

DILEMMAS OF MODERNIZATION IN GREECE

Twenty-one years ago, before President Truman first proposed to Congress that the United States government should finance a major new aid program in Greece and Turkey, the Greek body politic was in very bad condition indeed. Ways and means whereby economic recovery might be achieved were hard to find. Wartime destruction had been severe and the Greek nation was sharply divided into hostile political camps. Only the Communists seemed to know what they would do with power. The political 'kosmos' thought in terms of territorial expansion and hoped for gains at the peace conference like those Venizelos brought back from Paris in 1919-20. The old-line politicians, like everyone else, were intellectually and morally unprepared to cope with the radical perturbations of the socio-economic order which the War had brought to Greece. To be sure, Constantine Doxiades had assembled a small group of bright young men to try to calculate what housing was needed; and an alphabetical congeries of international agencies — ML, UNRRA, FAO, WHO, and others — undertook emergency programs or made studies which did something to cushion the harsh suffering and inequity which haunted postwar Greece. But times were very hard, and as the guerrilla war resumed in the summer of 1946, it seemed doubtful whether sufficient wisdom and resolution from within and sufficient aid from abroad would be available to forestall Communist victory and bring the country back to social, economic and political health.

By 1956, when I returned to Greece, the scene had changed. American aid and American advisers had arrived; the guerrilla war had been won; and plans for reconstruction and the massive reordering of the Greek economy had already produced tangible results. Economists and technocrats, many of them freshly trained in American graduate schools, occupied key positions in the Ministry of Coordination and elsewhere in the government, and a more or less coherent program of investment — both private and public — had been worked out to guide official policy. To be sure, the country was still poor, and political quarrels had by no means been forgotten. But new-sprung hope and expectations of better times to come prevailed over past agony and anger.

Fundamental improvements in food supply (with new varieties of seed and fertilizers), in communications (due to new and restored roads) and in the supply of power (through the national electric grid) had already shown what planned action could achieve to pull the nation out of its despondency. Chronic unemployment and underemployment together with a seriously disbalanced foreign trade account, remained as symptoms of continuing economic weaknesses; but the long-range cures for these difficulties seemed clear enough — industrialization to provide new jobs and allow the Greek economy to manufacture items which in the absence of home production had to be purchased abroad. The really critical question remained: how to finance such development without generating socially disruptive and economically suicidal inflation.

Ten years later, in 1966, I visited Greece again, with the help of a Fulbright-Hayes travel grant. The great central fact was that nearly all the projects and dreams of 1956 had become physical reality; and the entire ambitious program had been carried through without crippling inflation. As it happened, last year was a definite benchmark in the history of Greek industrialization. A whole cluster of big, shiny, new plants came into operation during this twelve month period, including the great new alumina and aluminum refineries on the Corinthian Gulf, the Esso-Pappas complex of petroleum, metallurgical and chemical factories near Thessaloniki, the last of three new fertilizer plants, and the hydro-electric installations of the Acheloos river in western Greece. Never before had Greece seen so many large and technologically up-to-date enterprises start up so nearly simultaneously. If these plants flourish as expected and help to propagate their own kind in the Greek landscape, it will surely be correct to date Greece's full scale entry into the modern industrial world from this vintage year of 1966.

These, with many scores of other, less spectacular, new installations had long been foreseen, planned for, negotiated over, and nursed into existence by officials and entrepreneurs, both private and public, foreign and domestic. Two other developments which had not been adequately foreseen also exercised a great influence upon Greek life in 1966, and, between them, have done much to relieve the problems of rural underemployment and urban unemployment which had long haunted the country. These were: 1) the swelling volume of the tourist trade, which brought over a million visitors to Greece in 1966, a higher number than ever before; and 2) the massive emigration of Greeks to Germany and elsewhere — a movement which, although it tapered off last year as compared to the unparalleled figures attained in the two preceding years, still substantially exceeded the annual natural increase of the Greek

population. Under these conditions, actual shortages of labor for seasonal agricultural tasks developed in regions where for generations and perhaps for centuries there had always been idle men idly looking for odd jobs that might bring in a little extra income.

