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Part I

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PREFACE

This is the fourth in a series of Papers which the Eastern European Division of the Bank's Loan Department is issuing to report on conditions prevailing in the various countries within its area. The first Paper dealt with current economic conditions in Poland. The second and third gave statistical reviews of the economies of Greece and Turkey. The present Paper, based mainly upon the work of Cicely Ryshpan, contains the first part of a report on Greece.

The Papers, prepared under the editorial direction of the Chief of the Division, are intended primarily to supply information required for the analysis of loan applications from Eastern European countries. It is hoped, however, that the material furnished will be helpful to members of the Bank generally and will contribute toward a clearer understanding of current problems in Eastern Europe.

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Part II, now in preparation, will contain chapters on Industry, Finance, Labor, Foreign Trade, and the Balance of Payments.

INTRODUCTORY SURVEY

Nature and history have combined to make Greece one of the poorest countries in Europe. Small and exceedingly mountainous, it has only meager natural resources, and its terrain makes land communications difficult. Only one quarter of the country's total area is cultivable, soils are generally poor, and rainfall inadequate. Natural conditions are thus unfavorable to the production of basic foodstuffs; although predominantly agricultural, Greece is unable to feed itself. Soil and climate favor the production of specialty crops, and certain of these are produced in large quantity; the production of others, in particular fruits and vegetables, is limited by an inadequate water supply, a handicap which can be overcome only by a large investment in irrigation which has not yet proved possible.

The natural bases for industry, too, are poor. Although Greece produces most of the raw cotton consumed and possesses iron and other minerals in excess of its present requirements, its supplies of a large number of vital industrial raw materials are scant, and it must import almost all of its fuel. The country's industrial development has therefore been limited when compared with that of western Europe, although despite its natural handicaps it has progressed industrially beyond its Balkan neighbors. Its one important natural asset, a long coastline and excellent harbors, has facilitated its development as a maritime nation, and before the war Greece had the ninth largest merchant fleet in the world.

Not only the meagerness of the country's natural resources, but its location far from the centers of rapid economic advance in western Europe, and its troubled history, explain why it has been slow, when compared with western countries, in acquiring capital and a skilled population - the indispensable conditions for a full exploitation of the resources which it does possess. For four hundred years, from the fifteenth to the early nineteenth

century, Greece was part of the Ottoman Empire, and in that backward organism had little opportunity to be affected by the influences then transforming economic life in western and northern Europe. In 1821, the Greek people revolted against Turkish rule, but it was not until 1923, after a century of wars, that the country was finally established within its present boundaries. The recurring conflicts necessarily retarded economic development, while compelling the country to incur a large foreign debt.

Even the years immediately following 1923 were troubled by a legacy from past wars. As a result of its defeat in the Greco-Turkish War of 1921-22, the country was compelled to agree, in the Treaty of Lausanne (July 1923) to the compulsory exchange of Greeks domiciled in Turkey for Moslems domiciled in Greece. Though the more than a million refugees from Asia Minor and 200,000 more who came from Bulgaria and Southern Russia in the same period brought some capital and skill, their absorption was exceedingly difficult for a country already overpopulated and little industrialized. To provide for them, the Government was compelled to raise taxes and to borrow heavily both at home and abroad.

Despite the burdens placed on the economy by the influx of refugees in the 1920's and the world depression in the 1930's, Greece experienced a notable economic development in the less than two decades preceding its invasion by Italy in the Fall of 1940. The area planted to crops nearly doubled, and crop output more than doubled. As a result of the acquisition, in the Balkan Wars and the First World War, of Macedonia and western Thrace, the production of Turkish-type tobacco increased far above prewar levels, and tobacco became Greece's principal export. The volume of industrial output almost trebled, and at the close of the period, Greece was the most industrialized country in the Balkans, and was supplying most of its own requirements for manufactured consumers' goods. Illiteracy declined, and the number of

workers possessing the skills required by modern industry increased.

The interwar period was too brief, however, to enable a country so meagerly endowed by nature as Greece to achieve more than a small increase in national income. Because of the increase in the population - which rose from 5 million in 1920 to 7.3 million in 1940 as a result of the influx of refugees, rapid natural growth, and the closing of emigration outlets - the standard of living rose even less.

In 1939 Greece was still largely undeveloped and, with a national income of only \$75 per person, was one of the poorest countries in Europe. One half of the Greek people still derived a meager income from a technically backward agriculture. In spite of government efforts to increase cereal production, mainly through subsidies, but also through the introduction of high-yielding seed and improved methods of cultivation, the country was still not self-sufficient in foodstuffs. The production of certain specialty crops had increased, but investment in irrigation works had been too limited to make possible a substantial increase in the output of irrigated crops. Industrial output, though greatly expanded, was still low when compared with that of countries in western Europe. Because of its natural handicaps, there was, except for two small plants set up just before the outbreak of the war, virtually no heavy industry in Greece. The country's leading industries were textiles, chemicals, and food processing; even in these fields, however, full advantage had not been taken of existing possibilities. A considerable part of the Greek olive oil surplus, for example, was exported to Italy after primary processing, to be refined there for re-export. Large-scale industrial production had become more common, but one third of all workers in Greece industry were still employed in small workshops with fewer than five employees.

The country's basic poverty and dependence upon imported food, fuel, raw materials, and manufactures resulted in chronic balance of payments

difficulties. During the entire interwar period, Greece had an unfavorable balance of trade, only partly offset by the income derived from emigrants' remittances, tourists' expenditures, and receipts from shipping. During the 1920's, the remaining deficit was covered by heavy foreign borrowing, the Government alone borrowing about \$180 million between 1920 and 1931. In the 1930's, when the sources of foreign credit dried up and receipts from emigrants' remittances declined, inability to eliminate the trade deficit made it necessary for the country to discontinue its large payments for foreign debt service. A special delegation from the Financial Committee of the League of Nations recommended discontinuance of amortization payments; in April 1932, therefore, the Greek Government discontinued such payments and in addition reduced interest payments by about 60 per cent. Although an increase in exports and in emigrants' remittances in the later 1930's made possible an increase in imports and a resumption of internal economic development, full service on the debt could not be resumed, because foreign trade was being carried on to a large extent under clearing agreements, and the necessary free foreign exchange was not available.

At the outbreak of the second World War, therefore, Greece was not only too poor to provide more than the bare essentials of life for its population but was also unable to service its foreign debt. Although a solution of its transfer difficulties might have made possible a resumption of full service on its foreign debt, only considerable further economic development could have remedied the fundamental weakness in its external financial position. For such continued economic development, the country required a long period of peace in which domestic capital accumulation, foreign investment, and the growth of technical skills could have made possible a gradual expansion of its productive potential and a consequent strengthening of its general economic position.

Peace was, however, denied to Greece. The country was invaded by the Italians in October 1940 and by the Germans in June 1941, and was occupied by these two Powers and the Bulgarians until October 1944. War and occupation took a very heavy toll. When Greece was liberated, its internal transport system was wrecked, its ports badly damaged, and 75 per cent of its ocean-going merchant fleet destroyed. Its industrial plant was damaged and in disrepair, and stocks of raw material and fuel were virtually exhausted. Farm buildings and equipment had been destroyed or had worn out, and animal numbers had been reduced by from one third to one half. Nearly a quarter of the dwellings in the country had been destroyed, and over a million people had been rendered homeless. The health of the population had been undermined by three and a half years of famine diet. Their morale had been sapped by war hardships and by the peculiar moral climate of the occupation period, when evasion of the law was a patriotic duty as well as a necessity for survival. The civil service had been demoralized. Systematic looting by the occupying Powers had destroyed the value of the currency; only a month after Liberation, the drachma was revalued at the rate of one new drachma to 50 billion old ones.

The task of restoring the badly damaged and disorganized economy was a formidable one, requiring investment on a very large scale, a considerable proportion, of necessity, in the form of imported supplies. Rehabilitation was made difficult by a drive on the part of the Left to take control of the Government, which led, only six weeks after Liberation, to a bitter if brief civil war followed by a sullen peace punctuated by violence. Because the very scale of war destruction had caused a sharp reduction in the national income, and the already low standard of living could not be further compressed, there was no possibility of providing from domestic sources the necessary capital for recovery. It was clear that for some years imports would greatly

exceed exports, and that foreign aid would be required on a considerable scale.

Substantial foreign aid has been made available to Greece: UNRRA provided \$350 million, the United States appropriated \$300 million for economic and military assistance (April 1947), made available \$37.8 million for direct relief, and granted credits of some \$145 million. In addition, Great Britain assisted the Greek Government to cope with its military problems by maintaining armed forces in the country and providing military supplies to the Greek army.

Despite the magnitude of this assistance, progress toward recovery has been very slow. During 1945, the flow of imports was too limited to make possible any substantial amount of reconstruction. The Greek Government was reluctant to permit the use of Greek-held foreign exchange for imports, with the result that 95 per cent of all imports were financed by UNRRA. The total volume was somewhat smaller than before the war, and consisted in the main of food, clothing, and medical supplies to sustain the population. Domestic activity was greatly hampered by the consequent shortage of materials required for the reconstruction of the crippled transport system, the repair of damaged industrial installations, and the rehabilitation of agriculture, and of raw materials for industrial processing. Agricultural output, further adversely affected by a bad drought, was well below prewar levels, and industrial output less than 40 per cent of the average in 1939. As a result of the low level of domestic production and the small volume of imports, supplies of all commodities were scarce and could barely satisfy essential current needs, not to speak of the vast deferred demand; there was, therefore, a considerable pressure on prices.

At the same time, mainly as a result of a large budgetary deficit, monetary circulation expanded: the series of caretaker governments, fearful

of the political risks involved in cutting swollen government payrolls or levying higher taxes, and opposed, in principle, to the application of measures tending to restrict business profits, were unable to balance the budget. There was, moreover, a widespread lack of confidence in the currency and in the economic future of Greece. As a result of all these factors, the value of the currency declined steadily, and the drachma had to be devalued twice, from 150 to 500 to the dollar in June 1945 and to 5,000 to the dollar in January 1946.

At the close of 1945, the Government embarked on a policy of using its gold and foreign exchange reserves to halt the inflation. Believing that the pressure on prices could be relieved only by an increase in supplies, it began to make foreign exchange more freely available for imports both on its own and on private account. At the same time, in the belief that confidence in the currency could be restored only by making it convertible, the Government instructed the Bank of Greece to sell gold freely for drachmas.

The effect of these measures was an apparent improvement in the economic climate of the country. The decline in the value of the drachma was checked; in spite of an increase in monetary circulation in 1946 from 131 billion to 537 billion drachmas, under the impact of a continued budgetary deficit and a large expansion of credit, the drachma was kept at about 135,000 to the gold sovereign during the entire year. Commodity prices declined about 10 per cent during the first eight months of 1946 and, in spite of an increase thereafter, were lower at the close of the year than at the beginning. The harvest of 1946 was a comparatively good one, the breadgrain crop, in particular, attaining virtually the prewar level. Industrial production expanded and at the close of the year was slightly over 60 per cent of the 1939 average. Available supplies of goods increased considerably, not only as a result of higher domestic production but also of greater imports.

Imports financed by UNRRA, the Government, private importers, U. S. credits, and private charity are estimated by the Bank of Greece to have amounted to \$350 million. Before the war, imports averaged \$120 million a year (1936-39); even assuming an increase in prices of 100 per cent between the two periods, imports were therefore 50 per cent higher in 1946 than before the war.

Fundamentally, however, the economy remained weak. Imports of reconstruction goods were limited; the large volume of imports consisted in the main of consumer goods, and included nonessentials, the import of which could hardly be justified in view of Greece's difficult economic situation. The Government was able to spend little on reconstruction, and private individuals continued to be unwilling to make expenditures for repairs or new construction. As a result, physical reconstruction proceeded slowly. By a partial restoration of coastal shipping and the importation of a considerable number of trucks, essential internal transport needs were met, and the ports were rendered capable of handling the large volume of imports. Much reconstruction of transport remained to be done; however: the ports needed further major repairs; the main railroad line from Athens to Salonika was still closed to traffic, awaiting the reconstruction of vital bridges and tunnels destroyed during the war; the highways were in very bad condition; the Corinth Canal, a vital link in Greece's water route, was still blocked. In addition, a large part of the damage to dwellings remained to be repaired.

