

Volume III

After the Gold Standard, 1931-1999

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Report on the devaluation of the Italian lira, issued by the Overseas and Foreign Department. This report on the devaluation of the lira links it explicitly to the rate at which the US dollar was devalued in 1934. This reflects the shift from London to New York (and from Great Britain to the United States) of international financial and economic predominance.

By decree dated 5th October, the gold content of the lira is reduced from 7.919 gr. fine to 4.6777 gr. fine per lire 100. The devaluation is thus one of 40.94% and corresponds exactly with that of the dollar. The fact that, as in the case of the U.S., provision has been made for a further depreciation of about 10% suggests that the attempt is to maintain a stable lira - dollar rate of about lire 19 to the \$ (the old gold parity rate was 18.9989). The profit of the Banca d'Italia's gold holding is to be credited to the Treasury. It is estimated by Italian sources at about lire 1 milliard.

In order to prevent a rise in prices, the ad valorem duty of 10/15% on all imports has been abolished, and reductions amounting in certain cases to 50% of specific duties over and above the ad valorem duty will also be effected.

The 'tourist' lira and the export subsidy of 15% will presumably disappear as a result of the devaluation. However, the 'tourist' lira is at present available at 100 to the £ as compared with 82.10 before devaluation.

Source: *Bank of England Archives*, OV48/10, 1539/1, no. 69.