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**Recovery**

**Program**

**GREECE**

**COUNTRY STUDY**

**Economic Cooperation Administration**

**February, 1949 • Washington, D. C.**

# *Greece*

## *Country Study*



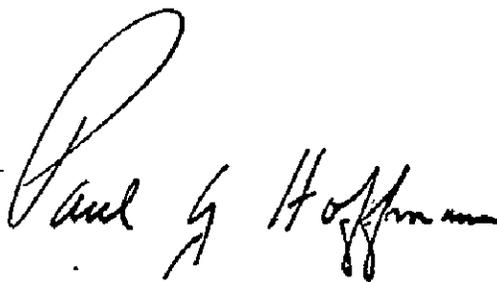
### *European Recovery Program*

Economic Cooperation Administration  
February, 1949 • Washington, D. C.

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This document is based on the best information regarding Greece currently available to the Economic Cooperation Administration, and the views expressed herein are the considered judgment of the Administration. Both the text and the figures for 1949-50 are still preliminary in character; participating countries will, therefore, understand that this report cannot be used to support any request, either to the Organization for European Economic Cooperation or to the Economic Cooperation Administration, for aid in any particular amount for any country or for any particular purchase or payment.

A handwritten signature in cursive script, reading "Paul G. Hoffman". The signature is written in dark ink and is positioned to the right of the main text block.

*Administrator.*

FEBRUARY 14, 1949.

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## PART I

# Summary and Conclusions

Greece needs peace and financial stability. There must also be reconstruction and economic development. Without foreign aid, these objectives could not be attained. Moreover, the problems of Greece cannot be solved until conditions can be created that will give Greek capital the confidence to invest in productive enterprises within the country.

The solutions of these problems cannot be worked out separately or one at a time. Without assurance of reconstruction in Greece, it might prove impossible to create sufficient confidence in the future of Greece to mobilize the forces necessary to end the civil war and to maintain the will to restore financial stability. In turn, without peace and financial stability the nation's resources are inadequate to pursue an aggressive program of reconstruction.

Financial stability and reconstruction are therefore the twin objectives of a recovery program in Greece. The tragic reality, however, is that today, with civil war raging, the full realization of either objective alone would consume all of the resources the nation has at its disposal.

This dilemma can be resolved only if there is frank recognition that reconstruction and development in Greece may have to continue beyond 1952 and that there can be no assurance that Greece will be able to finance the necessary expenditures for this purpose without some kind of external financial assistance. With the resources available for reconstruction in 1948-49 and 1949-50 only a small beginning can be made toward the solution of the problems that lay ahead. Reconstruction must be pushed as fast and as far as possible; but it cannot be pushed in ways that will jeopardize financial stability.

To begin to understand the problems that Greece faces today, it is necessary to remember that before World War II the country was relatively poor with average per capita income about \$80 a year.

Yet its people have been engaged in eight years of war that would have strained the resources of a stronger and richer country. German devastation was extensive; a large proportion of the merchant marine was lost; and the hyper-inflation which the Germans precipitated destroyed the banks and credit facilities of the country.

Liberation did not bring peace. Continued guerrilla warfare has added its toll to the destruction of villages and the abandonment of farms in some areas, and has limited the sections of the country in which reconstruction can be undertaken. The cost of supporting both the army and a refugee population equal to about one-tenth of the population has placed an impossibly heavy burden on the Greek budget and has limited the amount of the drachma counterpart fund that could be used for reconstruction.

The inflationary pressures to which Greece is subjected also retard reconstruction. Private Greek capital, paralyzed by fear of guerrillas and invasion from the north, will not risk investment in industry. Fearful of inflation, capital takes refuge in gold or merchandise or, escaping the net of the exchange controller, is invested abroad. Capital which fled the country before the German occupation refuses under present conditions to be repatriated. The urgent desire of Greeks to find a safe refuge for their savings abroad can only be dealt with through a restoration of confidence in the possibilities of internal investment.

It would be a mistake, however, to overlook those things which have been done both by the efforts of the Greek people and by virtue of foreign aid. As one looks ahead, the problems are staggering; but as one looks back, much has been achieved. With aid made available since the war, the damage done by the Germans to the transportation system and to basic facilities has been largely repaired. Agriculture and industry have made substantial recoveries toward prewar levels. Important progress has been made in the fields of public health and housing.

With the assistance of AMAG and the ECA Mission to Greece, the Greek Government took drastic measures to bring about financial stability. It succeeded in stabilizing prices for the first 10 months of 1948. How drastic these measures to stop inflation had to be may be judged from the fact that prices had climbed until they were nearly 300 times as high as they had been before the war.

While the Government will not be able to balance the budget so long as extraordinary military and refugee expenditures continue, improvement has been made. In 1946-47 tax revenues covered less than 30 percent of current expenditures. Since that time tax rates have been drastically increased and various categories of current government expenditures have been cut back at various times. At present, receipts are estimated to cover more than three-quarters of current expenditures and would be fully adequate to meet the ordinary expenses of government if it were not for the costs of the civil war.

The wastage of foreign exchange upon luxury and semiluxury imports has been cut to a minimum since the establishment in 1947 of the Greek Foreign Trade Administration in which American adminis-

trators hold executive posts. The drachma was devalued, thus contributing strongly to a marked recovery of exports during 1947-48. Since January 1948, credit creation by the Bank of Greece has been restricted and has been noninflationary.

The fact remains, however, that all of these measures have proved inadequate to bring financial stability to Greece. Prices rose nearly 10 percent between October and December, and have continued to rise since that time. There has been a rising demand for gold sovereigns. Indeed, by the end of January, the situation had become so critical as to invalidate all earlier forecasts of the budgetary deficit and of the drachma funds available for reconstruction.

The uncertainties of the Greek situation call for the exercise of an unusual degree of administrative flexibility. Equally they call for faith in Greece and its future. After 8 years of aggression, a hyperinflation and civil war, such faith must be inspired. Without tangible demonstration of such faith from the United States, the individual Greek will hope for no more than bare survival for himself and his family. Given faith in the future of Greece by the Greek people and their government, an alleviation of the guerrilla problem, and help from the United States, recovery is possible.

The capital development program, prepared by the Greek Government jointly with the ECA Mission to Greece, provides for water and power developments which will relieve the economy of its complete dependence on imported fuels and which will make possible increased agricultural output through flood control, drainage, and irrigation. The program also visualizes the development of Greek mineral resources—notably lignite, barite, bauxite, chromite, emery, iron ore, iron pyrites, lead, magnesite, and zinc—and provides for the manufacture of fertilizers using low-cost power from the mountain streams.

Any program for the reconstruction of Greece must look also to the improvement of life in the rural villages. This means roads, communications, housing and public-health measures, as well as technical measures to improve agriculture.

Current estimates indicate that the entire long-range program developed by the Greek Government and the ECA Mission might cost about 550 million dollars for imported goods. About 200 million dollars of this might be financed from reparations and other non-ECA sources. Few of the major projects in the program, however, have yet been subjected to economic and engineering analysis and they cannot, therefore, be endorsed as specific projects at this time.

As originally advanced this program was submitted as a 4-year program. It is now clear that even under the most favorable conditions the program can no longer be completed in the remaining years of ECA. Due to uncertainties as to the security situation no forecast

can be made at this time of the amount of work that can be completed in the next few years.

However, a large program for reconstruction and development is needed in Greece. The long-range program developed by the Greek Government and ECA Mission has been carefully enough prepared to warrant pressing the necessary basic studies to completion at an early date, so the program may be pushed rapidly as soon as peace is reestablished. Finally, the long-range program provides a general framework into which specific, carefully considered reconstruction activities may be fitted from year to year.

It is also clear that the reconstruction program must be pushed currently, however difficult this may be. In order to restore hope and high morale, it is important that large numbers of Greeks now unemployed or partially employed be given the opportunity to rebuild and develop their villages.

This program is not without its dangers. Efforts must be continued to close the budgetary gap through normal fiscal means. ECA hopes that some agreement can be reached to limit the drain of refugee and military expenditures on the use of counterpart funds for reconstruction. At present, these funds are used directly to cover refugee and reconstruction expenditures, while another part of the counterpart has been frozen as an offset to the overdrafts on the Bank of Greece that have been made to finance military operations and certain other budgetary items. There is the further danger that by increasing imports above calculated minimum living standards may be developed that may prove difficult to maintain without extraordinary outside assistance.

Those risks, however, are implicit in prevailing conditions in Greece and are continually under surveillance by the Mission. ECA has assumed that the program of economic aid to Greece was transferred to ECA under the general mandate to promote recovery. Recovery without reconstruction is an impossibility. There is no evidence that a mere relief program in Greece can accomplish the objectives of ECA.

The programs for both 1948-49 and 1949-50 were developed with all of these problems in mind. The total amounts of gross dollar aid for the first two annual programs are summarized in the following table:

[In millions of dollars]

	1948-49	1949-50
Greek request for gross dollar aid.....	\$211.0	\$198.1
OEEC recommendation of gross dollar aid.....	146.0	(?)
ECA estimate of gross dollar aid.....	144.8	170.0

<sup>1</sup> The final submission by the Greek Government was for 250.5 million dollars with a subsequent indication that "not more than 45 million dollars" could be used in net drawing rights. The figure in the text is derived from these submissions.

<sup>2</sup> National submissions for 1949-50 not yet reviewed by OEEC.

On the basis of the presently available facts, it appears that gross dollar aid may amount to as much as 170 million dollars in 1949-50 in contrast with 144.8 million dollars in 1948-49. In 1948-49 there were also net drawing rights of 66.8 million dollars equivalent, making a total of 211.6 million dollars of ECA aid. Dollar aid is increased in 1949-50 largely because of difficulties which the Greek Government has experienced in securing essential imports in exchange for its exports and to the full amount of its drawing rights. If gross dollar aid is increased to as much as 170 million dollars in 1949-50, it would appear that net drawing rights might be somewhat smaller in 1949-50 than they were in 1948-49. However, the main issue in the OEEC may be the proportion of aid to be financed in drawing rights which must still be substantial if the Greek program is to be effective.

It should be emphasized that the ECA program of 211.6 million dollars equivalent of aid to Greece for the fiscal year 1948-49 is a minimum program. The OEEC recommendation of 212.8 million dollars, which ECA approved with a slight modification, is 43.7 million dollars less than the amount finally requested by the Greek Government and 11.2 million dollars less than the amount recommended for approval by the ECA Mission to Greece. Greece has so far received 50 million dollars of gross dollar aid in the second calendar quarter of 1948 and 122 million dollars in fiscal 1948-49. To complete the program for 1948-49 Greece will need an allotment in dollar aid of 22.8 million dollars in the second calendar quarter of 1949.

During 1948-49 the bulk of ECA aid is being used to maintain the economy on a minimum basis. All import requirements as set forth in the current maintenance program have been closely screened by the Greek Foreign Trade Administration, in which American administrators hold controlling posts.

It was originally hoped that it might prove possible to finance about 65 million dollars worth of imports for the reconstruction and development program in 1948-49. Of this amount, 18 million dollars would involve the use of Greek sterling resources; only the balance would have been financed from ECA aid, largely in the form of net drawing rights on other participating countries. However, any shortage in projected exports, or in the estimated recovery from emigrant remittances, or other adverse development, would necessarily retard the recovery program.

The most serious obstacle limiting the reconstruction effort in this fiscal year is the necessity of restoring financial stability in Greece. Military, relief, and other extraordinary expenditures currently absorb or lead to the freezing of about 80 percent of the counterpart fund and seriously handicap the Mission's reconstruction program.

Reconstruction in the latter half of this fiscal year will be abandoned only if no other means can be devised to prevent financial col-

lapse. It may be necessary to permit some increase in the import of consumers' goods to give employment to refugees in the current fiscal year.

With a situation such as prevails in Greece, it would be dishonest to pretend that an ECA program for economic recovery can be laid down a year in advance that will be substantially adhered to in detail. It is possible to do no more than to formulate a reasonable program for relief assistance, to outline an essential reconstruction program in minimum terms and to lay down the general lines of policy that will cover the administration of assistance from month to month. It is in this sense that ECA makes its recommendations of a program of aid to Greece for the fiscal year 1949-50.

The program submitted to the OEEC for 1949-50 was jointly formulated by the Greek Government and the ECA Mission to Greece. The fundamental assumption of the program is that by July 1949, local hostilities will have been reduced to proportions that can be controlled by a rapidly decreasing military force.

Under the best of conditions, the larger part of ECA aid in 1949-50, as in the previous year, will be required for the current maintenance of the economy. Import requirements for such maintenance have been calculated on the basis of approximately unchanged food consumption compared with 1948-49. While this is close to the prewar level in quantity, the quality of the diet which has been assumed is below that of the prewar diet. Industrial raw materials and equipment estimates assume a level of industrial output rising from the present level of about 85 to 100 percent of the prewar level by July 1950. Under favorable conditions, it should be possible to maintain the current operations of the Greek economy, if dollar aid and drawing rights together provide something like 170 million dollars worth of imports over and above the amount that can be paid for by using all current receipts from exports, shipping, and other invisible sources. This does not provide for reconstruction.