With so much reconstruction still required, and production still far below the prewar level, Greece's import needs remained high and its potential foreign exchange income low. The country had, however, virtually no foreign exchange reserves left to finance an import surplus. On January 31, 1946, its total gold and foreign exchange holdings had amounted to \$193 million, only \$71 million of which was in gold and dollars. During 1946, its receipts of foreign exchange from all sources, including the liquidation of holdings of

private individuals, had amounted to \$107 million, and its expenditures, including internal gold sales, to \$203 million. Its gold and foreign exchange reserves had consequently been reduced by some \$96 million, and by the close of the year its holdings of gold and dollars were reduced virtually to zero. Its only remaining assets were its sterling holdings and about \$100 million, the unspent portion of \$110 million in U.S. credits granted in 1946. Sterling holdings were partially blocked and in any case could not be used to purchase many of the required supplies. U.S. credits were earmarked for specific purposes and included some \$40 million for merchant ships and \$35 million remaining from an O.F.L.C. credit granted for the purchase of army surpluses.

At the end of November 1946, therefore, the Government was compelled to tighten its controls over the release of foreign exchange for imports, and in March 1947, the Bank of Greece discontinued the free sale of gold against drachmas. Continued foreign assistance in 1947 was clearly essential; the need had, indeed, increased as a result of the intensification in the late Summer of 1946 of the drive for power by the Left. Existing sources of foreign aid were, however, drying up: UNRRA was terminating its operations, and Great Britain was no longer able to provide military assistance. It was fortunate for Greece, therefore, that the United States now undertook to provide it with financial assistance as part of its program of halting the further expansion of Communist power.

Since the Spring of 1947, American aid has served to keep the Greek population alive and to provide military supplies for an increased army; the general economic position of the country, however, has shown little improvement. The guerrilla forces have grown and are more of a menace to economic life today than a year ago. The repair of war damage has proceeded very slowly. Agricultural output was lower in 1947 than in 1946, mainly because of poor weather, but partly also because guerrilla activities interfered with

harvesting. Industrial production increased only slightly; at the close of 1947 it was slightly over 70 per cent of the 1939 average, compared with 60 per cent at the beginning of the year.

The internal financial position has deteriorated rather than improved. For a few months after the discontinuance of gold sales in March 1947, the value of the drachma remained unchanged at about 135,000 to the gold sovereign, in spite of a continuing rise in monetary circulation under the influence of a continued budgetary deficit and a substantial expansion of private credits. This was probably due to anticipation of American aid. In July 1947, however, the value of the drachma again began to decline, and by mid-January 1948, it had fallen to 229,000 to the gold sovereign.

The decline was checked in mid-January 1948 by a resumption of gold sales, but prices continued to rise, the increase from mid-January to mid-February 1948 amounting to about 5 per cent. The American Mission for Aid to Greece agreed to the sale of gold reluctantly, granting its consent only after the Greek Government had undertaken to restrict rigorously the further expansion of credit; moreover, the Mission's consent was given only with the understanding that sales should be limited and that no attempt would be made to maintain a predetermined value for the gold sovereign. By restrictions on credit expansion plus limited sales of gold, it is hoped that a serious fall in the value of the drachma can be prevented until the Greek economy has recovered sufficiently to put a sound floor under the country's currency.

The external financial position, too, continues to be weak. The country's potential foreign exchange income is still far below its needs for civilian supplies and cannot, of course, meet the substantial requirements for military supplies which are essential if guerrilla warfare is to be brought to an end.

The slowness of Greece's recovery in spite of substantial foreign

assistance is attributable in large part to the fact that peace has never been fully restored to the country. The physical damage resulting from the bitter though brief civil war of 1944-45 and the guerrilla warfare which began in the late Summer of 1946 and is still continuing, is only one of the serious consequences of the internal political struggle. Even more serious have been the heavy drain on Government revenues for the maintenance of public security and the absorption by the Army of a considerable part of the foreign aid provided. Most serious of all, and the greatest handicap to economic recovery, has been the universal feeling of insecurity engendered by the conflict: as a result, there has been a practically unlimited demand for gold and commodities and a general disinclination to hold bank deposits or to invest in plant and facilities.

Some share of the responsibility for the halting recovery, however, must be attributed to the policies followed by the successive Governments. They have been handicapped by a demoralized civil service, incapable of administering comprehensive economic controls effectively, and have been opposed in principle to any restriction on free enterprise. They have, therefore, refrained from using the power of the State to promote recovery. At the same time, they have permitted the country's foreign exchange resources to be dissipated without securing any fundamental improvement in economic conditions. As the political situation in the country has deteriorated, they have tended to place increasing reliance on foreign aid, acting on the conviction that the United States' desire to prevent Communist expansion in Europe would insure the continuance of economic and military assistance.

Whatever the responsibility of the successive Greek Governments, the fundamental obstacle to recovery today is undoubtedly the civil conflict, which absorbs not only domestic resources but a large part of the foreign aid which the country receives and which could otherwise have been directed primarily

towards reconstruction. The prospects that the internal struggle can be brought to a speedy end are not promising, despite the fact that the United States has made available \$172 million for military purposes since April 1947. In spite of the recent declarations by the American Mission that the Greek Army is now well enough equipped to wipe out the guerrilla forces, in March 1948 the U. S. Secretary of State asked Congress for a further appropriation of \$275 million for military aid to Greece and Turkey in 1948-49 and warned that additional appropriations might prove necessary.

So long as this situation continues, and for some years thereafter, Greece will undoubtedly require foreign assistance to cover its balance of payments deficit. Such aid will be forthcoming from the United States during the next year, if the Congress approves the Economic Recovery Program, and may continue over the following three years, if further appropriations are voted. The State Department's tentative plans envisage the expenditure in Greece of \$191 million in the 15 months ending June 30, 1949, a sum which is of about the same order of magnitude as the aid given by the United States since April 1947.

Although the further assistance envisaged is no greater than that given in the past, the fact that Greece has been able to make some progress toward recovery despite continuous armed conflict makes it seem probable that, if peace is restored, the Greek economy will be able to recover to its prewar position and gradually to begin again to attract foreign capital. Certain promising possibilities for the investment of such capital are believed to exist. Students of the country have long thought that the development of Greece's water resources would yield large returns in increased domestic production, which in turn would improve the Greek balance of payments position. An FAO Mission which explored Greek problems in 1946 recommended that the country inaugurate a broad program of interrelated drainage, flood control,

irrigation, and hydroelectric projects. In the Mission's view, this program, involving an estimated investment of about \$150 million over a ten-year period, would greatly decrease Greece's dependence on imported fuel and make possible a considerable expansion in the domestic output of high value irrigated crops and of light manufactures, some of which could be exported.

Other opportunities for investment on a smaller scale are also believed to exist. Greece's mineral resources have never been fully exploited, an increase in production of irrigated crops would make possible a substantial growth in the domestic food-processing industries, and a wide variety of light manufactures could be developed. Detailed investigation will, of course, be required before it will be possible to state definitely which of these projects are feasible and will yield the increase in foreign exchange essential for the repayment of the debt incurred. However, even if Greece were to receive the aid contemplated in the original Paris proposals of the European Recovery Program, there will be no sound basis for foreign commercial investment as long as civil war continues to impose such a heavy drain on the country's economy.

GEOGRAPHY, POPULATION, NATIONAL INCOME

Area, Topography, Climate

Area and Location

Greece is one of the smaller countries of Europe. Its area of 132,560 square kilometers, or 51,182 square miles, is somewhat smaller than that of Czechoslovakia and slightly larger than that of the State of New York. Of the total, one fifth is accounted for by the numerous islands which surround the mainland.

Continental Greece consists of a narrow peninsula extending south from the broader Balkan peninsula between two arms of the Mediterranean, the Ionian and Aegean Seas, and of a narrow stretch of land extending east along the northern shore of the Aegean. In this northeastern section lie the Greek portions of Macedonia and Thrace, the regions which Greece shares and disputes with her northern neighbors, Yugoslavia and Bulgaria.

The numerous Greek islands include the Ionian group, close to the mainland on the west, the large island of Crete to the southeast, and, on the east, a great number of large and small islands rising out of the Aegean Sea all the way from the Greek mainland to the shores of Asia Minor. Very recently (1947) by virtue of the peace treaty with Italy, the Dodecanese Islands, which lie close to the shores of Turkey, were added to this group.

Except on the north and the northeast, the country is bounded by the sea. Its only land neighbors are, on the north, Albania, Yugoslavia, and Bulgaria, and on its very short northeastern frontier, Turkey. Its nearest maritime neighbors are Turkey and southern Italy; the island of Crete lies due north of the Libyan-Egyptian border, not far distant across the Mediterranean.

Consisting as it does of a large number of islands, a narrow peninsula, only 275 kilometers (171 miles) wide at its widest point, and a narrow stretch of land along the Aegean - for the most part under 100 kilometers (62 miles) in depth - Greece has a very long coastline in relation to its size, and no



part of it is far from the sea.

Topography and Climate

The maritime character of Greece is accentuated by its topography. From the eastern border of Thrace in northern Greece to southern Crete, the whole country is traversed by mountains. The major mountain divide, the Pindus Mountains, cuts through Greece a little west of its center from north to south, and lateral east-west branches extend from the central spine at several points almost from sea to sea. In addition to the main north-south mountain range, the whole northern border of Thrace and Macedonia consists of a practically continuous east-west mountain range with only a pass here and there to provide routes north into Yugoslavia and Bulgaria. In all, the mountains, which range up to 10,000 feet in height and are fairly rugged, occupy over one-third of the entire area of the country. Since most of the mountain land is not cultivable, the people of Greece live mainly in the coastal plains or in small valleys in the folds of the mountains, and except in the northeast - in Thessaly, Macedonia, and Thrace - these cultivable land pockets are small. Not only do the mountains compel the population to live in close proximity to the sea; by rendering overland communications both among the different sections of the country and between Greece and the rest of Europe difficult, they make the country largely dependent on water transport.

The mountainous terrain of Greece creates further problems for the country. Because everywhere in Greece, the mountains lie so close to the sea, the Greek rivers, with their sources high in the mountains, are generally short and swift. Largely uncontrolled, they rush down torrentially in the winter months of heavy concentrated precipitation, causing erosion, floods which often leave whole areas too marshy for cultivation, and silting up of the river mouths.

Because of the climate of Greece, the uncontrolled flow of the rivers

has further particularly damaging consequences. Despite variations from section to section - temperatures are lower in the mountainous center and the north than in the maritime sections of the south, and rainfall increases as one moves west and north - in general, Greece has a Mediterranean climate characterized by a mild rainy and cloudy winter, a very short spring and autumn, and a hot, dry summer. The dissipation of Greece's scant supply of water in the flood season means that, in the summer months, when a supply to irrigate the fields in the plains would be extremely valuable, little is available.

Natural Bases for Economic Development

As is apparent from the account of Greece's topography given above, the total area available for cultivation is very limited. In fact, only 20 per cent of Greece's area is actually under cultivation, and not over 25 per cent is cultivable. With so limited an area under cultivation, Greece is far from self-sufficient in foodstuffs, although it produces exportable surpluses of a few specialized crops, such as tobacco, raisins, currants and other dried fruits, and olive oil.

Forest areas are very limited. Although mountains cover over one third of the total area of Greece, so much of the mountain land is bare, that forests represent less than 15 percent of the total; moreover, a large part of the forests consist merely of brush and scrub growth. Greece is therefore unable to supply its own needs for wood and wood products.

