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'The Economic Dimensions of the Marshall Plan in Greece, 1947-1952: The Origins of the Greek economic miracle'

Thesis submitted for the fulfillment of the requirements
For the degree of Doctor of Philosophy

London

University of London, 2002

Acknowledgements

During the time of research and writing of this thesis a lot of people provided me support and advice. It is my principal duty to express my gratitude to Professor Kathleen Burk and Professor David French of the University College London, the two supervisors, who followed this thesis from the beginning until the end with great interest and gave their solid advice generously. In particular, Professor Kathleen Burk, as the first supervisor, provided constant support and courage for me towards solving every obstacle in planning and writing my thesis. The other staff and my fellow graduate students of the History Department spared no help in exchanging ideas about the character of the thesis.

I would like to thank Mr Paul R. Porter and Mr James Warren Jr. who served as experts in Greece during the Marshall Plan, and Aristotelis Sismanides who served in Washington DC helping the function of the Marshall Aid for Greece because they showed great eagerness to help the research of my thesis, explaining crucial questions. In particular, during the years of my research Mr James Warren Jr. became a great friend, trying to assist and many times advised me on clarifying points of my thesis, while he granted me important material from his personal archive. I am also indebted to the staff of the Public Record Office, Kew Gardens, London; the staff of the National Archives in Washington DC; the Staff of the Truman Library & Institute in Independence (MO), and especially the archivist Mr Dennis Bilger and the office manager Ms Lisa Sallivan for their valuable assistance to carry out the research of my thesis.

Furthermore, I have to express my gratitude to the Royal Historical Society which provided me with the travel costs of a visit to the National Archives in Washington DC, the Graduate School and the Hale Bellot Fund of the UCL, which financed a part of my living expenses during a research trip to the US. In particular, I am indebted to the Truman Institute, which financed my travel costs and the living expenses of a research trip to Independence (MO).

I am also grateful to my friends, the family of Mr Nikos Kantartzis and Mrs Magdalene Papapostolou who offered hospitality and support generously to me in Washington DC in April 1998 and May 2000, the family of Mr George Arsenis who offerd hospitality in New York in May 1998, the family of Mr Ratinder Kular who offered hospitality and assistance to me in London and Mr Kostas Tzavaras for his assistance in Greece. Finally, I would like to thank my parents Vassilios and Chryssoula Vetsopoulou whose support and courage were invaluable to carry out this research.

Abstract

This thesis concerns the economic dimensions of the Marshall Plan in Greece from 1947 to 1952. The Marshall Aid Program and Mission contributed to the reconstruction and development of the Greek economy after the destruction of World War II and the Greek Civil War. However, because of the shortcomings of its backward economy, Greece was a special case in the implementation of the Marshall Plan in Europe. In particular, the problems of inefficiency and corruption influenced political and social issues on the decision-making process, while uniquely, the Marshall planners tried to create institutions in order to facilitate reconstruction and to improve Greek people's life.

The implementation of the Marshall Plan aimed at the development of the Greek economy parallel to the economic development of the other European countries. The Marshall Plan tried to help the backward Greek economy participate in international trade, and created the foundations for the post-war development of the Greek economy. The principal argument of the thesis is that the Greek economy was too weak to absorb fully the enormous aid granted because private and state investments were too negligible to meet further economic development, while a number of Greek politicians and bourgeoisie prevented the implementation of the economic programme. This forced the American Marshall planners to 'freeze' a great part of the aid in order to cover the budget deficit and to hold inflation. The 'frozen' aid 'counterpart funds' were utilised in the two fiscal years following June 1952. Therefore, in the post-war period, the Marshall Plan was the first systematic effort to stabilise the Greek economy, thereby in due course enabling Greece to join the European Economic Community in 1980.

CONTENTS

<u>**List of tables**</u>:

Abbreviations

ADEDY	Anotati Demosioypalliliki Enotis of Demosion Ypallilon (Supreme Union of Government employees)
AMAG	American Mission for Aid to Greece
ASA	Anotaton Symvoulion Anasyngrotiseos (Supreme Council for Reconstruction)
CEEC	Committee for European Economic Co-operation
CLC	Central Loan Committee
CVLP	Community Voluntary Labour Programme
DEH	Demosia Epecherisi Electrismou (Public Electricity Corporation)
EAM	Ethniko Apelevtherotiko Metopo (National Liberation Front)
ECA	Ecconomic Co-operation Administration
ECA/W	Economic Co-operation Administration in Washington DC
ECA/G	Economic Co-operation Administration in Greece
EDA	Enomeni Democratiki Aristera (United Democratic Left)
EDES	Ethnikos Democratikos Ellenikos Syndesmos (National Republican Greek League)
ELAS	Ethnikos Laikos Apelevtherotikos Stratos (National Popular Liberation Army)
EMP	Ethniko Metsovio Polytechnio (National Technical University)
EMU	European Monetary Union
EPEK	Ethniki Proodeftiki Enosis Kentrou (National Progressive Centre Union)
EPU	European Payments Union
ERGAS	Ergatikon Antiphasistikon Somateion (Anti-Fascist Workers Organisation)
ERP	European Recovery Program
ESKE	Enomeno Sindikalistiko Kinima Ellados (United Trade Union Movement of Greece)

FAO	Food and Agriculture Organization
FOA	Foreign Operations Administration
FTA	Foreign Trade Administration
GATT	General Agreements on Tariffs and Trade
GSEE	Genike Synomospondia Ellenon Ergaton (General Confederation of Greek Workers)
ICFTU	International Confederation of Free Trade Unions
IKA	Idryma Koinonikon Asphaliseon (Social Security Agency)
IMF	International Monetary Fund
JAS	Joint Administrative Services
JUSMAG	Joint US Military Aid Group
KKE	Kommounistiko Komma Ellados (Greek Communist Party)
LEK	Laiko Enotikon Komma (Populist Union Party)
MSA	Mutual Security Administration
MSA/G	Mutual Security Agency in Greece
NATO	North Atlantic Treaty Organization
NEA	Near Eastern Affairs
OEEC	Organisation for European Economic Co-operation
OSR/P	Office of Special Representative in Paris
OTE	Organismos Telepikoinonion Ellados (Greek Telecommunications Authority)
TVA	Tennessee Valley Authority
UNRRA	United Nations Relief and Rehabilitation Administration or Agency
USPHS	US Pharmaceutical Society

"The Economic Dimensions of the Marshall Plan in Greece, 1947-1952: The Origins of the Greek economic miracle"

Introduction

1. Pre-war, war-time and post-war political, economic and social conditions in Greece

The pattern of Greek society, politics and the economy was greatly transformed during the first half of the 20th Century. The most important reasons for this change were: the creation and the policy of the Liberal Party by the Cretan politician Eleftherios Venizelos in 1910, the doubling of Greek territory after the end of the Balkan Wars (1912-13) and again following World War I (1914-18). Another reason was the accession of one and a half million Greeks according to the terms for the exchange of population of the Lausanne Treaty. This was concluded in July 1923 between Greece and Turkey after the defeat and pullout of the Greek army from Asia Minor in August 1922. Finally, the consequences of World War II and the Greek Civil War, followed by the official American involvement in Greece in July 1947 through the Greek-Turkish Aid Program and the Marshall Plan later on, influenced crucially the Greek economy, politics and society.

During the inter-war period Greece, while badly affected by the Great Depression in 1928, coped with the integration of refugees into the economy and society only with a large increase in its foreign debt. Furthermore, the rural and backward Greek economy, combined with the rivalries and complexities of the political system, caused the deterioration of political, economic and social conditions. This precarious and unstable situation brought about deadlock, which led to the Metaxas dictatorship in August 1936. Under the dictatorship Greek foreign policy was characterized not only by British influence but also by German, because the economic intercourse between Greece and Germany increased. From 1930 to 1938 Greek exports to Germany rose from 23.5 to 38.8 percent of the total, and imports from Germany increased from 10.1 to 28.8 percent of the total. This was the result of clearing agreements between Greece and Germany into which the former was forced because it lacked foreign capital after the repercussions of the Great Depression.

Following the outbreak of World War II Greece found itself under Axis occupation in April 1941. During the occupation the Greek political situation became extremely complicated both within and outside of Greece. Parallel to the Greek government-in-exile in Cairo the National Liberation Front (EAM) tried to seize power in the country. Although in this political group the Communist Party of Greece (KKE) was one out of six parties, it "succeeded in maintaining tight control over EAM".[1] The National Popular Liberation Army (ELAS), one group of the resistance movement in the mountains, found itself under the domination of the EAM, while the other important resistance group, the National Republican Greek League (EDES), was under the influence of the Greek government-in-exile in Cairo. The EAM-ELAS tried to monopolize the resistance movement and at the same time to defy the authority of the legal Greek government to cooperate with the Western Allies, resulting in the outbreak of the Civil War in September 1943. It lasted for six years, and was highlighted by crucial military conflicts among the resistance groups. Despite this continuing conflict, in September 1944 at Cazerta in Italy the EAM finally agreed with the government of National Unity, which included EAM

[1] Andreas Papandreou, Democracy at Gunpoint the Greek Front (Garden City, New York Doubleday & Company Inc., 1970), p. 48.

representatives, under the leadership of George Papandreou to place the ELAS forces under the command of the Greek government of National Unity. Although this agreement was concluded because the Soviets participated in the Alliance against the Axis and encouraged such a development, it did not materialize. This complicated the situation in Greece and in the other Eastern European countries in which the Red Army marched, and forced Churchill to reach the 'percentages' Agreement with Stalin in Moscow in October 1944. Although Greece belonged to the British sphere of influence and indirectly to that of the US according to this agreement, Soviet policy towards Greece was vague because it did not discourage the Greek Communists from their attempt to seize the government by force of arms.

Although George Papandreou declared his support for the principles of a government by the people, believing that EAM-ELAS would surrender its arms, in December 1944 a very bloody struggle took place in the Athens area between ELAS and the Greek government's armed forces, which were supported by British troops under the leadership of the British General Ronald Scobie. After the defeat of Communist insurrection, the Varkiza Peace Agreement was concluded in February 1945 between the Greek government under the premiership of Nikolaos Plastiras, who was selected by the British, and the EAM-dominated by the KKE. This agreement stated that the military forces of EAM were obliged to surrender their arms by 15 March 1945 in exchange for an amnesty for political crimes. However, the vagueness of the two terms of the Varkiza Agreement, followed by partisan disobedience, created obstacles for the government in implementing such measures. While both right- and left-wing guerrillas resorted to murderous activities, on British advice general elections were set by the Archbishop of Athens, Damaskinos, who was also the Regent at that time, for 31 March 1946. Parliamentary elections were held and a plebiscite was also held in September 1946 to decide on the future of King George of Greece, who on British advice had remained abroad after the liberation of Greece by the Axis forces. The British were influenced by George Papandreou, who maintained that the political climate was not favourable for the return of the King. After the abstention of the KKE from these elections and its decision in turn to defy the authority of the elected government by military action, Greece fell into the third round of the Civil War, which not only prevented the Greek people from rebuilding their economy as other European countries did but it also acquired an international dimension. Eventually, Greece found itself caught in the East-West confrontation, and the focal point of the emerging Cold War.

After Greece's liberation the economic problems aggravated social differences and maintained the political deadlock. Greek resources suffered a huge drain because they provided immensely for the German military operations in North Africa and for the Italian and German occupation forces in Greece after the Rome Agreement on 14 March 1942, where a loan was concluded between Greece and Germany with Italy, which "reached the amount of $528 million".[1] This development weakened the currency and aggravated inflation in the Greek economy because the Bank of Greece was forced to issue inflationary notes to cover these extraordinary expenses.

Near the close of the Second World War the Roosevelt administration became interested in Greece's plight and suggested to British Prime Minister Winston Churchill that a high-powered tripartite economic mission should visit Greece. However, Churchill refused to invite the Russians because the latter

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[1] Angelos Angelopoulos, 'Eight requirements for reconstruction', New Economy, Vol 3 (January 1947), Athens, p. 1.

excluded Great Britain and the United States from any say in the affairs of Romania. It was recognized that the Greek Government should "for some time be given advice and guidance in many spheres of the administration if they are to govern the country effectively".[1]

Although the American President expressed his reservation about the exclusion of the Russians, he supported an informal joint Anglo-American committee of experts, responsible to the British and American Embassies respectively, to advise the Greek Government on financial and economic policies. Separately, in April 1945 the Greeks had approached the American administration informally for help and asked for economic support. Also, on 1 April 1945 the United Nations Relief and Rehabilitation Agency (UNRRA) took over relief work from the military administration of General Ronald Scobie and on 8 April Roosevelt stressed that "our people are also doing all they can to help UNRRA to do a good job in Greece".[2] Apart from immediate postwar assistance through UNRRA, in 1946 assistance of $25 million was extended to Greece by the Export-Import Bank and surplus property loans, of which only $14.6 million was utilised.

In Greece, the first serious attempt to stop inflation and to establish economic stability through balancing the budget and the introduction of a rationing system were taken by Kyriakos Varvaressos, who was appointed Minister of Supply in June 1945. The Varvaressos programme met great opposition mainly "by the combined hammer and anvil of KKE and the Association of Industrialists".[3] The

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[1] Churchill to Roosevelt, 3 April 1945, RG 59 / Decimal files 1945-49 / Box 7067, National Archives (hereafter NA), Washington D.C.

[2] Roosevelt to Churchill, 8 April 1945, RG 59 / Decimal files 1945-49 / Box 7071.

[3] James Warren, Jr . 'Origins of the 'Greek Economic Miracle'. The Truman Doctrine and Marshall Plan Development and Stabilization Programs', in E. Rossides (ed), The Truman Doctrine of Aid to Greece: A fifty-year retrospective (New York & Washington D C.: American Hellenic Institute Foundation & The Academy of Political Science, 1998), p 76 (footnote 1)

former sabotaged the programme by successfully organizing strikes demanding large wage increases and the latter by refusing to sell products at fixed prices because they were afraid of losing their enormous profits. Although this programme had temporary success in dealing with economic problems such as the fall of 20 percent in retail prices and the cost of living, which fell by 30 percent by the end of June, in September 1945 Varvaressos was forced to resign, admitting the failure of implementing the programme. He left Greece disgusted, blaming hoarders of supplies and uncompromising vested interests for undermining controls. In particular, Varvaressos' intention of imposing a new and direct tax on industrialists, merchants and shopkeepers, based on the rent of their premises, gave rise to huge opposition.

In this crucial economic situation the Greek Government appealed to Great Britain because Greece was under the economic, political and military influence of Great Britain. In January 1946 the London Agreement was concluded between the British and Greek Governments, which provided for financial and material assistance to Greece and arrangements for economic guidance. The Greek Government also pledged itself to carry out certain economic measures. A British economic Mission arrived in Athens to advise the Government for a period of eighteen months to two years maximum, and Greece agreed to accept the establishment of a Currency Committee alongside the Bank of Greece to exercise financial control. The Currency Committee consisted of the Ministers for Coordination, Finance and National Economy, the Governor of the Bank of Greece and two foreign members, one British and one American; their decisions required unanimity. This Committee had a "statutory control over the Note issue and, since 1948, over the bank credit".[1] This body exercised control over the utilisation of Greece's foreign exchange reserves and gold operations; it remained in existence throughout the period of American aid and Missions in Greece, with which it kept in close contact and co-operation.

In parallel, the Greek Government fixed the new rate of the drachma at 20,000 to the pound sterling and 5,000 to the US dollar, and as it was agreed among the members of the Currency Committee that gold sovereigns would be sold to the public to control inflation, "the rapid depreciation of the drachma was checked".[2] The huge inflation in the Greek economy before the London Agreement was reflected in the price of gold sovereigns, in which the Greeks preferred to exchange and invest, as it was a more stable currency than the drachma. While the average price of gold sovereigns in the free market was 25,279 drachmas,[3] in September 1945 reached 104,125 drachmas in December 1945, and during January 1946 reached 148,346 drachmas. After the selling of gold sovereigns by the Bank of Greece, the average price of gold sovereign in the free market in February 1946 was 141,708 drachmas and the official price by the Bank of Greece was fixed at 137,333 drachmas. In June 1946 the average price of gold sovereign against the drachma fell to 136,212 drachmas in the free market and 130,386 drachmas in the official price. In spite of this temporary success the Greek government showed an unwillingness or inability to deal with the causes of the economic plight and entertained hopes of assistance by foreign capital, because the political and social uprising continued to

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[1] Norton to Bevin, 22 March 1950, FO 371 / 87726 / 1102, Public Record Office (PRO).
[2] Francis Lincoln, US Aid to Greece, 1947-1962 (Germantown, Tennessee Professional Seminars, 1975), p 32, in Paul R. Porter Papers, Box 3, Truman Library
[3] All the numbers for the current price of the sovereign in Greece are included in the Monthly Statistical Bulletin of the Bank of Greece, December 1946, table 20, Athens.

increase. Parallel to the effort by the British Mission, another mission was sent to Greece in May 1946, by the Food and Agriculture Organization (FAO) of the United Nations, "to study Greek agriculture and related industries and to make recommendations for their rehabilitation and long-range developments".[1] Although this Mission included distinguished experts such as the nutritionist Martha Tsongas-Sismanides and remained in Greece until the end of August 1946, the character of the Mission was very exploratory and lacked any authority to advise the Greek Government. In its report drawn up in March 1947, the FAO Mission in Greece promoted a development agenda in which transportation and communication facilities had high priority and recommended "Restoration of the transportation system of Greece... [because it is] perhaps the single most essential need to enable its economic life again to function normally".[2] Nevertheless, in Greece economic and political developments were interdependent. Because political and economic conditions deteriorated in the summer 1946 and the drachma began to slip again mainly because of the third round of the Greek Civil War, in August 1946 the Greek Government was forced to send a mission to the United States to ask for further economic assistance.

Conversely, Great Britain, coping with its own internal economic problems, was no longer in a position to provide further economic assistance. The British wished to transfer its own economic involvement in Greece to the Americans, but the US Government hesitated for a few months to assume responsibility for Greece. With the UNRRA scheduled to end its operations in early 1947, when in February

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[1] The United States in World Affairs, 1945-47, p 475, published for the Council of the Foreign Relations (New York & London, Harper & Brothers, 1947).

[2] Report of the FAO Mission to Greece, Washington D C., March 1947, Lincoln Papers, Box 8, p 7, Truman Library

1947 the British Foreign Minister Ernest Bevin informed the Secretary of State that British economic assistance to Greece had to be terminated in two months, disaster threatened Greece. But the Americans emerged onto the Greek scene with the announcement of the Truman Doctrine, on 12 March 1947.

During the period from December 1944 to March 1947, when Greece was under British influence, total American economic aid to Greece reached $346 million compared to the $208 million from all other sources. Although before the announcement of the Truman Doctrine on 12 March 1947 no well-defined programme of American aid was drawn up for Greece, the amount of economic aid provided by the US was important to political and economic stability. With the launching of the Truman Doctrine American aid to Greece had two specific objectives: the elimination of Communist influence over Greece and the rehabilitation of the Greek economy. In the case of Greece these objectives were the two sides of the same coin, because the Greek Communists were strongly opposed to American aid, which could provide relief and support to the Greek population and reduce Communist influence. With the launching of the Marshall Plan, Greece participated in this plan more for political than economic reasons, because the pattern of its economy was different from the other core European countries and the country lagged behind the other participating countries because of the Civil War.

The Marshall Plan was the most successful and innovative feature of American foreign policy towards Europe after the World War II. Through the launching of this Plan the United States aimed to help the European countries reconstruct their economies, which urgently needed dollars to provide for imports from the United States and from each of the other participating countries, as well as to contain the spread of Communist ideas, and indirectly the domination of the

Communist parties in the European countries. The Marshall Plan was an economic plan with a political veneer supporting the political independence and economic liberty of Europe.

Although the objectives of the Marshall Plan were the recovery, reconstruction and development of Europe, in Greece the implementation of this Plan was crucially influenced by indigenous problems of the backward Greek economy. Greece found itself on the periphery of European industrial developments, having an agricultural economy, which produced semi-luxury products such as tobacco, raisins, sultanas, currants, olive oil and wines. The small sector of light industry was dominated by industrialists who lacked a sound bourgeois conscience because they tended to be corrupt and to utilise state resources for their own interests. All these peculiarities and deficiencies of the Greek economy prevented Greece from following the same degree of development as other European countries. Because of these conditions, although the Marshall Plan did not succeed in transforming the pattern of the Greek economy from agricultural to industrial, the contribution of Marshall Aid towards Greece was very great and even decisive, because the Greek economy was directed towards self-sufficiency, not by itself but within the context of the other European countries participating in the Marshall Plan. For a small country like Greece the objective of absolute self-sufficiency was unattainable. Although the latter became a principle among the participating countries in the Marshall Plan, small countries such as Greece found themselves in a weak position to influence the decision-making process in the Organisation for European Economic Cooperation (OEEC) concerning the nature of their self-sufficiency against the large countries such as Great Britain or France. The OEEC was the organization of the sixteen European countries in Paris to co-ordinate the Marshall Plan in Europe.

Conversely, the Americans had solid political and strategic objectives when they decided to become involved in Greece after the announcement of the impending British disengagement in the spring of 1947. During the period of the American Mission for Aid to Greece (AMAG), July 1947-June 1948, the Economic Cooperation Administration (ECA) Mission under the Marshall Plan, July 1948-December 1951, the Mutual Security Assistance (MSA), January 1952-June 1953, and the Foreign Operations Administration (FOA) July 1953-June 1954, economic or military aid programmes towards Greece were closely linked on the American side. Although the Marshall Plan was an economic programme, in Greece it was influenced by the development of the Greek Civil War and the general political-strategic objectives of American foreign policy in the Eastern Mediterranean. The Marshall Plan indirectly helped Greece suppress Communist insurrection because it was intended to solve social and economic problems in the country in order to diminish the attraction to the people of Communist propaganda claiming that Communism could remedy their plight. Furthermore, Marshall Aid assisted the recovery, reconstruction and development of Greece. Some objectives, such as the reconstruction of infrastructure and the increase in agricultural and industrial production, were achieved. Others, such as introducing administrative reforms needed because of the inefficiencies of the state and the corruption of Greek politicians, the administrative inefficiencies of the state, limiting the speculative activities of the business classes, and overcoming the weakness of the Greek currency against the British gold sovereign after its huge infusion into Greece by the

Germans and British during World War II and the following 'forced' policy of selling gold sovereigns by the Bank of Greece.

2. The Greek political parties and their ideological character

Between the formation of the Greek state in 1832 and 1844 Greece was governed by an absolute monarchy. In March 1944 after the King accepted the constitution which the parliament shaped, Greece became a constitutional monarchy. This was influenced in its foreign policy by the policy of the three Great Powers, Great Britain, France and Russia, who assisted Greece to become independent from Ottoman rule. During the period from 1844 to 1864 the Greek political system was bipolar, because two political parties dominated Greek political life without great political, economic or social differences and devoted themselves to the issue of the Great Idea, the expansion of the Greek state to the recreation of the Byzantine Empire. This national vision was unbalanced because it stifled necessary social and economic changes, which might have promoted the equality in the quality of life of the Greek people. Political patronage was provided by the spoils system or 'rousfeti', whereby a new government meant the firing of many civil servants and the hiring of new ones. In 1864 Greece became a parliamentary democracy with a King. A Constitution was enacted, which provided for "universal manhood suffrage and the secret ballot".[1] By then, although the influence of King over political life did not diminish, his intervention in political matters was circumscribed.

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[1] Ιστορια του Ελληνικου Έθνους (History of the Greek Nation), Vol 13, p 241 (Athens· The Publishing Company of Athens, 1977).

In the beginning of the 20th Century, following the annexation of Crete to the Greek state, a new charismatic Cretan politician, Eleftherios Venizelos, entered Greek politics. He founded the Liberal Party in the autumn of 1910, which won the general election on 12 March 1912 against the electoral coalition of the old strong political parties of George Theotokis, Dimitrios Rallis, Constantine Mavromichalis and Alexander Zaimis. It was supported by reformist independent deputies who intended to implement social, economic and administrative reforms. The formation of this political party renewed the political life of Greece and it gathered the most progressive elements of Greek society. They envisaged a change in the social and economic structure towards a more liberal shape. It promoted such measures as the parcelling out of the big estates and allotting small areas of land to landless peasants. When World War I broke out King Constantine supported Greek neutrality, intervening in politics, while Prime Minister, Venizelos favoured alignment with the Entente Powers, an alliance made up of Great Britain, France and Russia, against the Central Powers, Germany and Austria-Hungary. Parallel to this development the long debate on whether Greece should be a monarchy or a republic re-emerged and this controversy led to a national schism, when Venizelos supported the opposition to the monarchy and formed an alternative government, the Government of National Defence in Salonica, in September of 1916. In the previous month "pro-Venizelist army officers in Salonica, backed by the pro-*Entente Ethniki Amyna,* or National Defence, organisation, launched a coup against the royalist government."[1] Although Venizelos' opposition to the monarchy was focused on the matter of the King's intervention in politics, he did not ever renounce his loyalty to

[1] Richard Clogg, A Concise History of Greece (Cambridge Cambridge University Press, 1992), p. 91

the institution of constitutional monarchy. In Greek politics it was always considered more important by the political parties what a man or party opposed, not what he or it tried to implement. In 1935 Themistocles Sophoulis became leader of the Liberal Party, succeeding Eleftherios Venizelos who had died in France where he lived in forced exile. Although his political party dominated the political scene up to the imposition of the Metaxas dictatorship in August 1936, after ten years without parliamentary life, the Liberals emerged in the post-war period divided because several Liberal politicians made claims for the control of the Liberal party's leadership: the first faction was the National Political Union, an alliance of three smaller parties headed by Sophocles Venizelos, the son of the statesman Eleftherios Venizelos, George Papandreou and Panayiotis Kanellopoulos; the second faction was Sophoulis' Liberal Party, led by the legitimate leader of the Liberal Party, Themistocles Sophoulis.

The other great Greek political party was the Populist Party, which was established by the Greek liberal politician, Dimitrios Gounaris in June 1915. He was elected deputy with the political party of Theotokis in 1902 and supported progressive ideas. After the victory of Venizelos in the elections of 12 March 1912 the old liberal conservative elements asked Gounaris, the old supporter of radical ideas in the Greek parliament during the first decade of the 20th century, to become their political leader against Venizelos, who was the new strong political man. However, it remains an unsolved question why Gounaris, a progressive liberal politician, agreed to become the leader of a conservative political party, the Populist Party. Although not all members of the Populist Party were convinced royalists, this party included those who were bound by ties of sentiment and loyalty to the King. This rightist political party intended to maintain the old existing political, economic and social establishment because it supported the interests of the big landowners. It thus barred landless peasants from acquiring land and thereby prevented social mobility. Furthermore, although the Populist Party could be characterized as being more anti-Venizelist than pro-monarchist, after the catastrophe of the Greek army in Asia Minor in August 1922, the execution of the Populist Prime Minister Dimitrios Gounaris, and the forced withdrawal of King George II, the Populist Party supported the return of the King. In 1926 an attempt to break up the Venizelist and anti-Venizelist factions led to the introduction of proportional representation in the electoral system, which remained in force until the general elections of November 1951. This system resulted in the creation of many small parties and increased the existing apparent complexity of Greek politics. Nevertheless, in the post-war political scene the Populist Party emerged united, including in its make-up rightist elements as well as royalist allies, all under the leadership of Constantine Tsaldaris.

Along with the two main political parties was the Greek Communist Party (KKE), which was formed in 1918 and directly influenced by the Soviet Communist Party. As Communist ideas were a vehicle for protest after the exchange of populations between Greece and Turkey following the Asia Minor catastrophe in August 1922, the KKE found supporters among the intellectuals, industrial workers mainly in the tobacco industry and the new communities of refugees on the periphery of Athens and other Greek cities (because the refugees confronted social and economic alienation from established communities). Although the KKE remained small, it gathered strength during the depression and in 1931 the Soviet Union, through the Third International, sent Nicholas Zachariades, who was born in Asia Minor and had studied in Moscow, to assume the leadership of the Greek Communist Party and increase Soviet influence on it. After the restoration of the monarchy by plebiscite in 1935, the KKE attracted 9-10 percent of the electorate in the general elections of January 1936 and secured 15 seats out of 300 in the new parliament. Because of the electoral system, the KKE held the balance between the two great opposing groups in Parliament, the Popular and Liberal Parties. Eventually, the exploitation of such parliamentary strength by the Communists, and the failure of the Liberals and the Populist Party to shape a coalition government, led to the establishment of the Metaxas dictatorship on 4 August 1936. General John Metaxas, by that time Prime Minister, persuaded the King to dissolve the Chamber as an impending major strike was organized by the Communists. In the inter-war and post-war periods the KKE had a plan to seize power by violence and to resort to totalitarian methods. Its political objective was to bring down the bourgeois 'fascist' republic of Greece and to impose by arms a government of peasants, workers and refugees. After the liberation of Greece from the Axis occupation forces, in October 1944, although the Greek Communists tried through military action three times to achieve their objective of confronting and overthrowing the bourgeois establishment, they failed. Their objectives were considered by the Greek bourgeois political parties as the basic cause of the Civil War.

Furthermore, another party with a socialist orientation, the Popular Democratic Union (ELD), was formed in April 1945 out of various groups, which participated in the EAM resistance movement. After the December 1944 clash in the Athens area, between the EAM forces and the army of the loyal Greek government-in-exile, supported by the British brigade of General Ronald Scobie and the Varkiza agreement, which was concluded in mid-February 1945, these leftist political groups departed from the policy of the KKE and created the ELD because the KKE was influenced by the Soviet objectives in the Balkan peninsula. However, the Executive Committee of the ELD refused to condemn the Communist activities during the Civil War until February 1949. It expelled from the Executive Committee several prominent members, such as Laskaris, Evangelopoulos, Papaioannou, who disagreed with the policy of abstaining from the elections in March 1946, an attitude similar to that of the Communist Party, and also expelled the dissidents Askoutsis and Stratis in December 1947 with the neutrality of the ELD towards the formation of provisional Markos' guerrilla government, which defied the loyal Greek government that was shaped after the elections of March 1946. Therefore, the ELD had a neutral or co-belligerent attitude towards KKE policy until February 1949, when the Plenum of the ELD gave a signed declaration to the International Secretary of the Labour Party, Denis Healey, "in which they condemned the Civil War and the role of the Communist Party...".[1] Also, in a report to the press on 12 February 1949, the Central Committee of the ELD, led by Professor Alexander Svolos, concluded that the resolution of the KKE for an independent Macedonia separate from the Greek state "separates the aims and political direction of the Communist Party from the wish of all Greeks for a normal democracy and peaceful reconstruction of the country".[2]

Finally, after World War II the National Party, led by General Napoleon Zervas, former leader of the National Republican Greek League (EDES) resistance group, emerged as the extreme-rightist political party. It was influenced by strong anti-Communist ideas, although its leader had achieved a republican and anti-royalist record in the pre-war period. This party mostly attracted the votes of the

[1] Norton to Bevin, 9 February 1949, FO 371 / 78403 / 10138 / 1949, PRO.
[2] Norton to Bevin, 16 February 1949, FO 371 / 78403 / 10138 / 1949, PRO

relatives of the victims of Communist atrocities and its leader distinguished himself as "the scourge of the left".[1]

By the results of the parliamentary elections of March 1946, the Populist Party gained the majority of the votes, securing in parliament 206 seats out of 354; consequently Tsaldaris, its leader, formed a cabinet in April 1946, which consisted mainly of Populist Ministers. The following month the Greek parliament met for the first time in ten years. The Prime Minister then reshuffled the government in order to include in the cabinet representatives from all the other parties except the Communists and the small Greek leftist party with socialist orientation, the ELD, because they had abstained from the previous elections by following a similar policy to that of the Communists. Also the Sophoulis Party found itself out of the Coalition Government because its leader demanded that he keeps the premiership despite his party's small parliamentary representation.

3. The Greek Government appeal and American involvement in Greek affairs

Although parliamentary elections took place on 31 March 1946 and a Government was formed from which the KKE abstained, the devastation, chaos and social disorder caused by the Second World War remained. The new representative Greek Government was too weak that it was unable to establish normal conditions throughout the country and it required the direct assistance of the United States because it did not look forward to find a real recovery by the United Nations' Organisation or by the British Labour government, which had its own internal

[1] Richard Clogg, A short history of Modern Greece (Cambridge Cambridge University Press, 1979), p. 158

economic problems and was unable to provide economic aid to other countries. Also, the United Nation's Organisation "did not have especially at that time the talent, the experience, the experts, the policies, to help in such a difficult program".[1] The Greek parliament selected from its members a mission to visit the American President to present the plight of their country and to ask for aid. The head of the Mission, Sophocles Venizelos, leader of the opposition, "affirmed his fear that, unless some material aid results from the present visit of the Mission, the social order in Greece will be unable to maintain itself".[2] When the Greek Mission asked for the support of the President for a loan of $175 million accompanied by a detailed economic programme from the Export-Import Bank, the President emphasized that "no decision of any sort could be reached until the Greek program had been thoroughly studied and discussed by Government officials who would, he was certain, be as sympathetic towards Greece as he was himself".[3] In a discussion of the Greek Mission on 23 August 1946, with William Clayton, Under-Secretary of State for Economic Affairs, a general understanding was reached that "the American officials of the American Government would explore the advisability of sending an economic mission to Greece provided the Greek Government should request such a mission".[4] After these discussions the idea of sending an economic mission to Greece matured so that on 29 October 1946 Dean Acheson, Under-Secretary of State, affirmed to Venizelos that "the United States Government would comply with a request to send to Greece a small economic mission to study all phases of the Greek economy with a view to recommending specific steps which should be taken

[1] Oral History Interview with Constantine Doxiades by Philip Brooks, pp 15-16, Truman Library.
[2] Baxter to Henderson, 7 August 1946, RG 59 Decimal files 1945-49 / Box 7067 / NA.
[3] Ibid , 2.
[4] Baxter to the Secretary, 23 August 1946, RG 59 / Decimal files 1945-49 / Box 7067 NA.

by the Greek Government, and to consider the extent of foreign assistance needed".[1] Because the economic situation deteriorated and led to failure in the broadening of the Government, on 12 November 1946 the Greek Prime Minister, Constantine Tsaldaris, asked James Byrnes, Secretary of State, to announce the time of departure from the US of the experts who were eagerly expected in Greece. He hoped that their presence in Greece would create an atmosphere of confidence in the economy, because through this action the United States could show their resolution to support Greece. On 11 December 1946 Acheson instructed the American Ambassador MacVeagh in Athens that Paul A. Porter, a liberal and New Dealer, who had recently headed the Office of Price Administration, had accepted appointment as head of an economic mission to visit Greece.

4. The Porter Report

The American Economic Mission under the leadership of Paul A. Porter was formed and sent to Greece by the Department of State at the request of the Greek Government. The Mission consisted of eleven members and was in Greece from 18 January to 22 March 1947. Its objective was to examine economic conditions in the country and determine what foreign aid Greece would need to accomplish recovery and reconstruction, promoting in parallel specific internal economic and administrative measures, and to ascertain how the Greek Government could make the most effective use of the country's own resources. Before the House Foreign Affairs Committee on 28 March 1947 Porter emphasized that "outside assistance is

[1] Acheson to Venizelos, 29 October 1946, RG 59 / Decimal files 1945-49 / Box 7067 / NA.

required for the survival of a democratic Greek state...we must make available funds for reconstruction and rehabilitation".[1] The measures designed by this American Mission to benefit the Greek economy were: direct control by the Greek government through the assistance of experienced administrators, economists and technicians of the American Recovery Mission over the whole economy; the reconstruction and development of Public Works, the recovery of industrial activity above the pre-war level if Greece was to become 'self-sufficient' and the rehabilitation and expansion of pre-war agriculture and the fishing fleet. In particular, parallel to the Currency Committee established in the Bank of Greece by the British-Greek Agreement of January 1946, another foreign executive commission in the Greek Government, the Foreign Trade Administration, should be established in order to plan and control the imports and exports of the programme. At the end of 1946 import control was being carried out by two experts, the American Gardner Patterson and the British Sir Theodore Gregory, who had been appointed by the Greek government as the two foreign members of the Currency Committee. They were also import controllers and held supreme authority for monetary issues over the Greek government. In particular, when Paul A. Porter came to Greece he was informed by Patterson and Gregory about the need for the establishment of the Foreign Trade Administration. Thus "the two foreign experts recommended to Porter that his report should include the establishment of a lower case foreign trade administration, governed by an American, and with broad powers to control imports lest the scarce foreign exchange resources of the country be wasted as they had been during the first eleven

[1] Statement of Paul A. Porter before the House of Foreign Affairs Committee, 28 March 1947, p. 3, RG 59 / Decimal Files 1945-49 / Box 7069

months of 1946".[1] The members of the Porter Mission underlined also the wide disparity in the standards of living and income throughout Greece as well as emphasizing that the economy could not revive if internal political tensions were not relieved. The Mission in its report ascertained that "bitter internal strife and the rapid rate of turnover of the Government have created a climate of insecurity and instability that has prevented any rational planning".[2] The Porter Report also concluded that Greece needed over $300 million of military and economic assistance for the next year 1947-48 and that "in making wise use of this outside aid and in the development and implementation of sound economic policies,...An American Economic Mission should go to Greece".[3] Furthermore, it emphasized that if the Government of the United States wanted to assure the future of Greece, a continuing programme was required. "This program of recovery and reconstruction should envisage a period of about five years".[4] According to the report, although the Mission should operate as a single entity, the close collaboration between Mission and American Embassy was indispensable to the success of the programme. The Porter Report brought a New Deal philosophy to Greece through an intensive survey of the whole economy and, after consultations with farmers, government officials, factory workers, businessmen, economists and organisations, drew conclusions as to how the economy could be placed on a reasonably self-sustaining basis. It was considered very coherent and the fundamental 'Holy Bible' by the American Administration with regard to giving assistance to Greece during the AMAG and

[1] Letter of James Warren Jr to Apostolos Vetsopoulos, 3 November 2000. James Warren Jr was appointed as chief of the Import Program Office of the ECA Mission in Greece in 1950 and remained there until 1954.
[2] Allen to Acting Secretary, 3 April 1947: Summary of the Porter Mission's Report to Greece, p. 2, RG 59 / Decimal Files 1945-49 / Box 7067 / NA.
[3] Allen to Acting Secretary, 3 April 1947. Summary of the Porter Mission's Report to Greece, p. 7.
[4] Ibid., p. 8

ECA Missions. This report was attached as an annex to the Agreement, concluded on 20 June 1947 between the US and Greek Government, deriving from Public Law 75, which established the American Mission for Aid to Greece (AMAG).

5. The bi-partisan policy in the launching of the foreign aid programmes

Because the American Administration perceived Soviet aggressiveness in the Eastern Mediterranean, and took account of the controversy among French, Soviet and American proposals in the Moscow Conference of the Foreign Ministers on German reparations in March-April 1947, American foreign policy-makers in the State Department were forced to launch a new move in the foreign policy based on considerations of balance of power which had its roots in the situation obtaining on the eve of the Potsdam Conference in July 1945. However, it was a necessity that President Harry Truman should have the consensus of Congress to implement such a new policy. After the appeal of the Greek and Turkish Governments, which felt keenly the threat of Soviet aggression, the former with an escalating Civil War provisioned through the Soviet's Balkan satellites, and the latter through Stalin's insistence that the 1936 Montreux Convention on the Straits was out-dated and should be revised, the President asked Congress to approve economic and military aid to these countries.

One day after the President's historic speech before a joint session of Congress on 12 March 1947, bills to provide for 'Assistance to Greece and Turkey' were introduced in the House (H.R. 2616) and the Senate (S.938) by Representative Charles Eaton, New Jersey Republican, and Arthur H.Vandenberg, Michigan Republican, President pro tempore of the Senate and Chairman of the Senate

Committee on Foreign Relations. After public hearings in the Committee held from 24 to 31 March, on 8 April 1947 debate opened in the Senate, and on 22 April 1947, in a bipartisan majority of 67 to 23, the Senate approved the proposed bill. Subsequently, "hearings before the House Committee on Foreign Affairs included nine public sessions (March 20 to April 9) and eight executive sessions. A decision was taken on 25 April 1947 by 12 to 0, to report favorably"[1] on the proposed legislation. On 24 March 1947, William Clayton, Under-Secretary of State, asserted before the House Committee that "Greece found itself with virtually no gold or dollar resources left, with relatively little reconstruction accomplished, and with an economy that threatened to collapse at the onset of almost any serious development".[2] He also pointed out that the establishment of military security was an essential prerequisite for economic stability. Eventually, following a four-day debate where all Committee amendments were approved, on 8 May 1947 the entire House voted 287 to 107 to approve the bill. Finally, in a joint session on 15 May 1947, both House and Senate passed the Conference report on the act to provide aid to Greece and Turkey and indirectly to support the containment of the Soviet Union and to protect the oil crossroads. As in Greece the situation was characterized by internal disorder due to economic crisis and warfare waged by armed guerrillas, the objective of the United States was to help the Greek Government economically and militarily. This new move in the foreign policy of the Truman Administration to support a foreign country such as Greece (that deserved in principle a democratic political orientation) attracted also the support of the Republicans who dominated

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[1] Stephen Xydis, Greece and the Great Powers 1944-47. Prelude to the Truman Doctrine (Thessaloniki: Institute for Balkan Studies, 1963), p. 494.

[2] Ibid., p 498

the Senate and House. The President signed Public Law 75, 80^{th} Congress, for providing assistance to Greece ($300 million aid: $150 military and $150 economic) and Turkey ($100 million) on 22 May 1947 at the Muehlebach Hotel in Kansas City.

By this law Truman declared that the national integrity and survival of Greece and Turkey were of importance to the security of the United States and of all freedom-loving people. In a statement he also added that the United States was acting "to further aims and purposes identical with those of the United Nations".[1] After the exchange of notes between the Greek Government and the US Government, on 20 June 1947 authorized representatives of Greece and the United States signed the Agreement on Aid to Greece, consisting of twelve articles. This Agreement set out the responsibilities and obligations of the Greek Government in connection with the aid programme administered by the American Mission for Aid to Greece. By this act a new era began not only in Greek-American relations but also in the entire foreign policy of the United States. It should be emphasized that the Greek-Turkish Aid program, derived from the Truman Doctrine, constituted for the Marshall Plan a kind of 'prodromos'-forerunner's role, setting the stage, preparing the ground for what was shortly thereafter to be the Europe-wide 'Marshall Plan', because the already launched Greek-Turkish Aid Program was a good experiment for the American administration for the Marshall Plan. In particular, the American Mission for Aid to Greece (AMAG) under this programme proved a pattern for the future American Missions in European countries under the Marshall Plan as a number of American experts working under AMAG Mission in Greece for one year, July 1947-June 1948, assumed important roles in the Marshall Plan' American

[1] State Department Bulletin, XVI (June 1, 1947), p.1071, Printing Office, Washington D C.

Missions in Europe.

In developing the Marshall aid Program and in securing its passage through Congress, the Truman administration sought the support of the political opposition. The collaboration of the Truman administration with Senator Vandenburg and with other Congressional leaders began at the initial White House session concerning the shaping of the Marshall Plan. It was at that time that Vanderburg first suggested a committee, which became the basis for the President's Committee on Foreign Aid, or Harriman Committee, as it was called after the name of its chairman, Averell Harriman, who had pursued a business carrier and had been appointed Ambassador to Russia and Great Britain. The work of this non-partisan committee was crucial because the participation of representatives of business, labour, agriculture, economists and the public in this body was meant to reflect the consensus of the whole of American society towards the launching of the European Recovery Program (ERP). The report of the Harriman Committee was due mainly to the tireless work of the executive secretary of the Committee, Richard Bissell Jr., who was a professional economist influenced by Keynesian theory. Also, Harriman emphasized that "we had a very full report of the amount of money it would take. We estimated how it could operate. Vandenburg said it was one of the most important documents helped to get it through the Congress".[1] Although Vandenburg preferred to support this policy on an anti-Communist line, George Marshall wanted to keep the Marshall Plan more constructive and was not adverse to any political establishment. However, the request for a collective and unified European undertaking anticipated the refusal of the Soviets to participate in such an economic

[1] Oral History transcript of the taped interview of Averell Harriman by Bernard Poirier, Director of Iriquois Research Institute, Truman Library, p 2

plan. The Under-Secretary of State, Robert Lovett, and Secretary Marshall had many meetings with Vandenburg and the Secretary of State emphasized that "I had to keep my meetings with Vandenburg rather quiet because some in the President's entourage were suspicious of Vandenburg-or perhaps jealous...we couldn't have gotten much closer together unless I sat in Vandenburg's lap or he sat in mine".[1]

Although the State Department was attacked for wanting to control the programme during the debate over the administration of the European Recovery Program, this was not the case, but the State Department feared that "the ECA people could have issued public statements and policy pronouncements that would have greatly disturbed our foreign policy and negated the State Department's role".[2] While the understanding of this problem by Paul Hoffman, the Economic Cooperation Administration (ECA) Administrator, prevented the possibility of such confusion and overlapping in the roles between the State Department and the ECA Administration, emerging in the first period of the ECA Mission in Greece there was very strong conflict and lack of coordination between the Ambassador, Henry Grady, and the Mission Chief, John Nuveen. Furthermore, although Lovett and Marshall did not admit publicly that they did not want to administer the programme, they "thought it would be an error for the State Department to undertake this administration".[3]

Furthermore, the Herter Committee report, which was drawn up by Congressman Christian Herter's Select Congressional Committee on Foreign Aid after their visit to Europe in late summer of 1947, was also important. The members

[1] Oral Interview with General George C. Marshall by Harry Price and Roy Foulke, 18 February 1953, p 1, Truman Library, Independence, (MO).
[2] Ibid , p. 2
[3] Oral Interview with General George C. Marshall by Harry Price and Roy Foulke, 18 February 1953, p 1

of the Herter Committee became convinced supporters of the Marshall Plan and their report provided a bipartisan approach so that Congressional approval was anticipated. This Committee called for an independent government corporation with a single administrator, a policy council and a bipartisan board of directors to administer the ERP, because such a body would enjoy a large measure of operational flexibility. Both the Harriman Committee and the Herter Committee reports were of monumental importance for the formation of the ERP.

In parallel, tremendous efforts were launched by the Truman Administration to familiarize the general public with the emerging situation that needed so much of the taxpayers'money. Among the committees established for this objective was the Committee for the Marshall Plan headed by Henry Stimson, formerly Secretary of State and Secretary of War. The Marshall Plan Committee consisted of 300 members from all parts of the country. Supported by regional committees, it assumed an active role in intensive national instruction. Particularly, the contribution of Vandenburg was crucial because "it was his leadership, both intellectually and legislatively, that led to the almost unanimous agreement given to the ECA program".[1] Apart from the monumental work of the State Department the framework for such a programme was set up by Oliver Franks, who led the British delegation to the Committee for European Economic Cooperation (CEEC), and stood out as a leading figure in the CEEC's earlier deliberations and the CEEC as a whole. The most important personalities who worked hard to secure this giant achievement on the two sides of the Atlantic were three: "Vandenburg on the

[1] Oral History Interview with Paul Hoffman, 23 January 1953, New York, The Marshall Plan, folder 7, p. 2, Truman Library.

legislation; Bissell on the technical side, and Franks for the development of a practical plan of European cooperation".[1]

In Europe, the final shape of the ERP required a long time and many meetings in order to overcome obstacles arising mainly out of British and French national interests, which were pitted against European economic unity and the level of the German revival respectively. Ten months after the establishment of the CEEC in July 1947 following a British-French plan, in mid-April 1948, after sixteen European foreign Ministers approved the final draft inspired by British instructions, the Organization for European Economic Cooperation (OEEC) was set up. Although the participating countries influenced by the British did not envisage any transfer of sovereignty to a supra-national body as the Americans wished, they eventually established an Executive Committee with the British civil servant Edmund Hall-Patch as chairman, a Council under the chairmanship of the Belgian Prime Minister Paul-Henry Spaak, and a Secretariat under the control of the Frenchman Robert Marjolin. Furthermore, according to Hoffman the Europeans gave two promises to the Americans if the Marshall Plan should come into existence. "The first promise was maximum self-help on the part of every country; and second, maximum mutual aid".[2]

In the United States, because the ERP was a great operation involving many public and governmental bodies, its preparation, which included the design, the administrative structure and the plan of campaign to set it through Congress, lasted until late 1947. At this point, after the support of public opinion had apparently been

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[1] Oral History Interview with Paul Hoffman, 23 January 1953, New York, The Marshall Plan, folder 7, p 2, Truman Library

[2] Oral History Interview with Paul Hoffman by Philip Brooks, 25 October 1964, p 9, Truman Library

won through the work of many groups such as the Committee for the Marshall Plan, the President sent Congress a proposal for a European Recovery Program, which included a request for $17 billion over a four-year period. On 8 January 1948, the Foreign Relations Committee of the Senate and the Foreign Affairs Committee of the House began public hearings on the proposal. In these hearings emerged the argument that "the United States was willing again to break with its past and to use its economic strength on an unprecedented scale to restore Western Europe...".[1] As the idea of the Marshall Plan eventually excited American public and private institutions, the questions in Congress were how much and in what form aid should be provided for European reconstruction. When the Soviet coup in Czechoslovakia in February 1948 occurred, support for the Marshall Plan strengthened as Marshall informed the Cabinet on 5 March 1948 that "the strategic and political situation in Europe makes it imperative that the ERP legislation be enacted without crippling amendment".[2] The isolationists such as the eminent Republican Senator Robert Taft of Ohio, who was an important member of the Senate Appropriations Committee and had a sizable following, dropped their objections to this plan. Taft's major argument that the Marshall Plan would help socialism in Europe was eliminated.

The Economic Cooperation Act -Title I of the Foreign Assistance Act that Congress passed on 2nd April 1948, in the Senate with 69 to 17 votes and in the House with 329 to 71 votes, authorized approximately $5 billion to support the first year of the European Recovery Program from July 1948 to June 1949. The next day the President's signature launched the Marshall Plan. This Act included provisions

[1] Lincoln Francis, United States Aid to Greece 1947-1962 (Germantown, Tenn Unpublished Professional Seminars, 1975), p 61, Paul R. Porter Papers, Box 3, Truman Library
[2] State Department Summary of Telegrams, 25 February 1948, in Naval Aide Files, Box 21, Truman Library.

establishing the ECA as an independent agency with a single Administrator who was to cooperate with other cabinet officials and who was to have Cabinet status with direct access to the President. The Act allowed the ECA to set up its own missions abroad and required that the administrator be a 'public' official appointed by the President with the consent of Congress. This was exercised when Vandenburg vetoed the appointments of Dean Acheson and William Clayton and then himself selected Paul Hoffman, a businessman with vision in international affairs and prominent Republican, as Administrator of the ECA. Harriman was appointed as Special Representative of the ECA in Paris to coordinate the activities of a group of experts working with the ECA mission of each country and the OEEC, "which developed the program for Europe as a whole".[1] In particular, the appointment of Hoffman, President of the Studebaker Corporation and one of the industrial representatives on the Harriman Committee, reflected the consensus between the Truman Democratic Administration and a Congress controlled by the Republicans, and the idea of corporative collaboration between government and business in the launching of the Marshall Plan. George Elsey, Assistant to the Special Counsel to the President from 1947 to 1949, emphasized that "there was nothing partisan about the European Recovery Program or the Marshall Plan. If it had ever been tagged with a partisan label it would have immediately lost much of its effectiveness...its chances of support from Congress would have been greatly impaired".[2] This bi-partisan philosophy also prevailed in shaping the programme and then putting it into practice because the key figures of this process such as Marshall, Hoffman and

[1] Oral History transcript of the taped interview of Averell Harriman by Bernard Poirier, Director of Iroquois Research Institute, p 8, Truman Library

[2] Oral History Interview with George Elsey by Jerry Hess, 7 July 1970, Truman Library.

Harriman were men whose activities would be regarded as above party politics. At the approach of the Marshall Plan's second anniversary on 24 March 1950, Senator Vandenburg stated in a letter to the Administrator of the ECA that "ECA was launched as an unpartisan enterprise-established by a Republican Congress in full and free cooperation with a Democratic Executive. This working unity typified our finest traditions and our greatest safety in the presence of external hazards to all Americans, regardless of Party".[1]

6. Contribution of the thesis

The existing literature about the Marshall Plan in an overall European perspective is concerned with two broad debates. The first is the Cold War approach and concentrated mainly on the motives behind the American initiatives for aid to Western Europe. One characteristic pioneering work is Harry Price's semi-official history[2] that appeared in 1955. He argued that Marshall Aid saved Western and Southern Europe from economic and political disaster, and contributed to the unprecedented economic growth of the 1950s. The second approach is the economic. In 1987 Michael Hogan[3] from the American point of view perceived the Marshall Plan as the projection, in a European forum, of American ideals expressed in the New Deal of the 1930s. Hogan argued that the American recovery policy towards Europe was dominated by a corporative view, because the Marshall planners aimed "to replace the old European system of separate sovereignties and

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[1] Vandenburg to Hoffman, 24 March 1950, Hoffman Papers, Box 22, Truman Library

[2] Harry Price, The Marshall Plan and its Meaning (Ithaca, New York Cornell University Press, 1955)

[3] Michael Hogan, The Marshall Plan: America, Britain and the Reconstruction of Western Europe, 1947-1952 (Cambridge, New York, Melbourne Cambridge University Press, 1987).

redistribute politics with a unified and productive order similar to the one that had evolved in the United States under the Constitution of 1787 and the corporative neo-capitalism of the twentieth century."[1] Their political philosophy and economic doctrine shaped "a policy that combined the principle of federalism with the New Deal synthesis. The first entailed at least some merger of economic sovereignties. The second blended an older faith in the rationalizing power of the market with a modern belief in economic planning and bureaucratic management."[2] However, economic and political conditions in Europe were not such as to fulfill that objective. In 1977 Charles Maier[3] suggested that the Marshall Plan reflected an American model of mass-consumption capitalism based on rising productivity that could resolve the tensions of the class struggle in Western Europe. On the macro-economic impact of Marshall Aid on European Recovery, in 1983 Alan Milward's study[4] rejected the generally accepted view among historians that dollar aid saved Europe from economic collapse. He argued that the European economy would have been able to reach the same level of development in a longer period than the three and a half year period of Marshall Plan without the assistance of Marshall Aid. Milward's counter-factual argument, that there was no real threat of economic collapse because by the time Marshall aid was implemented, European industrial production had already reached pre-war levels, is not relevant to the Greek case. Greece needed massive food imports and reconstruction more than any other European country. More recently, a third debate about the dimensions of the

[1] Michael Hogan, The Marshall Plan America, Britain and the Reconstruction of Western Europe, 1947-1952 (Cambridge, New York, Melbourne Cambridge University Press, 1987), p 293
[2] Ibid., p 293
[3] Charles Maier, 'The Politics of Productivity Foundations of American International Economic Policy after World War II', International Organization, Vol. 31, No 4 (1977), pp 607-633.
[4] Alan Milward, The Reconstruction of Western Europe, 1945-51 (London· Methuen, 1984).

Marshall Plan has been developed. This is the 'institutionalist' approach that emphasizes the contribution of the organizational innovations within the Marshall Plan towards European growth.[1] The institutional construction, established by the Marshall Plan, such as trade expansion among the European countries through the Trade Liberalization Programme[2] in October 1949 and the European Payments Union (EPU)[3] in September 1950, assisted their economic growth, which was accompanied by an even more forceful expansion of international trade.

In particular, in the literature concerning the impact of the Marshall Plan on Greece, there is no overall analysis of the contribution of American aid to the Greek economy, society and politics. Only one, partly relevant, work was conducted by George Politakis.[4] He tried to interpret the economic relationships between Greece and the US, and reached a major conclusion that the domestic opposition from old industrialists and major commercial banks such as the National Bank of Greece prevented the investment in large scale projects through the US aid. They considered the industrialization programme as threat against their own privileged position in credits. Furthermore, he supported the idea that the arguments of

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[1] Richard Griffiths, 'The Institutional Impact of Marshall Aid', a paper delivered to the Conference on 'the Marshall Plan and the small countries', Oslo, November 1998.

[2] The Trade Liberalization Programme was designed to tackle the problem of quotas that were strangling European trade. Two days after the speech of Paul Hoffman, Administrator of the ECA, given in front of the economic ministers of the Organisation for European Economic Cooperation (OEEC) States on 31 October 1949, the Council of the OEEC agreed that each country would attempt to remove quotas towards each other on an equivalent of 50 per cent of the value of their private trade in 1948 before the end of the year Also, Hoffman emphasized the need for a programme to build a more dynamic European expanding economy, which meant nothing less than an integration of the Western European Economy.

[3] The European Payments Union (EPU) had two functions. It acted as a kind of bank for all intra-European commercial transactions and it managed a sliding scale of automatic credits to debtor countries and pay, again on a sliding scale, in a mixture of credits and convertible currencies to the surplus countries In order to provide the Union with working capital, it was allocated a sum of $350 million from the $500 million that Hoffman had earmarked for regional integration schemes The EPU was replaced by the European Monetary Agreement (EMA) at the end of 1958 Greece also joined the EMA.

[4] He wrote an unpublished thesis· 'Greek policies of Recovery and Reconstruction, 1944-1952', which was submitted in 1990 to Oxford University.

Conservatives and the Left about reconstruction were ill-founded. The former considered the Civil War as the principal cause for Greece's failure to gain from the European Recovery Program (ERP), while the latter claimed that the Americans were interested in financing a war among the Greeks and refused to use aid for economic development. Contrary to these arguments Politakis argued that "responsibility for the delay that occurred in Greek industrialization when American aid was offered freely was mainly due to strong interests and political instability. It took time until a framework for Greek post war development was defined and this was not the Marshall Plan."[1]

Unlike Politakis' argument, Marshall Plan not only reconstructed Greece but also laid the foundations of further economic development. He also failed to analyse the problem of gold sovereigns into the Greek economy and society, and to perceive the determination of the American planners to support the Greek currency through the Stabilization Program, which was the most serious effort of the Marshall planners to stabilize the Greek economy. Therefore, this is a limited approach towards the complicated problems of the post-war Greek economy and did not emphasize the promotion and creation of institutions by the American planners in Greece. Furthermore, most of the literature concerning the post-war Greek economy is dominated by a political bias, arguing that American imperialism subjugated Greece and prevented the establishment of heavy industries without taking into consideration the overall structure of the Greek economy, which was backward and had a largely agricultural character. These features prevented the transformation of the economy from an agricultural to an industrial basis in a short period of a few

[1] George Politakis, 'Greek Policies of Recovery and Reconstruction, 1944-1952', p 349

years establishing a heavy industry sector, as Greek leftist intellectuals envisaged.[1] Also, it did not consider the pre-war economic and social conditions in Greece or compare them with post civil-war conditions in order to evaluate the contribution of the Marshall Plan to Greece. Furthermore, the ideas brought into Greece by American experts and the institutions created by the Marshall Planners in Greece have not been analysed. Therefore, this thesis analyses the economic, political and social contribution of the Marshall Plan to Greece. The main objective of the thesis is to outline the causes that led to crucial decisions and reforms carried out during the Marshall Plan period in Greece, and to estimate the influence of this Plan on the issues and problems concerning the Greek economy, politics and society. In particular, the American planners, forced by necessities of the Greek economy and inadequacy of most Greek politicians, gave first priority to the stabilization of the Greek currency and an increase in agricultural productivity through mechanization, irrigation works and enormous credits to the small farmers. In the same context, in the beginning they promoted the establishment of institutions such as the Foreign Trade Administration (FTA), and subsequently fought to attain a favourable trade balance and a balancing budget through American aid, on condition that after a few years the Greek economy would be able to stand without foreign aid, and would be geared to the international economic system. One major point of the thesis is that the accomplishments of the Marshall Plan in Greece were influenced by the Civil War. This War also determined the planning of the ECA operation, because until Autumn 1949 funds were primarily directed to rehabilitation and reconstruction, while thereafter the efforts of the ECA planners supported also the further

[1] One prominent leftist intellectual was Dimitris Batsis, who wrote a book <u>Η Βαρειά Βιομηχανία στην Ελλάδα</u> (Heavy Industry in Greece), (Athens, 1947).

development of the Greek economy. Therefore, a principal conclusion is that the character and the operation of the Marshall Plan in Greece were influenced crucially by the peculiar shortcomings of the Greek economy.

7. Methodology of the thesis

The analysis of the thesis covers the period from July 1947 to June 1953, because the Marshall Plan in Greece from July 1948 to December 1951 was a continuation of the AMAG Program implemented in Greece from July 1947 to June 1948 and was also followed by the Mutual Security Assistance Program from January 1952 to July 1953, which completed the objectives of the Marshall Plan in Greece. Although American economic Aid to Greece through AMAG from July 1947 to June 1948 was a rescue programme, it constituted the basis for the implementation of the Marshall Plan in Greece. A lot of the AMAG's personnel retained by the ECA Mission got established there and continued their work uninterruptedly. Without AMAG aid, the implementation of the Marshall Plan would have been impossible in Greece. On 30 December 1948 Dwight Griswold, in his statement to the Congressional Committee, stressed that "I don't believe you can put up a fence on June 30, 1948 and say AMAG is on this side and ECA is on the other...ECA has carried on the work which AMAG started and the accomplishments must be scrutinized together."[1] Because according to the Porter report the Greek economy needed five years of economic assistance, when the ECA was formed and the ERP was launched, "it made sense to splice the Greek program into the ERP".[2]

[1] Griswold to the Congressional Committee, 30 December 1948, RG 469 / 1227 Box 5, NA.
[2] Letter of James Warren Jr. to Apostolos Vetsopoulos, 23 August 2000

Furthermore, during the AMAG period in Greece institutions were established or consolidated, such as the Foreign Trade Administration and the Currency Committee, whose functions continued to operate during the implementation of the Marshall Plan and thereafter during the Mutual Security Assistance Programme. Contrary to most of the other European countries participating in the Marshall Plan, Greece continued the reconstruction and development of its economy after the end of the Marshall Plan. Thus, the close relationship between the Marshall Plan and the Mutual Security Assistance in Greece was reflected in the uninterrupted implementation of the overall economic objective, the stabilization of the Greek economy. Although during the period of the former the foundations for the stabilization of the economy were established, in the period of the latter this principal objective was accomplished. The basic reasons for the delay of this achievement were the unwillingness and inability of Greek politicians to adopt the majority electoral system, which would allow the shape of a strong one-party government. The Americans argued that only such a government deserved their support in implementing hard decisions concerning economic measures for the people. The Greek politicians from every political orientation, however, supported the proportional representation system, because that electoral system preserved and promoted vote manipulation in the patronage system, which dominated Greek society for most of the century.

In particular, in Greece, the rehabilitation and reconstruction of the economy went along with the containment of Communist expansion through the developments of the Civil War. Thus, the enormous economic aid towards Greece through the Marshall Plan acquired not only a major political dimension, but also a social one, which seriously influenced the implementation of the objectives of the plan in Greece. Therefore, the analysis of the thesis will be a multilateral approach because it will be focused on the most important economic, political and social dimensions of the American aid package in Greece from July 1947 to June 1953, having as its principal core the Marshall Plan through the parallel analysis of basic factors such as the balance of payments, the national budget, credit policy, inflation in relation to the wages and salaries, the contribution of the counterpart funds to the reconstruction and development of the Greek economy, and the influence of gold on the economy and society.

Furthermore, the analysis and evaluation of proposals and decisions of those bodies, who were involved in the decision-making process concerning Greek issues, such as the ECA/W, ECA/G, OSR/P, the OEEC, the State Department, the American Embassy in Athens and the Greek Government, will constitute a significant point of the thesis. This approach highlights certain causes which led to specific decisions, and also, which body distinguished itself as the most resolute in dominating the others and forcing its own decisions on the Greek economy.

The research concerning the thesis was focused on primary sources located at the Public Record Office in London, the National Archives in Washington D.C., the Truman Library in Independence, Missouri, and, to a lesser extent, on the Greek archival material. In particular, the efforts to see Greek official documents relative to the Marshall Plan in Greece, such as those of the Currency Committee, the Foreign Trade Administration and the Ministry of Foreign Affairs, resulted in failure, because the relevant authorities refused to allow access to this material. Parallel to the study of the relevant written documents, people who were in service during the Marshall Plan in Greece were interviewed orally, such as James Warren Jr., economic adviser in the ECA Mission in Greece from 1950 to 1953, and

Aristotelis Sismanides, business adviser and member of the Foreign Trade Administration (FTA) section in the Greek Embassy in Washington D.C., established by the Greek government in April 1950 "in response to a suggestion of the American mission in Athens"[1] to promote American aid to Greece, or by letter, such as Paul R. Porter, Chief of the ECA Mission in Greece from September 1949 to November 1950.

[1] Aristotelis Sismanides, Report to the Hellenes (Athens: Published by the author, 1994), p. 80.

Chapter One: The AMAG Mission in Greece from July 1947 to June 1948

The first American involvement in the jurisdiction of Greek internal affairs was the American Mission for Aid to Greece (AMAG), set up by the agreement on 20 June 1947 between the US and Greece, derived from the Truman Doctrine (12 March 1947), which launched the Greek-Turkish aid Program. The AMAG Mission was established from July 1947 to June 1948 in Greece to support the Greek Government in its efforts to accomplish the objectives of the Greek-American agreement under the direction of Dwight Griswold, who was a former Governor of Nebraska and a Republican of considerable influence. This American involvement was based on two crucial causes: the Soviet threat through developments in the Greek civil war which might lead the Soviets to control a strategic area in the Eastern Mediterranean, and the urgent economic problems of the Greek state.

In this chapter the political, economic and social dimensions of the AMAG Program will be analysed: the first issue concerns the character and the structure of the AMAG Mission in Greece, and the objectives of the AMAG Program towards the solution of various problems which weighed heavily on the existence and preservation of the legal Greek Government. The second part of the analysis will explore the roles of the AMAG Mission, the American Embassy in Athens and the Greek Government in the implementation of the AMAG Program's objectives with regards to the policy-making process within the context of the emerging problems and questions about the economy, society and politics in Greece.

The third issue of the analysis will deal with the weak Greek national currency, the drachma and the problem of gold sovereigns into the economy and society, in parallel with the inflation versus wages and prices. This is because the attitude of the Greek people towards the acquisition and hoarding of the old English gold coin, the sovereign, at the expense of the drachma was a crucial obstacle to the rehabilitation and reconstruction of the Greek economy. As well, the policy of the AMAG Mission towards the selling of gold sovereigns by the Bank of Greece will be analysed. The fourth part of the analysis will consider the national budget through revenue and expenses in relation to the balance of payments through imports and exports. Also, the efforts of the AMAG Mission towards the rehabilitation and reconstruction of Greece in relation to the problem of exporting Greek agricultural products will be considered. At the end, the analysis will deal with the credit policy in relation to agricultural and industrial rehabilitation and expansion. Finally, the industrialization question as a significant part for the reconstruction and development of the Greek economy will be considered.