The utilization of additional imports for reconstruction and development in Greece depends not only upon the provision of foreign funds to finance these imports; it depends also upon the availability of Greek labor and materials needed to install imported equipment and upon the availability of Greek funds to meet these local costs. If the drachma counterpart fund can be protected against the excessive drafts which have been made upon it, it should be adequate to finance an investment program involving the importation of capital equipment and materials to an amount of 50 million dollars, more or less. Both dollar aid and drawing rights would presumably be needed.

An effective reconstruction program will require not only the allocation of ECA funds for 1949-50, but will also require authorization

to make commitments for future years. The amount of 50 million dollars recommended above is inadequate to cover the commitments that need to be made in 1949-50; it is intended to cover only expenditures in 1949-50. On the other hand, the credit of the Greek Government alone will not enable the government to contract for deliveries in future years. Therefore, the ECA is recommending the authorization of future commitments for equipment for projects, which should be ordered in 1949-50 after careful engineering studies have been completed, but which cannot be delivered and need not be paid for until later.

In connection with this analysis, two points are to be noted. In the first place, it would be undesirable to specify the precise amounts to be used for current maintenance of the Greek economy and for reconstruction and development. The amount that must be used for maintenance or that can be used for reconstruction depends on developments that cannot be predicted with finality at this time. The efforts of the ECA will be directed to insuring that ECA funds are not dissipated and that as large a proportion as possible shall be used as soon as feasible to further reconstruction.

It is also to be noted that a recommendation to Congress for the appropriation of funds which would be adequate to meet minimum Greek needs for maintenance and reconstruction in 1949-50 under relatively favorable circumstances is not to be interpreted as a commitment that these funds will be made available. The precise amount of the total program cannot be determined until the situation has been reviewed by the OEEC in the light of conditions prevailing this spring. At that time the OEEC will make its recommendations as to the distribution of ECA funds for 1949-50 and with respect to dollar aid and drawing rights. Thereafter, ECA through its Mission to Greece will continuously review Greek needs and the opportunity to advance the reconstruction program in 1949-50.

## PART II

# Chapter I. Analysis of the Current Situation

### A. BACKGROUND

Greece is, and has been for generations, a poor country. Annual income before the war has been estimated at roughly \$80 per capita. Approximately two-thirds of the population of about 7 million people were engaged in farming under extremely unfavorable conditions. A variety of light industries provided employment before the war to a further 18 or 20 percent of the labor force at wage scales based upon a daily rate of about 70 cents for unskilled labor. To maintain even these standards of life, Greece depended heavily on imports for such essentials as wheat.

The means of paying for these imports were found in Greek exports of semiluxury agricultural products, such as tobacco, currants, and raisins, in shipping earnings, and remittances from emigrants. These sources of income are extremely vulnerable to changing conditions abroad. Even had the country not been in the direct path of the war, dislocation of the European economy as a result of the war would have had serious effects on the Greek balance of payments.

The decision of the Greeks to resist the German invader brought down a flood of disaster. Villages were destroyed. Looting of seed, farm tools, and draft animals reduced cultivated acreage by about 25 percent. Transportation facilities and communications were destroyed and many Greek ships were sunk. Industrial production came to an almost complete standstill, partly because of shortages of fuel and other imported raw materials. As a final gesture of destruction, the Germans precipitated a hyper-inflation which destroyed the banks and credit facilities of Greece. Public health had been seriously undermined. Starvation was averted during the war only through the activities of International Red Cross.

Liberation from the Germans did not bring peace. The nation's economic difficulties have been both exploited and immensely aggravated by the forces of international communism. Communist pressure has taken both political and military forms. Basing itself on the EAM, a communist-organized resistance group, and ELAS, an asso-

cited guerrilla force, the small Greek communist party has made successive attempts to seize power in the country. It has utilized other Greek minority elements driven into dissidence by economic distress, idleness, and real or fancied grievances against the legitimate Government.

On March 31, 1946, and again on September 1, 1946, these forces were decisively rejected by the Greek electorate. In March, Parliamentary elections were held under the scrutiny of a large American, British, and French mission at the request of the Greek Government and under the Yalta agreements. The USSR declined to participate.

The elections of March 31, 1946, returned a strongly conservative Parliament under Mr. Tsaldaris. In January 1947, the government was broadened to include some right-center elements. In September of the same year a Populist-Liberal Coalition government was formed, headed by the Liberal leader Sophoulis. This government, which originally enjoyed overwhelming Parliamentary support, resigned in November 1948, in the face of growing popular discontent and political maneuvers by nonparticipating groups. A new government under Sophoulis has since been formed and has obtained a vote of confidence in Parliament.

After a plebiscite in September 1946, that resulted in a 70 percent vote for the return of the King, the Communists launched the present guerrilla movement from carefully prepared bases across Greece's northern frontier. The situation in Greece became critical early in 1947 with the termination of UNRRA and the announcement by the British of their inability to continue financial assistance to Greece. It was at this juncture, on March 12, 1947, that the President requested Congress to initiate a program of economic and military aid to Greece.

Continued guerrilla warfare has impeded recovery and reconstruction. The armed forces have been expanded from about 50,000 in pre-war years to about 250,000. The withdrawal of such a large group for nonproductive purposes has seriously affected the supply of skilled labor and skilled administrators and technicians in all fields. This is a limiting factor on the physical capacity of the Greek economy that must be considered in plans for reconstruction. Furthermore, the government is forced to care for 650,000 refugees who have been driven from their farms by guerrillas or by fear of guerrillas and who have added to the congestion of the already overcrowded cities. The guerrilla war has added its toll to the destruction of villages and the abandonment of farms in some areas and has limited the sections of the country in which reconstruction can be undertaken. Greek discouragement over the prolongation of the guerrilla warfare and the inability of the United Nations to take more effective action is an important factor retarding recovery in Greece and has developed popular resentment with consequent political repercussions.

While there have been significant improvements in the administrative structure of the government, it has not yet been possible to counteract the drift of power and responsibility toward Athens. This trend, accentuated by wartime conditions and by civil war, has had some unfortunate consequences. Plans to decentralize the operations both of the Greek Government and of the ECA Mission are under discussion at the present time.

The ERP program must give special attention to reconstruction in the villages, if its full significance for the future of Greece is to be made clear to the Greek people.

## B. FOREIGN ASSISTANCE

Without foreign assistance the Greek people would have starved and the country could not have survived as a democracy. From 1945 to the end of June 1949 Greece will have received the equivalent of about 1¾ billion dollars of foreign aid. Of this amount, a total of about 560 million dollars has been military aid. Economic assistance through UNRRA, the British Mission, the American Mission for Aid to Greece, and now the ECA have totalled 1,198 million dollars.

TABLE 1.—*Foreign economic aid to Greece, January 1945 to July 1949*

[In millions of dollar equivalent]	
Source:	
Lend-lease.....	50 <sup>1</sup>
UNRRA.....	415
British aid.....	140
Canadian post-UNRRA aid to Greece.....	5
Export-Import Bank credit.....	15
OFLO loans <sup>2</sup> .....	80
U. S. Maritime Commission credit.....	45
AMAG <sup>2</sup> .....	128
ECA.....	263
Public Law 84.....	40
Private relief organizations.....	17
Total.....	1,198

<sup>1</sup> Minimum estimate of economic aid.

<sup>2</sup> Amounts authorized.

The United States Government's response to the Greek call for aid in the early months of 1947 led to the establishment of the American Mission for Aid to Greece. Its technical services in fields ranging from finance to public health have been welcomed by the Greek Government. The Greek Government has arranged that the officers of this mission, together with the other Americans retained by the Greek Government, shall hold controlling positions in matters affecting the use of foreign exchange in Greece. Through these individuals, effective controls are exercised over all imports and exports. Other phases of the mission's activity involve daily assistance to the Greek Govern-

ment in all matters affecting the financial structure and the distribution of all supplies of basic commodities. In the field of public health, the mission is staffed by a group from the United States Public Health Service who share joint responsibility with the Greek Ministry of Hygiene. The mission includes construction engineers, housing and highway advisers, agricultural specialists in many fields, industrialists and specialists in the fields of labor, public welfare, transportation, and distribution.

With the establishment of the European Recovery Program, the economic branch of this mission became the ECA Mission to Greece. The program of economic aid to Greece was transferred to ECA under the general mandate to promote recovery in western Europe.

### C. RECONSTRUCTION

From the very beginning foreign assistance has aimed at reconstruction as well as the relief of disease and unrest in Greece. With respect to agriculture, heavy UNRRA shipments of seeds, equipment, and fertilizer permitted the restoration of cereal harvests in 1946 virtually to prewar levels. UNRRA imports of fuel, raw cotton, machinery, and other basic requirements assisted in a recovery of industrial output to roughly 65 percent of prewar levels by late 1946. Some work was done even in the UNRRA period in restoring the Peloponnesian and Thracian railways.

The American Mission for Aid to Greece provided 32 million dollars for imports of capital equipment and materials in 1947-48, while additional grants of 18.4 million dollars were made by ECA for the second quarter of 1948. More than half of this 50-million-dollar program was for transportation and communications. Somewhat more than 13 million dollars was available for agricultural rehabilitation, about 4 million dollars for industry and mining, and about 2 million dollars each for water and power development and for housing.

It was in the field of transportation that most wartime damage occurred and that the most substantial repair has since been accomplished with foreign assistance. Out of 656 billion drachmae set aside from counterpart funds to pay for Greek materials and labor needed for reconstruction, development, and the administrative expenses of the Mission in 1947-48, more than a quarter was reserved for projects under the United States Army Corps of Engineers for the reconstruction of roads, railroads, airfields, and ports. By means of Greek and foreign resources the quays and wharves of the principal ports of Piraeus, Salonika, and Folos have been repaired and wreckage has been removed from the harbors. The Corinth Canal, blocked by the retreating Germans, is once more open to shipping. Railroad bridges and tunnels are being repaired and rebuilt. Ten airfields have been resurfaced and modernized; 1,400 kilometers of

highways are being resurfaced. Assistance has been given in restoring small coastal craft and the ocean-going fleet has been replenished through the sale of 100 liberty ships and 7 large tankers by the United States Maritime Commission to Greek owners.

A significant beginning has been made in the rebuilding of the villages. While housing has required comparatively small imports of materials, 95 billion drachmae were set aside in 1947-48 to cover the costs of Greek materials and labor for housing.

The public health program initiated by UNRRA and continued by the American Mission has had striking achievements. The incidence of malaria has been reduced from some 2 million cases a year to approximately 100,000. Efforts continue to control the large amount of tuberculosis which has resulted from malnutrition. These and other improvements in public health and sanitation are not only relieving distress and misery but are increasing the economic potential of Greece.

## D. SOURCES OF RESOURCES AND THEIR USE

### I. Production

As is indicated in table 2, there has been a substantial recovery in agricultural production. The wheat crop in 1948 was back to the prewar average and the production of a number of other domestically consumed products was above prewar levels. However, the recovery of agricultural production is not complete.

TABLE 2.—Greek agricultural production, prewar, 1947 and 1948

[In thousands of metric tons]

	1935-38 average	1947 final	1948 pre- liminary	1948 output as a per- centage of 1935-38
<b>CEREALS</b>				
Wheat.....	767.0	578.2	770.0	100
Rye.....	55.0	40.5	40.0	72
Meslin.....	40.0	25.9	30.0	75
Total.....	862.0	644.6	840.0	96
<b>OTHER</b>				
Rice.....	4.1	6.4	5.0	121
Pulses.....	77.8	65.3	71.3	91
Potatoes.....	196.2	301.0	300.0	153
Other vegetables.....	233.0	346.0	420.0	180
Table grapes.....	79.5	80.0	82.0	103
Melons.....	202.6	306.0	195.0	96
Citrus fruit.....	51.5	77.6	101.0	185
Other fresh fruit.....	75.6	160.0	167.0	220
Currants, dried.....	153.2	76.8	101.1	63
Sultanas, dried.....	28.6	23.0	22.0	77
Rozaki, dried.....	5.0	1.0	1.0	20
Figs, dried.....	28.6	25.3	26.0	91
Nuts.....	22.7	45.0	48.0	211
Olive oil.....	112.7	145.0	60.0	53
Vegetable oil seeds.....	12.1	12.0	13.4	110
Olives, edible.....	35.6	56.0	20.0	56
Wine.....	372.0	355.0	370.0	99
Tobacco.....	60.0	46.8	39.5	66
Cotton.....	44.3	34.8	n. a.	n. a.

Economically the three most important crops in Greece are cereals, olive oil, and tobacco. Unfortunately guerrilla activities during the

closing months of 1948 resulted in the loss of about 25 percent of the land available for wheat. Current estimates indicate that the 1949 crop may, therefore, be as much as 200,000 tons short. While it is hoped that this land, lost to wheat, may be planted to substitute crops in the spring of 1949, the Greek economy may nevertheless face a heavy loss from this cause.

The small olive crop in 1948 has had serious consequences for the whole of the Greek economy. There is a normal biennial swing between large and small olive crops but the crop of 1948 was unusually small. Olive oil constitutes one of the staples of the Greek diet and is one of the commodities which is hoarded whenever there is fear of inflation. The substantial hoarding of olive oil which has occurred this year in turn aggravates the shortage and has contributed to the inflation in the late fall of 1948.