The country has deposits of a number of minerals - iron, chrome, nickel, manganese, bauxite, lead and zinc, copper, molybdenum, antimony, barite, emery, magnesite and iron pyrites; but although mineral output expanded in the interwar years, notably in the case of bauxite, in general development has been limited. An almost complete lack of fuel - Greece's only supplies are a relatively small quantity of lignite - has inhibited the development of industry. There was, however, some expansion in manufacturing in the

interwar years, particularly in the textile industry, based to a considerable extent on domestic raw materials.

Greece's geography has one notably favorable aspect: its long coastline and many good harbors provide an excellent basis for maritime development, and before the war, the Greek merchant fleet was the ninth largest in the world.

Greece possesses one major natural resource - water - as yet little developed, whose exploitation might, it is believed, make possible a considerable expansion in both agricultural and industrial production. The control of the waters which now pour rapidly away into the sea would reduce erosion and silting, diminish flood damage, and, even more important, provide water for irrigating a considerable area on which fruits, vegetables, and other intensive irrigated crops could be grown. Harnessing this water through hydro-electric power installations would also provide Greece with a source of much cheaper power and thus make possible the development of light manufacturing industry for domestic and export markets.

A number of experts have held that such developments are feasible, and the FAO Mission for Greece in 1946 expressed the opinion that even at present inflated prices the probable benefits from a number of proposed developments would outweigh the costs. According to their Report, "the development of water potentialities and the control of water will contribute more wealth to the nation, and assist far more in raising the standard of living of millions of people in Greece, than any other natural-resource development. It will make Greece more self-sufficient and greatly assist in balancing export-import trade by increasing exportable goods and reducing the use of such imported fuels as coal and oil."

Population

Total Population and Population Density

At the close of 1946, the population of Greece was estimated officially

at 7,450,000. By virtue of the Peace Treaty with Italy, in 1947 the country acquired the Dodecanese Islands, which in that year had a population of about 120,000. The total population of present-day Greece, therefore, exceeds 7,570,000. This represents only a slight increase over the population at the outbreak of the war, recorded as 7,345,000 in the Census taken on October 16, 1940; war losses, estimated at 490,000, having been only barely offset by natural growth during this period.

During the two decades preceding 1940, however, the population of Greece increased by 2,328,000 or 46 per cent from an estimated 5,017,000 in 1920. This phenomenal increase, which greatly exceeded that shown by any other country in Europe, was the result of both natural and political factors.

More than half the increase occurred in the first eight years of the period, the first postwar Census taken in 1928 recording a population of 6,205,000, and was due largely to compulsory immigration into Greece of refugees from Turkey, Bulgaria, and southern Russia. The largest group came from Turkey, which had a large Greek population before 1922. Some of these Greeks fled from Turkey after the defeat of the Greek forces in Asia Minor in the Greco-Turkish War of 1921-22, but most of them were compelled to migrate to Greece as a result of the Treaty of Lausanne (July 1923) which brought the war to a close. That treaty provided for the forced emigration of all Greeks in Turkish territory, with the exception of those in the city of Constantinople, and the forced emigration of all Moslems from territories remaining to Greece, with the exception of those living in western Thrace. By this compulsory exchange over a million Greeks were transferred from Asia Minor and eastern Thrace, while some 400 thousand Turks were expelled from Greece. In addition, over 50 thousand Greeks were "repatriated" from centuries-old colonies in southern Russia, and a substantial number came from Bulgaria under the terms of an agreement between that country and Greece concluded shortly after the close of the first World War, which provided for

the voluntary exchange of Greek and Bulgarian minorities.

As a result of this inflow and of minor movements from Yugoslavia and Albania, the Greek population was increased by over half a million through migration in the 1920's. According to the Census of 1928 over a sixth of the population of Greece in that year had been born abroad and had come to Greece as refugees.

If politically caused migration contributed substantially to the growth of the Greek population in the interwar years, the natural rate of increase also played a large part. The Greek birth rate in the interwar years was one of the highest in Europe, being exceeded only by that of the U.S.S.R., Rumania, and Portugal and exceeding even the high birth rates of Poland, Bulgaria, Spain, and Italy. Although the death rate, too, was high, the natural rate of increase in Greece was one of the highest in Europe. In the twelve years between 1928 to 1940, the Greek population increased at a rate of 1.5 per cent a year.

In view of its meager natural resources this great increase in population posed a serious problem for Greece. The density of the country's population is not high. In 1939, there were 55.3 persons per square kilometer, a figure not only lower than that for any of the industrial countries in northern and western Europe, with the exception of the Scandinavian countries, but lower also than that of all the sparsely populated agricultural countries of eastern Europe, with the exception of Albania, and of the Baltic states - Estonia, Latvia, and Lithuania. But in terms of arable land, the density of the Greek population was very high. In 1939, there were 292 persons per square kilometer of arable land, a density not only much higher than that prevailing in all other agricultural countries of eastern Europe but considerably higher also than that of France and slightly higher than that of Czechoslovakia and Italy.

Regional and Urban-Rural Distribution

In 1940, the last year for which figures on the regional distribution of the Greek population are available, 6,254,022 persons, or about 85 per cent of the total, lived in continental Greece, including the large coastal island of Euboea, and 1,090,838, or 15 per cent of the total, on the remaining islands.

The province with the largest population was Central Greece, where the metropolitan agglomeration of Athens-Piraeus is located: its population in 1940 was 2,036,000. Macedonia, which contains the country's second largest city, Salonika, had a population of 1,759,000. The other mainland provinces, with their populations, were: the Peloponnesus - 1,164,000, Thessaly - 573,000, Epirus - 362,000, and Thrace - 360,000. Crete, the only large island other than Euboea, had a population of 438,000.

Population density was highest in the Ionian Islands, where it amounted to 112.6 persons per square kilometer. The only other major concentration of population was in the province of Central Greece, where because of the large urban concentration in the Athens-Piraeus area, there were 81 persons per square kilometer.

Although Greece must be regarded as a primarily agricultural country, it is more urbanized than other countries in eastern Europe. In 1928, the latest year for which official data on the urban-rural distribution of the Greek population are available, 33 per cent of the Greek people lived in cities of 5,000 and over, 9 per cent in towns of from 2,000 to 5,000, and 58 per cent in small rural communities. In all the other countries of eastern Europe, well over 70 per cent of the population is classified as rural. Although official information is lacking, there is good reason to believe that there was an increase in the proportion of the Greek population living in urban communities in the years following 1928. In 1938, the population of towns of 20,000 and over was estimated to represent about 24 per cent of

the total.

The most important urban center in Greece is the metropolitan agglomeration of Athens and its related port, the Piraeus, the combined population of which was estimated at 787,160 at the close of 1938 and at 1,124,000 in May 1945. Its population is believed to have increased further since then, as refugees from the guerrilla areas have crowded into the one place where they can at least be assured of food. How much of this growth can be regarded as permanent it is not yet possible to determine. Salonika with an estimated population of 268,000 both at the close of 1938 and in May 1945, ranks next in size. All other Greek cities are distinctly smaller, the most important, with their estimated population in 1938 being: Patras, an export center for currants, with an estimated population of 74,000; Kavalla, an important tobacco port, with an estimated population of 55,000; and Volos, a textile and metallurgical center, with an estimated population of 58,000.

Age Distribution, Nationality, Religion

The Greek people are preponderantly young. In 1928, 52 per cent were under 25 years of age, and 73 per cent under 40 years of age.

Because of the population transfers which occurred after the close of the first World War, the Greek population is very homogeneous. Of the total, in 1928, 93 per cent reported Greek as their native tongue; the only other important language was Turkish, spoken by 3 per cent of the population. Even greater homogeneity is shown in religious grouping: 96 per cent of the total were Greek Orthodox Christians, 2 per cent were Moslems, one per cent Jews, and the remainder Roman Catholics.

Literacy

In 1928, the latest year for which statistics on literacy are available, the level of literacy in Greece was low: in that year, only 59 per cent of the Greek population above the age of eight were able to read and write. At the time the situation was affected, however, by the presence in Greece

of over half a million refugees from Asia Minor with a very low level of literacy. In fact, in the province of Thrace, where a number of refugees were settled and where conditions resemble those in Asia Minor, the literacy rate was lowest, only 39 per cent of the population above the age of eight in that province being able to read and write in 1928.

Although figures for later years are not available, there is little doubt that there was a marked increase in literacy after 1928. This is indicated by the fact that in that year, the percentage of literacy was very much higher in the younger age groups than in the older, declining from 81 per cent in the group from 10 to 14 years of age to 42 per cent in the group from 55 to 59 years and to 33 per cent in the group consisting of those over 60. The tendency for more and more children to receive an education, to which these figures point, received further impetus from the educational reforms instituted after 1928, which made universal primary education compulsory.

Occupational Distribution

Greece is primarily an agricultural country; in 1928, the latest year for which an occupational breakdown is available, 54 per cent of the 2,746,000 persons over 10 years of age reporting themselves gainfully employed were engaged in agriculture, stock raising, and hunting and fishing. It is significant, however, that agriculture is a less important means of livelihood than in the other Balkan countries, where it occupies close to three-quarters of the population. Despite the lack of a domestic fuel supply, the absence of a strong domestic market, and poor internal transport facilities which have inhibited the development of manufacture, Greece is the most industrialized country in the Balkans, and in 1928 close to 16 per cent of the gainfully occupied population were engaged in manufacturing and construction. It is estimated that just prior to the outbreak of the war, about one-third of the workers in industry were employed in the textile industry, some 15 per cent in metal-working, over 14 per cent in food processing, over 13 per

cent in construction, close to 9 per cent in chemicals, and 5 per cent in tobacco processing. Smaller percentages were employed in the processing of clothing, leather, wood and paper. Transport and communication, which included the workers in Greece's important shipping industry, occupied 4 per cent of the gainfully employed population in 1928, while close to 8 per cent were engaged in commerce and finance, and 5 per cent in the liberal professions and the public service.

National Income

Like all the countries in eastern Europe, Greece has a very low national income. According to the most authoritative estimate, prepared by the Greek economist, Evelpides, in 1939 the national income of the country was 67.3 billion drachmas, the equivalent of \$538.4 million. This meant a national income per head of about 9,300 drachmas, or \$75. This exceeded the figure for Bulgaria and equalled that for Yugoslavia, roughly \$65 and \$75 respectively, but was of course only a small fraction of the national per capita income of the industrial countries in western Europe and only half the national income per head in Italy.

Mr. Evelpides' estimates, which cover the period from 1928 to 1939, show that following a decline during the depression years, the Greek national income rose, and was 14 per cent higher, measured in drachmas of constant purchasing power, in 1939 than in 1928. However, since the population of Greece increased by about the same percentage between these two years, the real national income per head was about the same in 1939 as it had been in 1928.

During the war the national income of Greece declined disastrously and postwar political and economic disorganization has kept it at a very low level. The Greek Board of Reconstruction has estimated the national income for the year July 1945-June 1946 at only 25 billion 1938 drachmas, or some 37 per cent of the prewar figure.

In 1939, the largest share of the national income, about 41 per cent, was derived from agriculture and animal husbandry; the share of mines, industry, construction, and handicrafts was 16 per cent; commerce contributed something over 8 per cent; and transport, shipping, and other communications about 6 per cent. Profits on capital represented another 11.5 per cent, and public service, personal services, and the free professions a little over 10 per cent. The balance was derived from forestry, fishing, and emigrants' remittances.

No information on the distribution of the postwar national income is available; even if available, it would be of little significance from a long-range point of view, since the present distribution is almost certainly not that which is likely to exist when the economic dislocations produced by the war and the civil war will have been ended.

THE PRESENT POLITICAL SITUATION

Introduction

Although Greece was liberated more than three years ago, in October 1944, it has not yet attained to political stability. One short-lived government has succeeded another - there have been nine prime ministers in a little over three years - and there has been almost continuous civil disorder. Civil war broke out less than two months after liberation, and the truce which followed the six weeks of active fighting was sullen and punctuated by sporadic violence. In the summer of 1946, violence increased and the Left embarked on the well-organized guerilla campaign which has continued ever since.