1.1. The character of the AMAG Mission and the objectives of the AMAG Program in Greece

The overall operation of the AMAG Program in Greece was administered by the State Department. This American involvement in the affairs of a foreign state was the first in the history of the United States, which had held an introverted attitude towards the European issues during the inter-war period. Therefore, "the form of direct economic and financial assistance with AMAG and later ECA represented was a new experience for the American Government; in fact there had been nothing like it heretofore in the history of international relations".[1] The

[1] Henry Grady, Adventures in Diplomacy, edited version, p 196, Chapter XII, 'Adventures in Diplomacy' folder, Box 5, Grady Papers, Truman Library.

launching of the AMAG Program in Greece by the inexperienced State Department in such political and economic involvement met difficulties and problems in the first months of the operation during the summer of 1947 by the delay in personnel recruitments of the Mission and in the arrival of the first shipments of supplies in Greece. Although on 20 June 1947 Dwight Griswold was appointed head of the American Mission and on 14 July 1947 arrived in Greece, the first shipload of American military supplies for the Greek army arrived as early as 2 August 1947 in Greece and the first shipload of relief supplies under the aid programme arrived on 21 August 1947. Also, the full function of the Mission was delayed, as Eugene Clay, economic adviser to the Chief of the Mission stressed in his report, because the AMAG Mission did not become staffed in adequate strength to carry out its assigned functions until September 1947. Although staff recruitment was pushed energetically, the delays from security clearance lasted about three or four months and "by 30 September 1947 there were 206 Americans on the Mission staff in Greece, 128 economic and 78 military and naval personnel".[1] From July to September 1947 the inadequately staffed Mission came under exceedingly heavy pressure for immediate decisions and action while simultaneously lacking the information required for sound judgment. Because of further developments the staff of the Mission increased so that "on December 31, 1947, the American mission in Greece consisted of 286 people; 142 for economic aid, 8 for foreign rel ef, and 136 in the military group".[2] However, by 31 May 1948 the total personnel of the AMAG Mission consisted of 571 Americans, of whom 388 were military personnel and 183

[1] Francis Lincoln, US Aid to Greece, 1947-62, in Paul R. Porter Papers, Box 3, p 40.
[2] Report of Senate, 80th Congress, 2nd Session, for aid to Greece and Turkey, Foreign Relief Assistance Act of 1948, Printing Office, Washington D C., 1973, pp 10-11

were economic employees, 571 were Greek employees and 26 other nationalities.[1]

Nevertheless, the American experts who wanted to serve in Greece under the AMAG Program were men with a very high sense of their mission in this foreign country and who tried to diffuse their knowledge to the Greek co-operators in the government to rescue and rehabilitate the Greek economy. The members of the AMAG as well as successively these of the ECA Mission in Greece were men who had worked against the Great Depression in the United States during the 1930s and other who had worked in government programmes during World War II, assuming emergency positions to cope with the war necessities. The former were New Dealers who wanted to contribute something to society to overcome the economic depression, while the latter were men who wanted to assist the American nation to win the victory against the fascism in Europe, Africa and Eastern Asia. A lot of New Dealers were also involved in World War II. All of these men considered "the service in government as a good task to help the people"[2] and had developed a positive attitude towards the common and public objectives.

In particular, the synthesis and the function of the AMAG Mission had such a character that it could be characterized as a parallel authority to the Greek government. The Mission included great experts in every field of the administration, who worked in many relevant divisions of the Mission, based on their scientific background, such as reconstruction, agriculture, industry, labour, commerce and supply, public health, welfare, legal, information, administration, civil government, distribution and public finance. Although these experts had different political

[1] All these numbers are included in the Factual Summary concerning the American Mission for Aid to Greece, AMAG, Athens, Greece, 15 June 1948, Griswold Papers, Box 1.
[2] Oral Interview with James Warren Jr , 3 April 2000, Washington D C.

backgrounds, in dealing with huge economic problems in Greece they held a common policy, influenced by the principles and philosophy of the New Deal, because they struggled to find solutions to the complicated political, economic and social conditions in Greece, we ghted down by the developments of the Greek Civil War. Among the American members of the Mission were old-line Socialists and anti-Communists such as David Strachan, director of the Labor Division, who had distinguished himself as a leader of Detroit labour unions in the 1930s, the adviser of Strachan, Goldbloom, Jewish socialist from New York who had European origins, Charles Coombs, director of the Public Finance Division, who was an economist studied in Harvard and after leaving Greece in summer 1948 went on to a most distinguished career at the Federal Reserve of New York and John Coppock, an economist, who was a member of the Group Control Council in Germany before joining the UNRRA and AMAG Missions successively. Also, the liberal economist Francis Lincoln, who had been a member of the Paul A. Porter Mission to Greece the previous January-March, was selected to participate in the AMAG Mission as well as the economist Eugene Clay, who became chief's economic adviser. Before leaving Greece in summer 1948 he pursued preparatory work for the launching of the Marshall Plan, because he assumed the crucial task to recruit "an all Greek reconstruction council to help chart the national economy...also sponsored an office of recovery co-ordination headed by a young architect, Constantine Doxiades".[1] Also, all the members of the AMAG Mission were recruited according to their qualifications and experience gained from previous positions in the administration. Thus, "experts were appointed in various fields of activity and every effort was

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[1] The Saturday Evening Post, 1 January 1949, p. 50, RG 469 / 1209 / Box 1, NA.

made to work closely with the departments of the Government of Greece, although cooperation was not always fully achieved".[1] One year later in July 1948 when the Marshall Plan was launched many members of the AMAG Mission left Greece in order to assume more prestigious and comfortable positions in the ECA Missions of the other European countries or in the ECA/W headquarters or went on to distinguished careers in other fields, in or out of government service. In the AMAG Mission were also included US Army and Navy Groups to advise the Greek government in its fight against the guerrillas.

In order to promote economic stability and prevent domination of Greece by the Communists the main objectives of the AMAG Mission were: (a) to establish security, (b) to prevent run-away inflation, (c) to establish some degree of economic stability, and (d) to give the people the hope, courage, and reason required to withstand communist pressure. The first objective had a direct military character while the three other aimed to promote rehabilitation and economic recovery. Because the situation in Greece was a political-military-economic one, the American planners considered the revival and development of economic life as the basis for military victory and economic stability. George McGhee, an energetic Texan, was selected by the President and attached to the office of the Secretary of State to be responsible for the execution of the aid programme. The Greek government and the Mission agreed on a realistic economic and government programme. The main points of the AMAG economic aid Program were: statistics, budget and taxation, wages and agricultural prices, distribution, exchange certificate plan, foreign trade administration and import-export programme, reconstruction,

[1] Henry Grady, Adventures in Diplomacy, chapter XII, p 196, Grady Papers, Box 5, Truman Library.

agricultural and industrial rehabilitation, banking and credit policy, government reorganization, industry and long-term economic planning. The extent of the Mission involvement in the day by day functioning of the Greek government was reflected by the titles of the Mission's divisions, such as "Civil Government, Public Finance, Commerce and Supply, Industry, Reconstruction, Agriculture, Labor, Relief and welfare, and Public Health".[1] The AMAG Mission assumed a crucial task towards the launching and success of the aid programme, because it needed to advise and persuade the Greek authorities to take decisions concerning economic recovery. Also, because of the large financial contribution of the United States to Greece, although the Greek government accepted in its note on 15 June 1947 "to consult with the Mission before taking any economic steps which might affect the success of the American aid program",[2] the cooperation between the Mission and the Greek government met great obstacles. In particular, the Greek government was late in adopting urgent economic and administrative measures introduced by the mutual agreement in order to prevent deterioration of the economic conditions and check the enormous inflation accelerated by the Greek Civil War. These measures were considered by the American administration to be necessary if the AMAG Aid had to be given to the Greek government. Such a basic measure was the establishment of an institution, the Foreign Trade Administration (FTA) in the Greek Ministry of National Economy on 31 October 1947 under the Law 480[3] to coordinate and control exports and imports in order to secure proper utilization of the internal resources and the American aid. The introduction of this law by the

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[1] Francis Lincoln, US Aid to Greece 1947-1962, in Paul R. Porter Papers, Box 3, p. 41.
[2] Ibid p 39.
[3] The Official Gazette of the Greek Kingdom, Athens, 31 October 1947, First Volume, Issue 249

Greek government and passing of this law by the Greek parliament was delayed for four months. The Americans had suggested the Greek Deputy Prime Minister and Minister of Foreign Affairs Tsaldaris to set up this administrative body in June 1947, but "he was forced to promote this in October after full scale of economic and political crisis took place in August-September 1947."[1] At the side of the FTA, the Council of Foreign Trade was established, consisted of the Ministers of Coordination, National Economy, Finance, Supply, Agriculture, the Governor of the Bank of Greece and one American, who was in parallel the Executive Director of the FTA, appointed by decision of the ministerial council of the National Economy. The Council of Foreign Trade had supreme authority and responsibility for approving the general programme of imports and exports by private or state channels. Therefore, this Council made policy because it issued directives on the implemented policy, such as the certain amount of imports and its decisions were considered actions of the Greek government that the State Council did not have the authority to control. The Council of Foreign Trade assembled regularly once per week and required four members to be presented so that every decision should attract three votes. Thus, the American member did not have veto power in the decision-making process of the Council of the Foreign Trade. The Greek government had also requested the Government of the US to nominate an American to the post of Executive Director of the FTA and John Dawson was selected to assume this position, because real ability and devotion among the Greek personnel was weak after the demoralisation produced by the Axis occupation, civil war and progressive inflation of the currency, while the pressures from interested persons,

[1] Oral Interview with James Warren Jr , 3 April 2000, Washington D C.

such as importers and exporters, were continuous and severe without adequate means of resistance by the administration. The formation of the FTA with powers of regulatory intervention in the Greek imports was intended to prevent aid dollars from being used to enrich these importers and merchants who devoted themselves to speculative practices, such as importing luxury or other overvalued products. Therefore, the American involvement in the newly established FTA proved necessary to encourage the wise use of Greek foreign exchange.

Under the Foreign Trade Council was the Executive Committee, which consisted of the American Director of the FTA and two Greek members, the Secretary General and the Director General of the Commerce and Industry Division of National Economy. The decisions of the Executive Committee required two votes including the vote of the American member. Also, few personnel consisted of American assistants supported the work of the Executive Committee of the FTA. They did not make policy and "at that stage the American Director had veto power on export and import licenses",[1] because his signature on the required Bank release by the custom authorities provided a supplementary safeguard and prevented unauthorized expenditure of foreign exchange. Although the powers of the Executive Director were strengthened by his veto power with regard to the grant of all export and import licenses, this foreign authority was not absolute and independent in the decision-making process, because every import and export license should be approved at the same time by the Minister of National Economy and the Director of the FTA.

Parallel to the Law 480 another Law 481 was passed the same day to

[1] Oral Interview with James Warren Jr , 3 April 2000, Washington D C.

strengthen foreign trade. The Law 481/1947 introduced the so-called exchange certificate plan, which succeeded in establishing a reasonably realistic rate of exchange. According to this plan all the importers should provide for exchange certificates fixed at their official levels of 5,020 drachmas to the dollar and 20,000 drachmas to the pound sterling to carry out their own imports. Although this fixed price of the drachma to the dollar was overvalued, the unbalance was overbalanced because "from October 1947 to June 1948 the effective dollar exchange rate was allowed to reach by gradual stages about 10,000 drachmae"[1] despite only a 50% increase in the general price and wage level. Although the operation of demand and supply for certificates was freed by the Bank of Greece, the exchange certificate rate was influenced by the exchange operations of the Bank of Greece that depended on its foreign exchange stocks, while the quality and quantity of imports were controlled by the FTA in accordance with the Greek government. The latter requested exemption of certain basic commodities, such a milk, wheat, bread cereals, soya flour and pulses, from the certificate requirements. Although these exemptions were considered by the Mission reasonable in order to prevent increases in the price of basic commodities and reassure the public that the certificate plan involved no devaluation of the drachma, the Mission very reluctant also agreed to exempt imports and foreign expenses of the press because the government insisted that parliamentary approval of the certificate plan could not be secured without such an exemption. Despite these changes, through this system "was pursued the re-

[1] Greece Country Study-European Recovery Program, ECA, February 1949 (Washington D C. US Government Printing Office, 1949), p 22, in Lincoln Francis Papers, Box 8, Truman Library

establishment of the Greek economy with the European and international economy".[1]

However, the implementation of a policy to regulate trade met reactions by Greek politicians and merchant-industrial bourgeoisie, who constructed common economic interests. Although the objections from outside the Ministry of National Economy were directed against the policy pursued, the American presence "in administrative positions by many Greeks in the middle level of the administration had been welcomed."[2] Conversely, the most vehement enemies of this policy were all the importers and industrialists of the old elite, such as "Katsambas, Stratos, Papastratos, Tsatsos, Bodosakis, Kanellopoulos and Maragopoulos who had very close relations with members of the Greek government and politicians, such as Sophocles Venizelos."[3] The last named supported another policy of foreign trade concerning the 'own exchange imports' promoted by the old elite importers, who wanted the relevant Ministry to allow them to import products through personal exchange of unidentified origins. However, the intention of the old elite was out of the time spirit, which supported the community interests. Although this issue came up every year from 1946 to 1952 "in which the economic section of the American Embassy was as well involved supporting the old elite",[4] the latter failed to carry out their own objectives and interests that could have provoked progressive inflation and aggravated the balance of payments, because the pursued policy deriving from the common Greek-American Agreement concerning the AMAG Aid was fundamental to the success of the AMAG Program in Greece. Although the

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[1] Annual Report by the Governor of the Bank of Greece for the year 1947 (Athens Bank of Greece 1947), p 36.
[2] Ibid.
[3] Oral Interview with Aristotelis Sismanides, 4 May 1998, Washington D C
[4] Oral Interview with James Warren Jr , 3 April 2000, Washington D C

American members of the FTA and two foreign members of the Currency Committee did not belong to the AMAG Mission, they kept in close contact with the Mission, because their tasks were connected with the principal objective of economic stabilization. The task of the AMAG Mission, to implement the political, economic and social objectives of the AMAG Program in Greece, needed cooperation between the Greek government and the American Embassy. However, this new kind of American involvement in a foreign country without the prior distinction of responsibilities between the Embassy and the AMAG Mission, and in parallel the unstable political situation, where the old political factionalism and patronage system prevailed, complicated the success of the AMAG Program in Greece. Thus, the efforts to find a convenient way of cooperation among the Greek government, the AMAG Mission and the Embassy were not always successful.

1.2. The roles of the AMAG Mission, the American Embassy and the Greek Government during the implementation of the AMAG Program

The principal role of the AMAG Mission was to advise and persuade the Greek Government in dealing successfully with the political, economic and social problems. In particular, in describing the role of the AMAG Mission, Article IV of the aid agreement of 20 June 1947 between the US and Greek Government stated that "the Mission will provide such an advisory assistance and will exercise such functions as are necessary and proper to assist the Government of Greece to make the most effective use of any assistance furnished to Greece by the US and of

Greece's own resources and thereby to advance reconstruction and secure recovery in Greece as soon as possible...".[1]

During the AMAG period in Greece from July 1947 to June 1948 a jurisdictional controversy between the American Ambassador, Lincoln MacVeagh, and the Chief of the Mission, Dwight Griswold, emerged. Dwight Griswold had been chosen by the Truman administration as Chief of AMAG in Greece in order to satisfy the Republican-dominated Congress, even though the Ambassador's proposal to the State Department was that no politician be sent to administer the AMAG Mission's objectives. However, this appointment symbolized the American bipartisan policy of active opposition to Communist expansion. Between the Ambassador and Chief of the Mission very serious dissension arose regarding the mode of the American intervention in the formation of the Greek government and in its decision-making process. As the bipartisan system of American foreign policy was a new kind of approach to international challenges, without defined responsibilities between the two agencies, the issue of supreme authority came up. In the course of events the Ambassador found himself in supporting a different way of influencing the Greek government and preferring the traditional niceties of diplomacy. Although his attitude was based on traditional diplomacy without intervening by forcing a change in political affairs of the foreign country but by advising the foreign government to accept a change in its character, his policy seemed to be opposed to the economic objectives of the AMAG Mission, which required a flexible and more efficient government of national unity. Conversely,

[1] Documents on American Foreign Relations, Vol. IX, 1947, edited by Raymond Dennett & Robert Turner, published for World Peace Foundation (New Jersey The Princeton University Press, 1949), p 683.

Griswold's administration invaded the political domain of the Ambassador, because the Chief of the Mission considered that "success in his economic efforts required active intervention in political matters".[1] Although both the Ambassador and the Chief were very efficient in discharging their responsibilities, the lack of a clear distinction between their responsibilities meant "who was handling the aid program created problems".[2] The undefined responsibilities by the State Department between the diplomatic mission and the AMAG economic Mission in Greece was the real cause of this conflict; the latter "was exacerbated by continuous 'guerrilla warfare' at the lower levels of the bureaucracy in the Embassy and the Mission".[3]

The focal point of the conflict between the Ambassador and the Chief of the Mission was whether there was a need to broad the coalition government. The American administration had long been aware of the Greek governments' inability to confront the serious deterioration in economic conditions and to fight successfully against the Communist insurrection. Because of these unpromising conditions the American administration intended to strengthen and actively support the liberal political forces as an alternative to the dominant Right-wing party. Paul A. Porter in his article in 'Collier's Magazine' on 20 September 1947 emphasized that "once the economic program begins to roll we can do our best to foster elements of the center and the non-Communist left...there are democratic resources in Greece which have not yet been fully tapped".[4] To this direction, George Marshall in a secret letter of 11 July 1947 to Griswold, maintained that "the Government of Greece should rest on as broad a basis of representation as

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[1] Henry Grady Adventures in Diplomacy, chapter XII, p 197, in Grady Papers, Box 5.
[2] Oral History Interview with William Rountree by Neil Johnson, p 16, Harry Truman Library
[3] Oral Interview with James Warren Jr, 4 April 2000, Washington D.C.
[4] Paul A. Porter, Wanted: A Miracle in Greece, condensed from Collier's, p 86, Paul A. Porter Papers, Box 1

possible...The government should be able to command the support and loyalty of all patriotic Greeks".[1] Although the Secretary of State expressed his belief about the formation of the Greek government, he did not suggest intervention in political affairs without the consensus of the Greek politicians through the enforcement of a government favourable to the United States. Also, with regard to the efforts of the Mission to enhance the effectiveness of the government, George Marshall pointed out that "you and the Ambassador will be able to bring about such a reorganization indirectly through discreet suggestion...".[2] These changes in the Greek government requested by the American authorities were necessary to facilitate recovery and suppress the guerrilla insurrection incited by the Communists, because the participation of all the Greek political parties in the government under a liberal leadership was considered by the American administration more convenient for the success of the American objectives.

Conversely, the Greek government under the premiership of Constantine Tsaldaris, head of the Populist Party, seemed to disapprove of the intention and intervention of the Chief of the AMAG Mission, Griswold. When Prime Minister Tsaldaris called on Ambassador MacVeagh on 26 August 1947, and emphasized the improper interference of Griswold in political affairs, the Ambassador tried to leave the latter unprotected and open to critisism. Although MacVeagh gave assurances to Tsaldaris that American policy did not favour intervention in the details of political affairs in Greece, he advised the Prime Minister to broaden his Coalition government. Since Griswold had made efforts to undermine the function of a Greek

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[1] Foreign Relations of the US, 1947, Vol V: House Documents. 80th Congress. 2nd Session, Vol 26, part 5, p 221.

[2] FRUS, 1947, Vol. V, 80th Congress 2nd Session, Vol 26, part 5, p. 222.

government dominated by the Populist Party in favour of the Liberals of the Sophoulis Party, endeavouring to influence, through a memorandum on 25 August 1947, the prominent Populist deputy Stephanos Stephanopoulos to split his own party and to overthrow the government, the attitude and methods of the Chief of the AMAG Mission in attempting to change the government provoked critical reactions. Tsaldaris and MacVeagh disapproved strongly of his methods. Because the political situation in Greece required further political evolution and the American administration preferred the shape of another Coalition government, a new government was formed by the Populist Party and all the Liberal Parties under the premiership of Sophoulis in September 1947 after the mission of Loy Henderson in Athens in late August-September 1947. The task of Henderson, the Head of the Division of Near Eastern Affairs of the State Department, was to advise Tsaldaris to change his government and include in the government the leader of the old Liberals, Sophoulis, who was leader of the opposition in parliament. Because the latter intended to hold the premiership the settlement of the issue was difficult. Although Henderson did not dictate the resignation of the existing government, in view of the imminent curtailment or termination of American aid, he invited Tsaldaris to resign. Henderson assumed this mission with no satisfaction and the Truman administration was forced to intervene in Greek political affairs by strong complaints in the United States about the character of the Greek government, represented as reactionary and extreme right wing. Also, Henderson had the opinion that "Tsaldaris was the kind of strong man that Greece needed at the time, whereas the aged Sophoulis was inclined to waver when it came to making tough decisions."[1] According to Tsaldaris,

[1] Oral History Interview with Loy Henderson by Richard McKinzie, p 96, Truman Library.

conceding the premiership to Sophoulis was due to his own initiative and he met Henderson to surrender his office. Although the attitude of Tsaldaris was an eye-wash on the Greek people concerning the American intervention, he stressed that "it was not intervention; it was interest in common".[1] The mission of Henderson to Greece constituted the first American indirect intervention in the internal affairs of a sovereign European state and reflected the emerging Cold War repercussions. Because the conflict between the Ambassador and the Chief of the AMAG persisted after the settlement of the political issues by Henderson's mission, the Ambassador urged the State Department to subordinate the AMAG Mission to the authority of the Embassy and to maintain American influence in Greece within the context of traditional diplomacy; although MacVeagh had supporters among the officers in the Near Eastern Bureau of the State Department, George McGhee, the Co-ordinator of the Greek-Turkish Program in the State Department not only took a neutral stand in MacVeagh-Griswold conflict at first, but also he afterwards maintained the need for one American head in Greece and emphasized that "the position of the aid administrator was more important than that of the Ambassador".[2]

Conversely, Griswold therefore threatened to resign and made open complaints to the State Department about the inability of the Ambassador to deal with the Greek situation. Finally, because Griswold had many supporters in Congress who might complicate the launching of the Marshall Plan (rumours were going around that might run for Vice-President on the Republican ticket), the House of Representatives on 20 November 1947 ordered an investigation of the Lincoln

[1] Oral History Interview with Constantine Tsaldaris by Philip Brooks, p. 9, Truman Library.
[2] Oral History Interview with George McGhee by Richard McKinzie, pp 24-25, Truman Library.

MacVeagh-Dwight Griswold conflict.[1] President Truman on 19 November 1947 was forced to withdraw the American Ambassador from Greece and urged Griswold to remain in his office as Chief of the AMAG as the Congressman Karl Stefan suggested "the withdrawal from that particular scene of action of the present US Ambassador to Greece."[2] The Ambassador, who had held office in Greece for fourteen years, was moved to Lisbon. This event marked the dominance of the AMAG Mission over the Embassy and reflected the fact that the head of the Mission was called the most powerful American man in Greece, as the journalist Dana Adams Schmidt of the New York Times underlined from Athens on 16 October 1947. Although the State Department considered this article "as most unfortunate misrepresentation of the US role in Greece",[3] Griswold did not contradict Schmidt's argument because it "represented self-evident truths" based on "obtained data freely from all Mission sources".[4] Griswold also emphasized he "shall attempt to correct any impression that AMAG has unlimited power or is involved in details of internal affairs."[5] Although the Truman administration seemed to approve the attitude of Griswold against that of the Ambassador, the following spring the ECA in Washington appointed another Chief of the ECA Mission in Greece, indicating that Griswold's dominance over the Ambassador was not desirable and permanent. However, Griswold did not intend to remain during the ECA Mission in Greece and "on his own left the country after completing his one-year assignment".[6] In the

[1] The House of Representatives ordered an investigation through a sub-Committee on State Department Appropriations directed by the Republican Chairman Representative Karl Stefan of Nebraska-Griswold's home state. He had already joined the ranks of those who had publicly demanded that Griswold should replace MacVeagh as Ambassador to Greece (New York Times, November 21, 1947), p. 19

[2] Lovett to Griswold and MacVeagh, 21 November 1947, RG 469 / 1208 / Box 1 / file 5 / NA.

[3] Lovett to Griswold, 17 October 1947, RG 469 / 1208 Box 1 / File 4 / NA.

[4] Griswold to Marshall, 24 October 1947, RG 469 / 1208 / Box 2 / File 3 / NA.

[5] Ibid p. 3.

[6] Oral Interview with James Warren Jr., 4 April 2000, Washington D C.

course of events the policy of the Mission prevailed over that of the Ambassador in most cases, because the AMAG Mission was bringing money and supplies into Greece, which constituted the levers of power on the American side to persuade the Greek government to assume its responsib lities. Thus, the Ambassador was defeated by Griswold.

Therefore, during the implementation of the AMAG Program in Greece, the lack of co-operation and mutual understanding between the two American representatives obstructed the proper accomplishment of the aid programme. Concerning the relations between the Ambassador and Chief of the AMAG, Congressman Karl Stefan stressed, "while theoretically the responsibilities of each might supplement one another, actually, they appear to have fallen into conflict and to have materially impaired the standard of accomplishment".[1] Nevertheless, the serious controversy between the two American representatives emerged from the complexities of Greek political and economic conditions, as well as from the ambitious and unusual personal involvement of Griswold in political affairs without the prior advice of the Ambassador. Henry Grady, who was appointed Ambassador in Greece in May 1948, while from December 1947 Karl Rankin was brought in Greece as Chargé d' Affaires, asserted that "the weak side of Governor Griswold's administration was his insistence on invading the political province of the Ambassador...".[2] In March 1948 also MacVeagh, in a letter to his brother Charlton MacVeagh, pointed out with expectation that "in the implementation of the

[1] Lovett to Griswold and MacVeagh, 21 November 1947 RG 469 / 1208 / Box 1 / File 5 / NA.
[2] Henry Grady, <u>Adventures in diplomacy</u>, Chapter XII, p 197.

Marshall Plan, the mistakes made in the guinea pig experiment of Greece will not be repeated on a larger scale".[1]

With regard to the economic authority of the Greek state, the decisions of the Greek government on economic issues were influenced indirectly by two economic institutions. The first was the Currency Committee, which was set up under the Anglo-Greek Financial Agreement of January 1946 and remained in force during the AMAG Program. The second was the establishment of the FTA deriving from the Greek-American agreement. Parallel to the function of these economic institutions another focal point that aggravated the political conflict between the Embassy and Mission was the controversy in the decision-making process on economic issues. The economic section of the Embassy was always in continuous fight with the Mission and supported partially the objectives of the Union of the Greek industrialists. One of the reasons for this inclination was the influence of John Enepekides on Turkel, Maynard, Smith and Grove, who were the economic advisers of the Embassy. Because Enepekides, who was Greek and a most senior foreign national official in the US Embassy, had a power position in the economic section of the Embassy "Turkel was always informed and influenced by him, while the Greek senior official was very close to the Union of Industrialists. He also was the principal link between the elite of Athens and the American Embassy in Athens."[2] Thus, the coming of New Dealers, liberals and socialists such as Coppock, Lincoln, Coombs and Strachan under the Griswold leadership and their efforts to promote the AMAG Program met the most senior foreign national strong opposition from the

[1] John Iatrides, Ambassador MacVeagh Reports: Greece 1933-1947 (New Jersey The Princeton University Press, 1980), p 733

[2] Oral Interview with James Warren Jr., 3 April 2000, Washington D C

economic section of the Embassy. In particular, when the industrialists and importers of the old elite tried to carry out the policy of their own exchange imports against the policy pursued by the AMAG and the Greek government, "Enepekides tried to support them without success."[1]

It was evident that the AMAG Mission adopted a tough and more stable attitude towards the ineffectiveness of the Greek government, although the unorthodox and aggressive methods practised in political affairs by the Chief of the Mission embarrassed the Greek government. A Greek politician stated, with regard to Griswold's attitude, that "some times projecting himself as Governor he increased animosity...he had more of an American outlook and mentality than a European one".[2]

Because the conflict between the Ambassador and the Chief of Mission had negative consequences for the implementation of American aid, when the Marshall Plan was going to succeed the AMAG Program in Greece, the American administration decided to define clearly the responsibilities of the two American representatives in Greece. An agreement was concluded on 24 June 1948 between the ECA Administrator Paul Hoffman and the Under Secretary of State Robert Lovett about the role of the ECA Mission in Greece. It was agreed that "the primary consideration in all decisions on administrative relationship between the ECA and the Department of State...will be based on achievement of maximum co-ordination of the Unites States, economic, military and political objectives in Greece".[3] Furthermore, as Hoffman and Marshall intended to define the role and especially the

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[1] Oral Interview with James Warren Jr, 23 April 2000, Washington D.C.
[2] Oral History Interview with Spyros Markezinis, leader of the 'New Party' and Minister of Co-ordination, by Theodore Wilson, p. 45, Harry Truman Library.
[3] FRUS, 1948, Vol. IV, pp 109-110 (Washington D C US Government Printing Office, 1974).

jurisdiction of the ECA in Greece towards the Embassy and the Greek government, they concluded that "the activities of this Mission, because of the peculiar conditions prevailing in Greece, will probably be much more far-reaching and more intimately connected with the internal life of the country than the work of similar special missions in Europe".[1] In May 1948, the prospective Ambassador to Greece, Henry Grady, received Truman's assurances about his responsibilities in his new assignment, because Grady was informed of the Griswold-MacVeagh controversy and wanted further clarification of his role in relation to the role of the perspective ECA Mission's Chief. Grady, who was a distinguished economist, was at that time Ambassador to India. Truman pointed out to him "you will recall that under Public Law 472 Chief of ECA Mission in Greece will take rank immediately after Ambassador and shall keep American Embassy fully and currently informed of his operation."[2]

Conversely, since the direct American involvement in Greece, from July 1947, the Greek politicians who controlled public administration proved unable to assume their responsibilities and to exercise economic authority implementing measures for the rehabilitation of the Greek economy. The reasons for this mismanagement were mainly the dissolution of the administration during the Metaxas dictatorship, the Axis occupation and developments of the Civil War. In particular, during the Axis occupation the administration disintegrated and civil servants excessively increased in order that many of the Greek population could avoid expatriation forced by the German occupation forces. While in 1936 the civil

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[1] Papers of Harry S. Truman Official Office Memorandum for the President by George Marshall, 10 May 1948, Box 779-Subject Appointment of Henry Grady as Ambassador in Greece
[2] Truman to Grady, 11 May 1948, Grady Papers, Box 1

servants were 51,402, in 1944 the number reached 68,661. In particular, during the Axis occupation all the Greeks resorted to holding gold sovereigns because the national currency, the drachma, became weak. One of the reasons for this inclination of Greeks was that Germans and Italians obliged the Greek government to cover not only their occupation expenses but also further drachmas for the needs of the occupation authorities so that galloping inflation was provoked.

1.3. The Policy of selling gold sovereigns by the Bank of Greece in relation to the weak drachma and the problem of gold in the economy and society

During World War II the Greek national currency, the drachma, had been repudiated, because the Greek government was forced to issue inflationary banknotes[1] by the excessive demands of the occupation forces. In parallel, because economic conditions deteriorated and the national currency lost most of its value, the Greek people as an alternative to the huge collapse of the drachma were forced to hold gold sovereigns in order to retain their possessions. Thus, a foreign currency, the English gold sovereigns which were no longer in daily use in Great Britain, not only became the economic barometer in Greece but also were a potentially deadly economic disease, because all Greeks, wealthy or poor, merchants or civil servants, intended to hold gold sovereigns. This disease had its origins in the British policy of providing the anti-Nazi resistant groups in the Greek mountains with gold sovereigns in order to cope with their expenses. Through this the British flew two

[1] Worthless banknotes littered the sidewalks of Athens and other Greek cities during the occupation or the so-called Svolos 'Reform' of November 1944 (upon the return of the Government-in Exile), when 50 billion drachmas were to be exchanged for one new drachma, whose value in foreign exchange was then pegged at 150 drachmas= $1 and 2661 drachmas= 1 gold sovereign

millions gold sovereigns into a mountain economy that did not have a self-sufficient basis, "adding hugely to the approximately two million sovereigns which had been secreted away in mattresses and lock boxes over the previous one hundred years of modern Greek history".[1] Because the chaotic conditions of the occupation had broken down the primitive exchange or barter in rural areas and destroyed the national currency in urban areas, gold sovereign became the principal mean of dealings among Greeks. The Germans, forced by the galloping inflation, also brought in another one million gold sovereigns to finance their operations and "the roaring inflation of post-war years, both illegal private imports and official Bank of Greece imports added another 2.5 million sovereign to the pool".[2] The Bank of Greece was forced to keep open the gold window to the public, to exchange paper drachmas for gold sovereigns upon demand and at an open market price. Daily quotations for the gold sovereign constituted the barometer by which goods such as olive oil and cotton were priced. The price of gold sovereign was not only a registry for just economic functions but reflected domestic or international events. Savings were held in gold sovereigns and major transactions, such as the purchase and sale of real estate, were also negotiated in gold sovereigns. After the Greek-British economic agreement in January 1946 the Bank of Greece, in agreement with the British Mission, decided to establish the policy of selling gold sovereigns at a specified ceiling price to give credibility to the notion that the national currency had a certain backing or validity. With the support of an English loan derived from the Greek-British agreement, the policy of gold sovereign sales was intended to

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[1] James Warren, Jr, 'Origins of the 'Greek Economic Miracle'. The Truman Doctrine and Marshall Plan Development and Stabilization Programs', p 89

[2] Ibid., p 89

control inflation. Although the established policy did not heal the causes of inflation, the rapid depreciation of the drachma was checked, and thus, officially "the [gold] sovereign was the safety valve for an overheated economy...".[1] The official monthly average price of the gold sovereign in February reached 137,333 drachmas, while the price in the free market was 141,708 drachmas.[2] Although the Greek government was unable to implement economic measures that could inspire confidence in the people in their national currency, the establishment of a policy for selling gold sovereigns proved a disaster for the stabilization of the Greek economy, because this policy increased the impetus of the Greeks to hold gold sovereigns and prevented later the efforts towards the establishment of an alternative policy. In particular, Gardner Patterson, the American member of the Currency Committee, on 22 July 1946 although renouncing the policy of free gold sovereign sales as a very unsatisfactory fiscal policy, accepted that "by selling gold the State obtained large drachma receipts and so in part, at least, solved the problems created"[3] by imposing light taxes, financing uneconomic purposes and printing new currency to cover the deficit of the budget. However, this vicious circle did not lead to a solid and permanent solution because the econom c problems persisted since the bank balances and savings that could restore Greece went into hoards. However, this safety of gold sovereigns for the Greeks was sterile for the society. Acheson suggested to Venizelos on 29 October 1946 that "sales of gold constitute a very wasteful, inefficient use of foreign exchange, but their continuance as a temporary

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[1] James Warren Jr., 'Origins of the 'Greek Economic Miracle'. The Truman Doctrine and the Marshall Plan Development and Stabilization Programs', p 90
[2] Monthly Statistical Bulletin of the Bank of Greece, February 1947, Athens, Library of the Bank
[3] MacVeagh to Secretary of State, 12 August 1946, RG 59 / Decimal File 1945-49 / Box 7071

expedient may be desirable until the economy has begun to function in more normal fashion".[1]

In March 1947 the Greek government in accordance with the Currency Committee and the Bank of Greece decided to stop the policy of selling gold sovereigns to the public. The principal reasons for establishing the new policy were the decrease of gold reserves and the announcement of the Truman Doctrine on 12 March by President Truman who offered solid commitments to support Greece. This official American involvement in Greek affairs providing $300 million aid to the Greek government created a climate of hope and confidence among Greeks that the Americans would come to assist them. When the AMAG Mission came to Greece in July 1947, there were 7.5 million gold sovereigns, hoarded and circulating, in the country. In the American administration financial experts were appalled at the sterile freezing of Greek resources in gold. Thus, the AMAG Mission followed the established policy of not selling sovereigns and discouraged the Bank of Greece from resuming sales in the face of rising prices. On 9 October 1947, although the Greek government did not support the daily gold sales in unlimited amounts, they urgently requested approval of AMAG Mission for occasional sale of sovereigns to meet short-run political and economic crises. AMAG Mission concurring with Patterson and Gregory recommended to the State Department limited sale of gold, because inflexible refusal of gold sales " might well prove short-sighted and far more costly than immediate saving in gold".[2]

Nevertheless, on 18 October 1947 Lovett emphasized that the State Department and Treasury were opposed to internal gold sovereign sales as an anti-

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[1] Acheson to Venizelos, 29 October 1946, RG 59 / Decimal File 1945-49 / Box 7067 / NA.
[2] Griswold to Wilds, 9 October 1947, RG 469 / 1208 / Box 2 / File 3 / NA

inflation mechanism in Greece, because "internal gold sale, although ineffective is inflation control, result in accumulation of private fortunes while dissipating much needed exchange resources".[1] Since AMAG Mission was concerned about the necessity for heavy expenditures of AMAG funds during next few months, because Greek exchange earnings might be insufficient to pay for essential imports the following spring, on 18 November 1947, Lovett argued that "dissipation now Greek gold will add to real crisis then... therefore attempt to hold gold price now may only result in more difficult situation later".[2] Because the selling of gold sovereigns in stocks would contribute to the hoards of Greek profiteers instead of purchasing commodities needed for the people, as it was the habit in the history of Greek gold operations, the State Department was convinced that the same attitude might prevail in present circumstances. The dissipation of Greek foreign exchange resources in gold sovereign sales was not desirable for the American administration, when the Greek exchange deficit was covered by funds appropriated by Congress. Nevertheless, recent increases in industrial and transport costs resulted in a rapid rise of commodity prices and demands for wage increases that created a political crisis. The Minister of National Economy, Varvoutis, liberal and most effective member of the Government, threatened to resign if the gold sovereign rate exceeded 200,000 drachmas. If this resignation caused the fall of the present cabinet, it would be disastrous for the overall American objectives in Greece. These developments forced AMAG to support intermittent gold sovereign sales from 6 November 1947 and State Department accepted the change in policy. On 26 November 1947, Coombs, Director of the Public Finance Division of AMAG, asserted that "advocacy

[1] Lovett to Griswold, 18 October 1947, RG 469 / 1208 / Box 1 / File 4 / NA.
[2] Lovett to Griswold, 18 November 1947, RG 469 / 1208 / Box 1 / File 5 / NA.

of gold sales is based only on temporary psychological effects of such sales which obviously are not fundamental correctives".[1] He also asked the State Department to grant conversion of 330,000 napoleons, the old French gold currency, for gold sovereigns to the Bank of Greece to increase its stocks and prevent increase of commodity prices. Furthermore, because Coombs considered basic economic aspects of gold sovereign policy very complicated, he asked to be sent to Athens policy level representatives of State and Treasury to examine the situation. Finally, on 5 December 1947 the State Department approved authorization for the conversion of gold napoleons to gold sovereigns by the Federal Reserve Bank of New York. Despite the announcement of this authorization the buying pressure on gold by the Greeks continued sending up the gold sovereign rate towards 200,000 drachmas. The Greek government pressed Americans for heavy sales to avoid rising prices and wage levels beyond the first wage bargaining agreement on 4 November 1947. In particular, Demetrios Helmis, Minister of Finance, threatened to resign informing AMAG Mission that "if no more gold were to made available...he could take no further responsibility for maintaining budgetary equilibrium...".[2] AMAG refused to allow huge sales of gold sovereigns by the Bank of Greece, and followed the policy pursued by the State Department, because "it would be futile to try to maintain either fixed gold rate or stable price level over any substantial period of time...".[3] Parallel to the AMAG position concerning the unlimited gold sovereign sales supported by the Greek government three weeks before the foreign members of the Currency Committee, Patterson and Gregory, had also refused further

[1] Griswold to Lovett, 26 November 1947, RG 469 / 1208 Box 2 / File 4 / NA.
[2] Howard Acting Chief of the AMAG to Lovett, 10 December 1947, RG 469 1208/ Box 2 / File 6.
[3] Ibid p. 1.

responsibility for gold sales. Since the inauguration of limited and intermittent gold sovereign sales on 6 November 1947 the issue of determining the volume of gold sovereign sales on a daily basis became major problem between the Greek government and the foreign members of the Currency Committee. On 8 December 1947, in order to implement the State Department directive, AMAG was forced to participate in supervising intermittent intervention in selling gold sovereigns by the Currency Committee and supporting limited sales of gold sovereigns to a minimum considered feasible amount.

Nevertheless, at the end of December 1947 because the Americans in the State Department, were informed by the AMAG Mission that they did not have any other alternative to stabilizing the sovereign rate of drachma, "secretly decided to go parallel with the intension of the Greek government, to implement a programme of selling gold sovereigns to the public by the Bank of Greece even though nobody liked it."[1] Officially the daily sales of gold sovereigns started in February 1948. The State Department, forced by political reasons, adopted the policy supported by all Greek political parties, because the principal objective of the Greek aid program was political: to prevent Soviet domination of Greece. It was therefore critically important to avoid any new political and economic crisis until after the spring military offensive of the Greek National Army against the guerrillas. In particular, the loss of Konitsa city near the Greek-Albanian borders during Christmas and New Year days of 1947 after the heavy offensive of the Democratic Army, the Communist military organisation, provoked great shock among Greeks and Americans involved in Greek affairs. The capture of Konitsa was considered by the

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[1] Oral Interview with James Warren Jr , 3 April 2000, Washington D.C.

guerrillas very important because they intended to establish in this city the newly-formed Communist government that the Greek Communist Party (KKE) had announced the same month to defy the legal Greek government. The announcement of a 'Government of Free Greece' headed by guerrilla leader Markos Vafiades forced the Coalition Greek government promptly to outlaw the Greek Communist Party (KKE).

The restriction of gold sales by AMAG followed by the deterioration in military operations allowed the gold sovereign rate to rise from 204,000 drachmas on 31 December 1947 to 240,000 drachmas on 9 January 1948. The next day AMAG Mission decided to intervene in gold sovereign sales, allowing more sales that stabilized the gold sovereign rate on 225,000 drachmas. Because of inflationary reaction upon prices and demands for wage increases by civil servants, AMAG Mission on 13 January 1948 decided to prevent rate of gold sovereigns from rising over 235,000 drachmas during next few weeks.

Conversely, military and economic developments forced Sophoulis and Tsaldaris on 13 January 1948 to send a note to Henderson through the Greek Ambassador in Washington D.C. that "Cabinet intended to resign unless gold stocks was immediately made available for sale."[1] In parallel, AMAG and the Embassy supported the argument of the Greek government that "reserve gold indispensable condition to degree of stability required for successful implementation of both military and economic measures."[2] AMAG also considered it "extremely inadvisable to gamble whole success of Aid program and Mission on ability to

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[1] Marshall to Griswold, 17 January 1948, RG 469 / 1208 / Box 3 File 2.
[2] Griswold to Marshall, 15 January 1948, RG 469 / 1208 / Box 4 File 1

control situation without gold sales."[1] Although Henderson answered to the Greek Ambassador that Griswold had been following policies formulated in Washington in his treatment of the gold sovereign problem, the peculiar gold problem in the Greek economy and society in relation to the Greek people's repudiation of their national currency forced the American planners to pursue the policy of free sovereign sales by the Bank of Greece from February 1948 The American planners did not intend this policy to be permanent but they tried to "buy time through palliatives such as gold sales pending improvement of military situation and manifestation of full benefits of reform measures recently introduced".[2] However, the introduction of a policy of not selling gold sovereigns would be delayed for about four years and would not be followed by satisfying results from reform economic measures undertaken by the Greek government but be pursued by force from the Greek desk of the ECA in Washington DC. Although drachma proceeds from gold sovereign sales were placed in suspense account to be withdrawn from circulation to prevent inflation pressures or to help finance part of military expenses and additional refugee aid, the contribution of these proceeds to the Greek national budget did not prevent the increasing weakness of the national currency and the vicious circle of gold sovereigns pouring into the economy that prevented the stabilization of the drachma because only a strong and reliable national currency could stabilize the Greek economy. However, with more intense warfare between the National Army of the Greek government and the Democratic Army of Greece, the Communist forces, the policy of not selling gold sovereigns, an orthodox method

[1] Griswold to Marshall, 15 January 1948, RG 469 / 1208 / Box 4 / File 1 / p 4.

[2] Howard Acting Chief of the AMAG Mission to Lovett, 10 December 1947, RG 469 / 1208 / Box 2 / File 6 / NA.

to maintain reasonable stability, did not work. Nevertheless, although the mounting inflation was so great and might bring down the political and social structure of Greece, the resumption of gold sovereign sales, justified for a short period, proved a great obstacle towards the stabilization efforts of the Greek government.

1.4. The contribution of the AMAG Aid Program to the Greek National Budget and the Balance of Payments–The problem of exporting Greek agricultural products

From the implementation of the AMAG Aid Program the most critical problem confronting the AMAG Mission in Greece was the balancing of the national budget. The increasing military requirements of the National Army and runaway inflation were the great obstacles to the government's efforts to succeed in balancing the budget. The two problems required a closely coordinated military and economic approach on the part of the AMAG Mission to the Greek government, because the collapse on either the military or economic front could lead to the spread of Communism in Greece. In November 1947 an economic agreement for a satisfactory budget was concluded between the Mission and the government. In parallel, representatives of labour, industry and government on 4 November 1947 reached an agreement on new legal minimum wage and salary rates. Furthemore, from 11 November 1947 a top Economic Committee was set up, consisting of the Prime Minister, the Deputy Prime Minister, the Ministers of Finance, Coordination and National Economy and the Economic Adviser to the Chief of the Mission, to launch economic policies and control any ministry or other governmental agency that sought to deviate from the established policies. The work of this Committee concentrated on trying to heal the previous lack of effective centralized control on economic policy within the government. The coordinated efforts of the governmental ministries or agencies under a top Economic Committee led to more effective planning of the budget. Yet, the domination of the guerrillas in most parts of the country made economic recovery impossible because much of the planned reconstruction work was held up pending the restoration of security in these areas. Another feature of the budget was its constant changes from the developments of the Civil War that had created 400,000 refugees. The cost of caring for the refugees was a tremendous burden on the Greek government and made a balanced budget impossible. Although the budget that the government that presented to Parliament in December 1947 anticipated expenditures of 2,960 billion drachmas and revenues of 2,753 billion, leaving a deficit of 207 billion drachmas, in March 1948 expenditure estimates had to be increased by 207 billion drachmas because of the necessity for larger military expenditures, allowances to the refugees and inclusion of a fortnight's holiday bonus for civil servants after calling a general strike. Also, these changes in the budget resulted as well in necessary changes in the Mission's programme. The original distribution of AMAG Aid changed in March 1948 as the proportion for military supplies increased from 50% to 57% and that for reconstruction projects decreased from 16% to 7% of the $300 millions' total aid.[1] Furthermore, the AMAG Mission, in order to help government increase revenues, pressed the government to introduce a more reliable tax system by increasing the small direct taxes and decreasing the consumption taxes that were already heavy in Greece. This was not progressive tax system because the wealthy people made a

[1] Third Report to Congress on Assistance to Greece and Turkey for the period ended March 31, 1948 (Washington D.C. US Government Printing Office, 1948), p 14

very small contribution to the budget.[1] Although budgetary receipts rose sharply from 147 billion drachmas in October 1947 to 225 billion drachmas in January 1948 the proportion of direct taxes in the total revenue was far from satisfying. However, with Mission pressure a major tax law prescribing standards for the maintenance of business records and imposing penalties for transgressors was effective in Greece from 1 April 1948.

Although all these efforts of the AMAG experts focused on the overall economic objective to achieve a balanced national budget, few AMAG economists, such as Coombs and Coppock, expressing personal views, questioned as unattainable the achievement of a balanced budget and, on the contrary intended to support further reconstruction. The latter emphasized that "the mission was so bemused with the dream of an 'almost balanced' budget that it neglected a reconstruction program".[2] However, these views were pessimistic and one-sided, because they did not consider the basic economic principle of a balanced budget for every state economy. Despite the peculiar economic, social and political conditions prevailing in Greece, for the first time after many years "a balanced national budget for the 15-months' period ending June 30, 1948 was prepared in close collaboration between the Greek government and the Mission".[3] Greek government and AMAG Mission planned a fifteen months fiscal year budget in order the Greek state to keep up with the US fiscal year from July to June. Nevertheless, the budget equilibrium of 1947-48 was not accomplished without seriously straining the financial resources

[1] The AMAG Mission had been horrified at the extent to which the Greek government allowed merchants, industrialists and black marketers to escape paying a decent, proportionate share of tax burden, while at the same time the government squeezed its poorest citizens through a system of indirect sales taxes on items of essential current consumption

[2] The Saturday Evening Post, 1 January 1949, p 50, RG 469 / 1209 Box 1 / NA.

[3] Third Report to Congress on Assistance to Greece and Turkey for the period ended March 31, 1948, p 10.

of Greece and generating significant inflationary reactions from the increase of custom duties by no less than 150% and turn-over tax by 60%. In parallel, as the dangers of inflation undermined every effort to stabilize the economy, the AMAG Mission helped the government to remove one major reason of inflation, that of printing additional currency to cover the deficits of the budget. Thus, the government reduced "the volume of currency in circulation from 970 billion drachmas on December 31, 1947, to 890 billion drachmas on March 31, 1948".[1]

Another crucial factor that supported the Greek budget was the balance of payments. The contribution of the AMAG Aid to the balance of payments was fundamental for the whole economic effort of the Greek government. The AMAG civilian import programme contributing to the balance of payments reached 31% of the whole AMAG Aid of $300 million, while 7% and 3% of the latter financed reconstruction projects and reconstruction goods respectively.[2] The 320,000 tons of supplies imported under the AMAG Mission's program, including foodstuff, coal, steel, agricultural supplies and industrial equipment, were paid for from US funds provided under the Greek Aid Program. The Greek government sold these goods to merchants and the proceeds were placed in a special drachma reconstruction and agricultural rehabilitation fund. This fund financed labour, materials and services of the Mission's reconstruction and agriculture programmes, which needed within the country. "Deposits made in the fund through May 31 totaled 393 billion drachmas. It is expected that future deposits will bring the total to 907 billion."[3]

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[1] Third Report to Congress on Assistance to Greece and Turkey for the period ended March 31, 1948, p 11

[2] All the data are taken from the apportionment of Greek Aid Funds according to the Third Report to Congress on Assistance to Greece and Turkey for the Period ended March 31, 1948, p 14

[3] A Factual Summary concerning the AMAG, by AMAG, Athens, Greece, 15 June 1948, Griswold Papers, Box 1, Truman Library.

Apart from this enormous assistance, supplies of about $38 million were imported into Greece by the AMAG Mission under the US Foreign Relief Programme. The Greek government sold these supplies and deposited their proceeds in a special drachma relief fund to provide care for more than 600,000 refugees driven from their homes by the developments of the Civil War. The total deposits reached approximately 204 billion drachmas. A small part of these supplies were distributed free by the Greek Welfare agencies. The balance of payments on the Current Maintenance Account[1] for 1947-48 presented a deficit of $153.9 million that was made up from AMAG Aid. The whole expenditures reached $338.3 million, while the receipts were $184.4 million; the invisible payments reached $23.6 million, while the invisible receipts were $54.9 million; the imports reached $271.3 million, while the exports reached only $95.6 million.[2] Therefore, the increase in the revenue would come from the increase in exports. However, Greece with an agricultural economy could not find or restore the pre-war markets for its exports. In the first post-war years the European countries that had formerly imported Greek products were reluctant to buy them, because they were not articles of first necessity but semi-luxury agricultural products such as tobacco, currants, sultanas, olive oil. In particular, the difficulty of exporting tobacco to Germany created serious political, economic and social problems in Greece because tobacco pre-war exports had totalled more than 50% of the value of all Greek exports. In January 1948 Mission trade spec alists with a Greek government trade Mission went to Germany to conclude an agreement for trade between Greece and the Bizone (the

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[1] In this Account the current imports of capital equipment for reconstruction are not included.
[2] These data are taken from the 6th Table of Greece Country Study-European Recovery Program ECA, p. 20.

British and American zones of occupation). In the prolonged discussions tobacco, the principal Greek export product to Germany before World War II, raised two problems: American tobacco growers of the southern states supported by their own Congressmen were interested in the Bizone market. While Greek tobacco cost fifty-five cents a pound, Virginia tobacco cost only twenty-five cents. Also, as the post-war German economy was yet in confusion, it was difficult for German products to be determined for export to Greece in exchange for Greek tobacco. Although the Bizone authorities, allied and German, were reluctant to import Greek tobacco, after pressure by the AMAG spokesmen they agreed to import agricultural products of about $5 million value "including not over $2.5 million of Greek tobacco".[1] Conversely, Greece agreed to issue import licenses for the same worth of industrial and electrical equipment. Although this agreement was a small beginning for the Greek exports to Germany, the contribution of the AMAG trade specialists to this success was decisive. Furthermore, the agreement would have been impossible without "the American financial support to both sides given assurance that it would be carried out".[2]

Therefore, the contribution of the AMAG Aid and Mission to the national budget and the balance of payments was important for the rehabilitation of the Greek economy. The import of products financed through the Greek Aid Program and the drachma proceeds from selling these products were deposited in the Bank of Greece special account. These drachmas financed various reconstruction and rehabilitation programmes on which the Mission and government agreed, and furthermore they supported indirectly the deficit of the budget.

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[1] Lincoln Francis, United States Aid to Greece, 1947-1962, p 70

[2] Ibid

1.5. The Credit policy in relation to the industrial and agricultural rehabilitation and expansion-The dimensions of the industrialization question for the development of the Greek economy

Before the AMAG Program the extension and control of credit was as abnormal as the rest of the Greek monetary system. Commercial banking was a fraction of its pre-war scale, corresponding to less than 10% of pre-war deposits. In particular, because the Greeks invested more of their savings in sovereigns, private savings deposits remained at almost negligible levels. About half of the total deposits of the private banks "outstanding in May 1948 consisted of the compulsory deposits of pension funds and other public institutions."[1] The complete suspension of bank credit in November 1947, due to the expected promulgation of the credit control Bill, was one of the principal contributing factors in precipitating the crisis, which followed the increasingly enormous difficulties confronting trade and industry. The introduction of the credit control Bill was the result of cooperation among the Greek government, the Currency Committee and the AMAG Mission in Greece in order to control bank deposits and avoid inflationary pressures on the economy. Charles Coombs, financial expert of the AMAG Mission had devised the Bill. This Bill became law 588 of 1947 and set in force the credit controls on commercial banks credit, which was exercised by the Currency Committee. The Law required the National Bank to deposit 15 percent of its total deposits in the Central Bank, since this bank held 69 percent of the total banking capital, while the other commercial banks were obliged to deposit 5 percent of their total deposits in

[1] Greece Country Study-European Recovery Program (Washington D C.: US Printing Office, February 1949), p. 25

the Bank of Greece. This law established a new institution, the advisory Bank Council, with the participation of directors from all the banks under the chairmanship of the Director of the Bank of Greece. Through this law "a substantial problem of equitable allocation of credit was solved".[1] This law was necessary because the constant hoarding of gold deprived the economy of capital and forced the Bank of Greece to confront this demand with the issue of inflationary banknotes. Confidence was so low that most people kept even their working capital in gold rather than in bank deposits. Accordingly, the private commercial banks were forced to rely for funds on advances from the Bank of Greece, and the latter lent money directly to businessmen. "At the beginning of 1948 credits financed by commercial banks' own resources stood at 352 billion drachmas, while credits financed by the Bank of Greece stood at 1,186 billion drachmas."[2] Because the commercial banks were dependent on the Bank of Greece, the Greek economy was dependent on American aid since the latter supported the Bank reserves.

As the Industry Division of the Mission found Greek industry baffling and without effective work because many industrialists were hesitant to resume or expand their activities, not only for security reasons but also because of the high interest rates at 30 to 35% for an industrial loan with a commercial bank. This was a barrier to the purchase of new equipment. In parallel, because Greece was an agrarian country and lacked industrial tradition as the Greek industrialization started in the 1920's, the Greek people, politicians and government did not realize that industry was a creator of wealth for all the people and the fundamental principle that

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[1] Annual Report of the Director of the Bank of Greece on the Balance of the fiscal year 1947, p. 31 (Bank of Greece Athens, 1948)-(in Greek).
[2] Lincoln Francis, United States Aid to Greece, 1947-1962, p. 68

industry was a tax collector and not a source of tax revenues. Thus, in the allocation of AMAG funds the American planners were forced to assist a limited industrial expansion, because they coped with more urgent problems, such as the stabilization of the currency, a trade balance of payments and the balancing of the budget. Furthermore, the provision for food to the Greek people, the rehabilitation of agriculture and the restoration of essential public works, such as highways and railroads were considered by the AMAG Mission of first priority, while in the second stage of economic plan the American planners could provide funds to increase progressively agricultural and industrial production. Nevertheless, the AMAG Mission sponsored a limited programme of industrial loans, carried out through the National Mortgage Bank, to ensure that the rate of interest was attractive to industrialists. Although many applications for loans were submitted with tentative plans to increase the output of reasonable products, the problem was to ensure that funds would be used for the planned purposes and not for hoarding gold sovereigns. This limited the extent of the programme to very low bank loans. However, in that period "a first long-term loan for reconstruction of $2,220,000 and 13 billion drachmas value were concluded for the establishment or extension and modernization of industries".[1]

From February 1948, the policy of unlimited gold sovereign sales by the Bank of Greece kept up with the policy of the Currency Committee to exercise rigid control of credit because the borrowers, anticipating depreciation of the currency and therefore postponing the repayment of their debts, found it more profitable to invest their receipts in sovereigns and owe drachmas. The Finance Division of the

[1] Annual Report by the Governor of the Bank of Greece on the balance of the year 1947, p 29

AMAG Mission working with the Currency Committee found themselves in a difficult position "in determining credits that should be approved in order to make possible highly desirable trade and industry, and those that should be denied, in order to curb inflation".[1] However, credit restriction was not the only factor in holding the rise in prices to 6% in the first half year of 1948 compared with a rise of 28% in the previous first half year of 1947. The other factors that contributed to curb inflation were the free gold sovereigns sales, the more hopeful military future after the appointment of General James Van Fleet as head of the Joint US Military Aid Group (JUSMAG) in February 1948, who worked with the Greek Army Command and General Staff, the restriction of credits, and the launching of the Marshall Plan in Greece from April 1948. Early in the spring the authorities delayed for some time approving an import license to bring in matches to be sold by the State monopoly, because the AMAG funds were exhausted. On assuming office on 9 April 1948 the Administrator of the ECA Paul Hoffman approved a shipment of supplies to Greece and other four European countries. "By the end of June, 1948, ECA had issued $32 million in procurement authorizations for Greece covering shipments of bread, grains, dairy products, petroleum and miscellaneous items. ECA had acted quickly".[2] Furthermore, in the spring and early summer of the 1948 a moderate expansion of agricultural and industrial credit was permitted to offset the deflationary pressures from the restricted credit policy of the previous January and the serious threats of industrial shut downs. During the same period industrial loans increased from 53.6 to 78.9 billion drachmas and agricultural loans increased from

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[1] Lincoln Francis, United States Aid to Greece, 1947-1962, p 69.
[2] Ibid , p 67.

907,1 to 1.029,1 billion drachmas, while the total amount of loans financed by the Bank of Greece increased from 1.194,5 to 1.308,4 billion drachmas.[1]

Despite the overall restricted credit policy the Bank of Greece assumed responsibility for financing agricultural recovery and certain strategic industries such as textiles and building materials. In particular, great emphasis was given to agriculture expansion through the agricultural bank as "of total credit created by the Bank of Greece as of July 1948, nearly 77 percent has been allocated to agriculture. In real terms agricultural bank credit outstanding as of that date corresponded to more than 90 percent pre-war volume".[2] Although the credit policy focused on agriculture was excessive and created serious inflationary disturbances during the fall and winter of 1947 to 1948, that policy was harmonized with the agricultural character of the Greek economy while the industry constituted a less decisive factor in the Greek economy.

Concerning the character of Greek industry after World War II, many Greek intellectuals and the AMAG Mission developed the idea for the establishment of heavy industries in Greece in order to enable the country to solve its economic problems. While the industrial basis of Greece consisted of light industries such as textiles, food processing, chemicals including fertilizer and glass, the leftist-communist ideology, expressed through the 'Antaeus' magazine of Dimitrios Batsis, a Communist economist, envisaged the establishment of heavy industries through the exploitation of the abundant minerals and ores of the country as the only solution to economic and unemployment issues in Greece. The economist Angelos

[1] All the numbers are taken from the Table 8 concerning Bank of Greece loans that are included in Greece Country Study-European Recovery Program ECA, p 25.
[2] Greece Country Study-European Recovery Program. ECA, p 25.

Angelopoulos, influenced by leftist ideology, through his magazine 'New Economy' supported as well the development of heavy industries in Greece. Also, the AMAG Mission was involved in the industrialization issue. Griswold promoted a tremendous programme of industrialization with a huge emigration of more than one million Greeks to the other European countries, such as Germany or Belgium in order for Greece to be self-sufficient. However, it was not clear what kind of industries the Chief of AMAG supported and his idea concerning the industrialization issue seemed to be simple rhetoric because he did not consider the development potential of the Greek power electricity, the reluctance of private capital to invest in the development of light or heavy industries and the structure and character of the Greek economy. Nevertheless, as at the same time the light industries constituted the industrial basis of Greece and the economic conditions were unfit for the establishment of heavy industries, the efforts for further development needed to be focused on the expansion of the existing light industries. The principal Greek industry was "textiles, which in 1938 accounted for 27 per cent of the total value Greek industrial production."[1] Greece also produced certain important minerals such as magnesite, iron pyrites, bauxite and chrome ore, which were exported in unprocessed form. In 1938, although Greek industry supplied 80 percent of the value of consumption of manufactured products, the level of Greek consumption remained among the lowest in Europe. However, the relation between heavy and light industries in the Greek economy and the industrialization issue emerged vehemently later on during the implementation of the Marshall Plan in Greece, where the degree of development in relation to the character of the Greek

[1] AMAG, A factual summary concerning the AMAG to Greece (Athens· AMAG, June 15 1948), p 26, Griswold Papers, Box 1

industry constituted a major point of conflict between the Greek government and the ECA Mission in Greece.

In conclusion, although the AMAG Aid and Mission in Greece did not solve all the economic problems, they checked inflation pressures and helped the Greek government to fight against Communist expansion. However, the success of AMAG funds in Greece was influenced by the military deterioration, the budgetary burden of caring for the refugees, increased world prices, the suspension of $11 million grants by the Export-Import Bank credit and reduction of $10 million post-UNNRA funds earmarked to cover the costs of caring for the refugees. However, the physical reconstruction executed under the direction of the US Army Corps of Engineers and by two groups of experienced American contractors contributed to the development of communications in Greece. Therefore, the AMAG Mission and Aid laid the foundations for the implementation of the Marshall Plan in Greece, because they created the necessary economic, political and social conditions to enable Greece to keep up with the common efforts of the other European participating countries in the Marshall Plan for European economic reconstruction.

Chapter Two: The first period of Marshall Plan in Greece from July 1948 to the end of the Greek Civil War, in early Autumn 1949

When the Congress approved the Foreign Assistance Act, on 3 April 1948, the Economic Co-operation Administration (ECA) was established in Washington D.C. and the Congress approved the appointment of Paul Hoffman as Administrator. According to the terms of this Act and because every participating country should conclude a separate agreement with the United States, a new bilateral agreement was signed on 2 July 1948 between Greece and the US government in Athens through the American Chargé d' Affaires, Karl Rankin, and the Greek Deputy Prime Minister and Minister of Foreign Affairs, Constantine Tsaldaris. The two governments concluded this agreement because they recognized the principle that "the restoration or maintenance in European countries of principles of individual liberty, free institutions, and genuine independence rests largely upon the establishment of sound economic conditions, stable international economic relationships, and the achievement by the countries of Europe of a healthy economy independent of extraordinary outside assistance".[1] According to the ninth article of this agreement, the government of Greece agreed to receive a special economic mission in order to achieve this objective. Thus, the ECA in Washington established a special ECA Mission in Greece, which was the successor to the former AMAG Mission, discharged from the AMAG responsibilities of a military character. The ECA agreement was "considered to be in addition to, and not in substitution for, the

[1] Economic Co-operation Agreement between the United States of America and Greece, 2 July 1948, p 1, RG 469 / 1209 Box 1 / file 5 / NA.

agreement between the Government of the United States of America and the Government of Greece, executed June, 1947...".[1]

Consequently, the ECA Mission had a continuing right not only to advise but also to persuade the Greek government to assume responsibilities and make effective use of any assistance furnished to Greece by the US and Greece's own resources. An Economic Policy Committee was set up, known as the 'Steering Committee', which led to policy decisions on crucial economic matters. It was a mixed American-Greek body, consisting of the Greek Prime Minister, who was president of the Committee, the Ministers and the Chief and senior directors of the divisions of the ECA Mission. The foreign members of the Currency Committee and the Administrator of the Foreign Trade Administration (FTA) also participated in several meetings of the 'Steering Committee'. In this Committee the Americans tried to persuade the Greek authorities in the decision-making process over economic issues, always articulating reasonable arguments, which followed the established objectives of the overall economic policy.

In addition, as the ECA Mission in Greece assumed the task of implementing the objectives of the Marshall Plan, Greece had to cooperate with other participating European countries to achieve a common recovery. Special circumstances prevailed in Greece, as the Greek people were involved in a battle for freedom against Communist-led guerrillas. Furthermore, economic conditions, aggravated by a runaway inflation, were peculiar and different from other European countries, which were already at peace for three years and struggled for their own recovery

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[1] Article XII of the ECA Agreement between US & Greece, in Supplement to the Monthly Bulletin of the Bank of Greece, Vol. XIV, No 16, April 1949, Athens & in Roach to Lapham, 23 March 1951, RG 469 / 1209 / Box 1 / file 6.

Nevertheless, the European Recovery Programme (ERP), the so-called Marshall Plan, imposed a heavy set of responsibilities on Greece.

The Marshall Plan in its functions contained a different philoshophy from the AMAG Program, because the former was a creative plan to meet the overall problems of Europe and a move to reach a constructive and collective economic settlement by Europeans, while the latter was a programme designed to cope with a given emergency in Greece and halt Soviet expansionism. In particular, the Marshall Plan in Greece, influenced by the Civil War developments, acquired a political dimensions. Nevertheless, Greece was found itself to try hard to promote its economic objectives in a common and collective context of European cooperation in the Council of the Organisation for European Economic Co-operation (OEEC), established in Paris in mid-April 1948 for a four-year period. The great task of this organisation was to allocate the direct and indirect aid to the ECA countries. All these forms of aid, direct and indirect, were goods to an agreed American dollar limit that the government sold then to their own citizens. While the former was simple American contributions in dollars to all participating countries, the latter was aid to one developing participating country similar to its drawing rights through the trade with the other developed partners. Therefore, the division in direct and indirect aid made sense not for the Americans, but for the Europeans, so that the strong industrial countries were greater beneficiaries than the non-industrial, because the former received much more direct aid than the latter.

In this chapter the political, economic and social dimensions of the Marshall Plan's first period from July 1948 to September 1949 in Greece will be analysed, because the conclusion of Greek Civil War in Autumn 1949 constituted a turning-point in the implementation of Marshall Plan in Greece: the first issue concerns the character and the structure of the ECA Mission in Greece, and the features and objectives of the Greek Four-Year Marshall Plan towards the rehabilitation and reconstruction of the Greek economy. The second part of the analysis will explore the roles of the ECA Mission, the American Embassy in Athens and the Greek Government in the implementation of the Marshall Plan's objectives with regard to the policy-making process within the context of the emerging questions about economy, politics and society in Greece, influenced as it was by the conflict between Ambassador Henry Grady and Chief of the ECA Mission John Nuveen. The third issue of the analysis will deal with the established economic policy of the Greek Government as influenced by the ECA decisions from July 1948 to September 1949 and the Greek Civil War. In particular, the policy of selling sovereigns and credit pursued by the Bank of Greece with American planners' support in relation to the inflation and the prices-wages issues will be analysed. The fourth question to be analysed will be the contribution of Marshall aid 'counterpart funds' for the fiscal year 1948-49 to the rehabilitation and reconstruction of the Greek economy in relation to the efforts to reform the government administration.

At the end, the analysis will deal with the contribution of the Marshall Plan to the Greek national budget through revenue and expenses. In the same context, the contribution of Marshall Aid to support developments and emergencies caused by the Civil War will be analysed. Also, the issue of the balance of payments through imports and exports as well as the growing difficulties of Greek exports in the European markets of the other OEEC countries will be cons dered.

