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ΒΙΒΛΙΟΘΗΚΗ

Α.Σ.Ο.Ε.Ε.

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2) { **ECONOMIC DEVELOPMENT
OF GREECE**

By

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*Former Greek Governor to the International Bank
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An ABRIDGEMENT

of this study had been submitted to the Congress of the
INTERNATIONAL INSTITUTE OF PUBLIC FINANCE,
of September 1958, in Brussels, Belgium

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Διά τῆς Βιβλιοθήκης
τῆς Ἀνωτάτης Σχολῆς Ὑποψηφίων
καὶ Ἐπιστημῶν Ἐκτετυγμένων Ἀδελφῶν

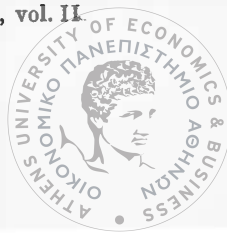
ECONOMIC DEVELOPMENT
OF GREECE

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PART I

GREEK ECONOMY

IN THE FIRST HALF OF THE CENTURY

THE FIRST WORLD WAR

A research on the economic development of Greece cannot give a clear picture unless it is made in a close comparison with the demographic development of the nation^{1, 2, 3, 4, 5, 6, 7, 8.}

¹ As is well known, a Greek Commonwealth, under several forms, had served as a basis for the gradual rise of Ancient Greek World up to the end of 5th Century Before Christ.

² According to E. Foord (*The Byzantine Empire, The Rearguard of European Civilisation*, London, 1911), *The Macedonian Empire of Alexander the Great*, in 323 b. Ch., had a total area of about 2,150,000 square miles. It is commonly acknowledged, that this empire and its sequel the Hellenistic Period gave a new figure to the ancient world and influenced the evolution of Greek - Roman and Christian Civilizations.

³ The evolution of the Greek population presents a dramatic picture. According to C. Paparrigopoulos (*History of the Greek Nation*, 5th ed. 1925, vol. IV p. 300), the races, either Greek or hellenized, which had for centuries settled down in the Byzantine Empire, were numerous. According to E. Foord (*The Byzantine Empire etc.*, op. cit), and W. Holmes (*The Age of Justinian and Theodora*, London, 1912), the Byzantine Empire, in the 4th century A.D., had an area of 755,000 square miles and a population of several nationalities of over 60,000,000, most of whom were Greeks ; also, as it is known, this empire gradually turned to a clear Greek Byzantine Empire.

⁴ Byzantium, although fighting continually against barbarian invaders from the North, the East and the South, had lived for over 1,000 years, but gradually declined till the year 1453 A.D., when Constantinople was conquered by the Turks and the Byzantine Empire abolished. Fanatic application of commandments of Coran, massacres, violent collective conversions to Islam, abduction or recruitment of boys, displacements and persecutions of every kind, imposed for centuries, had virtually decimated the Greek element.



World War I found 8,254,000 Greeks, 55% of whom were living in the Kingdom of Greece, 5% in the U.S. of America, 18% in Turkey, 5% in South Russia and 17% in other places of the Eastern Mediterranean, the Balkans etc. They were remnants of three empires and were controlling an important lot of the economic life of the eastern mediterranean region ; especially in Turkey, they were handling 70% of the whole economic movement and in the Straits of Dardanelles Greek shipping was second, just after the British.

The Peace Treaties of Versailles, Neuilly and Sèvres of

⁵ Sympathy to the sufferings of the Greek Nation was shown from several parts. We state three manifestations :

Napoleon the Great (Memoirs) : «Greece waits for a liberator. This would constitute a nice crown of glory. His name would be written for ever and ever at the side of the names of Homer, of Plato, of Epameinondas».

Lord Byron : «My God, let the day come at last, when I will rush on the Turks and find the death fighting».

Catherine the Great (Greek Project) : «If Austria would counteract, there would be established, on the ruins of abolished Turkey, two christian states, Moldo-Wallachia and the Greek Empire of Byzantium under the Russian Great Duke Constantine Pavlowitz».

⁶ When, after a nine years Revolution, in 1930 A.D., a Free Greek State was created again, the Greeks, either free or living in Turkey and other countries, numbered 5 million, a figure which was equal to one sixth of the population of France or one sixth of that in European Russia or one fourth of that in the British Isles at that time. The whole peninsula of the Balkans was then called «Greek Peninsula».

⁷ According to Ahmed Gevad Pacha (Great Vizir of Turkey, General Knowledge on the Ottoman Empire, in Turkish, Stamboul, 1873, a classic book for the military schools) : «... The Greeks ... constitute the population in the Kingdom of Greece, the Greek Islands, Macedonia, the southern part of Thrace, the islands of Crete, Cyprus and Rhodes, as well as in Asia Minor».

⁸ From 1830 up to the outbreak of World War I in 1914, after hard struggles, further Greek provinces were freed from Turkish yoke. Also, Great Britain granted Heptanese to Greece.

George Ventiris, Greece of 1910-1920, Historical study, Athens, 1931, in p. 231, cites following words of the Turkish Minister of Foreign Affairs Talaat Bey to the German Marshall Lieman von Sanders, in January 1915 : «We apply the schedule and are on the way of extermination of the Greeks in Turkey». Also, in p. 263, he states witnesses about such a destructive persecution from reports of the United States Ambassador in Constantinople Morgentau.



1919 - 1920, which gave freedom to almost 70 million of Europeans, made also following arrangements in Eastern Mediterranean : a) they installed international status in the Straits of Dardanelles, guaranteed temporarily by fleets and other forces of the Great Allied Powers ; b) they confined Turkey to Asia Minor ; c) they created the Greater Greece, erected on the entire Southern Greek Peninsula and on a part of Asia Minor, giving so freedom to the majority of the Greeks of the region ; and d) they established several tutorships and zones of influence of Great Britain, France and Italy in Asia Minor and the Middle East ¹.

As regards Greater Greece, its creation was considered justified from every point of view : of history, ethnology, solidarity of the allies and contribution of the Greeks to the gigantic fight for democracy ^{2,3,4,5}. In the very words of a

¹ Eleutherios Veniselos, *La Grèce devant le Congrès de la Paix*, Paris, décembre 1918, a memorandum submitted by him to the Peace Conference in Paris, estimates the number of the Greeks as follows :

«The Greek Nation is analyzed as follows :

4,300,000 Greeks living in the Kingdom of Greece.

151,000 in Northern Epirus and Albania.

731,000 in Thrace and the district of Constantinople.

43,000 in Bulgaria of before the Balkan wars.

1,694,000 in Asia Minor.

102,000 in the Dodecanese.

233,000 in the island of Cyprus.

1,000,000 approximately, dispersed mainly :

in Egypt and the rest of the African Continent

150,000

in North and South America

450,000

in South Russia

400,000

8,254,000 The Greek Nation includes 8,254,000 persons, 55% of whom live in the Kingdom of Greece and 45% outside its borders.

² George Ventiris, *Greece of 1910-1920*, op. cit., states following telegram of the British General Milne to the Greek General Daglis : «Without the aid of the Greek troops, it would have been impossible to obtain today's victory».

³ President Woodrow Wilson, had declared : «One of the fundamental principles to which the United States of America adhered was the consent of the governed. This was ingrained in the thought of the United States of America».



British statesman, the Greeks would be, before end of the century, a nation of 20 million, the people of future in the Eastern Mediterranean, representatives of Christianity and civilization, and a staunch bulwark of democracy^{1,2,3}. Indeed, it

⁴ The French Premier Georges Clémenceau had cabled : «I shall always defend the demands of Greece».

⁵ The British Lord Curzon had said : «Mr Veniselos, you must know that in every case of a just demand you will have at your side England, who never forgets what a friend you have been and with what loyalty you have led your country into the fight in our favour».

¹ The strongest plead for a Greater Greece is found in following opinion of the British Premier David Lloyd George : «The Greeks, he said, are the People of the future in the Eastern Mediterranean. They are prolific and full of energy. They represent Christian civilization ... By tradition, inclination and interest, they are friendly to us ... In fifty years, if they can hold the territories which have been assigned to them, they will be a nation of 20 millions. They are good sailors ; they will develop naval power ... The Greeks have a strong sense of gratitude, and if we are the staunch friends of Greece at the period of her national expansion she will become one of the guarantees by which the main intercommunications of the British Empire can be preserved ...» (See this and other interesting passages in Winston Churchill, *The Aftermath* being a sequel to *The World Crisis*, London, ed. of 1944, pp. 381 ff. and 392-397).