Tobacco production offers a more serious problem, since it depended before the war upon central European markets. Production is on the increase and the prospects for sales of the so-called American grades of tobacco, which command premium prices, appear bright. On the other hand, disposal of the European grades, which must be produced concurrently with the American, is difficult and will remain so for many years in view of the poverty of Central Europe. This has resulted in serious distortions of the normal pattern of agricultural income.

Severe losses of money income in the tobacco and raisin-growing districts have not been fully replaced by diversion of land and labor to production for domestic consumption, nor by governmental relief assistance. The farming community as a whole has experienced further severe hardship from the substantially greater advance of industrial and raw material prices in Greece than of prices at the farm.

Industrial production recovered somewhat more slowly than agriculture. Raw material imports financed with UNRRA funds resulted in a recovery of industrial production to about 65 percent of prewar levels by the end of 1946. There followed a protracted period of relative stability. Even as late as the first 8 months of 1948, industrial production ranged from 65 to 70 percent of prewar levels.

Output has risen sharply since August and achieved a postwar peak of 85 percent of prewar in October 1948. While this index is subject to substantial fluctuations due to the changing fortunes of individual business establishments, the ECA Mission and the Greek Government assume that the 85 percent rate will be maintained throughout 1948-49.

Only the production of electricity and cigarettes is above prewar levels. The building materials industry is the only other industry for which figures are available that was operating in October at as much as 90 percent of prewar levels. Even as late as October 1948,

a number of industries were still operating at less than 70 percent of the prewar rate.

## 2. Consumption

An accurate appraisal of over-all consumption levels in Greece cannot be made from available statistical materials particularly since the real distribution of available supplies is such that averages are meaningless.

So far as food consumption is concerned, it is hoped that domestic production plus imports will suffice to maintain consumption in 1948-49 at 2,450 calories per capita per day which approximates the prewar level. There is reasonable agreement with reference to the current levels of consumption, but there is some disagreement with reference to the prewar levels of consumption when statistical materials were less adequate than they are at the present time. Nevertheless, it is agreed by all authorities that the quality of the diet has deteriorated. Quantitatively, food consumption has been maintained by increasing the consumption of grains and potatoes. The consumption of fats and oils and of meat is definitely lower than it was before the war. There has been partial compensation through increased consumption of fish and milk, though the milk consumption of Greece is still among the lowest of any of the countries of Europe.

With respect to clothing, the sluggish recovery of domestic textile output suggests that even the low standards of prewar years are not now being met. Textile production is at no more than 80 percent of prewar levels. Recovery of textile production is prevented by the poverty of the consumer and by restricted demand due to the break in lines of supply to the interior owing to insecure communications.

The most serious deficiencies in Greece appear to be in housing and fuel. Housing is desperately short and continues to deteriorate as a result of guerrilla activities which displace people in the villages and drive them to the already overcrowded urban areas. Domestic fuel supplies have been drastically cut as a result of the destruction of the forests during the occupation and the inaccessibility of lignite mines.

Such declines as have occurred in total consumption are of less significance, however, than the pronounced changes in its distribution. Thus the refugee group, now approaching 10 percent of the entire population, has suffered heavy losses of both property and income for which governmental relief distribution of less than a pound of bread a day and the equivalent of 15 cents have provided no adequate replacement. Similarly, those groups dependent upon the depressed export trades have been unable to recover their normal share of the national income through diversion of resources and labor to new occupations. Governmental salaries and pensions have lagged behind

the advance of the general price and wage level because of the impossibility of making such increases without creating intolerable inflationary pressures. Many urban property owners have been virtually ruined by governmental moratoria stabilizing rentals at levels that bear almost no relationship to the general level of prices in Greece today.

These losses of income have to some extent been offset by increases in income for those groups which naturally tend to gain during a period of inflation. The merchant group in the community has gained conspicuously and there is some evidence to suggest that even skilled workers are somewhat better off than they were before the war. The natural tendency of inflation to redistribute income in favor of certain economic groups has been strongly accentuated by the inclusion in all business calculations of a sufficient margin of additional profit to cover the abnormally high risk factors that are present in Greece today. This drastic redistribution of income has heightened the social and political tensions of Greece.

### **3. Government Use of Resources**

Government expenditures during 1947-48 and during the current fiscal year will exceed the equivalent of 300 million dollars annually and represent approximately 30 percent of the total national income. Prior to the war, government expenditures apparently took about 25 percent of the national income. Every effort is being made to reduce the drain represented by the employment of unnecessary civilians by the government.

The reduction of the public pay roll in Greece is a continuing problem. Public employment increased greatly during the war and enemy occupation, when it afforded Greeks an opportunity to block action and thus embarrass the occupying powers. It was obvious that after the war political pressures would develop to slow down the discharge of unnecessary employees.

Substantial progress has been made in reducing governmental expenditures in the civilian budget. The Mission and the Greek Government have cooperated and are continuing their efforts to streamline the essential governmental activities. From the inception of the program of the American Mission for Aid to Greece to date, it is estimated that government forces in Athens have been reduced by nearly 15,000 employees from a total of 80,000. Much work along these lines remains to be accomplished.

While progress has been made in reducing the number of civilian employees, the government budget has been in balance at no time since the end of the war. The financial problem is discussed later; at this point it need merely be noted that the budget is overburdened by military and relief expenditures.

The 1948-49 budget submitted to Parliament is shown in table 3. Drawn up after the Grammos battle, it was based upon the assumption that military expenditures could be cut back sharply in the second half of the fiscal year and that refugee rolls could be rapidly reduced. These assumptions have not proved valid. Furthermore, hidden subsidies have developed as a means of offsetting an increase in bread prices of 80 percent in July. By way of explanation of the items in the budget, it should be noted that finance, which is the largest single item, includes the payment of pensions.

TABLE 3.—*Estimated budgetary expenditures 1948-49*  
[In billions of drachmae]

Category :		Category :	
Parliament .....	11.1	Transport .....	3.6
Finance (including pen- sions) .....	875.0	Education .....	221.6
Coordination .....	3.3	Natural Economy .....	10.5
Foreign Affairs .....	38.2	Tourism .....	2.8
Press .....	7.9	Labor .....	28.2
Justice .....	90.7	Agriculture .....	105.0
Interior .....	22.2	Welfare .....	416.6
Public Order .....	290.0	Hygiene .....	192.7
Supply .....	29.2	War .....	764.3
Public Works .....	52.5	Navy .....	76.7
Reconstruction .....	6.4	Air Force .....	72.4
Postal Telegraph and Telephone .....	92.2	Merchant Marine .....	37.0
		Total .....	3,450.0

#### 4. Investments

Data are not available to estimate current levels of private saving and investment in Greece. Private investment in productive enterprise has declined very sharply. Private investment in fixed plant and equipment is small. The accumulation of wealth tends to be either in stocks of consumer goods which can be turned over quickly, or in gold which is readily portable. Capital also seeks flight through the purchase of black market foreign exchange, rather than investment in bricks and mortar for the development of the country.

The reason for failure of any substantial recovery of investment is found in the fear of guerrilla depredations and of invasions from the North, a fear intensified in the minds of a generation of Greeks who have witnessed so much strife since the outbreak of the Balkan wars early in the twentieth century.

The decline of private investment has been counter-balanced by the expansion of government outlays for reconstruction. As was indicated above, programs undertaken under the auspices of AMAG<sup>1</sup> absorbed drachma outlays for local labor and materials approximating 50 millions dollars. There is a deficit in the Greek current budget, so

<sup>1</sup> American Mission for Aid to Greece.

that Greek Government investment comes entirely from the drachma counterpart fund.

## 5. Imports and Exports

As has already been indicated, Greece has been able to balance neither its internal nor external accounts. The problem of internal financial stability is discussed under Financial Situation and Policy (see page 22). At this point it is important to note the nature of Greek foreign trade and the magnitude of the Greek foreign deficit.

As will be seen from table 4, the imports estimated by the ECA Mission as necessary to maintain the economy in 1948-49 consist in large part of food and agricultural products, despite the fact that Greece is predominantly an agricultural country. Food is almost as large a part of the import program as fuel, raw materials, and all other consumer goods in combination.

TABLE 4.—*Estimated current Greek imports, 1948-49*

[In millions of dollar equivalents]

Commodity groups:	Total (f. o. b. values)
Food and agricultural.....	115.7
Coal .....	4.3
P. O. L.....	20.3
Iron and steel.....	8.6
Nonferrous metals.....	3.3
Timber .....	9.5
Pulp and paper.....	5.7
Textiles .....	33.2
Chemicals .....	21.1
Raw materials and miscellaneous.....	25.2
Equipment:	
Electrical .....	0.2
Textile .....	3.2
Wood .....	0.5
Agricultural .....	3.1
Inland transport.....	8.0
Machine tools and other.....	8.1
Total.....	269.8

Beyond these imports are those used for reconstruction and development. This program is discussed elsewhere.

It is assumed by the Mission and the Greek Government that all currently available income from foreign transactions will be used to pay for these minimum import requirements. The major source of income is from Greek exports. Net earnings from shipping and emigrant remittances are also important.

The ECA Mission estimates that Greek exports in 1948-49 will total about 101.5 million dollars equivalent. After allowing for price changes, this is approximately 60 percent of the average annual real

export values in 1936-38. As is indicated in table 5, the major export is tobacco. Nonagricultural exports amount to less than 10 percent of the total. A major Greek export problem is to replace with other markets the German market which was one of its main customers before the war.

TABLE 5.—*Estimated Greek exports, 1948-49*

[In millions of dollar equivalents]

Commodity:		Commodity:	
Tobacco .....	44.0	Forest products.....	3.8
Olive oil.....	12.0	Hides .....	2.3
Olives .....	3.0	Sponges .....	1.8
Currants .....	10.0	Minerals.....	3.4
Sultanas .....	5.5	Miscellaneous.....	4.5
Figs .....	1.5		
Fresh fruits and vegetables...	3.7	Total.....	101.5
Wines and alcohols.....	6.0		

The weakness of the present European market for semiluxury products is reflected both in the volume of exports and in Greek export prices. The terms of trade have moved against Greece; imports cost about three times as much as before the war, while export prices have only doubled.

Greece is also at a disadvantage in bilateral trade bargains. Because its products are in the nature of semiluxuries, other countries are reluctant to confine to essentials their exports to Greece. It is therefore extremely difficult to carry out a program limited to the import of absolute essentials and at the same time to raise the volume of exports.

### E. BALANCE OF PAYMENTS

While the figures on estimated gross national production for Greece are not particularly reliable, it is evident that somewhere between one-sixth and one-fifth of all the goods and services available in Greece are available only because means have been provided for financing a deficit in the balance of payments. Foreign financing is responsible for a larger proportion of available goods and services in Greece than in any other country in the European Recovery Program.

Estimated balance of payments for 1948-49 are shown in Part III as appendix tables A and B (see page 52). The former, indicating an over-all deficit on current account in the balance of payments of about 263 million dollars, is the estimate prepared by the OEEC; in the second, the ECA estimates the deficit at about 222 million dollars. The differences between the two estimates are explained more fully in a later chapter dealing with the Program for 1948-49 (see page 36). At this point it is merely important to indicate the over-all magnitude of either of these estimates in relation to a gross national product of only slightly over 1 billion dollars.

The balance of payments on the Current Maintenance Account<sup>1</sup> for 1947-48 and 1948-49, as estimated by the ECA Mission to Greece, is shown in table 6. The terminology differs from that in the tables in Part III (page 52) because the ECA Mission does not treat current imports of capital equipment for reconstruction as part of the Current Maintenance Account. The Mission's tabulation, however, shows the slight improvement that was anticipated in Greece in what may be regarded as the minimum deficit with which the economy can operate.

TABLE 6.—Balance of payments on current maintenance account

(In millions of dollar equivalents)

	1947-48		1948-49	
	All currencies	Dollars	All currencies	Dollars
<b>EXPENDITURES</b>				
Current consumption and normal replacement:				
(a) Imports.....	271.3	168.9	269.8	151.3
(b) Freights.....	38.7	25.3	36.2	20.9
	310.0	194.2	306.0	172.2
Invisibles.....	23.6	15.8	19.8	11.5
Increase in reserves of Bank of Greece.....	4.7	.7		
	338.3	210.7	325.8	183.7
<b>RECEIPTS</b>				
Exports.....	95.6	18.8	101.5	21.7
Invisibles <sup>1</sup> .....	54.9	18.0	56.9	19.1
British War debt payment.....	13.9		8.6	
Surplus property.....	20.0	20.0		
Decrease in reserves in Bank of Greece.....			14.4	
	184.4	56.8	176.4	40.8
Deficit.....	153.9	153.9	149.4	142.9

<sup>1</sup> Includes shipping.

The actual deficit, as indicated in the tables in the annex, is larger than that shown in table 6 because, in addition to the imports which are necessary for the mere maintenance of the economy, there have been imports for reconstruction and development in both years. These are carried in what the ECA Mission to Greece and the Greek Government refer to as the "Capital Account." Since all current earnings are used to pay for the imports which are necessary to the maintenance of the Greek economy, it follows that imports for reconstruction and development can only be financed by grants-in-aid from the United States and from its partners in the European Recovery Program and from whatever capital resources can be mobilized by the Greeks. Greek resources available for payment for imports of capital equipment are extremely limited and consist essentially of a sterling balance. Under the AMAG program for 1947-48 Greece received 32 million dollars in reconstruction supplies and ECA con-

<sup>1</sup> See page 36 for a more detailed explanation of the terms "current maintenance" and "reconstruction and development" accounts.

tributed a further 18.4 million dollars for the second quarter of 1948. In 1948-49, as will be indicated later, drawing rights upon other participating countries in Europe may provide as much as 60 million dollars equivalent.