2.1. The structure and character of the ECA Mission in Greece and the objectives and features of the Greek Four-Year Reconstruction Plan

The overall operation of the Marshall Aid Program was directed by the ECA Administration, which was an organization with a management similar to that of a business. The ECA Administration appointed John Nuveen Chief of the ECA Mission in Greece to direct the launching of the Marshall Plan. Nuveen was a distinguished investment banker in Chicago. He was appointed as Chief of the ECA/G after the proposal of the Administrator of the ECA, Paul Hoffman, and Grady's assent. However, concerning the internal operation of the Marshall Aid Program in Greece, the economic objectives were influenced by political and military developments. Ambassador Grady distinguished himself as co-ordinator of all American activities under an executive committee established on 23 August 1948 to integrate all the Americans efforts in the political, economic, military and administrative fields. Through this committee Grady tried to restrict the economic authority of the ECA Mission's Chief, and to become jointly responsible with the latter and aware of the ECA Mission operations in Greece. Greece, as a particular case in relation to other ECA countries, required a co-ordinated dealing of political, economic and military issues "handled by an experienced diplomat with economic knowledge, not by the type of businessman who would endeavor to apply the principles of corporate management to the political problems of a country".[1]

While there was a considerable exodus of AMAG personnel before ECA took over in Greece, there had been sufficient continuity of key staff members and

[1] Henry Grady, Adventures in Diplomacy, chapter XII, p 206

the general pattern of operation so that it may be said that the current Mission had one year's operating experience with Greek problems, giving them an accurate picture of the problems and requirements of the future economic program under the Marshall Plan. Regarding key AMAG staff members who remained in the successor ECA Mission in Greece after pressure from the ECA Administration to give continuity of the AMAG work, these were one-third of the whole AMAG Mission and as the ECA Mission expanded further its operations, these experts constituted nearly one-fourth of the newly established ECA Mission operations, divided into typical ECA functions such as of Finance, Industry, Labour and Manpower, Food and Agriculture, Trade, and in special divisions, such as those of Transport, Distribution, Public Health, Civil Government, Public Welfare and Construction. These men were Kenneth Iverson, Counselor of the AMAG Legal Division, who became Deputy Chief of the ECA for Operations; David Strachan, who remained as director of the Labour and Manpower Division; Oswald Hedley, who remained as director of Public Health Division; Philip Maguire, former director of the AMAG Commerce and Supply Division who became director of the Trade Division; and George White, supervisor of the AMAG Field Services, who kept the same task under the ECA Mission in Greece. Therefore, the ECA/G Mission, compared with AMAG Mission, included nearly "the same faces at the same windows of a building under a new roof".[1]

Furthermore, a number of competent American experts with significant experience in administrative and technical positions were appointed in every field of the ECA operations in Greece, such as John Blandford, Deputy Chief of the ECA/G,

[1] Oral Interview of James Warren Jr., with Apostolos Vetsopoulos, 7 April 2000, Washington D C.

who was former director of the US Housing Service, Paul Jenkins, director of Food and Agriculture Division, who later became Deputy Chief of the ECA Mission and "worked hard to understand life in Greece in every small city and village; was very seldom in Athens, always on tour, to understand and help".[1] The ECA Mission also, included Walter Packard, consultant in irrigation from California, Helene Cranby, foreign exchange specialist, who became director of Program Review Division, Francis Lincoln, export-import specialist, who was a member of the former Paul A. Porter Mission, and John Roach, director of the Legal Division.

The ECA Mission in Greece began to function in July 1948 and gradually took over the economic aid activities from AMAG Mission without interruption in dealing with Greek economic problems. Although most of these men, who were very gifted experts, did not know the Greek problem, after struggling with Greek officials in meetings they grasped the problem and assisted enormously in the Greek recovery and reconstruction even though they had different approaches towards the solution of problems from those at the supreme level of the Greek administration. Constantine Doxiades, the Director General of Housing and Reconstruction (YSESA) in the Ministry of Co-ordination, admitted that "I think as a nation, we owe a lot to some enlightened people, like Governor Griswold, and the two Paul Porters".[2]

The principle of the American planners was that through the Marshall Plan they intended to diffuse the philosophy of the New Deal in Europe. In Greece, in particular, American New Dealers not only promoted a practical leadership role for the Greek government but also tried to find solutions for the problems in the various

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[1] Oral History Interview with Constantine Doxiadis by Philip Brooks, pp 22-23 Truman Library
[2] Ibid , p 21.

fields. The complete recruitment of the ECA Mission personnel was delayed for four months, because Nuveen "had an obsession with regard to the need of a large organization and gave most of his time to recruiting personnel...in going to Washington D.C. to seek people, many of whom turned out to be failures".[1] However, most of these incompetent personnel of the ECA Mission in Greece were moved during the first months of the ECA operations or a year later following Nuveen's reassignment to the post of the Chief ECA Mission in Belgium. Nevertheless, the general structure of the ECA's functions in Greece was the same as that of the AMAG's economic operations.

Compared with the ECA Missions in other European countries the structure of the ECA Mission in Greece was more complicated and larger. John Coppock, an economist, who left Greece in the end of 1948 and moved to the ECA Mission in France, emphasized that "the Greek Mission was, of course, a thing apart. It was almost a government. It inherited this role from UNRRA and the Greek-Turkish aid mission."[2] Therefore, the task of the ECA Mission benefited from the planning and work done by the AMAG Program in the economic field and completed many endeavours and projects, such as the restoration of Corinth Canal and a lot of bridges in the Athens-Salonika railroad, which AMAG had started.

The AMAG Program "insisted on the institution of fiscal controls in order to prevent the dissipation of Greece's financial resources".[3] While the AMAG Program was a simple programme to provide military and economic aid, the ERP was more complicated in its functions and objectives. It tried to integrate Greece into the

[1] Henry Grady, Adventures in Diplomacy, chapter VII, p. 199.
[2] Interview with John Coppock by Roy Foulke, 14 May 1953, Papers of Harry Price, Box 1, Truman Library
[3] Statement of the Chief of the ECA Mission to the Congressional Committee, 30 December 1948, RG 469 / 1227 / Box 5, NA.

economic family of sixteen ECA countries. Therefore, the succession of the economic branch of AMAG by the ECA Mission in July 1948 was a turning point in Greek-American economic relations, because the US government assumed the responsibility not to provide for Greece one more year of piecemeal support but enormous economic aid through the Marshall Plan in a European collective perspective.

Despite the efforts of the ECA Administration to organize the new planning, concerning the operations of the ECA Mission in Greece, in the first months there was a delay and confusion, because "the operating procedures had to be developed in the whole ECA organization...In the Mission itself there were uncertainties and sweeping changes in personnel."[1] However, the ECA experts struggled to carry out their work, even though the Civil War intensified and inflation increased. Although the guerrilla war prevented Greece from following the reconstruction timing of other participating European countries in the European Recovery Programme (ERP), "the quick restoration of the economic life of Western Europe indirectly helped Greece as the restored countries meant restored markets for Greek products"[2], which in particular were semi-luxury agricultural items, such as tobacco, currants, sultanas, olive oil and wines. In particular, the European countries, in the first stage of their reconstruction, firmly avoided buying large quantities of these products, because they were not essential items. Although this attitude was reasonable after the emerging postwar economic conditions, it prevented Greece from reducing its foreign trade deficit and devoting more funds to reconstruction.

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[1] Lincoln, Francis, United States Aid to Greece, 1947-1962, p 86
[2] Ibid, p 84

Parallel to the dispatch of the Greek Mission to the Committee on European Economic Cooperation (CEEC) in Paris from July to September 1947, the Greek government set up a Committee for the Marshall Plan, under the presidency of Alexandros Diomides, who was a distinguished economist. This Committee was charged to "draw up a list of Greece's requirements for the four year period of the Marshall Plan".[1] Although the Greek Marshall Plan Committee estimated the necessary reconstruction expenses and deficits of the Greek economy for the same period at $1,467 million, this tentative amount of aid was spiralled and unrealistic. Nevertheless, this work was not a cohesive programme, but a rough estimation of the needs of the Greek economy without objectives of an overall reconstruction planning. Because this Committee was not very effective in the enormous launching of the Marshall Plan, in May 1948, the Greek government created the Supreme Council for Reconstruction (ASA) "through the merger of the Reconstruction Agency and the Higher Economic Council"[2] under the presidency of Diomides, after AMAG Mission's advice to co-ordinate planning efforts and supervise the execution of the reconstruction programme. In the beginning of the Marshall Plan the Greek government required AMAG assistance to shape a long-term programme and tried to achieve support of its aid requirements directly from ECA Administration in Washington and not through OEEC in Paris, but without success. In June 1948 although the Greek government pressed the Americans to allow them to have special representatives in ECA/W headquarters, believing that they would increase the allocation of aid for Greece, the American administration advised Greek authorities

[1] Annual Report of the Governor of the Bank of Greece for the balance on the fiscal year 1947, p 20
[2] Annual Report of the Governor of the Bank of Greece for the balance on the fiscal year 1948, p 17

to work in cooperation with the other ECA countries in OEEC and avoid to make unnecessary visits to Paris or Washington D.C. because, under the Marshall Plan, all matters were to be dealt with through the ECA/G Mission and the OEEC in Paris, in which a Greek delegation participated.

The American Mission promoted a reformation of the ASA in order to make it a flexible and effective organization with the support of a managing director, the professor of economics Xenophon Zolotas, and a chief advisor, the economist John Zigdis. Between the ASA members, disagreements emerged not only about the character and the scope of the Marshall Plan in Greece, but also concerning their specific roles and lack of government funding to appoint the necessary staff. In the summer of 1948, after Alexander Diomides, the president of ASA, and Constantine Gounarakis, vice-president of ASA and rector of the Athens Technical University (EMP), left for Paris to prepare the aid programme with the Greek Mission to the OEEC for submission, on 25 August 1948 Zolotas and Zigdis, who supported the establishment of heavy industries in Greece through the Marshall Plan to solve all Greek economic and social problems, such as unemployment and underdevelopment, resigned from their positions in ASA. Thus, the industrialization question emerged in ASA planning and also constituted a major conflict between Greek and American experts throughout the life of the Marshall Plan.

In particular, the reasons for the shortcomings of the Marshall Plan in industrializing Greece acquired several dimensions. A Greek scholar and a high-ranking official considered as enemies of the Greek industrial development the foreign factor. The first, Constantine Tsoukalas argued that Paul R. Porter was the man, who killed the establishment of the Bremen blast furnished plant in Elefsina area, close to Athens.[1] Theodore Christides, the Counselor of the Greek delegation at OEEC asserted that "many interested firms tried to stop the transportation of a blast furnace in Greece; they succeeded, and it was sold as scrap."[2] Thus, he charged the European industrial core countries, which were opposed to the development of the Greek industry to promote their own interests, exporting industrial goods to Greece. Another scholar, George Politakis in his unpublished dissertation considered the obstacles internal to the expansion of Greek industry. He argued that the alliance of Greek old industrialists with the National Bank of Greece through Diomedes in ASA or the Greek construction industry through Doxiades in ASA prevented the establishment of new industrial basis.[3] However, the development of Greek industry was not dependent on decisions taken only by one body such as OEEC, ECA or on interests of any Greek economic group, but was dependent on more complicated internal issues in the Greek economy such as the deficit in the balance of payments, the unbalanced budget, the weak drachma, the small contribution of the Greek industrialists to the reconstruction of their own industries and the indigenous character and shortcomings of the Greek economy. The Marshall Plan was intended to support healthy Greek private industries to increase production, not to create uneconomic state industries.

Conversely, since the Greek government decided to participate in the Marshall Plan, it was responsible for shaping a four-year economic plan, by which "the economic problems of Greece constituted the basic question of a long-term programme for the first time in the economic history of Greece".[4] Every country

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[1] Constantine Tsoukalas, The Greek Tragedy (Baltimore, Maryland Benguin Books, 1969), p 129.
[2] Oral History Interview with Theodore Christides by Theodore Wilson, p 32, Truman Library
[3] George Politakis, Greek policies of Recovery and Reconstruction, 1944-1 52, p 279-282.
[4] Annual Report of the Governor of the Bank of Greece for the balance on the fiscal year 1948, p. 17.

participating in the Marshall Plan had to submit its own programme of a four-year period parallel to the first one-year programme for 1948-1949 to the OEEC. In November 1948, during a governmental crisis and military setbacks of the National Army against the Communist guerrillas, Greece submitted to the OEEC Council its long-term programme to reconstruct and develop the Greek economy.[1] The general objectives of the Greek Four-Year Plan were defined as: a) rehabilitation of the country's financial, monetary and credit systems, b) full development of the national resources, c) attainment of the highest possible employment rate, d) the maintenance and if possible an increase to tolerable levels of the standard of living and e) achievement of a balance-of-payments equilibrium.[2]

The broad four-year programme for the reconstruction of Greece was a progressive programme visualizing the raising of agricultural and industrial production and foreign trade above pre-war levels, because "mere reconstruction of the prewar economy would be an inadequate objective".[3] The principal feature of the Marshall Plan was the assumption that this was not a static operation but a flexible changing programme, influenced by the emerging urgent needs of the Greek economy, which were aggravated by the prolonged Civil War. The inability of the Greek economy to absorb more funds for further reconstruction and development was also a concern. The context was the overall European ECA planning, based on the amount of the agreed indirect aid between Greece and the other ECA countries. These were the basic reasons for the frequent changes in the planning of the programmes.

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[1] The entitled Temporary Long Term Plan of Economic Recovery of Greece was published in Greece in May 1949, but it had already been revised

[2] Article II of Economic Co-operation Agreement between the US of America and Greece, in Marshall to Moffat, 27 June 1948, RG 469 / 1208 / Box 3 / NA.

[3] Greece Country Study-ERP, ECA, p 28

In Greece, the Marshall Plan, boiled down to its essence, consisted of four parallel programmes: I. Balance of payments support; II. Fiscal and monetary stabilization with currency reform; III. Reconstruction and Development investment and IV. Structural Reforms, such as income taxes, decentralization of government services, labor unions, social insurance-IKA, and central government reorganization. However, the success of these programmes was not dependent only on the efforts of the ECA/G Mission, which supervised the use of Marshall aid, but also on the willingness of the Greek government to enforce structural reforms as well as on the progressive attitude of the bourgeoisie in order to contribute their own share towards the reconstruction and development of the Greek economy.

The basis of the Greek Plan anticipated the development of waterpower in order to decrease the dependence of the Greek economy on imported fuels and to increase agricultural production through irrigation, drainage and flood control. The ECA Mission estimated the cost of the development plan at $546 million, of which $343 million would come from American aid and $203 million from Greece's own resources.[1] Greece was needed to finance its own part of the Four-Year Reconstruction Plan from the repatriation of Greek foreign assets, the release of hoarded gold, domestic savings, sterling balances, private foreign investment, the $105 million reparations settlement with Italy and from an additional $10 million reparations through an advance settlement with Germany. Concerning the Greek government's share to the reconstruction investment, as the planners of the first Four-Year Plan anticipated, Greek budget proved to be unable to provide the needed $203 million. During the period of AMAG and ECA aid to Greece from 1947-48 to

[1] Greece Country Study-ERP, ECA, p 29

1951-52 while the public investment programme, including local expenditures and capital goods amounted to $512 million, in the same period the gross investment with US funds reached $459.9 million. Given the war reparations from Italy and West Germany the contribution of Greece was very small and amounted around $10 million.[1]

According to the Greek-Italian agreement signed on 31 August 1949, the Italian reparations should be discharged in five annual installments in the form of industrial machinery and tools, several ships, and engines for the operation of hydro-electricity stations, following the establishment of defined hydro-electricity projects under the general electricity programme for the establishment of a national grid network. However, all these sources of aid depended on the restoration of confidence and security in Greece after the conclusion of Civil War in autumn 1949. Also, "the internal costs of the program have been estimated on the basis of the Greek 1948 price level at 6 trillion drachma, the dollar equivalent today of about 600 million dollars".[2] Although the Greek four-year development programme provided for the establishment of an oil refinery, after a survey carried out by an expert of an American oil company it was decided that the project was not economically sound and was abandoned, because oil consumption in Greece was relatively small and the refinery would be dependent on imported crude oil.

Since the planning and the objectives of the Greek long-term plan seemed to be very ambitious and even unrealistic, compared with the potentialities of the Greek economy, why did the American planners accept the planning of such an

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[1] These data are taken from Greece-Statistical Data Book-Fiscal 1955 56 & Calendar 1956, Volume I, tables 65 & 69 respectively, compiled by the Finance & Program Divisionof the U.S Operations Mission/Greece, Library of Congress, July 1957.
[2] Ibid., p. 30

immense programme as submitted by the Greek government? The most likely explanation is one based on propaganda and political reasons, because the Civil War was intesified and those Greek people who supported the National Army against the Communist guerrillas, required a vision for a prosperous future. Also, after many years under occupation a strong pressure emerged for a peaceful economic revolution. Once the long-term plan was shaped, "it was pushed aside and forgotten under the pressure of real events".[1] Finally, the ECA/W approved this programme only party, because the required resources to complete such an enormous plan in a four-year period were not available in Greece and most of the proposed development plans did not evaluate engineering and financial costs.

Conversely, the Greek representatives, Comninos, economic adviser, and Nikolaides, head of the Greek delegation in the OEEC, took a firm stand against the reduction of the aid amount that Greece required in its programme submitted to the OEEC for the 1948-49 fiscal year. Nikolaides argued strongly that "Greece would break down all Council action unless its demands were accepted".[2] The attitude of Greek representatives annoyed Harriman, who sent a message to Ambassador Grady stressing that this impolitic conduct of the Greek delegation could prejudice the success of the Greek programme. Although Harriman also asked Grady to suggest to the Greek government to advise its representatives to avoid raising legal questions and obstructing cooperation between the other nations, Grady only partly accepted Harriman's protest and tried to justify the stand of the Greek delegation. Thus, Grady maintained that "the firm stand taken by Greek representatives stems from [the] extremely delicate political situation here and their recognition of [the]

[1] Letter of James Warren Jr. to Apostolos Vetsopoulos, 23 August 2000.
[2] Harriman to Grady, 23 August 1948, RG 469 1208 / Box 8 / NA.

essentiality of adequate funds".[1] Nevertheless, the Greek delegation was instructed by the Greek government to refrain from these tactics, which had been criticized by Harriman. Furthermore, the Greek government appointed in July 1948 another head of its delegation, the conciliatory Counselor Theodore Christides.

While the programme submitted by the Greek government called for $284.3 million total aid and the ECA/G programme required $235.5 million, the OEEC Council decided to allot only $146 million direct aid for Greece without at the same time allotting indirect aid for Greece. When Greek representatives protested, because they did not adopt allocation of direct aid prior to reconciliation of Intra-European balances, the ECA in Paris supported the Greek protest. Furthermore, Grady emphasized that ECA/W and ECA/P should abstain from any action which might jeopardize the objective of Greek self-sufficiency and stressed that the "1948-49 Program [is] now being revised in the light of changed internal conditions and further study of industrial needs, but indications are that minimum requirements can not be reduced below 224 million dollars or equivalent".[2] American members of the ECA Mission in Greece also supported the Greek government's proposal and feared that cuts in the construction programme might provoke political and economic crisis.

Nevertheless, the recommended programme of Marshall aid for Greece, developed by the Greek government and the ECA Mission to Greece, was reviewed and modified by the OEEC, which recommended an allocation of $146 million of direct aid and $66.8 million of net drawing rights. In the final stage, the ECA Administration in Washington modified slightly the direct aid downwards to $144.8

[1] Grady to Marshall & Harriman, 1 September 1948, RG 469 / 1208 / Box 8 / NA.
[2] Ibid.

million and approved a final programme of Marshall aid for Greece in fiscal year 1948-49 that amounted to $211.6 million equivalent. The total amount divided into $144.8 million direct aid and $66.8 million net drawing rights.[1] However, the United Kingdom subsequently added supplementary drawing rights of $14 million, raising the aggregate aid to $225.6 million, just the minimum that the ECA/G Mission recommended. The dominant principle in the share of aid by the OEEC Council and ECA/W was to give much greater direct aid to the industrial countries in order to reconstruct their industries, offering work to their own labor force, and thereafter these countries should assume "the responsibility to give indirect aid to the developing member countries".[2]

Conversely, the mechanism of indirect aid among the participating countries surpassed bilateralism, which was the enemy of trade progress and economic development. The philosophy of indirect aid or drawing rights was a very effective mechanism, "established by the United States representatives in Paris with the assistance of the European economist Ansiau",[3] former Governor of the Bank of Belgium and chairman of the Joint Trade and Payments Committee in the OEEC. Furthermore, concerning the decision-making process about the allocation of aid among the ECA countries, although the stronger countries were able to influence final decisions, they were obliged to find certain formulas acceptable by all the countries, since the OEEC Council decisions needed unanimity by the representatives of the small and strong countries so that this principle "led to formulas of compromise".[4]

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[1] All the amounts are taken by the Greece-Country Study European Recovery Program. The Report of the Bank of Greece for the fiscal year 1948 bring direct aid up to $146 million.
[2] Oral History Interview with Theodore Christides by Theodore Wilson, p 6, Truman Library
[3] Ibid., p 8
[4] Oral History Interview with Theodore Christides by Theodore Wilson, p 18.

The function of Marshall Aid represented a new concept in foreign relations different from the past imperialistic assistance programmes between two states. The US Congress appropriated an amount in American dollars to the Marshall Plan countries. Greece received its large share of aid from the US in the form of direct aid in order to purchase the goods, machinery and other materials required for reconstruction and from the other Marshall Plan countries in the form of indirect aid. However, this innovative function of the Marshall aid had been established one year previously in the AMAG Program in Greece. In Greece, during the AMAG Program, 320,000 tons of supplies to the value of $77 million or 907 billion drachmas,[1] including foodstuff, coal, agricultural supplies, steel and industrial equipment were sold to the Greek people through market channels, by the relevant agencies of the Greek government and the proceeds were placed in a special drachma Reconstruction and Agricultural Rehabilitation fund-account[2] in the Bank of Greece. The drachma costs, including labour, materials and services within Greece for the reconstruction and agricultural AMAG projects, were covered by this Fund. Therefore, the experience acquired from the function of the AMAG aid in the case of Greece constituted a basis for the whole operation of the Marshall Plan in Europe.

According to Article IV of the Marshall aid agreement between the US and Greece, the Greek state was able to sell the imported materials from the US or the other Marshall Plan countries and to set the proceeds in a drachmas account of the Greek state-ECA in the Bank of Greece. These deposited drachmas constituted the

[1] All these numbers are taken from A Factual Summary concerning the AMAG Programme (AMAG Athens, June 15, 1948), p 5, Griswold Papers, Box 1.
[2] Article III of the Agreement on 20 June 1947 between the US and Greece

so-called 'counterpart funds', which were "the real heart and soul of the Marshall Plan".[1] Therefore, the 'counterpart funds' were the local currency receipt of sales of Marshall Plan supplies. When a Greek farmer needed a tractor, a manufacturer needed new machinery or the Greek state railroad organization needed materials, the aid allotted to Greece financed these purchases from the US or the Marshall Plan countries. The 'counterpart funds' was "a means in getting through the reconstruction and development programmes and mainly the investment programme".[2] However, considering that only about 45% of the total 'counterpart funds' deposited in the Bank of Greece had been absorbed by the Greek economy up to 31 December 1951, the strong arguments and protests by the Greek politicians and press about the reduction of aid for Greece after autumn 1950 were indefensible. The problem for the Greek economy was not the influx of enormous Marshall aid into Greece, but the inability to absorb the allotted large aid, and contributing its own share in the development and investment programmes, such as the construction of the very ambitious hydro-electricity project of the Acheloos river.[3] In parallel, during the Marshall Plan period the 55% of the total 'counterpart funds'[4] were considered by the Marshall planners to be 'frozen' and were not invested in development projects in order to avoid galloping inflation and to

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[1] The Story of the American Marshall Plan in Greece, July 1, 1948 to Jan 1, 1952, by the MSA's Special Economic Mission to Greece, Athens, July 20, 1952, p. 5, Lincoln Papers, Box 8

[2] Oral Interview with James Warren Jr. by Apostolos Vetsopoulos, 26 July 2000, Athens.

[3] The Kremasta hydro-electricity project on Acheloos river had been constructed from November 1961 to December 1965 and its power plant commissioned in January 1966 having maximum capability 437 MW. This project received $31 million from the US government In 1967 on other site of Acheloos river the Kastraki hydro-electricity project was also completed and its power plant had 360 KW maximum capability This project received funds from many sources These two power-stations integrated the whole electricity supply of Greece's national grid The FTA/Washington, established in the summer 1950, contributed to this collective effort through the active participation of Aristotelis Sismanides.

[4] These data are taken by the MSA Mission's press releases, p. 28, incorporated in the Story of the American Marshall Plan in Greece

reinforce the internal monetary and fiscal stability, because the weak drachma required reformation or considerable devaluation to be adjusted to the other European currencies and to represent the real strength of the Greek economy without the support of any foreign economic aid.

2.2. The roles of the ECA Mission, the American Embassy and the Greek Government-The conflict between the American Embassy and the ECA Mission

Comparing the planning of AMAG and ECA economic programmes, the changes in operation were far-reaching. While the AMAG Mission in Greece was an organized group, backed up by a small supporting team in the State Department, the ECA Mission in Greece was itself one of the smallest units in the vast organization of the OEEC, which was spread over sixteen European countries under the overall direction of the ECA in Washington. This organization had the support and collaboration of the ECA in Paris. The latter assumed a pivotal role between the ECA/W and the OEEC in the decision-making process during the launching of the Marshall Plan. Also, the ECA Mission in Greece was forced to exercise more resolute and visible control on implementing the Marshall Plan objectives by the Greek government than the ECA Missions in the other European countries, such as in France or Italy. In this course, apart from the economic issues, the American planners were forced to be involved as well in Greek political and social matters, going as far as intervening in the formation of the Greek government, after the latter reflected hesitancy in coping with urgent economic, social and political problems.

Under these peculiar and complicated conditions in Greece, the policies of the American representatives, the economic Mission and the Embassy reached a conflict, highlighted by their separate intentions to exercise the supreme American authority in Greece. The American Administration tried to solve controversies that emerged between the Embassy and the Mission during the implementation of the AMAG Program in Greece. Furthermore, the State Department and the ECA Administration were forced to define the responsibilities of the two American representatives in Greece through the ECA Agreement concluded on 24 June 1948 between the US and Greece. Nevertheless, the relations between the Ambassador Grady and ECA Mission's Chief Nuveen developed very poorly. The main reason for this lack of cooperation was the intention of Nuveen to be involved in political matters coupled with his inability to deal with the difficult economic issues that prevailed in the Greek field and to communicate sufficiently with the traditional American representative, the Ambassador.

Although Truman also on 11 May 1948 gave assurances to Grady that "under Public Law 472 the Chief of ECA Mission in Greece will take rank immediately after the Ambassador and shall keep the Ambassador fully and currently informed of his operation",[1] Grady supported the idea of a joint operation of the whole American effort in Greece under one head, that of the Ambassador, and threatened to withdraw from his new appointment in the case of a different approach. After Hoffman explained his difficulties in making the Ambassador the actual head of ECA in Greece and also gave assurances to Grady that any ECA director whom the latter "found unsatisfactory would be fired by him,"[2] Grady accepted the post of the

[1] Truman to Grady, 11 May 1948, Grady Papers, Box 1, Truman Library
[2] Henry Grady, Adventures in Diplomacy, chapter XII, p. 198

Ambassador in Greece and he approved the appointment of John Nuveen as Chief of the ECA Mission in Greece.

When Grady as Ambassador came to Greece in July 1948, he tried to organize the functions of all American representatives and to coordinate their efforts towards an effective implementation of a general American policy in Greece, just as Griswold, the Chief of AMAG Mission, had attempted one year earlier after his conflict with the former Ambassador MacVeagh. For this purpose, an executive committee was established, effective on 23 August 1948, consisting of the Ambassador, Henry Grady, as Chairman, the Chief of the ECA Mission in Greece, John Nuveen, the Director of Joint US Military Aid Group (JUSMAG), General James Van Fleet, and the Senior Counselor of the Embassy, Harold Minor. In parallel, all the administrative work of the three divisions, the Embassy, the ECA Mission and JUSMAG were coordinated under one administrative head, the Joint Administrative Services (JAS).[1] Although dealing with important political, economic, military and administrative matters required the prior approval of the executive committee, the co-operation between the American representatives, the Ambassador and the Chief of the ECA Mission, was not always effective. However, the role of JAS in formulating the American policy in Greece, as the Ambassador envisaged, proved to be a dead letter. An American expert emphasized that "JAS was nothing more than concierge for the combined Embassy, ECA Mission and JUSMAG people. Its function was purely housekeeping; in no way did it represent anything which had to do with policy and action vis-à-vis the Greek Government."[2]

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[1] Grady to all Personnel of the American Embassy, the ECA Mission and AMAG Mission in Greece, 20 August 1948, RG 469 / 1210 / Box 1 / NA.
[2] Letter of James Warren Jr. to Apostolos Vetsopoulos, 6 August 2001.

Although John Nuveen was an able banker and tried to understand the urgent economic conditions in Greece, his character and ambitions prevented the necessary cooperation with the Ambassador. During the first four months of his appointment in Greece, Nuveen was in Athens for only six weeks, because he wanted to recruit personnel in Washington D.C. in order to create a large organization. In January 1949 when Nuveen wanted to visit Washington D.C. to give testimony on ERP operation in Greece, Hoffman advised him to remain in Greece, because he had previously been absent for an unreasonable period from Greece and he had not dealt successfully with the complicated political and military issues in December-January.

Nuveen's long absence from his duties in Greece, followed by his obsession with building a large ECA Mission in order to manage complex economic problems, irritated Grady. The Ambassador was opposed to the establishment of a large organization and raised the question concerning the number of the required personnel of the ECA Mission with Averell Harriman. In March 1949 Grady mentioned that, when the Porter Report suggested a mission consisting of no more than fifty experts, the ECA personnel should be of a modest number. He also supported that for the Americans, "it would be a mistake to assume responsibilities or functions which could be carried out by the Greeks themselves".[1]

Conversely, other arguments favoured a large ECA Mission because the US spent about $1,000,000 a day and the Greeks themselves were not capable of ensuring the most effective use of these funds. Although on 25 December 1948 Hoffman emphasized that the State Department was inclined to support a size of ECA Mission greater than that which Grady recommended as comparable with the

[1] Grady to Harriman, 31 March 1949, Grady Papers, Box 1 / Truman Library

small ECA Missions in stable countries, "the matter was left unclear"[1] by the State Department and the ECA/W. In January 1949 the ECA/G Mission's personnel consisted of 143 Americans and 275 Greeks. This personnel was more numerous than that in all the other country Missions and smaller only than the Harriman organization in Paris. Also, Louis Wyman, counsel of the Joint Congressional Committee on Foreign Economic Cooperation, after his trip to Greece in the winter of 1948, recommended a "gradual reduction of the number of American personnel in Greece, with emphasis on fewer but more competent administrators".[2] The reality was in the middle course of these two different opinions and the question for the number of the required personnel was "a bureaucratic turf war between the Ambassador and the Mission's Chief and just a device of the Ambassador to re-establish the Embassy supremacy vis-à-vis the ECA Mission, weakened by the former AMAG Mission".[3] However, the emergency conditions in Greece required more personnel than in the other ECA countries.

One major reason for the conflict between Grady and Nuveen was Nuveen's intention to intervene directly in Greek internal political issues without considering the Ambassador, because he supported that "America should dictate, in effect, the personnel and method of operation of the government of a sovereign country".[4] Nuveen knew that Grady did not approve of the enforcement of such an American policy in Greece and tried to work while ignoring the Ambassador. During the winter of 1948-49 the ineffective military efforts of the National Army against the Democratic Army, accompanied by enormous financial problems, caused a

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[1] Hoffman to Harriman and Nuveen, 25 December 1948, Grady Papers, Box 3.
[2] Louis Wyman to Pat McCarran, 22 April 1949, RG 469 / 1227 / Box 25 / NA.
[3] Oral Interview with James Warren Jr with Apostolos Vetsopoulos, 7 April 2000, Washington D C.
[4] Henry Grady, Adventures in Diplomacy, chapter XII, p. 199.

governmental crisis, which led Prime Minister Themistocles Sophoulis to resign in November 1948 on the ground that "his government had not been able to prosecute the war successfully nor to take the necessary measures against the economic and political oligarchy".[1] The underlying causes of the serious political crisis were many, such as the endeavours by Liberal deputies to reunite their political party and to make Sophocles Venizelos Prime Minister, and the intention of the Populist Party to retain ministries to enable them to cover up a financial scandal.

Because the internal conditions in Greece were very gloomy, Nuveen intended to persuade Averell Harriman, the Special Representative of the ECA in Paris, to agree to his idea that only a 'tough policy' towards the Greek government could support ECA efforts. Furthermore, Nuveen may have wished to support a non-parliamentary personality, such as Marshall Alexander Papagos, because the country was passing through a serious political crisis in which Greek political leaders seemed unable to form a strong Coalition government to fight against the Communist insurrection and to carry out urgently needed economic and social policies. After the dissolution of the Coalition government of Themistocles Sophoulis in November 1948, since "there was no alternative government which could command the support of party leaders and the public"[2], the King, Doxiades and Markezinis were ready to accept any regime for a short-time period, which could defeat the guerrillas and establish peace.

At the same time Nuveen argued strongly that the American Administration should adopt such a policy so as to make Greece a semi-dictatorial state, because he

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[1] The United States in World Affairs, 1948-49, by John Campbell (New York Harper & Brothers, 1949), p 428
[2] Ibid., p 428.

believed that this development would support the economic efforts of the ECA. It is surprising that Harriman accepted Nuveen's proposal despite his previous diplomatic experience as Ambassador in Russia and Great Britain. He arranged for the Chief of the ECA in Greece to meet King Paul, who was a constitutional monarch, in December 1948. Although the intention of Nuveen as well as the intervention of Harriman were extraordinary practices and went beyond the Marshall Plan's functions and objectives Nuveen, who was a life-long liberal democrat, was misled to support such a solution because most Greeks, such as Markezinis and Doxiades, had supported it. Markezinis, an economist and leader of the New Party, which was a small rightist political party, also worked on a plan to establish a semi-dictatorial government through the appointment of Marshall Papagos as Commander–in-Chief invested with full powers and the formation of a government to inspire the nation with confidence and reorganise the administration. In a meeting with the King and Queen, Harriman and Marshall Papagos, on 1 January 1949 Markezinis submitted his plan, avoiding to inform Grady, because "the U.S. Ambassador—who was not in Greece at the time—had misinterpreted much and was somewhat offended."[1] When Doxiades, Director General of YSESA in the Ministry of Coordination, on 22 January 1949 visited the Southern Department of Foreign Office in London also emphasized that "Greece was in a desperate situation and radical remedies were now necessary…the nation had lost faith in the political parties…if the country was to be saved from Russian domination an authoritarian regime was required…".[2] Therefore, the Greeks had succeeded in persuading Nuveen to favour such a solution in order to deal with the

[1] Oral History Interview with Spyros Markezinis by Theodore Wilson, p. 53, Truman Library
[2] Wallinger to Norton, 12 February 1949, FO 371 / 77922 / 133 / PRO

political, military and economic stalemate. Nuveen, who was a life-long liberal democrat, recognized that Greece suffered from a host of social and economic problems. He showed a passion for curing them and, as a committed reformer, wanted changes by Saturday night. Nuveen, in his devotion "to achieve economic and social reforms bumped into all the Romaic graphiokrateia and delaying tactics and obfuscation. He tried to reach for the cheap solution, the quick answer."[1]

Conversely, the American Ambassador endeavoured to prevent a quasi-dictatorial solution forming in the Greek government, because he "had a reputation as a liberal, a reputation which he fully justified during his service in Athens".[2] In the beginning of November 1948, Grady was forced to denounce to the State Department Nuveen's poor cooperation with him and, through one of his assistants, Burton Berry, a politico-military adviser of the Ambassador, who went to Washington DC, demanded Nuveen's removal from Greece. Lovett emphasized to the Ambassador that "Hoffman fully agrees you are finally responsible in Greece for all ECA matters in solid line of authority rather than dotted line. Nuveen's real relationship declined as deputy to you in economic matters...".[3] Also, although President Truman insisted on Nuveen's removal from Greece, Hoffman refused vehemently to dismiss Nuveen and to appoint John Blandford, the deputy Chief of the ECA/G, whom Grady appreciated. Instead, he reaffirmed to Grady that the Chief of the ECA Mission considered himself as deputy of the Ambassador and he asked Grady to support Nuveen so that he could be a better deputy.

In parallel, Acheson appealed to the Ambassador asking him not to press the

[1] Letter of James Warren Jr to Apostolos Vetsopoulos, 14 July 2001
[2] Andreas Papandreou, Democracy at Gunpoint the Greek Front, p 83
[3] Lovett to Grady, 12 November 1948, Grady Papers, Box 3, file 6

matter in the interest of harmony between ECA and the State Department. However, the idea of a joint operation under one head did not work out as Hoffman had anticipated. Finally, after Grady's strong intervention against such a quasi-dictatorial solution, the Truman Administration decided to support only the establishment of a parliamentary government in Greece to cope with the complicated political, economic and military problems.

Grady supported a policy of the middle course between a completely laissez-faire attitude and a authoritarian regime, because "advice should be given by a corps of experts and influence exerted through a sympathetic approach to the country's problems".[1] However, the Americans' efforts to follow such a policy were not always successful, because disagreements emerged among them in the Joint Administrative Services (JAS), as problems arose "with politicians and difficulties in getting the administrative sections of the government to function in an efficient manner...".[2] Also, the shortcomings of Greek politicians in managing successfully the peculiar economic, political and social conditions accentuated the ECA and Embassy conflict, because they did not have the administrative ability or personal integrity to enforce urgent economic and social measures unless a heavy and continuous pressure was forced on them by the American planners.

The initiative of the Chief of the ECA not only put the American Ambassador in a difficult position, but it could also have embarrassed the British government if it had succeeded, according to the view of the British Ambassador in Athens, Clifford Norton. In December 1948, Ernest Bevin, the British Secretary of State for Foreign Affairs, sent a message to Grady through Norton, stating that "the

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[1] Henry Grady, Adventures in Diplomacy, chapter XII, p 206
[2] Ibid., p. 207.

development of even a semi-dictatorship in Greece would be most embarrassing to him and would cause serious questions in Commons".[1] In January 1949, Grady said to Norton that "he alone spoke for American policy and that if the King had the impression from some American source that the US Government favoured a drastic solution not based on parliamentary support he was mistaken".[2] Since the ECA enforced the Marshall Plan in Greece, the country should have had the benefits of American leadership and its advice on economic and political issues in order to avoid steps towards a non-parliamentary solution such as the inter-war Metaxas dictatorship. Such a solution could have been exploited successfully by Communist propaganda, which could have reasonably accused American policy of establishing a dictatorship in Greece, whereas the Americans emerged as protectors of its democracy and independence.

Given these developments, the American Administration were very anxious about the outcome of the political struggle. They cautioned Greek political parties about the US government's difficulties in continuing with high levels of economic assistance if substantial results in the military field were not achieved by the following autumn. In January 1949 when the leaders of the political parties agreed to give the premiership to an extra-parliamentary personality, Alexander Diomedes, the American Ambassador opposed such a plan. At that critical point of the Civil War in Greece the Americans did not favour such a solution They wanted a strong political leadership able to unite Greek politicians.

Thus, the former Liberal-Populist Coalition government, in power since September 1947, was broadened by the inclusion of the New Party of Markezinis,

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[1] Henry Grady, Adventures in Diplomacy, chapter XII, p 201

[2] Norton to Bevin, 18 January 1949, FO 371 / 78341 / 1015 / 1949 / PRO

who was a former Populist deputy, and of the Unionist Party of Panayiotis Kanellopoulos. In January 1949 a new Coalition government was formed under the premiership of Sophoulis. The latter approved the appointment of General Alexander Papagos as Commander-in-Chief to infuse an offensive spirit to the National Army. Papagos had distinguished himself with his victory against the Italian forces in the winter 1940-41. When General George Marshall as Secretary of State came to Greece in October 1948, he "saw the importance of giving full powers to Papagos as Commander-in-Chief, and urged this on Prime Minister Sophoulis and the Greek leaders...".[1] In June 1949 Sophoulis died and his death provoked another governmental crisis. The American Mission and the two major political leaders, Tsaldaris and Venizelos, were opposed to the solution of giving Diomedes the premiership because "the American Mission found Mr Diomedes an obstacle to various economic reforms".[2] Although at that time Grady preferred Tsaldaris to become premier, the opposition by the other political leaders forced the American Ambassador, following the British Ambassador's advice, to accept the former vice-premier, Diomedes, as Prime Minister of the new government which was formed on 1 July 1949. Grady had also informed the King that he preferred this solution "as a lesser evil than the prolongation of the crisis".[3]

In conclusion, since January 1949, although the American administration perceived that the cooperation between Grady and Nuveen was ineffective because of the unreasonable attitude of the latter, since he was unaccustomed to recognizing higher authority, and definitely decided to remove him, they postponed changing the

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[1] Henry Grady, Adventures in Diplomacy, chapter XII, p. 204.
[2] Norton to Bevin, 27 June 1949, FO 371 / 78344 / 1015 / 1949 / PRO
[3] Ibid.

Chief of the ECA Mission. They were afraid that by this action they might adversely affect delicate circumstances in Greece. Therefore, the cooperation between the Ambassador and the Chief of the Mission was not successful, because "John Nuveen failed in his relationships with Grady".[1] Finally, Grady, in his efforts to appraise Nuveen's initiative on internal governmental issues, asserted quite clearly that "his interference in political matters was due to his realized incapacity in the economic field...".[2] Nuveen proved unable to manage economic issues efficiently because he lacked the experience in dealing with a foreign government. On 4 August 1949 Spencer Phenix, who for the previous six months had been director of the financial section of the ECA/G, in a conversation with members of the State Department asserted that "the division of authority in Athens between the Embassy and the ECA Mission and personality conflicts within the Athens ECA Mission continued to be a source of difficulties".[3] Thus, in order to cope with the whole Greek problem, Grady tried to improve the operations of the ECA Mission in Greece by removing Nuveen from the scene and securing another head for the post of the Chief of the ECA Mission.

The efforts of Grady to change the Chief of the ECA Mission in Greece were to be successful in the summer of 1949. Harriman sent Paul R. Porter, a highly competent official with European experience, to Greece to assume the post of the Chief of the ECA Mission. He considered that appointment as compensation for his support for keeping Nuveen in Greece for a whole year. Grady and Harriman considered that Porter "might be a little tougher on the Greeks and some elements in

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[1] Interview with James Warren Jr. by Apostolos Vetsopoulos, 23 April 1998, Washington D.C.
[2] Henry Grady, Adventures in Diplomacy, chapter XII, p 204
[3] Cromie to Secretary of State, 12 August 1949, RG 59 / Decimal file 1945-49 / Box 7068 / NA.

the Greek government, than John Nuveen had been".[1] In Porter, Grady found a very cooperative director of the ECA/G who was able to acquire a proper understanding of American political relations towards countries receiving American aid, such as Greece.

Conversely, after Nuveen left Greece, he asserted that "he had been removed from his post as Mission Chief in Greece, which was an utterly corrupt country. The Greeks tried to remove him because he had become concerned that they might 'rip-off' the Marshall Plan. Harriman also was a fool."[2] However, these Nuveen's arguments showed reflections of a bitter man who had been in a political fight with the Ambassador and had lost. While in the previous conflict between McVeagh and Griswold the Ambassador lost, in Grady versus Nuveen conflict the Ambassador beat the Chief of the ECA/G Mission. Therefore, Ambassador Grady distinguished himself as the most powerful factor in implementing American policy in Greece, even confronting Greek politicians when they appeared unable to enforce urgent economic, social and administrative measures towards the solution of the shortcomings of the Greek economy.

2.3. The economic policy of the Greek government from July 1948 to September 1949: The policy of gold sovereigns and credit in relation to the inflation and prices-wages issues

During the first period of the Marshall Plan Greek fiscal and monetary matters were quite unlike those of other ECA countries. While in Western Europe

[1] Oral History Interview with Paul R. Porter by Richard McKinzie & Theodore Wilson, p 52
[2] Letter of James Warren Jr to Apostolos Vetsopoulos, 14 July 2001

economic policies were geared towards reconstruction and growth, in Greece the major ECA objective was to hold down inflation and stabilize the Greek economy until the military victory of the Greek National Army against the Communist forces, the Democratic Army. Thus, the ECA/G Mission considered it necessary to maintain the same principles of economic policy, which were established during the AMAG Program in Greece.

Apart from the Civil War developments, there were further factors in the Greek economy, such as the heavy imbalance in Greek foreign trade, the budget deficit and the repudiation of the Greek national currency, that forced the ECA planners to follow a policy of maintaining monetary equilibrium. Therefore, the efforts to control inflation constituted the basis for the ECA policy in Greece, because the stabilization of the Greek economy could not be accomplished through a policy aiming in parallel at enormous reconstruction and uneconomic and unprofitable developments. In the same context, the ECA/G supported the basic principle that "financial stability and reconstruction were therefore the twin objectives of a recovery program in Greece....Reconstruction had to be pushed as fast as possible; but it could not be pushed in ways that would jeopardize financial stability."[1]

In this context, the financial and credit policy pursued by the Bank of Greece contributed to holding the increase in currency circulation in order to prevent inflationary pressures and in parallel to decrease currency circulation through the intervention in the market of gold sovereign. Therefore, the main points of this policy aimed to limit new credit based on loans derived from note issue exclusively

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[1] Greece, Country Study-European Recovery Program-ECA, p 1.

for increase of production, to reduce the note issue for balance deficit of the state budget and, if then excess of the note circulation took place in parallel to the increase of demand for gold sovereigns, the Bank of Greece needed to intervene to hold the price of gold sovereign through its enormous selling, because the increase of the latter caused deterioration of the cost-of-living and decrease of the drachma value.

Concerning the policy pursued of selling gold sovereigns, established by the AMAG Mission in February 1948, the ECA/G reluctantly followed the same policy, because the aggravated economic, political and social conditions prevented to stabilize the sovereign rate of the drachma. All Greeks, from businessmen to peasants and clerks, continued to accumulate gold sovereigns as a defensive measure against inflation and rumours of devaluation, as reports of military setbacks and new stories of cabinet friction drove up its price. In the middle of December 1948, because of the military setbacks of the Greek National Army against the Democratic Army in Southern, Northern and Central Greece, such as the capture and sack of Karditsa by the latter on 12 December, the price of gold sovereign rose from 216,000 to 230,000 and the Bank of Greece sold 25,512 gold sovereigns in three days. On 15 December 1948 Eugene Clay asked the Secretary of State to allow the Greek government to convert urgently 53,008 ounces of Greek gold, redeemed in the Federal Reserve Bank, into gold sovereigns in order to hold the price of gold sovereign. The ECA/G Mission also urged "the remaining 58,317 ounces of gold pledged with Federal Reserve Bank ... be redeemed on Dec 24th."[1] Also, when Karpenisi was captured by Communist forces on 20 January 1949 and the leader of

[1] Nuveen to Secretary of State, 15 December 1948, RG 469 / 1028 / Box 8 / NA.

the Democratic Army, Zachariades, on 31 January 1949 declared the establishment of autonomous Macedonia, demands for gold sovereigns by the Greeks increased so that the economic experts of the ECA/G urged the uninterrupted selling of gold sovereigns in order to stabilize the gold sovereign rate of the drachma and avoid galloping inflation. In the last three weeks of January the deterioration of economic, political and military conditions forced the Bank of Greece to sell 165,000 gold sovereigns and its Director to request approval by the State Department for additional gold sovereigns. The State Department raised the issue with ECA/G and ECA/W.

In the beginning of 1949 the Director of the Bank of Greece, George Mantzavinos, emphasized the temporary character of the policy of selling sovereigns and proved prophetic about the course of future price of hoarding gold sovereigns. He anticipated "the return of these gold sovereigns to the Bank of Greece under conditions not profitable for their holders".[1] This event took place three years later in the beginning of 1952, when the price of gold sovereign marked a heavy loss of 25 percent, after the enforcement of another economic policy by the American Marshall planners in order to stabilize the Greek economy and strengthen the Greek currency.

Although the policy of selling gold sovereigns was an inconvenient economic practice, established in the beginning of 1948, because it was dictated by the weak drachma and the preference of Greeks to a foreign currency, the ECA Mission and Currency Committee accepted the objectionable features of continuing the gold sovereign sale policy. On 13 April 1949 John Blandford, Acting Chief of

[1] Annual Report of the Governor of the Bank of Greece for the balance on the fiscal year 1948, p 23

the ECA/G Mission, emphasized to the Secretary of State that "discontinuance without provision of adequate alternative procedures would have disastrous consequences".[1] Since the commodity price followed the gold sovereign rate of the drachma, if gold sovereigns were not available for selling, then hoarders would shift to holding commodities, resulting in an increase of their prices. On 18 May 1949, Nuveen urged "all agencies of U.S. government concerned review [gold] sovereign policy with view to approval sovereign sales as an unavoidable continuing weapon for coping with situation in Greece".[2] Thus, after study by the ECA/G and ECA/W Greek conditions prevented at that time the implementation of any alternative to the policy of selling gold sovereigns. The American planners stuck reluctantly to the policy of selling sovereigns to the public by the Bank of Greece. Another dimension of this policy was to hold the currency circulation down in order to avoid inflation. While the amount in circulation was 1,202,2 billion drachmas in December 1948, this came down to only 1,217,7 billion drachmas in June 1949. In parallel, the cost of living index was 265,6 in December 1948, but it rose to 295,7 in June 1949 (1938=1).[3] These economic measures, such as the selling of gold sovereigns and the holding in currency circulation tried to tame inflation in order to allow the provision for credits to the public and private sectors of the economy.

During the Marshall Plan period, one method of introducing aid into the Greek economy was through normal business channels of private enterprise and public utilities. This was achieved by combining American assistance with the contribution of Greek enterprise on a secured-loan basis for the repayment of capital

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[1] Blandford to Secretary of State, 13 April 1949, RG 469 1208 / Box 19 / NA.
[2] Nuveen to Secretary of State and Harriman, 21 May 1949, RG 469 / 1208 / Box 19
[3] All these data are taken from the Annual Report by the Governor of the Bank of Greece for the balance on the fiscal year 1949, p XX.

and interest within a definite fixed time. According to the agreement for 'Agriculture and Industrial Loans'[1] on 12 November 1948 between the Governments of the US and Greece, the Central Loan Committee (CLC) was jointly created to control the execution of the Greek Recovery Loan Programme. The CLC constituted the central agency to which the eleven participating banks submitted all loan applications for approval or rejection, excluding the limited volume of loans made with every bank's own funds. The CLC consisted of four members[2]: one member represented the Greek government, appointed by a joint decision of the Ministries of Finance and Coordination, the second member represented the Bank of Greece, the third member represented the ECA Mission and the fourth member was selected by the participating banks, but could not be an officer, employee or representative of any bank and would be paid by the Bank of Greece. All its decisions were to be concluded "by affirmative vote of three members which must include that of the Mission representative."[3]

Although the American member in the CLC had the authority to control decisions, the CLC was a body of the Greek government and the programming initiative concerning the kind of applications for loans that did not fall under the authority of the ECA Mission. However, the impartial role of the American representative was decisive towards the approval of submitted applications, which were consistent with the principles of the established overall economic policy, and required projects with reasonable planning in order to prevent dissipation of the

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[1] These loans, derived from the 'Greek state-ECA Drachmae Account', were earmarked for the development of agriculture, industry, fishery, companies of public utility, mining, transportation & tourism

[2] Official Gazette of the Greek government, Vol I, No 179, 17 August 1949-Agreement for Agricultural and Industrial loans, Article II, between the US and Greece

[3] Report of Paul R. Porter to William Foster, 11 November 1950, p. 58, Papers of Paul R. Porter, Box 3, Truman Library & in the Article II of the Agreement for Agricultural and Industrial loans.

funds. In addition, since the US through Marshall aid provided directly part of the funds for the loans and indirectly offered great economic assistance to Greece, the veto of the American representative on the CLC was justified.

While the credit policy was brought under control of an independent institution, the Currency Committee, the CLC approved principally the long term loans to the private sector for the reconstruction and development of manufacturing and mining. The CLC was close to the Bank of Greece and separate from the partial influence on loans exerted previously by the National Bank, which had thereby won an unassailable position in the Greek banking system, handicapping other commercial banks, because this bank assumed 346 billion of the total 506 billion drachmas of the aggregate banking capital, including 263 billion drachmas, or 75 percent of the total deposits of the public organizations in October 1948. The American planners tried to restructure the banking system, diminishing the monopolistic position of the National Bank and giving a leading role to the central independent Greek bank, the Bank of Greece.

The established credit policy caused the bitter opposition of the bloc, headed by George Pesmazoglou, who was governor of the National Bank of Greece and supported "the interests of large industrialists and is usually single-minded in the pursuit of his (and their) aims".[1] The National Bank of Greece was the major bank, which had provided loans for established Greek industries in the inter-war period. The old elite of Greek industrialists directed these industries. The common interests of the two groups, the National Bank and old industrialists, prevented the establishment of new industries in the post-war period, because they intended to

[1] Biographic reports for the GAC and the Mission to Greece, 7 July 1947· Department of State OIR Report No 4383, p 57, Griswold Papers, Box 1, Truman Library

manipulate the provision of credits as well as the production and price of industrial products. However, strong protests by the industrialists and the National Bank of Greece against the restrictions of credit through the CLC did not prevent the establishment of the CLC. Also, whether or not the drop in the market price of gold sovereigns in October 1948 reflected the release of working capital, formerly tied up in gold sovereigns, brought out of hiding in order to finance private projects and needs in industry or trade, the credit control pursuant by the CLC was effective.

On 15 April 1949 an amendment to the agreement of 12 November 1948 for 'Industrial and Agricultural loans' between the US and Greek governments was agreed to extend the term for repayment from twelve to twenty years for business activity loans and thirty for public utility loans in order to provide longer maturities for these loans and to facilitate the regular repayment by these borrowers who faced economic hardships. By July 1949 the CLC had approved twenty-five loans of $17,540,524 value. Among the recipients of loans were: the British-owned Athens-Pireaus Electricity Company ($5,560,000), and companies manufacturing cement, chemicals, copper, paper and other essential materials. Long-term loans for the revitalization of private businesses amounted to $12,987,000 to be spent abroad and 33,343,000,000 drachmas, equivalent to $3,334,300 ($1=10,000drachmas) to be spent domestically. The total loan programme by the Bank of Greece supported principally industry and the tobacco trade, which granted 80,936 billion drachmas and 124,594 billion drachmas by 31 December 1948 respectively.[1] However, the loans, which were concluded through Marshall Aid, were dollar valorized and, with every fluctuation of the dollar against the drachma, became more expensive for the

[1] The data are based in the amounts included in table 3 of the Monthly Bulletin, May 1953, Athens, Bank of Greece, p. 8

borrowers, who finally set off the increase in products' retail prices against the exchange losses.

The control of credit policy through reconstruction loans by the CLC was followed by the determination to avoid wage increases. Grady was determined to hold the line on wages until production increased; otherwise the only result would be greater inflation. However, a large proportion of government employees went on strike for two weeks in April, demanding wage increases, because a large disparity had emerged between salaries and living costs since the previous agreement of November 1947. On 6 June 1949 the Greek Deputy Prime Minister Diomides, in a memorandum sent to Grady, emphasized the need to adjust the salaries of public servants and pensions, because "since Sept 1947 the cost of living rose from 175,5 to 288 or a rise of 64%, while salaries to the public servants have remained unchanged...considering moreover that most of private salaries were repeatedly increased in the meantime..."[1].

In the same month, after some temporary concessions to public servants after two weeks strike, it was decided to grant from 1st July a new rate of salaries for the workers who had not benefited from the 30 percent increase permitted under the collective bargaining agreement of November 1947, which established a new national wages policy after many years. Although this decision provoked enormous dissatisfaction among government employees, they did not resort to strong protests, despite their economic plight, because the Civil War had been prolonged. Finally, the employees expected to renew their efforts for salary increases, after the conclusion of the Civil War.

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[1] Norton to Bevin, 13 July 1949, FO 371 / 78466 / 1112 / 1949 / PRO.

While military setbacks and political crises had caused an increase in the cost living during the winter of 1948-49, after the clearance of guerrillas in most parts of Greece during spring, this tendency decreased. Concerning the cost of living index in Athens, including all items (year of basis 1938 100), while the average for 1947 was 17,462, in July 1948 it was 22,000, in March 1949 it was 29,047, while in July 1949 it was 27,792.5.[1] However, a special feature of the Greek labour force was that the average Greek workers lived in bad conditions because he spent 2/3 of his total living income on food. Although the enormous increase of living expenses in the last two years forced the General Confederation of Greek Labour (GSEE) to raise the question of salary increases, the established labour policy by the government and Mission "was applied to foster genuine free collective bargaining practices within the general framework of economic stabilization".[2] Therefore, since the increase of industrial production from October 1947 to July 1949 was only 16%, the ECA Mission considered any further increase for salaries unreasonable, because, they believed, working people should make sacrifices for the stabilization and reconstruction of the economy.

During the first year of the Marshall Plan, the great objective of the economic policy pursued was to hold down inflation and maintain monetary equilibrium in order to facilitate development. Although the price of gold sovereigns in Greece as well as the price of commodities in international markets declined in the summer of 1949, helping to hold Greek prices and wages down, Greek economic and financial matters continued to be unrelated to those of the other ECA countries. Therefore, the CLC as well as the Bank of Greece exerted an overall credit control,

[1] Monthly Bulletin of the Bank of Greece, May 1953, table 11, p 17.
[2] The Story of the American Marshall Plan in Greece, July 1, 1948 to Jan 1, 1952, p 38

based on credit productivity, which was necessary in order to avoid inflation. The Greek government also pursued a policy of postponing increases in salaries and wages until the end of the Civil War, while the ECA Mission supported a strict policy that an increase in salaries would be agreed only after an increase in production.

2.4. The contribution of the Marshall Aid Program to the National Budget and the Balance of Payments—The 'Counterpart funds'

During the first period of the Marshall plan in Greece the national budget had to cope with extraordinary expenses, such as the military needs and relief for refugees, who numbered over 700,000 people in the spring of 1949. In the Aetolia-Akarnania district in July 1949 there were about 42,000 refugees from villages in Evritania. These expenses, which emerged because of the prolongation of the Civil War, created a heavy deficit in the regular Greek budget. Although the US provided enormous military aid for the Greek army, the counterpart releases of Marshall aid went to cover the immense expenses for the subsistence of the refugees, who lived in security centres. Apart from the maintenance of the refugees, a third of the population (about 2,500,000), including victims of World War II, was partly or entirely dependent on state assistance and "the drain on the Greek treasury was enormous, with about $50,000,000, or 22 per cent of the total civil costs of the government. Most of this money came from American Aid counterpart funds".[1]

The repatriation of the refugees was a major problem for the Greek

[1] The Story of the American Marshall Plan in Greece, July 1, 1948 to Jan 1, 1952, p 9

government. The ECA funds supported this operation. A programme launched by the Ministry of Agriculture provided the displaced villagers with imported mules from Kansas, ploughs and other farm tools, seeds and fertilizers. Because most of the houses in villages had been destroyed by the occupation forces or guerrillas and the cost of rebuilding these was far beyond the total capacity of the Greek budget, a 'self-shelter' programme was launched to furnish the homeless villagers with minimum building materials, such as lumber, cement and plaster, as well as to provide them with small amounts of cash. The villagers were taught much about carpentry, cement work and plumbing in security centres through programmes planned by ECA experts and financed by Marshall funds. ECA funds also financed rehabilitation projects in some towns ravaged by guerrilla raids. From early spring 1949 till June 1949 "two billion drachmas have been used in emergency reconstruction in the guerrilla-sacked towns of Naoussa, Karditsa, Karpenissi and Chrysoupolis".[1]

In parallel, Marshall aid financed work-relief projects, launched by the authorities of local, needy communities, to improve living facilities, for the reconstruction of sewerage, water supplies systems, road repairs and irrigation and drainage systems, which provided employment for bandit-stricken refugees and indigents. By the end of the first year of the Marshall Plan about 300 work-relief projects had been completed throughout the country, which kept refugees occupied, bolstered their morale and ensured construction or repair of urgently-needed public works. Although the daily wages for the workers in these projects were 2/3 of the regular wages, they represented "the only cash income earned by many families".[2]

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[1] Nuveen to Hoffman & Harriman, 10 May 1949, RG 469 / 1208 / Box 11 / File 6 / NA.
[2] The Story of the American Marshall Plan in Greece, July 1 1948 to Jan 1, 1952, p 11.

Therefore, Marshall aid generously assisted the Greek government in carrying out programmes which provided rehabilitation and resettlement for the refugees. During the first year of the Marshall Plan "216 billion drachmas were released from the counterpart fund account to reimburse the Greek government budget for refugee relief and resettlement expenses".[1] This amount came to the 1/3 of the total 'counterpart funds' releases for the whole year.

In the account of 'Counterpart funds', receipts and payments for the Greek state relating to the Administration of State Supplies with the Bank of Greece were: receipts by the Greek government 1,592,168,000,000 drachmas, and payments by the buyers of the sold products 1,983,847,000,000 drachmas.[2] The remaining amount of 391,679,000,000 drachmas was frozen "to cover deficits caused by relief, military and other extraordinary expenditures...".[3] Finally, 315 billion drachmas deposited in the counterpart funds account went to cover the balance of the deficit of the Greek national budget.[4] Although these extraordinary expenses seriously handicapped a broad and speedy reconstruction programme, the intention of the ECA Mission to secure financial stability and reconstruction at the same time remained. A necessary indirect measure towards the increase of funds available for reconstruction was the enforcement of a policy to increase direct taxes collection through the reduction of tax evasion or the introduction of revenue tax, after the implementation of a major tax reform.

In Greece, the tax system was archaic and unfair because the direct taxes were small and indirect taxes were very heavy. Direct taxes amounted only to about

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[1] Nuveen to Hoffman & Harriman, 10 May 1949, RG 469 / 1208 / Box 11 / File 6 / NA.
[2] All these data are taken by the Table 17, p. 26 of Monthly Bulletin of the Bank of Greece, December 1951, Vol. XVI, No 48
[3] Greece, Country Study. ERP by ECA, p. 44.
[4] Annual Report of the Governor of the Bank of Greece on the budget for the fiscal year 1949, p XIII

18-20 percent of the total confirmed taxes. Also, although a variety of income taxes in a complicated catenation there was on the books and those were not administered honestly, they did not bring more than 15 percent of the budget's tax revenues. During July 1948-June 1949 the Greek economic authorities showed unable to collect confirmed direct taxes. While in the AMAG period, the direct taxes collected amounted to 87% of the confirmed taxes and 41% from previous fiscal years, in the first fiscal year of the Marshall Plan these taxes decreased to 60% and 36%[1] respectively, despite the pressure by the ECA Mission on the Greek administration to enforce austere tax measures and to shift the tax burden from indirect to direct taxation. However, by mid-July 1949 the Greek administration had succeeded in collecting about 10 billion drachmas in the Athens–Piraeus area through the enforcement of a single-time tax on wealthy persons under the emergency law No 889 of February 1949. According to the November 1949 report, drawn up by the Minister of Finance, in 1948-49 direct tax returns amounted to 501 billion drachmas, while the indirect tax returns, including monopolies, totalled 2,237.8 billion drachmas.

During the 1948-49 fiscal year the total expenses-revenues of the Greek state were reflected respectively in the receipts and payments of the Greek state in the 'Centralization of Receipts and Payments Account' with the Bank of Greece. The receipts amounted to 4,344,470,000,000 drachmas and payments reached 4,673,624,000,000 drachmas. The deficit, which was 329,154,000,000 drachmas,[2] was covered from Marshall aid through the counterpart funds account.

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[1] All these data are taken from the Annual Report by the Governor of the Bank of Greece for the fiscal year 1952, p. 116.
[2] Monthly Bulletin, December 1951, Vol. XVI, No 48, p. 25, Athens, Bank of Greece, Economic Research Department.

Under the Marshall Plan the economic aid and foreign trade for Greece became more complicated than in the previous AMAG period, because trade matters had to be related to the OEEC context. Since commodities in the US for the ECA countries were largely obtained through commercial channels and the ECA Administration intended to control trade and stimulate overall European recovery, Greece had to fight against the interests of the other ECA countries. However, on 16 October 1948 Greece accepted the agreement for Intra-European Payments and Compensations to revitalize normal business, because "measures to restore currency convertibility or to end quantitative restrictions had to wait until the European nations had regained more economic strength".[1]

During the fiscal year 1948-49 Greek exports did not reach the expected level, because the increasing overvaluation of the drachma, followed by the expensive cost of production in comparison with the other producer countries, made Greek products expensive. The reluctance of the other ECA countries to buy Greek agricultural semi-luxury products, such as tobacco, raisins, and wine, and to exchange essential products for Greek products, continued. Also, the reduction of olive oil exports owing to a recent ban on the export of this product, because of the small yield of olive oil in late 1948, caused a speculative reaction and forced the American planners to introduce a ban on olive oil exports, and decreased the amount of Greek exports.

In September 1948 Paul Hoffman had already tried to support Greece in restoring its pre-war tobacco exports to the ECA countries when Congress was interested in protecting tobacco-growers from agricultural surpluses, facilitating

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[1] Francis Lincoln, United States Aid to Greece, 1947-1962, p 94

them to export their products to the ECA countries. In principle, the ECA encouraged American products in surplus to meet consumption needs of the ECA countries and the Department of Agriculture authorised to pay subsidies up to 50 percent of the sales price of surplus farm products. After prices of farm products fell in the US, many producer groups exerted pressure on ECA to ship more of their products abroad. Hoffman then resisted their demands and emphasided that "the purpose of the program was European recovery, not farm relief."[1] Southern Congressmen tried to influence Hoffman in order to approve through ECA channels more exports for American tobacco. After a conference took place on this issue between the ECA Administrator and tobacco-growers representatives backed up by Southern Congressmen, Hoffman failed to persuade them and stressed that "I don't believe that American industry and agriculture are entitled to a subsidy under this program...If that was the intent of the law then I don't belong down here."[2] Despite Hoffman's strong opposition on the issue, the congressmen succeeded in supporting the export of American tobacco subsidized through ECA channels. However, the Southern Congressmen found themselves in a critical stand dictated by the pressure of their constituencies, which fostered tobacco. Further principal reasons to facilitate American tobacco export to Germany were to provide stocks of tobacco to eliminate the black market of cigarettes and the preference of Germans for the taste of Virginia tobacco instead of Eastern tobacco, after the American military forces, which were installed in the country, imported large volumes of Virginia tobacco and passed it to local population in exchange for other needed goods.

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[1] The US in World Affairs, 1948-1949, by John Campbell (published for the Council of Foreign Relations by Harper & Brothers, New York-London· The Royal Institute of International Affairs, 1949), p. 159.
[2] New York Times, dated 29 September 1948, p 48

Conversely, since Greek trade was oriented to the ECA countries under the Marshall Plan, through bilateral commercial clearing and private barter agreements, the other ECA countries forced Greece "to accept luxury and semi-luxury imports in exchange for its products".[1] Thus, Greek trade was handicapped by the austere import programmes of Western Europe, because the Greek economy received less essential items and met with opposition from the ECA countries to the export of its products. A third channel for the operation of the Greek trade was through direct financing by foreign exchange, largely US aid dollars. Greece intended to acquire more direct aid from the US than indirect aid from the other ECA countries in order to avoid having to import less essential products. The ill-staffed Greek delegation, including only one expert from the relevant Ministry of National Economy, conducted a series of trade negotiations with the other OEEC countries' delegations in Paris in late 1948 and early 1949. Finally, the drawing rights extended to Greece in the fiscal year of July 1948 to June 1949 by the other OEEC countries amounted to $66.8 million. Greece, a credit risk country, was given drawing rights on every other ECA country.[2]

Trade through private barter agreement had complicated the operation of Greek merchants. While they tried to export at a loss over-valued products, such as tobacco or raisins, important exports for the Greek economy, they were permitted to import goods securing high profit, such as radios, which were not part of the essential imports programme, such as food, feed and fuel, in order to offset the loss on exports. Although transactions through barter trade were out of the austere

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[1] Greece Country Study ERP, ECA, p 39

[2] In millions of dollars Austria 4, Belgium-Luxemburg 13, Denmark 2, France 5, Italy 7, Netherlands 5, Norway 2, Sweden 5, Turkey 13, United Kingdom 10, Bizone (Germany) 4 3, French Zone (Germany) .1, Third Report to Congress of Economic Cooperation Administration for the Quarter Ended December 31, 1948, Washington 1949, cited in note 40, Table III, p 122

control of the Foreign Trade Administration, owing to their peculiar procedure, they contributed to the revival of the Greek trade, because they exported products, such as tobacco and sultanas, which were difficult to sell to the other countries participating in the Marshall Plan. However, for the calendar year 1949 the imports and exports through barter agreements amounted to only $26.5 million and $21.7 million respectively, while the amounts of those imports and exports through commercial clearing reached $125.2 million and $28.2 million respectively and thirdly, imports and exports through free exchange amounted to $215.9 million and $33.4 million respectively. Therefore, there was a large gap of $284.3 million between $367.6 million imports and $83.3 million exports totally.[1] In particular, in January 1949, when inflationary pressure emerged, an additional $35 million was transferred from reconstruction to current account, raising the total current imports including freights to $341 million for the fiscal year 1948-49. This transfer aimed to increase supplies of consumer goods and halt internal price rises as well as to provide sufficient additional drachmas counterpart funds to offset a possible increase in the budgetary deficit.