² Also, several geographers and other authors or statesmen had underlined the Greek ethnological character of the area. We select some sources : A. Lejean, *Ethnologie de la Turquie d'Europe*, 1861.—E. Reclus, in *Nouvelle Géographie Universelle*, 1876, p. 161. *Asie Mineure* etc. etc.—N. Bianconi, *Ethnographie et Statistique de la Turquie et de la Grèce*, Paris, 1876, p. 40.—A. Synvet, *Carte Ethnographique de la Turquie d'Europe et dénombrement de la population grecque de l'Empire Ottoman*, 1877.—Stanford, *An Ethnological Map of European Turkey and Greece*.—Ch. Vellay, *L'Irrédentisme Hellénique*, Paris, 1913, states in p. 93 «... The Greeks in Macedonia and Thrace represent the most numerous element and are really the masters of the area, from a cultural and economic point of view».—Amatori-Virgili, *La questione Rumeliota e la politica Italiana*, Bitondo, 1908, p. 34, writes «... The supremacy of Hellenism, from a social and economic point of view is absolute».—D. Hogarth, *The Nearer East*, London, 1902, calling Thrace Eastern Roumelia, writes that «The Greeks in Thrace are superior from a point of view of quantity as well as of quality».—Also, Lord Salisbury, at the Congress of Berlin in 1878, had supported that Macedonia and Thrace were «Greek provinces».—Hasluck, *Cyzicus*, London, 1911, supports that the importance of the fishing trade had led, ever since the VIIIth century b. Ch., the Greeks to colonize the straits which unite the Pont of Euxine and the Aegean Sea.—Saint-Martin, *Description d'Asie Mineure*, pp. 153 and



increased surface about 50%, productive area 100% and business prospects enormously. In general terms, Greater Greece would be a prosperous country.

However, for reasons that I need not mention here, Greece had been abandoned by her Allies in 1920 and, although being in wars since 1912, she had to fight alone, up to 1922, overseas in Asia Minor, where, at the end of her tenth belligerent year, she underwent a Disaster. The consequences of this defeat were following : the French and Italian zones of influence had been frustrated ; the internationalization of Constantinople and of the Straits had been abolished, their control came back to the Turks, and the Great Powers had to withdraw their forces ; 1,000,000 of Greek civilian and unarmed population were slaughtered by the Turks and 1,500,000 were, expelled from Turkey saving themselves over to Greece ; also, by the Lausanne Treaty the Greater Greece was curtailed. So, while the rights of all peoples of Europe were satisfied in the best possible way, Greece had to become a defeated victor and to suffer unprecedented calamities : «Today, wrote a Greek scholar, for the first time since three thousand years, the Greek language is no more spoken in the lands where Homer was

190.— K. Dietrich, *Griechentum Kleinasien*, Leipzig, 1915, pp. 10 ff. — Cuinet, *Turquie d'Asie*, vol. I, p. 125 ff. — Alleux, *Le Déclin de l'Hellénisme*, in p. 28, states : « ... The dignified total and the multitude of Greek educational establishments constitute a striking contrast to the small number and the great poverty of Turkish schools ». — Bérard, *Le Problème Turc*, Paris, 1917, p. 251 states that 98% of the Turks were illiterate.

St. Palantzis and others had even made a donation for the establishment of a Greek University in Smyrna.

³ Very recent was the work of the German geographer Philippson, *Reisen und Forschungen im Westlichen Kleinasien*, 1915, stating : «One can recognize a characteristic common in Western Asia Minor and in Greece, so that one could consider both as constituting only one geographical unit, that of Aegeum». He further remarks : «So, Asia Minor is divided in the middle by a great natural frontier : from one side, there is a closed plateau, of an almost asiatic character, and from the other side an aegean country, quite resembling to the Greek areas and narrowly connected, by nature and history, with the sea and Greece, that of overseas». (See further details in Veniselos, *La Grèce devant le Congrès de la Paix etc.*, op. cit.).



born and Orpheus sang ; nor is Christian Mass celebrated in any of the Seven Churches of Asia»¹.

The Treasury of Greece paid out, during this period of ten years, for war expenditure, 800 million gold dollars (old dollars of 1914) (which were equivalent to approximately 3.200 million dollars of 1956), a huge amount for Greece's possibilities ; 50 million out of this amount was lent by the Allies².

The war losses suffered by the country's private economy were also colossal.

Greece claimed 1,000 million old gold dollars as reparations from Germany and Bulgaria, but only 180 million was awarded and finally only 25 million paid to her.

Moreover, Greece had to settle mass populations, uprooted from Turkey and destitute.

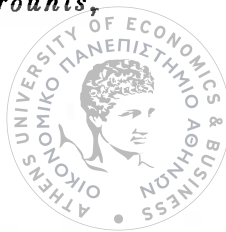
INTERWAR PERIOD

Greece, entering peace life with such deep wounds, faced colossal problems of reconstruction and economic rehabilitation. The social and economic effort put forth, during this period, by Greece, with a rather insignificant help from abroad, was admirable.

The synthesis of national economy had undergone deep changes. Greece could no longer rely on an open economy, and unemployment was of a threatening nature. So, Greece turned herself first to agriculture, industry and balancing foreign payments : she had always a surplus of valuable products for export, while, at the same time, she was obliged to import large quantities of the necessities of life and of industrial products ; foreign payments were showing deficits, which were more or less covered by the invisible sources : this great dependence on international economy had been accentuated by

¹ Cf. Andreas Andr  ad  s, *Speech on the Centenary of death of Lord Byron* (in Greek) (see *Works*, vol. III, p. 188).

² Source : A.M. Andr  ad  s, *Effets   conomiques et Sociaux de la Guerre en Gr  ce, Histoire   conomique et Sociale de la Guerre Mondiale*, ed. «Dotation Carnegie», Les Presses Universitaires, Paris and Yale University Press, New Haven, U.S.A., 1930, pp. 84 ff ; b) A.J. Sbarounis, *Two Reconstructions of Greece*, New York, 1948, p. 8.



the adverse influence of the World Economic Crisis of the twenties and thirties. So, Greece had to increase her own production of the agricultural and industrial goods, needed for home consumption.

In agriculture, projects were manifold : a) the reform, which started in 1911 and was allotting the land of great domains to indigent cultivators, had to be continued ; b) colonies of refugees had to be settled down ; c) a program of big works embraced (numbers of acres) drainage (310,000), irrigation (430,000), stream and flood control (387,000) and several amendments ; d) programs of smaller works were keeping pace ; e) several measures to increase the cultivated area were taken ; f) amelioration of methods, use of better material and mechanization in agriculture and livestock breed were put forth ; g) organization of the peasants, policies for supporting prices of products and several auxiliary measures, were parallel. This is a summary of some results¹:

cultivated area : doubled

total production : more than doubled

Industry had to be given greatest attention, because Greece, after the sudden limitation of her geographic room and the afflux of refugees, ought to find an outlet for surplus labor. Programming comprised : a) strong tariff protection ; b) trade restrictions, such as used also in other countries because of the crisis ; c) encouragement of setting up new industries ; d) renovation of industrial plants ; e) increase of productivity ; f) training of personnel and labor ; g) several auxiliary measures. Some results are following¹:

<i>factories</i>	<i>doubled</i>
<i>power</i>	<i>»</i>
<i>employed workers</i>	<i>»</i>
<i>plants</i>	<i>tripled</i>
<i>production index</i>	<i>»</i>

The other branches of the economy had also a certain impetus¹. Commerce increased considerably and foreign trade

¹ Source : A. J. Sbarounis, *Some Thoughts on an Afterwar Viable Greece* (in Greek), Athens, 1945, pp. 82 ff, 151 ff ; also *idem*, *Two Reconstructions of Greece*, op. cit., pp. 12-18 ; also *bibliography* stated in them.



ameliorated its terms. Communications were amended, especially roads increased from 6,406 to 9,791 miles. Port facilities and Free Zones were gradually adapted to modern demands. Merchant marine, whose tonnage amounted in 1914 to 837,000 tons and who lost its 63% during the war, was given an important development and rose to 1,781,000 gross tons in 1939. Dwellings built from 1923 to 1940 totaled in value approx. 110 million old gold dollars and families sheltered exceeded 200,000. A serious effort was also made in social welfare and social security. Civil Administration was modernized. The rehabilitation of the national defense constituted another important task : land, sea and air forces had to be trained, equipped and organized, and extensive fortifications had to be constructed.

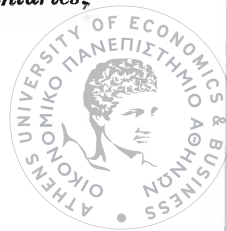
Despite this progress, Greek economy was weak¹, and Greece remained a country mainly agricultural and maritime, a thing which, however, gives her a great social security.

Such an economic endeavor, which gave a new turn to economy, solved complex demographic problems and more than doubled national production, was carried out, mainly, through a heroic public finance, the toil of the nation and a frugal life of the Greek people ; foreign aid had been welcome but inadequate. In general, on a War Expenditure of 800 million old gold dollars, the Capital Inflow did not even reach 400 million old gold dollars.

An important and admirable political fact was also realized during this period : Friendship first and then Alliance between Greece and Turkey².

¹ League of Nations, Report to the Council on Greece, Official No C 387, M. 194, Geneva, 1933, II. A. This report by a Committee of Experts sent by L.O.N. to Greece states : «Greece disposes of relatively less arable lands than any other country of Europe. ... Agricultural production of Greece will never be important... Big industry ... is weak and little developed».

