

BALKAN ECONOMIC DEVELOPMENTS

The purpose of this study is to review economic developments in the Balkans even in regions which, although politically belonging to Balkan states, fall outside the geographical limits of the Peninsula. Section I will be devoted to examining those areas of the Balkan states which lie outside the Peninsula proper. Section II will proceed with an analysis of the features of the economies of the Balkan states during the period ranging from the end of the First World War to the late twenties, i.e. up to the world depression. The effects of the depression, which substantially influenced economic developments in the area until the latter part of 1940 will be treated under Section III. Section IV will deal with the Second World War and its political and economic repercussions on the Balkan states. Bearing in mind that the impact of the war had more or less ceased to weight much on Balkan economies by the end of the fourties, Section V will proceed with discussing solely the economic developments during the last decade.

I.

The northern geographical boundaries of the Balkan peninsula extend over a line following the Danube river, the Transylvanian Alps, and the Danube river again from Galatz to Sulina. By virtue of the First World War peace Treaties, the two northermost Balkan states of Roumania and Yougoslavia freed the regions of Slovenia, Croatia, Transylvania and Bessarabia. Thus the political frontiers of the Balkan peninsula were substantially extended northwards and westwards. The new frontiers were supposed to have been drawn on the basis of nationality, but of course it was impossible to establish ideal new state frontiers with the principle of nationality as the main consideration. Yougoslavia inherited substantial minorities but lacked the experience of Austro-Hungary in handling them. Almost identical was the situation in Roumania. One substantial difference was the fact that Roumania acquired provinces which had higher living standards than Roumania proper, and provinces with much lower standards as was the case of Bessarabia.

In the case of Turkey, the heart of the Republic which emerged out of the First World War, was in Asia Minor. Naturally, developments in

Asia Minor had economic repercussions on the European provinces of the Republic, notwithstanding the fact that Constantinople, the economic and spiritual capital of the nation, was situated on the European side. Although Constantinople has been reduced to the status of a summer capital, it remains to this day the center of all activities.

II.

In view of the expansion of the Balkan states in areas outside the Peninsula where economic growth had followed a different pattern, it seems advisable to this writer to treat developments in the twenties under three separate headings, one for the Peninsula proper, one for the former provinces of Austro-Hungary, and one for Asia Minor. In discussing the economic developments of the area one should take into consideration the differences which exist between the capital area of a country and its towns, the towns and the countryside, the plains and mountain areas, and last but not least the existing differences between the various countries.

a.

In the area south of the Danube river and the Transylvanian Alps, and to a certain degree in Bessarabia, agriculture constituted in the twenties the main occupation of the inhabitants. 60 to 80 per cent of the total population were farmers, who, as a rule, were not the owners of their farms; at least, not prior to the land reform carried out in Greece, Roumania and Yougoslavia. Being merely tenants of the land they tilled, they had no inducement to improve their fields, knowing very well that they might be forced to move out of the farm the next day. When land ownership passed over to the former tenants, the lack of know-how and experience in the running of the farms, coupled by the absence of guided advice and cheap credits resulted in substantial obstacles in improving the cultivated areas. Thus, the increase of output per acre following the transfer of ownership, did not bring the expected results. Under such conditions it was no wonder that agriculture remained extensive, i.e. small output per acre, reaching in the late twenties 800 kilos of wheat per hectare. Unsatisfactory marketing methods contributed further to the deterioration of the living conditions of the peasants. It was only thanks to the familiarity of the great majority of the Balkan people with low living standards that it became possible for predominantly agricultural Balkan countries to meet their requirements in foodstuffs. In the case of Greece, however, import of wheat was unavoidable until the middle fifties.

Small crafts were numerous in the cities and in the towns but not in the villages. Even before the development of industry and modern transportation, small crafts had always been very useful to the economy of the Balkans, and actually remain so to this day. With their limited capital requirements small crafts could flourish even though scarcity of capital was a common phenomenon in all Balkan countries. Due to their large numbers, craftsmen gradually rose in political importance, but they never attained the level common in Central and Western Europe during the Middle Ages.