The prevailing political tension, the principal obstacle to economic recovery, has two main causes: domestic political differences which arose before the war and increased during the occupation and the civil war of 1944-45, and the deepening political conflict between Great Britain and the United States and the Soviet Union.

The origins of one of the principal issues which divides the Greek people - whether their country should be a monarchy or a republic - date back to the first World War, when the pro-German policy of King Constantine gave rise to widespread opposition and led eventually, in 1924, to the establishment of a republic. Although the Populist Party, the principal royalist group, officially accepted republicanism after the establishment of a republican regime, many of its members did not do so, and a number of smaller parties sprang up which publicly advocated the restoration of the monarchy. The most important republican party, the Liberals, remained in power until 1933, when, largely as a result of the economic hardships engendered by the depression, they lost their majority. During the three years which followed, the royalists grew stronger, and, in 1936, were able to restore King George to the throne. To this change, which they charged had been achieved through a fraudulent

plebiscite, the republicans were never reconciled.

Subsequent political developments not only rendered reconciliation impossible but even deepened political divisions. In the elections of June 1936, the republican parties secured 142 seats, and the royalists 143, and the balance of power came to rest with the 15 deputies elected by the Communists, who first attained to some strength in the depressed 1930's. The precarious political balance of the new Parliament made it possible for the royalist premier, General John Metaxas, to obtain the consent of the King to the establishment under the General's leadership of a dictatorial regime, modeled on those in Italy and Germany. In Greece, however, the dictatorship never achieved popularity; royalists and republicans alike disliked it and were ill-treated by it, and opposition to the monarchy increased because of the part the King had played in its establishment.

Wartime Developments

When Greece was attacked by the Italians in October 1940 and by the Germans in the spring of 1941, the country, though solidly behind the Government's policy of resistance, was, for the reasons just given, far from united in support of the Government. Opposition to the Government as the direct successor of the Metaxas regime, in fact, persisted even after the conquest of Greece by the Germans in April 1941 had forced it into exile, the Metaxist ministers had been removed from office in the course of that year, and the dictatorship had been ended by royal decree.

Because of the widespread opposition to the Government, the Communists were able to enlist the cooperation of more moderate elements when, as elsewhere in the Balkans, they embarked on an active campaign of resistance to the occupying Germans. Although resistance to the invaders was by no means confined to Communists, the Communist-dominated EAM (National Liberation Front) proved more effective in attracting a following than any of the resistance groups led by non-Communist elements.

EAM's success was the result of its superiority in political propaganda, its ruthlessness in dealing with its rivals - whom it was willing to attack and even to betray to the enemy in its effort to achieve predominance - and British support. Not only did Britain give EAM financial and military assistance, as it did the other resistance groups, but its liaison officers in Greece, in an effort to reduce conflicts among the resistance forces so as to secure a maximum of military advantage from their activities, assigned a separate sphere of operations to each group. EAM's assigned territory was the area east of the Pindus Mountains, which gave the greatest scope for expansion. Moreover, as EAM's military arm, ELAS (National Popular Liberation Front), grew stronger, its demand for a monopoly of armed resistance was generally supported by British liaison officers within the country.

At the outset, EAM's leadership and following were largely non-Communist, the policy of the Communists in Greece, as elsewhere, being to build a popular front organization which they could eventually dominate. Founded on September 27, 1941, by representatives of six parties - the Communists, the Agrarians, the United Socialists, the Republicans, the Union of Popular Democracy, and the Socialists, each of which had one vote in the directing committee - EAM was actually controlled by the Communists, since only two of its constituent groups, the Union of Popular Democracy and the Socialists, were headed by non-Communists.

By the summer of 1943, when EAM had become indisputably the most powerful resistance group, with a military force in ELAS of perhaps 20,000 men, its Communist leadership felt strong enough to embark on an independent course in preparation for liberation. It began to evade British proposals that its forces undertake specific acts of sabotage, in the fall of 1943 it attacked EDES (Greek Democratic National League) in an endeavor to eliminate the only rival still possessing some strength, and it undertook to consolidate its position at home by creating an ELAS reserve in every town of Greece. Although

EDES proved too strong to be crushed, and, under strong pressure from the Greek Government-in-exile and the British, EAM was forced to arrive at a truce with it in February 1944, EAM persisted in its attempt to secure primacy, and in March 1944 set up a provisional government, the Political Committee for National Liberation.

As all these developments show, a wide divergence had grown up between the resistance movement and the Government-in-exile; unless the two could be reconciled before liberation, it was obvious that postwar Greece would be faced with an exceedingly difficult political problem.

Such a reconciliation, however, proved hard to achieve. The long standing conflict over whether Greece should be a monarchy or a republic was the first stumbling block. Although there was ample support, both in Greece and in the circles close to the Government-in-exile, for the position of the principal resistance groups that King George should not return until after a plebiscite, the King though not barring the possibility of a plebiscite could not be brought to agree to remain outside Greece until the result was known. When representatives of the principal guerrilla organizations, EAM, EDES, and EKKA (National Party of Social Reconstruction) came to Cairo in August 1943 and put forward in the strongest terms their demand for postponement of the King's return until after the plebiscite, the King rejected it, as he did the suggestion made in December of that year by the premier of the Government-in-exile, Emanuel Tsouderos, that he appoint Archbishop Damaskinos regent. The rejection of both proposals convinced EAM that it would have to take stronger measures to prevent the King's return, and was probably partly responsible for their organizing a provisional government.

The failure of the King to agree to a plebiscite before his return or to the appointment of a regent led, in March 1944, to a mutiny among the Greek armed forces in Egypt. Initiated by the Republican League, an organization of officers close to conservative republican circles in the Greek emigre colony

in Cairo, the leaders of the mutiny soon found that they could not control their followers who had come under the influence of propagandists sent from Greece by EAM ever since 1943 to enter the Army. To the surprise of the League and its associates, the mutineers demanded not only that the King state unequivocally that he would not return without a plebiscite, but also that the Government-in-exile recognize the Political Committee set up by EAM as the legitimate representative of the Greek people, and accept some or all of its members into the Cabinet.

Although the uprising was suppressed with British assistance, the mutineers removed from the armed forces, and a new brigade, the Third (or Rimini) Brigade, created out of the remaining loyal elements, the mutiny had drastic political consequences. On April 7, 1944, Premier Tsouderos felt compelled to resign; Sophocles Venizelos, the leader of the republican group in Cairo who succeeded him, in turn was forced out when it became clear that the republican leaders could not control the mutineers. On April 23, he gave place, on British advice, to George Papandreou, the leader of the small Social Democratic Party, whom the British had brought to Cairo from Greece.

At this stage everyone recognized the necessity for broadening the Government. A step in this direction had already been taken by Venizelos, who during his brief period in office had invited the resistance groups to send delegates to a national unity conference. The conference, held in Lebanon from May 17 to 20, agreed that a national unity Government should be formed with Papandreou as premier. In this government EAM and the Liberals were each to have five seats, the Populist Party three, and smaller parties and groups, many of them led by personal friends of the premier, seven seats. A basis for the new Government was established in the Lebanon Charter, but, unfortunately, because it represented a compromise, this Charter was vague and subject to wide variations in interpretation.

Although EAM's representatives had agreed both to the Charter and to the

composition of the new Government, the organization refused for some time to enter the latter. The acrimonious debate over the conditions of its entry did not end until September 2, when five EAM representatives were finally sworn into the Government, reportedly in the case of the two Communists in the group, upon the advice of the Russian legation in Cairo.

Liberation and Civil War, 1944-45

Although all political factions were united in the new Government, none regarded it with favor. Political maneuvering continued, each side hoping to gain complete control of the country. In October 1944, Greece was liberated, British forces entering Athens on October 13. On October 18, the Government returned to the capital, but the King remained outside the country. On October 24, the Cabinet was reshuffled without, however, improving the position of the Left. EAM received only six seats in the new Cabinet, the Populist Party four; the Liberals refused to enter it, their leader, Themistocles Sofoulis, refusing to become premier in a Cabinet dominated by EAM, and declining to accept a post under his former subordinate, Papandreu.

Within a month, a crisis was precipitated by the premier's attempt to disband the guerrilla forces. Although both EDES and EAM had agreed to this action, the latter insisted that all armed organizations of the Right, including the Third (or Rimini) Brigade must also be dissolved. To this Papandreu and the British would not agree as they considered the Third Brigade part of the regular Greek Army. All attempts at compromise proved unsuccessful; finally, the British Commander, General Scobie, ordered all guerrilla forces disbanded by December 10. On December 2, all EAM ministers resigned in protest against this action.

On December 3, an EAM demonstration in Athens, first permitted by the Government and then forbidden on British advice, ended in bloodshed. Attempts at compromise continued, but were rendered futile by an ELAS attack in the city

on December 4 and by the subsequent refusal of the British to agree to the resignation of Papandreu and the formation of another Government headed by Sofoulis.

Whether a different decision would have prevented armed conflict, at that time or later, it is impossible to determine. As elsewhere in the Balkans, the Left was clearly intent on gaining control over the country. A compromise at this time might have postponed but would not necessarily have prevented a bid for power on its part. The breakdown of the efforts at compromise made civil war inevitable. By December 5, ELAS forces were engaged in a full-scale armed conflict with Government and British troops. Fighting continued until Christmas Day when Winston Churchill, disturbed at the storm of criticism aroused at home and in the United States by British policy, flew to Athens to attempt to bring about a settlement. Although he did not succeed, two decisions were reached, action on which did bring the conflict to an end. On Churchill's very strong advice, King George announced, on December 31, that he would not return to Greece until after a plebiscite had been held, and established a regency under Archbishop Damaskinos. On January 3, the Regent appointed General Plastiras, a long-time Republican and leader of Republican revolts in 1922 and 1933, to the premiership.

The British Prime Minister's second decision was that the military forces of the Left must be completely crushed. Government and British troops under General Scobie consequently attacked ELAS in force and, on January 11, the latter were compelled to agree to a truce providing for the cessation of hostilities by January 15. The truce paved the way for negotiations between EAM and the Greek Government, and on March 12, an agreement was concluded at Varkiza, aimed at bringing the conflict to an end and at establishing a basis for a political modus vivendi. EAM agreed that within two weeks ELAS would surrender all arms, and the Government that legal prosecution of persons who had taken part in the uprising would be limited to violators of criminal law

and not extended to political offenders. Both also agreed that the Communist Party and EAM, though not represented in the Plastiras Government, would be recognized as legal political organizations, that a plebiscite to determine whether the country should be a monarchy or republic, and a parliamentary election would be held within a year, and "that for the verification of the genuineness of the popular will, the great Allied Powers shall be requested to send observers".

The Regency, 1945-46

The Varkiza Agreement of March 1945 brought only a troubled peace. ELAS surrendered its arms, but, according to EAM and to many members of the Center parties, the Government kept in prison a number of persons guilty only of political offenses and dismissed a number of public officials on the mere suspicion of being EAM supporters. In the small towns and villages, the bitterness engendered by the civil war was kept alive by acts of violence by partisans on both sides.

Conservative royalist and republican elements undoubtedly had the support of the majority of the people, for the actions of ELAS troops had alienated the sympathies of many former EAM supporters. But the two conservative factions could themselves agree on little except opposition to EAM. Royalists and Republicans alike jockeyed for position in anticipation of the forthcoming election. The royalists were discontented with Prime Minister Plastiras whom they regarded as an obstacle to their plans. In March 1945, they began to agitate for a "service" government, and on April 7, Plastiras resigned to be replaced by Admiral Petros Voulgaris. The Voulgaris Government was reconstituted twice before it fell on October 9.