These facts attest to a great success story. In the words of the National Bank of Greece: —

A general rise in production, which was particularly marked in the case of manufacturing, a high level of business activity, and a further improvement in the standard of living were the characteristic features of the economy last year [1966]. For the fourth year in succession there was a rise of 7% - 8% in the national income. The level of progress each year was perhaps not striking, but thanks to the fact that it was steadily maintained from one year to the next, the value of production at constant prices increased by more than one-third between 1962 and 1966, while income per head of population showed a notable rise from less than \$ 400 to more than than \$ 500.¹

A success story indeed, and one that compares very favorably with the recent records made by other nations, whether rich or poor, developed or developing, pluralist or Communist.

Even very rosy statistical generalizations for a whole nation may, of course, disguise drastic inequities among social classes or regions. Greece has not escaped these pitfalls entirely. Income levels in Athens-Piraeus are far higher than in the provinces. The incontinent and uncomfortable growth of the capital city is a consequence; a phenomenon all the more costly since it deprives the provinces of their most enterprising and energetic young men, those who might, under other circumstances, do more to keep local towns abreast of developments at the center. Government planners have long been acutely aware of this problem, and have in fact been able to deploy important new industries outside the Athens area. The government has also reduced the differentials between rural and urban income by guaranteeing prices above world market levels for wheat and tobacco. As for the food-deficit hill villages, where support prices for marketable crops mean little or nothing, unplanned and, in some cases, officially interdicted emigration to cities either inside or outside the country has improved the income levels of this the most poverty-stricken element of Greek society. The result has been a general rise in

1. *Greece Today: Monthly Economic and Statistical Review*, 3rd series, No. 13 (January 1967), p. 1.

the standard of living from which no important segment of society is entirely excluded, though some of course have prospered more than others.

It may be worth reporting specific cases of the effect of recent economic changes on village life, since the ultimate test of any centralized, over-all plan rests, in my opinion, on what happens in the villages which exemplify (or did until recently) the base level of life for the nation as a whole. The results of my investigations during the past summer were slender, for I could only return briefly to the villages I had studied in 1956. Nevertheless, my observations may add something to the evidence already on record.

Two of the three food-deficit hill villages I observed in 1956 had become self-sufficient in food by 1966 and were even able to sell a little. This had been achieved by quite different methods. In Cherasia, on the slopes of Mount Pelion in Thessaly, new land reclaimed by the drainage of Lake Karla came to the rescue. In 1964, agents of the Agricultural Bank offered the villagers plots of newly-drained land. Allocation was on a rental basis, one year at a time; but the price was such that the villagers could raise a crop of wheat with full confidence of being able to meet their obligations to the Bank for ground rent, fertilizer, seed, and tractor usage, and still have enough wheat left over to feed themselves and sell additional amounts to the government for cash. This was a tremendous change from 1956, when official prohibition of wood-cutting on the slopes of Mount Pelion had threatened the villagers with loss of their livelihood.² To be sure, the men of Cherasia did not quite believe in the good faith of officialdom, and darkly hinted that annual rental meant that the government might at any time reassign the land to more politically tractable cultivators. Yet even the most skeptical could not deny that a population of almost exactly the same size as in 1956 (510 as against an estimated 500 previously) was living much more comfortably than before.

In the case of Kotta, in western Macedonia, population had declined (149 as against 188 in 1956), thanks to a continued trickle of emigration to Canada and Australia, where daughter communities had been established long before the War. In 1966, the village was therefore able to sell a small quantity of beans as well as produce from its herds of sheep and goats, while depending for its cash income mainly on remittances from relatives overseas. Conditions were unmistakably better than ten years before,³ though the village remained shabby when viewed in the middle distance from the road;

2. The record of my earlier observations in Cherasia and other villages may be found in William H. McNeill, *Greece: American Aid in Action, 1947-1956*. (New York: The Twentieth Century Fund, 1957). pp. 85-146.

3. This information comes from a letter written by the parish priest in reply to my que-

and by every standard except that established by their War-time sufferings, the inhabitants of Kotta remained bone-poor.