Another factor contributing to the balance of payments was the balance of receipt and payment on invisibles. For the year 1948-49 net invisible receipts and payments were $48,3 million and $23,5 million respectively, leaving a balance of +$25 million including the $5,6 million expenses of the British Military Forces in Greece. Fiscal restrictions on remittances from abroad and reluctance by emigrant Greeks to convert their dollars at the official low rate of 10,000 drachmas, while their actual value was 40-50 percent higher, reduced over-optimistic initial

[1] All the data are taken by the Annual Report by the Governor of the Bank of Greece for the fiscal year 1949, p. 101

estimates. The total Greek balance of payments, including imports-exports and invisible items, represented a deficit of $322.8 million. Marshall aid financed $186.4 million and "the Greek balance of payments deficit in the 1948-49 program was financed to the extent of about two-thirds by U.S. foreign aid".[1] In particular, the cost for importing food amounted to $167 million and through the food programme the ECA experts aimed to secure a diet of 2,500-2600 calories per capita per day.

Serious difficulties emerged in absorbing the definite amount of imports through direct aid and drawing rights. In June 1949, although the new Executive Director of the FTA, Charles Terrel (1949-50), tried to enforce a plan of free imports, provided that the imports would include only twelve items of prime necessity, such as wheat, flour, cotton, meat, milk and sugar, failed because the importers refused to accept such a plan and accused the government of protecting industrialists. Under the existing import system, while the government purchased rationed food items and reconstruction capital equipment, which were under the control of the FTA, the distribution channels were in the Ministry of Supply and beyond the scope of the FTA. Another inefficiency of the import system was the 'katanomi' rights that allowed small local groups of importers to import exclusively certain products and raise the retail prices of goods for the consumers through selling at a higher price these rights to other importers, who then increased the retail price of the products.

The holders of these rights risked losing ECA aid to protect their monopoly. One such attitude of these importers was the case of importing meat. While the

[1] Psilos & Westebbe, Report No 10 Public International Development Financing in Greece (Athens & New York : Greek Center of economic Research, 1964), p 25

ECA, in seeking to get away from the $425 per ton rate for meat previously paid through 'katanomi' rights, found Syrian meat for $336 per ton outside of the 'katanomi' rights and the Greek Foreign Trade Association insisted for three months before December 1948 upon issuing an import license to these Syrian importers for a thousand tons of meat, they finally succeeded in preventing the import of this cheaper meat because the relevant Greek Ministries, such as National Economy, Supply and Trade raised arguments in order to protect these historical 'katanomi' rights, given by the Greek Ministers partially to this group of privileged importers. Another case of this inefficiency in the operation of the Greek foreign trade was the question of importing cheap radios for the people in the provinces that the ECA/G Mission supported. While competition bids were offered to anyone importer and 46 companies offered 76 different types of radios in price one-half than that which had been established under previous contracts through 'katanomi' rights, the ECA/G Mission through the support of the FTA was unable to get these cheaper radios, cleared to come in Greece from sources outside the 'katanomi' rights.

Furthermore, in December 1948 the Executive Director of the FTA, Charles Terrell made accusations that many of the people who worked for him and with him were in the employ of special interests representing the 'katanomi' and also that "the Ministry of National Economy in the Greek government, which controls the fees for import licenses given, was rotten to the core".[1] Therefore, the Americans in the FTA had not been able to control retail prices on private imports and their attempts to control government imports had been only partially successful. The increase of American control of the overall import system seemed to be fundamental

[1] Louis Wyman to Senator Pat MacCarran, 22 April 1949, p 16, RG 469 / 1227 / Box 25 / NA.

for the economic recovery of Greece.

The experience of the first year of the ECA showed that the complexities of business made detailed planning of intra-European trade impractical. Although the pattern of the use of drawing rights had resulted in an expansion of intra-European trade because the transactions were carried out in the currencies of the countries concerned, it worked so badly in Greece as well as in other countries that change was necessary. The negotiations of the bilateral agreements were prolonged and "the actual use of the drawing rights was slow in getting under way".[1] The change from the drawing rights system took place primarily in October 1949 through the Trade Liberalization programme and definitely in September 1950 through the European Payments Union (EPU), which was a more sophisticated and effective mechanism for the European trade.

Finally, during the first year of the Marshall Plan, total American aid to the civilian economy amounted to \$238.9 million (\$161.4 million in direct aid, \$76.2 million in indirect aid and \$1.3 million aid through the technical assistance programme) (see table 1), while the total US civilian aid, including loans from surplus property, private relief agencies and a remainder from AMAG aid, was \$258.9 million. During the same period the total American military aid to Greece, including common use items and direct military assistance, amounted to \$170 million.[2]

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[1] Francis Lincoln, US Aid to Greece, 1947-1962 , p 95
[2] All these data are taken by The Story of the American Marshall Plan in Greece, July 1, 1948 to January 1, 1952, p A-26

2.5. The contribution of the Marshall Plan to the Greek reconstruction and investment programme. Attempts towards the reformation of the Greek administration and structural reforms

During the first period of the Marshall Plan, despite the obstacles caused by the developments of the Civil War, such as refugees' extraordinary expenses, guerrilla destruction and military setbacks, which reduced the planned reconstruction programme, the American planners decided to carry out a reconstruction and development programme. The objectives of the Marshall Plan in Greece concerned reconstruction, investment and development programmes and were financed by the counterpart funds. The ECA Mission through these programmes intended not only to rebuild the prewar infrastructure and expand the internal transportation network, but also to increase agricultural and industrial production above pre-war levels in order to decrease imports. By these programmes Greece would be able to solve its overpopulation problem, to provide employment for families in rural areas and unemployed labour in the cities, and to improve living conditions for the people. The expansion of industrial and agricultural production needed electricity so that the establishment of a national electric power grid, exploiting internal resources, was required. This enormous undertaking became a basic objective of the ECA planners, who followed a gradual and stable policy to achieve this, while the majority of Greek politicians, perhaps for political reasons, called for a faster and unfounded development, without considering the peculiarities and shortcomings of the Greek economy.

Concerning the development programme towards the industrialization of the Greek economy, late in the summer of 1948 the Greek government raised the question of the Bremen power plant, which was allocated to Greece as war reparations, because the deadline for rendering it was 15 September. When Grady sought advice from the ECA/G Mission experts, the ECA/G Mission through Maurice Scharff, temporarily attached to the Mission staff, and Walker Cisler, recommended to the government that "it was not advisable to take this plant because it was considered that the cost of repair and installation would be greater than the cost of a new plant which would in addition be more efficient".[1] However, Grady asked Harriman to obtain definite information about this plant, because the Greek government demanded that it receive this plant to deal with the acute shortage of electric power in Greece. In August 1949 Nuveen also supported the reestablishment of this German steel sheet mill in Greece as "valuable auxiliary machinery, which can be absorbed by Greek industry".[2] However, although the Greek delegation to the OEEC tried to obtain that blast furnace for Greece in order to establish the foundation for a steel industry, eventually, they failed. Christides, the head of the Greek delegation to the OEEC emphasized, "that's a point where crushing interests appeared"[3], because European export steel mill firms would be deprived of their exports to Greece. However, this explanation was one part of the issue to establish a steel mill industry in Greece. In December 1949 Sowles, adviser of the Industry Division of the ECA/G Mission, supported also the establishment of steel mill project as important to the industrial development in Greece and instructed Porter that Kenneth Brown, OSR Steel Representative in Paris was opposed to the establishment of the blast furnace and rolling mill in Greece. He supported also the

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[1] Grady to Harriman, 21 August 1948, RG 469 / 1208 Box 8 / NA.
[2] Nuveen to Harriman, 19 August 1949, RG 469 / 1208 / Box 12 file 6 / NA.
[3] Oral History Interview with Theodore Christides by Theodore Wilson, p. 32, Truman Library

steel mill project as important to the industrial development in Greece.

Given the need for expensive imported oil to work this plant, it was not a permanent and economical solution for the establishment of an adequate electric power grid in Greece. Paul R. Porter later argued that this plant "may have been either superfluous to the general electric development program or not compatible with it".[1] He also maintained that "the American and British occupation authorities in Germany came to the conclusion that German industry should not be distributed as reparations, as proposed in the Morgenthau Plan, but should be retained to assist the recovery of all of Europe".[2] The Morgenthau Plan proposed that all German industrial plants and equipment not destroyed by military action should either be completely dismantled and removed from the German area or completely destroyed, converting Germany into an agricultural country. However, "this draconian plan was pared in the directive (JCS 1067) that the Joint Chiefs of Staff gave to the American military government...".[3] Along with the external factors, which refused the establishment of a blast furnace in Greece, the real major reason, which forced the American Mission to oppose the establishment of this project, was the uneconomic and expensive character of such an investment for the Greek economy.[4]

Conversely, American planners promoted the establishment of hydroelectricity and lignite projects, because these resources were abundant in Greece, while the Greek subsoil lacked oil deposits. Although a number of

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[1] Letter of Paul R. Porter to Apostolos Vetsopoulos, 5 January 2001.
[2] Ibid
[3] Paul R. Porter, From the Morgenthau Plan to the Marshall Plan and NATO, a memoir written for the Truman Library in 1984, p 2, attached to the above letter of Paul R. Porter to Apostolos Vetsopoulos The original document is located at theTruman Library.
[4] In 1953 the Angellopoulos family, supported with foreign funds, established a blast furnace in Elefsina However, the price of produced steel was higher than that sold in the foreign markets because there was no Greek iron ore, very little scrap iron and no cheap electricity Also, because of import duty protection and import restrictions there was no competiton in the price of steel

American experts supported the creation of an American utility company to operate the power system, the overall policy of the ECA Mission promoted the creation of a public owned power corporation under an independent administration without bureaucratic operation and to ensure that it belonged to the Greeks, not to foreigners. The ECA experts also envisaged the establishment of the Public Electricity Corporation (DEH) in Greece, with a network of transmission lines that could cover much of the country, on the Tennessee Valley Authority (TVA) pattern. Through the creation of hydroelectricity projects with dams on the Tennessee River, the TVA produced power electricity for the establishment of new industries and improved land irrigation for agriculture. The American engineering firm, EBASCO Services Inc., which was asked by the Greek government in December 1948 to plan an electric power supply and water utilization programme for Greece, in August 1949 made an interim report outlining a six-year power development programme, through the establishment of hydroelectricity projects in the Ladon, Acheloos and Vodas rivers, which would cost $198,970,000. The research, carried out by EBASCO, was financed through ECA funds, although the financing of these projects under the proposed programme was not yet defined.

While under the AMAG Program reconstruction of the infrastructure was carried out by the US Army Corps of Engineers, in the first year of the Marshall Plan reconstruction projects passed gradually to the Greek Administration. Complete demobilization of the staff of the US Army Corps of Engineers in Greece was scheduled for the end of May 1949, because under the Marshall Plan the Greek administration was to assume independently this task with the help of ECA technical advisers. Under the reconstruction programme of 1948-49 total investment for the import of capital goods for reconstruction requirements until 30 June 1949 were: for the public sector $39,383,000 and for the private sector $7,442,000, amounting to $46,825,000.[1] The total gross investment with ECA funds, including local expenditures and capital goods imports, amounted to $93.6 million: $84.6 million for state expenditure, including refugee's repatriation, and $9 million for the private sector.[2]

The ECA Mission also continued land reclamation through drainage, irrigation and flood control works, which the AMAG Mission had begun in order to increase the production of food, reducing its huge imports. In the fall of 1949, the ECA Mission assisted the Ministry of Agriculture in managing more than 100 projects. In the spring of 1949 under the inspiration of one devoted ECA Mission expert, Walter Packard, a project started to reclaim large areas of alkali land through rice growing. One such project of growing rice on saline land that proved to be very successful took place in the village of Anthili close to Thermopylae. After the construction of a ditch and the inflow of water from the Sperchios River, the paddies were flooded and drained repeatedly to leach away the excess salt. The Ministry of Agriculture assembled the machinery and hired villagers to work in the fields. In the harvest period of the summer 1949 the sterile soil had yielded over 82 bushels to the acre and the value of the rice harvested paid for the entire initial cost of preparing the land, digging the ditches and provision for high quality seed rice, which was imported from Italy. The success of the project invigorated the rehabilitation of Greek agriculture. Also, the constant flooding in growing rice fields could reduce the alkali concentration, producing in a few years a wide variety of other crops.

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[1] Annual Report of the Governor of the Bank of Greece on the balance for the fiscal year 1949, p XIV.

[2] These data are taken from the table 69 of Greece-Statistical Data Book-Fiscal 1955 56 & Calendar 1956, Vol I, By the Finance and Program Division of the US Operations Mission/Greece, July 1957, Library of Congress, Washington DC.

During the first period of the Marshall Plan the total agricultural production during 1949 reached 107.6 (basis-the average of 1935-38 years=100), without considering olive oil production, and the rice production that increased by 517% compared to the prewar production. Concerning the other important sector of the economy, industry, according to the Federation of the Greek industries industrial production also increased from 66% in July 1948 to 89% in September 1949 (year of basis 1939=100).

The ECA Mission adviser on civil government, Harold Aldefer, made proposals for government decentralization of the actual operation of the ministries, rendering responsibility to local authorities. The decentralization programme was based on increasing the functions of the nomarchs, the principal officials in the provinces, and selecting them on merit rather than through the influence of any political party. The main objectives of this programme, after a discussion with the leading Greek politicians, became a law, which was voted almost unanimously by the Greek parliament in the spring 1949. Although the new nomarchs were selected under the new law, which attracted non-political men to the 49 positions, who were also sent on short visits to England for training, the results were not satisfactory, because the Greek politicians succeeded in manipulating the operation of these provincial governors through the allocation of public investment funds.

Another reform that the American planners promoted was the restructuring of the health and welfare services in order to be effective through a more rationalized social security system. In autumn 1948 General James Van Fleet raised strong demands with the US Surgeon General to "dispatch to Greece senior

American health administrators to run IKA".[1] The IKA (Social Security Agency) was the social security institution, which needed structural changes. After the overcoming of some bureaucratic obstacles, three Americans from the United States Public Health Service (USPHS) and the Social Security Administration came to Greece and they were employed by the Greek Minister of Labour. One expert was Oscar Powell, who became the Administrator of IKA.

When he tried to reorganize and rationalize IKA services, he aroused strong protests pricipally from the privileged labour classes, which appealed to the Greek politicians, the American Embassy and the ECA Mission. Although Oscar Powell had the support of the Public Health Division of the ECA Mission, he failed to implement his reforms, because the new IKA needed to reorganize already complicated services, such as injury benefits, pensions, day care, in-hospital care, provision for pharmaceuticals and prosthetics for about one million persons, including dependents. When Powell on 28 August 1949 submitted to the Ministry of Labour his plan for reorganisation of Social Security Services, many labour leaders showed their strong opposition through press statements. Powell's plan aimed to limit extraordinary traditional privileges of certain categories of labour, such as the railwaymen, and to equalize labour rights for all the people. This plan was influenced by the spirit of good for the whole community, emerged after the World War II. Although the solidarity spirit was strong in almost all European nations, most Greeks were not able to share their own social insurance privileges with the other fellow-citizens. The Panhellenic Federation Railwaymen, which represented 13,000 men, refused to accept Powell's plan on the grounds that it was attempted to

[1] Letter of James Warren Jr. to Professor David Close, 3 October 2000, Washington, D C.

abolish their insurance funds, which were founded on faith and tradition, and decided to go on strike in case of implementing these measures. However, Clinton Golden, labour adviser of the ECA/G Mission on 28 December 1949 considered Powell's attitude of lacking effective relationships with the Greek labour as the principal cause to undermine his efforts to reorganize IKA. After 15 months efforts the notion was abandoned. Further causes for the failure of this programme were: "Powell's serious lack of diplomatic skills and the increasing viciousness of the private physicians' propaganda campaigns against the IKA and the Americans, who tried to revitalize it".[1] Furthermore, the Athens' Right Wing establishments also supported the local medical associations, who were opposed to any reform in IKA services and feared the reformist zeal of the American New Dealers.

In the first year 1948-49 of the European Recovery Program the total proceeds in the counterpart fund ECA account to the Bank of Greece amounted to 1412 billion drachmas: 530 billion drachmas financed reconstruction; 500 billion drachmas covered the budget deficit; 72 billion covered the ECA Mission expenses; and 310 billion were frozen for extraordinary expenses and check of inflation. Considering the appropriation of 1102[2] billion drachmas, the frozen amount was very reasonable to counterbalance any adverse development in the balance of the budget. Therefore, the counterpart funds contributed enormously to the rehabilitation and reconstruction of the Greek economy. However, the increased need for food limited any further funds to finance more reconstruction projects.

According to the Chief of the ECA Mission Nuveen, on 10 May 1949 the

[1] Letter of James Warren Jr to Professor David Close, 3 October 2000, Washington D C.
[2] These data are taken by the Annual Report by the Governor of the Bank of Greece on the balance of the fiscal year 1953, p 125.

total amount of drachmas already withdrawn from the ECA account were 638 billion (equivalent to $63,800,000): 27,400 million had been used on water and power development; 272 millions on industrial and mining surveys; 25,220 million on farm mechanization, ground and water development, and public services; 171,850 million on transportation facilities; 1,358 million on tourism; 5,400 million on public health including construction of hospital buildings and sanitation projects; 172,095 million on building reconstruction, and 216 billion drachmas to reimburse the Greek government budget for refugee relief and resettlement expenses ($6,5 million). Some of the AMAG funds were used in addition during this period to complete certain of the AMAG projects, such as the completion of works for the opening of the Corinth Canal and the construction of railroad bridges and tunnels in the Athens-Salonica line.[1] The data given by the Bank of Greece as compared with the Mission's data are equivalent, because the latter included $6,5 million (142,500 million drachmas) for the resettlement of the refugees, which the Bank of Greece account included in the budget deficit.

In conclusion, the amount of aid, allotted to Greece for this fiscal year, was tightly drawn to permit effective implementation of the reconstruction programme. The drawing rights of $80.8 million were less in proportion to the direct dollar grant of $161.4 million, since the Western European countries were not yet able to provide the needed products for Greece. Thus, the reconstruction achievements were influenced by the current needs and budgetary requirements which increased by the prolongation of the Civil War, while the economic policy was focused on avoiding galloping inflation through the continuation of the sales of gold sovereigns by the

[1] Nuveen to Hoffman & Harriman, 10 May 1949, RG 469 / 1208 / Box 11 / file 6 NA.

Bank of Greece, in order to achieve financial stability. Finally, although a balanced reconstruction and development programme required more generous dollar aid and drawing rights for the Greek economy, recognizing the weak position of Greece vis-à-vis the other ECA countries, for every dollar in imported machinery and equipment Greece was needed to match an equivalent amount of drachmas for labour expenses and to provide raw materials for reconstruction investment projects. Since every investment project needed a period of two to five years before to give results increasing the production of goods, all drachmas expenditure were inflationary. Therefore, the American planners were forced to limit the level of reconstruction to the capacity of the Greek economy to absorb development investment without the threat of causing further inflation and undermining the efforts for the stabilisation of the Greek economy.

Chapter Three. The second period of the Marshall Plan in Greece from early Autumn 1949 to the outbreak of the Korean War in June 1950

At the end of August 1949 the Civil War was concluded and the country returned to a degree of normality. The Greek people expected their living conditions to become better. While 1949 was the year of victory over the Communist guerrillas and the country achieved internal security, according to the public statement of the Ambassador Grady on 25 October 1949, the year 1950 could be a year of hope and opportunity for Greece to make progress towards reconstruction and development. Political stability was a precondition for economic progress. This stability was dependent on the attitude to and cooperation of the political parties with regard to the outcome of the forthcoming elections, because they all supported a form of proportional representation and not that of a first-past-the-post electoral system to enable a strong one-party government to emerge. In parallel, the American experts favoured a demilitarization policy in order to assist the Greek government to focus all its efforts on economic recovery, because the country had lagged behind the other European countries.

In this chapter the political, economic and social dimensions of the Marshall Plan's second period from autumn 1949 to the summer 1950 in Greece will be analysed. The first issue concerns the establishment of a demilitarization policy by the American planners in order to assist the Greek government to focus its efforts on the reconstruction and development of the Greek economy, and the Marshall aid allotment to Greece for the second year 1949-50. The second part of the analysis concerns the roles of the ECA Mission in Greece, the American Embassy in Athens and the Greek government in the implementation of the Marshall Plan's objectives with regard to the policy-making process. The impact of the 'Grady letter' on Greek internal affairs will be analysed, because the American Ambassador by this letter, which he sent to the prospective Greek Prime Minister and to the press, intervened in the internal affairs. It put pressure on certain Greek politicians to undertake, seriously, their responsibilities regarding economic necessities and to consider the lack of progress in the reconstruction of the country. The third issue of the analysis will deal with the established economic policy of the Greek government from autumn 1949 to summer 1950. In particular, the policy of selling gold sovereigns and credit, pursued by the Bank of Greece with American planners' support in relation to the inflation and the prices-wages issues, will be analysed. The fourth part of the analysis will deal with the contribution of the Marshall Plan's 'counterpart funds' to the Greek national budget with regard to revenue and expenses as well as to the balance of payments through imports and exports. Finally, the analysis will consider the contribution of the Marshall planners and the 'counterpart funds' of the fiscal year 1949-50 to the reconstruction and investment of the Greek economy in relation to the efforts to reform governmental administration and enforce structural reforms.

3.1. The demilitarisation policy and the Marshall aid allotment to Greece for the second fiscal year 1949-50

After the conclusion of the Greek Civil War in autumn 1949 the American Administration supported a reduction in the size of the Greek Army. Grady advised the Greek government to reduce the army to a size within the limits of the regular budget. He stressed the chance for Greece to lighten its enormous military expenditures and to sustain a smaller armed force than the present one of 200,000 men but which could be even more effective. The Greek government agreed to this proposal and on 26 October 1949 the Greek Prime Minister Alexander Diomedes announced a speedy reduction of 50,000 men in the size of the Greek Army by 31 December 1949, brought that close to a desired figure of 147,000 men, despite the reluctance of the Greek military establishment. The American planners asserted that reductions in army size could "save dollars, which can be invested in equipment".[1] During 1950 tentative plans called for a further reduction of 66,000 men, bringing the strength of the Greek Army to 80,000 men by the end of the calendar year 1950. However, the American Ambassador tried to plan a demobilisation of the military forces after an agreement with the Greek government and the Greek General Staff, principally with Marshall Papagos.

Although Grady on 7 November 1949 emphasized the need of reducing funds from capital equipment programme for that year for the Greek Army, he rejected, as Van Fleet did, a $50 million cut that the State Department supported, agreeing only to a $30 million cut, because so large a reduction would cripple the American general plan to leave a modern effective force in Greece. Grady also asked the State Department to avoid any announcement on a reduction of size for 1950, because this "would be harmful"[2] for the whole effort of the American aid in Greece since this policy would arise strong opposition from the military establishments, created by Civil War emergencies. However, on 7 December 1949 Grady gave besides another external aspect of the established demilitarisation policy in Greece: he stressed that worldwide demands on US production and capital, and

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[1] Grady to Secretary of State, 3 November 1949, RG 469 1208 / Box 19, NA.
[2] Ibid

the real position of Greece in US fundamental strategy, also indicated a desirable reduction of the army at the end of winter 1949.

On 30 December 1949 the Chief of the ECA/G Mission, Paul R. Porter, in his New Year message, also outlined the achievements of the Marshall Plan in Greece and emphasized further objectives in order to complete and stabilize these gains. He called for an effort to decrease budget deficit in order to permit the necessary financing of the new industries and agricultural development since these projects required both dollars and drachmas for completion. While the American government provided generously for dollars, "drachmas can be obtained only by rigid economy in military and civilian expenditures."[1]

Despite the great reduction in the armed forces, military expenditure seemed to exceed the previous budget estimates of the Minister of Finance. This development forced Grady to write on 17 January 1950 a letter to John Theotokis, who was the Prime Minister of the Caretaker government for the elections due in the following March. The American Ambassador emphasized the need to limit further military expenditures. He suggested the abolition of reservists' family allowances, the revision of pension legislation, the merging of the three military ministries and the further reduction of military personnel by 18,000 men in a two-month period, in order to cut further administrative expenses. In addition, Grady advised Theotokis to implement these measures despite the probable opposition of the military establishments, on the grounds that only the political government had the responsibility for such decisions.

At the same time Grady asked General James Van Fleet, Director of

[1] Porter to Dennis, 30 December 1949, RG 469 1208 / Box 14 / file 1, NA.

JUSMAG, and Marshall Papagos, then Chief of the Greek Armed Forces, to consider additional measures to meet further economies concerning the needs established during the Civil War. The principal objective of the demilitarisation policy was immediate cuts, aimed at reducing military expenses and to cover the total budget deficit, which exceeded the initial estimates by 20 percent. Although military expenditure was over 40 percent of the national budget and any plan to reduce its deficit seemed to be desirable, the government of Theotokis under the pretext of a caretaker government refused to implement any measure to decrease the military budget, forcing Grady to send the Prime Minister a letter criticizing the attitude of his government. This government was hesitant to get involved in such a question before the spring elections and, given the popularity of the military establishment, any attempt to abolish the family allowances for conscripts would have critical social and political repercussions. Greek politicians preferred the option of an increase in American aid to meet the budget deficit, rather than cutting military expenditures and privileges. In addition, the men about to be discharged from the army would certainly increase the number of the already numerous unemployed. In Corfu, the birthplace of Prime Minister Theotokis, "the newly released men from the Army also constituted a serious problem".[1]

Despite the strong opposition of the Greek military establishment to carrying out further reductions in the armed forces, under the pressure from the American Ambassador, the Greek General Staff adopted the size of 80,000 men as a peacetime size of the Army. This objective was to be reached by the beginning of 1951, while an urgent first reduction to 114,000 men was put on hold by 1 June 1950. However,

[1] Labour Attaché British Embassy, Athens to FO, received 6 March 1950, FO 371 / 87790 / 2181 / 1950 / PRO

given the refusal of the caretaker government to adopt such measures, all these plans were to await the final decision of the new government formed after the elections on 5 March 1950.

On 31 March 1950, Grady demonstrated his support for the demilitarisation policy by making it known by a letter to the prospective Greek Prime Minister Venizelos that "an adequate financial plan should include measures which sharply curtail government spending on current account, including the armed forces, in order to provide funds for capital investment".[1] The principal objective of the demilitarisation policy was to reduce the military expenditure of the budget to facilitate the undertaking of a large-scale investment programme for a short period of time. Porter also considered that reduction of the Greek armed forces would permit a manageable budget and emphasized that "the Greeks will be required to cut Government expenses, most likely in the military, in order to qualify for the power program".[2] The same month, General Collins, Chief of Staff of the US Army, who visited Greece at the end of March 1950, supported a decrease in the US military personnel in Greece and a reduction of the Greek Armed forces to 93,500 men. General James Van Fleet had also emphasized that "the army reduction was in line with current American thinking in terms of security and national confidence".[3]

Although the US Embassy in accordance with the ECA/G Mission promoted strongly a reduction of the military forces, and a curtailment of total military expenditure in order to cover the budget deficit, as well as to secure further resources and divert them towards the reconstruction programme, they failed. The

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[1] Grady to Venizelos, 31 March 1950, RG 469 / 1227 / Box 8 / file 3 NA.
[2] Memorandum of Conversation in the Sate Department, 8 March 1950 RG 59 / Decimal files / Box 5403 / NA.
[3] New York Herald Tribune, dated 29 / 1 / 1950, p. 21.

American administration, and not the Greek politicians and the military staff, supported the demilitarisation policy, which was implemented for only about eight months. The causes for the failure of this policy were new international developments from the outbreak of the Korean War, because these developments created new commitments for the American administration in international affairs and called for a new orientation of American foreign policy, forcing the US government to undertake an enormous economic burden in the rearmament process. When American policymakers subordinated the demands of European recovery to those of defence, and Congress shifted funds from the Marshall Plan appropriations to the military assistance programme, the US representatives in Greece were also forced to abandon the demilitarization policy. However, in the case of Greece the question was not exactly rearmament, since the country maintained a strong military force, but the replacement of equipment, which had become obsolete. These commitments of Greece concerning collective security increased the responsibilities of Greek politicians towards the development of the Greek economy.

During the fiscal year 1949-50 a demobilisation of the army and reduction in military activity was enforced by the American administration. The size of the army was steadily reduced by 30%, which affected consumption of all fuels, feed and food. However, the outbreak of the Korean War reversed this trend and the next year 1950-51 an increase in the operation activity of the Greek army emerged. While US military aid to Greece amounted to $158.7 million in 1948-49, the following year 1949-50 it decreased to $22.5 million, showing the willingness of the American administration to facilitate the establishment of a demilitarisation policy in Greece. However, the next year 1950-51 the US military aid to Greece rose again to $83 million in order to assist Greek government to assume its commitments in the establishment of a rearmament policy after the outbreak of the Korean War.[1]

Concerning the economic programme of the Greek government, submitted to the OEEC for the fiscal year 1949-50, the request for direct aid was $198.1 million. Greece also needed a large amount of net drawing rights with the other ECA countries. The ECA/W tried to decrease direct aid and increase indirect aid to Greece in order to promote intra-European trade. The European core countries intended to give more industrial goods to Greece, but they refused to receive Greek agricultural products in return. The Greek Government were opposed to this development because of the difficulty to increase the export of its products, such as tobacco, raisins and wines, to Western European markets since Greek products were more expensive than the those of other countries and therefore semi-luxury goods. Until the summer of 1950 this situation was the rule in the Greek effort to increase exports and decrease European industrial imports. While the OEEC Council allotted $170 million to Greece, for 1949-50 fiscal year ECA direct aid was $156,300,000 and indirect aid $107,300,000, amounting to a total of $263,600,000. Given the total ERP allotments, which had been initially established by the Congress at $3.6 billion from July 1949 to June 1950, Greece's share of $263.6 million seemed to be satisfying to the ECA/W but not to the Greek government.[2] However, this amount increased to $274.6 million by $11 million granted to Greece in June 1950.[3] Although the ECA/G Mission supported Greece's proposals, it was forced after ECA/W directives to work in close cooperation with the Greek Government to

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[1] All these data are taken from the table Greece of the US Foreign Assistance, Lincoln Papers, Box 9, Truman Library

[2] All these data are taken by the Annual report of the Governor of the Bank of Greece- year 1949.

[3] Porter to Hoffman, 13 September 1950, RG 469 / 1208 / Box 29 / NA.

revise the previous programme for 1949-50 following the final aid allotment to Greece by the ECA/W. Given the budget deficit which required about 60 percent of total available counterpart funds in the previous year, which decreased the reconstruction effort, and also, given the military and refugee requirements, Greece needed more Marshall aid to become a normal participant in the European Recovery Program.

Although the 1949-50 programme was originally intended to cover 33 percent of the whole expenditure planned in the long-term programme, the 1949-50 revised programme covered only 22 percent of this, resulting in an extension of the time required for the completion of the overall long-term Marshall Plan and it made necessary for Greece to receive a great amount of aid the next year 1950-51 in order to establish power electricity projects in order to increase production in agriculture and industry. However, the long-term effects of the Civil War, the refusal by the Government to take responsibility and peculiar features of the Greek economy, such as budget deficit arising from extraordinary state expenses, civilian and military, prevented the planning of further reconstruction projects for the 1949-50 year.

3.2. *The roles of the Greek government, the American Embassy and the ECA Mission—The 'Grady Letter'*

On 23 September 1949 the new Chief of the ECA Mission, Paul R. Porter, outlined the general policy of the ECA Mission in Greece before a staff meeting. He emphasized that the problems of the Greek economy were manageable, even though these were so complicated, and in some respects significantly different from those of other OEEC countries. Also, although he did not intend to enforce major changes in the organization of the ECA/G Mission, he supported a gradual decline in the personnel of the ECA/G Mission. The primary functions of the ECA in Greece were "to administer financial assistance and give economic advice to the government".[1] He advised that all ECA Mission's divisions in Greece should assume proper advisory status, leaving gradually their operational works to the Greek government. The ultimate aim of this activity would be to build up the country so that it could stand by itself when the US would terminate its programme in Greece. He emphasized the need to concentrate the efforts of all the Americans, accepting the articulation of different views while policy was in the process of being formulated. However, he pointed out that in the implementation of the established policy there was need for cooperation not only in the ECA Mission but also with all the other American Missions, avoiding different voices in the conduct of US foreign affairs. As in other ECA countries, "the Ambassador, as the personal representative of the President"[2], should express the overall American policy.

Since the Greek political and economic establishments were focused on Athens and reflected a reluctance to exercise economic authority implementing measures for the rehabilitation of the economy, Grady decided to keep in close contact with the people in the provinces. While economic progress was far from satisfying, American planners were exasperated with the overriding interest of the Greeks in political questions without regard to the economic problems of their country.

Under these circumstances Ambassador Grady as well as Porter took the opportunity in regional conferences to emphasize to the Greeks the need to be

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[1] Grady to McGhee, 26 September 1949, RG 59 / Decimal file 1945-49 / Box 7069 / NA.
[2] Ibid., p 7.

committed to reconstruction. These conferences were organized by the Greek Ministry of Coordination in cooperation with the ECA Mission in Greece in order to stimulate the Greek people in the provinces to assume their role in the implementation of the Marshall Plan's objectives. In particular, "Doxiades was the brains, energy and spirit behind this operation".[1] The Chief and officials of the ECA, the relevant Greek Ministries and local authorities participated in these conferences. Also, working parties were established to consider the various sectors of the economy such as agriculture, industry and communications. Grady addressed the first meeting in Salonica on 12 November 1949 and emphasized that "American aid was not a crutch to lean upon, but a tool which must be used to its every advantage".[2] The same day Porter in this regional conference on Reconstruction tried to reinforce a spirit of solidarity and fairness among the Greeks. He stressed "the necessity for putting the common welfare above all personal or sectional interest...he also hoped to see a greater contribution from the rich to the cost of the reconstruction during the coming years".[3]

During the same month, Grady made a tour around the provinces and delivered speeches to enthusiastic crowds at cities such as Kavalla, Larissa, Ioannina and Patras. His speeches focused on the importance of the American aid to the recovery and the responsibility of the Greek people to contribute to this objective. Although the Ambassador, in his speech on 18 November 1949 at Kavalla, stressed that "the urgent need for winning the battle of production"[4], after a few days, in Larissa city, he gave a very political speech. Along with a call for sacrifices from all

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[1] Oral interview with James Warren Jr by Apostolos Vetsopoulos, 4 April 2000, Washington DC.
[2] Roper to Bevin, 24 November 1949, FO 371 / 78461 / 1102 / 1949 / PRO
[3] Weld-Forester to Norton, 16 November 1949, FO 371 / 78367 / 10114 / 1949 / PRO.
[4] Weld-Forester to Norton, 23 November 1949, FO 371 / 78367 / 10114 / 1949 / PRO

the Greek people, for efficient planning by every division of the government and for commitment of the present government to conduct elections, Grady emphasized that "a democratic government must be directed by a well-balanced group of men, a group made up of farmers, mechanics, merchants, industrialists, lawyers, doctors, clerks...and perhaps even politicians".[1] These remarks annoyed the old politicians as they considered these views a criticism of the Greek political system and an indication of Grady's aspiration to intervene directly in the internal affairs of the country. Grady through his speeches in various cities intended to mobilize the Greek people in the provinces to assume their own responsibilities towards the reconstruction of the country in order to vote for competent politicians in the elections, which were due early the following spring 1950. The Greek people seemed to share his convictions and views, when he criticized the past administration pursued by the Greek politicians.

On 10 January 1950 the Assistant Secretary of State for Near Eastern Affairs (NEA), George McGhee, wrote to Grady that the situation in Greece had improved and stressed "the spirit of confidence of the Greek people"[2]; Grady therefore felt able on 20 January 1950 to ask McGhee, to relieve him from his post in Greece because the emergency conditions caused by military, political and economic problems had been solved or were on the way to being solved. The Civil War had ended, the economy was efficiently supported by the ECA under the leadership of Paul R. Porter, and the political matters, after the imminent elections in 31 March 1950, would be stabilized. Therefore, the new Ambassador should focus his efforts on political matters only, while Porter was able to direct the already defined US

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[1] Roper to Bevin, 24 November 1949, FO 371 / 78461 / 1102 / 1949 / PRO.
[2] McGhee to Grady, 10 January 1950, Grady Papers, Box 1, Truman Library.

economic policy to Greece through the ECA Mission, which was an organization in good shape.

Political stability was a precondition for economic progress and this stability was dependent on the attitude of the political parties to the outcome of the forthcoming elections. The results on 5 March 1950 elections reflected the desire of the Greek people for something new and the electorate moved from the right to a little left of center. Given the results, the Americans preferred a coalition government of the three Centre political parties under the premiership of Nicholas Plastiras, who had attracted large numbers of votes. Clinton Golden, labour adviser in the ECA/W, on 19 March 1950 emphasized that "the Greeks showed a lot of political and democratic sense after so many years of internal disorder and various kinds of repression. As we understand it today, it looks as if Plastiras will form the new goverment".[1]

Although the four leaders of the Centrist parties, Plastiras, Tsouderos, Venizelos and Papandreou, on 12 March 1950 agreed in principle to form such a government, which was consistent with the general trend of the elections results, Sophocles Venizelos staved off this conclusion, and with the support of the King attempted to form a coalition government with the support of the Populist Party. The principal cause of this political manoeuvre was the historic distrust felt by the Palace for Plastiras, because the latter had been the leader of the Revolution in September 1922, following the Asia Minor disaster which had forced King Constantine I, father of King Paul, to abdicate and King George II, brother of the King, to go into exile in October 1923. However, the real cause was that the Palace

[1] Golden to Strachan, 19 March 1950, Strachan Papers, Box 1, Truman Library

considered that he might lead a government, which would decide to acquit communists and fellow travellers of charges arising out of the Civil War. Moreover, as the outcome of the election reflected support for democratic elements, "certain circles of the Palace, with assistance from different politicians, wanted to hinder any such political developments that would bring to power these elements".[1]

Ambassador Grady seemed unable to accept the formation of such a weak coalition government led by Venizelos. This politician, coping with difficulties in getting a vote of confidence in the following session of parliament, sought the support of the British and US Embassies to no avail. Grady assured him that they did not intend to intervene in Greek internal political affairs, such as the formation of a government. When the American Ambassador in a discreet manner revealed his attitude towards the prospective formation of the government, and Venizelos was not persuaded to give up his efforts to shape the government, on 31 March 1950 Grady sent him a long letter, a copy of which was also given to the press. In this letter Grady wrote that he "felt it was necessary to call his attention to responsibilities of the Greek government in connection with the large sums of money that it was getting from the US."[2] The Ambassador was forced to take this action owing to a three-month standstill in the ECA's efforts during the previous period of caretaker government. The letter was a judicious mixture of forcefulness, tact and an ultimatum, which implied that only a competent government with popular support would be able to carry out reforms and recovery. Although Grady's action was unpopular with Greek politicians and went beyond usual diplomatic practice, his intervention, which was the most crucial American direct involvement

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[1] Oral History Interview with Spyros Markezinis by Theodore Wilson, p 60, Truman Library
[2] Henry Grady, Adventures in Diplomacy, chapter XII, p 208

in Greek political affairs, "had been prompted by the real urgency of the country's situation".[1] Grady wrote the letter for economic as well as political reasons. The contents of the letter outlined the economic programme which any prospective stable government was expected to implement in order to bring about the recovery of the economy. This economic "program in its essentials was a New Deal effort".[2]

Although the letter was addressed to Venizelos, it stated that it was intended as well for the new parliament and the Greek people. Its overall purpose was to call the attention of all of them to the critical period which "had been reached in the recovery of Greece".[3] The letter emphasized that only two objectives of American aid had been accomplished, military security and relief from distress, while efforts towards eventual Greek independence from the need for foreign aid, the development of a power grid programme, the establishment of new industries and the improvement of agriculture, had not been achieved. In particular, this programme required the full utilization of economic assistance through a stable and efficient government, which would be able to implement a long-term policy in a climate of political and economic stability. The Greek people would have to suffer temporary hardships in return for future benefits. The overall economic programme should include concrete measures, which were intended to contain inflationary pressures and to inaugurate institutional reforms towards greater administrative efficiency. Under these conditions the government would be able to undertake a programme of large-scale investment to execute the reconstruction stage of Greek recovery. Also American planners considered all of these measures indispensable to

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[1] Norton to Bevin, 9 January 1951, FO 371 / 95106/ 1011 1951 / PRO
[2] Henry Grady, Adventures in Diplomacy, chapter XII, p 209
[3] Grady to Venizelos, 31 March 1950, RG 469 / 1227 / Box 8 file 3 / NA.

the accomplishment of a major capital investment programme. Consequently, the Greek parliament needed to adopt these measures if "they wish to continue to receive American aid and, hence, to accept the responsibilities which will attain its purpose".[1]

The letter caused critical political repercussions. Venizelos interpreted the letter as an attack on his political position and his prospective Populist-Liberal coalition government withdrew on 15 April, to be replaced the same day by another coalition government of the Centrist parties under the premiership of Plastiras. Venizelos was offered the Ministry of Foreign Affairs. Moreover, this letter offended King Paul, and some newspapers such as the independent Liberal Eleftheria were very irritated by Grady's action, regarding his intervention as unacceptable. The Plastiras government was the focus of steady intrigue from palace circles. Although the King of Greece was a constitutional monarch, he intended to intervene in political issues and was encouraged to do so by Queen Frederica. American planners considered the prospective government of Venizelos not be cooperative with them because that politician in the past had created an atmosphere of distrust and misunderstanding between Greek government and the American representatives owing to his constant manoeuvring on critical questions. Grady maintained that Venizelos "had been responsible for the fall of a number of Governments during the time I was Ambassador" and this "political group under the leadership of Venizelos were concerned entirely with their political fortunes and little with the problems of Greek recovery".[2]

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[1] Grady to Venizelos, 31 March 1950, RG 469 / 1227 / Box 8 / file 3 / NA.
[2] Henry Grady, Adventures in Diplomacy, chapter XII, p 208, Box 5

In general, the Ambassador's letter blamed past Greek administrations and was "regarded as a slap in the face to the Greek political world".[1] But the measures proposed in the letter were necessary to heal the structural shortcomings of the Greek economy. Thus, the letter emerged owing to the failure of previous governments to realize that major and binding decisions had to be taken to secure the provision of American capital funds for the execution of the great reconstruction projects. An American intervention in Greek internal affairs was also necessary because Greek politicians did not favour the transformation of the parasitic elements of the economy, where most people aspired to become public servants, while the budget deficits increased constantly. The curtailment of the budget deficit and the abolition of factors such as profiteering of merchants and importers and the excessive numbers of civil servants, had to constitute a principal objectives of any prospective Greek government. Both the American Under Secretary of State, Dean Acheson, and George McGhee, the new Director of the Office of Near Eastern Affairs of the State Department, approved the measures included in the Grady letter. The latter, when he received a letter of complaint from Venizelos about Grady's treatment of his government, "stressed once again the importance of the Liberal party's full cooperation with the other members of the Coalition".[2] Furthermore, the Special Assistant to the Secretary of State for Press Relations, Michael McDermott, expressed the satisfaction of the US government with the recent governmental change in Greece, because the Plastiras government commanded a broader parliamentary basis to carry out the reconstruction programme. The American administration was not interested in the formation of a specific Greek government,

[1] Weld-Forester to Norton, 5 April 1950, FO 371 / 87646 / 1015 1950 / PRO
[2] Norton to Bevin, 2 June 1950, FO 371 / 87644 / 1013 / 1950 / PRO.

but intended to cooperate with any stable government, based upon the will of the Greek people. Unstable governments prevented the recovery of the economy and the reconstruction of the country because they led to delays in adopting urgently needed administrative reforms and financial measures, such as tax revenue increases, drastic cuts in non-essential expenditures and government and administrative reorganization.

The stability of the Centre coalition government was affected by the attitude of Venizelos, who relinquished his office in May 1950 and made critical comments to the press condemning the weakness of Plastiras in assuming the responsibility of the premiership. Although further elections seemed to be necessary in order to form a more efficient government to deal with the enormous economic questions, the US administration favoured the maintenance of the existing coalition government since the Americans considered that the Minister of Coordination Emanuel Tsouderos, a prominent economist, would be a conciliatory factor in implementing essential economic measures. However, he was unable to assume this role and to make decisions on urgent economic issues so that "he turned out to be a disappointment."[1]

Grady's letter to Venizelos gives the impression that the real author was Porter and not the Ambassador. But Grady, as head of all American Missions in Greece, took the responsibility of addressing this letter to the politicians as well to the people. That action showed the effective understanding and cooperation between the two American representatives, the ECA Mission and Embassy in forming a single and united American policy towards Greek affairs. Porter on 3 April 1950 asserted that the letter "expressed view of both Embassy and ECA/G".[2] Porter later

[1] Oral Interview of James Warren Jr with Apostolos Vetsopoulos, 7 April 1998, Washington DC.
[2] Porter to ECA/W, 3 April 1950, RG 469 / 1208 / Box 21, NA.

revealed that "both the Ambassador and I participated in preparing the letter that he sent to the Prime Minister Venizelos. It was decided that it would be sent in the Ambassador's name to make it evident that it was an official expression of American policy."[1] However, King seemed to be dissatisfied with Grady's intervention, which brought to power General Plastiras. The Palace kept the Ambassador at a distance during the last period of his service in Greece. Grady left Greece on 23 April 1950, hurt and disgusted by the attitude of Palace, without taking leave of the King.[2] In May 1950 when the State Department approved Grady's transfer to Iran, it was considered by the Palace that the cause of his new position was the strength of the Palace and that it won Grady. However, Grady from January had expressed his willingness to leave Greek field, since he was appointed to deal with an emergency there and after Civil War was over.

The period of Grady and Porter's appointment in Greece from October 1949 to April 1950 was the most productive of the whole period of Marshall Aid. The cooperation of the American representatives in shaping policies facilitated recovery and reconstruction programmes in Greece. Porter revealed "Ambassador Grady and I had close and harmonious relationship. An office for him next to mine was maintained in the Tameion building and it was his practice to come there each day at which time I informed him of new developments and invited his advice which I valued."[3] The Ambassador's efforts to implement the complex objectives of US foreign policy in Greece were appreciated by President Truman. He stated that this

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[1] Letter of Paul R. Porter to Apostolos Vetsopoulos, 16 August 2001.

[2] In particular, Queen Frederica was very jealous of Grady's wife, because Mrs Grady was very popular with the Greek people when she organised special events such as the 'Week of Work and Victory' in March 1949, which attracted huge crowds of people Thus, Queen Frederica considered Mrs Grady' influence on Greek people as a cause of diminishing her popularity.

[3] Letter of Paul R. Porter to Apostolos Vetsopoulos, 16 August 2001

success was based on Grady's "executive vigor as Ambassador and Chief of the AMAG Mission during the past two years."[1] On 27 June 1950 British Ambassador Norton wrote to Grady that "the outstanding recovery of Greece from the depths of gloom at the end of 1948 was the measure of the success of your mission".[2]

Under these circumstances, on 13 June 1950 US Chargé d' Affaires Harold Minor and Paul R. Porter came to a decision to intervene in the political stalemate. On their request, the Inner Cabinet, made up of the Prime Minister and the most important Ministers such as these of Coordination, Finance, Economy and Reconstruction, were assembled and the two American representatives "made it quite clear that new elections were undesirable and that, in view of the support the Government had in the Chamber and the country, they would continue to enjoy the full confidence and support of the Americans if they would only get on with the job".[3]

Although this Centrist coalition government, led by Plastiras, received the support of the Americans and brought about the adoption of a good budget, an orderly basis for civil servants' pay, the establishment of an electric power agency and drew up useful administrative reforms, it was not able to survive for more than three and a half months. This was because of the ambitious and hostile attitude of Venizelos, who wished to become prime minister, the increasing financial difficulties caused by the outbreak of the war in Korea and the dispute among the leaders of the Coalition Government on the question of lenient measures towards the communist detainees. Although American planners expected that Plastiras would be

[1] Truman to Grady, 22 May 1950, Grady Papers, Box 3 / Truman Library
[2] Norton to Grady, 27 June 1950, Grady Papers, Box 1
[3] Norton to Bevin, 16 June 1950, FO 371 / 87644 / 1013-18 / 1950 / PRO

able to carry out far-reaching and radical reforms and mobilize public support inspired by a similar spirit to the American New Deal, he failed because the other left-centre politicians of his Coalition Government, such as Tsouderos, Papapolitis and Alamanis, were reluctant to enforce social reforms and government restructuring for the benefit of the whole community. In a coalition government the formation of an overall policy proved to be impossible, since members of the Cabinet tried to support personal interests, which were extended to the interests of the economic establishments. This time the new political crisis reflected the failure of the old political parties to deal with the serious economic problems and forced the American administration the following year to decrease the allocation of Marshall aid to Greece.

3.3. *The economic policy of the Greek government from autumn 1949 to summer 1950: The policy of gold sovereigns and credit in relation to the inflation and prices-wages issues*

In Greece, on 17 September 1949 the 30.5% devaluation of the drachma against the American dollar ($1=15,000 drachmas) was internally successful. It followed the same devaluation of the British pound against the dollar. The cost of living remained relatively stable, no substantial pressure developed for open-market dollars and the pre-devaluation drachma price of the gold sovereign was maintained. The contribution of Paul R. Porter was decisive in dealing with the emergency problems arising from the devaluation of the currency, which took place a few days after the coming of the new ECA/G Mission's Chief to Greece.

During the second year of the Marshall Plan the economic policy which had been established by the Bank of Greece the previous year continued. The principal objectives of this policy were financial stability and a balanced budget through measures such as the selling of gold sovereigns, control by the CLC of credit productivity to avoid further inflation and an increase in state revenues. These financial and credit policies were planned by the Bank of Greece in cooperation with the Currency Committee. The control of currency circulation and credit was indispensable for the reconstruction of the economy.

On 16 September 1949 George Mavros, Minister of National Economy, and Charles Terrell, the Administrator of the FTA, stated that "the drain on Bank of Greece gold sovereign reserves, which had reached alarming proportions at the beginning of the year, was now reversed and that the public was now selling sovereigns to the Bank".[1] The increase in bank deposits and the decrease in the selling of gold sovereigns, following the stability in the purchasing power of the drachma, showed that the economy had improved despite the 30 percent devaluation of the drachma against the dollar. In parallel the State continued to subsidize basic consumer goods to avoid further inflation from the devaluation of the currency. However, this trend was not permanent but it lasted until the end of 1949.

Although the currency circulation increased from 1,355,700,000,000 drachmas in August 1949 to 1,858,600,000,000 drachmas in December 1949, the cost of living index stabilized from 278.6 in August to 283.3 in December 1949 (1938=1), despite the 30 percent devaluation of the drachma against the dollar. During the first semester of the year 1949-50 the stability in the purchasing power of

[1] Cromie NEA of the Department of State· Memorandum of conversation, 22 September 1949, RG 59 / Decimal file 1945-49 / Box 7068 / NA.

the drachma and the increase in currency circulation facilitated an increase in economic activity and a greater degree of confidence by the people in the drachma. The factors for this amelioration were the payments to the State from the Bank of Greece Counterpart funds account, which reached 787 billion drachmas, and the bank credit to the production sectors of the economy, which amounted to 848 billion drachmas. This assistance also increased agricultural and industrial production, which almost approached prewar levels. While the total outstanding bank credits reached 1,318,800,000,000 drachmas in December 1948, it amounted to 2,276, 760,000,000 drachmas in December 1949, which was a 63.3 percent increase.[1] In June 1950 bank credit totalled 2,397,446,000,000 drachmas. Therefore, the Currency Committee and the CLC limited the approval of bank loans in the second semester of the fiscal year 1949-50 (January-June 1950) because in the first semester (July-December 1949) the total of these loans was high.[2] In June 1950 the cost of living stabilized at 295 (1938=1) and currency circulation fell to 1,652,700,000,000 drachmas.[3] From January to June 1950 the policy of the Currency Committee and the CLC aimed to limit credit and to reduce currency circulation, supported by unrestricted sales of gold sovereigns by the Bank of Greece, in order to achieve financial stability.

During 1950 the policy of providing long-term loans through ECA aid to various sectors of the Greek economy under the control of CLC continued as in the previous year. However, the procedure and time for approval were shortened. These

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[1] All these data are taken from the Annual Report of the Governor of the Bank of Greece for the year 1949, which is included in the Archive of Eonomic & Social Sciences, edited by Dimitrios Kalitsounakis, Volumes 27-29 (1947-1949) (Athens. Hestia, September 1950), p 126.

[2] All these data are taken from the Monthly Bulletin, Dec 1951, Vol. XVI, No 48, Athens, Bank of Greece

[3] These data are taken from the Annual Report of the Governor of the Bank of Greece for the year 1950.

loans amounted to $28,119,400 by December 1950, and they contributed to the reconstruction of industry, agriculture, the mining industry, fishing, the railroads and tourism. The demand for these long-term loans by industrialists increased. They exerted pressure on politicians to receive such loans, because these loans were granted on more favourable terms with regard to interest rates and time limits for repayment in comparison with regular bank loans.

On 2 March 1950, despite the need for working capital by Greek industry, Paul Jenkins, Acting Chief of the ECA/G Mission, did not adopt the provision of this sort of loans to industrialists because these loans did not solve Greece's economic problems. He supported the idea that industrialists should invest in their own enterprises, using large parts of their savings that were going to speculative investments. He emphasized that "diverting large part of counterpart funds to working capital purposes will not in itself make substantial contribution to solving broader problem."[1]

The ECA experts wanted to assist the development of productive enterprises, which were relevant to the Greek economy, such as the textile and cement industries. The latter benefited from loans through Marshall aid in order to produce cement for the construction of various reconstruction projects, undertaken with American aid. On 26 May 1950 the ECA announced the approval of the second and final installment of $1,156,000 of a $2,600,000 loan to the General Cement Company of Greece, a private industrial enterprise, to expand and modernize its cement-making facilities. They also agreed to a loan to the Titan Cement Company

[1] Jenkins to Secretary of State, 2 March 1950, G 469 1208 / Box 20 / file 5 / NA.

that totalled $1,784,255 in foreign exchange and Greek currency, but no dollars, designed to increase its production to 225,000 tons a year.[1]

During this year the policy of selling gold sovereigns by the Bank of Greece continued. This policy was a fundamental economic measure supporting the stabilization of the drachma through holding the price of gold sovereigns. Although during the first semester of the fiscal year 1949-50 (July-December 1949) the selling of gold sovereigns reached about the middle of the total amount sold in the same semester of the previous fiscal year 1948-49, in the first three months of 1950 a considerable increase in purchasing gold sovereigns by the people developed despite a major fall in the international price of gold. However, the price of the gold sovereign in Greece did not follow the price of the material, which was much lower than the market price of the currency (price of currency $15 and price of gold metal only $8).

In the first half of January 1950 daily sales of gold sovereigns increased after the payment of an extra month's salary to most employees as a Christmas bonus, which caused an excess of purchasing power, spent in the gold sovereign market. However, in the following months of 1950 the market response to financial stability was positive. The demand for gold sovereigns was limited and the market price of a gold sovereign declined from 230,000 to 206,000 drachmas and then firmed at 215,000 drachmas. Also an increase in credit transactions and drachma bank deposits reflected the revival of public confidence in the drachma. Bank deposits increased from 919,218,000,000 to 1,207,979,000,000 drachmas. Finally, in June

[1] Jenkins to ECA/W, 26 May 1950, RG 469 / 1208 / Box 21 / NA.

1950 the price of a gold sovereign fell below 200,000 drachmas.[1] Re-sales of gold sovereigns by importers in order to finance larger imports at the end of the fiscal year and seasonal expansion of construction activity, which released savings for investment in building, contributed to the fall in the price of gold sovereigns.

The persistent policy of the government, supported by the ECA/G Mission, was to control market prices and wages. The conclusion of the Civil War encouraged claims for wages increases. In November 1949 a demand for a 40 percent increase in wages and salaries was made by the Greek Labour Federation. Since September 1947 the cost of living had risen from 175.5 to 283.5 in December 1949 (1938=1), while salaries remained unchanged.[2] Although for reasons of social necessity and order an increase in wages was necessary, after the abolition of bread subsidies, which caused a 25 percent daily burden to the cost of living, the Government with the ECA Mission refused any increase in wages. It would be a great strain on the budget and lead to inflation, unless accompanied by a comparable increase in productivity. On 10 November 1949 Porter defined clearly the ECA's position on the wages issue and emphasized that "the resources of [the] Greek economy do not permit any general increase in wages at this time. Any such increases would soon become self-defeating. It would start a new inflationary cycle".[3] On December 1949, although Prime Minister Diomides recognized the sacrifices of workers and employees during the Civil War, he appealed "to the working class to suspend for a time their insistence on the immediate satisfaction of their claims."[4] This refusal provoked a reaction by the General Confederation of

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[1] These data are taken from the Monthly Bulletin, December 1951, Vol XVI, No 48, Athens, Bank of Greece.
[2] Ibid
[3] Norton to Bevin, 22 November 1949, FO 371 / 78391 / 10131 / 1949, PRO.
[4] Norton to Bevin, 10 January 1950, FO 371 / 87790 / 2181 1950 / PRO

Greek Labour, which organized major strikes in December throughout the country, demanding social justice and a fair contribution to tax revenues from all the people, not only from the labouring class. However, the general strike had little success, because of the announcement of parliamentary elections, following the resignation of the government.

After the elections in March 1950 the Plastiras Government was formed on 15 April 1950. Their economic objectives were a balanced budget and reconstruction, without providing any increase in the wages level. In May 1950 the 'Steering Committee', the Economic Policy Committee, decided that the Government should not accept claims regarding the increase of prices, salaries and wages for a 90 days period. This decision caused a strong reaction by the General Confederation of Greek Labour (GSEE), which claimed a readjustment of the minimum wages and salaries as Porter had promised twice in the previous months. After ECA approval in June 1950 the Government decided to increase the minimum wage rate of unskilled workers from 14,400 to 18,000 drachmas per day for men and from 10,300 to 14,000 drachmas for women as from 1st July 1950. Several other groups of workers and salaried employees covered by individual collective bargaining agreements, as well by arbitration committee awards, also received increases ranging from 10 percent to 30 percent. Although the Government granted these wages increases, the General Confederation of Greek Labour (GSEE) continued to exert heavy pressure on the government for a general wage adjustment. While the Government also granted a 30 percent increase to civil servants, their union (ADEDY) rejected this decision and continued to insist on a 60-65 percent increase, since the cost of living had risen at least 65 percent since September 1947, when they had received their last salary increase. However, the Government, following ECA/G Mission advice, refused any further increase because it would cause inflationary pressures, less reconstruction and a larger budget deficit.

During the second year of Marshall Aid, economic policy followed the same line as the first year. The major objective of the economic policy was to hold down inflation and maintain monetary equilibrium in order to facilitate reconstruction. The Bank of Greece continued to sell gold sovereigns to the public to halt inflation. Although more loans were approved in the second year, the credit control on all bank transactions exerted by the Currency Committee and CLC decreased currency circulation without raising considerably market prices. This showed that most of the loans went to cover productive economic activities. Concerning the great labour unrest up to December 1949, this was justified by the very low income of the labouring classes in Greece, compared with that of workers in the other ECA countries. However, the shortcomings of the Greek economy, such as a budget deficit, an enormous deficit in the balance of payments and the weak drachma, prevented the Greek government from granting any great increase in wages for workers and employees. The role of American experts was crucial towards the formation of the policy by the Greek Government of avoiding any wages increases. Eventually, although the Greek Government had promised to give an increase in wages and salaries at the end of Civil War, this was given only after ninth months' delay at the end of the fiscal year 1949-50.

3.4. *The contribution of the Marshall Aid Program to the national budget and the balance of payments The 'Counterpart funds'*

During the second year of the Marshall Plan in Greece, the principal objective of the American planners was to reduce the budget deficit. A balanced budget could be achieved only by dealing with issues which fuelled the current deficit, such as the reduction of military expenditures, the liquidation of the refugee problem and the abolition of subsidies for exports or imports in relation to the increase of the taxes collected. Since the fall in world prices that took place at the end of 1949 and the devaluation of the drachma in September 1949, a policy of the withdrawal of subsidies was enforced in order to avoid a decrease in domestic price stability and to decrease the budget deficit. However, after the Korean War and the subsequent increase in world prices, this policy was abandoned. Furthermore, 610 billion drachmas from the budget of the fiscal year 1949-50 went to complete the rehabilitation of and reconstruction for the refugees, so that in June 1950 only about 5,000 refugees from the 700,000 in the spring 1949 were still awaiting resettlement to their villages. This was a great achievement of the Government, made possible by the support of 800 billion drachmas from the counterpart funds to the budget. However, some problems, such as the timely provision for tools, emerged. In this enormous operation "the ECA Mission themselves and in particular Mr. Drake, the able head of their Welfare Division, have been active throughout in smoothing over differences and exposing inertia, as well as participating from the start in the planning of the refugee budget and the repatriation programme itself."[1]

[1] Norton to Bevin, 4 January 1950, FO 371 / 87781 / 1823 / 1950 / PRO

For the fiscal year 1949-50 in the account of 'Counterpart funds', receipts and payments for the Greek state relating to the Administration of State Supplies with the Bank of Greece were: receipts by the Greek Government 1,922,000,000,000 drachmas and payments by the buyers of the sold products 3,055,000,000,000 drachmas. The remaining amount of 1,133,000,000,000 drachmas was frozen to avoid inflation.[1] The Administration of State Supplies administered the sales of Marshall Aid's goods to the market.

In the fiscal year 1949-50 the total tax returns amounted to 3,520,000,000,000 drachmas and constituted 27% of the Greek national product, which was much higher than that of the other ECA countries even though National income reached 86% of its 1938 level in 1949-50, which was much higher compared with 72% in 1948-49. The collected confirmed direct taxes amounted to 67% of the confirmed taxes and 41% of taxes in arrears from previous fiscal years. However, the proportion between direct and indirect taxes remained about the same compared to the previous year, 19% and 81% respectively.[2] This was an unfair tax system, because less wealthy people were burdened with heavy taxation, despite the pressure exerted on Government by American planners to increase direct taxes.

During the 1949-50 fiscal year the total expenses-revenues of the Greek state were reflected respectively in the receipts and payments of the Greek state to the 'Centralization of Receipts and Payments Account' with the Bank of Greece. The receipts amounted to 5,769,464,000,000 drachmas and payments reached

[1] These data are taken from the Annual Report of the Governor of the Bank of Greece for the year 1953, p 125

[2] These data are taken from the Annual Report of the Governor of the Bank of Greece for the year 1952, p 116.

6,317,536,000,000 drachmas. After a small readjustment the final budget deficit was 500,000,000,000 drachmas, which was covered through the counterpart funds.[1]

On 16 September 1949 a conversation about Greek economic and financial matters took place in the State Department between George McGhee, Assistant Secretary of State for Near Eastern Affairs (NEA), George Mavros, the Greek Minister of National Economy, professor Xenophon Zolotas, economic adviser to the Greek Minister, Charles Terrell, director of the FTA, William Rountree, assistant economic adviser to the American Ambassador in Athens and Leonard Cromie, an official of the NEA. George Mavros emphasized that the principal causes of the deficit in the balance of payments were: "(1) the overpricing of Greek products on world markets resulting from high production costs and the overvaluation of the Greek currency and (2) the loss of the prewar German and eastern European markets for Greek produce".[2] The first argument was well supported. He mentioned as an example that Virginia tobacco was sold for $0.75 per kilo, Turkish tobacco for $1.28 and Greek tobacco for $2.09. But the second argument was only ill-founded. Germany was already divided and eastern European markets had absorbed only a small proportion of prewar Greek exports. During the Marshall Plan period, Greek trade was oriented towards Western Europe, since it was dependent indirectly on American aid through drawing rights.

The loss of eastern European markets for Greek trade, which was dictated by the reluctance of the eastern European countries to buy Greek semi-luxury products, did not have any serious repercussions on its re-entry into foreign markets, because

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[1] Monthly Bulletin, December 1951, Vol. XVI, No 48, p 25, Athens, Bank of Greece, Economic Research Department

[2] Cromie NEA of the Department of State· Memorandum of conversation, 22 September 1949, RG 59 / Decimal file 1945-49 / Box 7068 / NA.

the prewar trade between Greece and eastern European countries reached a small amount of the total Greek foreign trade and the enormous deficit of the Greek foreign trade with the ECA countries was covered through Marshall Aid. However, the efforts of the Government to increase its export performance with ECA countries and other countries had very little success. Total exports reached about $73 million, as against an estimate of $92 million in the revised programme for the fiscal year 1949-50. The principal factors in this decline were "the complete failure of olive oil exports owing partly to the hoarding of the crop by the peasants and merchants and the falling off in exports of tobacco."[1]

In the fiscal year 1949-50 the total external payments of Greece amounted to $431 million: imports for current needs were $306.3 million and reconstruction was $86.6 million; invisibles were $17.7 million; the purchase of gold sovereigns by the Bank of Greece was $4.1 million and increase in Bank of Greece reserves was $16.3 million.[2] Greek foreign exchange earnings were about $73 million from exports and $54 million from invisibles. Greece also utilized about $21 million worth of German and Italian reparations, and realized $28 million as a result of capital transfers from abroad made by Greek citizens, used principally to finance ship purchases. The gap of around $255.5 million was made up by ECA aid ($121 million direct, $129.5 million indirect, including $3.9 million unused drawing rights on Italy, and $2 million technical assistance), supplemented by $3 million from the International Children's Emergency Fund.[3]

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[1] Crosthwaite to FO, 13 July 1950, FO 371 / 87725 / 1101 / 1950 / PRO.

[2] These data are taken from the Annual economic report of the American Embassy for the year 1950, 13 February 1951, pp 15-16, SD Embassy Files· 500 Greece, Index No· 1259, NA.

[3] These data are taken from the Report of Porter to Foster, 11 November 1950, p 47, Paul R. Porter Papers, Box 3, Truman Library

The Greek administration tried to increase taxes in order to decrease the budget deficit as well as the balance of payments deficit. It showed its determination to achieve its objective but insisting that all elements in the nation must contribute their fair share towards national recovery. But for four years Greek shipowners were reluctant to pay their own taxes. Despite the generous assistance of the Greek state, which became the guarantor of loans to many shipowners who bought Liberty ships on extremely easy terms of payments and at a cost of 25 percent of their original value from the United States Government in 1946, the shipowners declined to pay the agreed level of taxes-12% of net earnings which were smaller in comparison with the proportion of taxes that other countries had applied in accordance with international contracts. However, "this deal not only stimulated Greek shipping but also aided general recovery greatly by providing more tonnage to bring aid supplies to Greece."[1]

Beginning in the summer of 1949 the Greek government tried to exercise punitive measures against ship-owners, such as ordering Greek consuls abroad to refuse visas and shipping documents to delinquent Greek flag ship-owners. The ECA/G Mission did not approve of these partial measures. It intended to mediate in the long dispute between the Greek government and ship-owners union in Athens over taxation and other matters affecting the welfare of the Greek merchant marine. After the acceptance of the ECA/G Mission proposal by the Government, Myron Black, the State Department shipping adviser at the Rome Embassy, was called to proceed to Greece for a ten day conference to contribute to resolve this issue. At the end of January 1950, after the ECA/W's pressure, George Mantzavinos, Governor of

[1] The Story of the American Marshall Plan in Greece, July 1, 1948 to January 1, 1952, p. 52

the Bank of Greece, visited London and New York "to obtain settlement with Greek shipowners concerning deliquent taxes."[1]

According to the new emergency law 1411, enforced by the Caretaker Government of Theotokis in February 1950 and passed in Parliament on 23 February the first installment of the shipowners' tax was due before the end of March 1950.[2] On the last day of March only a few shipowners, and no liberty shipowners, had paid. The Ministers of Finance and Mercantile Marine and the Prime Minister therefore sent directives to shipowners' organizations and Greek Consuls in New York and London that legal sanctions would be taken against those who had not paid the first installment by April 15.