Although the most serious problem confronting Greece during this period was the country's economic situation, it was a political issue which finally brought about Admiral Voulgaris's fall. The Royalist parties favored an early election to be followed by a plebiscite, and Admiral Voulgaris's Government

first proposed holding the election in the fall of 1945. When the Center and Left parties opposed such an early date, on the ground that the time was too short for a revision of the electoral lists compiled in January 1936 when the last election before the establishment of the dictatorship had been held, the Government agreed to postpone elections until January 20, 1946. But this date, too, was unsatisfactory to the Center and the Left; the Communists announced that they would abstain from the election and the Liberals, Progressives, Agrarians, and Socialists made the reorganization of the Government a condition for their participation.

Admiral Voulgaris was, therefore, forced to resign. He was succeeded briefly by Panagiotis Kanellopoulos, the leader of the small republican Unionist Party. At the end of November, Kanellopoulos was succeeded, in turn, by Themistocles Sofoulis, the leader of the Liberal Party. On December 4, Premier Sofoulis announced a further postponement of the elections to March 31, 1946.

Thus, in the eighteen months between liberation and the elections, Greece had five short-lived governments, all utterly unable to put into effect the measures required by the country's precarious economic situation, mainly because all derived their support from the wealthier classes who opposed all economic controls. Continuing UNRRA assistance had staved off economic collapse, but the country's economic position showed almost no improvement.

In January 1946, however, a financial agreement between Greece and Great Britain enabled the Government to take certain remedial steps, intended at least to halt the progressive deterioration in the currency, the official value of which had fallen from 150 drachmas to the dollar in November 1944 to 5,000 to the dollar in January 1946. Among other items, the agreement provided for a stabilization loan to Greece of £10 million. Protected by this reserve, the Government determined to legalize the sale of gold, hoping by its intervention to maintain the value of the drachma, and used gold sovereigns, a part of its

gold reserve, for this operation. Its endeavors were successful. The decline in the value of the drachma was halted and prices ceased to rise, the Government gaining some stability for the troubled period of elections and plebiscite impending.

Political difficulties were not, of course, abated by the stabilization of the currency. While the antagonisms between the conservative groups arose out of long-standing domestic political differences, the fundamental conflict between Left and Right was, essentially, a reflection of the larger international conflict between the Soviet Union and the Western Powers over the political orientation of Europe, in which conflict Greece was only one of the issues. Great Britain supported the successive governments of Greece which, however they differed, were united in opposition to the Left. At their request, Britain maintained troops in the country. The United States and France, though less directly involved in the Greek situation, also supported these governments, and, with Great Britain, agreed to send observers to the election when invited to do so by the Greek Government, in accordance with the terms of the Varkiza Agreement; the Soviet Union, although also invited, refused to participate, officially on the ground of opposition to the supervision of national elections by foreign states, but probably also because it did not wish to give any sign of approval to the result of an election which was expected to give a mandate to the conservative parties. Its unfriendliness to the parties in power was demonstrated even more plainly when its representative to the Security Council of the United Nations charged before that body on January 21, 1946, that the presence of British troops in Greece was a threat to international peace and security -- a charge which, however, was not sustained by the Council.

Elections and Return of the King

Parliamentary elections took place on March 31, 1946: the Left Wing parties, the Communists and other members of the EAM, the ELD coalition

centered around the Socialists, and the Union of Left Democrats, led by John Sophianopoulos, abstained. Also abstaining were two parties of the Left Center, the Progressive Party led by George Kafandaris, and the Agrarian Party, led by Alexander Mylonas.

Despite the abstentions, the Allied Observers' Mission reported that election results represented the political sentiment of the country reasonably well. The Mission estimated that a maximum of 1,850,000 persons were validly registered -- there were no political abstentions from registration. About 1,117,000 persons, or 60 per cent of the valid registrants, voted. The Mission estimated "political" abstention at from 10 to 20 per cent. In its opinion, these voters, had they participated, might have secured, under the system of proportional representation obtaining, from 20 to 25 per cent of the seats. Had the Left voted, the Right parties might, the Mission thought, not have secured as they did an absolute majority, but would certainly have achieved a large plurality.

Whatever the results might have been had the Left participated in the elections, the Right received a majority (711,030) of the votes cast. The Populist Party alone obtained 55 per cent of the total vote and 206 of the 354 seats, while all the royalist parties together obtained 64 per cent of the vote and 235 seats. The avowedly republican parties, of which the most important was the Liberal Party led by Sofoulis, obtained 15 per cent of the vote and 48 seats; the National Political Union, a Center coalition made up of four groups of former Liberals which cooperated with the Right in the elections, together with a few independents, obtained 21 per cent of the votes and 71 seats.

The interim Government, formed by the Populist Party under a caretaker premier pending the election of a party chief, included three representatives of the Center coalition - Venizelos, Papandreu, and Kanellopoulos. The Royalists soon made it clear, however, that they intended to press for an immediate plebiscite on the monarchy; when, therefore, Constantine Tsaldaris

was elected leader of the Populist Party and on April 18 formed a permanent Government, the three Centrists withdrew, mainly because of their opposition to the "political handling of the plebiscite question."

Over the protests of the Liberal Party, which went so far as to threaten to withdraw from the Parliament, and in spite of the understanding of all the parties that the plebiscite would be postponed for two years, the Government announced its intention of holding it on September 1, 1946. In spite of their protests, none of the parties abstained. The vote was overwhelmingly in favor of the King's return: 1,170,470 ballots were cast in favor of it, only 523,086 against; on September 27, therefore, King George returned to Greece.

Renewed Civil Warfare, 1946-47

The return of the King was followed by an increase rather than a lessening of civil disorder. The plebiscite campaign had been marked by growing tension between the Left and the Government and its supporters. The Left had attacked Government troops, gendarmerie and Government adherents; the latter had replied in kind, and the Government had taken repressive measures. Violence was intensified with the return of the King, Leftist partisans embarking on an organized guerrilla campaign, intended to pin down large government forces and disrupt the economy.

The Government placed the blame for the renewed warfare on the Left and its foreign supporters. Although, on the whole, the parliamentary opposition agreed with this view, it maintained that the repressive policies of the exclusively Royalist Government were swelling the ranks of the Left and driving even moderate elements into them. British and American diplomats made it clear that they, too, believed that a more broadly-based Government following more conciliatory policies might be able to allay the rising internal tension.

The majority Populist Party thus felt it necessary to broaden the character of the Government; after several months of negotiation, a coalition Government was finally formed on January 27, 1947, under the premiership of

Demetrios Maximos, also a Populist. It included all parties except the Liberal Party, whose leader, Sofoulis, refused to take office under a Populist Premier, and continued in office even after the death, on April 1, 1947, of King George, who was succeeded by his brother Paul, the present reigning monarch.

The coalition Government could not allay the steadily increasing domestic tension which had now assumed the character of a minor civil war. The Left maintained that armed opposition was an inevitable reaction to the policies of a Government determined to permit no change, and it is arguable that these policies were at least partially responsible for such armed opposition. It is clear, however, that international rivalries bore considerable responsibility for the prevailing state of affairs. If the character and policies of the Government favored the growth of extra-legal opposition, the existence of an armed opposition made it difficult for moderate elements to exercise a mitigating influence.

The international alignments behind the Left and Right were clearly manifest. The Soviet charge before the U.N. Security Council in January 1946 that British troops represented a threat to international security was followed in August 1946, just when the plebiscite campaign was at its height and Left violence was assuming a more organized character, by a charge made by the Ukrainian Foreign Minister that the policy of the Greek Government was producing a situation in the Balkans which endangered international peace and security. Like the earlier Russian charge, this charge was rejected by the Security Council.

The intensification of guerrilla warfare and the serious dimensions of the resulting security and economic problems led the Greek Government in its turn on December 3, 1946 to ^{call} the attention of the Council to the disorders in Greece which it charged were due to the military aid which Greek guerrillas were receiving from Greece's three northern neighbors, Albania, Bulgaria, and

Yugoslavia. The Council voted, on December 19, to set up a "Commission of Investigation" to look into the charges. While representatives of the Soviet Union and Poland dissented, the remaining members of the Commission agreed in their report to the Council on June 27, 1947, that "Yugoslavia, and to a lesser extent, Albania and Bulgaria" had "supported the guerrilla warfare in Greece."

American Aid, 1947-48

If continued internal warfare was the result, in considerable part, of international rivalries, the existence of such rivalries in turn aided the Greek Government in obtaining financial assistance for the support of its army and the maintenance of the Greek economy. It was to keep the Government from falling that in 1946, the British Government provided military supplies and currency support, and that at the beginning of 1947, when it became clear that Britain could no longer carry the financial burden involved, the Greek Government was able to secure aid from the United States. In his message requesting assistance to Greece, delivered before both Houses of Congress on March 12, 1947, President Truman pointed out that Greece required assistance because a "militant minority" had created "political chaos, which, until now, has made economic recovery impossible." The ensuing debate in Congress made it clear that its desire to prevent that "militant minority" from gaining control in Greece was a prime factor in persuading it to vote \$300 million for aid to Greece.

United States support of the Greek Government against armed opposition from the Left did not, however, imply complete approval of that Government or its policies. Soon after the American Mission for Aid to Greece arrived in Athens, in July 1947, to supervise the expenditure of U. S. funds, it indicated its desire for a broader based government. The Mission's attitude was undoubtedly responsible, in large part, for the political crisis precipitated late in August by the resignation of the three Centrist Ministers in the Coalition Cabinet, Venizelos, Papandreou, and Kanellopoulos. Sofoulis, the

leader of the only large party outside the Government, refused - as he had since Liberation - to enter a cabinet which he did not head, and the crisis ended only when Populists agreed to his terms. Thus, on September 7, Sofoulis became Premier and organized a new Government consisting of 11 Liberals and 13 Populists; Constantine Tsaldaris, the leader of the Populist Party, continued as Vice-Premier and Foreign Minister, the posts he had held in the Maximos Government.

The new Premier at once declared a thirty-day amnesty for all persons fighting against the Government; yet, although the amnesty was subsequently extended to sixty days, it met with little response. Since the advent of the Sofoulis Government the domestic situation in Greece has grown steadily worse. Late in December 1947, guerrilla leaders announced the formation of a rival government led almost entirely by Communists, and made a determined attack on the town of Konitza, near the Albanian border, which they apparently hoped to make their capital. In their efforts the guerrillas have the expressed sympathy of official elements in all the Russian dominated countries of Central and Eastern Europe. Their regime has, however, thus far not been recognized by any of these Governments, since both the United States and Great Britain have warned of the dangers to peace which such recognition would entail.

To end internal warfare the Sofoulis Government has embarked on a vigorous campaign to exterminate the guerrillas. The American Mission has been asked and has agreed to increase its expenditures for military purposes, and to station American Army officers with operational units of the Greek Army to advise on strategy and tactics.

So acute have domestic tensions become that the moderate Sofoulis Government has been led to adopt a series of repressive measures. The Communist Party and the EAM have been outlawed and a decree was passed prohibiting all strikes under penalty of death; because of American disapproval, the latter measure has not been enforced. . . . The internal political situation

continues to be difficult. The coalition between Liberals and Populists is an uneasy one, the two factions attacking each other in Parliament and press to such an extent that both the American Charge d'Affaires and the head of the American Aid Mission have thought it necessary to issue public warnings that a breakdown in the Coalition Government might prejudice the prospects of further economic assistance from the United States.

On the economic front, too, there has been little improvement. On the advice of the American Mission, the new Government has adopted measures designed to restrict imports to necessities and to expand exports. But the currency, a good measure of the Greek people's confidence in their economic future, has depreciated steadily, and the Government has resumed the sale of gold against drachmas, after securing reluctant consent to do so from the American Mission. Though the free sale of gold against drachmas, which was discontinued some months ago because of the alarming decline in gold and foreign exchange holdings, may temporarily arrest the fall in the value of Greek currency, it can only cause a further deterioration in Greece's foreign exchange position in the long run unless more drastic measures are taken to improve the general economic situation.