Of these two villages, therefore, Cherasia seemed on the way to becoming an ordinary community of farmers, in spite of the lingering distaste of shepherds for subservience to or dependence on outside authority, whereas, Kotta had returned to a quasi-traditional, unchanged pattern of economic behavior, modified only by resources gained from foreign remittances. My third food-deficit village went a different way and, in fact, increased its dependence on outside food while simultaneously raising local income considerably. Even the small amount of grain raised in Kardamili in 1956 was no longer produced there last summer. The village, located on the borders of the Mani in the southern Peloponnese, had become a purely olive raising community, and imported all its other food. The continual decline of its population (450 in 1966 vs. 512 in 1956 and about 750 before the War) made it quite unnecessary for anyone to engage in marginal grain cultivation; and any slack in village income was taken up by an influx of tourists, largely resulting, from the improvement of the road to the plain of Messinia. The first tourists appeared in 1958, when four campers discovered the village. By 1965, the village tallied 204 foreign visitors, who stayed for varying lengths of time and left significant sums behind in village stores and with the local inn-keeper, whose home had been converted into a makeshift hotel for their accomodation. Labor sufficient to pick the olives had to be imported; for the rest, the villagers — many of them elderly, since the young had been lured away to Piraeus or Kalamata — could afford to watch the antics of sun-starved northerners amid the olive groves and on the stony beach, or debate in endless detail whether this year's oil would be of better or worse quality than last year's. Even the task of spraying the olive trees had been shifted to a pair of Israeli airplanes, which dealt with the entire village area for a negotiated fee that was lower than the cost of hand spraying.

It so happened that emigration to Germany and elsewhere in Europe was either insignificant or entirely absent from all of these villages. I did, however, stop briefly in a Macedonian village, Panaghitsa, where the new pattern of emigration had hit with catastrophic suddenness. In a period of only five years, "everybody" between 20 and 35 had left, women as well as men — or so I was assured. Inspection of the community certainly bore out the assertion that there was a startling absence of young adults. My informants declared that

ries, since Greek army authorities refused to give me permission to visit Kotta, which lies close to the border with Albania.

250 persons had gone off to Germany and another 150 had departed for Thessaloniki or other Greek cities during the preceding five years. In the same period, tractors had been introduced and had greatly eased the cultivation of the maize and wheat upon which the village had always depended. In fact, most of the remaining men were underemployed as before, since the new machines could accomplish everything necessary in a few days each year. Signs of new wealth were much in evidence: cars, tractors, and new houses, all resulting from the wage rates paid by German factories. Nevertheless, if the pattern of the past five years were to continue, it is obvious that Panaghitsa would simply disappear, for the emigrants, once attuned to the glitter and grime of modern industrial environments, did not come back — or had not done so in 1966 — except for short visits to show off their new cars, and, as often as not, to carry a full load of friends and relatives away with them when they returned to Germany.

As a matter of fact, if recent trends should prevail for another generation or so, all the food-deficit communities I studied in 1956 would either disappear entirely or become mere ghosts. If this happens, a part of Greece will disappear — just as, for example, the Yankee farmer of a century ago has vanished from the stony hills of New England. Such decay and local withdrawal is the price of progress. But it would be wrong to forget that the disappearance of a way of life, admirable for the energy with which it overcame formidable handicaps of geography, is a loss, however much individual emigrants may gain in more tractable environments where their habits of hard work and ingenuity are likely to pay off handsomely.

Greek mountaineers in Germany and Yankee farmers in the United States both show how individuals may flourish so much by leaving home that the social breeding-ground that created them breaks up and vanishes.

Plains, villages, producing a food surplus, reacted in no less diverse fashions to the new opportunities opening to them during the past ten years. Old Corinth, for example, has become a thriving little town, with a booming tourist trade and innovative, intensive agricultural enterprises as well. Large numbers of shallow irrigation wells permitted the expansion of truck gardening. battery egg production for the Athens market was also recently introduced. Urban standards of living have taken root within the community, so that refrigerators, bathrooms, “traktoraki” for garden plot cultivation, and a shortage of household servants all have made their appearance. Population has decreased (1732 in 1966 as against 1850 in 1956) as a result of emigration to Athens and also overseas; but the little town of Old Corinth has itself become a place for in-migration from the adjacent hills of the Peloponnese.