Since 1880, industry developed gradually, particularly in Greece and Turkey. Of course, consumer good industries were predominant, a natural phenomenon in relatively underdeveloped countries with their well-known scarcity of capital and of "external economies". The development of industry was considerably boosted by the high import duties, which were imposed in order to reduce the budget deficit.

In the early twenties, railroads and highways as a rule were in bad shape, mainly on account of the destructions wrought on them during the First World War. In addition to war destruction the construction of roads and their maintenance was neither satisfactory nor sufficient. Large areas in the Balkans were not served by railroads at all. Whenever feasible, sea transportation was given preference over land transportation for the main reason that it was less expensive. Of course, it could not match the speed and promptness of land transportation. Harbours were not equipped with the necessary facilities. Loading and unloading was thus becoming an expensive operation, a fact which minimized the advantages derived from the low freight charges.

Investments were usually made on a small scale. In agriculture, prior to the land reforms, the landlords did not invest in improvements on their farms for the simple reason that they did not expect to receive substantially higher rents. On the other hand, the tenants abstained from investing on the land, fearing that they may not be allowed to benefit from their efforts to improve output. Following the land reforms, the new owners were unable to get the credits needed to carry out irrigation and anti-flood works. In industry, low income people did not buy shares of big firms which, as a general rule, belonged to foreigners or to local groups which did not pay dividends because they preferred to reinvest their profits in their business. This attitude on the part of the companies may be explained by the fact that the majority of the shareholders were at the same time the managers and the directors of their companies. Actually the inhabitants of towns could invest their savings, either in property, or in their own business, craft

or trade, or in the business of some relative or friend. In the latter case, they were sleeping partners or creditors of that business. Their claim was there, as a rule illiquid. If, for any reason, the investor considered such investments to be unprofitable, he would either lend money directly to the Treasury or to private enterprise—a risky proposition—or, indirectly, through the banks which paid rather high interest rates. In many cases the investor could also invest or deposit his money abroad, particularly if large sums were involved. The division of risks thus achieved was a compensation for the reduced income. In the particular case of Greece, another important form of investment, both at home and abroad, was and is the shipping industry. Shipping contributed to increased employment in the country as a whole and in the islands, in particular, the latter due to the birthplace of most shipowners. Most seamen are actually among the islanders.

On the basis of the above analysis, it is clear that the low income per capita and the inequality of the distribution of national income contributed to the establishment of low standards of living among many segments of the population, particularly among the inhabitants of small towns and villages. However, national and per capita income increased thanks to economic intercourse with foreign countries, which supplied much needed capital by investing in infrastructure and by sending capital goods. In return they purchased from the Balkans foodstuffs and minerals, a common occurrence in economic intercourse between a developed and an under-developed country. Political factors increased the dependence of the Balkan countries on the more prosperous countries of Europe. It was particularly this economic and political dependence which made difficult the pursuance of sound economic and foreign policies.

Monetary stability in the individual Balkan countries, on the other hand, was the exception rather than the rule. So was their foreign exchange situation usually precarious. Following the suspension of the gold standard in the United Kingdom in 1931, foreign exchange control became customary but was not applied on a large scale before 1932. The importance of the invisible items on the balance of payments—particularly in the case of Greece—compelled the monetary authorities of the country to be careful in their efforts to avoid inflation. Their caution was prompted by the fact that the equilibrium of the balance of payments cannot be maintained when the invisible items are unfavourably affected and are no more remitted through normal channels.