Although it is too early to say whether the present Government will succeed, where its predecessors have failed, in restoring peace to Greece and in aiding in its economic revival, present auguries are, for the reasons just given, not too promising.

AGRICULTURE AND THE FOOD SUPPLY

Importance of Agriculture to the Economy

Greece is predominantly an agricultural country. Before the war, half its population was dependent on agriculture and over 40 per cent of its national income was derived from crop-raising and animal husbandry; the situation remains basically the same today. Agriculture was, however, a far less important means of livelihood in Greece than in the other Balkan countries, where before the war about 75 per cent of the population was dependent upon agriculture.

Greek agriculture differs from that in other countries in southeastern Europe even more significantly in character than in relative importance to the national economy. While its northern neighbors are normally not only self-sufficient in foodstuffs but substantial exporters, Greece is an importer of most foodstuffs and exports only agricultural specialties of a semi-luxury character. Before the war, it imported over one third of its consumption of wheat (the principal item in the Greek diet), substantial quantities of other grains, dry legumes, meat, fish, eggs, butter, margarine, and oil seeds, as well as all the sugar, coffee, tea, and cocoa which it consumed. Its agricultural exports consist in the main of tobacco, currants, raisins, wine, olives and olive oil; before the war these items together represented about three quarters of the total value of Greek exports.

The low output of basic foodstuffs is largely determined by unfavorable natural conditions. A large part of Greece is covered by rugged and barren mountains; the only level areas are the narrow coastal plain and scattered inland valleys folded in the mountains. Except in Thessaly, Macedonia, and Thrace, these level stretches are relatively small, the combined area of all the country's major plains being only some 7,000 square kilometers (2,700 square miles) or slightly less than 5 per cent of its total area. In all, the land suitable for cultivation constitutes only 25 per cent of the total,

and the land planted to crops only 20 per cent. In contrast, before the war, about one third of the land in Yugoslavia, and between 40 and 45 per cent in Bulgaria and Rumania, were under cultivation. The arable land available per head for the total and for the farming population was thus much lower in Greece than in neighboring countries.

Greek soil and climate are, moreover, generally unfavorable. Most Greek soils are poor, rainfall is inadequate and concentrated in the winter months, and summers are generally hot and very dry. The winter rains are rapidly dissipated by the uncontrolled flow of the short steep rivers; erosion, floods, and an inadequate supply of water for irrigation in the summer months are the damaging consequences.

Land Tenure and Size of Holdings

Despite the intense pressure of population upon land, there are few landless peasants in Greece. Before the war, ninety per cent of the farms were owner-operated, and only about 8 per cent of those gainfully employed in agriculture were wage-earners. Population pressure has resulted instead in the division of the cultivable area into very small farms. The typical substantial farm in the wheat-growing plains of Thessaly and Macedonia, for example, is only 3 to 5 hectares ($7\frac{1}{2}$ to $12\frac{1}{2}$ acres), the typical tobacco farm in Macedonia and Thrace less than $2/3$ of a hectare ($1\frac{1}{2}$ acres). In 1938, the average size of all farms, including the few large farms and estates, was only 3.7 hectares (cropland, fallows, vineyards, and orchards included).

Two institutional factors are responsible for the fact that most Greek farms are small and owner-operated. The traditional practice of dividing land among all heirs has exerted a continuing pressure in these directions. More importance must be assigned, however, to the land reforms inaugurated in 1917 and extended in subsequent years, as a result of which over 1,400,000 hectares of land formerly held in large estates, or more than one third of

the total of 3,330,000 hectares of crop-land and pastures, was redistributed by 1932, in holdings not exceeding 13 hectares.

When the land reforms were inaugurated, small farms already predominated in southern Greece, but in central and northern Greece, estates of from 200 to 2,000 hectares occupied half the total area. The land reform laws which provided for the expropriation for redistribution of state and church lands and of private holdings in excess of 35 to 50 hectares served to break up these large estates. Not all the estates were divided, however, since in localities where the needs of the landless and small peasants could be met from other lands, private holdings up to 200 hectares could be exempted from division, if operated directly by their owners or consisting of forest or woodlands.

Originally, the laws were intended to benefit local landless and small farmers; the former were to receive small farms, the latter additional land to enlarge their dwarf holdings. The group entitled to receive land was broadened subsequently, however, to include the refugees from Turkey, Bulgaria, and southern Russia who came into Greece in the 1920's, all of whom could not be settled on the land previously owned by the Turks and Bulgarians who had left Greece as a result of the population exchange. One third of the land on which the Greek refugees were settled was land expropriated from former Greek owners.

The most recent figures on land ownership and size of agricultural holdings in Greece are derived from the census of 1929. Between that year and 1932, when expropriation of land for redistribution ceased, there was undoubtedly a further increase in the proportion of owner-operated farms and a decrease in the size of holdings. The census returns for 1929, nevertheless, probably reflect the situation at the outbreak of the war and are fairly representative even today. In 1929, about 80 percent of all farms were operated by their owners; the titles of an additional 4 per cent were not clear; only 7 per cent were

operated by tenants, and a little over 3 per cent by share-croppers.

About 80 per cent of all farms were very small, i.e., less than 5 hectares (12.5 acres); about 20 per cent were from 5 to 50 hectares (12.5 to 125 acres), and only 5 per cent were over 50 hectares (125 acres). It should be noted, however, that farms of less than 5 hectares occupied only 17 per cent of all agricultural land, while those of over 50 hectares occupied 50 per cent, the remaining 34 per cent being occupied by farms of from 5 to 50 hectares. This is in sharp contrast with the situation in Bulgaria and Yugoslavia, where holdings of over 50 hectares occupied less than 10 per cent of all agricultural land, and middle-sized holdings from 5 to 50 hectares, something over 60 per cent.

Though typical Greek farms are so small, they are broken up into a number of even smaller widely scattered plots. In 1929, the 953,567 land holdings were divided into 5,356,819 separate strips, averaging only 0.7 hectares (1.75 acres). The land reforms served to increase the number of such small plots, since the large estates had been operated as units, while the new settlers were given their land in several strips located in different parts of the community.

Agricultural Techniques

Generally speaking, Greek farming methods are primitive. Not only machinery but even modern farm implements are lacking, the small size of the plots making technically uneconomical the use of machinery, which in any case is beyond the limited means of the farmers. Only small quantities of fertilizer are used, despite the poverty of the soil. The supply of natural manure is small, because animals are pastured off the farm, and part of the barnyard supply is dried for use as a fuel, while commercial fertilizer, like machinery, is generally beyond the means of the farmers.

Crop rotation is uncommon, the customary method being to leave the land fallow every third or even second year; in a normal year almost 20 per cent

of the arable land is left fallow. Scant attention is paid to soil improvement; the fallow land is often left bare, and such soil-building crops as are planted are customarily harvested instead of being turned under. Although agricultural research and educational campaigns have resulted in wider use of high-yielding seeds, particularly in the case of wheat, in general scant attention has been paid to seed and fruit-tree rootstock selection or to the improvement of animal breeds and animal nutrition.

Economic Position of the Farmer

As a result of unfavorable natural conditions and primitive agricultural techniques, Greek crop yields are very low. Grain yields, for example, according to FAO estimates are the lowest in Europe. With such low yields, the small farms of Greece produce only a meager living for their operators. In the years before the second World War, the annual income of the average farm family was about \$125, one of the lowest in Europe, while the gross income of the average farm family, including both the value of food consumed and income from other sources, probably did not exceed \$300. The tobacco, raisin, and currant growers, and the nomadic shepherds are, moreover, subject to the economic hazards incidental to monoculture.

Debts and taxes are a serious drain on these low incomes. Before the war, Greek farmers carried a heavy burden of long and short-term debt: the former included obligations for the land distributed under the land reform laws, the latter the credits extended to farmers practicing monoculture to finance their purchases of food, agricultural supplies, and other necessities until their crops were marketed.

Interest rates which, in the past, were exorbitant have been somewhat lower since 1929, when the Agricultural Bank of Greece was organized by the Government; this Bank, which became the principal factor in the field of agricultural credit, granted loans at a rate of 7.5 to 8 per cent. Unfortunately, most of its loans were short-term, and Greek farmers continued to be

dependent upon private lenders for long-term credits.

So heavy was the burden of farm debt, especially on account of the high rates of interest on private loans (allegedly 20-25 per cent), that the properties of many farmers were endangered when agricultural prices began to decline in the late 1920's. To prevent a wave of foreclosures, the Government declared a moratorium on agricultural debt in the 1930's. In May 1937, these debts were sharply reduced by Government decree. All arrears in interest due up to the end of 1936 were canceled, interest rates were reduced to 3 per cent, and the debtors were permitted to repay the capital in twelve annual instalments. If they chose to repay the entire debt before September 30, 1938, they were entitled to a discount of 30 per cent. If their total debt exceeded 60 per cent of the value of their assets (land, improvements, and implements) the excess was completely canceled. War and postwar inflation has probably reduced further the burden of long-term debt, but details concerning the present position are lacking. The farmer's needs for credit, on the other hand, have probably been increased as a result of war damage.

Taxes, too, are a heavy charge on the income of the Greek farmer. While the Greek tax system will be discussed in greater detail in another section of this report, certain general observations seem pertinent. Direct and indirect taxes took an estimated 20 per cent of the national income before the war, the latter being particularly heavy, and farmers paid a disproportionately large share of the total. The country's tax system is exceedingly complex, consisting as it does of a patchwork of taxes, some dating back to the days of the Ottoman Empire. Taxes are generally collected on gross rather than net income and, in the case of agricultural products, vary from commodity to commodity and from region to region for the same commodity.

Government Assistance to Agriculture

Government assistance to agriculture has not been confined to land reform, the organization of the Agricultural Bank, and the debt moratorium

of the 1930's. The Government has also promoted land reclamation, aided the producers of export crops to push sales and secure maximum prices, protected producers of domestically consumed crops against foreign competition, fostered cooperatives, and promoted research and technical education.

Most important from the long-range point of view were its activities in the field of land reclamation and irrigation, which offer the only means for expanding the cultivable area and one of the best means for increasing productivity. The Government's efforts in this field represent only a beginning, but from 1920 to 1945, it spent the equivalent of \$48 million to reclaim 125,000 hectares of flooded land, protect 156,000 hectares more against floods, and provide irrigation for 170,000 to 180,000 hectares. Unfortunately, developments in this field were greatly set back as a result of the war. Uncompleted projects could not be finished, and both they and completed projects suffered much damage, particularly through undermaintenance. Very little work has been possible since the close of the war, but essential repairs to drainage and irrigation ditches are being made at present with funds from the sale of supplies provided by the American Aid program.

Government intervention in support of producers of export crops antedates the First World War, but assumed greater importance with the onset of the world agricultural depression in the late 1920's. Government activities in this field have taken the form of regulations imposed by the government itself or by semi-official bodies of producers to insure high quality in the products exported, and measures to limit quantities offered for export, including the purchase of the surplus. Currants, figs, raisins, and tobacco are the most important commodities in respect of which such action has been taken. The basic character of the programs remains unaltered today, and the marketing associations responsible are still functioning.

Producers of domestically consumed crops have received other forms of protection. Olive oil producers, for example, have been protected by high tariffs on imported seed oils and a prohibition against the mixture of seed

oil with olive oil for edible use. Assistance to wheat growers, not only to protect them against foreign competition but to increase national self-sufficiency, included a high protective tariff, a requirement that flour produced in the country contain a specified proportion of domestic wheat, and provision by the government for the purchase of domestic wheat at a price substantially above the world market price. These measures, together with the introduction of higher-yielding wheat strains and general improvement in methods of cultivation, both also due in large part to Government efforts, resulted in an increase in the output of wheat from 350,000 tons in 1927 to almost one million tons in 1938, and a reduction in the proportion of wheat imported from 62 to 36 per cent of the country's total consumption in the same period. Government purchase of wheat has been continued since the war; however, the purpose has been to secure supplies for the basic ration rather than to maintain the price. Almost 80,000 tons of wheat and rye were collected in 1946; in 1947, however, as a result of the poor crop and guerrilla activities, only 20,000 tons were obtained.