So far as I could tell, the grain-growing community of Lofiscos in the Thessalian plain was almost unchanged. The great breakthrough in that region had come before 1956, as new types of seed and an adequate supply of fertilizer had multiplied traditional yields several times over. I failed to get statistics for population because Lofiscos had been merged with a larger village for administrative purposes, so that separate population figures were not kept; but there seemed to be no new houses, nor any other sign of growth or change. Grain stubble spreading uniformly in every direction (except for some very badly overgrazed pasture immediately around the village itself) showed that, instead of expanding a program of crop diversification by raising cotton as well as wheat — an experiment just launched in 1956 — the farmers of Lofiscos had fallen back upon the traditional pattern of planting only cereal crops. A number of big combines were visible in machine sheds. Indeed, the mechanization of field operations had gone very far, without, however, changing property lines in any significant way. Owners and operators of the combines took a share of the grain from the fields they harvested; but since family holdings were comparatively large, this arrangement still left a comfortable income for the farmers. Cotton raising, by contrast, required irrigation, wells and pumps, as well as much extra labor. Under the circumstances, therefore, it was rational to revert to grain farming in Lofiscos, so long as the government maintained support price for wheat at a level that made this crop eminently profitable in the good wheat land on which Lofiscos is located. Government policy, in other words, in this case acted to inhibit an intensification of cultivation which have been desirable from the national viewpoint.

Neo Eleftherohori (officially renamed Methone in 1957) was also little altered though considerably more prosperous than in 1956. The cash crop here was tobacco, another government-supported staple. Stabilized tobacco prices had very significantly increased the cash income of the community. The more interesting change, however, was the rapid differentiation taking place as the owners of the *kleroi*, distributed in 1927, died off, and their heirs reassigned, rented and in other ways transferred ownership rights. Some farmers were cultivating areas that would have seemed enormous in 1956 — as much as fifty acres. Individually owned 'traktoraki' made this sort of expansion of the working unit both possible and necessary. How else could the tractor owner pay off the bank loan that allowed him to purchase his new machine in the first place? Most of the land these entrepreneurs were tilling still belonged to others, and was rented. The lessors had decided, in effect, that it was better not to go into debt to buy a tractor, preferring to look for work and wages elsewhere, usually outside the village.

A second change which may affect Methone in time was the arrival on the outskirts of the Athens-Thessaloniki highway in 1964. A couple of new cafes had already been built on the strength of this proximity, and the village fathers had high hopes of attracting tourists, since the waters of the Thermaic Gulf wash the other side of the village property.

Though tourism has yet to affect Methone, economic rationalization has nevertheless altered the social structure rather rapidly, starting from an almost exactly egalitarian base (for the *kleroi* of 1927 were of identical size) and moving towards a far more variegated social pattern. In 1966, at any rate, it did not seem that anyone was suffering serious disadvantages from the growing inequalities of land tenure. Presumably outside earnings more or less compensated for the diminished agricultural income of these leaving cultivation. Population was almost the same as in 1956 (880 as against 875 ten years before). A low birth rate, late marriage, and a trickle of emigration (five persons to Germany, eight to Australia, and about 60 to Greek cities) had kept the balance even.

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No one can doubt that these changes were generally in accord with the wishes of the people on the spot. The villagers were better off in very tangible, direct and material ways. Urban styles and tastes had advanced everywhere and local peasant culture had retreated. Widened horizons, new possessions, enhanced incomes: all had modified the old poverty, and even though some individuals had profited more than others, the rising standard of living had spread so widely that no distinct class or region had been left out — as had been the case in 1956 when the reviving prosperity of the plains' villages had not yet effected the desperate conditions of the food-deficit communities in the hills. All this is admirable, and I must emphasize strongly the positive side of the Greek achievement at this point, because hereafter I intend to dwell upon the other side, and explore the costs and strains which have been generated by the rapidity and wide scale of the recent socio-economic transformations of Greece.