It is a fact that the First World War did not bring on the Balkan countries the excessive material destruction which the Second World War did inflict on the Peninsula. Only certain regions of Northern Greece,

Roumania and Serbia suffered some damage. More serious was the problem raised by the resettlement of large numbers of destitute refugees in Bulgaria, Greece and Turkey. Turkey's problem, however, was eased by the fact that large areas particularly in Asia Minor were thinly populated. It should be remembered that Turkey extends over an area of 616.000 sq. km., while Greece has an area of less than 130.000 sq. km. and Bulgaria 107.500 sq. km. Consequently, Turkey was able to settle her refugees without having to turn to foreign loans, while Greece and Bulgaria relied on loans to relieve the plight of their many refugees. Other reasons which contributed to make Turkey's task easier was the relatively small number of refugees, the fact they were allowed to bring to Turkey their savings, and the opportunity they had to move right into homes abandoned by the Greeks who fled the country without having been able, in most cases, to take their property along.

The settlement of refugees in Greece gave a strong impetus to economic growth, as the refugees worked hard to build a new life in their mother country. All sectors of the Greek economy benefited by the influx of such active and intelligent people who had to start from scratch. The effects were particularly felt in agriculture. The newcomers' skill and experience of land cultivation, coupled by the assistance given to the state in the form of equipment, housing and professional advice, pushed agricultural production to new heights. Irrigation projects carried out on a scale unknown in the Balkans until that time, are also credited with improving production.

b.

Conditions were much better in the provinces which were incorporated in 1918 by the Balkan countries as a result of the dissolution of the Austro-Hungarian empire. Agriculture, for one, was by far more advanced. The per acre output was considerably higher in the new provinces than in the regions south of the Danube and east of the Transylvanian Alps. Heavy industry was not much advanced, although the consumer goods industry had reached a rather satisfactory level of production with well-established markets in Central Europe. The quality and the cost of the produced goods compared favourably with those of the "old provinces" of the Balkan states. This fact may explain why in the "old provinces" industrial progress slowed down during the twenties and the thirties.

Railways and highways in the "new provinces" were in a good shape, not only when compared to the "old provinces" but on their own right as well. Save for normal wear and tear resulting from poor maintenance during the war, land communications did not suffer major war damages.

However, one should bear in mind that the railways had been built for the purpose of linking these areas with Vienna or Budapest, not with Belgrade or Bucharest. Naturally such an arrangement did not facilitate communications with the new capitals. On the contrary, it contributed to preserving the economic and spiritual ties of the regions with Austria and Hungary despite the erection of custom barriers and all kinds of devices familiar to administrative protectionism and centralistic tendencies.

Roumania and Yougoslavia proceeded with introducing in their new provinces drastic land reforms aiming at weakening the hold maintained over all sectors of the economy by the previously dominant nationalities. Land released by the reforms was distributed on a large scale to peasants belonging to the majority nationality. While such a distribution helped to strengthen the control of the ruling nationality over the country, it did not necessarily increase the per acre output, neither did it improve greatly the quality of the goods produced. The pattern of "nationalization" of this period has little resemblance to the present day transfer of private ownership to the state. It rather had the meaning of transferring property assets from Austrian or Hungarian to local ownership. However, even this transfer, particularly in industry and banking, proved to be in name only inasmuch as old companies and banks with headquarters in Vienna or in Budapest established local share companies to which they transferred their assets. Most of the seats in the board of directors were occupied by local people who enjoyed the confidence of the Vienna or Budapest main offices. Thus in countries which were following ultra-nationalistic policies, the old—now foreign—firms were capable of retaining control of their property and business. Most of the stock of the new companies was actually held in Vienna or Budapest, thus reducing, in fact, the new companies to no more than the status of branch offices. On the other hand, the continuous increase of custom barriers and foreign exchange control which were imposed in 1931, plus the appearance of new companies which were not dominated by foreign interests did not affect seriously these arrangements, and many foreign controlled enterprises survived the inter-war period.