Of considerable social significance have been the Government's activities in support of cooperatives, which have been the object of State interest since 1915, when a law establishing credit cooperatives was enacted. Funds were originally derived from the National Bank. In 1929, however, complaints that the National Bank was too much concerned with industry and commerce led to the establishment of the Agricultural Bank with the sole purpose of financing agriculture. Although credit was their original function, the cooperatives later expanded their activities to cover the purchase of supplies, marketing, processing, land improvement, and settlement. Membership in cooperatives was compulsory for the peasants who received land under the land reform laws; these cooperatives were responsible for all payments due. In 1936, the latest pre-war year for which data are available, there were 3,761 cooperatives, of which 3,021 were concerned primarily with the extension of credit. Over one quarter of all Greek agriculturists were members of some cooperative.

The number of cooperatives is believed to have increased during the war, but their importance has not grown. Cooperatives concerned with purchasing supplies for their members have, indeed, complained of the difficulties placed in their way by the Government, which have frustrated their attempts to import such supplies.

Besides supporting cooperatives, the Government has also been active in promoting agricultural education, conducting advanced schools to train agronomists and intermediate schools for prospective farmers, and maintaining an agricultural extension service to spread knowledge of improved techniques. To the majority of the farmers, however, the schools are inaccessible, and the extension agents have been so burdened with administrative tasks that they have had little time for educational work. The Agricultural Bank has rendered useful service in this field by providing technical advice to its borrowers to insure the most effective use of its loans.

The Government's research institutions, though not yet attaining standards comparable to those of similar institutions in western Europe or the United States, have made important contributions, particularly in the testing of new wheat strains. Educational and research institutions suffered serious damage during the war, and as late as November 1947 the Practical Schools of Agriculture which give courses to prospective farmers were not yet in operation.

Pattern of Crop and Livestock Production

Considerable stress has been placed, in the preceding pages, on the handicaps confronting Greek agriculture. Nevertheless, Greece produces a wide variety of agricultural products - cereals, rice, legumes, potatoes (in small quantity), all kinds of vegetables and fruits (particularly olives, grapes, citrus fruits and nuts), and such important industrial crops as tobacco and cotton. Although the country is not self-sufficient in cereals and legumes and exports no vegetables, it exports all the other food crops named, has a substantial export surplus of tobacco, and, before the war,

raised two thirds of the cotton consumed by its textile industry. Vegetables are not exported because of inadequate facilities for marketing such perishable products abroad rather than because of any potential inability to produce an export surplus.

Cereals, the output of which was greatly expanded in the interwar years as a result of Government efforts to promote domestic self-sufficiency, are the country's most important crops. Before the war, over two thirds of the total area devoted to crops was planted to cereals, with wheat alone occupying over one third of the total, and the cereal crop represented close to one third of the total value of agricultural output. Vineyard and olive grove products ranked second and third in value of output, each representing between 14 and 15 per cent of the total, or less than half the value of the cereal crop. Tobacco, grown on only 4 per cent of the crop land, ranked fourth in value, its output representing close to 12 per cent of the total. Fruit crops, fodder crops, and garden vegetables followed next in value, the output of each representing about 7 per cent of the total value of agricultural output.

Greek animal husbandry is, for the most part, relatively primitive. Lack of all-season pastures and of fertile meadow land led to the development of a semi-nomadic system of sheep and goat raising, with the animals pastured in the plains during the winter season of adequate rainfall and moved up into the mountains during the summer. Redistribution of land during the 1920's made nomadic herding more difficult and led to an increase in all-season husbandry in the plains.

Sheep and goats are the commonest animals in Greece. Dual-purpose cattle, which provide both draft power and milk, are of some importance in the plains, and some herds are maintained for dairy purposes around the main cities. Oxen and dual-purpose buffaloes and cows provide most of the draft power, horses being relatively uncommon; donkeys and mules are, however, used extensively as beasts of burden, especially in the mountainous regions and

the south. Few hogs are raised, because of the shortage of feed, and poultry-raising is very primitive, the typical poultry enterprise consisting of 10 to 15 nondescript fowls, producing few eggs.

The output of animal products is small. Domestically produced meat, which, according to the estimates of the Government submitted to the Committee of European Economic Cooperation, amounted to about 100,000 tons annually in 1934-38, consisted in the main of mutton, lamb, and poultry; it was supplemented by imports of about 30,000 tons a year, which went chiefly to the large cities. Except in the large cities, which are supplied all the year round by commercial dairies, the fluid milk supply, mainly sheep and goat milk, is small and available only seasonally. Butter is consumed chiefly by the well-to-do in the cities; on the other hand, cheese, for the most part produced from sheep's milk, is universally eaten.

Effects of the War and Postwar Civil Strife

Like the other branches of Greek economy, agriculture has been seriously affected by the severe damage sustained during the war by the country's transport system, the ruin of its monetary and credit structure, and the impairment in the health of the population resulting from several years of conditions approaching famine. Direct war damage to the agricultural plant was heavy: livestock numbers were cut by one quarter to one half, farm implements and tools were destroyed or worn out, soils deteriorated as a result of reduced fertilizer application, and the quality of seeds declined seriously.

In addition, more than a million Greeks were made homeless by the burning of towns and villages. According to estimates of the Greek Ministry of Reconstruction, about 1,400 villages and towns out of a total of about 9,000 were badly damaged, some being completely destroyed; 23 per cent of the dwellings in the country were destroyed; and 1,200,000 people, or close to one sixth of the entire population, were rendered homeless. In the rural areas, this meant a large number of persons living in half-ruined homes or in

temporary shelters built out of the ruins.

Though a formidable problem, the restoration of Greek agriculture to its prewar condition presented less difficulty than would have been the case had the level of the country's agricultural techniques been more advanced. Human labor is so important a factor in Greek agriculture that declines in the availability of other factors - tools, equipment, good seed, fertilizer, pesticides, concentrated animal food, etc. - affect output less materially than in countries where these play a larger part. Given assistance in securing essential supplies - and Greece received such assistance from UNRRA - agriculture should have recovered fairly rapidly.

Although Greek agriculture has made a fairly satisfactory recovery, the process has been impeded by the disturbed political and economic conditions which have prevailed in Greece since liberation. The slow recovery of transport has made difficult the movement of farm produce to market, while the lack of confidence in the drachma and the non-availability of goods desired by the farmers has reduced their incentive to produce for the market. In the case of export crops, the overvaluation of the drachma has made export difficult and further lessened the incentive to produce.

Even more serious has been the effect of persistent guerrilla warfare. In many parts of the country, a large part of the able-bodied male population has fled from the villages to escape the guerrillas. During the last six months, as civil warfare has been intensified, the situation has become particularly acute, and whole villages, especially in the north, have been evacuated, in part voluntarily, in part on the order of the Greek army. In mid-January 1948, it was estimated that 450,000 persons, or 6 per cent of the entire population of Greece, were refugees, in addition to an unknown number who left their homes but are not in need of assistance. The forced migration of so large a number of persons, mainly from the villages, is certain to have serious effects upon output during the current crop year.

Crop Output

Despite all the obstacles in the path of Greek agriculture, its progress toward recovery has been fairly satisfactory. Although figures on the total area under cultivation are not available, such information as exists points to steady expansion: in the case of grains, which occupy two thirds of the total cropped land, the planted area increased from 81 per cent of the average for 1934-38 in 1945 to 90 per cent in 1946, and 97 per cent in 1947; in the case of tobacco, the most important export crop, the planted area increased from less than half the average for 1934-38 in 1945 to about three quarters of the prewar average in 1947. Although crop yields have not attained to the prewar level, except in the case of grain in the bumper year 1946, crop output has also expanded. Because of war damage and an unusually severe drought, the first postwar harvest was extremely poor, but in 1946, as a result of good weather and UNRRA assistance, the harvest was excellent, the bread-grain crop, in particular, being practically at prewar levels. In 1947, that crop was again poor as the result of another severe drought and guerrilla activities which, though they did not prevent the peasants from putting in a crop, did prevent them from harvesting part of the ripened grain. A bumper olive crop and good crops of fruits and vegetables, however, brought total output of food crops to only 5 per cent below 1946. Production of cotton and of all export crops has increased consistently from year to year.

The output of bread grains increased from 399 thousand metric tons in 1945 to 786 thousand tons in 1946, or 97 per cent of the average in 1934-38. Unfortunately, the 1947 crop dropped to only 66 per cent of that average, or 535 thousand tons. Olive oil production was very well maintained and followed the normal pattern of alternate good and poor crops: a 97 thousand-ton crop in 1945 (not much under the prewar average) was followed by an 80 thousand-ton crop in 1946; in 1947, however, production reached 125 thousand tons, or 13 per cent more than the annual average of 1934-38. The output of dried fruits increased steadily from 112.5 thousand metric tons in 1945 to 142

thousand in 1946 and to 164 thousand in 1947, when it was about three-quarters of the prewar average. Tobacco has made an even better recovery, its output increasing from 23 thousand tons in 1945 to 33.5 thousand in 1946, and to 45 thousand in 1947; this represents a recovery to almost 80 per cent of the prewar average. The cotton crop, too, has increased steadily, from 52 per cent of the prewar output in 1945 to something over 80 per cent in 1947.

Livestock Population and Output of Animal Products

As might be anticipated, the restoration of herds and flocks to their prewar size has been much slower than the recovery in crop production. The close of the war found the Greek animal population reduced substantially below its prewar level. Compared with the average in the five years 1934-38, the numbers of cattle and buffaloes had been reduced by almost 50 per cent, the numbers of horses, asses and mules, the other important class of draft animals, by almost 40 per cent, those of sheep and goats by more than one third from about 12.5 to 8 million, and those of pigs (of relatively minor importance in Greece) by 17 per cent.

Although animal numbers have increased steadily since the close of the war, herds and flocks are still substantially below prewar levels, with draft animals, whose numbers were most sharply cut in the war period, being furthest from normal. In the Fall of 1947, there were 40 per cent fewer cattle and buffaloes and 25 per cent fewer horses, asses, and mules than in 1934-38. Sheep and goat numbers were some 20 per cent, and poultry numbers some 25 per cent, smaller than in 1934-38. Only the pig population had been restored to its prewar level.

A deterioration in the quality of meat and milk-producing animals, combined with the decline in their quantity has resulted in a serious reduction in the output of animal products, the decline in dairy products being particularly marked. According to Government estimates, only 70 per cent as much meat, including poultry meat, was produced in the food year 1946-47 as annually

in the five years 1934-38. In contrast, only 55 per cent as much milk, 61 per cent as much cheese, and 43 per cent as much butter were produced in 1946-47 as in 1934-38. In 1946-47 egg production was about 60 per cent of the average in the five years 1934-38.

Foreign Trade in Agricultural Products

The volume of Greece's agricultural imports, consisting mainly of basic foodstuffs (the domestic production of which has been greatly reduced since the war), has been only slightly below the prewar level, despite the world food shortage and the country's financial stringency. Exports, on the other hand, have been greatly reduced in volume, as a result of low output, increased domestic demand for such commodities as olive oil and dried fruits - consumed in greater quantity because of domestic shortages of other foodstuffs - and difficulties in marketing.