## F. EXCHANGE RATE POLICY

With respect to the drachma exchange rate,<sup>1</sup> a heavy overvaluation of the drachma at the official rate of 5,020 drachmae to the dollar seriously hampered export recovery throughout 1946 and the first 9 months of 1947. However, in October 1947 the Greek Government with the assistance of AMAG introduced the so-called exchange certificate system which has subsequently succeeded in establishing a reasonably realistic rate of exchange.

Under the exchange certificate system, the official buying and selling rates of foreign exchange remain at their official levels of 5,020 drachmae to the dollar and 20,000 drachmae to the pound sterling. Sellers of foreign exchange to the Bank of Greece and other authorized dealers receive, however, in addition to the drachma value of such exchange computed at the official rate, "exchange certificates" which carry no fixed value in drachma terms but are instead denominated in terms of dollars or sterling. Demand for such certificates is created by the requirement that all purchasers of foreign exchange present certificates having a face value equivalent to the foreign exchange demanded. Through the free operation of demand and supply for certificates, and the consequent creation of a certificate market rate, the certificate system theoretically produces a relatively automatic adjustment of the effective exchange rate to changes in the relationship between internal and foreign prices. Thus, inflation of the drachma price level would tend to (1) broaden the profit margins of importers, (2) increase the demand for exchange certificates with consequent rise in certificate prices, and (3) permit exports to continue without interruption by providing exporters with a higher sale price for their foreign exchange earnings as an offset to their higher costs.

In actuality, however, the exchange certificate rate has been strongly influenced by the exchange operations of the Bank of Greece. Thus, the supply of certificates reaching the market includes not only certificates issued against current sales of exchange to the Bank of Greece but also certificates issued by the Bank of Greece against American dollar grants placed at its disposal. In regulating the rate of release of certificates against American dollar grants, the general policy of the Bank of Greece has been one of permitting an orderly increase of certificate rate in response to market pressures up to the point at which the disruptive effects of such rate increases threaten to outweigh their corrective influence.

<sup>1</sup> See Appendix Table E—Exchange rate: Greek drachma on page 53.

Thus, from October 1947 to June 1948 the effective dollar exchange rate (i. e., the official exchange rate plus the certificate rate) was allowed to rise by gradual stages from 5,020 to about 10,000 drachmae to the dollar. Despite the concurrent increase in the general price and wage level by somewhat less than 50 percent, such devaluation largely succeeded in eliminating the previous over-evaluation of the drachma. In spite of this devaluation of the drachma, there has been continuous pressure on the market because of the effort of Greek capital to seek havens of refuge abroad. This has given rise to a black market in which the rate is approximately 14,000 drachmae to the dollar. This pressure has been periodically relieved by the Bank of Greece through offers of gold sovereigns at a free-market rate. The pressure which has developed in the foreign exchange market late in 1948 and during January 1949 has, therefore, manifested itself in terms of an increased demand for gold sovereigns and not in significantly large changes in the black market rate for the drachma. This kind of pressure can obviously not be relieved by changing the drachma rate but rather demands a revival of confidence in the future of Greece on the part of the moneyed classes of Greece.

## G. FINANCIAL SITUATION AND POLICY

### I. Budget

Table 7 shows the Greek budget estimates for 1948-49 and the two previous years. The actual deficit in 1948-49 will be larger than the original estimate due to unfavorable developments in the second half of 1948.

TABLE 7.—Greek budgetary developments, July 1946 to June 1949  
[In billions of drachmae]

	1946-47	1947-48	1948-49 (original estimate)
<b>EXPENDITURES</b>			
Military.....	418	940	1,159
Refugees and relief.....	37	432	505
Ordinary and other.....	1,088	1,165	1,775
Hidden subsidies.....	1,187	268	(?)
	2,730	2,805	3,439
<b>REVENUES</b>			
Taxation.....	804	1,684	2,439
UNRRA, OFLC.....	1,575	711	195
Other.....	80	87	100
	2,459	2,482	2,734
<b>DEFICIT</b>			
Gross deficit.....	271	323	705
AMAG aid.....		186	
ECA aid.....			500
Net deficit.....	271	137	205

<sup>1</sup> A detailed break-down of estimated expenditures for 1948-49 is shown in table 3 on page 17.

Budgetary expenditures have had the constant attention of the AMAG and now of the ECA Mission. The results have fully justified the efforts on the part of the Greek Government to bring the budget into balance. The most marked achievement has been the threefold increase in tax revenues since 1946-47. Expenditures on the other hand have been planned to rise less than 25 percent despite huge increases in expenditures for military purposes and for refugees and relief and despite large wage increases.

The budget for 1946-47 rested upon extremely insecure foundations. Taxation covered less than 30 percent of total expenditures. Two-thirds of the "revenue" was derived from the proceeds of sales of UNRRA and OFLC supplies. More than a third of the expenditures in that year was in the form of hidden subsidies.

In the budget for 1947-48 taxes were more than doubled, ordinary expenditures remained virtually unchanged and there was a large enough decrease in the subsidies to offset the increase in expenditures for military purposes and for relief. These results were achieved only after drastic decreases in anticipated expenditures and only through severe rate increases in existing taxes together with the introduction of several new levies designed to recapture excessive profits.

The relatively satisfactory budget equilibrium of 1947-48 was not accomplished, however, without seriously straining the financial resources of Greece and probably generating significant inflationary reactions. Thus among the tax increases required were rate increases of no less than 150 percent in customs duties and 60 percent in the turn-over tax. In succeeding months, expansion of the military forces, together with the increase of refugee population imposed unexpectedly heavy burdens upon a budget already strained to the breaking point. Rising prices during the winter months made it impossible to eliminate the bread subsidy. It became necessary, therefore, to divert to the budget roughly 20 percent of the AMAG drachma counterpart funds initially earmarked for reconstruction with consequent cutbacks in the reconstruction program, but final budgetary returns for the fiscal year will show overdrafts on the Bank of Greece only slightly larger than those originally anticipated.

The 1948-49 budget submitted to the Parliament represented an even more strenuous effort than that of the preceding fiscal year to reduce the difference between expenditures and revenues. Unfortunately, since the submission of the official budgetary estimates the rise in prices has made it necessary again to increase subsidies somewhat over the levels that prevailed in 1947-48. Even more serious has been the recent deterioration of the security situation which makes it increasingly probable that military and refugee expenditures must be still further increased beyond the levels originally budgeted. Wage increases in the form of a Christmas bonus have been granted. There

has been no increase in taxes as yet to adjust the government budget to the new level of costs and prices that is emerging. It is therefore probable that the government overdraft at the Bank of Greece will very considerably exceed the moderate amounts initially contemplated. Military and refugee expenditures have nearly quadrupled over the past 3 years and now amount to almost half of the total authorized expenditures in 1948-49.

In an analysis of the budgetary situation, however, it would be a mistake not to recognize that receipts from taxation provided for in the 1948-49 budget were fully adequate to meet the ordinary expenditures of the Greek Government.

## **2. Counterpart Funds**

In order to neutralize the inflationary impact of these overdrafts on the Bank of Greece it may prove necessary to freeze perhaps as much as 500 billion drachmae more of the ECA counterpart funds, thereby increasing the total allocations of the counterpart funds for fiscal stabilization purposes to 1 trillion drachmae, or even more.

The disposition of counterpart funds arising from ECA shipments has raised several problems closely related to the whole program. Policy has dictated that counterpart arising from import of capital equipment on government account for reconstruction should be frozen. Release of such funds which are not matched by payments out of current Greek savings would add to the inflationary factors already threatening the stability of the Greek economy. Counterpart arising from imports of consumer goods has been earmarked for special expenses such as relief of refugees and to finance projects approved by the mission within the framework of general approvals granted by ECA.

Availability of counterpart for reconstruction, however, is restricted by the necessity of freezing still further sums to offset the inflationary forces inherent in the Greek budget situation which, as the months of the current fiscal year go by, is showing an increased imbalance between actual receipts and actual expenditures. No counterpart funds are made available for military expenditures, but the increase in military expenditures results in overdrafts on the Bank of Greece by the Greek Government. The only means of keeping such overdrafts from exerting an inflationary pressure on the Greek economy is to freeze the counterpart funds. In the interest of financial stability expenditure for reconstruction is thereby reduced.

## **3. Money and Credit**

Virtually all of the assets, as well as the deposits and other liabilities of the Greek banks, were swept away by the hyper-inflation of the occupation period leaving them utterly dependent upon advances from the central bank, the Bank of Greece, to cover their operations. Since

liberation, the constantly imminent and frequently realized threat of further inflation, coupled with fears of political upheaval and capital levies, has seriously retarded the recovery of deposits. As a result, the Bank of Greece has been compelled to assume virtually full responsibility for financing agricultural recovery as well as for certain strategic industries that have been unable to secure adequate financing from the private banks.

Of total credit created by the Bank of Greece as of July 1948, nearly 77 percent has been allocated to agriculture. In real terms agricultural bank credit outstanding as of that date corresponded to more than 90 percent prewar volume.

So nearly complete a restoration of the agricultural credit structure was not achieved without serious inflationary disturbances. Thus the severe burst of inflation in the fall and winter of 1947 was unquestionably largely attributable to an excessive expansion of agricultural credit by the Bank of Greece during that period.

Since January 1948, however, credit creation by the Bank of Greece has been closely restricted within the limits of noninflationary financing. A moderate expansion of agricultural and industrial credit was permitted in the spring and early summer of 1948 as an offset to deflationary pressure then developing and to serious threats of industrial shut-downs. Table 8 shows the development of Bank of Greece loans by major categories since June 1947.

TABLE 8.—*Bank of Greece loans outstanding at end of month*

[In billions of drachmae]

Month	Total	Agriculture	Industry	Trade	Mortgage bank	Other
<b>1947</b>						
June.....	860.8	530.9	42.4	173.8	9.1	54.6
July.....	902.8	608.1	42.4	187.0	11.1	56.2
August.....	963.4	657.1	44.4	193.4	12.1	56.4
September.....	1,016.4	682.1	49.4	200.6	13.1	71.2
October.....	1,076.4	742.9	49.1	200.1	13.1	71.2
November.....	1,098.7	781.9	48.5	183.7	14.3	70.3
December.....	1,186.4	788.4	47.3	163.0	16.6	71.1
<b>1948</b>						
January.....	1,194.5	907.1	53.6	144.4	18.7	70.7
February.....	1,207.2	929.4	58.1	128.4	19.6	71.7
March.....	1,259.9	933.8	65.9	113.8	23.8	71.0
April.....	1,300.9	1,014.9	70.7	116.8	24.8	73.7
May.....	1,308.4	1,029.1	78.9	95.6	28.9	75.9

With respect to the private banks an encouraging recovery of deposits has occurred during the past year (see table 9). Nevertheless, total deposits as of the end of May 1948 corresponded to less than 10 percent of prewar levels in real terms. Moreover, about half of the total deposits outstanding in May 1948 consisted of the compulsory deposits of pension funds and other public institutions. Savings deposits remained at almost negligible levels.

TABLE 9.—*Private bank deposits at end of month*

[In billions of drachmae]

Month	Total	Sight deposits	Savings bank deposits	Time and blocked deposits
1947				
June.....	306.7	241.7	10.3	54.7
July.....	319.4	251.4	16.9	57.1
August.....	312.6	271.4	11.5	29.7
September.....	344.4	303.9	12.2	28.3
October.....	369.0	322.1	13.2	33.7
November.....	387.4	339.6	13.3	34.5
December.....	398.2	349.0	13.5	35.7
1948				
January.....	422.6	366.0	14.2	42.3
February.....	444.4	375.4	15.2	53.8
March.....	459.6	401.0	15.4	43.2
April.....	461.9	403.0	17.1	41.8
May.....	503.6	443.8	17.2	42.6

<sup>1</sup> Approximately 60 percent of sight deposits consist of the compulsory deposits of public institutions.

The incomplete recovery of deposits and consequent shortage of industrial and commercial credit in relation to the prewar volume encouraged a bidding up of interest rates to as high as 40 percent, thereby depriving a number of legitimate enterprises of the financing required for the resumption of full production. The Bank of Greece remained most reluctant to force down interest rates through creation of additional credit, however, on the grounds that the constant menace of inflation had created an excessively strong inducement for credit to flow into gold and other speculative markets. In an effort to secure an improved flow of credit for legitimate purposes at reasonable rates of interest, the Greek Government obtained parliamentary approval in April 1948 of a bank reform law establishing controls over the credit operations of private banks and limiting the rate of interest to a maximum of 12 percent. Reserve requirements against deposits were established in August 1948 because of developing speculation in the commodity markets.

It was possible through most of 1948 to hold note circulation at fairly steady levels, but in recent months pressures have arisen necessitating an expansion (see table 10).

