms of cotton in the domestic market at frozen prices.

UNRRA's directors want to help us. There is no doubt about this; they need therefore to have a clear picture of our position as a country that imports raw materials and exports finished products. It is only by returning to our traditional trading policy that UNRRA relief will be of use. Otherwise we shall be forced back down the blind alley of autarky with a further serious decline in the standard of living of all Italians.

Libero Lenti