On 25 April 1950 Porter expressed to the Secretary of State, ECA/W and ECA/P the willingness of the ECA/G Mission to support the Greek government in taking these measures. The collection of these taxes was required to reduce the deficit in the budget and constituted a moral issue, supporting the governmental efforts to increase revenue taxes. The payment of these taxes was also a major source of foreign exchange. The ECA/G Mission supported the idea that "the Greek shipowner, no less than the individual Greek farmer, merchant or workman, should shoulder his fair share of the operating costs of the Greek nation, which gives him the sanction and protection of his flag".[3]

On 2 May Porter instructed the State Department about the compromise settlement between the Greek government and the shipowners. After consultation with Stavros Livanos, a leading Greek shipowner from New York, Venizelos had

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[1] Porter to Hoffman, 27 January 1950, RG 469 / 1208 Box 25 / file 6 / NA.
[2] The Official Gazette of the Greek Kingdom, 24 February 1950, Athens, First Volume, Issue 56 Emergency Law 1411 concerning the taxation of mechanically operated Greek ships for the fiscal years 1947-48 and 1948-49.
[3] Porter to ECA/W, 25 April 1950, RG 469 / 1208 / Box 21 / NA.

suggested a compromise settlement of $10 million to cover the tax liability of all shipowners for the two years of 1947 and 1948, and he threatened to withdraw his Liberal Party's support from the present Centre Coalition Government if the latter did not accept his proposal. The Government had estimated a tax liability of shipowners to be about $15 million and they proposed $12.5 million.[1] In the Office of Porter an agreement was reached on 29 April 1950 between the Greek Ministers of Finance and Mercantile Marine and a group of shipowners, who claimed that they represented approximately 45 percent of the Greek tonnage involved. Eventually, the Greek government, confronting its own fall, was forced to accept Venizelos' proposal. However, according to another term of the compromise settlement, those shipowners, who were not able to pay within the stipulated time limits, had "to suffer consequence of increases and penalties under Law 1411 and as last resort their vessels to be seized by Greek Government and sold at auction."[2] After the threat of Venizelos to withdraw his party's support from the Coalition Government, Porter considered it his duty to insist on a settlement more favourable to the Greek Government, and indirectly to US interests than this compromise proposed by shipowners in the previous August, which was smaller than that of $10 million. In June 1950, with the support and pressure of the Government's members, such as "Karamanlis, Tsatsos, Averoff and Mavros,"[3] Porter also succeeded in persuading the Government to force the shipowners to pay their own current taxes, even though many government officials, such as Venizelos and Papapolitis, were dependent on the shipowners, since they were "interlocked with them by marriage, family

[1] These data are taken from Porter to the Secretary of State, 2 May 1950, RG 469 / 1208 Box 21.
[2] Porter to Secretary of State, 2 May 1950, RG 469 / 1208 Box 21 NA.
[3] Letter of Paul R. Porter to Apostolos Vetsopoulos, 5 January 2001

relationships. The amount of taxes that were collected was about 17 million dollars in one week".[1] Nevertheless, although the taxation of shipowners ought to have risen from $8,000 to $30,000 annually, since their annual net earnings amounted to between $200,000 and $250,000 according to foreign experts, their political influence frustrated any effective action.

In the fiscal year 1949-50 the US continued to use dollar aid to support trade between Greece and Western European countries. The amount of indirect aid extended to Greece through drawing rights on the different countries was increased from $76.2 million in 1948-49 to $116.3 million in 1949-50 (see table 1). From this fiscal year a reform was enforced in the function of drawing rights to solve emerging difficulties in the transactions among the ECA countries. According to this arrangement, one-quarter of the agreed drawing rights between two countries would be transferable to the transactions with any other ECA country. After the devaluation of the drachma in September 1949 the open market rate of the drachma, which reflected the price level in Greece, was brought together with the official rate and most commodities could be exported without subsidies, which were a drain on the regular budget.

The Greek government with American support tried to negotiate agreements with other OEEC countries to increase its exports, principally of tobacco, whose small exports to Germany in comparison with those in the prewar period created internal social, economic and political problems. However, the overvalued Greek tobacco made the German authorities reluctant to import a reasonable amounts. Furthermore, part of the prewar German market was lost after the separation of

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[1] Oral History Interview with Paul R. Porter by Richard McKinzie & Theodore Wilson, p. 60, Truman Library.

Germany into occupational zones. The problem of Greek foreign trade and the exporting of Greek tobacco created an enormous balance of payments deficit and indirect aid paid for the excess of imports over exports.

On 31 October 1949 the ECA Administrator, Paul Hoffman, called on the OEEC countries for action in breaking trade restrictions, and the Council of Ministers asked member countries to free intra-European trade from import quotas on at least 50 percent of private imports from other OEEC countries. The ECA/G, the FTA and trade experts of the Greek Government worked together to make up lists of import commodities to be free of restrictions. Although they chose commodities which did not compete with domestic products according to the imports of previous year, abolishing quotas for them made little sense for Greece in terms of breaking barriers in intra-European trade because "quantitative restrictions inherent in the bilateral system continued and pressed particularly on Greece",[1] which needed enormous and specific imports. However, this innovation reduced the work of the FTA in the procedure of allocating import licenses in Greece. As in the previous year Greece received goods out of its list of essentials and it was affected by the dual pricing fairly widespread in Western Europe—higher prices for foreign than domestic buyers—"so that as in the previous year the real value of the indirect aid extended to Greece was reduced."[2] Because the trade system through clearing agreements and indirect aid created vicious trade practices and discrimination, it was eventually replaced by the European Payments Union (EPU) in July 1950.

Finally, during the second year of the Marshall Plan Greek foreign exchange assets increased by a net amount of $11.5 million. The balance of payments deficit

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[1] Francis Lincoln, United States Aid to Greece, 1947-62, p. 122
[2] Ibid

from \$334.4 million in 1948-49 decreased to \$315 million in 1949-50. Although the budget was the best since the beginning of American aid, there was much to be done in executing it. The revenues of the Greek state fell far short of financing public expenditure. Given the extraordinary budget deficit, the efforts of Government to limit these expenditures required the guidance of the ECA/G Mission, the JUSMAG and the Ministry of Finance. The contribution of \$274.6 million of Marshall aid was an enormous held towards the Greek Government achieving balance in its external payments and a balanced domestic budget (see tables 1 & 7).

3.5. The contribution of the Marshall Planners and Marshall aid to the Greek reconstruction and development programme. Attempts towards the reformation of the Greek administration and structural reforms

After the World War II the inability of the Greek Government to collect taxes prevented the financing of the costs of reconstruction. During the Marshall Plan through the function of 'counterpart funds' the Government was able to meet the domestic costs, such as labour and local material, to reconstruct the country. However, a large amount of 'counterpart funds' was needed to sustain economic stability and to cover the budget deficit. During the second period of the Marshall Plan with the Civil War over and after a year of relevant monetary stability, the Government and ECA/G Mission went ahead with reconstruction projects nearly completed or held up by guerrilla activities or with other projects, which were in the preliminary stages of development.

In the spring of 1950 a special committee was set up by the ECA/G Mission to consider a productivity program. The efforts made towards rehabilitation of the

Greek economy had been primarily directed to increasing production, both agricultural and industrial, and in restoring communication facilities. In particular, the philosophy and the prime objective of the agricultural programme in Greece had always been to work for a substantial increase in agricultural production in order to decrease imports of these basic products, such as wheat, thus saving foreign exchange. Through projects in ground water development and land reclamation, followed by programmes to improve agricultural techniques, the increase of agricultural production was secured. Total agricultural production (including olive oil production) during 1950 reached 111.1 (basis-the average of 1935-8 years=100). Concerning the other important sector of the economy, industry, according to the Federation of Greek Industries, industrial production also increased from 89% in September 1949 to 105.5% in June 1950 (year of basis 1939=100). However, industrial production was higher since many industrialists tried to evade taxes by writing down their production. Alan Strachan, Director of the Labour Division of the ECA/G Mission, in April 1950 supported cooperation among labour, management and government to increase industrial production through the development of an adequate apprenticeship system for training workers. At the same time, industrialists needed to sacrifice immediate profits in order to increase plant efficiency by making necessary investments.

Another means to facilitate production was the construction and expansion of communications facilities. A number of specific projects were under way and planned. The main highway reconstruction projects, which had been laid down during the Civil War, were finished in early 1950. In December 1949 the first train in six years made a trip from Athens to Salonica. It required "rebuilding 248 bridges, relaying over 300 miles of track, opening up or redigging 5 tunnels, restoring nearly 200 miles of telecommunications, 22 signal points, 27 water stations, 17 other buildings, and miles of culverts, retaining walls and other facilities."[1]

The amount of drachma counterpart funds for reconstruction and development for public and private investment during 1949-50 increased to 940 billion drachmas from 530 billion drachmas in the previous year 1948-49. However, the total amount of Marshall aid for reconstruction was higher because the above amounts did not include the value of all of the work done, since the drachma counterpart funds did not cover the cost of imported equipment and materials for the reconstruction of various state projects. Every dollar or drachma that could be saved on non-reconstruction expenses could be applied to building permanent productive facilities in Greece. However, the degree of absorption of funds allocated for reconstruction was very low because relevant government officials lacked the experience or ability to properly plan the reconstruction projects.

In the fiscal year 1949-50 total gross investments with ECA funds in local expenditures through withdrawals from the 'Counterpart funds' account or capital goods imports amounted to $129 million: for state investments $107 million and for private investments $22 million through the CLC loans. Since the total public investments, including all type of funds, reached $131.1 million, the contribution of ECA funds was enormous. Without these funds no reconstruction would have been carried out in Greece, as the state was not able to finance reconstruction and development projects. Investments for expanding production and tourism amounted

[1] Foreign Operations Administration: Country Series Greece, late 1953, p. 9, Iverson Papers, Box 3, Truman Library

to $35.5 million.[1] Investments in transport and communications reached $35.4 million.[2] Investments to provide tolerable living conditions were $36.1 million.[3] Investments in the pnvate sector through CLC loans for expanding production and tourism amounted to $19.4 million.[4] Investments in transport and communications by the private enterprises reached $2.6 million.[5]

While the AMAG Mission was concerned with the restoration of the telephone and telegraph system, simple pre-war restoration was not satisfactory. In the summer of 1949 experts from the American International Telephone and Telegraph Corporation (IT&T) began to organize the telephone and telegraph system. In September 1949 the major development in telecommunications was the creation of the Greek Telecommunications Authority (OTE) by the Government to rationalize the service and to secure more efficient use of Marshall aid in this field. The new system was far better than that which it replaced. In December 1949 another reconstruction project to improve public health was approved providing for 4.5 billion drachmas or about 107,000 pounds sterling for the construction of a 50-bed hospital at Agrinion in the Aitolia-Akarnania district.[6]

A major development undertaking was the establishment of a national electric power grid. The construction and the capacity of these projects acquired

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[1] (In millions): $20 4 in agriculture, $0.3 in fisheries, $13.7 in land reclamation, $0.1 in power and $1.0 in tourism.

[2] (In millions)· $8 7 in highways, $19 in railways, $2 7 in ports, $1 9 in civil aviation and $3 1 in telecommunications.

[3] (In millions)· $18 3 in housing and public building, included refugee resettlement; $6 8 in public health, $3.5 in water supply and sewerage, $3 in education, research and reorganization of public services, $2 in technical assistance and $2 5 in miscellaneous activities

[4] (In millions) $2 4 in agriculture, $1.1 in fisheries, $2 4 in thermoelectric power, $0 6 in mining, $12 3 in industry, included restoration of guerrilla stricken industries, $0 3 in tourism and $0.3 in miscellaneous productive activities

[5] These data are taken from Greece-Statistical Data Book-Fiscal 1955 56 & Calendar 1956, Volume I, table 69, compiled by the Finance & Program Division of the U S Operations Mission/Greece, Library of Congress, July 1957.

[6] Norton to Bevin, 17 January 1950, FO 371 / 87725 / 1101 / 1950 / PRO.

political dimensions. On 13 February 1950 Paul Jenkins, Acting Chief of the ECA/G Mission, sent a message to the Secretary of State that the ECA/G Mission supported the idea that limitations in financing meant that there would be a delay in considering the Acheloos project. He also advised the Greek Government that "consideration of these projects will depend upon satisfactory assurance that action will be taken by the Greek Government to assure government expenditure reduced and collection of revenues increased and that appropriate government agencies be established to administer power program...".[1]

Apart from the lack of financing this project, it was to come late in the electric power programme because pre-war concessions for ten years to a construction firm were in question for the creation of Acheloos project. However, most members of the Greek Government, such as Papandreou and Tsouderos, envisaged the construction of this project as the remedy for the Greek industialisation problems and the cure for Greece's economic backwardness.

Conversely, when on 27 February 1950 the ECA/G Mission transmitted to the Greek Government the final report by EBASCO Services Inc., American experts pointed out that limited availability of drachmas at the present time made it impossible to consider more than a part of the six-year program recommended by the engineering firm. They asserted that any electrical power development program was dependent upon approval by ECA' s Washington headquarters as well as upon the ability of the Greek government to pay local costs in drachmas. EBASCO's recommendations were for the construction of hydroelectric plants on the Vodas, Ladhon, Acheloos and Louros Rivers, and a lignite-burning thermal-electric plant at

[1] Jenkins to Secretary of State, 13 February 1950, RG 469 / 1208 / Box 20 / file 4 / NA.

Chalkis. While Greece's present electric generating capacity was 153,000 KW, the recommended program by EBASCO would give Greece a capacity of 496,000 KW. Also, it called for the equalization of electricity rates over wide areas throughout the country.

Grady in his letter to Venizelos on 31 March 1950 emphasized all the necessary changes and actions, which every prospective Greek Government needed to follow in order to secure the local costs for the construction of the electric power programme, while ECA funds and war reparations provided the foreign exchange requirements of the programme. Since the drachmas available for this purpose went to cover the budget deficit from excessive state expenditure, the Government was obliged to collect these drachmas from the increase of the state revenues. He asserted that the Government had to reach two great decisions in order to undertake the establishment of such a large-scale investment programme. These decisions concerned the adoption of an adequate financial plan and a far-reaching improvement in government efficiency.

On 3 April 1950 in the same line with Grady, Porter also supported the idea to the ECA/W that the electric power programme could not "commence until Greek Government has adopted financial plan, which will permit undertaking of this magnitude without inflationary danger and further has made administrative reforms which assume efficient utilization of American funds made available for capital investment...".[1] However, since the American planners considered crucial the establishment of the electric power programme for the development of the Greek economy and wanted to show it as a remarkable achievement of the Marshall Plan

[1] Porter to ECA/W, 3 April 1950, RG 469 / 1208 / Box 21 / NA.

in Greece in comparison with developments in the Balkan Communist states, they supported strongly the establishment of the electricity power projects, expecting the Government to enforce economic measures in order to secure drachmas to pay local construction costs.

Eventually, the ECA/W approved the development of three hydroelectric projects and one thermal generating station. On 30 June 1950 the ECA/G Mission informed the Government of their approval and encouraged Greek officials to negotiate a contract with the EBASCO Services Inc.. On 10 July 1950 in Washington D.C. representatives of the Greek Government and EBASCO administrators signed an agreement. Tthe American engineering firm was committed to construct and organize a national distribution electric grid. The Greek Government adopted an initial programme consisting of three hydroelectric plants, Ladhon, Vodas and Louros, and one lignite-burning steam plant at Chalkis with a total capacity of 175,000 KW, which was a smaller capacity from the 343,000 KW recommended by the EBASCO report in August 1949. ECA/W also accepted the principle of government ownership with an independent administration for the new company to administer power operations, reporting through the Minister of Industry to the Government. On 27 February 1950 the Greek Government had already established the Public Power Corporation (DEH) to develop and operate a national electric power grid in cooperation with EBASCO.

The carrying out of a large Technical Assistance Programme, which had been necessary because of the disorganization of the administration and the lack of technical knowledge in the country, created a complicated question which was not similar to the other ECA countries. This meant that a part of the Greek officials was unable to accept it as assistance and considered it as intervention in Greek affairs.

However, the technical assistance personnel tried to instruct Greek employees in technical fields so that they would be able, after the departure of American experts, to carry on their duty. One such form of the programme was the 'field service' of the American experts, who were stationed throughout the country and supported the work of local authorities. They were devoted to their work and "kept track of aid projects in their areas and of the use and possible misuse of materials."[1]

The technical assistance personnel were also concerned with the operations of the Greek government, and not merely with the formulation of general advice. However, when these instructional operations became a regular pattern, they deviated too far from their course of assistance towards intervention. When American experts engaged in operations, the Greeks who avoided taking action for political reasons, and the Greeks who failed to take action for reasons of inertness, came to rely upon American action, so that they were released from their own responsibility for action. Another phase of the Technical Assistance Programme was the mission of Greek officials to the US for training. On 9 January 1950 five Greek directors of agricultural research institutions left Greece to visit "US Department of Agriculture experiment stations in the U.S., on a three-month study of agricultural research methods, financed by the Marshall Plan."[2] In April 1950 through this programme 19 scholarships for study in the US were approved for Greek physicians, nurses, sanitary experts and hospital administrators.

In August 1949 the ECA Mission tried to make administration effective. Greece was without an organized civil service system. Since AMAG Mission experts had developed a draft civil service code which had not been accepted by the

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[1] Francis Lincoln, United States Aid to Greece, 1947-62, p 121
[2] Porter to Grady, 9 January 1950, RG 469 / 1208 / Box 23 file 5 / NA.

public servant union, Civil Service ECA specialists worked with a Government committee and "revised on more modern lines a draft civil service code to give fair treatment to the public servants."[1] The revised code included all civil service employees in a unified system and provided a classification of servants and a single scale of salaries. Although the Cabinet Council passed this code as an emergency measure, the Supreme Court declared it unconstitutional to be an emergency law so that this was passed by Parliament after long delay in April 1951. Despite the efforts of the American planners to persuade the Government to adopt measures in order to reorganize administration structure and effectiveness to facilitate reconstruction, they failed.

The ECA/G Mission pressed the Government to continue steps towards decentralization of the powers of the Government and the strengthening of local authorities. It also made efforts towards "abolition of some Ministries and consolidation of others, e.g. merger of Ministries of Hygiene, Welfare and Reconstruction and the abolition of the Ministry of Supply by transfer of functions to the Ministers of National Economy and Finance."[2] The ECA/G Mission also tried to strengthen democratic institutions and practices through encouraging the establishment of a free trade union movement and counteracting Communist influences in labour, which tried to undermine the reconstruction programme. However, Communists had excluded themselves from the Greek trade unions, being alienated from the other leftist elements which considered them unpatriotic. This was because the 5th Plenary Session of the KKE in January 1949 supported the

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[1] Francis Lincoln, United States Aid to Greece, 1947-62, p 121

[2] Report of Paul R. Porter to Foster, 11 November 1950, p 18, Paul R. Porter Papers, Box 3, Truman Library

establishment of an autonomous Macedonia within a Balkan federation. The ECA/G Mission encouraged the elimination of the corporate state through the separation of Government from industrial activities, agricultural cooperatives and trade unions. The American experts supported a reduction in the number of civil servants and revision of the pension system to eliminate excessive pensions, limiting the rolls to legitimate pensioners and diminishing the drain on the budget. The budget deficit concerned the ECA /G Mission, since the decrease of budget expenditure would save money to facilitate reconstruction.

One major social undertaking of the ECA/G Mission was the attempt of Oscar Powell to reorganize the social security system of Greece. Although he had submitted to the Government a scheme for equilisation and rationalisation of the social insurance system in the summer 1949 and had faced strong opposition from the labour unions to implement his draft law, in January 1950 the Greek Government prolonged his appointment for six months in order to carry out his objective. However, although there were no great differences between Powell's plan and the Ministry of Labour and GSEE views, Powell left Greece on 29 April 1950 before the end of his appointment, seeing his efforts to persuade GSEE to accept his proposals towards the merging of different insurance funds as unavailing. Shortly before leaving Greece, Powell published a report underlining his accomplishments in trying to reorganize at least IKA operations. He stated that he had removed political and partisan domination of personnel and enforced a system of competitive selection for the appointment of medical personnel. He also set up a division of training for personnel, increased the benefits, extended the Social Insurance System to more fields in the provinces, established a staffing pattern for all offices and divisions, created institution of organization and methods techniques, and established the effective collection of contributions.[1] However, many of Powell's reforms remained a dead letter in practice, since Government officials tried to manipulate IKA operations for political interests.

During the second year of the Marshall Plan in Greece the total proceeds in the counterpart fund ECA account to the Bank of Greece amounted to 3.055 billion drachmas: 940 billion drachmas financed reconstruction (770 billion for state and 170 billion for private); 800 billion drachmas covered the budget deficit; 182 billion covered the ECA Mission expenses; and 1.133 billion drachmas were frozen for extraordinary expenses or to avoid inflation.[2] In 1949-50 the proceeds of 3.055 billion drachmas in the ECA account from selling goods, which Greece received through Marshall aid, were much higher in comparison with only 1.412 billion in the previous year 1948-49. This increase was justifiable after the conclusion of Civil War and showed that economic and social conditions had improved so that Greeks were inclined to restore more regular market practices.

In conclusion, the total of $274.6 million Marshall aid allotted to Greece for the second fiscal year 1949-50 was much higher than the previous year's aid of $238.9 million (see table 1). While the American planners supported a demilitarization policy, they called for responsibility and consistency from the Greek politicians and ministers in order to facilitate major reconstruction and development projects, such as the establishment of power electricity projects. They did this through the enforcement of economic measures, e.g., the increase in state revenues and reorganization of the administration. Financial stability achieved

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[1] Labour Attaché of British Embassy-Athens to Foreign Office, 3 August 1950, FO 371 / 87790 / 2181 / 1950 PRO

[2] These data are taken from the Annual Report of the Governor of the Bank of Greece for the year 1953, p 125

through the selling of gold sovereigns was essential for the success of reconstruction. Since Marshall aid provided large grants for reconstruction, the Government needed to contribute its share to this enormous undertaking, which aimed to develop or restructure the Greek economy not from an agricultural to an industrial basis but to create healthy economic foundations for the development of light industries and expansion of agricultural production through mechanization and their systematic fostering.

Chapter Four: The third period of the Marshall Plan in Greece from the outbreak of the Korean War in the summer of 1950 to June 1951

Before the summer of 1950 the American administration gave economic recovery priority over rearmament to accomplish their objectives in Western Europe. But by the beginning of 1950 US policymakers had decided to abandon this initial priority and were set to support a parity between recovery and rearmament. However, the outbreak of the Korean War reinforced conservative arguments to diminish Marshall aid. While Western Europe had achieved solid recovery in trade as well as reconstruction in industry and agriculture, increasing its gold and dollar reserves, Greece had still to fight to stabilize its economy. After the Korean War the American Administration asked the Greek government to carry out reconstruction parallel to its efforts towards defence spending through reducing the level of public spending and increasing the tax revenues in order to contribute its own share towards reconstruction. The Korean War made big differences elsewhere such as in the ECA/W as well as in Paris, but not in Greece, since the problem of the Greek economy was not the amount but the absorption of Marshall aid. Thus, although the Korean War influenced the Marshall Plan's objectives in other European countries, limiting further development and increasing inflation, in Greece it did not cause any great change.

In this chapter the political, economic and social dimensions of the Marshall Plan's third period in Greece from summer 1950 to summer 1951 will be analysed: the first issue concerns the establishment of a rearmament policy and the Marshall aid allotment to Greece for the third year 1950-51. The second part of the analysis concerns the roles of the ECA Mission in Greece, the American Embassy in Athens and the Greek Government in the implementation of the Marshall Plan's objectives with regards to the policy-making process. The third issue of the analysis will deal with the established economic policy of the Greek Government from the summer 1950 to the end of 1951. In particular, the enforcement of the Stabilization Program concerning the policy of selling gold sovereigns and the provision of credit, pursued by the Bank of Greece with American planners' support in relation to the inflation and the prices-wages issues, will be analysed. The fourth part of the analysis will consider the contribution of the Marshall Plan's 'counterpart funds' to the Greek national budget with regard to revenue and expenses as well as to the balance of payments through imports and exports. At the end, the analysis will deal with the contribution of the Marshall planners and the 'counterpart funds' of the fiscal year 1950-51 to the reconstruction of and investment in the Greek economy in relation to the efforts to reform governmental administration and enforce structural reforms.

4.1. The outbreak of the Korean War and the rearmament policy—The Marshall Aid allotment to Greece from July 1950 to June 1951

The outbreak of the Korean War at the end of June 1950 influenced the Marshall Plan appropriations to Europe. Although the Republican Senator Taft intended to reduce the aid by 16 percent, the appropriation for Marshall aid passed on 5 June 1950 through both Houses of Congress without a great reduction. It decreased from the $2.95 billion which the administration had requested to $2.7 billion. However, after the outbreak of the Korean War the Conservative coalition in Congress was strengthened and made an assault on Marshall aid. They achieved the addition of $4 billion to the military assistance aid and cut the ECA's budget by

$208 million. Thus, while the OEEC Council requested $3.1 billion aid for 1950-51, the Congress eventually approved only $2.2 billion. The Republicans did not like economic aid. They had had reservations from the beginning about launching the Marshall Plan. When the Korean War broke out, "they jumped off from the vehicle of economic aid to Europe."[1]

Conversely, ECA policy makers intended to follow a middle course between the twin objectives of recovery and rearmament. They pursued a policy to support an increase in productivity, developed by Europeans, and went along with criticisms from American officials in Europe against the cut in economic aid. However, since the NATO deputies, meeting in July and August 1950, concluded that economic requirements had to be subordinated to the demands of rearmament,[2] the ECA/W was forced to embrace the new direction of US foreign policy. However, the State Department, recognizing the weak position of the Greek economy, did not favour the principle of subordinating economic recovery to the rearmament effort. In the case of Greece, Bissell on 11 September 1950 instructed Porter that "increased military costs should all come from added tax revenue...Mission's attitude vis-à-vis Greek government should be to effect that all added burdens caused by changed military situation must be met from increased revenue."[3] Given long-term problems in the tax structure and policy, the Greek government needed to enforce an overall reform of taxation and confront all opposition interests of privileged groups, supported with political favouritism, which prevented an equitable tax reform. Therefore, if the Greek government was able to adopt such a tax policy, it would

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[1] Oral Interview with James Warren Jr, 11 April 2000, Washington D C.

[2] United States in World Affairs, 1950, by Richard Stebbins (New York & London: Harper & Brothers, 1950), pp 259-260

[3] Bissell to Foster, 11 September 1950, RG 469 / 1208 / Box 31 / NA.

persuade the Greek people that these tax measures were needed in order to avoid cutbacks in the reconstruction programme.

Concerning the new international commitments, in September 1950, although Greece was asked to send a battalion for the UN Army on the Korean front, it offered a brigade, thereby showing its gratitude to its Western allies for their assistance in the Civil War. The American administration also asked Greece to develop a defence programme based on the existing size of its armed forces, since Greece lacked industries to shift their production from consumption goods to armaments. Although Greece was not yet a member of NATO, given that Greece was a key strategic country (such as Turkey, Iran, Korea and the Philippines) in the front line of the Western Alliance against Communist aggression, it was obliged to assume its share of the collective effort in order to protect Western economic achievements. In particular, Greece had to contribute to Western military efforts, as a quid pro quo for economic aid. While the US had provided $22.5 million in military aid for Greece in 1949-50, after the outbreak of the Korean War they increased it to $83 million in 1950-51 in order to support Greece's defence commitments. (see table 2).

On 17 July 1950 Porter reported to the ECA/W and OSR/P that ECA/G Mission supported an initial total aid package for Greece amounting to $250 million minimum for the fiscal year 1950-51 as a workable alternative after a limitation imposed by a total amount of about $300 million, which was the initial position of Greece with the European Payments Union (EPU). He asserted that the amount of $300 million with EPU anticipated that "ECA should make extra allocation ECA direct aid of 23-31 million dollars to Greece to bring total dollar aid to 135 million under S/M formula, or alternatively make an exception in formulae to accomplish the same result."[1] However, although Porter seemed to support a high level of economic aid for Greece, after consultation with ECA/W about the total amount of Marshall aid, which was approved by Congress, he changed his former position to maintain the previously planned aid to Greece and followed the State Department's policy to cut aid to Greece.

In the summer of 1950 the Plastiras government seemed unable to adopt such a policy of assuming two parallel commitments, economic and military. The rise in the cost of living and a wave of strikes for wages increases, followed by a planned abolition of food subsidies, had already brought the government to a difficult position, since the new budget, which was introduced on 25 July 1950 by Kartalis, anticipated a small deficit based on an army reduction from 123,000 to 80,000 men by 1 January 1951. When the Korean War created new commitments the Greek government was unable to follow a new policy in the formulation of a budget, principally to manage budget expenditure. These problems, followed by the wish of Plastiras to be lenient towards Communist detainees, led to the fall of his government on 18 August 1950. Venizelos, who succeeded in forming a Coalition government on 13 September 1950 with the support of Tsaldaris and Papandreou, considered that the rearmament policy was opposed to the reconstruction efforts and tried to persuade the American planners to increase Marshall aid because Greece was to assume a rearmament burden. However, since the US had to face an additional economic and military burden and the Congress had decreased economic aid to the ECA countries, any increase of Marshall aid to Greece was out of the question. Furthermore, the American administration decided to reduce economic aid

[1] Porter to Harriman & Hoffman, 17 July 1950, RG 469 / 1208 Box 3 / NA.

to Greece, because of the government's reluctance to implement any programme of economic reform, designed to increase state revenue through enforcing fair taxation and decreasing state expenditure.

Nevertheless, the Coalition government of Venizelos in the middle of September 1950 refused to accept the new realities of US foreign policy. When the Prime Minister failed to persuade the American administration to restore a part of the planned cuts in aid, he went so far as to declare to Peurifoy that "sooner than cut the Greek reconstruction budget, his government would reduce the Greek army from its present strength of 123,000 to 83,000."[1] At that time, although Venizelos seemed to blackmail American planners into increasing economic aid, Marshall Papagos, who was Chief of the Greek Armed Forces, ignored the political authorities and made it known that "the army should even be raised the same month to 138,000."[2] In October 1950 the War Council supported an increase in the size of the Greek Army to 147,000 men by 1 January 1951. Considering the 50,000 men who had already joined the Navy, the total size of the Greek Armed Forces would be nearly 200,000 men, which the State Department also supported.[3] The inability of leading politicians, such as Plastiras and Venizelos, to shift their policy from demilitarisation to rearmament and face the reduction of economic aid, forced Papagos to intervene in political affairs because they concerned the military establishment.

In Greece among the Marshall planners, conflicting opinions emerged concerning the amount of aid. Most ECA/G economists, such as Eugene Clay and

[1] Norton to Foreign Office, 6 October 1950, FO 371 / 87644 / 1013-26 / 1950 / PRO.
[2] Ibid.
[3] Foreign Relations of the United States, 1950 / Vol V / pp 398-399

Helene Granby, supported the theory that Greece needed a large amount of aid. They tried to promote reconstruction and development projects without taking into account the need for economic measures to hold inflation. In the dialogue between the ECA/G and ECA/W, the former requested urgently from the latter: "Don't reduce the aid to Greece because of the Korean War. Greece deserved the continuation of an enormous aid because of the long lasting Greek Civil War until August 1949."[1] The ECA/G Mission's experts supported the Greek government's aid request which was submitted to the OEEC, because they were afraid of curtailing reconstruction projects, which had been planned. Also, less aid meant fewer experts working in Greece.

The continuing political instability forced the American administration to withhold some part of the aid allotment which Greece had yet to receive under the Snoy-Marjolin formula of the previous autumn 1949. According to the formula, Greece should have been exempted from the general reduction of aid during the third year of the Marshall Plan, and the ECA then supported special treatment for Greece.[2] However, the new coalition government was weak and was considered by the ECA to be inefficient in enforcing economic and administrative measures in utilizing the planned aid amount of $218 during the fiscal year 1950-51. It was difficult for these urgent measures to be taken by an unstable coalition government, and "in the absence of a greater self-help contribution, the ECA is obliged to reduce

[1] Oral Inteview with James Warren Jr , 11 April 2000, Washington D C.

[2] Sir Hall Patch (OEEC Paris UK Delegation) to Foreign Office, 27 October 1949, FO 371 / 78116 / 319 / 1949 / PRO. According to the Snoy-Marjolin formula, for the final two Marshall Plan years 1950-51 & 1951-52 aid was to be a quarter less and half respectively of the aid allocated in 1949-50 However, it was accepted that Greece was a special case and should receive in 1950-51 the same amount of aid as in the previous year 1949-50 and a quarter less amount of aid in 1951-52 than that in 1949-50.

the amount of American aid".[1] Eventually, the State Department, not satisfied with the recovery efforts of the Greek government, on 16 September 1950 announced that "the cut had been based upon the conclusion after careful consideration and analysis, that the rate of progress in the Greek programme has not been sufficient to allow complete and effective utilisation of the amount originally contemplated."[2]

On 15 September 1950 Paul R. Porter in a closed meeting of the Economic Policy Committee (Steering Committee) announced the possibility of reducing ECA aid to Greece, because of the inadequate efforts of past Greek governments to utilize the aid they had been granted. Porter also considered it effective to address in writing what he had supported in the meeting of the Steering Committee to Prime Minister Venizelos in order to put pressure on the government to assume its responsibilities. Porter's intervention in Greek internal affairs was as important as the Grady Letter of the previous March. On 27 September 1950 the Chief of the ECA Mission, in a letter to Prime Minister Venizelos, insisted that past and present Greek economic policies were inconsistent with reconstruction and the receiving of aid. The letter was released to the press by the Greek government on 2 October. In this letter Porter also announced the decision of the American administration to reduce the allotment of aid to Greece. He emphasized that the Greek government should impose sacrifices on public expenditure and increase direct taxes in order to promote further reconstruction and development.[3] By this action Porter forced the Greek government to focus its efforts on specific measures in order to deal with two crucial challenges, the stabilisation of the economy and the imminent reduction in

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[1] Porter to Hoffman, 13 September 1950, RG 469 / 1208 / Box 23 / File 6 / NA.

[2] Documents on American Foreign Relations, 1950, Vol XXI, (New York edited for World Peace Foundation, 1950), p. 599

[3] Porter to Venizelos, 27 September 1950, RG 469 / 1213 / Box 15 / NA.

American aid. The US administration, after the outbreak of the Korean War, sent a new Ambassador, John Peurifoy, who was a high-ranking official of the State Department, to implement the new orientation of American foreign policy. Porter in the same letter announced a $91,800,000 allotment of direct aid to Greece and a $105,000,000 credit for the account of Greece with the EPU, bringing total Marshall aid to $206,800,000 for the fiscal year 1950-51, instead of around $274 million as had originally been planned under the Snoy-Marjolin formula of October 1949 ($156.3 million direct and $118 million indirect aid).

When the OEEC Council had been asked by the ECA to recommend a division of Marshall Plan funds, it had supported the idea that "Greece should be exempted from the general reduction in aid during the third year of the Marshall Plan, and that aid to Greece...should be in the same amount as during the preceding year."[1] The reason for this special treatment was that Greek recovery had been delayed by the Civil War. Although the ECA had then adopted this proposal, in September 1950 it considered that the Greek government had not been prepared to use effectively the amount of aid which had earlier been contemplated by the ECA. The American administration considered the Venizelos Coalition government too weak to enforce economic and administrative measures in order to utilise the planned aid of $250 million ($135 direct and $115 indirect aid) after the reduction of Marshall Aid by Congress following the outbreak of the Korean War. Therefore, "through the reduction of aid, which was a slap directed at the supreme maneuvering politician Venizelos and his fellows, the Americans tried to force government to stop fooling around and to begin to govern."[2] Although the majority

[1] Porter to Hoffman, 13 September 1950, RG 469 / 1208 / Box 29 / NA.
[2] Letter of James Warren Jr to Apostolos Vetsopoulos, 23 Augut 2000.

of the press was hostile and most of the Greek politicians were shocked by the reduction of aid, 'The Vima' newspaper with its journalist Hatziargyris, and a few politicians, supported the reduction of aid. This newspaper belonged to Dimitrios Lambrakis, who supported a liberal policy. In October 1950 Porter also reported to Grady that "some of the Greek leaders, including leading members of Mr. Venizelos' party, strongly approve the action we have taken."[1] Eventually, for the fiscal year 1950-51 Greece received $100.4 million in direct and $124.6 million in indirect aid in the form of a credit established for the account of Greece with the EPU. Total Marshall aid to Greece reached $232.7 million, including $6.2 million aid which was absorbed by the rationing program and $1.5 million aid for the Technical Assistance Program. Following a historical progression, the stages of development for the 1950-51 aid figure were: $274 million in June 1950 (according to the Snoy-Marjolin formula), $250 million in 17 July 1950, $206.8 million in 27 September 1950 and finally, $232.7 million in December 1950 (see table 2).

In the Economic Policy Committee Meeting on 6 October 1950, the question of the level of aid allotment to Greece for 1950-51 and the question of rearmament policy were discussed. The Minister of Coordination, Stephanopoulos, quoting from a statement of Bissell, the new Deputy Administrator of ECA, of 29 September, concerning the rearmament programme of Western Europe, maintained that "the Marshall Plan has to provide for rearmament and for reconstruction, and we know that reconstruction comes second in priority when rearmament is absolutely necessary."[2] This argument forced Porter to explain that Bissell's statement was

[1] Porter to Grady, 4 October 1950, Grady Papers, Box 1, folder 12, Truman Library
[2] Transcript of the Economic Policy Committee Meeting, 6 October 1950, p 6, attached to the letter of Maynard to Department of State, 16 October 1950, RG 59 / Decimal Files 1950-54 / Box 5404 / NA.

applied to industrialized countries of Western Europe, such as France, which was obliged to manufacture tanks or guns, utilising a part of its imported steel, while Greece did not manufacture any tanks or guns. Another issue, which was raised by Kostopoulos, Minister of Finance, was the need to increase the size of the army. Porter argued that the Greek government was responsible for deciding the size of the army in relation to the military budget. He continued his argument that it would be possible for "the Government to have both an adequate defense program and an adequate reconstruction program."[1] He also proposed an increase in direct taxes in order to meet budget expenses, since the US administration had increased income taxes on American citizens from 1 October to meet the increase in expenditure on the defence programme.

When Paul Hoffman, the retiring Administrator of the ECA, came to Greece in October 1950, he delivered a speech to the ECA employees of the ECA/G Mission. He emphasized that "we now face a double load, not only of pushing our original goal of economic recovery as hard as ever, but also simultaneously to help strengthen the military defences of the free nations."[2] Hoffman also maintained that the "achievement of peace may be accomplished through four major programs, military, political, international and economic."[3] Therefore, the Marshall Plan needed to run parallel to military efforts in order to be accommodated in a new environment influenced by the established military objectives and commitments.

On 24 October 1950 William Foster, the new ECA Administrator, reported to Porter that he did not agree with the position of Porter, Peurifoy and Hoffman,

[1] Transcript of the Economic Policy Committee Meeting, 6 October 1950, p 9, attached to the letter of Maynard to Department of State, 16 October 1950, RG 59 / Decimal Files 1950-54 / Box 5404 / NA.
[2] Jenkins to Dennis, 11 October 1950, RG 469 / 1208 / Box 24 / NA.
[3] Ibid.

which was explicitly to refuse the restoration of the aid cut to Greece. He considered that they had departed from the established ECA policy concerning the aid allotment to Greece, as Porter did, when he had announced the aid cut as final through his letter to Venizelos the previous month. Foster wanted to hold a policy that if the Greek government really accomplished all the measures demanded by Porter then later in the year the aid cut could be modified. While Foster accepted the idea that the primary purpose of the way Marshall planners in Greece were handling the aid amount at that time was "to achieve stronger and more realistic government policies"[1], he regarded Hoffman's statement about the amount of aid to Greece at the press conference of 11 October in Athens as the definite position of the ECA for aid in 1950-51. Hoffman had then stated that "if the Greek government accomplished various projected reforms, there would be no need for the money eliminated."[2] Therefore, the American planners considered economic and administrative reforms as a requirement for the effective utilisation of economic aid.

Although the efforts of the Greek Government to restore some of the aid that had been cut failed in the last months of 1950, Porter in the beginning of 1951 succeeded as Assistant Administrator in the ECA in increasing the total amount of aid to Greece for the fiscal year 1950-51 through the establishment of a rationing system of basic commodities for the people in need, which was granted with $25 million of Marshall aid. However, the Greek government administration needed to work effectively in order to utilise this special aid through the implementation of certain economic measures to support the establishment of a rationing system. Porter emphasized that "in late summer of 1950 I reduced the amount of American

[1] Foster to Porter, 24 October 1950, RG 469 / 1208 / Box 31 / NA.
[2] Jenkins to Dennis, 11 October 1950, RG 469 / 1208 / Box 24 / NA.

aid to Greece because it was not being used in accordance with the aid agreement between the two governments. The war in Korea had nothing to do with the decision. Later, as assistant administrator, I approved a resumption of the higher level of aid when the Greek government had corrected the faults that existed".[1]

In September 1950, because the ECA/G Mission was not satisfied with Greek self-help in the reconstruction effort, it recommended a reduction of aid, since it was doubtful that "the Greek government would muster enough drachmae to pay the local costs of an investment program as large as that which had been planned."[2] Therefore, the inability of the Greek economy to absorb the previously contemplated high level of economic aid was the principal cause for the reduction of aid. While Porter supported the reduction of economic aid for the fiscal year 1950-51, he considered that American aid to Greece needed to continue until 1954 in order to enable the Greek economy to stand without the need for foreign aid but not to achieve self-sufficiency: the Greek economy lacked the necessary resources to become self-sufficient. He emphasized that "we should begin now to prepare for continuing aid beyond the scheduled end of the Marshall Plan."[3] Thus, the American experts considered that the US should complete its commitments to Greece, which were established by the Truman Doctrine and the Marshall Plan. A major objective of American aid was to make the Greek economy viable with its own currency. Porter maintained that Greece would become a nearly self-supporting country in 1954, if it exported its products to other ECA countries after a reduction of trade barriers and increase of living standards in Western Europe, while the Greek

[1] Letter of Paul R. Porter to Apostolos Vetsopoulos, 5 January 2001.
[2] Porter to Foster, 11 November 1950, Paul R. Porter Papers, Box 3, p 12, Truman Library
[3] Ibid., p 14

government would assume full responsibility for governing and inspiring the people to contribute their share in the reconstruction effort.

On 18 November 1950 Porter left Greece to assume the post of Assistant Administrator of the ECA in Washington, while Roger Lapham one week earlier came to Greece as the new Chief of the ECA/G Mission. He was a shipping official, who had formely been Mayor of San Francisco and Chief of the ECA Mission to China until 1949. Lapham supported the idea that economic aid which was allocated to Greece for the fiscal year 1950-51 was high, and justified the high level of the aid on three factors. The first and most important factor anticipated the maintenance of the Greek Army at its present size and effectiveness. The other two factors were: the effort of the government to contain inflation, and the country's special geo-strategic position at the Southern-Eastern crossroads in relation to the other European nations. The American administration supported the efforts of the Greek government to maintain a large and strong army.

On 17 February 1951 Acheson instructed Peurifoy that Defense, ECA and Department of State before a few days had agreed to a programme of 'common-use' items, amounting to $59 million approximately for the fiscal year 1950-51, which was to be financed by ECA funds. While the latter had already covered expenditures on food and raw materials for the Greek Armed Forces, which reached $23.5 million, it needed to continue the financing of the programme. The implementation of the rearmament programme increased military expenditure in the Greek budget. Greece had the highest military burden, 40%, in relation to its budget than any other economy in Western Europe. Although the continuation of economic aid to Greece was considered by the American planners, such as Carter dePaul of the ECA/W, as conditional on the performance of the government in the rearmament effort, John

Roach, a special adviser to Lapham, recognized the heavy economic burden on Greece. He emphasized on 9 March 1951 that "the drain of the military effort on her economy has, ever since ECA aid began, reduced the availabilities for reconstruction and diverted them to the military effort."[1]

On 16 March 1951, after a consultation with the ECA/G Mission and economic advisers of the Embassy, Peurifoy supported the idea that "some form of economic assistance should continue at substantially the same level until at least 1954."[2] In the beginning of April 1951 a conference took place in Instanbul about the amount of aid to Greece and Turkey for the last year of Marshall aid. Concerning Greece, Peurifoy emphasized that its "economic aid should continue substantially as at present, and should not be reduced below a level which could, through inflation, result in the loss of economic stability...almost all fat has been cut from current import program...reduction in real aid next year would primarily affect either consumption essentials or capital imports."[3]

On 28 April 1951 Porter suggested to Grady that economic aid to Greece needed to continue beyond the end of the Marshall Plan on 30 June 1952. Furthermore, Porter maintained that "a terminal date must be established and the amount of aid should be progressively reduced to meet that schedule."[4] Although Grady was Ambassador to Iran, he was still concerned about internal developments in Greece, after remaining there for two crucial years. Porter also emphasized that "the previous reduction in aid forced the government to make reforms in taxation and take other constructive measures which probably would never have been

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[1] Roach to Lapham, 9 March 1951, RG 469 / 1208 / Box 1 / file 5 / NA.
[2] Peurifoy to Rountree, 16 March 1951, Grady Papers, Box 1 / Folder 12
[3] Peurifoy to Secretary of State, 11 April 1951, RG 469 / 1208 / Box 58 / NA.
[4] Porter to Grady, 28 April 1951, Paul R. Porter Papers, Box 3, Truman Library.

undertaken except in the case of emergency."[1] The proposal was to spread the aid over more years, the reasons for which being the inability of the Greek economy to absorb it as well as the shortcomings of the Greek administration. As Porter suggested, Greece was to continue to receive economic aid until June 1954, though in less amounts and with the assistance of a smaller economic mission.

Finally, given the increase in defense expenditure by 651 billion drachmas after the new commitments of Greece and the 406 billion drachmas budget deficit in the planned budget announced in July 1950, the Greek government needed to enforce economic measures and reorganize its administration in order to collect more direct or confirmed taxes and reduce public expenditure, thus increasing the state revenue. Since the outbreak of the Korean War and the subsequent rearmament policy had increased world prices (e.g. raw materials and meat rose by 20%), the Greek government found itself in a difficult position. It needed to abolish the old administrative practices as well as to mobilize the productive powers of the economy and inspire the people.

4.2. The roles of the American Embassy, the Greek government and the ECA Mission in the implementation of the Marshall Plan

During the summer of 1950, after a period of intensive political intrigue, and under the imminent threat of the intention of the King to persuade Papagos to form a caretaker government to carry out elections in which the latter could shape his own political party, another coalition government was formed on 13 September 1950

[1] Porter to Grady, 28 April 1951, Paul R. Porter Papers, Box 3, Truman Library.

under the premiership of Venizelos with two Deputy Prime Ministers, Tsaldaris and Papandreou. The former Plastiras Coalition government was forced to resign on 18 August when the Liberal Party of Venizelos brought down the government. The Prime Minister Plastiras had favoured a policy of reducing the size of the Greek army and implementing a policy of broad lenient measures towards Communist detainees that the other leaders of the Coalition government did not accept. The Plastiras government had also proved to be so weak because Venizelos undermined it, condemning the government in the press, and because the Plastiras government was unable to enforce the new orientation of US foreign policy, which asked Greece to increase its military commitments and to adopt economic measures to decrease the budget deficit. Therefore, the major reasons for the fall of the Plastiras government were: "a lack of any real statesmanship on his part, together with the personal jealousy of Venizelos and the historic distrust felt by the Palace for the General...".[1] The fall of the Plastiras government enabled Venizelos to shape his coalition government.

Although the American planners had considered six months earlier that the formation of a Venizelos government would not be able to facilitate reconstruction and enforce reforms, they were reluctantly forced to accept such a government in September 1950 without making their views public, because the political system did not offer a better alternative. Although the American planners did not intervene in internal political affairs, they decided to cut the planned amount of aid to Greece in order to exert pressure on the Venizelos government to implement economic and administrative measures in order to facilitate reconstruction. The announcement of a

[1] Norton to Bevin, 13 January 1951, FO 371 / 95106 1011-1 / 1951 / PRO.

cut in economic aid came as a shock to the Greek politicians and people. The American planners considered it necessary in order to achieve their objectives of avoiding the dissipation of aid, and terminating it at the earliest possible date. On 13 September 1950 Porter anticipated that the decision to cut the aid would be justified, after "the formation of new coalition Government, which is weak in character and which may not last beyond a few months."[1]

The political instability, which had characterised the previous six months and was caused principally by the selfish motives of Venizelos, forced Porter to intervene in the internal affairs for economic reasons. Continuous changes in ministerial positions caused by frequent coalition governments prevented reconstruction efforts. Under these political conditions Porter, on 27 September 1950, sent a letter to Prime Minister Venizelos, asking the government to adopt specific measures in order to stabilize the economy and meet the reduction of economic aid. Porter agued that "more and more American aid is not the cure for the ills of the Greek economy."[2] In his letter Porter recommended to the Greek government the following actions: 1.There should be a more satisfactory execution of the American-assisted investment projects already undertaken. It anticipated that only technically competent officers were able to carry out these projects and stocks of materials and equipment should be cleared in time by the relevant ministries. 2. The Government budget adopted for the current year should be adhered to as closely as possible and any additional expenditure should be strictly avoided. 3. Tax collections should be greatly improved and the tax structure should be revised so that taxes would be levied and collected on the basis of ab lity to pay. 'It was

[1] Porter to Hoffman, 13 September 1950, RG 469 / 1208 / Box 23 / File 6 / NA.
[2] Porter to Venizelos, 27 September 1950, RG 469 1208 / Box 15 / NA.

common knowledge that some Greek citizens do not pay a fair share.' 4. Foreign exchange earnings from exports, shipping and tourism could and should be substantially increased. 5. The present foreign exchange resources of Greece should be vigilantly conserved. The import of luxury items through barter agreements needed to be restricted to a minimum. 6. There should be a greater responsiveness to the needs of the people in low income groups through stabilization of prices and the elimination of monopolistic practices. The Government should facilitate competition in trade and industry, eliminating the vestiges of the corporate state which still persisted in the Greek economy. 7. Strong encouragement should be given to the investment of private capital, both domestic and foreign. The Government needed to achieve stability and generate confidence through the continuation of sound economic policies. 8. There should be a stricter control of bank credit to prevent its use for non- productive purposes, such as the accumulation of excess inventories, and 9. Administrative reforms essential to the good management of the Greek economic recovery program at national, provincial and local levels should be put into effect at the earliest possible date. Finally, Porter emphasized that the full release of aid funds would depend upon the Greek Government's ability to enforce measures needed to reconstruct the country.[1]

The Porter letter forced the Greek government to make an appeal to the ECA/G Mission, requesting specification of the necessary measures. The ECA/G Mission delivered to the Minister of Coordination, on 2 October 1950, a memorandum analyzing the proper steps the Greek government should follow in order to achieve the objectives of the policy outlined in the Porter letter. Actions of

[1] Porter to Venizelos, 27 September 1950, RG 469 / 1208 / Box 15 / NA.

first priority were: fiscal reform and effective administration of the government; a revision of income tax legislation and measures to improve tax collection. Compulsory registration of the ownership of capital shares; a shift in the tax burden to those most able to pay and a simplification of the tax system; miscellaneous uneconomical indirect taxes eliminated; the budget required new resources of revenue and the improvement of government machinery and a more effective administration of the recovery programme were necessary. Therefore, the Greek government needed to work hard and effectively in order to carry out these measures and meet the challenge of overcoming the vested interests of powerful economic groups with political support, groups which manipulated the economic and political life of Greece.

After the announcement of the unexpected decrease in the amount of aid, the Greek government seemed to agree with these proposals and declared that relevant laws concerning economic measures would be enacted in a thirty day period to meet the principal proposals of the ECA/G Mission. Although the government was able to enact laws regarding urgent economic measures, such as a new pay scale for civil and military servants, and a new civil and military pension code to provide an equitable pension system, parliament failed to ratify them until February 1951. However, the government was able to ratify laws concerning the abolishing of special accounts outside of the budget and third-party taxes, which obstructed the budget formulation, the reorganization of the Ministry of Coordination to eliminate wasteful administration and lack of coordination, the registration of bearer shares, the creation of an agricultural extension service to bring modern agricultural techniques to farmers, the establishment of an apprentice training education, the reorganization of the Piraeus Port authority, the establishment of a general statistical service to support a more accurate economic planning, the establishment of the Greek Tourism Organisation, the ratification of EBASCO contract and, finally, the transfer of deposits of Funds of Legal Entities and Insurance Funds[1] to the Bank of Greece to facilitate banking reform. Although these laws were ratified by the Greek parliament, the government was not able or refused to enforce these laws in the near future; one such law was the registration of bearer shares, which became a dead letter. Therefore, although the government through the enactment of these emergency decrees sought to gain the confidence of American planners in order to receive further economic aid, it failed to deceive them since the latter required the government to enforce these laws. There was a usual practice in Greek politics to avoid the enforcement of a law passed by the parliament after the pressure exerted by the interests of strong economic establishments connected with political families.

Conversely, the American planners tried to present their points at every institutional event which took place. On 25 September 1950 Porter addressed the 10th Congress of the Greek General Confederation of Labour. Representatives from the International Confederation of Free Trade Unions (ICFTU), Kupers and Knight attended the Congress by invitation and recommended the adoption of a new constitution consistent with modern developments; they worked on the issue, spending a long time in Greece before the convening of the Congress. Porter emphasized his faith in the power of the trade union organization to improve the working conditions and the standard of living of workers. He also agreed that in the

[1] This Emergency Law No 1611 was published in the Official Government Gazette on 31 December 1950, Volume I, Issue 304 This law abolished the right of Legal Entities and Insurance Funds to invest their own disposables in bank deposits with interest, enforcing the transfer of these deposits to the Bank of Greece This practice, which was introduced by this law, continued for many years and caused great problems in the Greek pension system and insurance funds throughout the 1990s and in the ensuing years, because these deposits, bearing no interest, were utilised by the successive Greek governments to facilitate reconstruction or to pursue social policy

Communist states the so-called trade unions were dominated by the Communists, who were agents of the police state. Concerning the focal point of conflict, the problem of price and wages, Porter asserted that prices needed to be reduced in order to facilitate an ambitious reconstruction programme, while the reliable road to higher wages was through greater production. He certainly meant the establishment of an electricity power programme. Although Porter recognized the hardships of Greek workers, he urged them to be patient in their demands for wages increases and to make sacrifices since he also urged the Greek government to require the higher income groups to contribute "a more equal sharing of the reconstruction burden than... they do now."[1]

On 30 September 1950 Alan Strachan, Director of the Labour and Manpower Division, also attended the same Congress. He blamed "the insidious and malicious propaganda of Communists"[2] in Western countries, who were trying to manipulate labour unions in order to undermine the production efforts under the Marshall Plan by trying to launch heavy strikes. He asked the GSEE to embark on a journey of unity, progress and education, assuming a realistic role in the development of Greece. Finally, the 10th Congress reached certain decisions, which were far from accepting present sacrifices for future benefits. It protested strongly against the reduction of aid and the policy of the ECA/G Mission that forced the government to abolish subsidies on basic commodities and to deny any improvement in wages. However, enforcement of excessive subsidies created a vicious circle, because it increased prices of products such as wheat, burdening people's cost of living. When the government in the summer of 1950 supported the concentration of wheat grown

[1] Porter to ECA & OSR, 23 September 1950, RG 469 / 1208 / Box 30 / NA.
[2] Roach to Martin & Shishin, 30 September 1950, RG 469 / 1208 / Box 30 / NA.

by local producers, offering a generous price of 2,300 drachmas per oke (1 oke=2,832 lbs.) through the Agricultural Bank, while the price of imported wheat was only 1,635 drachmas per oke, it caused an unreasonable increase of 33% in the price of wheat. The Government, trying to follow a social policy, also provided a price of 3,000 drachmas per oke of wheat to small farmers with fewer than 100 stremata (approximately 25 acres) of cultivation land against settling their debts with the Agricultural Bank.[1] Resolutions of the 10th Congress of the GSEE also called "on the government to repeal the undesirable legislation whereby the Ministers of Finance and Labour were authorised to fix minimum and maximum wages...".[2] Although the United Trade Union Movement of Greece (ESKE), which was formed in August 1950 to replace the disbanded Communist body, the Anti-Fascist Workers Organization (ERGAS), pursued a policy of supporting strikes sponsored by the GSEE, after efforts to eliminate Communists from Congress it received only about 10 per cent of the votes. Because the delegates re-elected as Secretary General of the Confederation Fotis Makris, leader of a right-wing group, the newspapers, which supported a liberal or left-wing orientation, such as 'The Vima' and 'Democraticos' respectively, accused Makris of denying them the right to express their opinions freely.[3] These accusations were partially true. However, in consideration of the heavy burden on lower income groups of taxation and reconstruction, while the government with ECA/G Mission advice pursued a policy of containing inflation through avoiding wage increases they made efforts to support people on lower incomes by holding down prices for basic goods.

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[1] Croswaite to Bevin, 12 July 1950, FO 371 / 87735 / 1123-5 / 1950 / PRO.
[2] Norton to Bevin, 9 January 1951, Annual Review for 195 , p 4, FO 371 / 95106 / 1011-1 / PRO
[3] Information Department, British Embassy, Athens to Foreign Office, 3 October 1950, FO 371 / 87645 / 1014-14 1950 / PRO

While the Venizelos Coalition Government seemed likely to remain in office until the following spring, achieving further progress on the economic front, it was fragmented by the forced withdrawal of Tsaldaris from the government. The reason for the withdrawal of Tsaldaris was an economic scandal in the administration of the port of Piraeus, in which Dendrinelis, a protégé of Tsaldaris, was involved.[1] In the same month, Venizelos and Papandreou formed a minority coalition government, since they were able to obtain a vote of confidence in the Chamber because at that time new elections were not desired by the political parties. Despite the formation of a new government, disputes rose among and within the political parties. After a purge took place in the party structure, owing to the economic scandal, the Populist Party suffered a heavy split. This was caused by the formation of the Populist Union Party (LEK) from the amalgamation of a group of 27 Populist deputies under the head of prominent deputy Stephanos Stephanopoulos, and the small Unionist Party of Panayiotis Kanellopoulos with seven deputies. Also, Venizelos and Plastiras, the two liberal leaders, disagreed about the adoption of certain lenient measures for Communist detainees. Although Venizelos and Papandreou, who formed a minority coalition government, remained in office by the vote of the Populist Party's deputies, the political instability prevented the implementation of the Marshall Plan.

Apart from continuous political instability, the lack of a constructive sense of responsibility by the Greek Coalition governments concerned the American planners. During his service in Greece Porter tried to diminish the Mission's

[1] Norton to Foreign Office, 1 November 1950, FO 371 / 87644 / 1013 / 1950 PRO & Kyrou, Hestia, 6 November 1950. An amount of 7 5 billion drachmas was misappropriated by a group of high ranking officials, including Dendrinelis, who were working in the Organisation of the Port of Piraeus (OLP) Dendrinelis, the god-son of Tsaldaris, gave money to Anagnostopoulos, who lent Tsaldaris'son a sum of money free of interest for the populist newspaper 'Kairoi'.

intervention in economic policy matters and to support an advisory role for the Mission so that the Greek government would be able to increase its experience in dealing effectively with economic problems before the end of American aid and the last departure of the Marshall planners from Greece. Porter, on 11 November 1950, maintained that "in general the Greek governments which had held office during the past year have preferred to shift the responsibility for difficult economic decisions to the Mission."[1]

Nevertheless, although most Emergency Laws recently enacted by the Government were passed by the Greek parliament, the ECA/G Mission was dissatisfied with the progress in implementing them since the government did not draw up any overall systematic economic programme, which was included in the emergency laws. The Greek government needed to co-ordinate the efforts of the relevant ministries, which were involved in the reconstruction and stabilisation programmes.

Lapham, in a memorandum sent on 17 January 1951 to the Special representative of the ECA in Paris, Milton Katz, emphasized that the primary tasks of the Mission in Greece would be: "1) support of the military effort; 2) maintaining relative economic, political and social stability; and 3) working towards economic self-sufficiency."[2] Lapham also highlighted the cooperation in the efforts of American representatives in Greece, ECA/G Mission, Embassy and Military Mission towards the reconstruction and stabilization of economy. He emphasized that "we are a part of a single US team charged with selling American foreign

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[1] Porter to Foster, 11 November 1950, p. 38, Paul R. Porter Papers, Box 3, Truman Library
[2] Lapham to Katz, 17 January 1951, RG 469 / 1209 / Box 2 / NA.

policy. Practically all of the Mission's work carries great internal political significance."[1]

Although the ECA/G Mission recognized the attempts by the government to take economic measures, Lapham asked the government to reach a decision to take further unpopular measures, because during the previous two months inflationary pressures and the rush for gold sovereigns had increased dramatically. He submitted a memorandum to Venizelos through Peurifoy, proposing a plan of action to be discussed in the Steering Committee on 29 January 1951. The cooperation between the Ambassador and the Chief of the ECA/G Mission proved to be as effective as in the period of Grady and Porter, contrary to the lack of cooperation of McVeagh with Griswold, and Grady with Nuveen. At this time Greek politicians were no longer able to drive a wedge between the Mission and the Embassy. Lapham's plan was intended to create "a firm and lasting condition of financial stability within the framework of which the reconstruction and defense programs may move ahead at a much more rapid pace than is possible now."[2] Also, the principal objectives of the plan were: "to strengthen the economy of Greece in the interest of national unity and national defense; to maintain the standard of living of the mass of Greek people in the face of worldwide shortages and rising prices; to confine urgently necessary economies in expenditures and credits to the less essential aspects of the economy; and to ensure that the weight of these economies is born by those best able to support them."[3] Therefore, the ECA/G Mission suggested to the government the establishment of an anti-inflationary programme in order to maintain economic and

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[1] Lapham to Katz, 17 January 1951, RG 469 / 1209 / Box 2 NA.
[2] Memorandum of Lapham to Venizelos through Ambassador Peurifoy, attached to the minutes of meeting with the Prime Minister, 29 January 1951, p 1, RG 469 / 1208 / Box 2 / NA.
[3] Ibid, p 3

political stability in Greece, based on a rationing system. However, Prime Minister Venizelos made reservations about establishing a three months' stockpile of emergency items, such as wheat and fuels, as Papagos recommended. Charles Yost, Minister Counselor of the American Embassy, supported the idea that the ECA and State Department needed to provide small additional economic ass stance for Greece to meet its stockpiling needs in order to operate successfully a rationing system. Although Venizelos professed to accept the American recommendations of 29 January plan in principle, he was unable or unwilling to put them wholly into effect. However, on 17 February 1951 the Government and the ECA/G Mission issued a joint statement on measures which were to be taken against inflationary pressures. These measures were included in Lapham's memorandum of 29 January to Venizelos.

On 14 February 1951 the US National Security Council, forced by the continuing political crisis in Greece, made a decision (NSC 103/1) on the position of the US with regard to Greece. They decided that "along with our concentration on the military security of Greece, one of our major aims has been to promote governmental stability...best results in this respect could be achieved only by a departure from the Greek tradition of coalition governments." They also urged that the Greeks needed to "adopt a majority electoral system, which would place a one-party government in power...and would be able to make a more efficient use of American aid."[1] Therefore, the intention of the American administration to persuade the Greek politicians to establish a one-party government with a majority in the

[1] Implementation of NSC 103 1· 'The position of the US with respect to Greece', Truman Papers, President's Secretary Files, Subject File NSC, Box 194, Truman Library.

parliament was generated by the inability of the previous coalition governments to enforce urgent economic measures towards the stabilisation of the economy.

Lapham, in a meeting with the Deputy Prime Minister and Minister of Coordination, Papandreou, on 21 February 1951, emphasized that although the ECA/G Mission supported the flow of imported materials into the country, it had been forced to interrupt the flow of these supplies in the previous month, because the Ministry of Coordination failed to consult Terrell, the Administrator of the Foreign Trade Administration (FTA), and Gunter, the American member of the Currency Committee on programming matters, and "to develop a realistic workable import programme."[1] Since personnel changes took place in the Ministry of Coordination, the ECA/G Mission offered its service to facilitate its work.

Papandreou continued to raise questions about the enforcement of measures or the establishment of projects, which were not part of the anti-inflation programme. On 22 March 1951 a meeting took place between Peurifoy and Papandreou on questions of refugees, a decrease of credits and an extension of the rationing system in order to achieve a consensus on policy. At the end of March Papandreou questioned the ECA/G Mission's right to examine the concession contract for the Ptolemais lignite project on the grounds that if the project was financed through other sources than from those of ECA funds, then it was no business of the Mission. Papandreou intended to finance the establishment of the project by borrowing from the insurance funds or by direct expenditure from the public treasury. However, ECA/G Mission experts were opposed to this way of establishing reconstruction projects. Papandreou's intention illustrated a most

[1] Document with Lapham remarks, attached to the Minutes of Meeting with the Minister of Coordination, 21 February 1951, Brewster to Brooks, 23 February 1951, RG 469 / 1209 Box 2

significant, continuing struggle between the Mission and the Greek political leadership for the establishment of ambitious projects. It also "echoed the symbolism used by the political leadership: the grandiose projects which, they thought, could fire the people's imagination."[1] John Roach also maintained that the failure of the government to consult with ECA/G Mission respecting projects such as the Ptolemais contract or the Eliki Lake deal was a violation of the principle, included in the note[2] of 15 June 1947 submitted by the Greek Government to the US Government, which constituted a part of the mutual Agreement on 20 June 1947, providing assistance to Greece.

Apart from his conflict with the ECA/G Mission on several issues, Papandreou, who held a key ministry in the reconstruction programme organizing the work of the other ministries, often held a different position on the same issues from the other ministers of the government. On 7 May 1951 Papandreou also demanded urgently the removal of Constantine Tsatsos from his office as the Permanent Under-Secretary for Coordination before the end of the fiscal year because he believed such a change would facilitate the function of the Ministry. Jenkins and Yost were opposed to this change on the grounds of the need for an uninterrupted technical operation of the Ministry of Coordination. They emphasized that the Mission and the Embassy considered "a change in the leadership of the Ministry at this time would...result in important failures to meet deadlines which will be permanently harmful to the economy of Greece."[3]

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[1] Letter of James Warren Jr. to Apostolos Vetsopoulos, 8 September 2001.
[2] "The Greek Government will wish to consult with the Mission before taking any economic steps, which might affect the success of the American aid Program". Roach to Lapham, 23 March 1951, RG 469 / 1209 / Box 1 / file 5 / NA.
[3] Brewster to Brooks, 9 May 1951, RG 469 / 1209 / Box 2 NA.

In the beginning of May 1951 Venizelos made an agreement with Plastiras and Tsaldaris on a modification of the existing electoral law. Because this plan favoured the first three political parties, Papandreou tried to prevent it by a threat to resign since his Democratic-Socialist Party was a minority party; his resignation would cause a breakdown in the coalition government and lead to elections under the existing electoral system. Thus, when the issue of security prices or subsidies to the farmers for the year's wheat crop emerged again, as in the same season of the previous year, he supported excessive subsidies. In the previous year, while both the ECA/G Mission and the Minister of Coordination, Tsouderos, disliked the Papandreou plan on the grounds that would rise "demands for similar prices increases from other primary producers"[1], the Minister of Finance Kartalis succeeded in persuading him to reduce his proposed price from 2,400 drachmas to 2,300 drachmas per oke. However, after Venizelos and Kartalis resisted strongly Papandreou's plan to provide excessive subsidies for the year's wheat crop, he and his followers resigned noisily from the government on 30 June 1951.