During this period the new provinces of Roumania and Yougoslavia continued to enjoy good local administration trained in the old Austro-Hungarian tradition. Their ties with Austria, Hungary and especially with the local capitals were as a rule stronger than the ties they maintained with Bucharest or Belgrade, despite the strong centralist policies of the Roumanian and Yougoslav governments. The understanding between "old" and "new" provinces was far from perfect, as evidenced by the political crimes perpetrated in the late twenties even inside the Yougoslav Parliament. As a matter

of fact there were great differences of mentality between the "old" and the "new" provinces. These differences came to the fore in 1940 - 1941 when the two countries faced German attack. It is a fact that a number of nationalities there did not rally around their central governments.

c.

Conditions in Asia Minor were as a rule worse than in the Balkan peninsula. Certain areas were severely tested during the war. The departure of over a million and a half Greeks in 1922 - 1923 followed by the departure of many Europeans—who, although residents of Turkey, had never acquired Ottoman citizenship and were known as "Levantine"—greatly affected the economic life of the inhabitants. The secession of Arab states from the Ottoman Empire and the deep mistrust of foreigners by the Turkish administration were a few additional reasons to which the faltering state of the economy in Asia Minor may be attributed. Also the lack of businessmen and entrepreneurs among Turkish nationals may be regarded as constituting another unfavourable factor for the development of the economy. The Turkish Government faced with the problem of reducing its dependence on foreigners and determined to raise the economic standards of the country, initiated the construction of railroads and encouraged the development of industry. Public works in Asia Minor were undertaken regardless of the cost involved and of the results expected. Although such public works were not very satisfactorily executed, they became instrumental in reducing somehow the great difference that prevailed between economic conditions in the Balkans and those in Asia Minor. Of course, the existing gap could not be bridged inasmuch as economic progress in the Balkans, particularly in Greece continued. The gap was and remains to this day substantial not only in terms of economic activity but also on account of differences in the mentality, the intelligence, the aptitude and the willingness of the people to work.

III.

First hit by the world economic depression of 1929 - 1933 were those of the Balkan countries whose external equilibrium depended on the export of wheat. That included all Balkan countries except Greece and Turkey. As a matter of fact the barter terms of trade of those two countries were favourably affected by the price fall of wheat and of the various raw materials which they had to import. However, their equilibrium broke down, when the price of tobacco dropped. The Greek economy was also affected un-

favourably when the invisible items of the balance of payments were considerably reduced and by the fact that it became impossible to secure foreign loans. The latter were indispensable for the equilibrium of the Greek balance of payments; their proceeds in drachmae were needed in order to finance the big works carried out in Northern Greece at the time without having recourse to loans from the central bank.

In all Balkan countries the world depression led to a curtailment of production. Producers faced with limited demand were not inclined to produce large quantities of goods. Compulsory reduction in the production of agricultural goods could hardly be achieved. The only exception was tobacco whose cultivation was forbidden in certain areas by government decree. Nevertheless, the income of the farmers dropped constantly, even though the government bought their unsold commodities and requested that banks make available loans to be guaranteed by the government. There is no doubt that the farmers received so less in national currency they would have actually received in world markets. On the other hand, the diminution of the income of the farmers, who were the main customers of the goods produced by the home industry, was strongly felt by the latter which began to lay off workers and in some cases to close down.

Diminished demand in the whole economy led to a substantial reduction of investments in fixed capital and in stocks. This caused the multiplier to act in a negative way. Diminution of investment, reduction of employment and limitation of markets for agricultural goods and minerals reduced the purchasing power. Naturally it became constantly more difficult to purchase foreign commodities, although they were offered at low prices. What was even more pressing to the Balkan countries since 1931 was the settlement of their foreign debts when due. The value of both imports and exports fell substantially particularly in cases where the volume was also reduced. The reduction of foreign imports in the Balkans is attributed to the fall of demand, while the reduction of their exports may be explained by the reduced demand among their regular buyers. The loss of foreign markets is due first to the depression and second to the systematic efforts of the former purchasers of Balkan commodities to replace them by home made products or by similar products imported from countries with which they were politically affiliated as in the case of the British Commonwealth.