² It was the work of two great statesmen : The Greek Eleutherios Veniselos and the Turk Kemal Ataturk. Veniselos wrote in October 1930 : «This is the reason why we come to sincerely extend our hand to you and to declare to you that the antagonism, which lasted for centuries, has definitely ended ...».



THE SECOND WORLD WAR

The task of recovery of Greece had been interrupted by World War II. Two empires of the Axis launched an unjust aggression on her. Greece, in spite of her resistance of many months, was finally subdued and occupied by the enemy powers. In what condition did she come out of the war? Literally crushed.

The losses of population exceeded half a million; for every second family, on an average, there was one war death. The level of public health dropped dangerously, with tuberculosis ravaging the masses. Of the children, 72% were seriously weakened. Thousands of villages were set on fire and several cities turned into ruins, with 23% of total housing demolished. The railway network, on account of war destruction, had stopped functioning; also 85% of its rolling stock was carried away and 100% of railway bridges and tunnels were blown up. Dock installments were ruined to the extent of 70%. Greece's only canal was rendered useless. Productive works and agricultural machinery suffered serious damages.

The road network and other Communications were left in a lamentable condition. Merchant shipping was lost for 77%. Agricultural and livestock production dropped to 25% - 40% of the prewar level. Industry was also damaged and its production decreased. The entire economic life of the country was dislocated.

Special mention must be made of two other facts: a) Greece, while being under enemy occupation, had lost her best overseas markets, especially those of the Western Hemisphere, because neutral Turkey and some other rival countries remained the only sellers and conquered these markets; b) Greek finances were completely destroyed, and a monetary hyperinflation had ravaged the credit, the banks and the accrued capital and sunk the currency down to zero, things that obliged liberated Greece to start from the beginning.

In general, Greece suffered a vast destruction. The economic efforts of generations were annihilated. Losses, estimated in today's dollars, are over 7,000 million. An analysis in dollars of 1938 is as follows:



WAR LOSSES OF GREECE (World War II)
(estimated in dollars of 1938 and of today)

	Dollars of 1938
1. Material damages	2,545 million
2. Occupation costs	857 »
3. Budget and war material costs	248 »
4. Total in dollars of 1938	3,650 million
5. Equivalent in dollars of 1956	7,350 »

Sources : a) Greek Ministries of Foreign Affairs and of Finance; b) A.J. Sbarounis, *Studies and Memoirs from the Second World War*, National Printing Office. Athens 1951, pp. 315 ff.

During World War II, Greece did her traditional duty at the side of Democracies. From the comments, which occupy volumes¹, we select these few : Churchill said «Greece ... with the fight and the exemplary attitude of her people ... constitutes a model in the History of Nations and of the Ages» ; and Roosevelt said «... the attitude of Greece constitutes a luminous example for all Nations» ; Eden said «England will be an eternal debtor to Greece» ; further the Radio Station of Moscow said «you fought unarmed against fully armed and you vanquished them ; little against big and you prevailed ; it could not be otherwise because you are Greeks ; we have gained time to defend ourselves ; as Russians and as men we are grateful to you» ; and Stalin declared «we will enter into Bulgaria as punishers, into Yugoslavia as friends, and in Greece we will take off our hats».

In the Sequel, however, all these have been almost forgotten.

THE COMMUNIST AGGRESSION

Greece, having been liberated in October 1944, made her first efforts for recovery ; also some foreign help had been given her by ML (Allied Army), by UNRRA, by the Greek

¹ Part of such statements was published by Achilles Kyrou, *Greece Saved the Victory* (in Greek), Athens, 1945, pp. 10 ff., 190 ff. etc. Among other sources, see American and British publications, especially those with the titles «Greece Gallant, Glorious» and «Lest We Forget».



War Relief and by some other humanitarian organizations of U.S.A. and Canada ; further, some small loans by the Governments of Great Britain and of the United States had supported her.

The endeavor of Greece, however, was two times handicaped by Communist aggression. The first revolution of December 1944 had been suppressed within two months by the Greek Government helped also by British armed forces. A second attack was launched by the Communists in 1947, this time completely organized and equipped from abroad, i.e. from behind the iron curtain ; also trained foreign Communists were either inspiring from North or heading the hostilities in the country. In order to facilitate Greece in her struggle, the U.S.A. had declared the Truman Doctrine. A little later, the Marshall Plan for Europe was put into action and embraced also Greece. Up to October 1949, however, Greece was engaged in communistic war, which ceased with the complete crushing of the rebels.

Economic consequences of this war were very serious. The communists, after a propaganda of alluring promises to the suffering people, appeared unmasked : they «requisitioned» food and provisions, household articles, sanitary and other material, draught animals, vehicles and other means of transportation, and every kind of things they considered useful to them ; they «mobilized» the youth by force ; they imposed «forced labor» very broadly ; they «punished», i.e. they put to death many «reactionary» people, as they called people not faithful to them ; they persecuted the clergy ; they burnt property ; in general, they disseminated terror everywhere they were prevailing. This picture of plundering and destruction, however, had a good side : loyal people, who were the majority, although in an incomparable poverty, took up resolutely weapons, in order to get rid of this scourge ; but hostilities, which were spread all over the territory, hindered the people from doing essential things in production, which was thrown back again ; moreover, masses of people crowded the urban centers, seeking safety. Economic misery was such, that, in spring of 1947, a Report of the American Mission stated : «... in spite of 700 million dollars in foreign assistance, Greece during the past two years has merely managed to survive», and by the end of 1949, an army of collections had been organized all over the country, asking for cloathing, blankets, food-



stuffs and money, in order to help the Government to repatriate the inhabitants of the communist-stricken areas.

PEACE TIME

After a new period of nine belligerent (1940 - 1949) years, Greece could start her reconstruction with full forces. But Marshall Plan was touching at its end : the real peace aid was from January 1950 and onwards, because previous assistance went, for the greatest part, to fill up current vacuums of the yearly national income.



PART II

MID-CENTURY STATUS OF GREEK ECONOMY

AREA

The total area and its distribution in productive and unproductive sectors are as follows :

DISTRIBUTION OF GREEK AREA

1938/1939

	Total in '000 hectares	Per %	Per head hectares
Land under cultivation	2,830	21,4	0,350
Meadows and grazing lands	2,940	22,1	0,370
Forests	1,920	14,4	0,240
Areas for reforestation	2,450	18,5	0,310
Unproductive area	2,850	21,8	0,355
Inhabited land, rivers etc.	250	1,8	0,030
Total	13,240		1,655

«Arable land» may be estimated at 4,000,000 hectares, a quarter of which is plains.

Source : Data from Supreme Economic Council of Greece, two opinions on the Agricultural and the Stock-farming question of Greece, Athens, 1938/1939.

There is also a rich bibliography. See also, A.J. Sbarounis, *Project of a Turkish - Hellenic Customs and Economic Union*, Reprint from «Revue de la Faculté des Sciences Économiques de l'Université d'Istanbul», Vol. XIII—N° 1-4, pp. 52 and 104.

The narrowness of land for the Greek is evident, but it proves more unsatisfactory if following comparison is made :

	Percentage of cultivated area	Number of persons on every square kilometer of cultivated area	Grade of self-sufficiency in food (approx.)
Greece(a)	25%	350	80%
Bulgaria	40%	140	110%



Yugoslavia	65%	190	105%
Turkey(b)	20%	170	125%

(a) Arable land of Greece may be estimated at 30%.

(b) Arable land of Turkey may be estimated six times higher than that of Greece.

Sources : a) K. Varvareσσos, *The Economic and Financial Position of Greece*, Memorandum submitted to UNRRA, July 1944; b) A. J. Sbarounis, *Viable Greece*, op.cit. pp. 125-135.

POPULATION

Population of Greece was approximately 7,200,000 in 1939, fell seriously during the war, regained 7,600,000 in 1951 and is for 1958 estimated at 8,555,000 inhabitants. Its yearly increase is between 80,000 and 100,000 persons. Hence, there is a great need for increase of the National Income of Greece.

Distribution ¹ of active population : agriculture 60% ; other sectors 40%.

AFTERWAR INFLOW OF CAPITAL

From the time of liberation in November 1944 up to the end of December 1957, the inflow of foreign capital, in the form of international assistance (UNRRA etc.), American assistance, loans, reparations etc., (estimated in current value of each year, million U.S. dollars) may be summarized as follows :

Years	Amount
1945-1946 period after liberation	451.1
1947-1949 » of communistic war	556.2
1950-1952 » of recovery	712.9
1953-1957 » new monetary era	400.7
Total million current U.S. dollars	2,120.9
Equivalent in dollars of 1956, approximately million	3,900.0

Source: Data based on : Bank of Greece, several publications ; and National Statistics Service of Greece, *Annuaire*.

It has been explained in Part I, that only World War II costs and material damages of Greece exceeded 7,000 million

¹ An analytical and comparative table on such distribution see in Food and Agriculture Organization, *Report on Greece*, Washington, 1947.



dollars of 1956. Taking into consideration that also the Communistic War caused serious costs and material damages, we must find that the inflow of capital was quite inadequate to enable the country to promote sufficiently its reconstruction of economy and its renovation of plants and assets. However, serious progress has been realized in certain branches, that which is due mainly to hard work of the people.