The political crisis led to the resignation of Marshall Papagos from the position of Chief of the National General Defence Staff on 30 May 1951. His resignation disturbed the plans of the political parties, because the possibility of Papagos entering politics, and forming his own party, was anticipated by the Greek people and press in order to exert pressure on politicians to assume their responsibilities after the cut in economic aid, and the need for rearmament. Although Ambassador Peurifoy interrupted his trip to the US and returned to Greece to persuade the Marshall not to resign, Papagos insisted on his decision because of

[1] Crosthwaite to Bevin, 12 July 1950, FO 371 / 87735 / 1123-5 / PRO.

the serious deterioration of his relations with King Paul, who resented his independence. While Venizelos received a vote of confidence from the parliament on 9 July, he resigned on 27 July and, eventually, general elections were proclaimed for 9 September 1951. At the same time, although Papagos had given assurances to Venizelos and the King that he would not enter politics, he nevertheless announced that "he had decided to enter the electoral campaign."[1] The new political party, called Greek Rally, under the leadership of Papagos, was made up of the amalgamation of the New Party of Markezinis and the LEK of Kanellopoulos and Stephanopoulos. Members of the Populist Party deserted Tsaldaris for the Greek Rally. The political crisis during the whole of 1950 and the eventual curtailment of American aid forced Spyros Markezinis to "prepare systematically the creation of the Greek Rally Party."[2] Therefore, the creation of the new political party was caused by the continuing political crisis, as the old political parties were not able to cooperate in reconstruction efforts under coalition governments.

The political instability forced the Americans to reduce aid to Greece in order to exert pressure on the government to implement economic measures. American planners asked the government to draw up an overall economic plan against inflation in order to stabilize the Greek economy through the achievement of financial stability. Thus, the American administration tried to pursue a policy which supported the continuation of reconstruction and defence programmes within the framework of financial stability.

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[1] Crosthwaite to Eden, 24 January 1952, FO 371 / 101793 / 1011 / 1952 / PRO.
[2] Oral History Interview with Spyros Markezinis by Theodore Wilson, p 61, Truman Library

4.3. The economic policy of the Greek government and attempts to implement a Stabilization Program The policy of selling gold sovereigns and credit in order to counter inflation along with control of prices and wages

Although after the drachma's devaluation of September 1949 a reform of tariffs was enforced, which was facilitated by falling world prices, in the summer 1950 the outbreak of the Korean War caused a rise in these prices, which increased further the domestic price for imported goods. This development frustrated the policy which was introduced to Parliament on 25 July 1950 by Kartalis to abolish subsidies for imports. One of the major cuts in this budget was the reduction of subsidization of imported basic foodstuffs from 670 billion drachmas in 1949-50 to 100 billion drachmas in the planned budget 1950-51. These cuts represented approximately one-third of total budget deficit over the previous year 1949-50 of 1,800 billion drachmas. The withdrawal of subsidies for wheat increased the price of bread by 33%, which caused indignation amongst working people.[1] The Minister of Coordination Kartalis had decided on the abolition of wheat subsidies a few days before the outbreak of the Korean War and wanted to continue that policy in order to decrease budget expenditure. New military commitments and the rise of the world prices, caused by the outbreak of the Korean War, forced the government to revise the budget and to shape an economic policy in order to obtain financial stability through anti-inflationary measures. However, in order to overcome its economic problems, the Government needed to show political stability and to reorganize its administration.

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[1] Norton to Bevin, 11 August 1950, FO 371 / 87644 / 1013 / 1950 / PRO.

During the third period of the Marshall Plan the economic policy which had been followed by the Bank of Greece in previous years continued. The principal objectives of this policy were: the maintaining of financial stability, and the achievement of a balanced budget through selling gold sovereigns and control of credit by the Currency Committee, whose foreign members were often pushed around by the Athenian Greek politicians, supported by measures to hold the price and wages level. The Central Loan Committee (CLC) was responsible for the Marshall Plan's long-term development credits. The currency circulation remained under the control of the Currency Committee, which intervened in the note issue in the case of emerging inflationary pressures on the currency. However, strict control over currency circulation was not exercised until 1951-52 because the members of Currency Committee "were almost always outmanoeuvered by the political establishments."[1]

Although industrial production rose, the resettlement of refugees was completed by the end of June 1950 and the government dealt successfully with a potentially serious civil service strike in May, the outbreak of the Korean War caused an increase in world prices which was accelerated by the shortage of commodities. This resulted in heavy sales of gold sovereigns for about three weeks in July and an increase in the price level, so that working people demanded wage increases. In particular, the price of gold sovereigns followed the rise of commodities prices with an average 10-15 percent increase. Apart from a strong demand for gold sovereigns and a rise in the cost of imports, in Greece "a tendency to hoard commodities increased."[2] This situation caused a sharp rise in the cost of

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[1] Letter of James Warren Jr to Apostolos Vetsopoulos, 8 September 2001.
[2] Jenkins to Secretary of State, 29 August 1950, RG 469 / 1208 / Box 23 / file 5 / NA.

living and a wave of strikes at the end of July. It seemed that the government had failed to produce any wages policy despite a small increase in the minimum wage.

The public optimism of the previous three months, which was reflected in a declining demand for gold sovereigns and a smaller increase in the rate of the cost of living than in the previous period, was shattered by the Korean War. This was a precarious stability, since exports remained one-fifth of imports and currency circulation increased. The outbreak of the Korean War forced up the price of the gold sovereign. This rose from a daily average of 209,000 drachmas during June to 225,000 drachmas during July. While in August the demand for gold sovereigns at this price tapered off, in September, after favourable news was received from the Korean front, its price fell to 215,200 drachmas. As the price of gold sovereigns remained around the same in October, the Bank of Greece was able to buy sovereigns in the local market to replenish a part of its stocks. However, "the new turn of events in Korea drove the price of gold up during November"[1] when the Chinese forces crossed the Yalu River, pushing back the UN army. On 7 November the price of gold sovereigns rose to 226,000 drachmas and on 18 November reached 226,500 drachmas. Because this price was considered by the Bank of Greece as a security pnce, the latter succeeded in holding it by heavy sales of gold sovereigns (and through heavy purchases of drachmas) at that level for the rest of the month. On 29 November 1950 about 59,000 sovereigns were sold. The amount of gold sovereigns sold in the previous three weeks reduced stocks to 369,000. In the first two hours of sales on 30 November in Athens alone an additional 46,000 gold sovereigns were sold, bringing stocks near to the alarming level of 300,000 gold

[1] Norton to Foreign Office, 6 December 1950, FO 371 / 87725 / 1101-12 / 1950 / PRO

sovereigns established as a minimum by the Bank of Greece, which was forced to place an urgent purchase order with the Federal Reserve Bank of New York for 250,000 gold sovereigns.[1] Because the suspension of sales would cause an economic collapse, since Greeks considered gold sovereigns as a measure of value of the national currency, the ECA/G Mission strongly supported the Bank of Greece's request despite the fact that the procurement of gold sovereigns would drain Greece's slender free dollar resources.

The demand for gold sovereigns assumed panic dimensions, because "existing stocks of sovereigns were practically exhausted by 5th December and the bank was forced to call a holiday on 6th and 7th December."[2] Although rumours were spread that the value of all outstanding drachma notes would be halved, the government promptly denied the rumours that it was planning to take such action. One of the reasons that the rumours were so effective was the historic basis of currency reform in Greece was necessitated by the weak currency. While gold sovereigns sales amounted to 103,907 on 11 December 1950, they fell to 53,065 on 12 December, implying a tendency to end the financial crisis. However, because the sales continued steadily: 73,804 on 16 December, 30,469 on 18 December and 27,452 on 19 December, and the gold sovereigns stock position of the Bank of Greece decreased to 343,566 by the close of business on 19 December 1950 the Bank of Greece asked for 250,000 gold sovereigns from the Federal Reserve Bank for urgent delivery. The ECA/G Mission concurred and urged ECA/W and Treasury to approve this sale because the utilization of their Christmas bonus by the Greeks

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[1] These data are taken from the report of Lapham to ECA, 30 November 1950, RG 469 / 1208 / Box 25 / NA.

[2] Norton to Foreign Office, 5 January 1951, RG 371 / 95135 / 1101-1 / 1951 / PRO.

was anticipated and the present stock of gold sovereigns was not adequate to provide a margin of safety.[1]

On 20 December, after a request by the Bank of Greece for an additional purchase of 500,000 gold sovereigns, the ECA/G Mission came reluctantly to favour this action on the grounds that the continuation of selling gold sovereigns would stabilize the currency and hold prices. Lapham also argued that a strong stock of gold sovereigns discouraged purchases by the public while a suspension of sales by the Bank of Greece as on 15 December because supplies were not available, when an air shipment arrived late, would cause galloping inflation, undermining the foundations of economic policy.[2] However, since the cost of importing 1,500,000 gold sovereigns in December reached $12 million, which was a severe drain on the bank's foreign exchange reserves, the ECA/G Mission considered it "undesirable to permit larger investment in sovereigns…".[3]

The American planners decided to discuss with the Greek government the enforcement of measures in order to stem the demand for gold sovereigns in the short-run. A major achievement was the decision to delay payment of half of the Christmas bonus from December to January and February. The Mission suggested other measures, such as the curtailment of bank credit, the reduction of government expenditures to a minimum level and the limitation of counterpart releases. Although international developments in Korea, such as the crossing of the Yalu River by Chinese forces in November 1950, and rumours in December predicting a

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[1] These data are taken from the Lapham to Secretary of State, 20 December 1950, RG 469 / 1208 / Box 25 / file 4 / NA.

[2] The stocks of gold sovereigns were exhausted, because the chartered plane, which carried the gold sovereigns from New York to Athens, did not arrive on time because it was delayed at Shannon airport in Ireland with engine trouble

[3] Lapham to Foster, 20 December 1950 RG 469 / 1208 / Box 25 NA.

half devaluation of the drachma caused financial panic, the ECA/G Mission considered that these developments raised "a serious question as to continued feasibility of gold sovereigns selling policy"[1] and asked John Gunter, the American member of the Currency Committee, to visit Washington DC in late December to discuss basic problems in supporting this policy.

In January 1951 Gunter, after consultation with a working party on the economic situation in Greece consisting of ECA/W, State Treasury and the Federal Reserve Bank representatives, came to Greece in order to instruct the ECA/G Mission to take the initiative and frame a comprehensive programme of economic reform and to present it to the Greek Government as of the highest urgency. On 19 January 1951 a working party consisting of John Gunter, Charles Terrell, Paul Keppel, Charles Yost and John Roach shaped this economic plan.[2] However, the background of these officials did not help the formation of an overall economic programme to fight the shortcomings of the Greek economy, since only Gunter and Terrell were economists. Although they were all genuinely concerned for the plight of the poor Greeks who were tortured by the price increases and they leapt back into their own experience for solutions such as the New Deal and the Command Economy principles of World War II, they lacked rigorous economic training to deal effectively with the unorthodox practices of Greek merchants, who were inclined to hoard. The main objectives of this plan were the introduction of an improved rationing system and price control supported by an increase in certain taxes and abandonment of any tax exemptions, and collecion of the due past taxes. However,

[1] Lapham to Foster, 23 December 1950, RG 469 / 1208 / Box 25 NA.
[2] Lapham to Porter, 19 January 1951, RG 469 1208 Box 32 NA.

success of the rationing system required adequate stocks of those commodities, which would be included in the rationing system, to meet the requirements.

On 26 January 1951 Lapham resisted the enforcement of a measure to inhibit or impede sales of gold sovereigns, because he considered that measure "as inconsistent with short run objectives"[1] because current inflationary pressures were very serious in the Greek economy. He supported the idea that timing was of the utmost importance to an eventual decision to stop sales of gold sovereigns, following primarily the implementation of a new overall anti-inflation programme.

On 29 January 1951 the ECA/G Mission, the Embassy, the Currency Committee and the FTA called on the government to agree to the establishment of an anti-inflation programme. In this Steering Committee meeting the government accepted in principle the nine proposals of the anti-inflation programme, which were developed by a joint working party of the Embassy, the ECA/G Mission, Gunter and Terrell, and pledged to submit its views on the programme in writing. In this meeting the American planners tried to analyze how alarming the economic situation appeared and to persuade the government to assume an overall programme to hold inflation. Lapham emphasized that "since July prices have been rising at the rate of perhaps 20-25 percent per year. Another sign of weakness is the heavy sales of sovereigns in recent weeks by the Bank of Greece…pressures to increase the import of consumer goods are rising."[2] Therefore, at this time the American planners, forced by the rush for gold sovereigns of the two previous months, decided to intervene in economic issues in order to prevent the collapse of the Greek

[1] Lapham to Secretary of State, 26 January 1951, RG469 / 1208 Box 32 / NA.
[2] Lapham to Venizelos, 29 January 1951, attached to the Minutes of Meeting with the Prime Minister, 29 January 1951, RG 469 / 1209 / Box 2 / NA.

economy, since the ECA/W and Department "urged that the Mission and the Greek Government join in taking clear anti-inflationary steps."[1]

After Gunter's advice on March 1951 the ECA/G Mission agreed to abandon the gold sovereigns sales policy when inflationary pressures were low. However, the two factors, which needed to be in effect and working well for a certain period of time in order to enforce such a measure, were price controls and rationing. Roach, in his effort to support the accumulation of a stockpile of food, asserted that for two reasons, the anti-inflation programme and abandonment of gold sovereigns sales, the ECA/G Mission needed to support the establishment of a rationing system. The inability to enforce a rationing system because of the continuing increase in world prices and a shortage of basic commodities prevented any plan to end sales of gold sovereigns. However, although sales of gold sovereigns declined through February and March, its price remained around 226,000 drachmas, while 1,000,000 gold sovereigns were imported by the Bank of Greece throughout January and February to hold the gold sovereign's price steady.

In April 1951 the economic situation deteriorated because of a continuing rise in the cost of living, which was accompanied by spreading unemployment throughout the country, as ECA field representatives reported to a meeting in Athens. They asserted that the major cause in the increase of the cost of living was the breakdown in the flow of essential supplies. Labour opinion focused its outraged reaction on the ECA/G Mission, when the latter at the end of March imposed a veto on a Ministry of Supply scheme which was "represented as rationing essential commodities for half million workers and civil servants, but which was in fact

[1] Brewster to Peurifoy, 1 February 1951, RG 469 / 1209 / Box 2 / NA.

merely veiled wage supplement unsupported...by adequate reserve supplies to ensure that promised distribution could be made." While the Mission and the Embassy tried to explain the true facts to the people, Peurifoy urged Secretary of State Acheson to support the introduction of a broad rationing system, which was the "heart of anti-inflation program recommended by mission to Greek Government January 31 with full Washington concurrence."[2] Peurifoy recognised that since the Greek people were living close to the margin of subsistence, the Government had to provide adequate reserves of essential commodities to support a sound rationing system, because any shortage or indigenous hoarding of basic commodities could cause political repercussions. Since the rationing system was intended to support only the low income people to meet their essential needs, after the increase in prices or breakdown in flow of essential supplies, the American planners persisted strongly against the introduction of such a rationing system, which had a wage character support for all the civil servants and working people.

A principal objective of the economic policy pursued after the outbreak of the Korean War was to hold market prices and wages despite the demands from the labour unions, which were reasonable in some cases. However, all the strikes of October ended in wage increases in response to pressure from various groups. In December 1950 the ECA/G Mission urged the government to revive discussions of a new Wage Stabilisation Board, which had begun two years before, and to settle the wages issue before the expiry date of the three months' 'freeze' on 8th January 1951. After the wages increases granted by individual industries and employers, the Greek government, "in consultation with Mission, agreed to an increase in minimum

[1] Peurifoy to Secretary of State, 4 April 1951, RG 59 / Decimal Files 1950-54 / Box 5401 / NA.
[2] Ibid

wages."[1] When in January 1951 the Government was forced by organized labour to increase the minimum wage by 4,000 drachmas on wages not exceeding 35,000 drachmas a day and by 100,000 drachmas on salaries up to 1,000,000 drachmas a month, and the GSEE continued to exert pressure on the government for more increases, the ECA/G Mission intervened in this vicious wage-prices spiral. The American planners included the wage issue in the anti-inflationary progamme, which was submitted by them to the Greek government on 29 January 1951. They supported the idea that "the principal objective of a wage policy should be the protection of the real income of the wage earners in the lower income groups...the entire procedure of fixing wages on a nation-wide basis by legislative degree be abandoned, in favor of a wage board procedure."[2]

Although the ECA/G Mission recognized the deteriorating position of labour after the increase in the cost of living, they decided to deal with the wage problem after the enforcement of a rationing system in order to face the real needs of workers and servants. On 17 February 1951 in a joint statement the Greek government and the Mission supported the idea that "wage adjustments at this time would jeopardize the success of rationing program and the establishment of the Wage Policy Board, both of which are part of the anti-inflationary program."[3] However, since in June 1951 the rationing pogramme was not yet enforced, after large scale strikes of civil servants took place, the government and the ECA/G Mission on 18 June stated that "after the application of the ration distribution system it will be possible to examine the claims of the civil servants and wage earners in general...".[4] Although organised

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[1] Norton to Foreign Office, 7 February 1951, RG 371 / 95135 / 1101-2 / 1951 / PRO.
[2] Lapham to Venizelos, 29 January 1951, attached to the Minutes of Meeting with the Prime Minister, 29 January 1951, RG 469 / 1209 / Box 2 / NA.
[3] Lapham to ECA, 23 June 1951, RG 469 / 1227 / Box 24 / NA.
[4] Ibid

labour and people expected the establishment of the rationing system in order to face the increased costs in their living expenses, the government seemed to be unable to implement effectively any rationing programme to support low income groups, because they were unable to provide the required basic commodities for the rationing system to function.

After currency circulation increased from 1,653,000,000,000 drachmas in June 1950 to 1,887,100,000,000 drachmas in December 1950, there was a drop to 1,789,500,000,000 drachmas in June 1951. The Currency Committee, following the anti-inflation policy which had been established on 29 January 1951 between the Greek government and the ECA/G Mission, had restricted credits for provision of loans. This was facilitated by the enforcement of the Emergency Law No 1611 of 31 December 1950 for the transfer of deposits of funds of Legal Entities and Insurance Funds to the Bank of Greece. The cost of living index showed a steadily increasing tendency from 295 in June 1950 to 329.6 in January 1951 and then up to 343.8 by the end of fiscal year 1950-51 (1938=1).[1] This increase reflected the deterioration of economic conditions caused by the increase in world prices after the developments of the Korean War and the shortage of commodities in the world market.

Concerning credit policy, the Bank of Greece continued to provide loans to various sectors of the economy. Loans were granted to agriculture, industry, manufacturing and trade. In particular, this fiscal year, because of the rising world prices, Greek banking authorities were generous in credits to trade, which increased from 226,525,000,000 drachmas in June 1950 to 477,051,000,000 drachmas in June 1951. The special position of tobacco in Greek external trade provided separate

[1] These data are taken from the Annual Report of the Governor of the Bank of Greece for the year 1951, p XXIV.

loans to tobacco traders, which increased from 274,778,000,000 drachmas in June 1950 to 461,888,000,000 drachmas in June 1951. The total outstanding amounts of loans increased from 2,397,446,000,000,000 drachmas in June 1950 to 3,707,829,000,000 drachmas in June 1951, but over the same period deposits with banks, not including those with the Bank of Greece, increased only from 1,401,906,000,000 drachmas to 1,722,071,000,000 drachmas, showing a lack of confidence by the Greeks in their national currency.[1] During the third year 1950-51 the amounts of long-term loans granted through ECA aid to various sectors of the Greek economy under the control of the CLC increased to $29.2 million, in comparison with $9 million in 1948-49 and $19.4 million in 1949-50.[2] The Bank of Greece calculated these loans as amounting to 335 billion drachmas.[3] Comparing these amounts with the exchange rate of the two currencies at 15,000 drachmas per $1, these loans in dollars and drachmas had equal value.

In January 1951, after the inflationary situation became alarming because of the rush on gold sovereigns in the previous two months, the American planners decided to persuade the government to enforce a reform on credits in order to improve the effectiveness of Currency Committee decisions on bank supervision to ensure that its decisions were not violated by the commercial banks. They also tried to implement a new credit programme "to achieve a substantial cutback in the volume of credit, particularly in credits to import and inland trade."[4] In supporting the anti-inflation policy on credit Lapham, on 29 January 1951, emphasized: "there

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[1] These data are taken from the tables 3 & 4 of Monthly Bulletin, Dec 1951, Vol XVI, No 48, Athens, Bank of Greece-Economic Research Planning

[2] These data are taken from Greece-Statistical Data Book-Fiscal year 1955 56 & Calendar 1956, table 69, p 2

[3] Annual Report of the Governor of the Bank of Greece for the year 1953, p. 125.

[4] Memorandum of Lapham to Venizelos, 29 January 1951, p 4, attached to the Minutes of Meeting with the Prime Minister, RG 469 / 1209 / Box 2 / NA.

has been an over-expansion of bank credit. In the last two years total bank credits have increased from about 2,000 billion drachmae to about 4,300 billion drachmae, an increase far in excess of the increase in production which this expansion has supported."[1] He also continued that "the conclusion is inevitable that bank credit have supported the speculative hoarding of stocks and other uneconomic activities."[2] Lapham's ideas concerning the amount of bank credits reflected the real practices of commercial banks, which provided loans with excessive rates of around 25 percent, thereby making enormous profits while seeking to violate the instituted supevision of Currency Committee on bank credits. Therefore, a reform on the function of bank credit was needed, by introducing punishments when the commercial banks violated the decisions of the Currency Committee.

During the third year of Marshall Aid, the principal objectives of economic policy remained the same as in the previous years. These were to maintain monetary equilibrium and hold down inflation, which influenced reconstruction and development. As part of the anti-inflationary programme, which was agreed between the Greek government and the ECA/G Mission on 17 February 1951, the Government tried to implement a rationing system with the Mission's support and a $25 million special ration reserve fund drawn from ECA aid in order to secure an equitable and reliable distribution of available consumption goods and maintain the standard of living of the Greek people. However, only $6 million of this amount was used in fiscal year 1950-51 since governmental authorities were unable to provide the required amounts of basic commodities included in the rationing system.

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[1] Memorandum of Lapham to Venizelos, 29 January 1951, pp. 3-4, attached to the Minutes of Meeting with the Prime Minister, RG 469 / 1209 / Box 2 / NA.

[2] Ibid., p. 4

Nevertheless, in June 1951 the Greek Government was forced to reorganize the operation of the rationing system, because obstacles emerged in the collection of rationed goods, such as wheat and olive oil. Although the government and the ECA/G Mission tried to enforce a revised rationing system in order to hold prices and avoid committing itself to provide wages and salaries increases, they failed because of producers' reluctance to sell their products to the relevant governmental organisations for lower prices fixed by government authorities than those of the market. The rationing system also required effective administrative services that the Greek government lacked at that time. These shortcomings forced the Government and American planners to abandon the rationing system at its first stage in the fall and winter of 1951. They were enabled to abandon the rationing system by the fact that "before the scheme was in full operation, people had calmed down and the price-supply situation had so changed that dangers of food shortages and panic prices had faded away."[1] Although the rationing system, as an economic measure to hold inflation after the rising of world prices caused by the developments of the Korean War, was implemented successfully in Western European countries such as Britain, similar efforts to enforce the same economic measure in Greece failed. Thus, one basic objective of the anti-inflation Program was not met so that the Marshall planners sought other measures suited to the Greek economy in order to hold inflation.

In the third year of the Marshall Plan, despite reservations by American planners on gold sovereign policy, the Bank of Greece continued to sell gold sovereigns to the public, since the time was not yet ripe to stop it, as the economic

[1] Francis Lincoln, United States Aid to Greece, 1947-1962, p. 126

measures of the anti-inflationary Programme had not yet brought about any stable effects. The Government also refused the demand of labour unions for increasing wages and salaries in order to decrease budget expenses and to hold inflation, because the policy of the ECA/G Mission to facilitate reconstruction through counterpart releases required the government to reduce the budget deficit. The basic principle of this policy was only to release the same amount of counterpart funds as the budget deficit in order to avoid inflation.

4.4. The contribution of the Marshall Aid Program to the national budget and the balance of payments—The problem of exporting Greek tobacco to the ECA countries

In planning for the third year of Marshall Aid to Greece, the Greek Government and American planners continued their efforts towards the reduction of the budget and balance of payments deficits in order to facilitate reconstruction and enable the economy to function without foreign aid after the end of Marshall aid. On 25 July 1950 the new budget for the fiscal year 1950-51, which was belatedly introduced by the Minister of Finance Kartalis because of the unsuccessful pressure exerted on him by the Greek General Staff to preserve the defence expenditure at a high level, showed a small deficit based on the assumption that the army would be reduced to 80,000 men by 1 January 1951. The Greek press described the budget as the first one since liberation not having a social relief and war character. The deficit, which was to be covered by counterpart funds, was reduced to 406 billion drachmas, a saving of 1,245 billion drachmas on the previous year's deficit. This was achieved by a reduction of 662 billion drachmas in military expenditure, 410 billion drachmas in resettlement of the Civil War displaced refugees and 475 billion drachmas in supply and subsidies, while against these savings the amount of 300 billion drachmas was set aside for increases in salaries.[1] However, this budget represented the maximum that the national income could carry in revenue and the maximum of economy in governmental expenditure, following the introduction of more efficient controls on tax evasion. Therefore, the reduction of the budget deficit could enable a major utilization of counterpart funds to be devoted to reconstruction.

Although the withdrawal of food subsidies was based on falling world prices and aimed to prevent importers from accumulating high profits, with the outbreak of the Korean War and the increase in world prices it had negative results because it caused increases in the prices of basic goods, such as bread, whose price increased by 33 percent. This incurred labour protests. In order to counterbalance the withdrawal of subsidies a reform in the tariff was enforced, which led to higher domestic prices for imported goods. The estimates for the budget were 5,245 billion drachmas in expenditure and revenue, showing a balance, while counterpart funds expenditure and receipts were 3,973 billion drachmas, devoting 1,760 billion drachmas to reconstruction.[2] Although the objectives of the planned budget by Kartalis were admittedly overoptimistic, international changes, which were caused by the outbreak of Korean War, crippled his efforts to present a budget without military orientations. After the abandonment of the plans for reducing defence expenditure, the Government had to revise all its planned work on the budget and needed to focus its efforts on the enforcement of economic measures, such as the

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[1] Kartalis' provisional budget of 25 July 1950.

[2] These data are taken from the summary of Ministry of Finance's Statement on 1950-51 year budget, attached to the letter of Norton to Bevin, 14 February 1950, FO 371 / 87733 / 1114-1 / 1950, PRO.

efficient collection of taxes, reduction or abolition of import subsidies, rationalisation of salaries for civil servants and the pruning away of unmerited pensions in order to hold the budget deficit and facilitate the execution of the current reconstruction projects. Because of the unpopular character of these economic measures, the Government had to enforce administrative reorganisation and persuade the Greek people to adopt the new fiscal policy in order to carry out reconstruction projects.

For the fiscal year 1950-51 in the account of 'Counterpart funds', receipts and payments were 3,088,000,000,000 drachmas and 1,673,000,000,000 drachmas respectively. The remaining amount of 1,415,000,000,000 drachmas was frozen to avoid inflation.[1] In the beginning of the fiscal year ECA planners decided to avoid supplying counterpart funds to cover the budget deficit in order to test government effectiveness in implementing economic measures as well as the strength of the Greek economy. However, since state expenses rose, they were forced to release counterpart funds in order to balance the budget.

In the fiscal year 1950-51 the total tax returns amounted to 4,513,400,000,000 drachmas, while the amount of the direct taxes collected was only 680,700,000,000 drachmas.[2] The direct taxes collected amounted to 89% of the total confirmed direct taxes and 39% from previous fiscal years. However, the Government did not enforce any tax reform, so that the proportion between direct and indirect taxes remained about the same as the previous year, 20% and 80% respectively. Despite the continued pressure exerted by the American planners to

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[1] These data are taken from the Annual Report of the Governor of the Bank of Greece for the year 1953, p 125

[2] These data are taken from the Annual Report of the Governor of the Bank of Greece for the year 1951, p. 95.

increase direct taxes the Government was not able to carry out such reforms. On 27 September 1950 Porter in his letter sent to Prime Minister Venizelos asked for an urgent improvement in tax collection, a revision in the tax structure in order for taxes "to be levied and collected on the basis of ability to pay."[1] He also emphasized that certain Greek citizens, such as the wealthy who held unregistered capital shares, did not pay a fair share in taxation, since the government left the dividend payments on these untaxed.

During the third year of the Marshall Plan the total revenues and expenses in the budget of the Greek state as they appeared in the Greek state account with the Bank of Greece were 5,944,303,000,000 drachmas and 7,063,949,000,000 drachmas respectively. The final budget deficit was 1,119,646,000,000 drachmas.[2] This enormous deficit was covered by American aid. Although the initial budget deficit was 945 billion drachmas, the need for the continuation of reconstruction of the state sector, additional expenses on railways and further assistance for the resettled refugees increased the deficit.

Apart from the efforts to decrease the budget deficit, the Government needed to decrease the deficit in the balance of payments. Since the value of Greek tobacco exports was half the value of total Greek exports and the stocks of unsold tobacco created serious economic and social problems, the Government sought to restore its exports to the Federal Republic. While on 21 June 1950 Harriman was informed that the quality of Greek tobacco was substandard and prices were high, which affected sales both to the US and Europe, on 26 July 1950 Porter informed the High

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[1] Porter to Venizelos, 27 October 1950, RG 469 / 1213 Box 15 / NA.

[2] Monthly Bulletin, December 1951, Vol XVI, No 48, p 25, Athens, Bank of Greece, Economic Research Department

Commission in Germany (HICOG)-Frankfurt that "seriousness of Greek tobacco problems had led Mission to request Paris and Washington review of ECA tobacco policy in Western Europe."[1] Apart from an economic problem the tobacco issue acquired political and social dimensions, since tobacco growers were a major part of the agricultural population in Greece and they were able to exert electoral pressure on politicians if the latter did not favour their interests. The efforts of the Government to increase its export performance had satisfactory results. Eventually Porter facilitated the substantial export of Greek tobacco to the ECA countries, despite the opposition raised by ECA/W, OSR and the Frankfurt Mission to increasing the amount of Greek tobacco exports to the Western zones of Germany.

In June 1950 the problem of exporting Greek tobacco to the ECA countries had again emerged. The Greek Government tried to export more tobacco to the German market in order to reduce the balance of payments deficit since tobacco was the major export product. In the pre-war period it had represented one-fourth of the value of all Greek exports. While the Government tried to persuade the German authorities to abolish high internal taxes and enforce adequate custom regulations in order to stop the extensive smuggling of American cigarettes into Germany and facilitate the selling of more Greek tobacco to German markets, it raised the tobacco question with the ECA/W administration without success.

In the middle of August 1950 Emanuel Tsouderos, Minister of Coordination, visited Washington DC in order to raise the question of Greek tobacco with the new Administrator of the ECA, William Foster. He stressed the point that although the American administration had favourable intentions about solving the problem of

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[1] Porter to HICOG-Frankfurt, 26 July 1950, RG 469 / 1208 / Box 31 / NA.

Greek tobacco, American officials themselves faced obstacles which prevented them from acting independently on the tobacco issue. No doubt Foster meant the internal pressure exerted on ECA officials from interested southern Congressmen, who tried to facilitate American tobacco exports to Western Europe after the tobacco growers from the southern states had exerted electoral pressure on them.

In the summer of 1950 a different approach to the issue of Greek tobacco exports between the ECA/G Mission and the Greek Government existed. In the OEEC Working Party, although the Greek delegation did not consult the ECA/G Mission concerning its position, it raised extraordinary proposals such as that the German authorities should be urged to tax tobacco according to nicotine content. The ECA/G Mission did not agree with this proposal since it "would be concealed discrimination against American tobacco."[1] Porter called on Tsouderos to instruct the Greek delegation to avoid raising such a proposal. The Minister of Coordination replied that the Greek representatives had not been authorized to present such a proposal and they appeared overeager in their action. He also committed himself to instructing them to withdraw their proposal.

Since the end of World War II, the Greek Government, the public, the tobacco industry and labour had declined to face squarely the fact that the production costs of Greek tobacco needed to be reduced and the quality of this product to be improved in order to regain its pre-war European markets. The major Greek argument was that because they were poor and had suffered war catastrophies, other countries had the moral obligation to buy their tobacco irrespective of price. In the Paris Peace Conference in 1946 the Greek delegation

[1] Porter to Bonsal & Thibodeaux, 2 August 1950, RG 469 / 1208 Box 31 / NA.

made a proposal that Germany should be obliged by treaty to buy 20,000 tons of Greek tobacco annually, considering the fact that the prewar amount was 30,000 tons. However, no relevant treaty was concluded on this issue between Greek and German representatives. In the summer of 1950 the enormous unsold stocks encouraged the idea in the Greek parliament and press that US tobacco had unfairly grabbed the German market and that the US authorities enforced German tax laws to discriminate against the Greek product. When the Greek Government asked the ECA/G Mission to support Greek interests, the final Mission position, influenced by Porter, was negative towards the urgent solution for Greek tobacco exports to the Federal Republic, despite the fact that several ECA/G Mission officials disagreed strongly with the final Mission position of not supporting more exports of Greek tobacco to the German market, since they considered Greek interests on the tobacco issue as fair, influenced by the spirit of the AMAG Mission. Although the ECA/G Mission had refused on solid grounds the establishment of an oil refinery and blast furnace, its position on the Greek tobacco problem proved to be only partly suceessful because the ECA headquarters refused to prevent Marshall aid provisions of American tobacco to the German market, while the German authorities preferred to receive American tobacco in the form of aid rather than to purchase Greek tobacco in exchange for industrial products.

However, the ECA/G Mission, trying to deal with the tobacco problem, supported four measures to facilitate Greek tobacco exports to the ECA countries: the provision for an export subsidy to make the selling price competitive, the cut in dollars for tobacco imports into Western Europe by the ECA/W, a reduction of the German tax on cigarettes in accordance with the views of OSR and the Frankfurt Mission, and the provision of US technical assistance to help Greeks to reduce production costs, improve quality and market more effectively. Kathleen Fitzgerald, who was an official in the Greek desk of the ECA/W, had suggested the last measure to the ECA/G Mission.

Because German consumer preference for particular qualities of tobacco, such as Virginia type, continued, Porter emphasized that "it would be unrealistic to encourage consumer preference which may not be sustained after ECA aid ends."[1] Porter also asked ECA/W assistance in recruiting two highly qualified experts to work full time on tobacco production and marketing respectively. However, the two experts, in dealing with these issues, had to assume a long-term commitment and face socio-economic traditional practices, which were ill-founded and uneconomic, because they had been created after labour pressure and social demand in principal tobacco centres. Thus, the required agricultural reform through extensive mechanization and other measures would come up against the employment of the Greek agricultural population, which numbered over half of the total population.

Eventually, Porter accepted that Greek interests concerning tobacco were fair. When Porter was appointed Assistant Administrator of the ECA, he devoted a great deal of effort to trying to open the German market to Greek tobacco. Initially, the American military authorities in charge of the American-supervised sector of Germany had no knowledge of Greece's traditional export of tobacco to Germany. When the Germans in the Western zones asked for financial assistance to import tobacco, "the military authorities approved imports from the United States."[2] When Porter learned what had happened, he asked Marshall Plan officials in Washington to ask the ECA Mission in Germany to agree to an import of Greek tobacco instead,

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[1] Porter to Bonsal & Thibodeaux, 2 August 1950, RG 469 / 1208 / Box 31 / NA.
[2] Letter of Paul R. Porter to Apostolos Vetsopoulos, 5 January 2001.

in order to help the Greek economy to recover and at the same time to reduce the cost of American aid to Germany. An agreement to substitute American with Greek tobacco was reached at the end of October 1950. A few days later Porter left Greece and became Assistant Administrator of the ECA. Durıng the first week in his new job, Porter was visited by a delegation of five US senators from tobacco-producing states. They asked that American exports of tobacco to Germany should be continued. Porter then explained to them that "the ECA Administration would not pay for the exports unless instructed to do so by legislation."[1] That was the end of the matter so that Greek tobacco was thereafter restored to the German market. In the fiscal year 1950-51 the value of tobacco exports to the ECA countries and the US reached $37.2 million in comparison with $45.5 million in the 1938 calendar year.

In the fiscal year 1950-51 the total external payments of Greece amounted to $472 million: imports for current needs $348.6 million and reconstruction or capital investment $81.6 million; invisibles $42 million, including $18.7 million for the purchase of gold sovereigns from abroad. Greek foreign exchange earnings were about $94.9 million from exports and $57.2 million from invisibles and $33.5 million from war reparations, amounting to 185.6 million. The gap of $286.4 million was made up by ECA aid of $232.7 million, $1.0 million from private relief agencies, $46.4 million in common use items for the army and $6.3 million drawn down from the Bank of Greece's reserves.[2] Therefore, the contribution of Marshall aid continued to be crucial towards the efforts of the Government to cover the

[1] Letter of Paul R. Porter to Apostolos Vetsopoulos, 5 January 2001.

[2] These data are taken from many sources, such as the Story of the Marshall Plan in Greece, p A-26 & Greece Statistical Data Book tables 10,34, 40 and 41 & Report No 10-Public International Development Financing in Greece by Psilos and Westebbe, p 26.

balance of payments deficit.

The establishment of the European Payments Union (EPU)[1] in July 1950 put an end to the bilateral negotiations between Greece with the other ECA countries which had taken place each year under the previous system of indirect aid allocations in order to determine the amount of their drawing rights. While the previous system of intra-European trade through clearing agreements and indirect aid created vicious trade practices, the EPU was "a clearing house with the Central Banks of the OEEC countries as members, supervised by a Managing Board responsible to the OEEC Council of Ministers."[2] The surpluses and deficits in trade between the ECA countries were accounted on a monthly basis. Since the ECA countries were not able to finance such a system, the US supported the launching of the EPU with an initial capital of $350 million and an additional $300 million in so-called initial credit balances for some countries such as Greece and Austria. Greece became a member of the EPU in September 1950. Instead of attempting to determine for Greece a very inadequate line of a year credit of $45 million, the OEEC Council agreed to grant Greece a special initial credit position of $115 million for 1950-51 in the form of an outright gift. However, the amount of $115 million was inadequate to serve Greece's import requirements from ECA countries compared with the $126 million in drawing rights of Greece from European sources in 1949-50. From September to November 1950 the liberalized imports under the EPU accounted for 80 percent of Greece's private non-dollar trade so that they

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[1] The European Payments Union (EPU) was a technical operation, which facilitated a currency convertibility between the ECA countries It reduced tariffs and eliminated other restrictions which crippled intra-European trade. The EPU was an attempt to create a new currency unit, though not in circulation, which was called an 'ecu'. Therefore, actually the EPU was an International Bank, a central clearing house, keeping account of the credits and debits between the ECA countries

[2] Francis Lincoln, United States Aid to Greece, 1947-62, p 122.

caused a drain on foreign exchange; the Foreign Trade Administration (FTA) established a "device of refusing permits to open credits for a number of goods on the ground that prices quoted were too high."[1] It also prepared a revised import list to exclude a number of original items in the list, which attracted the importers because of their high profit.

Given the continuing rise in world commodity prices, Greece had to negotiate six old trade agreements with Norway, Finland, Switzerland, France, Western Germany and Sweden in order to cover its minimum import requirements for the balance of the current fiscal year. French representatives made complaints about the FTA's refusal to issue import licenses for a number of non-essential French products, provided for in the previous agreement. In October-November 1950 extensive negotiations were conducted between Greek and German representatives in Bonn. The Greek delegation, headed by Deputy Prime Minister Papandreou, succeeded in concluding an agreement, which included the purchase by the Federal Republic of 35,000 tons of Greek leaf tobacco over a period of three years, while Greece agreed to place large orders for capital goods needed for its electrification and industrialization programme. Porter's efforts as Assistant Deputy of the ECA facilitated the conclusion of the agreement, which was approved by the occupation authorities.

The Government, trying to facilitate exports, introduced a complicated foreign exchange system by bits and pieces. Export subsidies were paid to tobacco and raisin growers as well as to merchants who handled and exported tobacco. The aim of the subsidy was to facilitate tobacco exports since its price was much higher

[1] Norton to FO, 3 January 1951, RG 469 / 95135 / 1101-1 / 1951 / PRO.

than that of American or Turkish tobacco. Apart from this export system, another form of subsidy exports similar to the former barter trade was operated through a system of 'compensation import rights', "by which an exporter received for part of the proceeds of his exports (10% to 80%) the right to import commodities not on the essential list."[1] However, the amount of such imports was negotiable with the FTA, which tried to controll the imports, approving only a certain amount of these commodities in order to decrease their impact on inflation. Through this external trade system the importers were able to gain profits from two sources. Although the system of 'compensation import rights' facilitated the exports of Greek goods, which would otherwise be unsold, it was a very complicated and chaotic trade operation, which affected the already precarious economic conditions arising from the depreciation of the drachma.

The importers also exerted pressure on government members in order to import basic commodities against their own exchange. The Minister of National Economy, Evangelos Averoff, adopted this liberal policy concerning imports financed with privately owned foreign exchange. He supported the idea that such imports were needed to counter inflation and "persons holding balances abroad will repatriate capital if permitted to do so by importing goods."[2] However, in reality, Averoff, by supporting this import scheme, was simply knuckling under to the political pressures which he was not able to resist. The function of this scheme "would have created an even greater incentive than that which already existed for the smuggling to safe havens abroad of Greece's precious foreign exchange

[1] Francis Lincoln, United States Aid to Greece, 1947-1962, p 124
[2] Lapham to Foster, 20 December 1950, RG 469 1208 / Box 25 / NA.

earnings."[1] This scheme was an old issue, which emerged again when importers tried to facilitate their operations by exploiting the establishment of liberalized trade under the EPU system. In the Steering Committee meeting of the first week of December the American member of the Currency Committee, Terrell, was opposed to this issue, "because of fear that movement of sovereigns into Greece through arbitrage would be reversed, thus threatening gold policy."[2] Because all parties in the Coalition Government wished Averoff to remain in his office, the ECA/G Mission argued that an IMF expert needed to be invited to give advice on the issue. At the same time the Italian Minister of Commerce, who visited Athens, was asked about the working of the same system in Italy. The use by importers of their own exchange was catastrophic for the maintenance of the established economic policy, i.e., to hold inflation and stabilize the drachma, even though they wanted to import basic commodities to reduce their internal price. The scheme of the 'own exchange imports' proved to be corrupt and not a liberal trade policy because it did not involve basic commodities but luxury goods which ordinarily were not permitted on the regular import programme. An American Marshall planner also considered that "the implementation of such an import system was death to the Mission's efforts to develop a flourishing economy based on a single, honest and realistic exchange rate."[3] In the end, the importers did not succeed in their objective despite their support by members of the Coalition Government headed by the Minister of National Economy, Averoff.

Finally, during the third year of the Marshall Plan the balance of payments

[1] Letter of James Warren Jr to Apostolos Vetsopoulos, 8 September 2001.
[2] Lapham to Foster, 20 December 1950, RG 469 / 1208 / Box 25 / NA.
[3] Oral Interview with James Warren Jr., 3 April 2000, Washington D C

deficit increased to $320.1 million in 1950-51 from $315 million in the previous year 1949-50 because of the need to import more capital goods for reconstruction. Although the revenues of the Greek budget from internal sources increased by about 175 billion drachmas in comparison with the previous fiscal year, public expenditure increased by about 747 billion drachmas. The contribution of $232.7 million Marshall aid was crucial towards the achievement by the Greek Government of a reduction in its external payments and a balanced budget (see tables 1 & 7).

4.5. The contribution of Marshall aid to the Greek reconstruction and investment programme. Attempts towards the reformation of the Greek administration and structural reforms

After an agreement was concluded in July 1950 between the ECA and the Greek Government for the establishment of a major electrical power development project that would provide the basis for the expansion of industrial production, on 18 August ceremonies took place at the sites of the four electric power development projects to celebrate the beginning of the establishment of a national electric power grid. After the completion of the four power plants Greece's capacity would increase from 153,000 kw to 316,000 kw. In 1948 Greece had produced only 156 kw hours per person compared with 496 kw in Italy and 2,296 kw in the US. The total estimated costs of the four projects amounted to $83 million, equal to 1,245 billion drachmas. However, this power development program was not purely an American gift, since the Greek government needed to contribute approximately one-third of the cost from its own revenues. If the Greek budget did not provide the necessary drachmas, a part of the electricity programme would have to be dropped.

The principal reason for the delay in starting these electric projects was the inability of the Greek state to provide its share of the production costs. However, Porter maintained that "the Communist guerrilla warfare, the costs of the refugee program, the need for imports of food—all have drained away the drachmas which ..government had at its disposal."[1] For the first time the Greek budget constituted a satisfactory blueprint for future expenditures provided that anticipated taxes were collected and state expenditures held. Thus, the establishment of the electricity power grid would provide power to industries, and employment and light to villages, making a better life for the people. Nevertheless, in order to meet these objectives, Porter emphasized that "only a continued austerity in living standards will permit the execution of a major development program which will bring higher levels of consumption in the future."[2]

Concerning the reconstruction and investment programme which the Greek government should carry out, the American Planners supported the execution of a realistic plan of development, adjusted to the shape of the Greek economy and the trade relations of Greece with the other ECA countries. However, the reconstruction efforts needed to maintain financial stability through avoiding inflationary pressure. Concerning the principal efforts of the ECA/G Mission, Porter on 11 November 1950 emphasized that they were "directed towards fostering an increase in agricultural and industrial production, maintaining and strengthening financial stability, and inducing the Greek government to reform its tax structure and to improve and decentralize the services of public administration."[3]

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[1] Porter to Harriman, 18 August 1950, RG 469 / 1208 / Box 23 File 5 / NA.
[2] Porter to Foster, 11 November 1950, p 10, Paul R. Porter Papers / Box 3 / Truman Library
[3] Ibid , p 8

Although after the Mission's pressure in October 1950 the Greek government removed 2,500 civil servants from their positions in an effort to reduce the budget deficit through the decrease of excessive personnel in the public sector, American planners asked the Government to reduce them further. However, improvement in the services of public administration and reorganization in governmental operations were needed. The ECA/G Mission, which was the only mission from all the ECA countries with a civil government division, in cooperation with the government tried to decentralise the administration in order to give local communities the power to manage their own affairs without referring them to a central super-government. After the 'nomarch law', which was adopted by the Greek parliament in September 1949, municipal elections were held throughout the country on 15 April 1951. In order to survive after the withdrawal of Kanellopoulos' support, who was one of the two leaders of the LEK, the Venizelos government agreed to hold local elections, which were proposed by the EPEK in order to support the Venizelos government's attempt to remain in power. These local elections "were the first since 1934 and the first in which women were allowed to stand as candidates."[1] Successive governments had avoided holding municipal and communal elections because they feared that extreme left elements or disguised Communists might gain control of major cities. In assisting the Greek government to carry out these reforms the American planners helped to broaden the base of democracy by the decentralization of power from the central government to the district, town and village levels. Concerning the position of people in the provinces towards their government, Porter emphasized that "the relationship of the people to their Government has become

[1] Crosthwaite to Eden, 24 January 1952, FO 371 / 101793 / 1011 / 1952 / PRO

that of petitioners, and the Government has become a petitioner to the world."[1] However, when the newly elected municipal and communal officials throughout Greece found their authority lessened by lack of funds, the Government decided that half of the national cigarette tax receipts should be returned to communities on a population basis. John Walker, deputy for government organization, who served with the ECA/G Mission, emphasized that "we have placed much emphasis on decentralization and the development of a non-political 'nomarch' system... we have felt ... to revitalize local governments."[2]

Apart from the decentralisation of governmental activities, the efforts of the American planners were directed to reorganizing government structures. After continuous reexamination of the organisational pattern concerning government effectiveness, in January 1951 a law was passed by parliament which reduced the number of Ministries from 23 to 15 and provided a clear division of authority among them. The operations of the abolished ministries were shared out among those which survived. After the parliament passed Law No 1634 on 9 January 1951 the Ministry of Coordination "itself was thoroughly reorganized after serious inadequacies came to light."[3] The supervision of governmental statistical services was integrated in a central statistical bureau within the Ministry of Coordination.

Along with the enforcement of administrative reforms, which would facilitate reconstruction efforts, Greece needed to shape a development programme, which would be suited to the available supply of natural resources and investment capital. Within the Greek Government a strong tendency emerged to undertake

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[1] Porter to Foster, 11November 1950, p 5, Paul R. Porter Papers, Box 3 / Truman Library.
[2] Oral History Interview with John Walker conducted by Harry Price, 13 December 1952, Harry Price Papers, Box 1, Truman Library
[3] The Story of the American Marshall Plan in Greece, July 1, 1948 to January 1, 1952, p 57

grandiose industrialization projects, such as building an oil refinery and a blast furnace. The ECA/G Mission refused to approve ECA funds for the construction of such projects, which would result in high-cost production and would constitute a permanent burden upon the Greek economy since Greece could obtain these products at a lower cost through commerce. Among industries suitable to Greece, Porter considered that "assembly plants using Greek labor to assemble imported and locally manufactured parts for domestic needs and for an export market which could be developed in the Middle East"[1] would be more appropriate. The American planners considered that Greece should fulfill the role of Florida and North and South Carolina. Therefore, Greece needed to establish light industries with a high ratio of employment in order to solve the unemployment problem and develop its agriculture and tourism. Any improvement in the standard of living of the Greek people would be achieved by the expansion of these activities. The policy of developing light industry, which was pursued by the American experts, supported the establishment of such industrial projects, "with which Greece could produce exports at prices that could be obtained in European markets."[2]

To encourage Greece to utilise its mineral sources, the ECA projects Committee approved on 9 December 1950 the financing of a development project to take advantage of the Aliveri lignite mines to provide fuel for the operation of a new thermoelectric power station there. The Marshall funds, which financed the establishment of this project, amounted to $3,773,000. The creation of this project was urgent, since its proximity to Athens would solve the problem of electricity shortages from the overpopulation of the capital area.

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[1] Porter to Foster, 11 November 1950, p. 8, Paul R. Porter Papers.
[2] Letter of Paul R. Porter to Apostolos Vetsopoulos, 16 August 2001.

In December 1950 a new agricultural extension service was set up after the enactment by the parliament of the relevant legislation as compulsory Law No. 1547. Marshall Plan advisers helped draft the legislation, which was designed to increase productivity on the farms of Greece. They compared "the importance of the law with that of the 1914 Smith-Lever Act, which established a national agricultural extension service in the United States...".[1] By 13 December 1950 seven Greek agricultural specialists were back at work in Greece after completing a special course in the United States under the Marshall Plan's technical assistance programme.

The reconstruction of ports and airfields was considered by the American planners to be projects of the first priority. For the fiscal year 1950-51 ECA assistance to Greece for civil aviation development amounted to $1,550,000 and 40 billion drachmas. In December 1950 work started on a new civil airport for the island of Lesvos in the North-Eastern Aegean Sea. The construction of the airport and other equipment facilities, which was a project under the Marshall aid Programme, were financed through the 'counterpart funds'. The total investment reached $227,700.[2]

In the fiscal year 1950-51, which was the peak development period in Greece as the total public investment programme reached $148.2 million, total gross investments with ECA funds in local expenditures through withdrawals from the 'Counterpart funds' account or capital goods imports amounted to $133.8 million: for state investments $103.2 million and for private investments $30 6 million through the CLC loans. Comparing total public investment, including all type of

[1] Lapham to OSR & ECA, 22 December 1950, RG 469 / 1208 / Box 25 / NA.
[2] Lapham to OSR & ECA, 16 December 1950, RG469 / 1208 / Box 25 / NA.

funds, with the contribution of ECA funds, the latter supported the state in order to finance reconstruction and development projects. Investments for expanding production and tourism amounted to $47.7 million.[1] Investments in transport and communications reached $22.6 million.[2] Investments to provide tolerable living conditions were $32.9 million.[3] In the previous year, while total investments in the private sector had been $22 million, which were granted through the CLC loans, in the year 1950-51 they increased to $30.6 million.[4] Investments for expanding production and tourism amounted to $29.2 million; investments in transport and communications by the private sector reached $1.4 million.[5]

Although the initial reconstruction programme for 1950-51 through counterpart releases, which was set up in the summer of 1950, was reduced after the military commitments changed from 1,760 billion drachmas in Kartalis's budget to a provisional level of 1,300 billion drachmas by the ECA/G Mission's decision on 19 October 1950, these expenditures increased and eventually reached 1,473 billion drachmas. Therefore, the level of reconstruction investment through the counterpart releases was dependent on the ability of the Greek budget to provide its share to meet the local expenses of reconstruction and to avoid inflationary pressures. Interesting, in the Netherlands, as well, during the whole period of the Marshall

[1] (In millions): $20.3 in agriculture, $0 1 in fisheries, $13.1 in land reclamation, $10 in power, $2.8 in mining & $1 4 in tourism.
[2] (In millions) $7.7 in highways, $6 8 in railways, $2 2 in ports, $2 4 in civil aviation & $3 4 in telecommunications.
[3] (In millions). $20 5 in housing and public building, included refugee resettlement, $2 3 in public health, $1.3 in water supply and sewerage, $2 7 in education, research and reorganization of public services, $3 1 in technical assistance and $3 in miscellaneous activities.
[4] (In millions): $2 4 in agriculture, $0 6 in fisheries, $3 4 in thermoelectric power, $6 6 in mining, $13 5 in industry, included restoration of guerrilla stricken industries, $0 6 in tourism and $2 1 in miscellaneous productive activities.
[5] All the above data are taken from Greece-Statistical Data Book-Fiscal 1955 56 & Calendar 1956, Vol. I, table 69, compiled by the Finance & Program Division of the U.S. Operation Mission/Greece, Library of Congress, July 1957.

Plan, a major question in utilizing ECA funds, which caused a conflict among governmental experts involved in the implementation of the Marshall Plan, was the influence of these funds on inflation. The prevailing argument was that counterpart releases needed to be controlled in order to avoid inflation.

Because of the new anti-inflationary policy, which was established on 17 February 1951, the capital investment programme was to be curtailed in April-June period because the government had failed to reach workable solutions on questions such as additional storage capacity for ration reserves, medium long-term loans to farmers through the Agricultural Bank and priority for small land reclamation and irrigation projects which would bring a rapid increase in production, to the mining of strategic minerals which readily found a market abroad, to lignite mining and to industries producing goods in which shortages might be expected after the increases in world prices. The Greek government and the ECA/G Mission reached an agreement in February 1951 that "priority will be given to projects which are of military utility or are likely to lead to immediate increases in production of raw materials and consumer goods."[1]

During the third year of the Marshall Plan in Greece the total proceeds in the counterpart fund ECA account with the Bank of Greece amounted to 3.088 billion drachmas: 1.473 billion drachmas financed reconstruction (1.138 billion for state and 335 billion for private), which was much higher in comparison with the 940 billion drachmas the previous year 1949-50; 200 billion drachmas covered the ECA/G Mission expenses; and 1.415 billion drachmas were frozen for excessive or

[1] Norton to Foreign Office, 10 March 1951, FO 371 / 95135 / 1101-3 / 1951, PRO

unforeseen expenses and to avoid inflation.[1] In 1950-51 the proceeds of drachmas in the ECA account reached around the same amounts as the previous year 1949-50. Therefore, despite the outbreak of the Korean War, the counterpart releases in 1950-51 increased to finance state and private investments. The argument that the Korean War affected Greek reconstruction had proved to be unfounded.[2] Rather, the main problems towards further development were the inability of the Greek budget to provide its own funds through taxation and the indigenous shortcomings of the Greek economy, which meant that it was unable to absorb the entire amount of granted aid without the threat of sharply increasing inflation.

During the fiscal year 1950-51 industrial and agricultural production increased. In the year 1951 the total agricultural production reached 124.5 (basis-the average of 1935-38 years=100), including olive oil production. During the year 1950-51, although Greek industry faced serious problems, such as the shortage of raw materials, rising prices, curtailment of short-term bank credits and sluggishness of consumer demand, industrial production increased. According to the Federation of Greek Industries, industrial production increased from 114.5% in August 1950 to 127.5% in June 1951 (year of basis 1939=100).

In conclusion, the amount of $232.7 million in Marshall aid allotted to Greece for the third fiscal year 1950-51 was less than the $274.6 million allocation of the previous year. After the outbreak of the Korean War American planners requested that Greece undertake its own share in the collective defence effort of Western Europe in order to protect the economic achievements. Because the Greek

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[1] These data are taken from the Annual Report of the Governor of the Bank of Greece-year 1953, p. 125.

[2] F. A. Freris, The Greek economy in the Twentieth Century, (London & Sydney Croom Helm Ltd, 1986), p 134.

government seemed to be unable to carry out economic reconstruction and assume its military responsibilities after the cut of economic aid, the American administration asked the government to increase direct taxes to meet them. Since financial stability continued to be a principal objective of the Marshall planners, they tried to hold inflation through the policy of selling gold sovereigns in order to prevent the increase in commodity prices. The Mission was also forced to decrease the original planned reconstruction programme in order to avoid inflation, because of the excessive budget deficit, which prevented the Government from contributing its own share for the establishment of reconstruction projects, since the Greek economy was unable to absorb the amount of aid granted through the Marshall Plan. In particular, when the demands for gold sovereigns assumed a panic dimension, the American representatives presented to the government an overall anti-inflation programme to stabilize the economy. However, this programme, which included important economic measures, failed to produce fruits and hold inflation in order to deal successfully with the shortcomings and peculiarities of the Greek economy as a whole. The planners of this programme did not take into consideration the practices of merchants, who refused to follow regular trade operations, and the inclination of the Greeks to hold gold sovereigns instead of drachmas. Therefore, every anti-inflation programme required a more serious effort and needed to include a basic principle: it should restore the confidence of the Greek people in their national currency.

Chapter Five: The last year of the Marshall Plan in Greece

from July 1951 to June 1952—A period of decisions

At the end of July 1951 a long period of political instability started. Parliament was dissolved by Royal Decree on 30 July 1951 and the complexities of the new electoral law delayed the final distribution of seats in the new parliament until 24 October 1951. Along with the stabilisation of the Korean front, from summer 1951 world prices began to fall so that they influenced the internal prices of imported commodities and local goods produced with imported raw materials. Because the decrease in world prices facilitated the import of more products, it supported the ECA/W's decision to reduce economic aid to Greece for the fiscal year 1951-52, after Congress had approved a lower amount of aid for the ECA countries.

In September 1951, after NATO foreign ministers in Ottawa approved the admission of Greece and Turkey to the Western Alliance, Greece became a full member of NATO in February 1952. Since the Greek economy was not able to bear the heavy burden of military expenditures, which amounted to approximately 40 percent of Greece's budget for the fiscal year 1951-52, a part of Marshall aid counterpart funds, originally intended for reconstruction, had been withdrawn for defence expenses.

The Greek government found itself facing two urgent problems, to stabilise the economy through a stringent control of inflation and to carry out reconstruction with the support of less foreign aid than the previous years. The Government had to increase budget revenues, since the ECA/W supported a gradual development as a basic anti-inflationary measure, while the transition of the ECA to the Mutual

Security Agency (MSA) required the preservation of the high military burden already held by Greece.

In Washington, when the 82nd Congress approved the Mutual Security Act of 10 October 1951, the ECA would be succeded in two months by the MSA, which was established to coordinate military-related foreign economic aid programmes. Congress authorized appropnations for both military and economic assistance to Greece. In the Mutual Security Act Agreement of 20 December 1951 between the US and Greece an additional sentence had been included that the AMAG and ECA aid Agreements continued to be in force except to the extent modified by the MSA Agreement. On 7 January 1952 the Greek government acknowledged and ratified the American Embassy's note. It also agreed to continue the Foreign Trade Administration and the Currency Committee as constituted under existing laws.

In this chapter the political, economic and social dimensions of the Marshall Plan's last period from summer 1951 to summer 1952 in Greece will be analysed. The first issue concerns the change of the Marshall Plan to the Mutual Security Agency (MSA) and the Marshall aid allotment to Greece for the fourth year's programme 1951-52. The second part of the analysis concerns the roles of the ECA Mission in Greece, the American Embassy in Athens and the Greek government in the implementation of the Marshall Plan's objectives with regard to the policy-making process. The third issue of the analysis will deal with the economic policy of the Geek government from July 1951 to the following June. In particular, the enforcement of the Stabilization Program based on a strict credit policy and on the elimination of selling gold sovereigns, pursued by the Bank of Greece after ECA planners' support in relation to the inflation and the price-wages policy, pursued by the Greek government, will be analysed. The fourth part of the analysis will deal with the contribution of the Marshall Plan's 'counterpart funds' to the Greek national budget with regard to revenue and expenses as well as to the balance of payment through imports and exports. Finally, the analysis will consider the contribution of the Marshall planners and the 'counterpart funds' of the fiscal year 1951-52 to the reconstruction of and the investment in the Greek economy in relation to the efforts to reform the governmental administration and to enforce structural reforms.

5.1. The end of the Marshall Plan—The Marshall aid allotment to Greece for the fourth fiscal year 1951-52

In the summer of 1951 the American Administration was working on the establishment of a new economic programme to support the defence of Europe and to provide the economic basis for collective security. Before the Marshall Plan had completed its mission of four years to support the reconstruction of the Western European economies, it was integrated into the Mutual Security Agency (MSA) Program, because the American planners recognised that Europe would need as strong an economy as possible to undertake its part in building a defence against an impending Soviet assault. Senator Theodore Green, chairman of the Senate subcommittee investigating the economy of Europe in the summer of 1951, asserted that the Marshall Plan had achieved the recovery of Europe, so "in the future economic aid is to be primarily for the purpose of assisting friendly countries to strengthen their individual and collective defenses... We find it necessary to give up plans for domestic economic development and to concentrate on building our defenses. We expect our allies, within the limit of their capacities, to do the same."[1] Despite the explicit message of Senator Green's statement, economic aid continued under the name of defence support in order to provide resources and equipment for Europeans to use their resources more efficiently for collective defence.

Since the American Administration worked on building defence and economic assistance needed to support the defence efforts, the ECA officials were forced to keep up with the change of the American policy towards Europe. Milton Katz, the US Special representative for the ECA in Europe, in July 1951 before the Senate subcommittee investigating the European economy, stated that the Marshall Plan for most practical purposes had already come to an early end in the year since they had done a four-year job in three years, but economic aid needed to be continued in order to support the ability of Western Europe to buy materials and tools for defence. Although these considerations did not take into account the gradual recovery and development in some countries, such as Greece and Austria, and the need to hold back inflation in all ECA countries, where materials needed for a civilian economy were in short supply, the argument that the Marshall Plan had done its work to support the reconstruction and development of the Western European economy rested on valid grounds, since production had by far improved on the pre-war level, reaching an average of around 140 (1937=100).[2] Greece was a special case in the Marshall Plan, since its economy was backward and unable to absorb the amount of aid granted and the administrative apparatus of the Greek state was complicated and too inefficient to carry out the planning and construction of development projects.

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[1] US Congress, Senate Document 56, 82nd Congress, 1st Session, p 22

[2] B R.Mitchell, European Historical Statistics, 1750-1975, (London Macmillan, 1980

After Congress made clear that it intended to decrease the allocation of Marshall aid to ECA countries, the American Administration was prepared to change its economic policy towards Western Europe. However, the American representatives in Greece refused to accept the reduction or the end of economic aid to Greece in June 1952. They succeeded in persuading the American Adminstration to grant economic aid to Greece until June 1954. William Rountree, serving in the Office of Greek, Turkish and Iranian Affairs, Department of State, on 10 July 1951 maintained that "the objective is…to continue such development works (hard core) as are essential to bring about eventually a cessation of aid…I think that at best there is considerable doubt that 1952 will see the end."[1]

On 12 September 1951 Peurifoy informed the Secretary of State that the Embassy, the ECA Mission and JUSMAG were concerned with the probable repercussions of an extensive cut in economic aid to Greece. He supported the idea that "to neglect Greek economy while attempting to develop its military strength would be self-defeating and would jeopardize gravely US military objectives in this part of the world."[2] Peurifoy considered that the Congressional authorisation for allocation of Marshall aid might damage the Greek recovery and undermine its military effort. Although the ECA/G Mission reviewed the entire import programme, it supported a reduction of not more than 15 percent of $250 million, which was the original amount of aid planned for by the ECA/G Mission and the Greek government.

On 25 September 1951, Lapham emphasized to the Secretary of State the "urgency of maintaining a stable economic situation in Greece as essential support

[1] Rountree to Grady, 10 July 1951, Grady Papers, Box 1, Truman Library
[2] Peurifoy to Secretary of State, 12 September 1951, RG 469 / 1208 / Box 63 / NA.

to military programs and possible dangers resulting from the announcement of a severe and unqualified reduction in the level of the economic aid."[1] Although the ECA/G Mission did not support a level of economic aid below the assumed total of $250 million, it tried to work with the Greek government to cut back the investment programme. When the ECA/G Mission asked for a continuation of economic aid to Greece through the fiscal year 1954, because it would strengthen the position of the Mission in working with the Greek government to revise the reconstruction programme, Bissell answered that "continuation of aid depends upon specific Congressional appropriation on which obviously no commitment can be made by US officials...ECA recognizes discontinuance of aid after fiscal year 1952 is difficult to envisage, if defense targets are to be attained...aid requirements will be considered in their relation to defense effort."[2]

Although Bissell supported the idea that Greece needed a strong economy in order to maintain its defence effort, he emphasized that the objectives of American foreign policy in Greece were: the Greek economy needed to give direct support to Greece's military effort; to avoid a decline in the standard of living to such a point as to stimulate political upheaval; and to resist communist pressure; and to continue development in order to make the Greek economy a 'going concern'. However, the accommodation of these opposite objectives in a developing agricultural economy such as the Greek one proved to be difficult, because the measure of achieving them was not totally satisfying.

Despite the despatch of continuous reports from the ECA/G Mission and the Embassy arguing against the reduction of aid to Greece, the ECA/W supported a

[1] Lapham to Secretary of State, 25 September 1951, RG 469 / 1208 Box 36 / File 1 / NA.
[2] Bissell to Lapham, 11 October 1951, RG 469 / 1208 / Box 36 NA.

strong line which was to decrease the aid. On 18 October 1951 Bissell informed Lapham that "ECA/Washington position has not changed aid to Greece determined on overall basis, taking into account significant changes in import and export prices."[1] The State Department supported the allocation of higher aid to Greece than the ECA/W contemplated. However, the approval by Congress of the Mutual Security Act had strengthened the ECA position for a reduction of aid to Greece.

The Mutual Security Act, which became Public Law 165, was approved on 10 October 1951 by the 82nd Congress. This established the MSA Administration, which, like the ECA, had an administrator who was independent of the Departments of State and Defense, having its director in the Executive Office of the President. However, the economic role of the MSA Administration was inferior to that of the Defense and State Departments, and became a junior partner in the functioning of the American Administration, which was influenced by military concerns trying to shape its foreign policy. At an OSR enlarged staff meeting, Porter, Acting US Special Representative in Europe, outlining the objectives of US foreign policy, emphasized that "if the peace of the world is to be preserved, the US needs a strong equal partner...urgent job is to help the Europeans build their defenses...there are military, political and economic objectives which have to be brought into balance as a single US policy...we will finish the recovery projects which are under way."[2] Although the establishment of the MSA precipitated the end of Marshall aid to Europe, eventually economic aid to Greece continued until June 1954.

On 16 November 1951 Porter also stated that "on December 30th, the

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[1] Bissell to Lapham, 18 October 1951, RG 469 / 1208 / Box 36 / file 8 NA.
[2] Remarks at OSR enlarged Staff Meeting, 10 October 1951 by Paul R. Porter, Goldy Papers, Truman Library

Economic Cooperation Administration will come to an end. It will be replaced by the Mutual Security Agency...The Marshall Plan itself will continue until next June 30th, and will be administered in its closing stages by the new agency."[1] The American administration planned the transition from the Marshall Plan to MSA and Foreign Operations Administration (FOA) in order to enable the weaker ECA countries such as Greece to absorb unutilised Marshall aid and to receive further economic aid, even though small, beyond June 1952. Through the establishment of the MSA Missions, the American administration avoided an abrupt cessation of economic aid to ECA countries.

The Chiefs of the ECA Missions in Europe were instructed to make such changes in the organization of the ECA Missions as to support the new objectives of productivity and defence production. However, the Mutual Security Agency administered only economic aid to the former ECA countries. In Greece, although the personnel of the ECA Mission was reduced by one-fifth, the structure and character of the Mission remained. The MSA/G Mission, which succeeded the ECA/G Mission, was established on 31 January 1952. However, "the stationery of the Mission only changed."[2] The Greek people did not understand the transition from the ECA/G Mission to MSA/G Mission. They continued to consider the new mission as the same previous American Mission, which was established in Greece. Therefore, the argument that the change from the ECA/G to MSA/G Missions militarised the aid programme for Greece is without foundation.

