

# GREECE AND HER FINANCES

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ON the seventh day of April, 1921, Greece celebrated the first centennial of the Greek Revolution. In those times, Turkey was a great military Power. The Turks possessed then a consolidated empire comprising the whole of the Balkan peninsula, almost the entire Black Sea, Northern Africa and a large part of Asia. Wars to liberate the Greek population from the Turkish yoke had lasted nearly seven years. Owing, however, to jealousy prevailing among the Great Powers, Greece was created a kingdom with very small borders, leaving outside of its frontiers the larger part of the country. It comprised a territory of 18,500 square miles and a population of some 700,000 to 800,000. Nothing but stones had been left in a country which was flourishing at the time of the conquest. A twofold task was to be accomplished, to recivilise the freed territories, and to liberate the Greeks still left under the Turkish yoke. Bad diplomacy turned into fighters one of the most peaceful of races.

The territorial increase up to 1912 amounted to 6,600 square miles. On the 30th September, 1912, the day of the outbreak of the Balkan Wars, Greece possessed a territory of 25,100 square miles and a population of 2,700,000. As a consequence of the great events of the following eleven years, it has still further increased, having to-day a surface of about 54,000 square miles, and a population of 6,600,000. In order to obtain these results Greece waged the two wars of 1912-1913, participated in the Great War, and fought fiercely for more than three years quite alone against Turkey assisted by Bolshevism in Asia Minor.

During the Great War, the factors contributing to the victory of the Allied and Associated Powers were four: Men, money, ships and economy, even in imported food stuffs. In every direction, Greece rendered the Allies many valuable services. Her only external financial assistance was that of the Allied Governments (British and French) which advanced to Greece some Fcs 30,000,000 from 1914 till 1917; during 1919-1920 £6,540,000 were also advanced from Great Britain and \$15,000,000 from the United States. During the last 15 years (1912-1927) Greece has expended for extraordinary requirements, military needs, and in the settle-

ment and maintenance of refugees a total sum exceeding £173,000,000. Out of this total the fraction representing assistance from abroad amounted to only £36,000,000, which was received in the form of loans. The whole of the remainder was found by the country from its own resources.

The finances of Greece have undergone the following change. Before the outbreak of the 1912-13 wars, her total indebtedness amounted to Dr. 1,040,000,000, corresponding to Dr. 385 per inhabitant (population 2,700,000). Her national debt increased during the last 15 years to Dr. 9,500,000,000 (1,685,000,000 in gold and Dr. 7,815,000,000 in paper). The value of the whole debt in gold would be Dr. 2,250,000,000, corresponding to Dr. 341 per inhabitant (population 6,600,000). The proportion in the gold value of the debt is smaller than before the Balkan Wars (1912) on account of the fact that the larger part of the new debt has been contracted in the interior in paper, and is affecting a population more than double that of 1912. Only two loans have been placed in foreign markets, (1914, £20,000,000, 5%: between the issue price of 92 and the present rate of 67 a depreciation of 28%—1924, £12,000,000, 7%, issue price 88, actual rate 97 with an appreciation of 10%).

In comparison with Great Britain and the United States, the following has been the proportion of debt per inhabitant:

United States.....	\$166
Great Britain.....	634
Greece.....	68

Funded debt in gold amounted to Dr. 1,455,000,000 (against 935,000,000 in September 1912)—the larger part in Greek hands. The service was covered by the proceeds of the revenue controlled by the International Financial Commission (Great Britain, France, Italy).

From the old debt concluded in gold up to 1893 the interest rate guaranteed to the International Financial Commission in 1898 amounted to 1.60%—1.72% for the loans of 5%. The constant increase of revenue rendered possible a constant increase of the rates. Full interest was paid in the years 1920 and 1921. Owing to the depreciation of the exchange, the rate was reduced to 3.60% in 1922; it rose, however, to 3.80% in the year 1923, 3.70% in 1924, 4.30% in 1925, 5% in 1926. The 5% loans of the old debt were quoted at 38.18% in 1898, reached constantly increasing 50% in 1905, surpassed 55% in 1917, reached 70% in 1919, fell to 34.51% in 1922 (owing to the Asia Minor catastrophe and the internal

troubles), and rose to 41.61% in 1923, 52.28% in 1924, 56.24% in 1925, 58.35% in 1926. The quotation in June 1927 was 56%.

A very heavy taxation was imposed during the last five years—a first forced loan in 1922, a capital taxation in 1923, and a second forced loan in 1925. Happily the internal strifes came to an end (they had lasted for more than ten years) and a coalition cabinet soon afterwards was entrusted with responsibility. Great efforts are made to restore again the national finances. Judging from the vitality of the country, we are convinced that it will not be difficult to return to healthy conditions if nothing occurs to disturb the internal and external peace.

The National Bank of Greece is its only bank of issue.<sup>1</sup> It was founded in 1842 as a joint-stock company, and continues to maintain its private character. The main strength of the bank lies in the policy adopted from the very beginning of accepting deposits at sight as well as at long term. The bank's policy has always been the promotion of every kind of business, in order to facilitate the development of the country's resources. When it was first created, practically no credit existed. By studying the bank's annual balance-sheets we can follow the country's progress, a large share of which is due to its policy. No institution could have been more liberal to commerce, industry, agriculture, and in general to the country's interests, at home and abroad. The National Bank of Greece has not only been the means of fostering every branch of business, but it has also always been the helping-hand in the hour of need. Every kind of financial difficulty has been smoothed over, thanks to its strength and good will. Although the Balkan Wars added not a little to its burdens, it maintained its serenity at the outbreak of the Great War, while most of the other Central European banks seemed paralysed. In addition to its other enormous obligations, it became a wholesale merchant of articles of prime necessity. And while state intervention proved a failure in every country, the National Bank of Greece undertook even the difficult task of supplying the country with food during the first three years of the war (1914-1917) with signal success.