AGRICULTURE

Evolution of agriculture, including livestock breeding, forestry and fishing, is remarkable.

Some sectors of agriculture, and the whole branch in general, in spite of so numerous obstacles, have realized an essential progress : total agricultural production, which in 1944 had sunk to almost 40% of its prewar status, recovered today fully that status and even surpassed it, being as follows :

				1956
index	of	volume	(1938 = 100)	total
»	of	value	»	»
»	of	volume	»	per capita
				153
				151
				120

Promotion of exports, which is further down examined, will favor mainly agriculture, given that almost 70% of exports consists of agricultural products.

Autarky in agricultural products has greatly advanced. For instance, the data of wheat are as follows :

Wheat :	1923	1939	1956	1957	1958
Total production ('000 tons)	256	799	1,245	1,720	1,788
» imports »	600	454	395	368	68
» consumption »	845	1,240	1,630	2,088	1,848
per head consumption, annual, kgs	141	172	198	180	175

Also some products, which, as assets of exports, were unimportant or null, have grown lately, especially cotton, fresh fruits and green products.



SUMMARY OF AGRICULTURAL PRODUCTION

	1957		1958
	Volume (⁰ 000 tons)	Value (million U.S. dollars of 1956)	Volume (⁰ 000 tons)
<i>Wheat</i>	1,720		1,787
<i>Other cereals and pulses</i>	939		727
<i>Tobacco</i>	110		84
<i>Cotton</i>	60		62
<i>Olive oil</i>	170		125
<i>Raisins and dry fruit</i>	254		238
<i>Total dry products (A)</i>	3,253		3,023
<i>Moust - grapes</i>	560		460
<i>Citrus - hesperids</i>	235		267
<i>Fresh fruits</i>	317		307
<i>Potatoes</i>	470		583
<i>Tomato and green</i>	1,454		1,460
<i>Total fresh products (B)</i>	3,036		3,077
<i>Grand Total (A+B)</i>	6,289	622	6,100
<i>Livestock products</i>	350	82	
<i>Fishing »</i>	71	18	
<i>Forestal »</i>	1,314	28	
<i>Total Value of Agricultural Production</i>		750	
<i>Gross National Product (million of U.S. dollars of 1956)</i>		2,356	
<i>Percentage covered by Agricultural Production</i>		32 %	

Source : Agricultural Bank of Greece, Governor's Reports
and other publications.



Fishing also is continually advancing and expands itself even to the Atlantic Ocean. It must, further, be amply financed because it can replace the slow process of livestock-farming.

These progresses, however, have not solved the main problems of rural population, which is gradually flowing to the cities : while general population of Greece increased, between 1938 and 1956, by 17%, rural population, although the most prolific part of the nation, increased by only 12%.

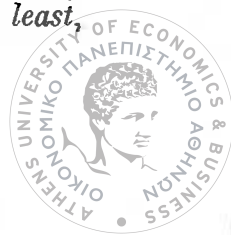
The three main disadvantages of the open country are low income, unemployment and soil erosion.

While, in 1957, per capita income of Greece was \$ 270, that income was for agriculturists \$ 150 and for non-agriculturists \$ 410. Furthermore, 55% of the agriculturists have an income of less than \$ 100 yearly. Such a poverty is also socially dangerous. In 1958, conditions were less satisfactory.

Unemployment also harasses the rural population and is a bad counsellor. Agricultural occupation, in order to secure a minimum of 250 work-days yearly, needs at least 400 million wages, while, in 1956, it covered only 225 million wages, that is 56%. The supplement coming to the benefit of agriculturists from constructions, public works and handicraft in the open country, is extremely low. So, at least 150 million wages yearly must be created for the agricultural population. This means that, in addition to financing of 1956, a steady, rotating yearly, capital of \$ 150 million must be granted to agriculture, and another expenditure of \$ 100 yearly must be disposed of as an irrevocable expense (i.e. « à fonds perdus ») for productive works (soil improvement, water-mastering, plantation, reforestation, road-constructing and similar) in the open country.

Ameliorations of farming, although having made a notable progress already, must also be programmed. The soil, because of exploitation for thousands of years and of reiterated deforestations, underwent a great erosion, perhaps the greatest in the world. So, mechanization and ample use of fertilizers are of great need and must be secured to the farmer under the best conditions.

It must be added, that rural life has some other disadvantages. Some of the cultivations being uneconomic, security prices of products being as a rule low and, last but not least,



the effects of unfavorable weather conditions altering the farmer's provisions, he very often suffers losses. Moreover, while the townsman has a more or less regular social security, the man of the open country has neither old age, nor accident, nor unemployment security and even medical assistance to him is very poor : he no less misses higher education and many enjoyments of urban life.

MINING

The other branch of protogenous production, the extracting industry¹, has noted a certain progress : the general index (1939 = 100) amounted in 1957 to 215 and export almost doubled ; one must, however, say that this fact is unfortunate, because of the lamentable manner, in which mining is carried on.

Mine deposits, belonging to the non-renewable national resources, must be treated as capital and not as a fund for consumption : their revenue has to be put into investment ; also, they must be exported not, as of today in Greece, in the form of raw material, of non-elaborated ore, but as a finished or at least as a semi-finished product. The importance of this is shown in the case of bauxite, the deposits of which in Greece are estimated at 100 million tons ; if they continue to be exported as ore at an average price of \$ 6 per ton, the total gross revenue of the country from this huge asset will amount to only \$ 600 million ; if, however, bauxite would be semi-finished (in the form of alumina) or finished (as aluminum) in the country, the national total gross revenue would exceed \$ 10,000 million. No better is the case of iron, magnesite and some other minerals.

Greece, mountainous and rugged, could amend some of her agricultural shortcomings by developing a few branches of mining and their further processing industries. Greece has studied some of them, in conjunction with electric energy, but inadequate projecting, erroneous economic policy and a certain opposition of some highly industrialized countries have hindered up to now the establishment of such processing industries in the country.

¹ *About Greek mining, there is a rich bibliography ; see especially the publications of the Greek Geological Institute.*



Coal is found as lignite of several qualities. Of the two main layers under exploitation, one (Aliveri) is mined by the Public Enterprise of Electricity uneconomically and the other (Ptolemais), under joint public and private enterprises, is destined for coal industries and production of electricity and azote, a basic element for fertilizers. A third big layer (Megalopolis) is now being explored.

As regards petroleum, several signs have been marked in some places (Zante, Elis, Epirus, Thrace, Acarnania etc.), and certain geologists have even declared their conviction, that this mineral exists in exploitable quantities. Researches are carried on by American, Greek and other European firms. A processing industry of petroleum (refinery etc.) has just been constructed and is already operating in Greece with crude oil imported from abroad.

Strategic and costly minerals, as nickel, chromium, manganese etc., exist also in satisfactory quantities and qualities.

The elaboration of reforms in mining legislation is under way.

ENERGY

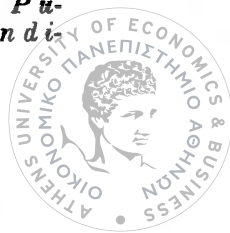
Electricity, in 1939, was produced in a small quantity totaling 300 million kwh, i.e per capita 42 kwh. Today's consumption is approximately : total 1,500 million kwh, per capita 180 kwh.

Despite this progress, the situation is not satisfactory. With the exception of the two big and some smaller towns or centers, the rest of the country is still in the age of the lamp ; the greatest part of the current goes to consumptive and not to productive goals ; especially drainage and agricultural husbandry are very little served ; of course, electricity-devouring industries are out of word.

Per head consumption of electricity by the Greek is only 4% of what it is for the Norwegian and 9% of that of the Belgian and the Frenchman.

Greece possesses essential water resources for hydraulic power. Several investigators¹, including F A O in 1946, esti-

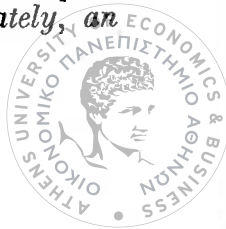
¹ See the respective publications of F. A. O., O. E. E. C., the Greek Ministry of Coordination, the Greek Public Enterprise of Electricity and several individual investigators.



mated that this power could produce 5,000 to 7,000 million kwh yearly. Special mention was made of two big rivers : Acheloos that could produce 1,500 million kwh and Aliakmon for another 1,500 million. Common sense indicated for Greece to turn herself to exploitation of these two rivers gradually and at the same time manage some relative soil amendments for agriculture. This solution would provide the cheapest possible current, a thing that could also render some metallurgical, chemical and other electricity-devouring industries realizable. Such hydro-dynamic energy would have as supplement and reserve a thermo-dynamic energy from Greek lignites and foreign oil.