On 8 December 1951 Peurifoy was opposed to economic aid of $170 million which the ECA was contemplating allocating to Greece He supported the idea that

[1] Porter to the Chiefs of all the ECA Missions, 16 November 1951, Goldy Papers, Truman Library
[2] Oral Inteview with James Warren Jr, 11 April 2000, Washington D C.

along with the practical elimination of industry and mining programmes, agricultural rehabilitation, land reclamation and power projects already underway were threatened. He emphasized that "such severe cut in these fields would involve serious social and political repercussions...35 percent cut in aid this year would be sudden shock to Greek economy and to Stabilization Program on which we are now engaged."[1] He also asked for an additional $30 million aid in order to meet the requirements for the establishment of agricultural and power projects, given the fact that Greece needed to preserve a high size of military forces. At that critical time Porter, who did not forget Greece, from his post of Assistant Administrator of the ECA/W intervened in the final allocation of aid to the ECA countries and secured for Greece an increase to $182 million. Porter revealed that "I approved restoration of part of the cut in aid I had made when I was mission chief in Greece. It was sometime during the autumn 1951 and was based on a presentation made to me by Mr. Averoff when he visited Washington...the amount restored was a little more than half of the reduction."[2]

Eventually, on 21 December 1951 it was announced that Marshall aid to Greece for the fiscal year 1951-52 amounted to $182 million as against $232.7 million for the previous year and the $225 million which was the minimum amount which the Greek government was hoping to receive. The level of aid came as a shock to the Greek government and people. Military aid declined from $83 million in 1950-51 to $59 3 million in 1951-52. The decrease in the amount of American economic aid to Greece in 1951-52 "was partly due to the refusal of the U.S. Congress to grant the total authorized amount under the Mutual Security Act of

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[1] Peurifoy to Secretary of State, 8 December 1951, RG 59 Decimal file 1950-54 Box 5404 / NA.
[2] Letter of Paul R. Porter to Apostolos Vetsopoulos, 16 August 2001.

1951."[1] While the ECA authorized $8.5 billion aid for all the ECA countries for the fiscal year 1951-52, Congress approved only an appropriation of $7.3 billion. Another reason for the reduction of aid to Greece was that the larger ECA countries such as Great Britain also asked for higher aid than that of the first allocation planned for all the ECA countries for the fiscal year 1951-52.

Although Peurifoy and Lapham warned that the allocation of aid was final, the Greek government submitted a further memorandum direct to the US government setting out its case for a minimum $225 and making a proposal for the transfer of $43 million from the allocations of the other Western European countries. However, the American Administration refused to grant any additional aid to Greece. Before the announcement of a cut in aid the Greek Confederation of Greek Labour (GSEE) was concerned with the execution of the already announced reconstruction projects and an increase in unemployment because the Government enforced the Stabilization Program and reduced public investments, following an anti-inflation policy. The reaction of the GSEE to the reduction of Marshall aid to Greece was also strong. The GSEE asked the Chief of the ECA/G Mission to make an effort to restore the cut in aid and in January 1952 it sent telegrams of protest to the White House and the AFL. Despite the prevailing pessimistic attitude of most Greeks with respect to the reduction of aid, Varvaressos was convinced that "the economic development of Greece is possible with considerably smaller amounts than those made available for the rehabilitation of Greece during the period 1950-51."[2]

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[1] Psilos & Westebbe, Report No 10 Public International Development Financing in Greece, p 27
[2] Turkel to Department of State, 4 March 1952, Report of Varvaressos on the Economic Problem of Greece, p 207, RG 59 Decimal File 1950-54 / Box 5401 NA.

Since the amount of economic aid to Greece for the fiscal year 1951-52 was reduced to $182 million, the Greek government revised its programmes, in cooperation with the Mission and the Currency Committee in March 1952. However, only the name of the Mission changed from ECA/G to MSA/G because the basic structure of the economic mission remained unchanged. From the twenty Divisions of the ECA/G Mission only four were abandoned and others were merged. Kartalis, the Minister of Coordination, outlined on 18 March 1952 the objectives of the overall policy of the Greek Government with the MSA/G Mission, which were to maintain the strength of the armed forces, monetary and financial stability, and finally, a minimum level of investment in the principal productive sectors.

5.2. The roles of the Greek government, the American Embassy and the ECA Mission—American attempts to admonish the Greek Government

In July 1951 Peurifoy was concerned with the reluctance of the Greek government to take responsibility in order to manage economic affairs effectively. He suggested the withdrawal of $25 million of the special aid, if the Greek government was not able to administer the rationing system. Peurifoy also supported the idea that all American representatives in Greece should intervene in economic matters and emphasized that "US aid being decisive factor in maintenance Greek stability, 'intervention' of our part is unavoidable concomitant of our position...".[1] The different positions of the members in the Coalition Government on crucial economic matters prevented cooperation in ministerial work. Therefore, social

[1] Peurifoy to Secretary of State, 9 July 1951, RG 59 / Decimal File 1950-54 / Box 5404 / NA.

unrest in July 1951 for wages and salaries increases, which forced the government at the same month to grant an equal sum with the half of an extra month's salary for the Christmas bonus to civil servants, and the lack of consensus among the ministers, caused a political stalemate which resulted in the fall of the government. Although the American Administration expected that the new reform of the electoral law would enforce the majority system in order "to relieve to a considerable extent the political pressures which have traditionanlly plagued all Greek governments"[1], they were disappointed, because the new law was a modification of the proportional representation system, introducing the need for a number of votes by the parties to be represented in the parliament.

After Parliament was dissolved on 30 July 1951 and general elections had taken place on 9 September 1951, the Greek Rally of Marshall Papagos succeeded in attracting over 36% of the total votes cast, the EPEK of Plastiras came second with 23%, the Liberals of Venizelos third with 19% and the United Democratic Left (EDA) fourth with 10.5%. The Populist Party suffered a heavy setback with only 6.5% and the political parties of Papandreou and Svolos were annihilated.[2] Although Plastiras and Venizelos wanted to serve together in a coalition government under Marshall Papagos, the latter refused and asked to receive the mandate to form a government in order to hold fresh elections on the majority system. On 29 September 1951 King Paul gave Plastiras the mandate to form a coalition government, which met parliament on 10 October and received a vote of confidence on 31 October 1951. This delay in the formation of a government had forced

[1] Rountree to Grady, 10 July 1951, Grady Papers, Box 1

[2] From the 258 seats of the new Parliament the Greek Rally won 114, EPEK 74, the Liberals 57, EDA 10, the Populist Party 2 and the Agrarian Party 1.

Lapham to send on 4 October a letter to the prospective government, in which he emphasized that the efforts of the government had to focus on the rationing system, price controls and the establishment of a Wages Stabilization Board. However, the illness of Prime Minister Plastiras and the absence of Deputy Prime Minister Venizelos, who was abroad for medical treatment, until 20 December, impeded progress in the work of the government. Plastiras also recognized that "the long period of elections delayed progress on reconstruction."[1] The chronic political instability in Greece concerned American planners in the ECA headquarters and they decided to intervene resolutely in its internal economic affairs.

In October 1951 Victor Sullam, in cooperation with Frank Mahon, and supported by Harlan Cleveland, Kathleen Fitzgerald, Edward Tenenbaum and Carter De Paul of the Greek desk of the ECA headquarters, Foster and Porter decided to establish a new policy of stopping the sales of gold sovereigns in Greece, because they were disappointed with the results of the Greek government's efforts to implement an anti-inflationary programme in order to stabilise the Greek economy. The change of American policy in Greece discouraged the Greeks from buying gold sovereigns and restricted the provision of bank credits. Thus, these two measures facilitated enormously the establishment of a Stabilization Program in Greece. However, the State Department and the Embassy were afraid of the attitude of ECA headquarters towards implementing the new policy, because they considered that it would cause political repercussions in Greek internal affairs. Although Peurifoy tried to get them fired, he lost because the policy of Sullam had the support of a strong group, including the Federal Reserve Bank, the Treasury Department, the

[1] Summary Minutes of Steering Committee, on 3 November 1951, RG 469 / 1209 / Box 2 / NA.

economic officials of the State Department, all of the top levels of the ECA and the International Monetary Fund. Sullam was a briliant economist, a Venetian Jew, who had worked with the ECA Mission in Italy in 1948-49 and joined the Greek desk of the ECA headquarters in the summer of 1951. He was a very clever expert, who succeeded in creating the required consensus in Washington D.C. between the relevant groups which were involved in the policy-making process of Greek internal economic affairs.

Although State Department was forced to agree to this policy, a two-sided battle developed between ECA headquarters in Washington on the one hand and the Money Spending Divisions of the ECA/G Mission along with the Embassy on the other because the Stabilization Program threatened the carrying out of planned projects and reduced the work of the American planners in Greece. Eventually, in the spring 1952 they were forced reluctantly to adopt the new policy, and they worked in cooperation with the Greek government to implement the Stabilization Program.

In the beginning of November 1951 the Greek Minister of Co-ordination, George Kartalis, forced by the strain on the economy and confronted with the question of the relationship between economic and military aid, endeavoured to consult the British Ambassador through the British member of the Currency Committee, Sir Theodore Gregory. He believed that the British Ambassador would be able to intervene in the conflict between the Greek and American Administrations. Kartalis asserted that "he could not in conscience support the maintenance of the Greek army at its present level if this meant a diminution of the reconstruction and rehabilitation program which the Greek government had approved."[1] However, the British Ambassador discouraged Kartalis by sending him a message that his government faced similar problems between rearmament and social reconstruction, and that the Greek Minister of Coordination should put the question to the US Ambassador, and not to the British, since the former was more responsible for the economic issues which concerned the Greek government.

At the same time, in the Economic Policy Committee meeting on 3rd November 1951, although Kartalis was persuaded to adopt the proposals of the ECA/G Mission, he argued that "any reduction in the Reconstruction Programme would weaken the morale and the will to resist of the Greek people, and that it would therefore be preferable to reduce the country's military establishment rather than sacrifice reconstruction".[2] In the same meeting Prime Minister Plastiras not only pointed out the great sacrifices of the American people after the outbreak of the Korean War but also the ten years' fight of the Greek people against fascist and totalitarian regimes. He called for Greece to be treated as a special case in the appropriations of economic aid to European countries. He emphasized that Greece deserved such a treatment because under difficult conditions it had achieved a miracle in maintaining 150,000 men in military service, while its people suffered from malnutrition, which undermined their morale. Although the ECA/G and Ambassador Peurifoy favoured the Greek claims for the amount of economic aid, military and reconstruction aid were not interchangeable for the American administration.

Peurifoy was wrong about the cut in aid. The aid was reduced because with the enforcement of the Stabilization Program imports fell, since merchants reduced

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[1] Peake to FO, 18 November 1951, FO 371 / 95136 / 1104 / 1951 / PRO.

[2] Peake to Eden, 21 November 1951, FO 371 / 95136 / 1104 / PRO.

the prices of goods and sold their own goods to maintain their own families, companies and factories. The American Embassy did not understand these economic dynamics in the winter of 1951-52. As a consequence they opposed the implementation of the Stabilization Program. They were also infiltrated from Greek politicians, who were opposed to adopt the Stabilization Program, and accepted the complaints of the Union of Greek industrialists. Among the American representatives in Greece the biggest opponent was Peurifoy. He was was afraid of the political consequences of the Stabilization Program. It might lead to the fall of the government or the invasion of the Soviets to Greece after an economic collapse.

Eventually, Kartalis, at the Steering Committee meeting of 31 November 1951, showed that he understood the need to implement anti-inflationary measures, when he supported the necessity for social and economic reforms and an effective monetary and credit control, which together constituted the key-stone of any sound Stabilization Program. Jenkins replied to Kartalis that "economic stabilization can be achieved in Greece within a fews months if we will all work together... the goal of stabilization cannot be reached unless business and labour agree to work in close co-partnership with the government... ".[1]

In the beginning of 1952 Leland Barrows was sent to Athens at the request of the ECA/W to enforce the Stabilization Program as deputy Chief of Mission (MSA). Although all the divisions of the ECA/G resisted the implementation of the Stabilization Program, because they saw their planned projects threatened, the ECA/W insisted on launching this programme and sent a very clear message that this was the new policy. If the Mission was not able to agree in implementing these

[1] Jenkins to Kartalis, 31 November 1951, RG 469 1209 / Box 2 / NA.

new directives, then the ECA/W would be forced to change the Chief of Mission. After the ECA/G Mission experts reacted strongly to these directives, the ECA/W sent Barrows to Greece from the ECA/Paris headquarters to implement the new policy. Although the coming of Barrows was a signal to the Greeks, Americans in the Mission and Peurifoy that the ECA/W headquarters had decided to implement the Stabilization Program, they were reluctant to accept the new policy because they considered that it limited their activities in Greece. The State Department also resisted the enforcement of the Stabilization Program for reasons similar to Peurifoy's arguments.

When Porter delivered a speech to ECA personnel on 23 September 1949, he proved prophetic. He supported the idea that "the long-term objective of building up a strong Greek government was not advanced. It was actually retarded. When the American aid ends, we will have not a self-reliable partner, but a chronic dependent."[1] Because the American planners intended to avoid such a development, although they tried to facilitate the shape of a strong one-party government in order to implement efficiently the Stabilization Program, they failed, and in the summer 1952 they again decided to intervene in the internal political affairs of Greece.

On 13 March 1952 Kartalis called Harry Turkel, an economic adviser to the Embassy, to his office to discuss the question of the reduction in the investment programme from 450 billion to 300 billion drachmas for the second semester of 1951-52. He was concerned because it prevented the establishment of thermo-electric and nitrogen fertilizer plants in Ptolemais, which the Greek government

[1] Notes for Statement by Paul R. Porter before General Staff Meeting, 23 September 1949, attached to the document of Grady to McGhee, 26 September 1949, pp 5 & 6, RG 59 / Decimal F e 1945-49 / Box 7069 NA.

wanted to construct. Lapham was opposed to the construction of these projects, since the MSA/W did not approve of the establishment of *new* projects, but supported only those which were currently being constructed. Because the MSA/W put an embargo on new projects and limited counterpart releases to projects nearly completed, the Money Spending Divisions in the Mission hated this policy which limited their work, their plans and their visions. About the political situation Kartalis expressed great uncertainty about the continuation of the Government's life, because a lack of cooperation among the leaders of the Plastiras Coalition Government had emerged. He predicted that "General Plastiras has already been eliminated as a political figure, and...the break-up of the EPEK Party...He was not sure he would be Minister of Coordination next week."[1] Kartalis was also in favour of elections on a majority system in order to form a strong Government to carry out the Stabilization Program. At that critical period Kartalis considered that the urgent problems of the Greek economy needed to predominate over the interests and speculation of political parties and he became a strong advocate of the Stabilization Program.

On 14 March 1952, when the Greek government showed reluctance to adopt the majority system, Ambassador Peurifoy "threatened the government with interruption of American aid to Greece if the proportional representation system would be in force for the forthcoming elections."[2] Although his action caused a great deal of criticism in the Greek press, because the latter considered it as an intervention in Greek internal affairs, the change in the electoral system was

[1] Turkel to Lapham, 13 March 1952, attached to Turkel to Department of State, 15 March 1952, RG 59 / Decimal File 1950-54 Box 5401 / NA.
[2] Hestia, 14 March 1952, p 1

indispensable in resolving the political and economic stalemate of the country, since successive Coalition governments proved to be unable to take unpopular economic measures and to follow a progressive and stable economic policy. On 26 March 1952 Acheson supported the statement of Peurifoy about the enforcement of the majority system, as Prime Minister Plastiras previously maintained. The Secretary of State emphasized that "the United States were interested in the Greek election system, given the fact that political stability was a crucial factor for the utilisation of the American aid."[1]

Because the American planners in Greece were not convinced of the need to follow a stringent Stabilization Program, at the beginning of April 1952 the Deputy Director of the Mutual Security Administration sent to Greece an economic survey team, headed by the distinguished banker Samuel Welldon, including Edward Tenenbaum and Victor Sullam of MSA and Francis Lincoln of the State Department. The team had to find out what economic policies and action programmes needed to be implemented to improve the Greek economy and to achieve US objectives. After they had remained in Greece for five weeks and consulted with members of the MSA/G Mission, the Embassy, JUSMAG, the Currency Committee, the FTA, the government and certain business leaders, they concluded that the programmes of the United States in Greece should be aimed at the speediest possible achievement of economic viability, political and social stability, while preserving and strenthening the defence of the country; they also stated that inflation was the major problem the US were facing in Greece. The team also reccomended that "Stabilization of the Greek economy must be pursued as the

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[1] Kathimerini, 27 March 1952, p 1

sole means of achieving the U.S. objectives in Greece. Stabilization will entail a curtailment of the investment program."[1] It also considered that while savings in public expenditures could facilitate the stabilisation of the economy, the Greek government needed to shoulder major responsibilities in the economic field, focusing its efforts on the balance of payments deficit and inflation-deflation balance. After 1954, further major economic development needed to be sought from the World Bank. Eventually, the Welldon team disappointed the American experts in Greece, since it called for rigid discipline by them in the implementation of economic stabilisation. The curtailment of reconstruction projects, which were desirable to the American technicians working in Greece in order to preserve the large size of the MSA/G Mission' personnel and complete these projects created administrative problems in the operation of the MSA/G Mission. The Greek government attempted to exploit these problems in order to secure a continuation of the abandoned reconstruction projects. However, the findings and proposals of the Welldon team were adopted by the MSA Administration and the State Department, since they supported the broader policies and objectives of the US in Greece. It was agreed that the major objective of American policy in Greece was the success of the Stabilization Program. Acheson asserted that "the entire program in Greece might be jeopardized if there is no early progress toward attainment of economic stability."[2]

During the last period of the Marshall Plan in Greece the American planners were forced to deal seriously with the problems of the Greek economy, which continued to trace their own vicious circles by the inflationary pressures. While the

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[1] Report of the Economic Survey Team-Greece, 11 July 1952, RG 469 1210 / Box 1 / NA.
[2] Acheson to Peurifoy, 7 April 1952, RG 59 / Decimal File 1950-54 / Box 5401 NA.

ECA/W decided to implement a stringent Stabilization Program, the American representatives in Greece and the Greek government were opposed to this for different reasons. Parallel to the precarious economic situation the political instability and lack of cooperation among the members of the Plastiras Coalition Government forced the American Ambassador to intervene in the political confusion and stalemate, asking for the formation of a strong Greek government after the enforcement of the majority system in the following elections. The Greek Coaliton Government sought only to demand additional economic aid and not to take responsibility for the solution of urgent economic problems through the implementation of economic measures, such as tax reform and reorganisation of the administration. Most Greek politicians wanted to perpetuate their own political careers for economic or nepotism reasons and not to follow the Stabilization Program.

5.3. The economic policy of the Greek government from the summer 1951 to the following summer 1952—The establishment of the Stabilization Program in relation to the policy of gold sovereigns and credit as well as to the inflation and prices-wages issues

From the beginning of the last year of the Marshall Plan, 1951-52, the Greek economy showed an acute inability to absorb the economic aid which was granted, since the budget was not able to provide its small share to the reconstruction effort and inflation increased sharply, a fact which forced Greeks in the winter of 1951-52 to rush to the windows of the Bank of Greece to surrender their drachmas and to buy gold sovereigns, believing that if they invested in that currency they could save the value of their savings from the evils of inflation. However, when the ECA planners in Washington DC were disappointed by the unwillingness of the Greek government to support monetary stability through currency reform, despite the complete repudiation of the drachma by the Greek people, they decided to launch the Stabilization Program and to force the Greek "Government (through the threat of cutting off investments) to really deal with its budget."[1] At that critical time for the Greek economy, a reduction in development programmes was urged by the OEEC and the ECA/G Mission as an anti-inflationary measure, and in the second half of 1951-52 the allocation of counterpart funds for development was reduced sharply. At that same period the credits granted by the banks decreased in order to hold inflation.

On 13 July 1951 the Government and the ECA/G Mission signed an agreement on the method of applying the system for the distribution of basic commodities at fixed prices which the Mission had recommended to the Government the previous January. This gave effect to an earliest agreement in principle which had been reached between the Government and ECA in Washington on 11 April 1951. According to the agreement the ECA would pay $25 million for the establishment of stocks of essential imported commodities, provided that the Greek government took effective measures to stockpile supplies of foodstuffs produced in Greece. On 27 July 1951, parliament passed law 1879 authorizing the Government to introduce the scheme, and on 1 September 1951 the distribution at fixed prices of four commodities, wheat, rice, sugar and coffee began. Hitherto only bread had been effectively rationed. On 4 October 1951 Lapham also sent a letter to

[1] Oral History Interview with Edward Tenenbaum by Harry Price, 15 December 1952, Athens, Papers of Harry Price, Box 1, Truman Library

the prospective Government of Plastiras suggesting three principal objectives of economic policy. They were the establishment of a rationing system, price control and a Wages Stabilization Board. However, by the end of 1951, no further progress had been made, since the Government had failed to concentrate in warehouses sufficient quantities of the home-grown supplies which it had undertaken to stockpile, since it lacked the administrative mechanism for the collection of some essential agricultural products, such as wheat, grains, pulses, rice and olive oil. The Government tried to buy them at lower prices than those of the free market, while it was not able to establish and to control the price ceiling in the free market. Finally, apart from the collection of part of the wheat, rice and olive oil needed for the operation of the rationing system, the Government failed to collect the necessary amounts of local products at the end of the year 1951. Although the rationing system was presented by the Greek government as the great economic weapon against inflation, which would neutralise labour demands for wages increases, it failed. Porter later asserted that "no one in the Greek government or the American Mission believed that a rationing system would work."[1] In order to work a rationing system needed an administrative apparatus which the Government was not able to provide for the collection of products and control of free market prices.

At the end of October 1951 the ECA/W, forced by the ineffectiveness of the Greek government to face the imminent end of Marshall aid and to implement an anti-inflationary programme through the establishment of an effective rationing system, reached a decision to enforce a real Stabilization Program to facilitate currency reform. The ECA/W sent a directive to the ECA/G Mission and the

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[1] Letter of Paul R. Porter to Apostolos Vetsopoulos, 5 January 2001.

Embassy to cease the sale of gold sovereigns. It resorted to this measure in order to inaugurate the stabilisation of the economy because after two years the enormous support of foreign aid was to terminate. The real Stabilization Program was intended to prevent any increase in the rate of currency circulation, to stabilize prices and to decrease credit. With the implementation of the Stabilization Program imports fell, so that the amount of economic aid decreased. Therefore, the cut in aid facilitated the enforcement of the Stabilization program or the latter supported the former.

On 22 October 1951 from the Greek Desk of the ECA/W, Victor Sullam launched the new policy of terminating gold sovereigns sales to Greece supported by the restriction of credits. Although he recognized that cutting down the sale of gold sovereigns would cause the drachma price of gold sovereigns to rise, since the price of most commodities were calculated by producers in terms of gold sovereigns, he intended to prevent not only an increase in all drachma prices but also a corresponding increase in the currency circulation, to hold inflationary pressures. Therefore, this policy aimed "to bring hoarded goods out of hiding, and to restore confidence in the paper money."[1] The leverage of the new policy was that the ECA/W refused to release counterpart funds for development expenditures beyond controlled limits on a monthly basis and demanded that before counterpart funds be released, other inflationary factors had to be counteracted.

In order to prevent a collapse of the drachma when the Greek authorities wanted to increase currency circulation as an alternative solution in order to hold the price of gold sovereigns and avoiding an inflationary spiral which would perpetuate the problem of the weak drachma, Sullam suggested seven measures, which were

[1] Sullam to Cleveland & Tenenbaum, 22 October 1951, Tenenbaum Papers, Box 7, Truman Library

needed to facilitate the ending of gold sovereigns sales: "1. Cutting off the investment program, against violent opposition from the ECA Mission; 2. Cutting off crop concentration, on which the rationing program depended; 3. Preventing any increase in bank credit, for any purpose; 4. Cutting off subsidies (e.g., to tobacco growers, wheat and rice farmers, etc.); 5. Withstanding a wave of strikes by civil servants, industrial workers and farmers; 6. Cutting down government expenditures; 7. Facing up to a period of mounting unemployment and unrest in Greece. The measures needed to continue until public expectations built up by years of giving in to inflation were shattered."[1] Apart from these measures the great difference between the former and the new anti-inflationary policy was the invention of the so-called Inflationary/Deflationary Sheet by the Greek desk in the Marshall Plan headquarters. It was a unique and programmatic instrument in the history of the modern Greek economy which was meant to allow the government to face the economic problems squarely and in the same context. This Inflationary/Deflationary Sheet was a statistical record which "could record accurately what actually happened by comparison with the goals established. Above all, it was a quantitative, rather than simply pious, expression of intent. In it were summed up, on a monthly, quartely, semi-annual and annual basis, the expected or allowable changes in key factors affecting Greek money supply."[2] These key factors were: imports and exports, tax collection and disbursements of government, bank credit and gold sovereigns sales. The residual line in the equation of these factors was the counterpart funds releases or their freeze. The investment and development

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[1] Sullam to Cleveland & Tenenbaum, 22 October 1951, Tenenbaum Papers, Box 7, Truman Library
[2] James Warren Jr, 'Origins of the Greek Economic miracle The Truman Doctrine and Marshall Plan Development and Stabilization Programs', pp 96-97.

programme was dependent on the increase of revenues and decrease in bank credit. Therefore, "*the sale to the public of gold sovereigns was no longer to be a principal method of counteracting the inflationary expansion of the money supply.*"[1] The policy of selling gold sovereigns, which lasted for the first seven post-war years, was abandoned from late February 1952, since their sale by the Bank of Greece ceased. This was the final reformist action of a reformist ECA American Mission to facilitate the reform of the Greek currency.

On 29 October 1951 Bissell had informed Lapham that "ECA/W will not oppose reasonable gold sales through present crisis expected to end early spring provided, this irrevocably the last (repeat) last time and Mission will immediately undertake all necessary measures to insure this last time gold will be sold."[2] He continued that ECA/W desired ECA/G to give highest priority to the containment of inflationary pressures, specifically reconstruction investment, budget, crop concentration and credit policies. Another basic principle of the Stabilization Program was to control money in circulation. The ECA/W expected that the ECA/G Mission needed to draw up a comprehensive program to this end as soon as possible. This telegram, written in exceptionally strong language, constituted the inauguration of Greece's currency Stabilization Program. This action was the watershed in the American policy to fight the chronic Greek economic problem, which was aggravated by the repudiation of the Greek currency. Although the departure of the American economic Mission from the Greek field without achieving any financial and economic stability would be a failure, the ECA/G

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[1] James Warren Jr., 'Origins of the Greek Economic miracle The Truman Doctrine and the Marshall Plan Development and Stabilization Programs', p 97

[2] Bissell to Lapham & Peurifoy, 29 October 1951, RG 469 / 1208 / Box 36 / file 7 / NA.

Mission and the Embassy were struck by that message, because as active New Dealers with a sense of commitment towards their efforts to transform Greece they were reluctant to adopt the Stabilization Program. However, the achievements of the American aid and Missions in Greece would be considered of a smaller value than that in reality, if the American planners prevented to enforce the Stabilization Program at that critical period of political and economic conditions in Greece.[1]

Although the new policy of the ECA/W headquarters of implementing the Stabilization Program experienced a difficult test two months later with the new gold sovereigns rush in late December 1951, the Stabilization Program began to reap its fruits by spring 1952. At the end of the previous November, although the ECA/W, forced by heavy sales of gold sovereigns, had instructed the foreign members of the Currency Committee to prepare a scheme of monetary reform, which would devalue the drachma by one-third, they decided not to implement it. This scheme would delay the success of the Stabilization Program. At that critical point, if the ECA/W headquarters yielded to the entreaties of the American planners from Greece to cancel the Stabilization Program, it would be catastrophic for the whole effort to stabilise the Greek economy, since foreign economic aid was near its end.

The most convenient tool to implement the Stabilization Program was the control of the counterpart funds releases. In the 1951-52 fiscal year the American

[1] In early 1951, the ECA/G Mission drew up an anti-inflation program based on the development of a rationing system, in order to hold prices and avoid wages and salaries increases after the Korean War, and provide a measure of social equity However, the word 'stabilization' is liberally associated with this new effort, deceiving some researchers, e g , Stathakis, to consider the January-February anti-inflation program as the 'true' inauguration date of the Stabilization Program Government members, such as Papandreou, seized the opportunity from the establishment of the anti-inflationary program to buy peasant votes with puffed-up 'concentration' prices, which pumped dracmhas into the hands of the peasants, who rushed their hot drachmas to the gold sovereigns window in September 1951

planners decided to release only 591 billion drachmas for reconstruction and 866,8 billion drachmas to cover the budget deficit. In the second semester of the same fiscal year the American planners reduced further this amount to 300 billion drachmas, when the final reconstruction programme was planned for 450 million drachmas. They asked the Greek Government to find 150 billion drachmas from its budget, by increasing its revenue or decreasing its expenditure. Therefore, "the release of counterpart funds for the investment program became the flywheel of the Greek economy."[1]

After the Greek government's invitation, Kyriakos Varvaressos, who had been working in the World Bank since the summer 1946 when he had resigned from the post of the Minister of Finance, wrote a report to Prime Minister Plastiras which he submitted on 5 January 1952. In this report he considered monetary stability "indispensable for the solution of the country's immediate economic problem."[2] He condemned those who supported the idea that the country could make economic progress and improve the standard of living of the population with an unstable currency, and anticipated that if monetary and economic stability were restored, then a part of the famous hoarded gold sovereigns would be made available for financing productive investment projects. Varvaressos, in order to stabilise the Greek economy, proposed the following directives: "a) Receipts from American aid should be made available exclusively for public projects and for financing of agriculture...b) As long as public finances improve through the increased yield of taxes and the reduction of the various special postwar expenditures, budgetary

[1] Oral Interview with James Warren Jr. by Apostolos Vetsopoulos, 7 April 2000, Washington DC.
[2] Turkel to Department of State, 4 March 1952, Report of Varvaressos, p 215, RG 59 / Decimal File 1950-54 / Box 5401 / NA.

appropriations for productive projects should be increased c) Especially with regard to the housing program...the financing of the program should depend on three factors. On revenue derived from American aid, on the State budget and on the funds of legal entities under public law."[1] Varvaressos examined the feasibility of economic assistance by the World Bank through the issuance of drachmae bonds with a special guarantee in order to finance investment projects, and he supported that idea on the condition that Greece needed to "make serious efforts to restore a permanent monetary and economic stability...".[2] Acheson, the Secretary of State, in a telephone conversation on 29 July 1952 with John Kenney who was a top man of the MSA Administration, said that "he has been worried about the Greek situation and had been favorably impressed by the long and realistic report of Mr. Varvaressos...we have been struggling with the currency reform problem here."[3]

In Greece, the American representatives were also interested in the formation of a Stabilization Program. On 27 November 1951 Yost, from the Embassy, informed the Department of State that the new Coalition Government was trying to confront urgent economic problems, working on an anti-inflation programme; two days later Jenkins informed Porter and Katz that "Mission now engaged in short-range stabilization negotiations with Greek Government and in longer-range economic policy revisions necessitated by changeover to M.S.A...".[4] Although the Embassy and ECA/G Mission adopted the Stabilization Program in principle, they resisted the implementation of all the economic measures included in the programme, at the level desired by the ECA headquarters, which decided to

[1] Turkel to Department of State, 4 March 1952, Report of Varvaressos, p 214
[2] Ibid, p 214
[3] Memorandum of telephone Conversation, John Kenney MSA and Mr Acheson, 29 July 1952, Papers of Harry S Truman / Official File / Box 779 / Truman Library
[4] Jenkins to Katz & Porter, 29 November 1951, RG 469 / 1208 / Box 37 / NA

support a gradual increase in production. However, in the spring of 1952 they were convinced of the necessity to carry out the Stabilization Program but with great reluctance, since they were sensitive to wider social policy concerns and the welfare of the Greek people. Lapham, Chief of the ECA/G Mission, came very close to resigning. Although he was opposed to the Stabilization Program and the reduction in the reconstruction investments, eventually, he sent his famous 'firechief' cable of 11 March 1952 to the ECA headquarters, saying: "Having received his directives, this Mission Chief has donned his firechief's hat, has sharpened his hatchet, and is now set to tear down as much of the house of Greece (which American aid has helped to erect) as is necessary to stamp out the fire-devil of inflation."[1] The battle for currency stabilization acquired an emotional dimension, since the American planners in Greece believed that the ECA/W knew nothing of Greek problems and still less of Greek people's needs.

While the Greeks used to buy gold sovereigns in the period of Christmas, spending their own bonus, in September 1951 a sharp and unusual increase in the sales of gold sovereigns emerged. The heavy sales of 250,720 gold sovereigns in September continued and in October reached 286,405. After this increase had jeopardized the monetary stabilisation, the ECA/W decided to launch the Stabilization Program. While on 13 November 1951 the total gold sovereign sales reached 7,283, these fell to 1,233 on 27 November, leaving a balance on hand of 378,164 on 28 November. The Bank of Greece continued to purchase a few gold sovereigns, which amounted to 1,679 on 24 November. During December heavy sales of gold sovereigns amounted to 238,946 at the ceiling price of 226,500

[1] James Warren Jr., 'Origins of the Greek Economic Miracle. Truman Doctrine & Marshall Plan Development and Stabilization Programs', p 95

drachmas, while the Bank of Greece bought in over its counters 14,589 gold sovereigns. The causes for the heavy demand for gold sovereigns by the Greek people were the 'salting' away of the Christmas bonus, stimulated by fresh rumours of a devaluation of the drachma and disappointment at the amount of the Marshall aid for the year 1951-52.[1] In January 1952 the Greek people continued to purchase at the price of 226,500 drachmas huge amounts of gold sovereigns, which reached 802,116, while they sold to the Bank of Greece only 8,896 gold sovereigns.

The stringent measures of the Stabilization Program brought optimistic results. The run on sales of gold sovereigns ceased in mid-February. During the same month 138,816 gold sovereigns were sold by the Bank of Greece and 8,581 were purchased. At the end of the month the price of gold sovereigns fell to 223,500 drachmas. In April the price of gold sovereigns fluctuated around 221,000 drachmas, but at the end of May fell to between 209,500 and 212,000 drachmas. In June 1952 the price of gold sovereign fell to 199,000 drachmas. Since 21st February until June 1952 the Bank of Greece, "while buying gold sovereigns over its counters, continued to keep off the open market."[2] Therefore, the decrease in the price of gold sovereigns for the first time in the inter-war and post-war periods showed the determination of the American planners and Greek Government to implement an economic policy which supported the stabilisation of the Greek currency and showed to the Greek people the need to abandon their habit of investing in gold sovereigns.

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[1] In late December 1951 someone had also leaked to the newspapers a closely held study prepared by an economist attached to the staff of Professor Zolotas, who was then a technical expert at the Currency Committee He recommended a devaluation of drachma from 15,000 to 25,000 per dollar, which caused an extended panic to the market

[2] Peake to FO, 3 June 1952, FO 371 / 101815 / 1101-6 / 1952 / PRO

Concerning the credit policy, the Currency Committee on 24 October 1951 reached a decision regarding the obligatory deposits of Banks with the Bank of Greece. Its decision, which became Act of the Council of Ministers No 1193 of 2 November 1951, required that "commencing November 1, 1951 and for the deposits to be effected by the Bank of Greece with funds of Legal Entities, to be effected as from and after that date, the fixed 25 percent proportion of the obligatory deposits of the Banks with the Bank of Greece is increased to 35 percent."[1] This economic measure concerned a part of the policy to restrict credit and aimed to decrease the amounts available to the commercial banks to grant loans to the public or enterprises. About credit, Varvaressos stressed that "the extension of credit would be better controlled and be limited to those who would use it productively."[2] He also criticized the favours to privileged groups, such as shipowners, who avoided registering their ships under the Greek flag in order to avoid taxation.

Because the Government on 21 December 1951 granted only one-half of the usual Christmas bonus to civil servants and workers as an anti-inflation measure of the Stabilization Program, promising to grant the other half in January, the latter went on strike. Despite the recent adoption by the Government of a constitution to prohibit strikes of civil servants, on 5 February 1952 ADEDY called a strike, asking for a 40% increase in salaries. However, on 9 February the Executive Committee of ADEDY halted the strike and accepted the Government's terms, which were a 15% increase in wages for lower grades of personnel, the establishment of a joint committee with ADEDY representation to reorganise the civil services and the promise that strikers would not be prosecuted. In March, the increase in

[1] Official Gazette of the Greek Government, Volume I, No 293, 6 November 1951.
[2] Francis Lincoln, United States Aid to Greece, 1947-1962, p 126.

unemployment reached a disturbing level. About forty textile plants reduced their work week from six to five days and other industrialists threatened to close their plants entirely. Reasons for this attitude were stringent credit restrictions, large inventories and cutbacks in investment projects. According to the MSA/G Mission index, in March, the cost of living continued to increase more sharply than the previous twelve months with an increase of 4.1 percent. In April, labour unrest increased throughout the country because of the continued rise in the cost of living, the sharp increase in unemployment and government inability to face the economic problems. However, the Greek government, forced by heavy strikes and the economic plight of the workers, managed to grant another Easter bonus, in spite of the fact that this bonus had been given in advance in January in order to moderate labour's demands for wages increase. Apart from this temporary relief, the Greek government avoided to provide any increase in wages and salaries for workers, following the principal measure of the Stabilization Program, to hold inflation. In June 1952 the GSEE exchanged ideas through letters with the MSA/G Mission on the government's Stabilization Program. Although the GSEE accepted the principal objectives of the Program, it supported the idea that the restriction of credit would cause a reduction in purchasing power and increase unemployment. It also submitted a demand for a daily minimum wage of 45,000 drachmas from 22,000 drachmas for unskilled male workers to the recently formed Wage Stabilization Board, which began its operation. Although the GSEE considered its demands for wages increases reasonable, the government believed they were too excessive, after the continuing decrease in the cost of living from April 1952 for the first time in post-war years, which anticipated a decrease also in the price of commodities, the

Government refused to grant any increase in wages on the grounds that it would undermine the success of the Stabilization Program.

After currency circulation increased from 1,770,400,000,000 drachmas in July 1951 to 2,198,500,000,000 drachmas in December 1951, despite the heavy sales of gold sovereigns in the last two months of the year, it decreased to 1,945,300,000,000 drachmas in June 1952. In the first semester of 1951-52 the increase in currency circulation brought on an increase in credit to the productive sectors of economy and facilitated the purchase of agricultural products by relevant state enterprises. Since this policy increased inflation, the ECA/G Mission decreased counterpart releases for reconstruction in order to hold inflationary pressure. This restrictive credit policy, which was established through the Stabilization Program, not only prevented any further increase in currency circulation, but also decreased it. In the first semester of the fiscal year 1951-52 the cost of living index increased slightly from 338,7 in July to 355,9 in December 1951 (year of basis 1938=1). After in March it reached its higher level of 370,1, then it decreased steadily to stabilise at 361,5 in June 1952.[1] Therefore, although in the first four months from the implementation of the Stabilization Program inflationary or abnormal economic phenomena, such as the gold sovereigns panic and the decrease in industrial and commercial activities, arose from the attitude of the industrialists and merchants who expected loans from the banks to run their own enterprises, from the end of February 1952 the Stabilization Program began to bring fruits despite the increase in unemployment and restriction in bank credit.

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[1] These amounts are taken from the Annual Reports of the Governor of the Bank of Greece for the years 1951 and 1952, pp XXIV & XXVIII respectively.

Concerning the credit policy, although the Bank of Greece continued to provide loans to various sectors of the economy, e.g., industry, agriculture and trade, in the second semester of the fiscal year 1951-52 (January-June 1952) it refused to approve loans for industry and commerce, as an anti-inflationary measure of the Stabilization Program to limit the amount of credit. Greek banking authorities provided loans only for agriculture, the concentration of agricultural production and handicrafts. While the outstanding loans for the concentration of agricultural products increased by 248,204,000,000 drachmas in order to support the export of these products and thus the revenue of farmers from the increase of world prices, the outstanding loans to industrialists decreased from 407,067,000,000 drachmas in July 1951 to 281,256,000,000 drachmas in June 1952 and to tobacco traders from 477,218,000,000 drachmas to 329,029,000,000 drachmas at the same period. Also, although the total outstanding amounts of loans increased from 3,719,581,000,000 drachmas in July 1951 to 3,920,778,000,000 drachmas in December 1951, these amounts decreased sharply to 3,555,432,000,000 drachmas in June 1952. At the same period deposits with banks, not including those with the Bank of Greece, increased from 1,792,318,000,000 drachmas in July to 2,118,067,000,000 drachmas in December 1951 and they marked a small drop to 2,008,940,000,000 drachmas in June 1952, showing that the Greeks tried to support their currency, after the enforcement of the Stabilization Program and the holding of commodity prices.[1] Although the amount of deposits to the banks reached the level of currency circulation, it was much less in comparison with the amount of pre-war deposits.

During the fourth year 1951-52 of the Marshall Plan the amounts of long-

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[1] These data are taken from the tables 3 & 4 of Monthly Bulletin, May 1953, Bank of Greece, Athens

term loans granted through ECA aid to various sectors of the Greek economy, principally to manufacturing and mining, under the control of CLC amounted only to $8.1 million in comparison with the $29.2 million of the previous year, which was the peak development phase of the Greek economy.[1] The decrease in credits from Marshall Plan counterpart funds was dictated by the principles of the Stabilization Program in order to avoid the circulation of further inflationary drachmas in the economy.

After the restriction in credits traders and industrialists were forced to sell goods which they had accumulated for eight years in order to hold the prices high. They were also forced to reduce the prices of goods, to exchange with drachmas gold sovereigns hoarded for years and to bring their own money back from Switzerland in order to operate their enterprises and support their families. The sharp increase in invisible payments from the beginning of the year 1952 revealed the increase in the movement of capital into Greece from abroad. The restriction of credits had annoyed the industrialists, who rose "high decibel complaints generated within the Enosis Viomichanon and by its political allies."[2] This attitude was characteristic of most Greek industrialists who refused to contribute their own capital to operate their enterprises, and instead, intended to use part of their capital or net returns to purchase personal luxury goods or buildings such as private luxury houses and yachts, while they expected to receive loans or subsidies to operate their

[1] These data are taken from Greece-Statistical Data Book-Fiscal year 1955/56 & Calendar 1956, table 69, p. 2.

[2] James Warren Jr., 'Origins of the Greek Economic Miracle: Truman Doctrine & Marshall Plan Development and Stabilization Programs', p 99. The most usual reaction of industrialists to the restriction of credits was the expression· 'Δεν εχει λεφτά Δεν έχει πιστώσεις Δεν έχει δυναμη στην αγορά' (there are not money There are not credits. We have not power in the market) Then, with gestures, 'θα κλεισουμε το εργοστάσιο-παρε τα κλειδια! (We will close down the factories-take the keys! Look!).

enterprises. However, the austere implementation of the Stabilization Program did not affect Kartalis, who understood the unreasonable attitude of the private sector of the economy. Although industrial production declined shaply by 16% and industrial unemployment increased by an average of 15%, comparing the price index from October 1951 to December 1952, it could be stressed that a revolution took place. It was for the first time since 1940, in a twelve years period, that prices of goods fell.

Although Kartalis, the Minister of Economic Coordination, the most powerful ministry during the Marshall Plan period, was initially opposed very strongly to the Stabilization Program and threatened to cut defence expenditures if additional aid was not available for reconstruction and budget expenses, he adopted it in late spring 1952. He had seen the Stabilization Program as an enemy to the New Deal concept of government, which should undertake the construction of public works and infrastructure, spread over lots of contracts and votes. Kartalis also was afraid of being blamed by the Greeks for the cut in aid, since he was the principal economic minister of the Greek government and the amount of aid symbolized America's devotion to Greece. Eventually, he was able to recognize that the Stabilization Program anticipated monetary discipline as well as in the private sector of economy. Since the credit squeeze caused a political reaction and the merchants with the industrialists threatened to close down their enterprises, if they did not receive more credit, no minister wanted to undertake this policy. At that time, Kartalis decided to stand above that political speculation, anticipatıng the fall in his number of votes at elections, and to support the Stabilization Program, since he understood that the ECA/W was strongly opposed to the perpetuation of the sale of gold sovereigns. Finally, Kartalis "became the Centre Government's almost sole spokesman for an economic policy prescription that was pure poison to the politician. He not only helped direct the program of currency stabilization, he became its advocate."[1] He also fought to persuade the other members of the Plastiras Coalition Government to support the Stabilization Program, such as in the case with Papapolitis in a parliamentary session of 20th August 1952 of openning the budget for the fiscal year 1952-53. Kartalis shaped a policy, which aimed at "the reduction of the balance of payments deficit, the abolition of profiteering which undermined the national currency, and the mobilization of the private capital towards productive investments instead of directing it to gold or smuggled foreign exchange or hoarding goods, expecting continuous increase in prices."[2] However, Kartalis, the first and unique Greek economic minister, who had vision and showed determination, was removed from his ministerial post, when the American Administration worked to bring a conservative government to power with a strong majority in the parliament. Ambassador Peurifoy "had digested only too well the Mission's often expressed thought…that too frequent changes of government were inhibiting economic reconstruction and development."[3] Thus, at that time the most convenient solution for the Americans to stabilize the Greek economy through a currency reform was to support the enforcement of a majority system in order that the Greek Rally of Papagos would win the following elections and form not a coalition but a majority government in order to increase the cooperation among the members of the government and to follow with rigorous discipline the Stabilization Program. Although political developments did not allow Kartalis, who was an intellectual

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1 James Warren Jr , 'Origins of the Greek Economic Miracle· The Truman Doctrine & Marshall Plan Development and Stabilization Programs', p. 102

2 Parliamentary proceedings, Session C', 20 August 1952 (Athens. Library of the Greek Parliament, 1952), p 50.

3 James Warren Jr., 'Origins of the Greek Economic Miracle The Truman Doctrine & Marshall Plan Development and Stabilization Programs', p 102.

'snob' politician, to complete his efforts to stabilise the Greek economy, his contribution to the success of the Stabilization Program was fundamental. For his selfless services to his own country he distinguished himself as a good patriot and a noble politician.

During the last year of the Marshall Plan, although the need for economic stability had been recognized by the Greek Government and the ECA/G Mission, they were not able to understand that only such a forceful course pursued by the ECA/W through a decrease in development, restriction of credits and expenditures as well as holding wages would stabilise the Greek economy and to lead towards a needed currency reform. The cornerstone of the Stabilization Program was the decision of ECA/W to cease the sales of gold sovereigns in order to force Greeks to contribute their own share to the reconstruction effort. This revolutionary decision intended to create a monetary stability through the confidence of Greek people in their own currency, because only a strong national currency would obstruct the emergence of the vicious circle of inflation, which undermined every productive effort and established an uneven and precarious development. Because the political instability and lack of cooperation among the ministers of the Plastiras Coalition Government delayed the achievements of the Stabilization Program, the American planners, while they had expected for a long-time that Greek politicians would take responsibility and concentrate on the measures of the economic programme, in the summer 1952 they decided to intervene in internal political affairs to facilitate the formation of a strong one-party government in order to complete the effort to stabilise the Greek economy. Therefore, the complicated problems of the Greek economy called for an efficient and responsible management supported by an organised governmental administration to collect taxes, to utilise economic aid for further development in order to infuse confidence into the people for a better future.

5.4. The contribution of the Marshall Plan's 'Counterpart funds' to the national budget and the balance of payments

During the fourth year of the Marshall Plan in Greece, the American planners intended not only to reduce the budget deficit, but also to implement measures to balance the expenses and revenues of the budget, since they had decided to stop economic aid to Greece after a two years' period. At that critical time the Greek government needed to take such austere economic measures in order to base budget expenditure on the collected revenues of the state. The implementation of the Stabilization Program in October 1951 anticipated a great cut in government expenditure in order to secure drachmas for reconstruction and operate as an anti-inflation measure, since it needed to reduce the currency in circulation. The American planners also considered the first prioritiy of the Greek economy the establishment of monetary stability and need for currency reform through control of inflation. Thus, during the last year of the Marshall plan after the implementation of the Stabilization Program, the American planners intended to decrease imports and increase exports in order to reduce the balance of payments deficit of the Greek economy, following the cut in economic aid, since the American aid financed around three-quarters of total Greek imports. In late March

1952 "Greece continued to spend abroad nearly three times as much as she earned; the difference was largely made up by American aid."[1]

Although the enormous need for foreign products began to diminish after the increase in the production of local commodities, the large reduction in economic aid for the final year decreased the foreign exchange available to finance imports, threatening the hardly bearable level of 2,500 calories in daily consumption, which the Marshall planners supported, despite the surplus of purchasing power of farmers from swelling incomes through fixing high prices by the Government. Therefore, the anti-inflationary policy, which was established by the American planners, prevented any such develoment. This policy also decreased the imports for capital goods needed for reconstruction and development, since the establishment of an inferior level of development by the American planners to hold inflation resulted in a reduction of imports. However, on 24 September 1951 Peurifoy and Lapham supported the idea that ECA/W should make only moderate cuts in the current import program in order to facilitate the reconstruction programme so that Greece would be able to become "a productive member of the European society of nations."[2]

In the fiscal year 1951-52 the actual deliveries of Marshall aid through paid shipments amounted to $202.3 million owing to carry-overs from the previous year. The difference between total annual appropriations and actual deliveries of goods were due to the time-lag between the issue of licences and the arrival of goods. More time was needed for the sales of these goods and the deposit of the receipts from the sales to the special account of counterpart funds with the Bank of Greece.

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[1] Turkel ro Department of State, 27 March 1952, RG 59 Decimal File 1950-54 / Box 5401 / NA.
[2] Lapham to ECA/W, 24 September 1951, 469 / 1208 / Box 44 / NA.

The ECA/G Mission released from this account only a certain amount of funds to be utilised by the Greek government for development. The great carry-over of counterpart funds "was due to lack of coordination among the various departmental agencies of the Greek Administration as well as inadequate planning."[1] In addition, the release of counterpart funds was also dependent on the budget deficit and in the last year on the need to prevent the increase of inflation after the enforcement of the Stabilization Program.

On 19 November 1951 the economist George Pesmazoglu, who was Governor of the National Bank of Greece and the National Mortgage Bank of Greece, supported the idea that reduction of budgetary expenditures would not come only from the restriction of direct government expenditure, but also from the abolition or merging of numerous useless parastate organisations because they reduced budgetary revenues due to their defective administration. He asserted that since defence expenditure constituted the principal burden on the budget of around 45%, relief allowances to families of servicemen and pensions or their financing by foreign aid should be abolished. However, this was another side of the myth of the militarisation of the Greek economy and society, after the establishment of the MSA/G Mission. Although military expenditures were much higher in comparison with the other Western European countries based on the size of population, these also went to cover social and economic problems of the Greek people, such as unemployment and production of common use items for the army. These expenditures provided work for the small industries, which produced common use items, such clothing, food, oil, uniforms, and military goods for the army. Given the

[1] Psilos & Westebbe, Report No 10: Public International Development Financing in Greece, p. 27

fact that a great part of these expenditures were financed through foreign aid, economic or military, the contribution of the Greek budget to defence was much less than the numbers claimed in the rhetoric, which insisted that the contribution of the Greek budget to defence expenditures was higher than that sum in real terms without considering the great contribution of the American aid. The Government, through the increase in direct taxes and the taxation of traders who resorted to tax evasion, while the administration lacked the appropriate mechanism to enforce taxes or avoided collecting them for political reasons, could secure resources to finance these excessive military expenditures. Under the same reasoning, the argument that the MSA Program militarized the American economic aid to Greece was unfounded, since the Greek economy did not have any serious industrial establishments to construct military heavy equipment instead of common use goods. Pesmazoglu called for the establishment of a comprehensive social welfare system and the shift of the burden of indirect taxes onto those who were economically in a stronger position. He stressed that "the system of direct taxation must be based in Greece...upon certain principles and conditions, such as:...the timely collection of taxes...simplification of tax legislation...and a constant watch on the transfer of wealth."[1] Given the excessive governmental expenditures, Jenkins on 31 November 1951 asked the Minister of Coordination Kartalis to minimise the governmental deficits after the curtailment of public expenditures, which constituted a basic principle for the implementation of the Stabilization Program.

For the fiscal year 1951-52 in the account of 'Counterpart funds' with the Bank of Greece, receipts and payments for the Greek state amounted to

[1] Pesmazoglu to Lapham, 19 November 1951, RG 469 / 1227 / Box 6 / NA.

2,499,000,000,000 drachmas and 741,000,000,000 drachmas respectively without considering those funds which went to cover the budget deficit. The remaining amount of 1,758,000,000,000 drachmas was 'frozen' to prevent any inflationary pressure and to cover the final amount of the budget deficit. However, this year the American planners decided to reduce the release of counterpart funds in order to force the Governemt to assume vigorously the implementation of the Stabilization Program.[1] Although Kartalis became the most earnest advocate of the Stabilization Program and managed to increase the collection of direct taxes and to decrease public expenditure, $58 million from the counterpart funds went to cover the budget deficit, which amounted to 1/3 of the total economic aid of $182 million for the fiscal year 1951-52.[2] Therefore, the American planners were forced to utilize a great part of the Marshall aid to cover the budget deficit, which would otherwise finance further reconstruction projects.

In the fiscal year 1951-52 the total tax returns amounted to 3,663,300,000,000 drachmas. The collected confirmed direct taxes amounted to 96% of the confirmed taxes and 44% from previous fiscal years.[3] Although the amount of collected taxes in arrears was small, the improvement in the collection of direct taxes this year was great. It reflected the willingness of the government to improve the practices in the collection of taxes and to increase the direct taxes in order to secure drachmas for reconstruction projects, since the American planners cut the original planned amount of counterpart funds for reconstruction from 450 billion to 300 billion drachmas for the second semester of the fiscal year 1951-52 in

[1] These data are taken from the Annual Report of the Governor of the Bank of Greece for the year 1953, p. 125.
[2] Annual Report of the Governor of the Bank of Greece for the year 1952, p 115
[3] Ibid , p. 116.

order to hold inflation. In August 1952 Kartalis reported that "in the fiscal year 1951-52 the Greek Government had increased its revenues from direct taxation by 50% as compared with the previous year, [and] had sharply reduced the expected deficit in the budget...".[1] Tax collection on larger individual incomes at highly progressive rates, which were effectively imposed for the first time on all taxpayers, reached 44 times the amount collected in the same category of taxes in the fiscal year 1949-50. This great achievement was due to the efforts of Kartalis, who tried to rationalise taxation and to develop a progressive rate of income taxation in Greece.

In February 1952, when the budget was revised, credits were reduced by 350 billion drachmas and the Government was able to increase state revenue by 150 billion drachmas with the enforcement of import duties on imported products, such as petrol, or other non-essential items at a rate of 100, 50, 30 and 20 percent, in order to absorb excessive import profits and to decrease the budget deficit. However, this tax conflicted with Greece's obligations under GATT agreements. Greece, as all small ECA countries with weak economies, such as the Netherlands, Belgium or Denmark, faced problems in following a policy leading to the liberalisation of foreign trade. The principal reason for the small ECA countries was the higher cost in the production of their own domestic products than that of the large industrial ECA countries. Therefore, the small ECA countries resisted opening their internal markets because the cheaper imported industrial products would increase unemployment and cause social instability. No one in Greece or abroad would expect that the weak Greek economy would be able to adopt very strictly in practice a liberalisation policy in its international trade. However, in January 1952

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[1] Francis Lincoln, United States Aid to Greece, 1947-62, p 127.

the Bank of Greece reduced the financing of imported foodstuffs and other essentials from 60% to 50°o and secondary items from 50% to 25% as part of the effort to contain inflation.

A major objective of the economic policy of the Government was to decrease the enormous budget deficit to a lower level so that along with the containment of inflation the stabilisation of the economy would be secured in order to facilitate the needed currency reform. In the last fiscal year of the Marshall Plan the expenses and revenues of the Greek budget reached 6,583,000,000,000 drachmas and 5,716,000,000,000 drachmas respectively, leaving a deficit of 866,800,000,000 drachmas, which was covered by counterpart funds. This showed the great efforts of the Minister of Coordination Kartalis to adopt the strict economic measures of the Stabilization Program.[1] The total receipts and payments of the Greek state as per the 'Centralization of Receipts and Payments Account' with the Bank of Greece amounted to 7,029,702,000,000 drachmas and 7,454,265,000,000 drachmas respectively. The ratio of receipts to payments increased from 84% in 1950-51 to 94% in 1951-52.[2]

Parallel to the efforts to decrease the budget deficit, the Greek government made efforts to increase the exports of Greek products to European and international markets in order to decrease the enormous balance of payments deficit. This was necessary because after the end of Marshall aid, Greece would need to secure foreign exchange in order to finance its imports programme, or to increase its production in order to provide the local markets with those commodities which were

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[1] These data are taken from the Annual Report of the Governor of the Bank of Greece for the year 1952, pp 115, 116 and 117

[2] Monthly Bulletin of the Bank of Greece, May 1953, table 16

previously imported from abroad. However, at that time this objective seemed to be much too high for the capability of the Greek economy and difficult to achieve in the short period of the Marshall Plan, as it proved, because the Greek economy lacked the necessary elements, such as the private local capital or monetary stability to attract foreign funds to increase its production. The unstable economic conditions discouraged foreign investment in Greece. At the end of the Marshall plan despite the fact that the Greek economy was less self-sufficient than any other European economy, Greece was forced to decrease its imports owing to the reduction in economic aid.

In the fiscal year 1951-52 the total external payments of Greece amounted to $351.9 million, showing a major reduction from $430.2 million of the previous fiscal year: imports for current needs $311.6 million, including agricultural products for human consumption $107.2 million, invisibles $44.5 million and purchase of gold sovereign by the Bank of Greece $16.6 million; imports for reconstruction and capital investment $40.3 million. Conversely, Greek foreign exchange earnings were $112.8 million from exports and $82 million from invisibles, leaving only a deficit of $201.6 million in the balance of payments. During this fiscal year the invisible receipts increased enormously to $82 million from $57.2 million in the previous fiscal year. This increase reflected principally the repatriation of a part of the internal capital which had left the country in the previous years, when the industrialists and importers avoided investing in their own enterprises because they were afraid of the always imminent devaluation of the drachma.[1]

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[1] These data are taken from Greece-Statistical Data Book-Fiscal 1955/56 & Calendar 1956, Volume I, tables 10 & 34, compiled by the Finance & Program Division of the U S Operations Mission/Greece

Although the balance of payments deficit improved, the reduction in the imports of consumption goods left the market with fewer consumer goods than the previous year and went along a decrease in the purchasing power of the people. However, the shortage of consumer goods was not so distinct and did not cause any serious increase in their prices, since the merchant community, who had built up ample inventories of goods in earlier years of American aid, was forced to sell them. In the previous years the banking authorities had been generous in credits to merchants. In particular, in the previous year 1950-51, with world prices rising, "these credits rose from 1,319 to 1,909 billion drachmas and seem to have been used to finance imports beyond normal needs which were hoarded in excess inventories."[1]

The contribution of exports to the balance of payments deficit remained small, since the Venizelos government for political reasons had just before the elections fixed prices for exported products, such as currants and tobacco, so high as to make exports uneconomic. The pursuant policy of the excessive subsidies through "the fixing of high security prices also increased the inflationary pressure in the country by swelling farm incomes to a dangerous degree."[2] Therefore, the Government needed to focus its efforts on the increase of exports and to abandon the policy of subsidizing the income of farmers enormously. A reform in the structure and character of the farmers was needed in Greece, because it was unfair that all categories of farmers should be subsidized from the budget. However, the Greek politicians for private interests, in order to remain in power, did not dare to

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[1] Francis Lincoln, United States Aid to Greece, 1947-1952, p 127

[2] Crosthwaite to Eden, 24 January 1952, FO 371 / 101793 / 1011 / 1952 / PRO

pass such a reform to facilitate social equity, because they wanted to perpetuate the dependence of farmers on themselves.

Concerning the earnings from the taxation of shipowners, these decreased since the enforced taxes regulation in the previous years had led shipowners to register their ships under foreign flag. This unpatriotic action by the shipowners deprived the Greek budget of considerable revenue and dollar earnings at a critical period for the stabilisation of the Greek economy, and Greece also lost its ranking as third largest in the world among the countries with merchant fleet. While at the end of 1950 the total Greek-owned ocean-going shipping was 989 ships with a gross tonage of 5,560,134, of which only 337 were under Greek flag, by December 1951 these ships amounted to 1103 with a gross tonage of 6,427,098, of which only 331 ships were under the Greek flag.

In order to decrease the balance of payments deficit, Greece needed to increase its exports. During the last year of the Marshall Plan Greece continued to face difficulties in its efforts to export its agricultural products to European markets, which amounted to 95 percent by value of its total exports. This was because it suffered from a high cost economy, and for the the farmers to be able to buy the essentials they needed, a higher price for their products was required. The granting of subsidies to the farmers by the Government for political reasons further increased the price of products. In particular, the export of tobacco was a special problem. Despite the fact that Greece endeavoured to regain its old markets by political pressure and through bilateral agreements, trade balance for Greece remained unfavourable so that it was met by Marshall aid. Although in November 1950 an agreement was concluded between Greece and Germany for the absorption of about 12,000 tons of Greek tobacco per year by the German market, the problem of unsold product remained, since in the pre-war years Germany absorbed about 25,000 tons per year. However, at that period Germany intended to infiltrate economically the countries of South Eastern Europe and bought from them at high prices tobacco, currants and minerals ores in exchange for industrial products. In Northern Greece the problem in disposing of tobacco stocks, which was the principal agricultural product, was very acute. Lapham on 29 September 1951 made a speech in the International Fair of Salonika. He stressed the results of the Marshall Plan in Greece and made proposals for the solution of the problem of Greece to dispose of agricultural products, which did not satisfy the GSEE. The latter did not accept the proposal that the cultivation of tobacco needed to be limited to extra quality and certain farmers needed to change occupation. Terrel recognised the very complicated issue of exporting Greek tobacco to the German market and the American inconsistency on the question of Greek tobacco. On 14 September 1951, he informed Porter that "I never was able to get this inconsistency eliminated, or even, to get it admitted by those in a position to correct it."[1] A favourable solution for the over-production of tobacco would be the cultivation of sugar beet, which was a high value cash crop, supported by the establishment of a beet sugar industry, saving 5 million pounds per year in foreign exchange. However, this new profitable cultivation and industry were only established in Greece in the 1960s.

Finally, during the fourth year of the Marshall Plan the Greek government, after the enforcement of the Stabilization Program, made great efforts to decrease the enormous budget and balance of payments deficits. The budget deficit amounted to 870,000,000,000 drachmas in comparison with 1,119,646,000,000 drachmas the

[1] Terrel to Porter, 14 September 1951, Paul R. Porter Papers, Box 2, Truman Library

previous year 1950-51, while the balance of payments deficit was reduced to $201.6 million in comparison with $320.1 million in the previous year. Given the reduction in economic aid, which resulted in a cut of imports, and the granting by the Government of excessive subsidies to the farmers, the surplus of purchasing power was directed to investments in gold sovereigns and their sales reached an alarming level in December 1951 and January 1952. However, the decrease in the balance of payments deficit, after the cut in economic aid, did not affect the standard of living of the Greek people which was around the level of 2,500-2,600 calories per day, because the FTA and the American Mission secured the import of greater quantities of basic consumer goods and reduced the imports of luxury items.[1] Therefore, in the first year of the Stabilization Program the Greek government was able to improve its economic position. Given the enormous tax evasion, which the authorities of the Ministry of Finance estimated at around 1 trillion, if the previous governments were able to reduce tax evasion, then the budget deficit would be very low. Concerning the efforts to decrease the balance of payments deficit, a notion prevailed among the Greek authorities that any serious reduction in this front would reduce the Marshall aid. As a result, in the first three years of the Marshall Plan no serious and effective effort was made by the Greek government to make domestic resources productive. This was a very negative attitude towards the decrease in the balance of payments deficit and towards reconstruction.

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[1] In the third Session of Parliamentary debate, on 20 August 1952, the Minister of Co-ordination Kartalis, openning the budget, asserted that the average of daily consumption calories were 2520 in 1951-52 (Record Office of Greek Parliament), p. 47.

5.5. The contribution of the Marshall Planners and Marshall aid to the Greek reconstruction and development programme. Attempts towards the reformation of the Greek administration and structural reforms

During the final year of Marshall aid to Greece, the American planners in Greece tried to adapt their programmes in order to facilitate the ability of the Greek government to meet its responsibilities for defence and at the same time to continue an economic programme designed to increase productivity. In October 1951 the ECA/W enforced the Stabilization Program and asked ECA/G Mission to cut back the investment programme. Jenkins supported the idea that "the success of the investment program, indeed of the entire program of economic improvement in Greece, will depend on whether a satisfactory degree of economic stability can be attained in the very near future."[1] After the announcement of the cut in aid on 21 December 1951, Peurifoy supported the idea that although the investment programme had been reduced, it remained substantial.

Nevertheless, in July 1951, although the Greek Government had drawn up an investment programme, which included projects such as a thermoelectric power-station of Ptolemais, the nitrogen fertilizer plant to support the establishment of Ptolemais lignite plant, major land reclamations and Acheloos hydro-electricity power station, the American planners were forced to reject the construction of these plants for many reasons, such as that their construction needed a period of many years, and the Greek budget was not able to contribute its share for a reconstruction investment of this magnitude. The basic principles of the ECA/G Mission for the

[1] Jenkins to Kartalis, 31 November 1951, RG 469 / 1209 / Box 2 / NA.

establishment of reconstruction projects were to provide for support of defence, a quick increase in production and their short-term completion. In the last year of the Marshall Plan the Greek government made continuous proposals to the ECA/G Mission for the establishment of the Ptolemais project. However, Bissell on 22 December 1951 informed the ECA/G Mission that this project was out of the framework of the agreed level of aid and financial aim of the Stabilization Program. He emphasized that the "mission will array new projects in order priority reflecting their short-term contributions to defence effort and to balance payments…".[1]

On 22 January 1952 Varvaressos submitted to the Greek government the second part of his report on the economic problems of Greece. He suggested the abandonment of heavy industry and the support of an increase in agricultural production in order to facilitate the development of the Greek economy. Varvaressos condemned the execution of an excessive house-building programme in Greece, which facilitated the building of luxury houses. The American planners had already proposed to the Greek government an increase in taxation for the building licenses of luxury and expensive houses. He emphasized that "if the aim of the economic development is to tranform within a few years poor countries into rich ones, this cannot be achieved by a house-buildıng program, still less can it be achieved by the effort towards rapid industrialization, as the experience gained in the Communist countries has proved."[2] Varvaressos, in concluding his report, pointed out that Greece had made admirable progress during the last five years with the generous support of the Unites States and present economic difficulties were not

[1] Bissell to Lapham, 22 December 1951, RG 469 / 1208 / Box 37 / NA.
[2] Turkel to Department of State, 4 March 1952, Varvaressos Report, p 204, RG 59 / Decimal File 1950-54 / Box 5401 / NA.

due to the inadequacy of material means but to the practices and mentality arising out of the occupation period and existing at present, since rapacity and indifference to other people's needs existed on one hand, while on the other fear and pessimism for the future prevailed. Although Varvaressos considered that the lack of the spirit of solidarity and mutual assistance among the Greek people prevented the support of interests of the whole community, he certainly meant the former black marketeers, the merchants, importers and wealthy industrialists, who used to deposit their excessive profits in Switzerland, and he expected to see in the future "another Greece, a country of honest, hard-working and austere people."[1]

The amount of allocation of drachma counterpart funds for public and private investment in reconstruction and development during the fourth year 1951-52 of the Marshall Plan decreased to 591 million drachmas from 1473 million drachmas in the previous year 1950-51. During the last year of the Marshall Plan the American planners decreased investment in order to hold inflation and to achieve monetary stability. In winter 1951-52 the implementation of the Stabilization Program caused the curtailment of the original planned projects, as the development programme focused on the establishment of the national electric power system and the completion of existing programmes in other fields such as industry, agriculture and transportation rather than the inauguration of new projects. However, at the end of February 1952 the MSA decided to abandon a number of projects which were in the phase of reconstruction after a further reduction in the release of counterpart funds, asking the stoppage of them through the Minister of Co-ordination. While fifteen projects for reconstruction of ports were to be continued, 13 projects had to

[1] Turkel to Department of State, 4 March 1952, Varvaressos Report, p 216

be abandoned. The thirteen projects for construction of airfields were all to be continued. From the forty-two projects for the construction of roads only fifteen were to be continued, such as the national road from Antirion to Amphilochia through Agrinion (MSA project 147).