In the spring and summer of 1919 Greece possessed the best currency in Europe, the drachma still maintaining its gold value. Many were the reasons for the depreciation of the Greek money unit. One of the principal was the only partial execution of the financial agreements of 1917, 1918, 1919 between on the one side of the Governments of Great Britain, France and the United States

(1) cf. M. S. Eulambio, *The National Bank of Greece, a History of the Financial and Economic Evolution of Greece* (1924).

and on the other side the Government of Greece. War engagements of £30,000,000 comprised under the above agreements were settled by the National Bank of Greece, while the funds were never restituted by the Allied Governments. £4,000,000, moreover, was representing the capital under embargo in the late Central Empires.

The Asia Minor campaign was another reason of depreciation. The debacle in Asia Minor found the dollar at Dr. 31.15%. Followings were the middle rates of the London exchange between 1923-1926:

1923.....	Dr. 293.85	(maximum 430)
1924.....	" 247.34	( " 285)
1925.....	" 312.62	( " 392.25)
1926.....	" 386.50	( " 453.—)

In the first half of June, 1927, the London exchange in drachma was fluctuating about 360. Within the last three years the changes in the money circulation were insignificant (Dr. 4,681,000,000 on Dec. 31st, 1923, against Dr. 4,530,000,000 on Dec. 31st, 1926).

Following were the fluctuations of the index numbers in the last five years: 1922, 774; 1923, 1214; 1924, 1342; 1925, 1485; 1926, 1784. The table below might illustrate the relation of money, foreign exchange and index numbers in 1926 in comparison with June 30th, 1914:

	June 30, 1914	1926
Money circulation.....	411 mil.	430 mil.
Foreign Exchange.....	25.22	Dr. 386.50

Progress of increase:

Money circulation.....	100	1.102
Foreign Exchange.....	100	1.532
Index Numbers.....	100	1.784

Greece is an agricultural country. Agricultural produce and cattle breeding represent more than half of the nation's income. From agricultural and stock farming there remains a large surplus. It is self-supporting in every food article, except bread (the imported quantities of wheat necessitate some 25 million dollars). The problem of Europe is also the problem of Greece. Millions of acres lie fallow on account of marshes. Not only are they unproductive, but they undermine the health of the population. Drainage of marshes, as also regulation of the river basins, would contribute to solve a double and most urgent problem; bread and health. The Foundation Company of New York is occupied with such a drainage work in Macedonia.

Our chief exportable articles are: Currants, tobacco, wines, olives, olive-oil. The principal of these products is tobacco. There is a monopoly in qualities. A fifth of it is used for the needs of Greece, the rest is available for exportation. It comprises the most famous qualities of tobacco. The olive-tree is the most ancient tree in Greece.

The country is almost unexploited. It possesses a very fertile soil, and large forests still untouched. It is moreover rich in minerals and metals, even in precious metals. From a commercial and industrial point of view, Greece has made considerable progress during the last 15 years.

The gross earnings of the industrial concerns in 1926 were estimated at £20,000,000, while thirty years ago there was scarcely any industry at all.

Following was the movement of the foreign trade during the last three years:

Year	Imports in tons	Exports in tons	Difference in tons	Value in Sterling		
				Imports	Exports	Difference
1924.....	1.798.588	413.406	1.385.182	£32.555.000	£13.246.000	£19.309.000
1925.....	2.101.809	565.945	1.535.864	£32.643.000	£14.520.000	£18.123.000
1926.....	1.851.000	566.000	1.285.000	£26.802.000	£13.388.000	£13.414.000

Considering all invisible items, we must regard the general balance of the foreign accounts as in each year favourable. In the last thirty years, wealth increased by more than six times—from £150,000,000 to over £1,000,000,000. The income of 1926 was estimated at £100,000,000. Our merchant marine consisted of 472 steamers and 1207 sailing-ships, i. e. a tonnage of 989.275 tons.

As a mercantile port the Piraeus comes third after Marseille and Genoa, showing the following movement in the years 1915-1926:

	Number of Steamers	Tonnage
1915.....	3.827 (1)	2.430.680
1920.....	4.720	2.878.857
1923.....	6.079	4.119.540
1924.....	7.142	4.651.121
1925.....	7.940	5.387.624
1926.....	8.312	5.990.337

Greece is one of those countries which meet their foreign obligations as before the outbreak of the Great War. On the old debt, moreover, the interest rates were in 1920, 1921, 1926, double

(1) In 1915 Greece was still neutral.

those of 1912. Despite the heavy taxation the country is not exhausted. A portion of the big holders of foreign exchange are awaiting consolidation of the financial situation in order to decide on the return journey of their foreign funds to Greek waters.

From its very creation, Greece was fully occupied with external troubles. The retaken territories were entirely neglected under the Turkish misrule of half a millennium. Should peace be of a longer duration, the Greek will most certainly prove once again his civilising spirit. He belongs to a peace-loving race that has become warrior by the force of circumstances.