This national project, however, has been fought from several quarters ; also an erroneous economic policy has spread a lot of money to small works, and mostly to factories operating with foreign oil ; the unit cost of electricity is high and, unless the funds of construction would come from American grants, the real cost would seriously diminish the competitive capacity of Greek products ; a happy exception is the work of river Tauropos (Megdova) which is under construction with a French loan, and which is expected to produce annually 300 million kwh of very cheap current. No less unexplainable is why Greece did not avail herself of the proposal by Democratic Italy to study and construct out of funds from the reparations the work of Acheloos, as a proof of her today's friendly feelings and of abnegation to the old fascist policy : so, a great part of these reparations has been given in articles of consumption.

Another disadvantage of the electrical policy is that it has been entrusted to the Public Enterprise of Electricity, which has been founded for this purpose. The capital of it belongs to the Greek State. Although, conformably to the law, it must function according to the rules of a private enterprise, its technical and business exigencies are so special and high that its operation is uneconomic : indeed, both construction and production have been up to now extremely costly ; also it will not be able to realize, without foreign loans, the Acheloos project, which needs \$ 80 million (half of which from abroad) and it is a pity that Greece has not managed to dispose of that sum from previous inflow of capital ; fortunately, an



international competition has been now proclaimed for the study, and eventually for financing and construction, of an Acheloos project.

INDUSTRY

Here is a summary of the industrial production.

INDUSTRIAL PRODUCTION (Pondered indexes) (1939=100)

	Production		Increase of 1957 over 1939	
	1957	1958	Absolute %	Per head %
<i>Production (pondered volume and value) :</i>				
A. General Index	<u>205</u>	<u>227</u>	<u>105%</u>	<u>90%</u>
B. Electricity	<u>513</u>	<u>568</u>	<u>413%</u>	<u>354%</u>
C. Manufacturing :				
Metallurgy	226	250	126	108
Machinery	198	243	98	59
Building materials	317	342	217	186
Textiles	154	166	54	46
Food products	165	183	65	56
Chemical products	182	188	82	71
Leather	133	161	33	28
Paper	243	273	143	123
Clothing	77	79	fall	fall
Wood	143	158	43	37
Tobacco (cigarettes etc.)	186	195	86	74
Electricity appliances	265	420	165	141
Total Manufacturing	<u>175</u>	<u>193</u>	<u>75%</u>	<u>64%</u>
D. Mining (not included in A)				
Ores	166	153	66	67
Lignite mines	650	660	550	471
Total Mining	<u>215</u>	<u>210</u>	<u>115</u>	<u>99%</u>

Sources : a) Federation of Greek Industries, several publications ; b) Public Enterprise of Electricity, yearly Reports of the Council.

Industry had a strong trend during the interwar years, but suffered a disarticulation during World War II and the Communistic War ; also the burdens of labor legislation at



those times had been heavy ; even in 1949, the general index of industrial production was only at 79% of prewar.

It is true that foreign assistance had provided also for manufacture, but the share of its investment was small, because of short finances, the fall in consumptive capacity of rural and other masses, unfavorable conditions of credit and sometimes unjustified reluctance of manufacturers for renovations.

Here are some further data on industry :

GENERAL INDUSTRIAL ECONOMY

	Amounts		Increase	
	1938	1957	Absolute %	per head %
Production (general index)	100	175	75%	64%
Fixed capital (million U.S. dollars of 1956) approx.....	400	400	—	—
Employment (workers in main industries) (⁰⁰⁰)	110	140	27%	23%
Industrial products (value in U.S. dollars of 1956):				
Greek production (million)	*	444		
Imports	*	270		
Exports (small)	*	—		
Consumption, total	*	700		
Grade of Autarky	*	62%		

* not available

Source : Data from several publications by the Federation of Greek Industries, The Bank of Greece and the National Bank of Greece.

Industry needs, as is known, for its plants, either privately owned capital, or long-term loans, or both. After the war destruction, the Greek manufacturers had inadequate means of their own for renovation ; also credit, as a consequence of the inflation, was very short and costly. Even financing of current operation of the factories was more or less unfavorable. Industry, on the other side, had to borrow for long term in hard foreign currency (dollars etc.), even within the country. The loans given to industry are estimated at \$ 90 million, but part of them represents only replacement of old damages.



There are two big problems for Greek industry : a) economic recovery ; and b) preparations for accession to the European Common Market (of the six countries) or to the European Free Zone.

Heavy borrowing of industry and low capacity to pay of the public have led some branches to irregularity of their payments and to freezing of debts. Greece, also, following to the proclamations of O.E.E.C., has introduced the freeing of European trade up to 90%, while other countries reached only smaller percentages ; industry complains that this is the cause of the fact that the Greek market is flooded by foreign products ; it thinks also that a certain dumping is carried on by industries of behind the iron curtain. Anyhow, extensions and renovations are inadequate.

Probable consequences of the accession of Greece to any kind of European Union and the complete removal of custom duties may be summarized as follows :

PROBABLE EFFECTS OF EUROPEAN UNION ON INDUSTRY

	Data of 1956	Estimated data after removing custom duties	Relation of new and old levels per %
Production (million U.S.dollars)	577	303	53%
Fixed capital (» »)	400	192	48
Employed workers ('000) ...	142	68	48

Source : According to estimates by the Chamber of Commerce and Industry of Athens, *The Place of Greece in face of the European Zone of Free Transactions* (in Greek), December 1957, pp. 129-138.

It is obvious that industry, for above mentioned reasons, especially in order to face keen intra-european competition, must review its policy and proceed to bold steps : it must get rid gradually of old plants and replace them with new ones ; the personnel and workers have to be educated and trained, so that their skill might be promoted ; organization has to be modernized ; sufficiency of capital has to be promoted through concentration of enterprises, rationalization, and inflow of capital to the industries from home and abroad.

Special attention must be given to basic industries, as well as to industries being processing of home raw materials.



Also, the general interest of Greece imposes that foreign capital be preferably brought to Greece and not skilled workers to be sent to foreign countries.

Industrialization is a dream of all under-developed countries, but very difficult to realize, especially by the smaller of them. Greece has already made some steps in this direction ; industry, however, is not yet an exporting branch, and in future, it will be vulnerable, unless it finds plenty of capital and unless agriculture is given a strong push : indeed, industrialization starts from the peasant.

SHIPPING

At the issue of World War II, the remaining under the Greek flag merchant marine consisted of about 100 ships with 500,000 gross tonnage. Greek shipping had also been taxed during the war, in order to procure some funds for the Greek Government in Exile. The remaining indemnities for war losses and operation profits were deposited, for a small part in the United States free, for the greatest part in Great Britain blocked, and for the rest in Canada and other countries. In 1946, United States gave 100 liberty ships to Greek shipowners, against payment in cash for a part of their price and loan guaranteed by the Greek Government for the rest. So, the whole fleet rose to about 1,200,000 gross tons.

An erroneous economic policy of the Greek Government left the shipowners to dispose almost freely of the capital and proceeds from their ships ; they had only to pay tax, which was due in the currency of the charter. So, the war liquid capital of shipping, either in the United States or in Great Britain and other countries, had been invested, almost wholly, in vessels under foreign flags ; in sequence, also the proceeds of all these ships, under Greek and foreign nationality, as well as loans on them, went to investments in foreign flags, some in the so-called «facility flags» under which the taxes and labor burdens are low.

It is a common secret that, owing to the political and social conditions prevailing in Europe, several european capital pools have been formed outside the continent ; a kind of such pools is also Greek shipownership under foreign flags. Greece, however, from 1951 and onwards, passed legislation



favoring ships to acquire our flag, and a certain movement towards this is under way.

From freedom left to shipowners, however, a certain good arose. Greeks, having a tradition of thousands of years on the seas and born in a country whose shore development is thousands of miles long, feel an invincible attraction to seaman-ship. So, the funds of the shipowners were placed in merchant marine.

MERCHANT MARINE UNDER GREEK OWNERSHIP

	1939	1957	1958
A. Tonnage under Greek flag :			
Number of ships	607	373	616
gross tonnage ('000) tons)	1.781	1.575	1,905
B. Tonnage under foreign flags :			
Number of ships approx.	50	1.202	1,223
gross tonnage ('000 tons) approx.	200	10.641	11,285
C. World ranking' :			
Greek ownership	ninth	third	third

Sources : Publications and estimates by the Greek Ministry of Merchant Marine and by the Federation of Greek Shipowners (of Athens, London and New York).

Shipping, being a highly industrialized sector, needs abundant capital and exceptional skill ; Greek shipping, moreover, constitutes a kind of extension of the, so narrow, national boundaries, but is exposed to competition, business risks and acute crises, as is the case today. Greek shipping is also a source of foreign exchange ; it includes, however, from past times up to now, a great proportion of old aged ships or ships of war construction, a fact which exposes it dangerously to adverse conditions.

As regards employment, the contribution of Greek shipping has been always important, because it offers jobs to many Greeks, and with wages higher than industrial employment on land. In 1939, Greeks employed on sea approached 20,000 ; today's ownership of national or foreign flags could embrace 70,000, a figure, however, not reached.

INVESTMENT

Here are selected data on National Accounts.