In March 1952 the MSA/W had ordered the restriction of counterpart funds to 300 billion drachmas for the second semester of reconstruction-investment programme, "as part of the battle being waged against inflation."[1] However, Turkel, an economist in the Embassy, conveyed his reservations to the State Department for this amount, because it "would eliminate the power program and would add to already widespread unemployment…".[2] Walter Packard, the driving man behind land reclamation projects, resisted the policy of the MSA headquarters to decrease investment in the land and water resources development programme in order to hold inflation. He stated that "MSA is making a serious mistake in using the reconstruction program as the variable factor in a deflationary formula."[3] The Greek government planned to carry forward many of the eliminated projects from its own resources, since American aid was no longer available. However, in order to construct these projects the Government needed to increase its revenue through the collection of more taxes and the reduction of unproductive public expenditures.

After the further cut in the investment of reconstruction projects through the counterpart funds, the MSA/G Mission tried to persuade the Greek government that development was needed to be achieved not only through Marshall aid as in 1948-51 but also through the budget, since in the last four years business flourished, four

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[1] Turkel to Department of State, 28 March 1952, RG 59 Decimal File 1950-54 / Box 5401 / NA.
[2] Ibid
[3] Packard to Mace, 31 March 1952, RG 469 / 1219 / Box 15 / NA.

million gold sovereigns were sold by the Bank of Greece, and foreign exchange Marshall aid loans were made to private interests accompanied by a loan in drachma. Therefore, the MSA/W argued that the Greek government needed to abandon the idea that the only source for investment projects was the counterpart funds. It intended "bringing the long-term development program more in line with the financial and technological capacity of the Greek economic system."[1]

In the fiscal year 1951-52 total gross investments with ECA funds in local expenditures through withdrawals from the 'Counterpart funds' account or capital goods imports amounted to only $50 million: for state and private investments $41.6 million and $8.4 million respectively. Since the total public investments programme, including all type of funds, reached $86.5 million, ECA funds contributed crucially to the reconstruction and development of the Greek economy. Investments for expanding production and tourism amounted to $22.9 million.[2] Investments in transport and communications reached $11.5 million.[3] Investments to provide tolerable living conditions were $7.2 million.[4] Investments in the private sector for expanding production and tourism amounted to $8.1 million.[5] Investments in transport and communications by the private sector reached $0.3 million.[6]

In particular, in the last year of the Marshall Plan the Government continued its efforts towards the development of agriculture and the increase in agricultural

[1] Psilos & Westebbe, Report No 10 Public International Development Financing in Greece, p. 27.
[2] (In millions)· $4 6 in agriculture, $4 9 in land reclamation, $9 6 in power, $3.3 in mining and $0.5 in tourism.
[3] (In millions). $3 4 in highways, $0.1 in railways, $0 8 in ports, $1 5 in civil aviation and $1 3 in telecommunications
[4] (In millions): $3 6 in housing and public building, $0 6 in public health, $0 4 in water supply and sewerage, $2 2 in technical assistance and $0 4 in miscellaneous activities
[5] (In millions) $1 7 in agriculture, $0 1 in fisheries, $0 3 in thermoelectric power, $2.8 in mining, $4 9 in industry, $0.2 in tourism and -$1 9 in miscellaneous activities
[6] These data are taken from Greece-Statistical Data Book-Fiscal 1955 56 & Calendar 1956, Volume I, table 69, compiled by the Finance & Program Division of the U S Operations Mission/Greece, Library of Congress, July 1957.

production. From the special account of Public investments with the Bank of Greece, which was constituted mostly of counterpart funds, 158 billion drachmas went to finance several projects, such as irrigation works undertaken by the Ministries of Agriculture and Public works, development of mechanical cultivation and rice production. In 1952 the cultivated land reached 17,163,000 stremmas (1 stremma–4 acres approximately) having increased by 175,000 stremmas in comparison with previous year and by 1,370,000 stremmas in comparison with the average of the pre-war years 1935-38. The agricultural production also increased by 77,000 tons in comparison with the previous year 1951 and by 332,000 tons in comparison with the average of the pre-war years 1935-38.[1] In 1951-52 the estimated value of the net increase in production compared with that of 1935-38 came to $174,700,000. The net increase in value of vegetables, potatoes and wheat production in 1951-52 over the average of pre-war years 1935-38 was $59,300,000, $23,800,000 and $18,300,000 respectively.[2] However, the chronic problem of exporting Greek tobacco remained more acute in Northern Greece, since the overvaluation of drachma and poor quality of tobacco crop created enormous stocks.

The index of industrial production from 122.5 (year of basis 1938=100) in July 1951 and with a peak of 134.5 in October 1951 made a small fall and was stabilised around 123 throughout the second semester of 1951-52. The economic measures of the Stabilization Program and in particular the restriction of credits as well as seasonal reasons reduced industrial production steadily. However, the decrease in production concerned only some industrial establishments, such as

[1] Annual Report of the Governor of the Bank of Greece for the year 1952, p 16
[2] Report of the Land reclamation, conservation and development section of the MSA/G Mission for the month of June 1952, RG 469 / 1220 Box 6 / NA

chemical and textile manufacturing, while other industrial sectors, such as metallurgy, cement, leather industry and power electricity, increased considerably.[1] After the small fall in production and an increase in unemployment by an average of 16%, the Greek government followed a social policy, of taking care of workers who were in military service, control on dismissals, ratification of international conventions of labour and introducing a law to provide collective agreements for labour.

In 1951-52 the programme of work-relief projects, which was operated by the Ministry of Welfare with ECA funds, also continued. The principal works, which were carried out under this scheme, were the construction of roads, the installation of drainage and water supplies. Through this programme 1,500 km of new roads were constructed and 200 km were reconstructed. Although after the resettlement of the refugees in their villages, it diminished, from October 1950 another scheme was introduced, which was called the Community Voluntary Labour Programme (CVLP). Responsible for the operation of this program was the Ministry of Interior, which delegated to the Prefects the responsibility for approving estimates submitted by the local community, which provided usually 10 days of voluntary manual work per year on public works. The local personnel of the ECA/G Mission assisted and counterpart funds financed a part of the whole expenditure, which varied from 50% to 30%. This scheme provided a new incentive for voluntary work and showed a real measure of governmental decentralisation, since both the local authorities and the communities were able to decide independently how the alloted funds needed to be spent. Under this programme, for example in Dimitsana village

[1] Monthly Bulletin of the Bank of Greece, May 1953, table 20.

in the Peloponnese a new water supply system was constructed to fulfill the needs of the local community.

Apart from the field representatives of the American Mission, who were stationed in the provinces and worked closely with the local authorities, keeping track of reconstruction projects in their areas, another team of 25 Americans and Greeks, who served in the Controller's office, were constantly on the move to investigate funds and materials as well as to inspect the phases of the various reconstruction projects. The Controller's office was a special division of the ECA/G Mission and worked in three principal fields: accounting, auditing and 'end-use' investigation of projects. These investigations had "unearthed cases of excess prices of commissions, padded inventories, falsified manifests, imports of embargoed luxury goods, materials of bad quality, and other violations of Marshall Plan loan, contract or import agreements."[1] The Marshall Plan representatives requested refunds of about \$8,000,000 from various firms and individuals by the end of 1951, of which more than \$3,000,000 was recovered in cash. Further requested refunds of \$1,300,000 were claimed by the investigators, which were in process of recovery.[2] Therefore, the ECA/G Mission prevented the waste of counterpart funds from fraud, evasion or inefficiency in the construction of projects which were financed through Marshall aid.

Along with the reconstruction efforts, the American planners from the beginning of the American aid to Greece tried to enforce administrative, institutional and economic reforms to improve civil government administration in

[1] The Story of the American Marshall Plan in Greece, July 1, 1948 to January 1, 1952, p. 59.
[2] These data are taken from The Story of the American Marshall Plan in Greece, July 1, 1948 to January 1, 1952, p. 59.

order to facilitate reconstruction. However, the continuous governmental changes and the weak coalition governments, which included different politico-economic interests, prevented the implementation of any serious reforms in a centralized governmental administration, which had existed from the creation of the Greek state in the first half of the 19th century. From the liberation of Greece in October 1944 to the end of 1951, 26 different coalition governments had been formed so that political instability was a permanent phenomenon in Greek politics. William Rountree stressed that "there were so many political parties represented in Parliament that it was almost impossible for them to maintain a government with real cohesion and authority."[1] Although in April 1952 a bill providing for the establishment of a body of Greek chartered accountants had been submitted to the Greek parliament and was scheduled for early enactment, Plastiras refused to allow the bill to become law. Therefore, the efforts to register the economic activities of business under the control of an independent body out of governmental influence failed.

In the same month a draft law entitled 'Measures for the Protection of Provincial Industry' had been submitted to parliament, after cooperation bewteen the MSA/G Mission and the Greek authorities. This became law 2176/52[2] and prohibited the establishment of new industries in the Attica area for a period of five years, and granted privileges to provincial industries, such as reduced taxes and preferential status in respect of governmental and quasi-governmental purchases. The objective of this law was to facilitate the decentralization of the Greek industry,

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[1] Oral History Interview with William Rountree by Niel Johnson, p. 30, Truman Library.

[2] This law was published in the Official Gazette of the Greek Government, Volume I, Issue 207, 6 August 1952

to protect Athens from over-population, to prevent the concentration of most industries in the capital area as well as to invigorate and develop life in the provinces. However, although this law was passed by the parliament, it became a dead letter after the pressure exerted by the Greek industrialists and merchants, and the interests of political establishments in Athens, which were afraid of lacking their quick, permanent and excessive politico-economic profits. Therefore, an alliance between the political and economic establishments of the capital manipulated the economic development of the whole country. They prevented the implementation of any progressive reform to facilitate the decentralization of administration and spread of economic activities.

Along with Varvaressos, who considered that the administrative reforms were needed to support economic development, the American planners "had pleaded for action along these lines with successive governments in vain."[1] After a Civil Service Code, which had been prepared by a government committee with ECA/G Mision support, became effective on 1 July 1952, the new government of Papagos, which was formed in November 1952, "went to the heart of the matter and in putting the Civil Service and the Government-owned banks on a business basis laid off thousands of superflous personnel and set out really to rid the civil service of abuses that had grown into it from the time of occupation."[2] Although it was a major achievement of a strong government, which decreased public expenditure and tried to make the administration more effective, further reforms, such as the decentralisation of governmental administration, were needed to facilitate economic development.

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[1] Francis Lincoln, United States Aid to Greece, 1947-1962, p 127.
[2] Ibid., p 128

In conclusion, the amount of $183.5 million Marshall aid allotted to Greece for the fourth fiscal year 1951-52 was much less than the previous year's of $232.7 million, but constituted nearly the one-fifth of the total allotment of $1,022,000,000, which was authorized by Congress for economic assistance to all ECA countries. After the implementation of the Stabilization Program a short-term economic recession emerged, which ceased after the enforced return of hoarded gold sovereigns to the market in exchange for drachmas by the merchants and industrialists. In order to hold inflation, the American Mission adopted a restrictive development programme, which reduced imports of capital goods. Although a gradual development was pursued by the American planners, in June 1952 two closely inter-related factors showed that the Stabilization Program had created favourable economic effects. These were the continuing fall in the price of gold sovereigns and the decrease in hoarded inventories, which anticipated the departure from the previous long-term financial instability, since people and merchants were forced to avoid investments in gold sovereigns, while the latter also curtailed speculation in commodities and concentrated their efforts on normal productive business activities.

Conclusion

American economic aid towards Greece under an economic mission continued until June 1954, because, as Porter in his report of November 1950 had asserted, of the long-lasting Civil War. The function and objectives of the Marshall plan in Greece did not cease abruptly in January 1952, but the continuing agency became the Mutual Security Agency (MSA) and in July 1953 the Foreign Operations

Administration (FOA), which lasted until June 1954. The personnel of the American economic mission decreased gradually as economic aid also declined from $80 million in 1952-53 to $21.9 million in 1953-54. In September 1952 the principal objective of the policy pursued by the American planners was the implementation of monetary reform, supported by granting a small amount of economic aid and by approving a limited investment programme through counterpart funds in order to stabilize the Greek economy. At that period, although the MSA headquarters was prepared to enforce a scheme of monetary reform, since a new drachma note issue was printed in the United Kingdom, they decided "to delay its introduction until Greece has what is, in their estimation, a strong and stable Government."[1] Therefore, although economic conditions seemed to fac litate the enforcement of a currency reform, the instability of the Plastiras coalition government delayed the implementation of such a plan. Thus, political instability influenced the adoption of urgent monetary reform.

When the Coalition government of the Centre continued to dither, and the traditional Centre suffered from a gradual shift of various social forces towards the 'Papagos solution', Peurifoy was forced to state in August 1952 that "only a strong Greek government could carry out the unpopular measures necessary to save the economic situation and that fresh elections offered the only solution to the present impasse...".[2] The American Ambassador manifested his favoured solution. When Venizelos, in his interview in the Athenian newspaper <u>Athinaiki</u> on 4 June 1952, had attempted to disassociate himself from past unpopular governmental policies, the American Ambassador called for him to denounce immediately this argument

[1] Peake to Foreign Office, 2 September 1952, FO 371 / 101816 / 1102 / 1952 / PRO
[2] Peake to Foreign Office, 3 September 1952, FO 371 / 101815 / 1101 / 1952 PRO

and to give up such propaganda, which tried to show himself as not responsible for unpopular economic measures in order to gain politically in the forthcoming elections. Although Papagos and Plastiras supported the introduction of the majority system as they were leaders of the two strongest political parties, Venizelos, struggling to keep the Liberals in power, wanted to retain the proportional representation system. William Rountree, Special Assistant for politico-economic matters to the American Ambassador (1948-49), and later Director of the Office of Greek, Turkish and Iranian Affairs, emphasized that "we urged them to adopt an arrangement that would provide stability under a majority system that would permit the government to speak and act with authority. They did, and the ability of the Greeks to carry out programs was greatly enhanced."[1]

In the new elections, which were held in November 1952, the Greek Rally secured 239 seats out of the total of 300 and Papagos formed a strong government with a large majority This government "offered a guarantee of political and economic stability which would give Greece a chance to proceed with an orderly program of reconstruction and rehabilitation...".[2] The parliamentary majority enabled the government to complete the final stage of the Stabilization Program. Markezinis, the Minister of Coordination, announcing the economic programme of the Papagos government, stated that the Government's aim would be to bring about economic and monetary stability and a return to normal pre-war conditions. Therefore, the new government followed the same economic policy as the previous Plastiras coalition government, but through its majority in parliament proved to be more efficient in implementing the economic measures of the Stabilization

[1] Oral History Interview with William Rountree by Neil Johnson, p 31, Truman Library.
[2] Peake to Foreign Office, 13 December 1952, FO 371 / 101815 / 1101 / 1952 / PRO

Program. The latter was completed after the enforcement of currency devaluation in the spring of 1953.

Among the American experts a battle took place as to whether a devaluation or a currency reform of German type was needed. Although Edward Tenenbaum, financial adviser of the MSA/G Mission, who had been successfully worked on the reform of German currency, came to Greece and suggested a plan for a new currency instead of a devaluation, the Greek government, supported by Charles Yost, Alexander Constanzo, who was then the American representative at the Currency Committee, Peurifoy and Barrows, on 9 April 1953 adopted a 50% percent straight devaluation of the drachma against the American dollar, which increased from 15,000 drachmas to 30,000 drachmas,[1] while the price of gold sovereigns increased to 290,000-300,000 drachmas.[2] The International Monetary Fund had previously approved the devaluation plan. Although a proposal for a 35% devaluation of drachma by local economists, such as Zolotas, and Varvaressos of the World Bank, seemed to be the most adjustable to the Greek economy without causing great reactions, the decision for a 50% devaluation of drachma provided a 15% security rate in order to secure further macro-economic objectives. Thus, the new rate of the drachma overcame the existing devaluation of the currency and absorbed the effects after the devaluation. However, "it took perhaps two years for the exchange rate adjustment to work its way through the economy in terms of prices and wages."[3] This measure was needed in order to boost exports of Greek

[1] The last three ciphers were quietly dropped for simplicity's sake on 1 May 1954, making the rate of 30 drachmas equal to 1 dollar

[2] The Legislative Degree No 2415 concerning the re-adjustment of the foreign exchange value of the Drachma was published in the Official Gazette of the Greek Government on 9 May 1953, Volume I, Issue 123

[3] James Warren Jr, 'Origins of the Greek Economic Miracle Truman Doctrine & Marshall Plan Development and Stabilization Programs', p 103.

agricultural products, since their prices were high in the international market, to balance import-exports, to attract investments of foreign capital, to increase invisible receipts, such as tourism, and to balance the national budget. The Stabilization Program was successful because it was built upon the foundation of physical and social reconstruction which was carried out by means of American aid and administered by the American Missions.

Although the immediate reactions of merchants were against the devaluation of the currency, trying to halt all sales and preserve their present stocks, particularly of foreign goods, "the firmness of the government and the strict orders to the local Price Control Police, who have been watching with close survaillance to control price uptrends, changed the picture."[1] The merchants having no alternative were forced to sell goods at the pre-devaluation prices. Although anti-governmental sentiments rose among the workers, because they were afraid of having to pay more drachmas for the purchase of goods, the plan of devaluation was a great remedy-contribution to the weak Greek economy. Therefore, in order to face the sharp increase in the prices of commodities, the Government needed "to secure at the lowest possible costs the most urgent requirements from abroad and... to keep the cost-of-living index at a level not exceeding 30% of the pre-devaluation rate."[2] The Government also granted for a certain period of six months import subsidies on a few essential foodstuffs and raw materials, and enforced export taxes on a few commodities. In parallel, the Government abolished most import quotas so that the vested rights of established importers to licenses, which created profitable monopolies, were eliminated. While domestic credit was held down, importers were

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[1] Schott to Department of State, 4 May 1953, RG 59 / Decimal File 1950-54 / Box 5402 / NA.
[2] Ibid

able to use foreign supplier credits. George Mantzavinos, the Governor of the Bank of Greece, asserted that "the measure of exchange rate readjustment...surpassed the most optimistic expectations in respect of beneficial effects on the Greek economy...from April a new spirit blew everywhere, and economic activity soon achieved an accelerated beneficial pace."[1] The development programme continued to move ahead to establish a national electric power grid and land reclamation projects in order to support the increase in production. Therefore, the development programme and the new rate of the drachma gave a degree of confidence to the Greek people and created a visible sense of progress.

Comparing the data of production index in the most important sectors of the Greek economy with the implications of the Stabilization Program on the economy one can evaluate the results during the period from October 1951 to April 1953. While the production in industry[2] index decreased from 134.5 to 128 (year of basis 1939=100), production in agriculture from 124 increased to 149.5, including olive oil (years of basis 1935-38=100). The cost of living index increased from 352.2 to 366 (year of basis 1938=1). Fishing production increased from 128.6 to 148.6 (year of basis 1938–100) and numbers of fishing vessels increased from 1619 to 1977. Unemployment increased from 10 percent to 16 percent approximately, since the difference between new employment and dismissals was about 6%, while the unemployed who received unemployment benefits increased by 7%. Therefore, despite the reasonable sacrifices in employment and a drop in industrial production, the Stabilization Program succeeded in terminating the sale of gold sovereigns and

[1] Annual Report of the Governor of the Bank of Greece for the year 1953, p XX.

[2] An exception was the overextended textile industry, which had created massive, hoarded and speculative invetories, was forced by the restricted credit policy of the Stabilization Program to return to more healthy economic activities, but not without a sharp decline of around 16% in production

enforcing a monetary reform through the devaluation of the drachma, which prepared the proper conditions for the boom of the Greek economy in later years of the 1950s and 1960s when the increase in production was 6% per year, matching the increase in strong rising economic countries, such as Germany, Japan and South Korea. The Stabilization Program laid the foundations for the Greek economic miracle, since the Greek economy rose from the ashes of war catastrophe to the level of the most developing countries, surmounting its backward pre-war character so that it was able to join the stream of the international economy. However, this course of the Greek economy faced obstacles and required sacrifices, which delayed the achievements of the American aid in Greece in comparison with the other ECA countries.

From the beginning of American involvement in Greek internal affairs through the AMAG aid Program 1947-48 to the Marshall Plan 1948-52 and the successors of the latter, MSA and FOA Missions until June 1954, American policy focused its efforts on economic, political, military and social problems. During the period of the AMAG Program the American involvement through the Mission experts and aid confronted a two-fold emergency, which included economic problems as well as the threat of Communist expansion. The participation of Greece in the Marshall Plan provided the Greek government with enormous economic assistance and enabled the solution of Greek economic problems within the common European context of the OEEC. Given the fact that the participation of Greece to the OEEC influenced the strong bourgeois political parties, the Liberals and Populists, to find a modus vivendi in order to cooperate in a coalition government to face the urgent economic and military problems, since the Marshall Plan was essential to the reconstruction of economy and the Civil War could not have been won in conditions of chaos and despair, the Marshall Plan contributed directly to the suppression of the Communist insurrection during the Greek Civil War.

The Marshall Plan also represented the consensus of the American Congress and the majority of the American people to assist Europe to surmount its economic shortcomings, aggravated by the lack of dollars, and support its reconstruction efforts in order to prevent the spread of Communism in Europe. In certain European countries such as Italy and France, the Communist parties sought to gain power, exploiting the economic and social weakness, and attempting to prevent these economies from returning to normal production conditions. The United States wanted to establish in Europe sound economic conditions and stable international economic relationships, which would restore and maintain the principles of individual liberty, free institutions, open markets and genuine independence, believing that this was the best way to secure a lasting peace. The policy of the US was to assist those countries which came forward to take part in a joint recovery programme based upon self-help and mutual cooperation. This policy was carried forward through the establishment of the Marshall Plan.

The Marshall Plan also required strong production efforts, the establishment of internal financial stability and valid rates of exchange, the expansion of foreign trade and reduction of trade barriers, and the efficient and practical use of all the resources of the participating countries. The amount of aid extended to each country was dependent on the degree to which it complied with its undertakings. In this sense the programme was competitive so that a poor performance would result in the gradual reduction of aid, and possibly in the termination of American economic assistance before June 1952. In Greece, the increase in domestic production reduced the need for imports, saving more foreign exchange for the Greek economy. Through the support of American aid, the Greek government and people were expected to work to increase the level of domestic production in order to achieve economic, social and political stability. However, the objective of self-sufficiency was not attainable by the Greek economy or even by any other European economy.

The objective of the ECA Missions in the European countries which participated in the Marshall Plan was to encourage recovery through an expansion of trade. Concerning Greece, the expansion of foreign trade was obstructed by the excessive costs of production, such as for tobacco and raisins, which were high in comparison with world prices. The Greek econony needed to decrease the costs of production or to raise the price of exchange certificates so that buyers abroad could get more drachmas from their foreign exchange—more Greek goods for their own goods. The best solution to facilitate the intra-European trade would have been a combination of the two measures. However, the Greek economy was not able to achieve these objectives by the end of the Marshall Plan period in June 1952, but only after the devaluation of the drachma in April 1953 through the support of counterpart funds of Marshall aid, which were utilized during that period. Marshall aid helped Greece enormously to decrease the balance of payments deficit from $334.4 million in 1948-49 to only $22 million in 1953-54. The reduction of import requirements through the increase of production facilitated economic recovery. In particular, the prewar wheat imports as well as during the 1946-49 period amounted to 400,000 tones per year. By 1951 wheat imports were reduced to 75,000 tons per year, while in the same period wheat production increased from 768,000 tons during

1946-49 to 1,050,000 tons in 1952 and 1,400,000 tons in 1953. Rice production also increased from 4,000 tons during 1935-38 to 75,000 tons in 1952. The total grain production increased from 1,411,000 tons during 1935-38 to 1,773,000 tons in 1952 and 2,298,000 tons in 1953. Through the mechanization of agriculture, the introduction of modern techniques and land reclamation, which the Marshall Mission and aid supported, total Greek agricultural production increased enormously from 70 in 1948 to 149.5 in 1953 (year of basis 1939=100) (see tables 6 & 7). Marshall aid also assisted the reconstruction and development of the other important sector of the Greek economy, industry, which was increased from 85.5 in 1948 to 167 in 1953 (year of basis 1939=100) (see table 6). This was one major achievement of the Marshall Plan in Greece, while the other was the reconstruction and development of infrastructure. Although the American planners avoided supporting the establishment of heavy industries in the Greek economy for economic reasons, the private initiative of the Angellopoulos family through foreign capital enabled the establishment of the first steel mill project in Elefsina in 1963. While the Greek government and Greek industrialists considered this project a panacea for economic and social evils, such as unemployment and the need for further development, the operation of this project was only secured through privileges granted by the Greek government and the enforcement of high import duties on similar foreign products.

During the Marshall Plan the Greek economy needed to break out of its vicious circle, which impeded or retarded final recovery. Most of the labour classes were not productively employed in Greece. The manufacturers and merchants in Greece needed to accept smaller profits than they were used to making so that the whole country would benefit. The banks should lower their high interest rates. The need for internal financial stability was obvious and its close connection with the success of the aid programme was evident. Government revenues and expenditures should be brought into balance to allow Marshall aid to finance more reconstruction and development projects. American aid was dissipated because the drachma proceeds from the sales of American imports covered recurring deficits in the Greek budget. Thus, it was disastrous when a great part of American aid was used to meet current requirements and to cover budgetary deficits because of the inability of the Greek government to collect more taxes through a reform of taxation. However, the Marshall Plan helped the Greek government achieve a balanced budget with the support of American aid, since the budget expenditures were increased by the consequences of the Civil War, such as the need for the resettlement of displaced refugees.

Concerning the amount of American aid to Greece, there was a symbolic quality of the quantity of American aid among Greek political circles. The belief was that if a fiscal year's aid sum was reduced, then the US did not love Greece. The Greeks believed that they had lost the confidence of the Americans and the Greek politicians tried to find a scapegoat among the leading political personalities. Was Papandreou, Kartalis or Venizelos responsible for Greece losing American confidence? Greek political circles sought the pretext convenient to them and they did not want to accept that the real causes for the reduction of aid were more economic, such as the inability of the Greek economy to absorb the aid, than political. Greek politicians tried to shuffle off their own responsibilities for enforcing economic measures to stabilize the economy and they believed that American aid would only continue in the case that Greece needed aid.

One major condition of the Marshall Plan was the efficient use of resources by each participating country. Marshall aid by itself could not bring about economic recovery to Greece. Although the US did not make a gift to the world, Greece was granted aid and not loans. However, the expectation was that the Greek people should share in the reconstruction effort according to their ability to pay Those who had accumulated capital at home or abroad, if they used it for productive purposes, would benefit their own country. Increased revenues and the reduction of expenditures could hold inflation and permit a maximum investment of drachmas for reconstruction and development. The contribution of foreign exchange by Greeks would reduce import requirements of exchange covered through Marshall Aid and the US goods and services would increase production capacity, which would increase opportunity for productive employment and better goods at lower prices. Thus, the standard of living would be improved and a stable currency would be secured. From their exports they would earn sufficient foreign exchange to buy the goods and services they needed from abroad leading to a partial economic independence. However, since the Greek bourgeoisie was reluctant to shoulder its own burden for the construction of its private enterprises and sought to receive loans in order to run their own establishments, the development of the Greek economy was retarded.

The political instability caused by the continuous changes in the formation of the Greek Coalition government also obstructed the implementation of the Marshall Plan, certainly in the early years. Porter asserted that "the Marshall Plan contributed to an improvement in political stability in later years, although not very strongly in the beginning."[1] The Greek government did not assume its responsibilities until Kartalis as Minister of Coordination grasped the dimensions of the Stabilization Program in the spring of 1952 and became the most devoted official in the governmental effort of implementing it. As most deputies and ministers of the Greek government showed a lack of responsible spirit towards the implementation of the Stabilization Program, the ECA/G Mission tried to act as if it was the Greek government. From the beginning of the Marshall Plan, although the American planners had an overall economic plan to reconstruct and develop the Greek economy, they met opposition from the Greek political establishments. In modern Greek economic history, the Marshall Plan was the first systematic and serious effort to face the problems and to exploit the development potential of the Greek economy. Porter confessed that "political differences within the Greek government often interfered with implementation of the program in the manner which we felt would be most helpful in promoting recovery from the effects of the war or conditions which had existed before."[2]

Concerning the function of implementing the Marshall Plan, there were some obstacles to cooperation between the American experts and the Greek administration. The political exploitation of the involvement of Ministers in every stage of the implementation of the programme was the princ'pal reason. Below the ministerial level were the General Directors and down below them were the sub-sectors of every Greek ministry. In many cases, the ministerial position was inefficient or it was as if it did not exist. Only a few General Secretaries in the ministries were good, but many directors of the sub-sectors of every ministry

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[1] Letter of Paul R. Porter to Apostolos Vetsopoulos, 5 January 2001.
[2] Letter of Paul R. Porter to Apostolos Vetsopoulos, 16 August 2001

worked hard and co-operated with the American experts in the ECA/G Mission. Therefore, while many high-ranking Greek officials were devoted to the success of the Marshall Program, the Secretary General of every ministry, who was a political man, many times blocked their actions. He wanted to manipulate the implementation of projects for political reasons and personal interests, regarding it as the daily 'dirty' work of his ministry. However, the directors of sub-sectors of the ministries tried to work through the American Mission. They referred an issue to the director of the relevant division of the ECA/G Mission and the latter made it known to the Chief of the Mission. The Chief of Mission then exerted pressure on the Greek minister to take action. This was the function of the pressure on the top level of the American Mission and the Greek administration. Porter supported the idea that the obstacles to the success of the Marshall Plan in Greece were "mainly: (a) a weak economy to begin with, (b) the great damage done by the German occupation and the subsequent civil war, and (c) political instability, which was in large part a product of the first two."[1]

During the Marshall Plan, although Greece lost eastern European markets and its trade was oriented towards the US and Western Europe, it was a necessity for the Greek economy, since Greece received under the AMAG Program and Marshall Plan imports in the form of grants, while the trade with the Eastern European countries was carried out through barter agreements. The participation of Greece in the Marshall Plan implied that the Greek economy needed to be integrated into a European economy and to join the international economy after the reform of the Greek currency. The American Congress required a rigid economic policy from

[1] Letter of Paul R. Porter to Apostolos Vetsopoulos, 5 January 2001

every country receiving ECA aid: that the use of funds was to be strictly controlled, that each government was to put its own internal economy in order, and that each was to play not a self-interested role in the world economy, but an active part in the establishment of a cooperative and integrated European economy.

The total amount of American economic aid, allotted to Greece from July 1947 to June 1954, reached $1,180.2 million, while military aid amounted to $778.4 million (see tables 1 & 2). However, the restoration and development of production was not accompanied by a parallel healthy monetary position, based on the confidence of Greeks in their national currency. The principal reason for the distrust of the currency was the unwillingness and inability of the successive Greek coalition governments to carry out vigorously measures which were difficult for people to digest, including a substantial taxation of the wealthy. The bad management of monetary matters obstructed the reconstruction efforts. In the first two post-war years, the failure of Greek governments to collect taxes from the wealthier people increased sharply the wholesale prices of commodities and forced American planners to adopt the policy of selling gold sovereigns by the Bank of Greece to the public, in order to preserve the economy from collapse through an excessive increase in prices.

In order to support the weak Greek currency, each year from the beginning of 1948 to October 1951 the American planners were forced to accept reluctantly the policy of selling gold sovereigns to the public. The ECA/W headquarters were exasperated with this problem. At the end of October 1951 they decided to stop the selling of gold sovereigns and put a check on inflation, launching the Stabilization Program. The method of this programme was to cut back the counterpart funds releases, which led to the abandonment of reconstruction projects which were planned but not started, while those projects which were in work had to be completed. However, the Marshall Plan enormously helped the Greek government to stabilise the economy when the conditions were ripe. Leland Barrows emphasized that "the stabilization effort as a whole was successful. Of course, it built upon the foundation of physical and social reconstruction for which the American aid administered by my predecessors was essential. Perhaps they had to tolerate the inflation to lay the groundwork."[1] In parallel, the American planners adopted a policy of holding prices and refused any increase in wages beyond the increase of productivity in order to hold inflation. While in the period of the Marshall Plan unemployment was a very worrying affair every year in Greece with a fluctuating rate of around 10%, during the Stabilization Program (October 1951-April 1953) the rate of unemployment increased further, approximately by 7%, reaching a total rate of 17%. Therefore, through the assistance of Marshall aid and the ECA/G Mission, Greece was able to join the Western European international economic system after the enforcement of the 50% devaluation of the drachma in April 1953, which constituted the final stage of the Stabilization Program. Eventually, the stabilisation of the Greek economy through the devaluation of the currency, and the enforcement of a one-party government after the introduction of a majority electoral system so that it provided political stability, were the two columns on which the Greek economic miracle was afterwards laid in the 1950s and 1960s. Given the fact that every economic measure or developmental project needed a certain period of time in order to be accommodated to the economy and to bring fruits for the community, the Marshall Plan and aid contributed crucially to that Greek economic miracle.

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[1] Oral History Interview with Leland Barrows by Theodore Wilson, pp. 56-57, Truman Library

Therefore, about the amount of aid and the American intervention in Greek internal affairs the principal arguments of Politakis proved to be ill-founded: the first was that after the outbreak of the Korean War American aid was progressively reduced; and the second that the policy of the American Mission lessened the popularity of the Centrist governments in 1950-52, resulting in their final downfall in 1952, though he also accepted as causes for the ultimate downfall of these governments the selfishness of Venizelos and the 'leniency measures' of Papandreou for the Communist detainees.

Apart from the arguments of Politakis, the American aid to Greece was not reduced because of the Korean War but the absorption of 'counterpart funds' aid decreased in order to avoid inflation and to stabilise the Greek economy. Undoubtedly, the fundamental problem of the Greek economy was not the lack of enormous foreign aid but its weakness to absorb the aid granted as well as the reluctance of the domestic Greek bourgeoisie to invest its own capital to productive sectors of economy and not to seek foreign 'heavens' for it or to resort to hoarding activities. Futhermore, the principal causes for the downfall of the Centrist Coalition governments were the inability of the Centrist leaders to work together and their reluctance to take responsibility for the implementation of unpopular but urgent economic measures towards the stabilization of the Greek economy.

The Marshall planners found themselves in a difficult position to deal with a backward Greek economy different from those of the other European countries so that they were forced to take responsibility for crucial economic questions and thereby, involved in the internal affairs because of the reluctance of most Greek politicians to take responsibility for selfish political motives towards the solution of political and economic problems. Therefore, the American planners tried to reconstruct and develop the Greek economy through the establishment of institutions such as the Foreign Trade Administration (FTA) because these institutions were needed to promote healthy economic activities and to support further economic development.

In conclusion, the major objectives of the American policy in Greece were: the defeat of Communist forces, the rehabilitation and recovery of the country from the war damages, an increase in industrial and agricultural production in order to enable Greece to become independent of foreign economic assistance, the maintenance of internal financial stability, the maintenance of strong armed forces, and the improvement of administrative machinery. The American economic programme from 1947 to 1954 succeeded in helping to defeat the Communist insurrection, the resettlement of displaced people, the completion of reconstruction and economic recovery through aid for the balance of payments and budget deficit, new land development, the expansion of industrial enterprises and production, the maintenance of strong armed forces, monetary and financial stability and cessation of the Greek practice of purchasing gold sovereigns.

Conversely, American economic aid failed to produce quick and effective results because of the over-ambitious investment planning in relation to the existing skills, attitudes, institutional arrangements and the lack of domestic savings. The over-reliance on administrative controls to check inflation, belated emphasis on traditional economic policies, such as credit restriction, bank rate and a balanced budget, and lack of political pressure to put productive investment on a self-amortization basis delayed further development of the Greek economy. Despite their reformist zeal, the American planners failed to introduce administrative reforms because the politico-economic establishments refused to adopt such measures, which would threaten their own privileges and interests, rooted throughout the past century.

The American Mission faced the shortcomings of a backward economy. The principal reason for the delay in the reconstrucion efforts, mostly after the enforcement of the Stabilization Program, was the inability of the Greek economy to absorb the allocated aid, since the utilisation of counterpart funds caused inflationary pressures, which jeopardised the stabilisation of the economy. Along with the decision of the American administration to diminish economic aid to Greece so that the Greek government needed to balance its budget without the support of foreign aid and only through internal resources, economic stabilisation was considered by the American planners as essential in order to complete succesfully their involvement in Greek internal affairs. Although the American planners left Greece in June 1954, finishing a New Deal adventure, their progressive and reformist ideas remained in the minds of cooperative Greeks. The Greek government and people needed to utilise these ideas in order to expand economic development and to transform the character of their economy. However, for Greece to accomplish this objective, a heroic administrative reform was a prerequisite. Finally, what the Marshall Plan achieved in Greece was reflected in the impression of the old Communist leader Captain Markos Vaphiades, who, returning to Greece in March 1983 after thirty-four years of exile in the Soviet Union, confessed that what he saw in the new and deeply changed Greece truly represented the ideal for which he had once fought.

BIOGRAPHICAL NOTES

Blandford, John: He got his degree in mechanical engineering and in 1930 became a member of Hoover's Emergency Committee for employment. From 1931 to 1933 he was director of Public Safety in Cincinnati, Ohio. In 1933 he became, for six years, director of Tennessee Valley Authority (TVA), which administered the hydro-electricity projects in Tennessee valley. During the World War II he was director of the American housing authority with the rank of Ambassador. He participated in the War Cabinet with Roosevelt and Truman, and was member of War Manpower Commission and other War agencies. In parallel, Blandford served as assistant to the General director of the personal office of President Truman for three years and in 1946 he was appointed by the President adviser to the Chinese government on fiscal economic problems for one and a half years. He came to Greece in September 1948 and became deputy Chief of the ECA Mission in Greece. In November 1949 he resigned from his post and left Greece. During the Grady-Nuveen conflict the Ambassador promoted him to become Chief of the ECA Mission.

Grady, Henry: He was a Democrat, a distinguished economist, Professor at Berkeley in California and Dean of the College of Commerce. In March 1946, he headed the US section of the Allied Mission in observing the Greek elections with the rank of Ambassador, where he brought off a very difficult task. Grady had been Chairman of the Cabinet Committee on Palestine and Ambassador to India. Because Grady combined business, economic and diplomatic experience he was selected from the Truman administration to be appointed Ambassador and Chief of the AMAG Mission in June 1948 to cope with the peculiar economic, political and military conditions in Greece. His mission in Greece for two years was successful, because he helped Greece not only to suppress Communist insurrection in August 1949, but also to lay the foundations for its economic stabilization. After Grady accomplished his mission in Greece he asked the Truman administration to leave Greece. In June 1950 he was appointed Ambassador to Iran without ceasing to be interested in the developments in Greece.

Griswold, Dwight: He was former small-town newspaper publisher, banker, state legislator, three-times governor of Nebraska, and for a few months member of General Clayton staff in the government of post-war Germany. In June 1947 Griswold was appointed Chief of the American Mission for Aid to Greece for one-year period from July 1947 to June 1948. During his duty in Greece Griswold proved a very competent and powerful personality and in his effort to deal with the complicate economic, political and social conditions he had conflicts with the American Ambassador MacVeagh and Greek conservative political leaders such as Tsaldaris. Although Griswold was a Republican, he supported the liberal and center political forces in Greece, because he believed that the conservative Greek politicians created more Communists and led to a political deadlock.

Harriman, Averell: He pursued a business career and served as Chairman of the Board of Union Pacific Railroad and Chairman of the Executive Committee of the Illinois Central Railroad, and also, he became an active partner in the banking firm of Brown Brothers, Harriman Company. During the first Roosevelt Administration he served as Administrative Officer for the National Recovery Administration, and for three years he was Chairman of the Business Advisory Council of the

Department of Commerce. During World War II Harriman went to Great Britain as Special Representative in charge of Lend-Lease and other military activities. Subsequently, President Roosevelt appointed him Ambassador to the Soviet Union. He attended the Teheran and Yalta Conferences. Under President Truman, Harriman became ambassador to Britain, Secretary of Commerce, Special Representative of the ECA in Paris and Chairman of the North Atlantic Treaty Organisation (NATO). He was Special Assistant to President Truman in the Korean War and later appointed Director of the Mutual Security Assistance Programme (MSA).

Hoffman, Paul: He had a business background, worked in the Studebaker Corporation for thirteen years as president before he accepted the post of Administrator of the ECA in Washington. During the preparatory period for the launching of the Marshall Plan Hoffman was a member of the Harriman Committee, which studied the report of the committee headed by Sir Oliver Franks. The latter had been appointed to ascertain the amount of the US aid, which would be required to restore Europe to its prewar level of agricultural and industrial production.

Jenkins, Paul: During World War II he was deputy regional director of the War Production Board in charge of the Chicago sub-region. In September 1948 he came to Greece and became Director of the Food and Agriculture Division of the ECA Mission. After Blandford's resignation on 10 November 1949 he became Deputy Chief of the ECA Mission. After his death his remains-ashes were buried in 1962 at the Garden of Heroes, dedicated to the people who died in the wars of Greek Independence in the sacred Greek town of Misolonghi according to his wish in order to symbolize the sacrifices and dedication of his own sacred mission to the rehabilitation of the Greek people and reconstruction. He was always on tour in the provinces to understand the living conditions of the Greek people and to help.

Lapham, Roger: He was a shipping official and former Mayor of San Francisco. Until 1949 he was Chief of the ECA Mission to China. In November 1950 he succeeded Paul R. Porter in the post of the Chief of the ECA Mission to Greece Lapham as Chief of Mission was the voice of all technical experts and operating divisions of the Mission, who fought against the Stabilization Program, because they were afraid of reducing their individual projects and investment plans for the development of Greece. He fouhgt against the new policy, pursued by the ECA/W towards the stabilisaton of the Greek economy. He left Greece in the summer 1952, replaced by Leland Barrows, after the succession of the ECA by the MSA Mission. Barrows, a senior officer of ECA regional headquarters in Paris, was steady, intelligent, rather 'cool', but was a very effective official, who carried forward the Stabilization Program.

Lincoln, Francis: He was an economist and a member of the Paul A. Porter's exploratory Mission to Greece in the beginning of 1947. He served also in the AMAG Mission in Greece in 1947-48 and he remained there until 1950 with ECA/G Mission. He distinguished himself as a very competent export specialist in the Trade Division of the ECA/G Mission. From 1950 to 1960 he worked with the State Department in Washington D.C.

MacGhee, George: He was a Texan geologist who had studied at Oxford. Early in his life he decided to seek a public career. After he was particularly specialized in oil, MacGhee went in oil business in order to be economically independent so as to be able to follow a public career thereafter. He became member of the War Production Board for two years and worked closely with William Clayton, who was head of the Reconstruction Finance Corporation. After the US was involved in War World II, he joined the Navy. At the end of the war he sought a position with Clayton in the State Department and worked to effect a peacetime transition for those countries that had been ravaged by the war. After the Truman Doctrine and enactment of Public Law 75 by Congress, MacGhee was appointed coordinator for the Greek-Turkish Programme, reporting to Robert Lovett, who was Under Secretary of State. After the end of hostilities in Greece, he became Assistant Secretary of State for Near Eastern, South Asian and African Affairs (1949-51) and he was involved in the Arab refugee problem with the rank of minister. He served as Ambassador to Turkey during 1951-53.

Nuveen, John: He was an investment banker of Chicago, who pioneered the underwriting of municipal bonds. However, Nuveen stood almost alone in the financial community of investment bankers, distinguished himself by his liberal politics, his generosity to liberal causes and his close association with an elite of socially conscious intellectuals. He had been a strong supporter of the New Deal and of Franklin Roosevelt. He was appointed Chief of the ECA Mission to Greece in July 1948 and he left Greece the following summer 1949 after the Ambassador Grady accused him of being inadequate to deal with economic matters and uncooperative towards the achievement of the US objectives in Greece. Although he was appointed Chief of the ECA Mission in Belgium later on, he was sent to the US after proving hımself very little for the duty.

Packard, Walter: He came to Greece in autumn 1948 after retirement and many years of service with the State of California land reclamation and irrigation agencies. He served in the Food and Agriculture Division of the ECA Mission in Greece. He was one of the most devoted New Dealers of the ECA/G Mission, working tireless on the rehabilitation and expansion of the Greek agriculture. He had a bright idea which he put to work and which proved to be very successful. He and his colleagues from the Ministry of Agriculture went to work sampling the soils of the country's alkaline river basins and deltas. One such project took place in a very poor village of Anthili near Thermopylae, where the cooperation of the American experts who provided for mechanical equipment, the bulldozers, pumps, draglines and mechanical pipes with the villagers who contributed the manual labour converted the salt flats to rice paddies. Five years later, the villagers could grow a variety of crops on the rejuvenated soil, but meanwhile they would grow a cash crop, rice. As the villagers in Anthili became rich, in 1954 they erected a statue of Walter Packard in their village square that still exists today in 2001, recognizing his great contribution to improving their life.

Porter, A. Paul. He acquired a wide experience in government administration and served since 1942 successively as Deputy Administrator for Rent in OPA, Associate Administrator of the War Food Administration, of economic Stabilization, Chairman of the Federal Communications Commission, and Head of OPA. In January 1947 he came to Greece, as head of the US Economic Mission, working on to estimate the amount of aid, which the Greek economy needed to accomplishing recovery and reconstruction. This Mission drew up a very important report, which was called 'Porter Report' and was submitted to the Congress.

Porter, R. Paul: He was born in Drexel, Missouri and studied Sociology at the University of Kansas, in Kansas City. From 1942 to 1945 Porter had been Administrator for the Office of Price Administration, Chairman of the Shipbuilding Stabilization Committee of the US War Production Board in Washington D.C. From March to August 1945 he served as an economist for the Foreign Economic Administration, attached to the office of the US Military Government in Germany, leaving this post to become US representative to the European Coal Organization with the Mission for Economic Affairs in London on 6 August 1945. On 6 October 1946 he became Chief of the US Mission in Europe for Economic affairs. On 30 September 1947 he became permanent representative at Geneva, Switzerland of the UN Economic Commission for Europe. In September 1949 he was appointed Chief of the ECA Mission in Greece and in November 1950 became Assistant Administrator of ECA. After the transformation of the Marshall Plan to the MSA, in January 1952, for fourteen months, he became Acting US Special Representative in Europe for economic affairs working as a member of the American NATO to negotiate with the European governments the required level of forces and supporting infrastructure. Paul R. Porter had a labour and socialist background.

Peurifoy, John: He came to Greece in September 1950 as Ambassador to support a new American policy in attempting to put pressure on the weak coalition government of Venizelos to adopt the new priorities of increasing production along with the strengthening of the armed forces. He tried to persuade the Greek politicians to enforce the first-past-the-post electoral system and succeeded in his efforts in the summer 1952, exercising every means in order to emerge a strong and a more reliable government with a large majority to proceed with a stable programme of reconstruction and development. He did not support reduction of the Marshall aid to Greece, as the ECA headquarters in Washington D.C. planned.

Rountree, William: He was an official in the Division for Near East Affairs (NEA) of the State Department under the supervision of Loy Henderson and he first came to Greece in 1947, serving for a year as economic adviser in the American Embassy. Although he returned to Washington D.C. in June 1948 and he became Deputy Director of the NEA Division, when Grady came to Greece in the late summer of 1948 he was ordered to follow him as a special politico-economic adviser. In the summer of 1949 he returned to the US and he was appointed Director of the Office of Greek, Turkish and Iranian Affairs, which had just been created in a reorganization of the State Department, while the former Director George McGhee became Assistant Secretary of the newly created bureau for the Near East, South Asia and Africa.

Strachan, Alan: He was a Scot, who had grown up in Detroit with the formation of the United Auto Workers (UAW) as he had to fight every inch of the way during the 1930's to get themselves recognised as a union and simultaneously, they had to fight against the Communists, who saw the UAW as a takeover opportunity. He had been a very capable union representative. He became Director of the Labour Division in the AMAG Mission in 1947-48. He also remained there as Director of the Labour and Manpower Division of the ECA/G in 1948-51 and he served also as Labour

Adviser in the Mutual Security Agency in Greece in 1951-53. Because he had served in Greece for many years, acquired a very good knowledge of Greek labour affairs. With Clinton Golden, who had similar background with the Congress of Industrial Organizations (CIO), which was the umbrella group for the industrial union movement all across America, Strachan worked on eliminating the KKE, which had been tried to monopolize the Labour movement in Greece. Porter considered him to be a person of good judgement.

Warren, James Jr.: In the summer 1950, shortly after having graduated from Princeton University's Woodrow Wilson School of Public & International Affairs, at New Jersey, he joined the ECA/G Mission in Athens as Economic Analyst with the Finance & Program Division. A year later he became Chief of the Imports Group, within the same division. He worked on the development of the Import Program, working in cooperation with the Ministries of Agriculture, Industry and, more than any other, the Ministry of Coordination. He returned to the US, and in 1955 he left the Government to pursue a career in the International petroleum industry.

Averoff-Tositsa, Evangelos: He studied law and economics in Lausanne. He was elected deputy in the parliament of March 1946 with the Liberal Party. He became Minister of Supplies in the Sophoulis and Diomedes Coalition governments in January and July 1949 respectively, and Minister of National Economy and Supplies in the Venizelos-Tsaldaris-Papandreou government in September 1950. In October 1951 he was appointed deputy Minister for Foreign Affairs in Plastiras-Venizelos Coalition Government. In 1956 he joined the new political party of ERE under the leadership of Karamanlis. Averoff remained in politics until 1980s, when he was elected President of the 'New Democracy' political party in December 1981.

Diomedes, Alexander: He was a very distinguished economist, who studied law, finance and economics and he played an important role for many years in Greek financial affairs. Diomedes had been Minister of Finance in 1912-15, Governor of the National Bank of Greece 1923-1928, and then became the first Governor of the Bank of Greece 1923-1931. In January 1949 he was selected as Vice-president of the Greek government and later in June 1949 after the death of Sophoulis he was selected Prime Minister by the political parties.

Doxiades, Constantine: He was professor of architecture. Doxiades became member of the ASA and simultaneously Secretary in charge of the Service for the implementation of the Housing and Reconstruction Programme (YSESA) in the Ministry of Co-ordination. Politically, he was a republican and patriotic because he rejected to work in the US and UN in order to help the reconstruction of Greece.

Frederica, Queen of the Hellenes: German-born princess and granddaughter of Kaizer Wilhelm II, Frederica got married to prince Paul of the Royal family of Greece in 1938 She became Queen of the Hellenes in April 1947 and tried to play active role in the Greek politics. She was very charming, intelligent, ambitious and diplomatic personality, who intended to push the King into political intrigue without success. Although she took her duties as a Queen seriously and proved to be a controversial figure, she won the respect of the Greek people because of her charity activities to heal the needs of the orphan children by the Civil War atrocities.

Helmis, Demetrios: He studied law and made business career before being elected deputy of the Popular Party in 1932. In 1944, he blamed both the British and the King for the chaotic conditions in Greece. After the liberation he served as Minister of Finance in many formed cabinets and attempted to prevent further inflation rejecting increases in salaries for the armed forces because it could lead to increases in salaries of the civil servants. In 1946 elections he was elected deputy of the Popular Party to the parliament and was appointed Minister of Finance. In the Coalition Government under the premiership of Sophoulis in September 1947, he became Minister of Finance.

Kanellopoulos, Panayotis: He was professor of sociology in the University of Athens and joined politics in 1935, resigning from his position to oppose the restoration of the King. He created his own political party, the United Nationalists During the Metaxas dictatorship (1936-40) he was sent into exile because of his liberal ideas. After the Italian invasion in Greece, he came back from exile and served as soldier in the Greek-Italian War. In 1942 he escaped from the Axis occupied Greece to the Middle East and became Vice-President of the Greek government-in- Exile. For a short time in 1946 he was Prime Minister of Greece. He was honest in his political dealings, moderate, a brilliant theoretician and open-minded in his negotiations, but he lacked the ability to be a leader. He tried to work with other center parties of Venizelos and Papandreou.

Karamanlis, Constantine: He studied law at the University of Athens and was elected deputy with the Populist Party in the parliament in 1935. After liberation he was re-elected deputy with the same conservative party in the elections of March 1946. He participated in the Greek parliamentary mission to the US in August 1946 to ask for American economic assistance. In November 1946 he became Minister of Labour until February 1947 when Maximos, a very renowned financial adviser and a non-political figure was selected as Prime Minister by the leaders of the seven political parties, reshuffled the cabinet leaving him out of ministerial office. In May 1948 he became Minister of Transport and in November of the same year moved to the Ministry of Welfare. Although he held this minor ministerial office from November 1948 to March 1950, he acquired great reputation among the Greek people in the provinces, because he became coordinator for the repatriation and resettlement programme of 700,000 refugees. On 13 September 1950 he became Minister of Defence in Venizelos-Tsadaris-Papandreou Coalition government. Between 1952-55 when he was appointed Minister of public works in Marshall Papagos' Greek Rally government, he distinguished himself as a very autocratic but efficient personality with national reputation. After the death of Papagos in October 1955 King Paul selected him as a 'dark horse' successor instead of the party's experienced leader, Stephen Stephanopoulos.

Kartalis, George: He studied mathematics, politics and economics. He was first elected deputy in 1932 in the ranks of the Populist Party and in 1935 he became Under-secretary of National Economy in Panagis Tsaldaris' government. During the Axis occupation he assumed an active role in the National Resistance Movement together with Colonel Psaros, who was killed by the Communists. After this event Kartalis escaped to the Middle East. After liberation he changed his political orientation, moved to the Centre and he participated successfully in the governments of G. Papandreou, Th. Sophoulis, N. Plastiras. In the latter, he became Minister of Finance and then Coordination and launched the Stabilization Program in Greece in October 1951 despite a great opposition even by his fellow-deputies of the same political party.

Markezinis, Spyros: He was elected a deputy under the Popular Party in 1946 elections, but he split from it with seventeen other young deputies of the Greek Parliament and in January 1947 founded his own political party, the New Party, which was a right-of-center party. Since his father was legal adviser to the Royal Family, he became advocate to the 'Court'. He was unbridled in intrigue and faithful organ of the reaction with dictatorial tendencies. In the summer 1951 he participated in the formation of the Greek Rally political party under the leadership of the Marshall Alexander Papagos. He became Minister of Coordination under the Papagos government in December 1952 and he presided over the devaluation of drachma on 9 April 1953, which brought to completion the Stabilization Program.

Papagos, Alexander: He was a General who became a national figure after leading successfully the Albanian campaign 1940-41 against the Italian fascist forces. Thereafter, although he retired without having any political ambitions, in the middle of any political deadlock he was considered as possible head of a service cabinet by rightist newspapers. In January 1949, he came back in the classes of the Army as commander-in-chief in order to assume the leadership of the National Army against the Democratic Army and infused a more fighting spirit to the Greek soldiers. He conducted successfully the Civil War, gaining excellent reputation. Finally, he entered politics and in August 1951 founded his own political party, the Greek

Rally, which attracted the majority votes of the Greek people in the general elections of September 1951. He modelled himself on French de Gaulle and, favoured by the introduction of the majority electoral system, which was enforced as a result of American Embassy's pressure in order to shape a strong Greek government to assume its responsibility in economic matters, he became Prime Minister in November 1952, winning control of 247 out of 300 seats in parliament.

Papandreou, George: He was a liberal politician and founded the Democratic Socialist Party. After the liberation he took a neutral stand in regard to the King believing that a plebiscite was the only reasonable solution to King's return. He became strong anti-Communist, because of the December Communist inspired revolution of 1944. From the Axis occupied Greece the British helped him to escape to Cairo and then supported him to become Prime Minister of the Greek government-in-Exile. A lot of his fellow Ministers accused him of having dictatorial attitude in his dealings, because he was secretive and committed himself to many actions before discussing them with his Ministers. He was conservative socialist and a gifted orator but hesitant to face economic problems. Before the elections of March 1950 he founded his own political party and served in the short-lived center governments of 1950-51.

Paul I, King of the Hellenes: On 1 April 1947 he was successor to the throne on the death of his older brother, George II. During World War II he was major general in the Greek Army, mostly in South Africa and Cairo. He deserved greater popular appeal than his older brother. He was greatly influenced on political matters by Frederica, the Queen. He got married to the German Princess Frederica in 1938.

Pesmazoglu, George: He studied Law in the University of Athens, Political Science in Paris and Statistics in Sienna. He pursued various activities, such as those of banker, economist, politician and newspaper 'Proia' owner. In 1915 he was elected deputy in the Greek parliament with the Populist Party. In November 1932 he was appointed Minister of National Economy in Panayiotis Tsaldaris cabinet and in 1934 he preserved his post in the cabinet. From 1945 to 1953 he was elected Governor of the National Bank of Greece and the National Mortgage Bank of Greece. In 1945 he was appointed member of the Financial Advisory Committee in Voulgaris cabinet. During the Marshall Plan period Pesmazoglu represented the interests of large industrialists being single-minded in the pursuit of his and their aims.

Plastiras, Nikolaos: He was an officer in World War I and in the campaign of the Greek Army to Asia Minor (1920-1922) became a national hero. He was a confirmed republican, patriotic and honest. Plastiras hated the Extreme Right and Left ideology. After liberation the Americans believed that he was the most proper Greek personality to become Premier. After the December Communist insurrection of 1944 and the resignation of Papandreou, in January 1945 he became Premier with British support. In 1950 he created the EPEK political party and after March 1950 elections became, in April, Prime Minister of a coalition liberal government. Because his political party promoted a measure of leniency towards the defeated communists, he confronted reaction by the other liberal parties as well as by the military establishments. In the elections of November 1952 he declined to be re-elected to parliament.

Sismanides, Aristotelis: He was an agronomist, who pursued postgraduate studies in London at London University with a British scholarship during the Great War. After liberation he came to Greece and he served as consultant to the UNNRA, AMAG and ECA Mission in Greece. In the beginning of 1950 he was sent to Paris after a request by the Ministry of Agriculture towards the ECA Mission to help the agricultural sector of the Greek mission there. As the Greek government was entirely satisfied with his beneficial work, in August 1950 he was sent to Washington D.C. in order to promote American aid to Greece under the Marshall Plan through the new established section of the FTA in Washington D.C. in April 1950, which had been worked independently and besides the Greek Embassy. After the resignation of the first director of the FTA/W, in December 1950 he assumed his duty.

Sophoulis, Themistocles: He was a republican politician with progressive social ideas and succeeded Eleftherios Venizelos as leader of the Liberal Party in 1936. He became Prime Minister for a few months in the 1945-46 period. In September 1947 he became Prime Minister of the Greek coalition government as a result of Griswold's pressure and Henderson's mediation. He tried to maintain neutral position between extreme right and left and also he gained great popular support as symbol of moderate center. In June 1949 he died when he was Prime Minister in a coalition government, which carried out the Civil War successfully.

Stephanopoulos, Stephan: He was an economist, who had joined politics in the 1930s. When he was appointed Minister of Economic Coordination in Maximos government in January 1947, he failed to carry out his duty, because he allowed his subordinates to profit financially on a large scale. Although he did not have any political assets, he was considered one of the leaders of the Populist Party and tried to confront Tsaldaris, establishing a separate bloc within the party. In November 1950 he withdrew from the Populist Party, followed by 27 deputies and created the Populist Unionist Party (LEK) with the amalgamation of the small unionist Party of Panayiotis Kanellopoulos.

Tsaldaris, Constantine: He studied political and social science at the universities of Berlin, London and Florence. After the elections on 31 March 1946 as leader of the victorious Populist Party he became Prime Minister 1946-47 and also he was real leader of Maximos cabinet January-August 1947, but he was unable to cope with the grave financial situation and the Communist unrest. Although he was an honest politician, he lacked the ability for organization and administration, serving narrow personal and party interests.

Tsouderos, Emanuel: He was leader of the Progressive Democratic Party. He was head of the government-in-exile until five months before the liberation of Greece by the British troops from German forces in October 1944, and maintained his position, complying with the commands of the British. He was a cunning person and selfish, showing instability in his ideology. Realizing that he promoted only the British interests, thereafter he became distant supporter of the EAM resistance movement in Greece. In the beginning of 1950 he supported EPEK political party, which was founded by Plastiras and became Minister of Coordination in the Plastiras's government in April 1950 but he failed to deal with the crucial economic matters of Greece.

Venizelos, Sophocles: Although he was the son of the greatest Modern Greek statesman, Eleftherios Venizelos, he was afraid of taking responsibilities. Before the elections of 1946 he became leader of the Liberal Party. He was not very popular and his economic knowledge was limited. He was not a straightforward politician and liked to make maneuvers in order to serve personal and party interests. On 31 March 1950 he forced the American Ambassador Grady to condemn his ambitious plans to become premier against Plastiras, whom he tried to undermine, when Plastiras became Prime Minister in April 1950. He supported by any means the interests of ship-owners against the state's interests, when they declined to pay their own agreed taxes, which were in arrears for four years. In September 1950 he became Prime Minister in a coalition government until the summer of 1951.

Zolotas, Xenophon: He was one of Greece's outstanding economists and since 1934 he was professor of Political Economy in the University of Athens. He was a former Venizelist Republican, who was connected with the Socialist Party of Constantine Tsatsos in 1941. In 1944-45 served as co-Governor of the Bank of Greece. Although in May 1948 he was appointed managing director of the Supreme Council for Reconstruction (ASA), working on the launching of the Marshall Plan in Greece, he resigned at the end of August 1948, because he supported unfoundedly the establishment of heavy industries in Greece.

Table 1. American Economic Aid Allotment to Greece from July 1947 to June 1954

(in million of dollars)

	1947-8	1948-9	1949-50	1950-1	1951-2	1952-3	1953-4
AMAG	102.6						
ECA	20	238.9	274.6	232.7	182.7		
Direct		161.4	156.3	100.4	n.a.		
Indirect		76.2	116.3	124.6	n.a.		
Technical Assistance Program		1.3	2	1.5	0.8		
Rationing Program				6.2	18.8		
MSA						81.2	
FOA							22.7

Note: The total American Economic Aid to Greece from July 1947 to June 1954 amounted to $1.180.2 million.

Sources: Annual Reports by the Governor of the Bank of Greece for the fiscal years from 1947 to 1953, 'The Story of the American Marshall Plan in Greece, July 1, 1948 to January 1, 1952', 20 July 1952, MSA/Greece Mission, Lincoln Papers, Box 8, Truman Library & 'Third Report to Congress on Assistance to Greece & Turkey, March 31, 1948'.

Table 2. American military Aid to Greece from July 1947 to June 1954

(in million of dollars)

Fiscal Year	
1947-48	198.4
1948-49	158.7
1949-50	22.5
1950-51	83
1951-52	59.3
1952-53	121.3
1953-54	95.2

Note: The total American military aid to Greece from June 1947 to June 1954 amounted to $778.4 million.

Source: US Foreign Assistance-Obligations and Loan Authorizations: Agency for International Development, 21 March 1962, Greece, p. 46, Lincoln Papers, Box 9, Truman Library.

Table 3. Counterpart proceeds and releases to Greece from1948-49 to 1953-54 fiscal years under the ECA, MSA & FOA Aid Programs

(in billion of drachmas)

Fiscal Year	Proceeds	Releases	unused deposit
1948-49	1.412	1.102	310
1949-50	3.055	1.922	1 133
1950-51	3.088	1.673	1.415
1951-52	2.499	741	1.758
1952-53	1.610	1.516	94
1953-54 (first semester)	317	529	-252
Total:	11.981	7.523	4.458
Plus: value of capital goods	2.645		2 473
Total	14.626		6.931

Source: Annual Report by the Governor of the Bank of Greece for the fiscal year 1953, p. 125.

Notice: The unused deposits or the so-called 'frozen' were not spent for reconstruction and investment programmes or to cover the budget deficit in order to hold inflatıon. Therefore, the function of these unused deposits had a great financial value. They constituted a proper tool to control inflation.

Table 4 The National Budget from 1947-48 to 1952-53 fiscal years.

(in billion drachmas)

	1947-48 (15 months) (April 1947-June 1948)	1948-49 (June-July)	1949-50	1950-51	1951-52	1952-53
Revenue	3.287.9	3.130	3.953	4.842.9	5.716.2	6.296
Expenses	3.421.8	3.945	5.745	6.038.6	6.583	7.150
Deficit	133.9	—	144	1.195.7	866 8	854
American Aid	737	815	1.650	156.7	552	662

Note: This American aid covered extraordinary or reconstruction expenses while the budget deficit was also covered by American aid. Therefore, the contribution of the American aid to the Greek economy was the total of these two amounts.

Source: Annual Reports of the Governor of the Bank of Greece, 1947-1953.

Table 5. Greek economic production, from 1947 to 1953

(1939–100), (month of December)

	1947	1948	1949	1950	1951	1952	1953
Industry	72	85.5	97	123	128	122	167
Agriculture	n.a.	70	89	111,2	124,5	117,7	149,5
Mining	n.a.	n.a.	15,5	24	45	64	110
Cattle breeding (1938)	n.a.	n.a.	n.a.	76,1	76,6	82,3	97,1

Source: Annual Reports of the Governor of the Bank of Greece for the years from 1947 to 1953.

Table 6. Agricultural production from 1947 to 1953 compared with 1935-38

(In thousand metric tons)

	1935-38	1947	1948	1949	1950	1951	1952	1953
Wheat	768	578	770	839	850	930	1050	1400
Barley	197	129,5	190	196,3	200	230	213	258,4
Oats	116	78	110	112,6	120	140	116	167,1
Rye	55	40,4	41,5	41,5	48	48	55	67,5
Maize	254,6	276,3	228,7	222,2	195	220	230	305
Rice	4	6,3	9	21	32	56	75	66
Potatoes	148,2	301	319,5	394,6	347,5	412,6	453,5	430,8
Legumes	48,7	53,8	n.a.	77,7	69,3	80,4	66,8	103
Cotton	44,3	34,9	40	48	75,7	89,5	76,8	99,4
Tobacco	61	47	37,5	46	57,9	62,7	42	62,7
Olives	35,6	56	18	91,6	15	69,7	20	68,5
Olive oil	112,7	145	47	224,6	38	140	70	157,2
Wine	372,7	355	380	450	428	380	370	420
Grapes	79,5	80	105	110	137	120	120	131
Currants	158,2	76,5	78	90	80	80	77	77
Sultanas	28,6	24	22	29	34	27	36,5	38
Fruits	53,5	160	127,6	38,9	93	118,9	146,5	167,1
Citrus	53,1	76,2	98,7	119,7	120,7	138,9	159,7	192,3
Melons	202,6	n.a.	276,9	319,2	364	397,5	297,3	392,9
Vegetables	319.347	n.a.	n.a.	n.a.	736,810	798,937	810,520	891,186

Source: Annual Reports of the Governor of the Bank of Greece from the years 1947 to 1953.

Table 7. The balance of payments, from 1948-49 to 1953-54

(in million dollars)

	1948-9	1949-50	1950-51	1951-2	1952-3	1953-4
Invisible receipts	48.5	54.2	57.2	82	93.9	123
Invisible payments	23.5	21.8	42	44.5	26	30.7
Net Invisibles	+25	+32.4	+15.2	+37.5	+67.9	+92.3
Imports	449.2	420.3	430.2	351.9	230.1	251.4
Exports	89.8	72.9	94.9	112.8	115.8	137.1
Trade Balance	-359.4	-347.4	-335.3	-239.1	-114.3	-114.3
Net Deficit	-334.4	-315	-320.1	-201.6	-46.4	-22

Source: Greece-Statistical Data Book-Fiscal year 1955/56 & Calendar 1956, Volume I, by the Finance and Program Division of the U.S. Operations Mission/Greece, Library of Congress, Washington D.C.

Table 8 Summary of the July 1947-June 1954 Public Investment Drachma Program (including all types of funds)

(in million dollars)

1947-48	21.5
1948-49	47.2
1949-50	44.2
1950-51	66.6
1951-52	46.2
1952-53	34.4
1953-54	34.1

Source: (the same with the table 7).

Table 9. Gross investment with US Funds (AMAG, ECA, MSA & FOA) Local expenditures (Withdrawals) & Capital goods imports combined

(in million dollars)

1947-48	53.5
1948-49	93.6
1949-50	129
1950-51	133.8
1951-52	50
1952-53	32.6
1953-54	36.6

Source: (the same with the table 7).

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