Estimates submitted by the Greek Government to the Committee for European Economic Cooperation disclose the following relationships between prewar and postwar imports. In 1945-46, following the exceedingly poor harvest of 1945, Greece imported 440,000 tons of bread grains (wheat and rye), or slightly more than the average of 433 thousand tons for the five years 1934-38; after the excellent harvest of 1946, imports fell to 322 thousand tons. Imports of coarse grains, which because of the world food shortage were used as food to a much greater extent than before the war, have been at or above the prewar level: 155 thousand tons in 1945-46 and 55 thousand tons in 1946-47, compared with 60 thousand tons on the average in 1934-38. Meat imports, although very low in 1945-46 - 8 thousand tons compared with 30 thousand tons before the war - rose to 35 thousand tons in 1946-47; imports of processed milk, brought in to supplement the diet of children and pregnant and nursing mothers, have been well above the prewar level - 13 thousand tons in 1945-46 and 51 thousand tons in 1946-47, compared with only 2 thousand tons on the average in 1934-38. Only imports of

semi-luxury foodstuffs are distinctly below the prewar level: 22 thousand tons of sugar were imported in 1945-46 and 23 thousand tons in 1946-47, compared with 71 thousand tons in 1934-38, and coffee imports amounted to only 800 tons in 1945-46 and 3,600 tons in 1946-47, compared with 6,300 tons in 1934-38.

Without outside assistance, the financing of these imports would have been impossible, for Greece's agricultural exports, which before the war provided three fourths of its export revenues, have fallen disastrously. Data on exports, while neither complete nor entirely reliable, leave little doubt that exports have been small. In a report to Parliament on December 9, 1947, the Minister of Finance reported that Greece had exported virtually no olive oil, that its tobacco exports, which in 1934-38 averaged 43.8 thousand tons, amounted to only 11.8 thousand tons in 1946 and 9 thousand tons in the first seven months of 1947, and that its exports of raisins and currants, which were roughly 100 thousand tons before the war, amounted to only 8.2 thousand tons in 1946 and to 29.2 thousand tons in the first seven months of 1947.

Recent reports from Greece indicate that market rather than supply conditions are now the limiting factor for exports. There are relatively large exportable surpluses of tobacco, dried fruits, and even olive oil, and the Government has agreed to the export of the latter in view of the bumper crop in 1947. But sales are small mainly because of the luxury character of these commodities which make most European countries unwilling to expend on them large amounts of their scant foreign exchange resources. Other restricting factors are the disappearance of the German market, the unwillingness of Greek growers to deliver their products to the Government or its marketing agencies for drachmas in which they lack confidence, and high prices resulting from the overvaluation of Greek currency. In recent months, the American Mission has endeavored to assist the Government in its attempts to find markets and has pressed it to push sales by lowering prices; its efforts have not, however, met with much success thus far.

Food Position

Despite the maintenance of imports virtually at prewar levels, the reduction in domestic output, particularly of bread grains, has resulted in a diminution of Greek food supplies below the prewar level. The total supply of bread grains, the most important item in the Greek diet, was 839 thousand tons in 1945-46 and 1,108 thousand tons in 1946-47, compared with an average of 1,244 thousand tons in the five years 1934-38. The meat supply has been reduced from 136 thousand tons in 1934-38 to 71 thousand tons in 1945-46 and 108 thousand tons in 1946-47. The domestic supply of fats and oils fared somewhat better because of the relatively satisfactory production of olive oil, but the supply of dairy products was very much lower than before the war, increased imports of processed milk far from offsetting the decline in domestic supplies resulting from decreased production.

The decline in available supplies has meant a reduction in a diet which was meager even before the war when, according to an estimate for the years 1933-37, by the U. S. Department of Agriculture, food intake averaged only 2,443 calories per day, with 1,251 calories, or over half this total, coming from cereals.

Though higher than during the war (when virtual famine conditions prevailed, and a large part of the population was saved from starvation only by the supplies imported by the Swedish-Swiss Joint Relief Committee after the Allies had agreed, in 1942, to the lifting of the blockade), average food intake in Greece has been consistently below prewar levels. Even in 1946-47, following the excellent cereal harvest, the average calorie intake per head was, according to the FAO estimate, 2,176 calories, or less than 90 per cent of the prewar figure. While the calorie intake from cereals was about the same as before the war - some 1,266 calories - meat, fish, and eggs provided only 94 calories as compared with 101 before the war, milk and cheese only 117 calories compared with 159, and fats and oils only 294 calories as compared with 407.

Such average consumption figures, however, fail to depict accurately the actual food consumption of the Greek people. Consumption differs from region to region and varies even more with variations in incomes. There is no general rationing of foodstuffs in Greece; to insure minimum supplies to all, the Government distributes, at a price well below the prevailing market prices, a basic supply of bread, flour, macaroni, and sugar, and from time to time, when supplies become available, small quantities of coffee, canned or salted fish, pulses, rice, and a few other items of general consumption. During the last three years, the calorie value of the food provided under the rationing program has ranged between 750 and 1500 calories per person per day, and has been closer to the lower figure during the past year.

All rationed items can also be purchased on the open market at somewhat higher prices, and rationed foodstuffs may be and are resold on this market by the initial recipients. Items considered by the poor to be luxuries, such as canned fish and coffee, are frequently resold, and even rationed bread grains have moved on to the open market, particularly the flour occasionally distributed on the ration in the grain-growing areas. Thus, while for the poorer classes food is definitely scarce, there are ample supplies of all kinds of foodstuffs available for those who can pay for them.

Forestry and Fisheries

Forestry

Greek forests are of relatively minor importance. Although perhaps one third of the total area of Greece consists of mountain land, before the war the total forest area was only 1,917,980 hectares, or less than 15 per cent of Greece's surface, and in 1939 the income derived from forests was estimated at only 1,450 million drachmas, or slightly over 2 per cent of the estimated national income in that year.

Greek forests sustained heavy losses in the 1820's, when during the Greek War of Independence large tracts of forest were burned. Continued

burning of the forests, either to clear the land for cultivation or to encourage the growth of young palatable shoots attractive to livestock, uncontrolled grazing in newly planted areas, and indiscriminate cutting prevented any substantial growth in the following century. The Greek Government has attempted to protect and promote forestry, but its efforts had not resulted in any major improvement in the situation before the outbreak of the war.

The second World War inflicted very heavy damage upon the forests of Greece. The Government estimates that 479,493 hectares of forest were destroyed, or 25 per cent of the prewar area. In terms of value, the destruction exceeded 25 per cent because forests close to the main highways were most heavily damaged, and the roads leading into and through the forests deteriorated considerably.

Even before the war, as a result of meager forest resources, Greece, unlike her neighbors in southeastern Europe, was far from self-sufficient in forest products. According to figures submitted to the Food and Agriculture Organization by the Greek Government, Greece in 1939 produced 70,000 cubic meters of softwood timber and 44,000 cubic meters of hardwood timber, and imported 240,000 cubic meters of the former and 40,000 cubic meters of the latter. On the other hand, it had a small but fairly important export of forest products, mainly turpentine and colophony, which yielded an export revenue of 288 million drachmas (about \$2.3 million).

Serious war destruction and disruption of the Greek transport system have resulted in a marked decline in timber output. According to the figures submitted to the Food and Agriculture Organization by the Greek Government, in 1946 softwood timber production was only 50,000 cubic meters, or a little over 70 per cent of 1939, and hardwood timber production only 5,000 cubic meters or only a little over 10 per cent of 1939 production.

The decline in production has not been offset by an increase in imports, which have, in fact, been greatly reduced since the war. Figures submitted

to the Food and Agriculture Organization show 1946 softwood imports of only 45,000 cubic meters, and hardwood imports of only 5,000 cubic meters, or about 20 per cent of 1939 imports in both cases. As a result of the decline in production and imports, there has been a marked diminution in the timber available at a time when, because of the extensive war damage, Greece's requirements have been greatly increased. An indication of the magnitude of the increase is given by the figures submitted to the Committee for European Economic Cooperation by the Greek Government, which estimate softwood requirements for 1948 at almost twice, and hardwood requirements at more than three times, prewar consumption.

Fisheries

Despite the fact that the waters off Greece's very long coast are believed to be rich in fish, the country's fishing industry is not large, and about half the rather small quantity of fish consumed is imported. The fishing fleet sustained serious damage during the war, larger trawlers and smaller vessels having been sunk or badly damaged, and gear and tackle having worn out or been destroyed.

Available statistics on the fish catch are not reliable; it is, therefore, impossible to determine precisely how postwar conditions compare with those obtaining before the war. It is generally agreed that the catch in the first year after liberation was very small - only about 5 thousand tons - and that as a result of the rebuilding and re-equipping of the fishing fleet, with UNRRA assistance, there has been considerable improvement since then, with the 1946-47 catch amounting to about 25 thousand tons.

Future Prospects

In considering the future prospects of Greek agriculture, the short-run and long-run aspects of the problem must be clearly distinguished. The immediate future is clouded by internal strife and the resultant economic dislocation. There can be no recovery in Greek agriculture until peace and

normal economic conditions are restored.

Although their restoration should make possible fairly rapid recovery in agriculture, the basic problem of a very limited cultivable area, poor soils, and unfavorable climate would remain. Unless Greek farmers can be aided to increase their productivity, their incomes will continue to be very small. Population growth will, in fact, result in greater pressure of population on the land and in even smaller incomes, unless emigration outlets or alternative economic opportunities in Greece are found,

The long-range prospects are thus indeed dark. Major changes in the Greek economy are required not only to improve the lot of the Greek farmer but even to prevent further deterioration. Despite Greece's poverty, a natural basis for such changes appears to exist in its rivers. Uncontrolled now, they cause great damage; controlled, they could serve as the basis of a development leading to far greater prosperity for Greece. After an intensive exploration of the country's problems, the recent FAO Mission for Greece concluded that the development of Greece's water resources through a number of drainage, flood control, irrigation, and hydroelectric projects would increase its arable land, make possible the irrigation of an area one third as large as the area of irrigated farms in California, and the development of as much hydroelectric power as is produced by the Boulder Dam project in the United States.

Crop-yields on this irrigated area would be much higher than at present; in addition, there could be grown on it fruits, vegetables, and other intensive crops yielding a far higher return for the effort involved than the crops now grown in Greece. The hydroelectric power produced would reduce Greece's dependence upon imported fuels and make possible the development of heavy and light industries, which could absorb surplus population and enable Greece to meet a larger proportion of its needs for manufactured products and perhaps increase its exports of these commodities.

It appears to be generally agreed by competent observers that a program

such as that outlined by the FAO Mission is required to improve the position of the Greek farmer and the general condition of the Greek economy. But such a program requires large investments - the FAO estimates the cost of its water-control program alone at \$150 million - and a number of associated developments to insure that full advantage is taken of such economic opportunities as the water-control program would provide. Such developments would include broad and specialized education, the removal of existing political and institutional obstacles to economic incentive, the availability of capital for such agricultural and industrial projects as would become feasible, etc. Neither the water-control program nor the indispensable developments associated with it can be achieved without substantial foreign financial assistance continued over a number of years; such assistance would, however, probably be justified and forthcoming only if economic recovery and expansion in Europe assured markets for the resulting increased output of Greek specialty crops.

Although the future prospects of Greek agriculture, both short and long-term, thus appear to be rather obscure, the factors determining that future can be clearly discerned. While it is impossible to predict how soon Greek agriculture can be restored to its prewar situation, it is clear that such restoration depends in the first instance on the reestablishment of peace and normal economic conditions. Whether recovery can be followed by an improvement beyond prewar levels, and how rapid such improvement could be, are also impossible to foretell. It seems probable that there will be development in the direction outlined by the FAO, but the rate of progress will depend upon the extent to which foreign capital is made available. Unless there is a willingness on the part of foreign investors, private or public, to make substantial commitments in Greece, at least at the outset of the program, development will be slow, and the situation of the Greek farmer will remain in its present unsatisfactory state for some time to come.

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Source material on Greek industry, labor, foreign trade, and on the country's domestic and international financial position will be listed in the bibliographical appendix to Part II of the present report, now in preparation.

Note

The following Eastern European Papers have been issued thus far by the Eastern European Division of the Bank's Loan Department:

No. 1 - The Polish Economy Today -- August, 1947

No. 2 - Statistical Tables on Turkey -- October, 1947

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