The first entry on the debit side is psychological. The abrupt break-up of traditional peasant customs surely entails the risk of creating a population of a-moralists. Among 'ex-peasants, eager to rise in the world and escape the remembered poverty of their childhood, the accumulation of goods can easily become a self-evident and adequate moral guide to action: the economic man and rugged individualist of nineteenth century theory was, and still is, most readily discovered among men who left the farm in boyhood to make

their fortunes in the market place by dealing with strangers. No doubt Greece is merely repeating the sort of social transformations through which all modernizing societies have gone. But the accelerated pace does make a difference. In nineteenth century England and Germany, for example, the pre-industrial upper classes always retained political control, if only because the uprooted ex-peasants always constituted a minority of the entire population at any particular point in time. But what happens if an absolute majority shakes off peasant ways within a single generation? An oversupply of rootless, ruthless egoists, scant on scruple and long on appetite, may prove politically troublesome. What happens if some hitch should develop in the upward spiral of economic activity and individual income? What sort of regime could control and channel such a nation's activities to avoid mutual destruction? In short, can government by consent survive in a society that has so suddenly rejected so much of its own local past without having had time to work out a new code of conduct, applicable to personal and public behavior, and sustained by internal as well as by external sanctions and values? Most rapidly developing countries are not, after all, governed by consent but either by dictatorial parties or by military cliques; and the recent political history of Greece clearly shows strains that might lead to the same result.

This brings me to a second general observation about the costs of modernization in Greece. With every new factory built or industry established, with every program to support agricultural prices or exempt an enterprise from taxes — in fact with every governmental intervention in the economy — a new vested interest is created. Moreover, as such vested interests become more numerous and complex, they tend to form an interlocking entity that inhibits further innovation, when, as is frequently the case, economic planners would like to take another important step that might disturb or threaten these special interests.

This is by no means a merely theoretical observation. In 1966, nearly all of the new factories that twenty years' effort had erected on Greek soil were high-cost producers, whose goods could not compete even on the Greek market with foreign products, were it not for tariff, quota, and other forms of official subvention or protection. Even very efficient plants often had top-heavy administrative staffs whose main task was to deal with a no less complicated governmental bureaucracy. The salaries paid to such staffs added to costs, and helped to raise the indices of industrial production, which were of course calculated in terms of the money values of goods produced or sold.

Economic, and especially industrial, development as practiced in Greece (and many other small countries) has therefore meant the rise of a new class

of economic rentiers. In place of the landlords who dominated the Greek scene in Turkish times and after, salaried clerks of all degrees now are in a position to extract a living for themselves from the activities of the more materially productive classes. Industrialization, so long as it imposes prices on the Greek consumer that are above free market levels, amounts to a form of indirect taxation whereby the income of the community is reapportioned, to the advantage of the salariat, of owners of industrial properties and of workmen, and to the disadvantage of artisans, farmers, shopkeepers and others who do not draw incomes from the new industrial firms.

Such a result of twenty years' effort seems sadly unsatisfactory. But as long as a major goal of industrialization is to alleviate unemployment, and as long as the new industries are protected from foreign competition and face little or none from within the country, there are no really compelling reasons why managers of new plants should try very hard to minimize costs, cut staffs, and sell as cheaply as possible. To be sure, there is an easy and obvious cure: removal of tariff and other protective devices. In fact, the Greek government is committed to exactly this policy through the Treaty of Athens of 1961. This treaty associated Greece with the European Common Market, and prescribed a schedule for the reduction of economic barriers between Greece and the member nations. In recognition of the difficult problems Greece faced in preparing domestic industry and agriculture to withstand European competition, the treaty allowed twenty-two years — until 1983 — for the transition.⁴ Greek industry has therefore not as yet been affected; and the preparations for surviving the scheduled reduction of tariffs are little advanced. In particular, the economic plan for the years 1966-70 was designed to prepare the way for entry into the Common Market but it has not been acted on, and until the results of the pending election are clear, it will certainly not be taken very seriously — if then.

In reading the English summary of this plan,⁵ I was struck by the gap between the cool language of professional economics ("Redistribution of national income in favor of the poorer classes" [p. 6] or "The structural changes in the economy are expected to be effected in the context of international competition, which implies the avoidance of policies that tend to preserve inefficient industries or to promote import substitution, without regard

4. A convenient summary of the complex provisions of the treaty may be found in George Coutsoumaris, *The Morphology of Greek Industry*, Center of Economic Research, Monograph Series 6, (Athens, 1963), pp. 341-53.