As of late September 1931, all Balkan countries had introduced strict foreign exchange controls. By 1932, Greece sharply devaluated its currency. The various countries in the area proceeded with suspending payment of foreign debts in a move to maintain, along with other exchange controls, an equilibrium in their balance of payments and to attain as much self-

sufficiency as possible. These plans were hardly put to test when major changes made their appearance in the world economic and political scene.

Following the ascendance of the Nazis to power, Germany launched a major rearmament program financed by credits of the central bank and private capital which until that time was hoarded. Rearmament and deficit spending led to a substantial increase of the purchasing power of the people for both home made and foreign commodities. To purchase foreign goods, Germany needed foreign balances, which she lacked, and satisfactory foreign earnings which were difficult to obtain in the face of worldwide Jewish boycott of German exports. Consequently, Germany began to buy any commodity at any price, provided the foreign supplier would accept payment in German currency which in turn would had to be exclusively used for the purchase of German commodities and services. Under the circumstances the Germans could not expect to cover sufficiently their increased needs without stepping up their purchases of goods produced by the Balkan countries. It should be recalled that the Balkan countries had always maintained strong commercial ties with Germany. At this time they were hard pressed trying to find foreign buyers not only for each year's crop but for stocks accumulated by the individual governments over the past years under their program for subsidizing their agriculture. Naturally they were ready to welcome buyers who would offer more than the world market prices. The Germans could afford to do that, so long as they were assured first, that the proceeds from their purchases in the Balkan countries would be used exclusively for the payment of German exports and second, that they could set the prices in a way not affecting unfavourably their barter terms of trade with the individual Balkan countries. In reality the distribution of the national income of the Balkan countries was modified in favour of those producing goods exported to Germany at the expense of those buying there for consumption or for investment. At the same time the respective treasuries recovered the amounts they had spent in buying commodities which the markets could not absorb.

For Balkan exports the readiness of the Germans to pay more than the current world market prices weakened the position of those who aimed at finding supplementary foreign outlets which increased following the recovery that started in 1933. Such arrangements were not lacking in profits for the Germans, so far as the barter terms of trade were concerned. Gradually they were receiving most favoured nation treatment and occasionally they were even the only buyer of Balkan products. In some cases, but not in reference to Greece and Turkey, the Germans were able to exploit their

commercial privileges to the advantage of their political objectives, as world developments were soon to prove.

Thanks primarily to German rearmament and to German full employment, the Balkans could rid themselves of the depression and of the unhappy consequences of their inability to secure buyers for their staple exports in the early thirties. Gradually the national income showed a rise and capital was invested in all sectors of the economy, particularly in housing and in the sectors producing goods exported to Germany. It was the first time in Balkan history that such investments took place without the participation of foreign capital. However, part of the interest and the redemption funds of foreign capital which could not be transferred abroad was used for this purpose. Investments recovered substantially, but economic progress did not, as a rule, develop proportionately in the absence of a well-defined plan which would have insured a gradual rise in the national income, development or increased self-sufficiency. The Greek ten-year program of public works which was to be carried out during 1937-1947 was, to some extent, an exception to this rule. In fact, even this program lagged behind an allround economic plan because it only called for the implementation of the big irrigation works of Northern Greece which were launched in the years 1928-1931 according to schedule and were continued in 1932-1936 whenever funds were available.

IV.

The effects of hostilities were harder felt on the Balkans during the course of the second than during the first World War. In the first place fighting occurred throughout the Balkan peninsula and all countries except Bulgaria and Turkey suffered heavy damages. Secondly, the second World War presented the Communists with the opportunity of seizing power in Albania, Bulgaria, Roumania and Yougoslavia, a fact which led to radical changes in the economies and economic policies of these four countries. In the special case of Roumania and Yougoslavia, economic integration was substantially affected by the new regimes. The third point which became evident at the end of the war was that reconstruction created much more intricate problems than in the twenties owing to heavy destruction. Greece and the southern districts of Yougoslavia suffered the worst devastation.

