Great Depression and Greece

Lessons (?) from the Interwar Greek Default.
Historical facts: a diagram

- Reign of George I (1863-1913)
- Goudi social and military movement 1909
- Balkan wars and first governments of the liberal Eleftherios Venizelos 1912-1917
- Revolutionary government of Salonica and dethronement of King Constantinos I 1917
- Greek participation at the World War I
- Expedition of Minor Asia 1919-1922
- Minor Asia disaster and drachma devaluation. 1922
- Royal Restoration 1922
- Proclamation of the I Greek Republic 1924
- The modernizing governmental period of Eleftherios Venizelos and the efforts to establish a social alliance 1928-1932
- Venizelist movement of General Plastiras
- Subversion of the I Greek Republic and Royal Restoration 1935
- Imposition of the Ioannis Metaxas military dictatorship 1936
Crisis’ Interpretation
E. Tsouderos, Governor of the Bank of Greece, pointed out that:

- the reason of the crisis was the fact that the States' economies were correlated on an international level.
- the international crisis had broken out because after World War I the States insisted on economic autarchy, a policy that functioned as spontaneous protectionism.
- the accumulation of capital in Greece during the Balkan Wars and during World War I had positive, but artificial, effects on the Greek economy.
- As a moderate liberal, he suggested that the crisis' symptoms had to be challenged via slight protectionist measures.

MONNETARY PARAMETRES ;
FIRST MESURES (1931)

1. PROTECTION OF THE NATIONAL CURRENCY
2. MAINTENANCE OF THE ECONOMIC LIMBERALISME
3. PARTICIPATION IN THE GOLD-EXCHANGE STANDARD ZONE
4. PROTECTION OF THE AGRICULTURAL SECTOR

Small agricultural holdings had already been the object of State protectionism, as they existed a) a sizeable rural population, and b) an effort to forge a social alliance between the bourgeois and rural classes in order to preserve the «social regime»
SOME POLITICAL ALTERNATIVES

1. Reinforcing of protectionist measures and release of monetary stabilisation proposed by social-democracy

2. Global change of the economic system proposed by the Communist Party and a section of the Rural Party.

3. Maintenance of the monetary stabilisation, via international loans, attempted by the Liberals
THE PROTECTIONNIST SOLUTION
(April – May 1932)

- Abandonment of the Gold-Exchange Standard and release of the drachma stabilisation
- Devaluation of the national currency
- Moratorium on the country's public debt
- Monopolistic management of foreign exchange
- After the moratorium and the abandonment of monetary stabilization, the State strengthened its entrepreneurial role and turned towards the productive sectors' restructuring
1. Act 5.422, On the Deferment of the Bank of Greece’s Obligation to Exchange Banknotes and on Regulations on Currency Exchanges, Official Gazette No.133, 26 April 1932;
Political destabilisation (1933-1936)

2. Military movement of General Plastiras 1935
3. Imposition of Kondylis dictatorship 1935
4. Imposition of Metaxas dictatorship 1936 [vote of confidence by the Parliament]
5. Social struggles and workers strikes (1934-1936)
### Financial recovery? 1933-1935

<table>
<thead>
<tr>
<th>Year</th>
<th>Index</th>
</tr>
</thead>
<tbody>
<tr>
<td>1925</td>
<td>99.1</td>
</tr>
<tr>
<td>1926</td>
<td>93.2</td>
</tr>
<tr>
<td>1927</td>
<td>98.6</td>
</tr>
<tr>
<td>1928</td>
<td>100</td>
</tr>
<tr>
<td>1929</td>
<td>103.5</td>
</tr>
<tr>
<td>1930</td>
<td>99.9</td>
</tr>
<tr>
<td>1931</td>
<td>95.3</td>
</tr>
<tr>
<td>1932</td>
<td>91.5</td>
</tr>
<tr>
<td>1933</td>
<td>97</td>
</tr>
<tr>
<td>1934</td>
<td>101.6</td>
</tr>
</tbody>
</table>

*Source Supreme Economic Council, The economic activity in Greece during the period 1928-1934, Athens, National Printing House, 1933.*
According to the Governor of the National Bank of Greece Drossopoulos, in 1934

- an increase was achieved in both agricultural and industrial output,
- the national currency was stabilized (the British pound fell to 543 drachmas, compared to an average annual price of 595 drachmas in 1933),
- the greater part of export trade was carried out through clearing bilateral agreements and the budget was balanced.

N.B. Aid to industry was particularly important, according to banking sector's overviews, as the international crisis created favourable conditions for Greek industry resulting in both an increase of the industrial production and an improvement in the quality of the industrial products.

The policy followed by the government of the Popular Party demonstrates the attempt to intensify the State's economic role;

The foundations of this policy had been laid by the government of the Liberals; the political did not signal a rupture in the economic policy's main principles.

A scale of protectionism: from the regulatory measures of the early 1930s to a planned economy in the middle ‘30s.
Political authoritarianism and economic nationalism; The New State 1936-1940

- Economic nationalism and tendency to the Nation’s autarky
- Intensification of the State’s economic role
- Effort to create a corporatist State
- Expansion of the clearing agreements
- Protection of industry and agriculture
- A centralised and nationalist political discourse