5. Center of Planning and Economic Research, *Draft of the Five Year Economic Development Plan for Greece, 1966-1970*, (Athens, 1965).

to whether the industries in question are competitive" [p. 9]) and the political implications of such phrases. How can the managers of industries that cannot, or think they cannot, survive without protection, accept without protest the planner's prescription? How can the rich be persuaded to support a redistribution of national income favoring the poor, even if the result is an expanded internal market for Greek industry and a higher standard of living for the nation as a whole? How indeed can such far-reaching structural changes in the economy be carried through without a political upheaval and shift of power analogous, to that occurring in the crisis period of the American New Deal? And if the planners do succeed in mobilizing popular discontent to support their policies can they expect to maintain such support over the long period needed for the results of any scheme of economic development to begin effecting ordinary, everyday life?

Those who drew up the economic plan for 1966-70 apparently felt that it was not their job to look at the political problems involved in implementing such a scheme. They had behind them the experience of the 1950's, when equally drastic and radical plans had in fact been carried through despite local resistances of all sorts. But in those days, whenever it came to a showdown, the fact that much of the investment fund came from the United States meant that disputes could always be carried to the American aid administrators, who regularly backed the planners by declaring that American funds could only be used for investment programs that had survived the planning process. But now, just as the full fruit of this earlier planning has finally come into existence, the internal balance of interests within Greece has become decisive. New investment must come mainly from domestic savings, and there is no longer any foreign veto because there is no longer any important foreign aid, except to the military.

It follows that even the most persuasive theoretical arguments in favor of further domestic changes can only prevail if interest groups among the Greek population can be mobilized in their support. This seems to require political as well as economic planning: but, as the career of Andreas Papandreou shows, once the planner enters the political ring, the cool weighing of alternative choices becomes difficult. Politics may become an end in itself, obscuring and distorting by systematically declaring grays to be either black or white. This indeed is the path which politicians, playing upon men's ignorance and irrational impulses, have often followed in times past, earning thereby the disdain of the economic analysts and experts.

Nevertheless, politics is not necessarily wicked, and irrationality, we may safely say, is here to stay. Nor need we despair because men are neither simple

ciphers nor rational automata to be manipulated in their own best interests by benevolent and far-seeing experts. I am in fact rather glad that we are not capable of complete self-control, and that social management remains an art rather than a science. But this does not make the successful exercise of the arts of government easy. Especially in a country like Greece, where enormous changes have come very rapidly, wise choices among the widened range of future possibilities are exceedingly difficult to make. The tangled and disturbed state of Greek politics at this moment amply attests to the difficulties that confront the managers and would-be managers of the country's public affairs.

What alone seems clear is that the faster and more successfully a country passes through any one stage in the process of modernization the greater are the problems and the more complex the issues that arise as still further and equally massive changes become necessary for the successful completion of the next stage of the process. In particular, the greater the internal frictions arising from collisions between public policy and the growing variety of new and old vested interest, the more difficult it becomes to reconcile democratic politics with a continuing policy of radical economic development — unless or until the new technologies generate their own pressure groups demanding a widening range of innovation.

Greece, clearly, has not reached any such self-sustaining level, and the nation must therefore face a formidable array of very difficult questions. How, for example, can policies that require the elimination of inefficient producers — i. e., small farmers, artisans and most small-scale manufacturers — be popular? How can policies aimed at securing a high rate of saving — by high taxation if necessary — be popular? How in short can the policies required for rapid development remain within the politics of consent? Or is authoritarian government the only way to continue for much longer the rapid pace of recent Greek economic development?

Obviously, no one knows the answers to these questions. They are, it seems to me, the dilemmas of modernization, dilemmas peculiarly acute in Greece because that country, almost uniquely among the rapidly developing lands of our time, has retained a real political pluralism and effective electoral freedom. Twenty years ago it would have been rash to believe that what has now in fact been done could have been done. The Greeks may again rise to the occasion, as so often in earlier times of crisis. Let us all hope so.