TABLE 10.—*Drachma note circulation outstanding at end of month*

[In billions of drachmae]

Month	Amount	Month	Amount
1947:		1948:	
December.....	970.3	July.....	1,045.6
1948:		August.....	1,048.6
January.....	893.3	September.....	1,018.9
February.....	865.9	October.....	1,027.7
March.....	888.2	November.....	1,021.0
April.....	970.8	December.....	1,189.0
May.....	956.2	1949:	
June.....	1,011.8	January.....	1,146.0

#### 4. Prices

A retail price index developed by the Mission to Greece shows prices more than three hundred times as high as they were in 1939. Nevertheless, the monetary policies jointly developed by the Greek Government and the Mission succeeded in establishing a considerable measure of financial stability during most of 1948. The level of retail prices fluctuated only moderately between February and October.

TABLE 11.—*AMAG-EOA retail price index*<sup>1</sup>

[October 1939=1]			
<i>Month</i>	<i>Index</i>	<i>Month</i>	<i>Index</i>
1948:		1948:	
January.....	281	July.....	300
February.....	296	August.....	311
March.....	299	September.....	310
April.....	294	October.....	310
May.....	286	November.....	333
June.....	289	December.....	348

<sup>1</sup>Athens market.

#### 5. Present Conditions

Unfortunately, Greece is again going through a period of financial instability. Prices rose nearly 10 percent between October and December 1948, and have continued to rise. The failure of the 1948 olive crop has increased the tendency to hoard oil. Fear of increases in the price of this staple destroys confidence in the general level of prices. Irregular flows of materials during the first months of ERP also caused some shortages to develop in the fall of 1948. In the absence of effective control of prices, the tendency of wages to move upward has exerted an additional inflationary pressure on costs. The mounting costs of military and refugee operations increase the budget deficit and necessitate the freezing of an increasing share of the local drachma counterpart funds to offset overdrafts on the Bank of Greece. There has been a rising demand for gold sovereigns.

Indeed, by the end of January 1949, the situation had become so critical as to invalidate all earlier forecasts of the budgetary deficit for 1948-49 and of the drachma funds available for reconstruction. The uncertainties in the general Greek situation call for the exercise of a more-than-usual degree of administrative flexibility. It is becoming increasingly difficult to carry out the reconstruction program scheduled for the balance of 1948-49. However, while financial stability must have essential priority, reconstruction must continue to be pushed as fast and as far as possible. The program for 1949-50 has been developed with these two objectives in mind.

## Chapter II. The Long-Term Program

A long-term economic program for Greece must embrace plans for economic development. Mere reconstruction of the prewar economy would be an inadequate objective. The prewar economy was itself poor but even prewar standards of subsistence could not be attained by the present population of Greece without further developmental work. Structurally the prewar economy depended too heavily on the export of tobacco and, to a lesser extent, of submarginal minerals to Germany and other central European countries. In planning for recovery it appears wise to seek different patterns of trade and to change the nature of the Greek economy by placing greater emphasis on types of industrial production to which the resources of Greece are adapted. Finally, internal economic resources must be developed to offset the gradual loss of emigrant remittances<sup>1</sup> which inevitably occurs as ties with Greece weaken with the passage of years.

The problem of overpopulation can eventually be solved in part by improvements in agriculture and in part by a large shift of population from agriculture to other lines of work. If Greece is eventually to provide gainful employment for the tens of thousands of farm families not needed to operate the farms efficiently, and for the unemployed labor in the cities and towns, there must be a great expansion of activity and employment in other occupations. New and expanded food and other processing, manufacturing and mining industry can provide the basis for this employment. Essentially Greece needs to look to the development of industries requiring a relatively large amount of employment per \$1,000 of product and not to the development of heavy industries requiring large investments per worker.

This diversification of the economy would serve either to make Greece less dependent on foreign imports or improve her external trade balance by increasing her exports to countries other than those of central Europe.

Greece has undeveloped natural resources of which waterpower is the most important. They remained undeveloped in the past largely because of the unwillingness of private capital to make long-term investments in Greece and because of the inability of the Government to borrow money at low enough rates to justify the development of Greek resources.

<sup>1</sup> It is estimated that emigrant remittances will amount to 14.0 millions of dollar equivalents in 1948-49.

## A. THE PROGRAM

### 1. General

In formulating its long-term program the Greek Government, with the assistance of the ECA Mission, has projected a development of Greek resources to improve living conditions and to improve the balance of payments by increasing and diversifying exports and by relieving the Greek economy of the need for part of its imports.

The core of this capital-development program lies in plans for the development of waterpower which will lessen the dependence of the Greek economy on imported fuels and which will make possible increased agricultural output through flood control, drainage, and irrigation. The program visualizes the development of Greek mineral resources and provides for the manufacture of fertilizers which will utilize low-cost hydroelectric power. It also looks to the improvement of life in the rural villages which means roads, communications, housing and public health measures, as well as technical measures to improve agriculture.

The foreign exchange costs of the program submitted by the Greek Government and modified by the Mission have been estimated in table 12.

TABLE 12.—*Foreign exchange costs of Greek capital development program*

[In millions of dollar equivalent]

	Greek Government estimate	Mission estimate
Water and power development.....	\$115.3	\$115.3
Industry and mining.....	133.8	123.4
Agricultural rehabilitation.....	94.7	94.7
Transportation.....	123.4	114.6
Telecommunications.....	10.0	10.0
Tourism.....	5.0	5.0
Public health.....	28.8	28.8
Refugee rehabilitation.....	24.4	20.8
Housing reconstruction.....	26.5	25.0
Education.....	10.9	7.5
<b>Total.....</b>	<b>572.7</b>	<b>545.8</b>

As will be noted, the bulk of the expenditure is for imports to promote hydroelectric development, industry and mining, agricultural rehabilitation, and transportation.

Of the estimated total of 546 million dollars, it is estimated that 203 million dollars can be provided from the following sources:

[In million-dollar equivalent]

Italian reparations.....	90	Sterling balances.....	28
German reparations.....	10	Private foreign investment.....	20
Repatriation of Greek foreign as- sets .....	25		203
Release of hoarded gold.....	30		

Many of these sources will depend on the restoration of confidence in Greece. The balance of 343 million dollars represents the need for special foreign financing. It has been assumed by the Greek Government that this would be furnished through ECA allotments.

The internal costs of the program have been estimated on the basis of the Greek 1948 price level at 6 trillion drachma, the dollar equivalent today of about 600 million dollars.

## **2. Water and Power Development**

The hydroelectric potentials of Greece are unexploited. At present Greece is almost wholly dependent for fuel and power upon imports of petroleum and coal. Increasing population and expanding industry will require still more light, heat, and power. The development of water power will not only free Greece of the need of importing part of its fuel but will also make possible a further development of agriculture.

The long-term program calls for the installation of five hydroelectric power projects with a total capacity of 365,000 kilowatts. Studies by competent American engineers are under way at three of these sites, and it is hoped that the results of these studies will become available to ECA early in 1949. At that time, if the engineering and economic prospects of any or all of these developments are favorable, ECA will be able to make a determination as to the wisdom of proceeding with construction contracts.

It is hoped that at least two of these projects will prove to be useful for flood control and irrigation as well as for hydroelectric power. Estimates presented by the Greek Government and the Mission indicate that it will be possible to reclaim 232,000 hectares of land from floods, and to drain a further 100,000 hectares in connection with these operations. It is also hoped to irrigate 75,000 hectares. The projection of the increased annual production of agricultural crops as a result of these activities amounts to the drachma equivalent of 48 million dollars, an increase in the Greek national income of 5 percent. The need for development along these lines is obvious. It is hoped that once engineering approval has been obtained, resources will permit rapid development along these lines.

## **3. Agriculture**

While water control and irrigation will open additional land to cultivation, there is also need for technical services to enable the Greeks to make better use of their soil. Competent technical advice will be secured to educate farmers in crop rotation and the best uses of feed, fertilizer, and equipment. In particular it is planned to expand production of potatoes as a substitute for grain. Mechanical equipment will be applied in such appropriate areas as the plains of

Macedonia. Every effort will be made to limit erosion. By the introduction of modern equipment and the application of rural extension service techniques, it is planned to ameliorate the loss of citrus fruit and of vegetables that now occurs because of a lack of suitable storage and processing facilities.

It is hoped as a result of the long-term plan for agriculture to increase output by as much as 40 percent from the present levels of about 600 million dollars a year. This should result in a material reduction in agricultural imports in spite of the population growth, and should also increase the value of the exportable surpluses of such crops as currants, raisins, and tobacco. How important these increases would be may be judged from the fact that the cost of food imports to Greece now amounts to about 115 million dollars a year. The possibilities of improvement may be seen in the fact that Greece produces less food-stuff per man, per acre, and per animal than almost any of the participating countries in the ERP. To aid these plans, the United States Department of Agriculture is cooperating fully with the ECA in lending the services of technicians and in other ways.

#### **4. Lignite Resources**

A substantial sum has been budgeted in the long-term program for the development of the lignite resources of Greece, which at present are utilized to only an insignificant extent for industrial and other purposes. What form this development may eventually take is presently uncertain. The Department of the Interior is cooperating with ECA to obtain an up-to-date expert appraisal of the possibility of mining lignite efficiently and improving methods of utilization.

#### **5. Mining**

Greece has reserves of barite, bauxite, chromite, emery, iron ore, pyrites, magnesite, zinc, and nickel. Limited operations are now under way for the extraction of all these ores except nickel. The plan includes a proposal to make a comprehensive survey of mineral resources and also to modernize the existing facilities at proved sites.

#### **6. Industry**

The character of the industrial pattern in Greece today is essentially the same as the prewar pattern—limited production at high costs of finished goods which are unable to compete in foreign markets, and production of a small amount of minerals for export at competitive prices. Principal industries include textiles, chemicals, building materials, including cement, food processing, tanning, and metal working. Small quantities of steel are produced from scrap and the manufacture of cigarettes flourishes. Expansion of industrial production under the long-term program involves the increased output of

power, which it is hoped will become available from the hydroelectric and lignite resources mentioned above. It is hoped to expand the cement industry and to establish facilities to reduce bauxite to alumina, to manufacture nitrogenous fertilizers and to produce caustic soda. The manufacture of fertilizers would enable Greece to be partially or wholly independent of imports. Caustic soda, if plans mature, would eliminate Greek imports and further quantities would be available for export. The alumina would all be exported. Establishment of these new industries must clearly await the development of plans for the power project. The program includes development of the present small industry engaged in the manufacture of Diesel engines and a proposal to establish a small steel industry. The merits of the latter proposal are doubtful, although it may be possible to make further progress in the use of locally generated scrap.

### **7. Transportation**

Much has already been done to restore basic transportation facilities to their prewar level, but the country has less road and rail mileage than any other European nation except Albania. It cannot, under these circumstances, hope to obtain a higher level of industry and commerce or weld together outlying districts into a wholly unified nation unless further facilities are developed. Plans involve purchase of railroad rolling stock and modernization of the highway fleet of trucks and busses, and development of coastal shipping, as well as the use of local airways, where a fine start has already been made with the aid of foreign investment and advice.

### **8. Telecommunications**

A comparatively modest sum has been programmed for the rehabilitation and expansion of telephone and telegraph circuits, which will reduce the isolation of the villages and which will be a boon to the recovery of agriculture, industry, and commerce.

### **9. Tourism**

Among the country's most important assets are its historical interest and its fine climate and scenery. Tourist traffic has contributed substantially to its foreign exchange earnings in the past, and with the annexation of Rhodes, which has already been developed as a tourist resort by the Italian Government, its potential earnings from tourists are still greater. Tourist expenditures in 1938 in Greece and Rhodes are estimated to have amounted to 6 million dollars at 1938 value. It is not unreasonable, taking into account the depreciation of currency values, that these earnings can be tripled by 1952. Funds available for this object will be spent to improve hotels and to build new ones; and modest sums will also be spent for

the preservation and better display of historical monuments. Granted restoration of order throughout Greece, it appears that the expenditures for tourism will reap quick and rich returns.

## **10. Public Health**

Improvement of the health of the people is essential for economic rehabilitation. Substantial steps have already been taken in stamping out malaria, but Greece still lacks satisfactory public sanitation facilities, is short of hospitals, and has a tuberculosis death rate that is the highest of any country in Europe.

## **11. Refugee Rehabilitation**

Refugees from guerrilla terror now number over 650,000. Losses caused by the displacement of these people are incalculable. While work is found for many of the able-bodied in the urban areas where they are now centered, the drain of the refugee population on Greek resources is of the first order, and this displacement of people gives rise to social problems of the first magnitude. No steps will be lost to restore these people to their land at the earliest practicable date and it is obviously necessary to supply them with livestock, tools, seed, and fertilizer, if they are to become self-supporting once more.

## **12. Housing**

The destruction of dwellings during World War II and the subsequent civil war, especially in the villages, joined with the virtual standstill of normal construction during the German occupation, have severely aggravated a housing shortage which was traditionally bad. Even before the war, housing conditions in both rural and urban areas of Greece were substantially below the western European standard. In more recent years, building costs have increased rapidly and financing costs have reached prohibitive levels.