SUMMARY OF NATIONAL ACCOUNTS

	Amounts		Increase	
	1938	1956	Absolute %	per head %
1. National Income total (equivalent in million US dollars of 1956) approx.	1,210	2,355	95%	
Per capita (dollars of 1956) approx.	165	277		68%
2. Gross National Expenditure (in million US dollars of 1956) total approx., private and public	1,528	2,845	89%	67%
consumption	1,347	2,428	80%	50%
investment	181	417	132%	100%
3. Proportion of Investment on G.N.E. (per cent):				
Greece	12%	15%		
Italy	—	21		
Austria	—	23		
Norway	—	25		
4. Evolution of Greek Net National Income				
(equivalent il million U.S. dollars of 1956) approx.				
1927 : 930	1946 : 690			
1931 : 900	1949 : 1230			
1935 : 1030	1953 : 1750			
1938 : 1210	1956 : 2090			
	1958 : 2355			

5. Analysis : agriculture 34%, industry 25%, other sectors 41%.

Source : Publications by the Greek Ministry of Coordination, The Greek Banks, O.E.E.C. and their bibliography.

Above elements show that progress realized in national income, total and per capita, is essential. There is, however, no change in the rank of Greece, whose per capita income is the lowest among the O.E.E.C. countries. A natural consequence of this is that investment percentage of Greece is also low, the margins of saving being narrow. Investment of Greece has two disadvantages : low level and diversion to less productive sectors.

Per capita investment in O.E.E.C. countries is of several levels. We select for comparison (in U. S. dollars of 1956) : Greece 32, Italy 74, Austria 108, Belgium 142, Norway 207, Switzerland 253. It is obvious, that any restriction



of consumption in Greece will not be enough for an important increase of investment and the situation cannot be improved unless gross national product is raised considerably.

An erroneous economic policy has also left investment, especially private one, to turn itself to sectors increasing only consumption or enjoyment, instead of sectors leading straight to a yield of national product. For instance, funds invested in housing after the war approach 700 million dollars of 1956 ; it would be better for an essential part of this amount to go to projects of development.

Financing of investment also met with great irregularities as it is explained further down.

FOREIGN TRADE AND FOREIGN PAYMENTS

Here are selected data on these (equivalent in million U.S. dollars of 1956) :

		1938	1957	Improvement or fall of Greek Economy
1. Trade Balance				
Imports f. o. b.	million \$	284	506	
Exports f. o. b.	»	187	223	
Deficit	»	—97	—283	fall
2. Invisible Transactions:				
Surplus	million \$	+ 86	+ 183	improvement
3. Covering of Deficit: (capital, assistance, increase or decrease of reserve etc.)				
net	million \$	+ 11	+ 110	fall
Total Assets or Liabilities: (+ and —)	million \$	336	594	fall
4. Several Ratios (per cent):				
exports on imports		69%	42%	fall
dependence from abroad (deficit) net		3%	8%	fall
imports on Bank reserve		24%	38%	fall
exports on G.N.P.		16%	14%	fall
imports on G.N.P.		24%	21%	improvement
5. Several Analyses (per cent):				
exports, agriculture		74%	67%	
industry (small)		—	—	
other		26%	33%	



	1938 ¹	1957	Improvement or fall of Greek Economy
imports, food %	—	19	
fuel %	—	13	
capital articles %	—	19	
raw materials %	—	16	
other %	—	33	
invisible resources			
shipping %	14	28	
emigrants %	34	32	
other %	52	40	
invisible payments			
foreign debts %	35	5	
public needs %	37	17	
other %	28	78	

Sources : a) As stated in previous table²; b) Ministry of Commerce ; c) Nat. Statistics Service.

These data make clear three things : a dangerous increase of imports and fall of exports ; vulnerability of balance of payments, because it relies heavily on invisible resources, which, however, drop irregularly in cases of world crisis or even shipping crisis ; from articles imported, a very small proportion goes to national investment, whilst the rest is pure and simple consumption.

Among radical remedies to amend the situation and prevent future dangers for the Bank reserve and economy on the whole, following could be stated : a) that exports increase to a higher level in relation to imports and even be upraised over the prewar level ; b) that an amount, almost equal to the sum of emigrants' remittances, shipping remittances and exchange from mineral exports, go, as a permanent and unchangeable rule, for the import of capital articles destined to national investment and for debt payments ; and c) that a general spirit of austerity be introduced in the policy on foreign trade and foreign payments.

PRICES

The evolution of prices has been influenced, as usually, by general economic conditions at home and abroad, but also by Greek monetary changes. So, the main eras of radical chan-



ges coincide with : 1932 (world crisis), 1940 (war), 1944 (annihilating inflation), 1953 (monetary reform). We state some general data here :

	(Indexes : 1938 = 100)							
	1927	1932	1936	1945	1946	1949	1952	1956
Wholesale prices :								
general index	—	—	—	—	—	—	39.2	59.1
Farmers' prices :								
received	—	—	—	—	—	—	38.6	59.3
paid	—	—	—	—	—	—	45.9	62.1
Cost of living :								
Athens	77.0	75.8	89.2	14.0	14.5	28.4	36.2	49.8
U.S. dollars' prices :								
in drachmas			150	500	5,000	10,500	15,000	30.0
Gold pound's prices :								
official or unofficial								
in drachmas			1,000	40,000		180,000		310.0

Sources : As stated above.

During the years 1946 - 1952, the policy of purchase and sale of gold pounds by the Bank of Greece had always in mind that fluctuations of the price of gold pound influences seriously the wholesale prices and the cost of living.

As regards stock exchange prices, they are very low and for bonds in drachmas almost inexistant ; the real value of bank shares does not exceed 25% of the prewar real level.

MONEY AND BANKING

Here are some basic elements :

	(equivalents in US dollars of 1956)					
	1938	1948	1952	1954	1956	1957
1. Paper currency :						
amount (million \$)	149	75	114	—	205	232
per cent of 1938	100%	50%	76%	—	137%	155%
2. Deposits with Banks :						
amount (million \$)	423	44	101	—	229	352
per cent of 1938	100%	10%	24%	—	54%	83%



	(1938)	(1948)	(1952)	(1954)	(1956)	(1957)
3. Official Means of Payments :						
(currency + net deposits)						
amount (million \$)	498	120	179	—	314	456
per cent of 1938	100%	25%	36%	—	63%	92%
4. Shifting of Bank deposits :						
sight per cent	44	91	90	—	48	
savings » »	37	9	9	—	45	
term » »	19	—	1	—	7	
	100	100	100	—	100	
5. Financing of Greek Economy :						
amount (million \$)	465	—	—	—	492	
shifting: agriculture per cent	15	—	—	—	31	
industry, energy » »					37	
commerce » »	85	—	—	—	18	
other » »					14	
	100				100	
6. Sources of Funds for Financing :						
per %						
Issue of currency,	0			44%	34%	
Funds of Public Bodies	10			5	8	
Comercial Banks' available funds	88			23	27	
Economic Development Financing Organization(O.X.O.A.)	0			21	19	
Other Disponsibilities	2			7	12	
	100			100	100	
7. Discount Rate in Selected O.E.E.C. countries :						
Greece					12.— %	
Great Britain					5.50 %	
Belgium					3.25 %	
France					4.— %	
Italy					4.— %	

Sources : Data based on : a) Annual Reports of the Governors of Greek Banks ; b) other sources stated above.



Money of Greece experienced greatest fluctuations. Even if the theory would be accepted, that money is no more the crucial factor of the economy, monetary management in the case of a country like Greece had to be a hardest thing. Also the dilemma, that an underdeveloped country often faces, to choose between monetary instability and animated development on one hand, or monetary stability and development stagnation on the other hand, had been and is still faced by Greece at every step.

Greece, in October 1944, was entering freedom with an annihilated money : the british gold pound was sold for quintillions of drachmas. The new legislation of monetary rehabilitation ratified the accomplished fact, deleted all old debts including internal public debt, and introduced a new currency ; the new drachma was estimated as follows : one dollar equal to 150 drachmas and one gold pound equal to 3,000 new drachmas. The monetary reserve, which consisted of bank gold, of american dollars' exchange and of british exchange, was equivalent to about 150 million dollars of 1944 (approximately 225 million dollars of 1956). As regards paper money issue, its level had not been fixed beforehand, but policy was proceeding palpably and currency was issued in such quantities as the economy would absorb. This slowness of issue had been an obstacle to quick revival of the economy.

A parallel currency, however, was circulating : inflation during the enemy occupation had turned the public to hoarding of gold pounds, which were also the unofficial currency for important transactions : the same thing continued after liberation ; the total amount of this gold currency was imponderable. During 1945, drachma had new oscillations and the unofficial price of gold pound jumped up to 180,000 new drachmas ; then, an unorthodox measure had been introduced : the central bank could sell and buy gold pounds, diminishing or increasing the reserve and correspondently revocating or issuing paper-money ; it must be admitted, that this policy, in several cases of Greek instanbility of following years, had served as a safety valve. It is estimated, that the total such gold stock of the private economy, either circulating or hoarded, amounted to about 10 million pounds equalling 100 U.S. million dollars, but it now has heavily decreased.