Because of priority demands for expenditures in other directions, the correction of over-all housing conditions must wait until later years. A limited program, however, must be carried out during the ECA period so as to improve, on a minimum basis, the housing conditions and effectiveness of rural workers; to retard the movement of farming families away from productive agricultural areas; to relieve congestion in urban areas; and to facilitate the return of the guerrilla-stricken refugees.

In order to achieve this limited objective, approximately 200,000 minimum dwellings should be built, rebuilt or repaired during the next 4 years. Most of the new construction will be in rural areas and will be below even the standard traditional in Greece. In urban areas, emphasis will be placed on government construction of low-cost rental housing from which revenues can be anticipated in the post-

aid period, either to support government housing activities or as reliable income to permit government borrowing.

Housing activities are subject to the general supervision as a group recruited through the assistance of the Housing and Home Finance Agency of the United States Government.

## **B. EVALUATION OF THE LONG-TERM PROGRAM**

It is clear that the resources of Greece will not suffice to accomplish a program of this magnitude without extensive foreign aid. The program lays a foundation for the annual programs for reconstruction and development. So far, however, it has been impossible to evaluate most of the newly proposed development plans in engineering and economic terms; the program, therefore, has not received more than partial endorsement by ECA. With the objectives there can be no quarrel; the financial considerations underlying the program as a whole and the detailed justification of each item in the program on its own merits, will continue to have the attention of the most expert assistance which ECA can bring to bear.

For reasons that are already apparent it is impossible today to make any firm estimate as to the time that might be required to achieve the fulfillment of the plans proposed. The program has been submitted as a 4-year program but the resources that would be required to complete the program in so short a period are not available in Greece. Plans for an adequate development program can hardly be executed until it is possible to maintain peace in Greece with a relatively small police force. The fact that large-scale destruction of property is continuing through the action of guerrilla bands also suggests that great caution should be used in expending funds under these conditions. However those are the negative factors in the equation.

Rather the program should be treated positively for what it is: an expression of the will to build a more prosperous Greece as quickly as circumstances permit. As such it will serve as a guide in the development of the necessary engineering studies. It will permit the current employment of the refugee population on projects that will make a permanent contribution to a stronger Greece in the future. It serves to indicate the priorities to be assigned in the annual programs to different projects in the long-term program and the interrelationships of the parts to an over-all program.

Above all it is necessary to recognize frankly that reconstruction and development may have to continue beyond 1952 and that there can be no assurance that Greece will be able to finance the necessary expenditures for this purpose without some kind of external assistance. With recognition of the need for continuing development, it should be

possible to develop sufficient confidence in the country's future to give essential priority to the problem of financial stability.

By implementing a reconstruction and development program, the United States gives realistic expression to its faith in the future of Greece. With continued faith in the Greek people on the part of the Greek Government and help for Greece from the United States, recovery in Greece is possible..

# Chapter III. The First 2 Years of the Recovery Program

## A. PROGRAM FOR 1948-49

### I. General Summary

The OEEC recommended direct dollar aid of 146 million dollars for Greece for the fiscal year 1948-49 together with 66.8 million dollars equivalent of net drawing rights. This total aid of 212.8 million dollars equivalent is less by 43.7 million dollars equivalent than the amount finally requested by the Greek Government and 11.2 million dollars less than that approved by the ECA Mission to Greece. The ECA approved 144.8 million dollars of direct dollar aid for 1948-49 and 66.8 million dollars of drawing rights, after having made an earlier allotment of 50 million dollars for the second calendar quarter of 1948.

The reduction of ECA aid below the level recommended by the Mission will necessarily fall almost entirely on that part of the program which was submitted for capital goods imports for reconstruction and development. The OEEC did not specify where the reduction should be borne. Review of the program by ECA indicates that the program for current maintenance cannot be reduced significantly. Therefore, the ECA Mission is working with the Greek Government to develop the specific cuts in the reconstruction program that are necessary so that the program may fit the available funds. It is hoped that a revised program will shortly become available.

Since the approval of this program by the ECA, word has been received from the ECA Mission that it may be necessary to increase the import of consumers' goods and to decrease still further the scheduled imports of capital equipment. The total amount of ECA aid for 1948-49 will not be increased by virtue of this recommendation, which is made in order to relieve inflationary pressures that have been developing in Greece this fall.

### 2. Definition of Terms

Balance of payments tables for Greece, as estimated by ECA and as submitted by the Greek Government to OEEC, are presented in tables A to D in Part III (page 52). These tables follow the customary

balance of payments definitions used in other country presentations and, therefore, permit a comparison of total Greek figures with those of other countries. They also permit an analysis of aid in terms of the conventional concepts of current and capital account. The ECA approval of aid for 1948-49 and the ECA estimate of aid needed in 1949-50 are based on an analysis of these tables.

For reasons of administrative convenience, however, the programs jointly formulated by the Greek Government and the ECA Mission do not follow conventional practice. As has been pointed out, it is important in Greece to distinguish between imports required for the current maintenance of the economy and imports which are to be used in reconstruction projects. The distinction is important because in Greece ECA aid is substantially larger than gross capital accumulation and also because capital imports for reconstruction are currently financed by overdrafts on the Bank of Greece rather than from private savings or a government surplus. Until they are paid for out of current income their counterpart should be frozen and not used to pay the internal reconstruction costs. However, in the language of the Mission in Greece, these accounts are always referred to as the "current account" and the "capital account." To avoid confusion they are referred to in this country study as the "current maintenance" and "reconstruction and development" accounts. They are discussed separately in the text that follows for both the 1948-49 and 1949-50 programs. Jointly, they are described in conventional current account concepts that are summarized in Part III, Appendix Tables.

### **3. Financing Required for the Current Maintenance of the Greek Economy**

The account for the current maintenance of the Greek economy as formulated by the Greek Government and the ECA Mission to Greece shows total imports requirements for current consumption and normal replacement. All export receipts and net invisible earnings are applied against this account. This account does not include imports for military operations.

*Imports.*—The ECA Mission has estimated that imports required merely to maintain the Greek economy in 1948-49 will amount to 306 million dollars equivalent (including freight) as compared with realized imports of 310 million dollars in the preceding year. During 1947-48, moreover, availabilities were further substantially increased by carry-overs of UNRRA stocks. Within the 1948-49 import program, food and agricultural requirements, as estimated by the ECA Mission, are based upon the assumption of an average level of 2,450 calories per person per day. Industrial raw materials and equipment requirements assume an estimated increase in industrial output from the 1947-48 average of 65 percent of the prewar level

to approximately 80 to 85 percent during 1948-49. The latest figures on industrial production from Greece indicate industrial production at about this level.

All import requirements as set forth in the current maintenance program have been closely screened by the Greek Foreign Trade Administration in which American administrators hold controlling posts. ECA has accepted the total of import requirements thus screened as representing the minimum imports that are essential for current consumption and normal replacement in Greece in 1948-49. As has already been indicated, it may even be necessary to increase the imports of consumers' goods somewhat above the planned level.

Imports for current consumption and normal replacement in 1948-49 from Western Hemisphere sources are estimated at 151.3 million dollars f. o. b. The heavy reliance upon Western Hemisphere sources of supply reflects primarily the inability of Greece to exchange the types of export goods which it has available for essential commodities from Germany and Western Europe which figured prominently in prewar trade. Imports from other nonparticipating countries that will have to be paid for in dollars are estimated at 3.7 million dollars. Nondollar imports for the current maintenance program are estimated at 114.8 million dollars equivalent.

These import figures for that part of the program that is designed to meet minimum current needs of the Greek economy will be brought together below with imports requested for the reconstruction program.

*Exports.*—The Mission has estimated export receipts during 1948-49 of 101.5 million dollars equivalent, as was indicated in table 5 (see page 19). This is more than the Greek Government believes can be realized from exports. The estimated distribution of exports by destination is shown in table 13.

Table 13.—*Estimated distribution of exports, 1948-49*

[In millions of dollar equivalents]	
Western Hemisphere.....	21.3
Participating countries.....	64.9
Other nonparticipating countries.....	15.3

In general, it would appear that the export total submitted by the ECA Mission represents very nearly the maximum contribution that Greek exports can make to the financing of import requirements. Indeed, it is probable that actual receipts from exports may fall somewhat short of the levels anticipated by the Mission owing to a recent ban on olive oil exports. This ban has been necessitated by the speculative reaction of prices to the abnormally small yield of 1948.

While there may be some loss of anticipated nondollar receipts from exports, it appears that dollar earnings might be slightly higher than

was estimated by the Greek Government and Mission. Their estimates indicated dollar receipts of 21.7 million dollars, of which 1.0 million dollars is expected to be realized from sales other than to the Western Hemisphere. ECA estimates dollar receipts from exports of 22.3 million dollars, a shift necessitated in part to compensate for a shift in the source of imports discussed below.

The estimated total of 101.5 million dollars equivalent in export receipts during 1948-49 compares with export values during 1936-38 of 82 million dollars equivalent, or roughly 164 million dollars equivalent in present dollar values. The resultant shortfall of approximately 63 million dollars equivalent in prospective 1948-49 export receipts below the 1936-38 average is primarily attributable to recovery of only a small fraction of the German market held by Greece before the war. Thus, in 1938 Germany accepted no less than 38 percent of total Greek export values while supplying roughly 29 percent of Greek import requirements. During the current year, less than 10 percent of a smaller total of Greek exports will be taken up by the German market.

The revival of Greek export trade has also been seriously handicapped by the austerity import programs of Western Europe. Greek exports are predominantly of a luxury or semiluxury nature and western European countries have been unwilling to take these goods on terms which are advantageous to Greece; thus, Greek export prices tend to range between 150 percent and 200 percent of prewar as compared with average import prices ranging between 200 percent and 300 percent of prewar levels. Furthermore, under clearing and barter agreements, Greece has often been required to accept luxury and semi-luxury imports in exchange for her products.

This situation is further complicated by the determination of other Mediterranean competitors to match any price cut offered by Greece. Under these conditions the possibility of stimulating export receipts by further devaluation of the drachma has not appeared encouraging during the past six months.

*Shipping.*—Freight on imports from the Western Hemisphere was estimated by the Mission and the Greek Government at 20.9 million dollars, while total freights are estimated at 36.2 million dollars equivalent. Against this invisible receipts from Greek shipping are estimated at 19.0 million dollars equivalent, of which 6.6 million dollars is estimated to become available in dollars. Thus, the net cost in dollars of shipping was estimated by the Mission to be 14.3 million dollars. OEEC estimated net dollar freight for the import program submitted at 13.8 million dollars and ECA has accepted this estimate.

*Other invisibles.*—The invisible receipts of Greece (other than shipping receipts) involve primarily receipts from tourism (including the expenses of embassies, missions and military forces) and emigrant

remittance. For 1948-49 the ECA Mission to Greece after review of the Greek Government program estimates invisible receipts (other than shipping) at 37.9 million dollars equivalent, of which 12.5 million dollars was expected to be in dollars.

The estimates of receipts from these sources are based largely upon the experience of the previous year, adjusted upward to reflect anticipated increased receipts of 5 million dollars equivalent. The Mission estimated this as the increase likely to result from a recently introduced fiscal censorship of outgoing mail communications and also from prospective legislation requiring the repatriation of privately held foreign assets. Against the latter account receipts of 3 million dollars equivalent and 1 million dollars have been estimated.

ECA has accepted the estimate of the Mission with respect to invisible receipts. It is of the utmost importance that everything possible be done to tap dollar funds that are now escaping through the black market. However, in appraising the reasonableness of the program of ECA aid to Greece it should be noted that the receipts anticipated from these two sources are not likely in fact to be fully realized. Remittance receipts will in all probability fail to register any significant increase until the present spread between the rate of 10 thousand drachmae to the dollar and the black market rate in excess of 14 thousand drachmae is eliminated.

Invisible expenditures (other than shipping) were estimated for 1948-49 by the ECA Mission at 19.8 million dollars equivalent in all currencies and 11.5 million dollars in dollar expenditures. These figures, however, both include capital account transactions of 4.8 million dollars, of which 2.8 million dollars represents the anticipated payment by Greece of the balance of a gold-secured loan from the Federal Reserve Bank of New York and 2 million dollars represents payments due on a loan from the Maritime Commission. The ECA has accepted the estimate of current invisible expenditures of 6.7 million dollars plus capital payments due of 4.8 million dollars.

Since invisible receipts from sources other than shipping are estimated at 12.5 million dollars, net invisible receipts in dollars are, therefore, estimated at 5.8 million dollars for 1948-49. As there was an estimated net shipping expenditure of 13.8 million dollars, the total of all invisibles including shipping is estimated at a net deficit of 8 million dollars.

As has just been indicated, the Greek Government and Greek Mission anticipate the repayment of dollar loans in 1948-49 in the amount of 4.8 million dollars. In the case of Greece, as of all other countries, payments of this kind are carried in the annex tables under the heading of "net capital operations", rather than as part of the current account. Merely to avoid confusion on the part of those who may wish to compare the Greek Government and ECA

Mission submissions with the figures in the Annex table, however, it may be noted that these were included in the account which the Mission labels as the "current account" and which is referred to in the text of this report as the current maintenance account.