Monetary policy had also some other manifestations. The financial Committee of UNRRA had put a condition, which had been also repeated with Marshall Plan, that, for all supplies of the foreign aid, the central bank of the receiving country had to issue an equivalent paper-currency, except for the investment articles : this new paper currency had to be distributed to the public against domestic goods, especially work ; in a contrary direction, the public would be enabled by such money to buy the supplies of foreign aid ; so, this new money, after having given a fillip to national production, would return to the central bank to be cancelled ; this pump-priming function, however, did not work regularly in Greece, because of the communistic war and of an erroneous economic policy. The fear of a new inflation had also influenced the policy on paper-currency, the level of which was all the time conservatively fixed ; also some measures had been taken, aiming at delaying the velocity of money, but it is questionable whether these had any effect.

Deposits with Banks were deleted in 1944 and during the next years credit of the public to currency and Banks was rising very slowly ; the real value of deposits amounted in 1948 - 1952 to only 10% of that in 1938. Monetary reform of 1953 and other ulterior measures, however, made deposits to grow gradually to 90%. The synthesis of the deposits had also changed with a drop of term deposits, but it improves slowly.

Official means of payments (paper currency plus net deposits) have been all the time under the 1938 real value : i.e. in 1945 - 48 under 30%, in 1952 at 36%, in 1956 at 63%, and in 1958 at 90%. The collateral unofficial means of payment, i.e. circulation of gold pounds after deduction of hoarded proportions, could not have a value exceeding 5% of the total 1938 value. It is argued, that no country has yet determined the exact value of all the four main factors of monetary policy : money(M), prices(P), velocity(V) and trade(T) ; equally inexact is any conjecture on their value in Greece ; we would, however, venture the argument, that the volume of trade, after the war, had to be greater than before the war, because all transactions were growing in a country under reconstruction and development. The natural conclusion is, that the policy of keeping money volume, official and un-



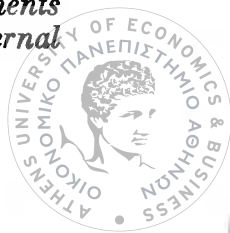
official, lower than the real value of 1938 acted as fetters on the course of the economy.

Financing of Greek economy faced greatest difficulties ; the low level of means of payments and reduced confidence to drachma were great hindrances. The theorem of saving equalling investment encountered also certain handicaps : saving with the banks was in 1946 - 1952 lower than 10% of prewar, and gold hoarding was out of the states' control, whilst demand for money was high ; moreover, nobody was envying the creditor. As a remedy to these, monetary policy had refuge to several measures, three of whom we state here : a) paper-currency had been issued in order to procure funds of financing and this over-issue represented 60% of total financing, slowing down to 44% in 1954 and 30% in 1958 ; b) a law was passed to allow enterprises to borrow within the country not only in drachmas, but also with the clause of dollar or index price, and the Economic Development Financing Organization (O.X.O.A.) was founded, to manage this financing ; c) other laws have been passed in order to facilitate inflow of foreign capital and secure the service of its interest or yield and its repayment to the country of origin. Financing in general, although it had marked progress, had been and still is inadequate and not satisfactory ; a sad shift of borrowing also occurred from the commercial banks, which in 1938 were financing 88% of the economy and now financed only 27% in 1956 and 37% in 1958.

Interest, under such conditions, was high and intolerable for the economy : the discount rate of the Bank of Greece (the central bank) had been fixed at 12% ; this measure, and the fact that commercial banks had to pay on deposits with them a rate of 8%, make the funds of financing very expensive ; finally, the rate of interest with other bank charges overpowered many borrowing businesses.

A fortunate fact was monetary reform of April 10, 1953 ; it raised the price of dollar to drachmas 30 (i.e. 30,000 with deletion of three zeros), and the market increased the price of gold pound to drachmas 310.

The effects of the reform and of other subsequent measures, proved gradually beneficial : spontaneous thrift of payments and increase of receipts in dollars ; a certain rise of external



prices of exported products over their internal prices ; growth of confidence to drachma ; a growth of the monetary reserve ; a more courageous paper-currency issue ; a huge increase of banks deposits, term deposits slow-paced, however ; improvement of financing ; an amelioration of the whole economy.

PUBLIC FINANCES

Selected data of these are to be found in the following table (amounts as equivalents of U.S. dollars of 1956) :

	1938	1955	1958
<i>A. Total Public Expenditure (million)</i>	<i>211</i>	<i>400</i>	<i>528</i>
per capita dollars	30	50	
per cent of Gross National Product :	17 ⁰ / ₁₀	23%	
covered from :			
home resources, per cent	100%	88%	
foreign assistance, per cent		12%	
shifting :			
national defense per cent		33%	
salaries and pensions per cent		20%	
general administration per cent		9%	
social security per cent		22%	
asset formation per cent		16%	
public debt payment per cent		none	
government officials (number)			
civil ('000)	53	73	
per thousand inhabitants officials	8	9	
governmental pensioners (number)			
civil and peace military ('000)	40	66	
war victims and veterans ('000)	53	88	
total govern. pensioners ('000)	93	154	
public debt payment (afterwar deferred)			
(equivalent in million dollars of 1956)	33	none	
<i>B. Taxes' analysis</i>			
direct (on income, inheritance, property etc.),	27%	27%	
indirect (custom duties, consumption, turnover, circulation etc.)	73%	73%	
<i>C. Fiscal charge :</i>			
total of taxes (governmental, local etc.) on			
Gross National Product	22%	25%	

Sources : Data from : a) publications and Minister's Reports of the Greek Ministry of Finance ; b) other sources stated above.



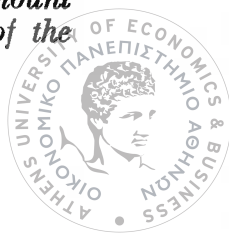
From 1944 up to 1958, Public Finances had to fulfill a hardest task, in order to face war costs on one hand, and to help monetary policy and economic development on the other hand. Public expenditure doubled as compared with 1938. There are, however, two essential sectors in suspense : liquidation of war losses and damages ; arrangement of public debt.

Persons that have suffered losses or damages from the wars may be divided in two categories : war victims and veterans ; and persons who underwent material damages. For the first class, pensions have been awarded and, although of small and inadequate sums, they represent, because of the numerous victims, a burdensome charge of the budget. On the contrary, the Government has done absolutely nothing for people that suffered the huge material losses from the wars ; of course, one of the next duties of the government is to proceed to a certain settlement of this question.

Public debt has not drawn due attention of the government. Internal debt, being in drachmas, is supposed to have been deleted by inflation and the monetary rehabilitation law of 1944 ; the fact, however, that the state is at the same time debtor and legislator and benefitting from the debt's deletion, exposes it to misunderstandings which have harmful repercussions on its credit. External debt drew more the attention of the government, but no agreement could be reached with the foreign creditors ; this also had a disagreeable effect on obtaining new loans by the government and on the inflow of foreign capital. There is an imperative necessity for the government to realize a definite settlement of both home and foreign public debt.

Public finances, moreover, have an increased total of expenses for salaries, because the number of governmental officials grew ; this is also a cause of a low level of individual salaries.

The most burdensome item of the budget, however, are national defense expenses, which in comparison with the prewar period increased both in amount and percentage. Whilst, in 1938 - 1939, a period of defense economy, the defense together with the security expenses did not exceed an amount of today's 75 million dollars and a percentage of 35% of the



budgets, nowadays they exceed 175 million dollars and a percentage of 40% of the budget.

The general synthesis of expenditure is also defectuous : asset formation keeps a slow pace and a low proportion ; so, the budget is mainly consumptive.

Taxation is heavy and, in spite of its modern legislation and an always stricter application, it leaves gaps and inequalities ; the bulk of indirect taxes is weighing upon popular classes and that of direct taxes falls on middle classes ; the nature of Greek economy indicates preference of indirect taxes, the direct taxes having a compensatory and complementary role ; also, shifting and incidence of taxation has a broader action. As regards tax incentives for economic development, their margins are slightest in agriculture ; the other branches enjoy of some such, but inadequate, encouragements.

EQUALIZATION OF BURDENS

It has been already pointed out, that distribution of national product, inequal in all countries, is very unjust in Greece, especially for the open country ; direct taxation, because of its small proportion in the budget, is inadequate to bring about an important improvement of the distribution.

This fact is worsened by several omissions to satisfy, in the right possible extent, people who suffered material losses from the war, such as destruction and damages, deletion of internal public debt, deletion of bank deposits, deletion of private debts and similar ; as regards people who had sold real estate during occupation, they recuperated them by paying back a certain percentage of the value ; also a law of 1945 had imposed an extraordinary tax on people enriched during the war ; the depositors of state's savings received a small portion of lost deposit ; but for the rest, although a law of 1946 had ordered a settlement, the matter is still in suspense. It must be reminded that most of the continental countries of Europe, in order to facilitate liquidation of war losses, had imposed even property taxes or measures for equalization of burdens.