#### 4. Reconstruction and Development

As described in the preceding chapter, the Mission and the Greek Government have drawn up a reconstruction and development program envisaging the reconstruction of war damage and fundamental improvements in the utilization of the resources of Greece. Part of this program is being executed in 1948-49. This year the development of hydroelectric works, drainage and irrigation work, the development of mining and industry, and extensive improvements in the transportation system account for about four-fifths of the total expenditures recommended for reconstruction. In addition, the program provides for housing reconstruction, improvement of communications, public health, and a variety of small works designed to employ the refugee population.

Part of the program involves the development of training centers which are themselves essential to the execution of the long-range program for reconstruction and development. The crippling effects of war and occupation upon vocational training are still to be overcome. Some of the most important trade and technical schools have not been able to reopen for lack of equipment, procurement of which is hindered by the strict import controls in effect. New equipment and building repairs and maintenance are badly required in the schools that have reopened. Before the war there were 55 professional schools with an annual total of 4,000 graduates; today there are only 40 with a total of 3,000 graduates per year. This number is inadequate to meet industrial and transportation requirements.

The program as submitted called for 74.6 million dollars equivalent of new financing for reconstruction and development in fiscal 1948-49. It was assumed that 18.0 million dollars of this could be met from payments to Greece on the British war debt and by drawing down Greek sterling reserves. It was proposed that the balance of 56.6 million dollars should be financed from ECA aid for the fiscal year 1948-49.

The OEEC in its recommendations did not distinguish between imports needed for current maintenance of the Greek economy and imports for the reconstruction and development program. The OEEC did, however, recommend ECA aid that was 11.2 million dollars less than the total finally requested for ECA aid by the ECA Mission to Greece. ECA decreased the OEEC recommendation by 1.2 million dollars. These decreases will necessarily fall almost entirely on the reconstruction program, because all current Greek re-

sources that can be reached were pledged to the maintenance program and the only postponable expenses are in the reconstruction program. However, the current maintenance program was reduced by an estimated savings in freight of 0.5 million dollars. Hence, the decrease in the reconstruction program as such amounts to 11.9 million dollars.

In approving the OEEC recommendation for aid to Greece in 1948-49, ECA therefore had in mind that new financing was being provided for reconstruction and development projects to the extent of about 44.7 million dollars equivalent, in addition to which the Greek Government planned to use 18.0 million dollars equivalent in sterling capital resources. Thus, the total indicated program for reconstruction involved the use of about 62.7 million dollars equivalent in new funds.

## 5. ECA Approved Program

The program of ECA aid for Greece in fiscal 1948-49 involves an allotment to Greece of 144.8 million dollars as indicated in appendix table B and net drawing rights of 66.8 million dollars equivalent.

*Dollar aid.*—Imports to be paid for in gold or dollars are expected to total 159 million dollars. This figure represents an acceptance by the ECA of the original estimate of 151.3 million dollars of imports from the Western Hemisphere needed for the current maintenance of the Greek economy and of 3.1 million dollars from the Western Hemisphere for imports for reconstruction. It also includes an estimated 3.7 million dollars of imports for other nonparticipating countries which will have to be paid for in dollars. The total of 158.1 million dollars was raised to 159.0 million dollars to allow for an apparently general overscheduling of imports from soft-currency areas.

There will be a merchandise deficit of 136.7 million dollars, if exports total 22.3 million dollars. The net deficit on invisible account (including shipping) is expected to be 8.0 million dollars, making a total deficit on current account of 144.7 million dollars. To this is to be added net payments in dollars on capital account of 4.8 million dollars.

With ECA aid of 144.8 million dollars there is an uncovered deficit of 4.7 million dollars. It is probable that this will not interfere with supplying the imports required to sustain the Greek economy but it may make it extremely difficult to finance any imports from the Western Hemisphere for the reconstruction program, unless the Greek Government is able to meet more of its replacement equipment needs by the use of drawing rights. Additional drawing rights have been made available to permit a switching of schedule equipment imports from dollar to nondollar sources.

*Net drawing rights.*—The total net drawing rights recommended by the OEEC and approved by the ECA amount to 66.8 million dollars for 1948–49.

The bulk of the deficit originating from the program of imports to maintain consumption and normal replacement will be in dollars. However, there will also be a deficit with participating countries of 20.5 million dollars equivalent. This compares with an original estimate by the Mission of a deficit with non-Western Hemisphere countries for consumption and replacement requirements of 24.5 million dollars equivalent. This has been decreased to provide for 3.7 million dollars of dollar imports from other nonparticipating countries and to allow for the transfer of 0.9 million dollars of imports from soft-currency areas. The resulting deficit has then been adjusted upward to provide for a shift of 0.6 million dollars equivalent of exports to the Western Hemisphere. These adjustments have all been discussed above.

With a total of 66.8 million dollars equivalent of net drawing rights and a required use of 20.5 million dollars to cover imports for current consumption and normal replacement, there will be about 46.3 million dollars equivalent of new financing for imports for the reconstruction and development program (now scheduled at 41.6 million dollars) and to handle as much as 4.7 million of imports now scheduled from the Western Hemisphere. In addition, it is expected that payments to Greece on the British War Debt and the drawing down of sterling balances will add a total of 18 million dollars equivalent for this program.

Thus, on the basis of the program for 1948–49 approved by OEEC, as revised by ECA, new financing both for reconstruction and development and for the uncovered dollar deficit would be available to a total of 67.4 million dollars equivalent, as follows:

[In millions of dollar equivalents]	
Dollar aid.....	3.1
Net drawing rights.....	46.3
Greek sterling resources.....	18.0
	67.4

## 6. Justification of 1948–49 Program

The recommended program of ECA aid to Greece has been developed by the Greek Government and the ECA Mission to Greece, and has been carefully reviewed and modified by the OEEC and the ECA.

The total of aid recommended by the OEEC, as modified slightly by ECA, amounts to 211.6 million dollars equivalent for fiscal 1948–49. It was intended that this should provide not only an indispensable minimum of imports for consumption and normal replacement, but

should also provide about 64 million dollars equivalent for imports (plus freight) to be used in reconstruction and development.

The program has been shaped as heavily as possible to draw upon participating countries for equipment and materials. It thus looks toward the reestablishment of normal sources for Greek imports. This is not without danger to the Greek economy; experience indicates a marked reluctance on the part of participating countries to exchange essential products for Greek exports and net drawing rights. It is assumed that the OEEC will show continuing concern with this problem, for Greece was awarded large net drawing rights instead of direct dollar aid on the insistence of other participating countries that they could supply the goods needed by Greece.

The estimate of the minimum amount required to sustain the Greek economy is exclusive of military imports and has been so tightly drawn that it is probable that the reconstruction program as projected cannot be carried out in its entirety. Any short-fall in exports, in the estimated recovery from emigrant remittances, etc., will necessarily bear upon the recovery program. The imports for consumption and normal replacement are indispensable; without them the Greek economy would collapse.

A more serious threat to the reconstruction effort arises out of the necessity of maintaining financial stability in Greece. The utilization and freezing of counterpart funds currently to cover deficits caused by relief, military and other extraordinary expenditures seriously handicap the Mission's reconstruction program.

As a matter of deliberate policy, however, the ECA is prepared to permit some increase in consumption standards if this is necessary to attain the twin objectives of financial stability and reconstruction in Greece. With a refugee population of about 650,000 people (nearly 10 percent of the population), reconstruction projects must be pushed as a means of giving employment and hope to the Greek people. This will involve raising the standards of people now on relief as they become employed. It may be necessary, to sustain this increase, to substitute more consumer goods imports for part of the projected capital imports. It is the intention of the ECA to push both for financial stability and reconstruction in Greece.

## **B. PROGRAM FOR 1949-50**

### **I. General Summary**

The balance of payments estimate for 1949-50 jointly formulated by the Greek Government and the ECA Mission to Greece indicated an over-all deficit of about 345 million dollars equivalent (see appendix table C). Imports were projected at 430 million dollars equivalent as contrasted with projected imports for 1948-49 of 315 million dol-

lars.<sup>1</sup> Exports were expected to increase by about 4 million dollars, or about 10 percent. The only important capital transactions visualized as a source of financing the current deficit is the receipt of 18 million dollars from reparations and 10 million dollars from sterling balances.

Of the total of 430 million dollars, imports amounting to 280 million dollars were estimated to be necessary to maintain the current operations of the Greek economy and 150 million dollars equivalent of imports were scheduled for reconstruction and development.

After reviewing the program, ECA believes that Greek and foreign financing can provide for about 357 million dollars of imports from all sources in 1949-50. The decrease in the import program, largely in machinery and equipment, is the major revision which ECA has made in arriving at its estimate of the financing required for 1949-50.

## 2. Financing Required for the Current Maintenance of the Greek Economy

The original estimate of the Greek Government of the balance of payments for the current maintenance account for 1949-50 is shown in table 14. These estimates were developed jointly with the ECA Mission. They represent an estimate of minimum import requirements and of maximum availabilities for export on the basis of information available in October 1948.

TABLE 14.—*Balance of payments on current maintenance account, 1949-50*  
[In millions of dollar equivalents]

EXPENDITURES		
	All currencies	Dollars
1. Current consumption:		
a. Imports.....	280.1	138.4
b. Freights.....	38.6	20.2
2. Invisibles.....	318.7	158.6
	17.9	9.1
3. Total expenditures.....	336.6	167.7
RECEIPTS		
1. Exports.....	104.6	18.8
2. Invisibles.....	73.0	25.1
3. Total receipts.....	177.6	43.9
Deficit.....	159.0	123.8

Projection of imports plus freight amounts to about 319 million dollars in contrast with the projection of 306 million dollars for 1948-49 and of 310 million dollars in 1947-48. Current import re-

<sup>1</sup> Plus a possible additional amount as the result of the use of an 18-million-dollar sterling balance.

quirements are based upon the assumption of approximately unchanged food consumption compared with 1948-49. Industrial raw materials and equipment estimates assume a level of industrial output rising from the present level of about 85 percent (on the basis of which requirements were estimated for 1948-49) to 100 percent of the prewar level by July 1950.

The estimated distribution of imports very closely approximates that for 1948-49 shown in table 4. (See p. 18.) The most significant changes are an increase in chemicals, largely fertilizers, and an increase in inland transport equipment. Slight increases are projected for food and for fuel and industrial raw materials to match increased industrial production. Decreased imports are projected for timber and textile raw materials.

A careful screening of the total import requirements for current maintenance indicates that the estimates are conservative. Due to the loss of wheat land this fall, referred to above, it is probable that Greek imports of bread grains in 1949-50 will have to be substantially larger than those which were originally estimated. The original estimates of wheat imports had themselves been low in comparison with recent experience. It is believed, however, that the short-fall in wheat may not materially increase total imports of food and agricultural materials. In particular, the decrease in wheat acreage may have the effect, for example, of reducing slightly the demand for fertilizers. The planting of part of this land to alternative crops might reduce the demand for other imported products.

The import program for 1949-50 shows a significant improvement with respect to imports from the dollar area. Dollar imports for current maintenance were estimated for 1948-49 at about 151 million dollars f. o. b. and were originally estimated by the ECA Mission at 138.4 million dollars for 1949-50. In view of the prospective short-fall of wheat it appears that the original estimate of dollar imports for current maintenance is somewhat too low.

On the basis of available information, ECA is estimating imports for current maintenance from dollar areas at 141 million dollars. This has not affected the size of the dollar deficit because, if such a shift of imports must be made, it appears that it may be possible to shift exports to dollar areas in about the same amount.

Total exports are estimated by ECA at 105.6 million dollars equivalent in 1949-50, as compared with 101.5 million dollars anticipated during the current year and with an original estimate by the Greek Government of 104.6 million dollars. The estimate of the Greek Government was raised to 105.4 million dollars in the final submissions made to the OEEC and this submission has been accepted by ECA with minor modifications. The total anticipated exports in 1949-50 are indicated in table 15.

TABLE 15.—*Estimated Greek exports, 1949-50*

[In millions of dollar equivalents]

Tobacco .....	41.4	Other agricultural.....	4.8
Olive oil.....	11.1	Lead.....	1.7
Olives.....	2.5	Zinc concentrate.....	0.4
Currants.....	11.2	Bauxite.....	1.1
Sultanas.....	6.6	Barite.....	0.5
Figs.....	1.6	Magnesite.....	1.3
Table grapes.....	2.4	Pyrites.....	0.5
Citrus fruit.....	2.0	Other industrial.....	6.7
Wine, dry.....	4.3		
Hides.....	5.7	Total.....	105.6

Of total estimated tobacco exports of slightly more than 27,000 tons, about 24,000 tons are derived from 1948 crop while 3,000 tons will be available from unsold balances of earlier crop yields. Olive oil exports of 11 million dollars equivalent assume a very substantial increase of 1949 yields over the disastrously low yields of 1948. In general, anticipated export levels are based upon an assumed re-establishment of security by mid-1949; continuing guerrilla depredations after that date would naturally tend to reduce realized export receipts. The expected distribution of exports by country in 1949-50 does not diverge substantially from the experience of the two previous years and reflects the continuing resistance of European markets to the semiluxury exports of Greece.

Invisible receipts<sup>1</sup> in 1949-50 were originally estimated by the Mission at 73 million dollars equivalent. This now appears to be too sanguine an estimate. The total carried in appendix table D is based on the assumption of invisible receipts of 63 million dollars equivalent. In particular it appears that dollar invisibles were estimated at too high a level.