CREDIT AND CONFIDENCE

From what has been stated in previous chapters, it is easy to realize, that both public and private credit have suf

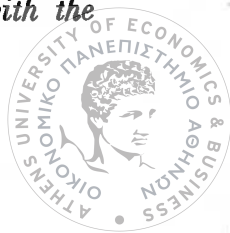


ferred extremely. Greek economy, however, needs them well conditioned more than in any other country.

Restoration of credit will bring confidence in transactions and especially allow the banks to regain their creative role. It will also induce capital, national and foreign, to enter Greek enterprises, and proceed to long-run investments. A country, which used to be underdeveloped and has not yet finished its reconstruction from war, needs plenty of capital.

Greece has first to clear up her policy on free enterprise. She is too small and too poor to make socialistic experiments such as nationalizations of enterprises ; they would not only divert private capital from Greece, but would also render them uneconomic, because military and civil public officials, to whom their management is usually entrusted, lack in majority technical specialization, economic preparation and risky business spirit ; moreover, political interventions, spreading of responsibility and bureaucratic methods are disadvantages in business ; all public enterprises in Greece return only losses ; the government endures passively a yearly deficit of 10 million dollars from railroads ; the electricity enterprise has spent overhead charges, with which two thirds of the Acheloos project could be constructed ; the telecommunications enterprise functions like a P.T.T. service and stands upright thanks merely to its privileged character ; and so on ; a radical solution for the government would be to transfer public enterprises to private capital and with the proceeds of this transfer endow the Agricultural Bank, in order to enable it to apply an ample and pioneering program.

Further, Greece has to distinguish development works into «rentable works», i.e. those which are expected to have such a yield as to secure service of profit and return of capital on one side, and «productive works», i.e. those which have not that capacity and rather lead to a general and imponderable progress on the other side. Since the country suffers from a capital famine, rentable works must be left to private capital, which must be attracted by all means ; so, the government, giving up to these, must turn itself whole-heartedly to productive works, which do not draw private capital ; for an underdeveloped and poor Greece to construct rentable works with the state's funds is mere erring and loss.



A policy for inflow of foreign capital to Greece is also of first importance. The usual argument that foreign capital enslaves a country must not hinder such a policy ; unemployment is a real and worse slavery ; on the other side, with the exception of the so-called «diplomatic money», all other foreign capital moving into the country is quite assimilated to national capital ; further, the fact, that the United States of America, who gave during this century a foreign assistance of over 100 billion dollars, did not try to enslave anybody, but considered it as a manifestation of international solidarity, proves that the time is over for a country to fear even diplomatic money ; indeed, international conciliation and collaboration is highly served by this movement of capital among countries ; of course, in both cases, it is self-understood, that the receiving country must be always resolute and able to honor its credit and to protect all rights of foreign capital flown into it.

FIVE - YEAR PROGRAM

A preliminary Quinquennial Plan¹ for the economic development of the country has been elaborated by the Greek Government and will soon be put into application. Because of its broad views, it will need a yearly financing of 250 million dollars ; two thirds of needed resources must be provided by the country and one third must come from abroad.

¹ The Preliminary Five Year Programme for the Economic Development of Greece, elaborated by the Greek Ministry of Coordination, April 1959 (pp. 100, and XIX tables), contains following chapters : Preamble.—Introduction.—A. Basic Problems of and Developments in the Economy ; Objectives of the present Plan.—B. Expected Developments of the Economy during the Five-Year Period.—C. Developments in the Basic Sectors of the Economy during the Five-Year Period.—D. Investment Policy.—E. The Financing of Investment.—F. The Public Investment Programme (Agriculture. Basic Industries. Tourism. Power. Communications. Education. Social Welfare Programme).—G. Financing of the Public Investment Programme.—H. Anticipated Results of the Programme.

Financing of this Five-Year Programme is expected as follows (equivalent in million U.S. dollars) :

a) State Budget, American Aid, Revenues from Investments, and Internal Loans	\$	625	mln
b) Foreign Resources	\$	400	mln
c) Participation of Public Corporations and Interested parties	\$	185	mln
Total	\$	1,210	mln



PART III

FUTURE PROBLEMS OF SURVIVAL

As a conclusion, one may sum up following problems for the future development of Greece.

The proportion of active population not participating to production, in selected countries, is the following : Greece 30%, United States 7%, Great Britain 2%, Switzerland 7%, Spain 12%, Mexico 12%. Furthermore, in Greece, during last years, there was, on an average yearly, an increase of manpower of 60,000 and an emigration to foreign countries of 20,000 people. This demographic pressure and bleeding indicate creation of jobs and family homes ; and taking into consideration that many people, especially in the rural areas, do not fill up all work days, we dare say that over 45% of labor capacity of Greece remains idle. Hence, the problems put for demography are acute and urgent.

As regards the nation's productive area, only 30% of the horizontal surface, or 20% of the unfolded surface, of the country is exploited ; the rest surface offers, more or less, good chances for development, in spite of its being mountainous and ruggy ; especially, the existence of certain minerals increases the opportunities ; valorization of these 80% of the country calls urgently for pioneering programs.

Agriculture has marked considerable progress in Greece ; the production of 1923 doubled in 1938 and tripled in 1957 ; per capita agricultural income, however, is still extremely low and for half the rural population it is under \$ 100 per year ; also, unemployment and unfavorable conditions drive many farmers to the cities ; it has been argued, by specialists, Greek and foreign, that Greece might become a kind of California in Europe ; so, a bold program is needed to promote development. Fishing also, even that of open seas, presents chances of development.

Industry's progress has been considerable : plants and



production of 1923 have been doubled in 1938 and quadrupled in 1957 ; employment, however, did not keep pace ; moreover, industry, with few exceptions, did not proceed to renovations and reorganizations ; a program of a thorough readaptation is indicated nowadays ; it is to underline, that industry, relying mainly on tariff protection, did not at all yet become an exporting branch.

In case Greece enters the European Common Market or the Free Zone, she has to face further problems. If mutual removal of tariff would be admitted for agricultural products, Greek agriculture will in general benefit : exported products, such as tobacco, raisins, olive oil, cotton, fresh fruit, vegetables and similar, will broaden their markets ; for wheat, however, this is questionable and more probable is a diminution of wheat farming, because part of it is now uneconomic. Removal of tariff on industrial products will deeply affect Greek manufacture, which will suffer from the competition of highly industrialized European countries ; Greek manufacturers' plants and production and employment in their firms will drop to 50% ; it is then necessary for Greece to reorganize industry, renovate plants, train personnel and workers, procure cheap capital to the enterprises and especially help them to reduce cost, in order to make products resist to competition.

Energy is a sector needing improvement ; the government must proceed courageously, not only because the needs of the country in electricity are great, but also because its consumption everywhere has presented striking increases.

Shipping, now going through acute crisis, has great problems, but it is hoped that shipowners, who up to now usually found a satisfactory wayout, will find manners of readaptation.

Foreign Trade and Foreign Payments are in a precarious situation. Trade suffered following falls from 1938 to 1956 ; deficit was tripled ; ratio of exports on imports dropped from 69% to 42% ; dependence of the country from abroad increased ; ratio of imports on the Bank's monetary reserve rose from 25% to 38%, and might turn out dangerous in adverse times. Balance of Payments was up to now restored through national invisible resources and foreign assistance ; both, however, are in a decreasing scale. So, a policy of di-



minishing imports and liabilities, but above all of developing exports and resources, must be urgently planned.

Frugal life, so steadily kept familiar to Greeks, must be to the extent of austerity ; indeed, together with the people's toil, it made Greece face many difficulties ; it is true, that in a state of the economy lower than full employment, as is the case in Greece, every expenditure, public or private, can create work, put in action the multiplication and acceleration function, and at the end raise national and personal incomes, directly or indirectly ; but, in a country with strong dependence from abroad, such tendencies might rather increase demand of foreign products and bring overconsumption of national economic force.

Investment is extremely low in Greece ; here is per capita investment in selected O.E.E.C. countries (expressed in U.S. dollars of 1956) : Greece 32, Italy 74, Austria 108, Belgium 142, Norway 207, Switzerland 253. So, investment, a basic element for economic development, especially of an underdeveloped country, must be urgently increased in Greece, by people's any sacrifices and thrift ; inflow of foreign capital will be also an essential and decisive factor ; above all however, it is growth of national product that will promote it considerably.

Greece has a total population of about 8,500,000 persons, and the opinion of international organizations, as well as of Greek specialists, is that the country is able to feed even a higher number. Greece has a moderate birth rate ; the yearly increase of population is about 1% ; it is obvious, that this rate must be preserved by all means. Increase of population, however, must be accompanied by an increase of the national product ; and the latter must be faster than the other, so that Greece might also avail herself of civilization's progress and even raise the people's standard of life, which is extremely low. This policy, will be realized only through a rapid economic development of Greece.

Greece in her economic policy has very little to imitate from rich countries, especially from those under secular stagnation ; this stagnation, or any kind of static economy, would constitute for Greece a pure national condemnation. On the contrary, Greece needs a dynamic expanding economy, a kind of the so-called «explosive economy».