The original estimate presupposed a large increase in emigrant remittances. The current estimate presupposes emigrant remittances in about the same amount as in 1948-49. Even the estimate of invisible receipts of 63 million dollars in 1949-50 represents a moderate increase over the anticipated 1948-49 levels of 57 million dollars equivalent. The major item of increase expected in 1949-50 is a 3 million dollars equivalent expansion of tourist receipts, with the other 3 million dollars coming from miscellaneous sources.

All of the anticipated increases in invisible income depend heavily upon the assumed termination of guerrilla hostilities by mid-1949. Moreover, unless there is a significant relaxation of the guerilla war and military tension, official remittance receipts will continue to suffer from illegal diversion into black market channels.

<sup>1</sup> Including shipping.

The estimate of invisible expenditures in all currencies and in dollars for 1949-50 appears reasonable.

With these changes net invisibles (including freight) are estimated in all currencies to produce net receipts of 6 million dollars equivalent but there will be a deficit in dollars of about 9 million dollars. (See appendix table D.) The latter figure involves an estimated 2 million dollars for freight on goods imported for reconstruction as well as the items shown in table 14.

The total deficit on the current maintenance account is estimated at about 170 million dollars in all currencies. Of this deficit, it appears that about 128 million dollars will be in dollars and 42 million dollars equivalent in other currencies. These deficits can only be covered through the allocation of ECA dollar aid and drawing rights upon the other participants.

While the indicated deficit for the current maintenance of the Greek economy is about 10 million dollars greater than that originally estimated by the Mission, it seems unwise to plan the reconstruction and development program on the assumption of any markedly lower deficit in the current maintenance account than is indicated in these estimates. Any reduction in imports below the levels projected would involve serious risk of even more disruptive social disorders than those now prevailing and possible loss of control over the economic situation. The deficit could be reduced only by increasing exports and invisible receipts; but in the light of recent developments, estimated exports and net invisible receipts are more probably overstated than understated. If the situation in Greece develops more favorably than can now be foreseen, it might be possible to make more funds available for the reconstruction and development program than now appears feasible.

### **3. Reconstruction and Development**

The original submissions to the OEEC apparently visualized imports of capital equipment and industrial raw materials of about 150 million dollars equivalent for reconstruction and development. Of this amount approximately 25 million dollars was for raw materials and 125 million dollars for various types of industrial products, including agricultural machinery and industrial machinery and equipment. It was anticipated that of this amount 28 million dollars might be paid for out of reparations (18 million dollars equivalent) and sterling reserves (10 million dollars equivalent). This program, as submitted was derived from the long-term program of the Greek Government.

It has already been indicated that the resources are not available in Greece to complete this program within a 4-year period. The size of the Greek reconstruction and development program is conditioned not only by the amount of foreign financing which can

be made available but also upon the availability of funds for reconstruction in Greek currency.

In Greece, the ECA is faced with the apparently conflicting aims of controlling inflation and at the same time encouraging economic development. It is considered essential to continue a program of capital development in 1949-50 on as large a scale as may be practicable. At the same time the program must be sufficiently limited so that it does not produce an inflationary effect. It would have such an effect if local costs of reconstruction were met by credit rather than paid for out of Greek savings or out of the local currency counterpart fund.

As has been pointed out, the imports of raw materials and equipment for reconstruction and development do not themselves ordinarily produce a usable local currency counterpart. Most reconstruction and development work is being carried out by the Greek Government and the Greek budget shows a substantial deficit, even without regard to expenditures for reconstruction. The purchase abroad of equipment for reconstruction therefore involves overdrafts on the Bank of Greece and these funds are frozen in the local currency counterpart fund to prevent inflation.

The two major sources of internal financing are private savings and the drachma counterpart fund originating largely from consumer goods imports, financed with ECA grants and drawing rights accorded Greece by the other participating countries. In submitting its original program for financing 150 million dollars worth of imports for reconstruction, the Greek Government assumed that private savings would be available in drachma equivalent to 34 million dollars at current monetary values and that these Greek savings could be tapped to finance local reconstruction costs. This assumption appears very dubious at the present time. In any event Greek savings of about this amount would probably be needed to meet local costs involved in putting in place equipment imports which may be financed by reparations or by the use of sterling balances.

During the past 2 years, drafts upon the counterpart fund for relief and the need of freezing a large part of the counterpart to offset budgetary deficits caused by military and other extraordinary expenditures, have mounted so steadily that reconstruction has been held in check by lack of internal resources. A judgment must be reached as to the probably prudent limits of drachma availabilities for expansion. A figure in drachma equivalent to 60 million dollars is considered a prudent estimate, though it must be recognized that this involves a higher rate of availability than prevails at the present moment. A continuation of hostilities on the present scale beyond mid-1949 would necessitate a reconsideration of the projected program for reconstruction and development.

Assuming the continuance of this year's ratio of drachma to dol-

lar outlays of slightly more than one-to-one, it would appear that Greece would be able to put to effective use at least 50 million dollars equivalent of capital goods imports financed with ECA aid and might be able to import an additional 25 million dollars<sup>1</sup> equivalent to be paid for from reparations and by drawing against sterling reserves. For financing such capital goods imports it appears from present information that about 42 million dollars might be needed in the form of dollar aid.

The import program outlined above and summarized in appendix these projects in the long-term program that are well advanced so far as planning is concerned. The program calls for a more or less equal distribution of funds between water and power development; industry and mining; agricultural rehabilitation; transportation; and public health, refugee resettlement and housing reconstruction. Emphasis will be placed on projects likely to provide the most widespread employment, particularly for the refugee population and on projects which will result in immediately visible returns upon the reconstruction program in the villages.

#### 4. Estimates of ECA Aid Required in 1949-50

The import program outlined above and summarized in appendix table D provides for imports of about 357 million dollars equivalent of which 280 million dollars are needed for the current maintenance of the economy of Greece. About 77 million dollars are needed for reconstruction and development. The imports to be paid for in dollars would total about 141 million dollars for current maintenance and about 40 million dollars for reconstruction and development. To pay for these imports, Greece will have net receipts from exports and invisibles of about 111 million dollars in all currencies and about 10 million dollars in dollars. To carry out the indicated program, ECA estimates that gross dollar aid to Greece of about 170 million dollars will be required.

In addition, Greece will require a significantly large amount of net drawing rights. The estimate for dollar aid in 1949-50 is larger than it was in 1948-49 primarily because of difficulties which the Greek Government has encountered in securing essential imports in exchange for its exports and to the full amount of its drawing rights. If gross dollar aid is increased to as much as 170 million dollars in 1949-50, it would appear that net drawing rights in 1949-50 might be less than they were in 1948-49. However, the main issue before the OEEC in connection with the Greek program may be the proportion of aid to be financed in drawing rights both on the current mainte-

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<sup>1</sup> This represents a reduction from 18 to 15 million dollars in reparations in the original estimate submitted by the ECA Mission

nance account and for reconstruction and development. Since OEEC has had no chance to comment on Greek drawing rights in 1949-50, it would be singularly inappropriate in this case to have the estimated dollar-aid figure quoted out of context.

It would be dishonest to pretend that an ECA program for economic recovery in Greece can be laid down a year in advance and then closely adhered to. In particular, if developments are slightly more favorable than those which can be foreseen at this time, it may prove possible to increase receipts that are available to pay for imports for current maintenance and to effect a corresponding and highly desirable expansion of the imports for reconstruction and development. On the other hand, in certain circumstances it might be necessary to increase slightly the amount allotted to imports for current maintenance. The foregoing analysis of the 1949-50 program is therefore not intended to indicate a rigid division of funds between those needed for current maintenance and those that may be used for reconstruction and development.

Neither can the precise amount of the program be determined until the situation has been reviewed by the OEEC in the spring of 1949. The estimates given above are based on the best information currently available and on the assumption that the security situation will be markedly improved. OEEC will make its recommendations in the spring as to the distribution of the total amount of ECA aid between countries and with respect to dollar aid and drawing rights for each country in the light of conditions then prevailing. Thereafter ECA through its Mission to Greece will continuously review Greek needs and the opportunity to advance the reconstruction program in 1949-50.

Above all it must be noted that reconstruction is possible in Greece only if the Greek Government and Greek people do everything within their power to restore financial stability.

## PART III

# Appendix Tables

- Table A. Greece: Balance of Payments for 1948-49 [OECC estimate].  
 Table B. Greece: Balance of Payments for 1948-49 [ECA estimate].  
 Table C. Greece: Balance of Payments for 1949-50 [Greek estimate].  
 Table D. Greece: Balance of Payment for 1949-50 [ECA estimate].  
 Table E. Exchange Rate: Greek drachma.

**TABLE A.—Greece: Balance of payments for 1948-49**  
 [OECC estimate, in millions of dollars]

	Dollar account			Nondollar account	Grand total
	United States	Other	Total		
1. Imports.....	141.7	35.0	176.7	162.8	339.5
2. Exports.....	13.8	1.1	19.9	78.7	96.6
3. Merchandise balance.....	-122.9	-33.9	-156.8	-86.1	-242.9
4. Invisibles (net).....	-19.5	-0.9	-20.4	0	-20.4
5. Current account balance.....	-142.4	-34.8	-177.2	-86.1	-263.3
6. Settlements.....	0	0	0		
7. Capital transactions.....	-2.8	0	-2.8		
(a) Non-ECA financing.....	0	0	0		
(b) Repayments.....	-2.8	0	-2.8		
(c) Other.....	0	0	0		
8. Net position.....	-145.2	-34.8	-180.0		
9. Estimated requirements for United States aid.....			146.0		
10. Uncovered deficit.....			34.0		

<sup>1</sup> The Greek Government has not yet revised its 1948-49 program in accordance with final OECC allocation. Appeal is still pending in Paris.

**TABLE B.—Greece: Balance of payments for 1948-49**  
 [ECA estimate, in millions of dollars]

	Dollar account			Non-dollar account	Grand total
	United States	Other	Total		
1. Imports.....	127.9	31.1	159.0	156.1	315.1
2. Exports.....	19.5	2.8	22.3	79.2	101.5
3. Merchandise balance.....	-108.4	-28.3	-136.7	-76.9	-213.6
4. Invisibles (net).....	-7.1	-9	-8.0	14.2	+8.2
5. Current account balance.....	-115.5	-29.2	-144.7	-62.7	-207.4
6. Settlements.....	0	0	0		
7. Capital transactions.....	-4.8	0	-4.8		
(a) Non-ECA financing.....	0	0	0		
(b) Repayments.....	-4.8	0	-4.8		
(c) Other.....	0	0	0		
8. Net position.....	-120.3	-29.2	-149.5		
9. Estimated requirements for United States aid.....			144.8		
10. Uncovered deficit.....			4.7		

TABLE C.—Greece: Balance of payments for 1949-50

[Greek estimate, in millions of dollars]

	Dollar account			Non-dollar account	Grand total
	United States	Other	Total		
1. Imports.....	149.8	65.5	215.3	214.9	430.2
2. Exports.....	17.7	4.0	21.7	83.7	105.4
3. Merchandise balance.....	-132.1	-61.5	-193.6	-131.2	-324.8
4. Invisibles (net).....	-4.5	0	-4.5	-15.6	-20.1
5. Current account balance.....	-136.6	-61.5	-198.1	-146.8	-344.9
6. Settlements.....	0	0	0		
7. Capital transactions.....	0	0	0		
(a) Non-ECA financing.....	0	0	0		
(b) Repayments.....	0	0	0		
(c) Other.....	0	0	0		
8. Net position.....	-136.6	-61.5	-198.1		
9. Established requirements for United States aid.....			198.1		

TABLE D.—Greece: Balance of payments for 1949-50

[EOA estimate, in millions of dollars]

	Dollar account			Non-dollar account	Grand total
	United States	Other	Total		
1. Imports.....	153.3	27.7	181.0	176.1	357.1
2. Exports.....	18.8	1.0	19.8	85.8	105.6
3. Merchandise balance.....	-134.5	-26.7	-161.2	-90.3	-251.5
4. Invisibles (net).....	-7.2	-1.6	-8.8	+14.8	+6.0
5. Current account balance.....	-141.7	-28.3	-170.0	-75.5	-245.5
6. Settlements.....	0	0	0		
7. Capital transactions.....	0	0	0		
(a) Non-EOA financing.....	0	0	0		
(b) Repayments.....	0	0	0		
(c) Other.....	0	0	0		
8. Net position.....	-141.7	-28.3	-170.0		
9. Estimated requirements for United States aid.....			170.0		

TABLE E.—Exchange rate: Greek drachma<sup>1</sup>

[Drachmae per U. S. dollar]

	Without certificates	With certificates		Without certificates	With certificates
1936.....	109		1944.....	151	
1937.....	111		1945.....	502	
1938.....	113		1946.....	5,020	
1939.....	125		1947.....	5,020	8,344
1940.....	151		January 1948.....	5,020	8,934
1941.....	152		March 1948.....	5,020	9,227
1942.....	(*)		July 1948.....	5,020	10,019
1943.....	(*)		October 1948.....	5,020	10,046

<sup>1</sup> Source: International Monetary Fund.

\* Not available.



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