War destruction was so extensive, particularly in Greece and in Yougoslavia, that their respective economies could not recover without assistance from abroad. UNRRA and direct United States assistance contributed substantially to their reconstruction. Although Turkey did not receive

UNRRA assistance, she did receive, and continues to this day to receive, substantial United States assistance for the purpose of attaining an equilibrium of her balance of payments. Bulgaria, and to a lesser extent Roumania, did not suffer much from the Second World War. Nevertheless, both countries were faced with serious economic problems, first, on account of war indemnities which had to be paid to the Soviet Union and, second, on account of the unfavorable barter terms of trade they were compelled to accept in their commercial transactions with the U.S.S.R. The living conditions in these countries deteriorated sharply inasmuch as the concentration of the government's interest on the development of heavy industry discouraged the efforts of the farmers and of other workers.

Reconstruction did not aim exclusively at the reestablishment of conditions prevailing in 1939. Economic development was considered as one of the primary objectives. Development plans were influenced by wartime speculation, promises of allied assistance, and last, but not least, by the political conditions prevailing in each country. It should be noted that Bulgaria and Roumania were not promised economic support although the Albanian economy was considerably subsidized by the Soviets. Greece and Turkey remained outside the Iron Curtain despite strenuous but unsuccessful efforts on the part of the Communists to take over Greece. Finally, Yugoslavia, following her feud with the U.S.S.R. in 1948, pursued a middle-of-the-road policy which has not only political, but economic consequences as well.

The objectives of the economic policy of the communist countries are:

- 1) The attainment of self-sufficiency within the Eastern bloc and not within each individual Balkan country. From the economic point of view the communist countries bear resemblance to the single states of the United States rather than to normal sovereign states. As of 1948, Yugoslavia does not fall in this classification since she is eager to develop self-sufficiency. At the present time, Yugoslav economic plans are assisted by credits made available by the United States, the United Kingdom and France. These credits amount to about \$ 100 million a year. Yet, the monetary situation in Yugoslavia and the balance of payments are not in satisfactory shape.

- 2) The fulfillment of industrialization at any price and under any conditions, particularly in the field of heavy industry. Industrialization is considered by the Communists as the most important point in their economic plans. They strive to industrialize their countries even at the risk of decreasing the present per capita income of their population. The people are taught to believe that their lot will be considerably improved in the future, but their hopes are set back by the constant postponement of the date of

the implementation of promises. Improvement can be achieved only if the new industries produce goods of a satisfactory quality and at a low cost. Considering the waste which is characteristic of investments in communist countries, it is a fair estimate that these industries should not be expected to develop in a rational way, and consequently, they cannot be expected to improve the national income of the countries concerned.

Bearing in mind the great emphasis given to the development of heavy industry in the communist countries, one should take note of the fact that agriculture, housing, transportation and light industry have not been satisfactorily developed, thus adversely affecting living standards of the people. Bottlenecks are frequent. They would have been felt even more should the governments concerned not, very often, reduce the purchasing power of the people by various means, such as declaration of certain banknotes as void, freezing of bank deposits and compulsory loans. At the same time "the new class" enjoys the highest standards of living and actually tries to persuade everybody that sacrifices should be borne by all for the purpose of preserving its own individual way of life.

The unfavourable repercussions of industrialization, as pursued by the communist countries of the Balkans, were not evident until the end of the forties, because reconstruction had, in the years 1945 - 1948, substantially increased the possibilities of production. In war-shattered countries, damages may be grouped into two categories. The first category included those which constituted a total loss. Repairing such damages requires heavy investments and considerable time, before they would yield satisfactory results. The second category refers to plants and utilities which suffered partial damages and could be repaired at relatively low cost and within a short time. Repairing small damages allowed the functioning of large complexes which could not function otherwise. The capital coefficient of these investments is very low indeed, as the output of the whole complex which can start functioning only when damages have been repaired in a special sector, is due to these special investments. Damages of the second type were very frequent in the Balkan countries, except in areas where fighting or bombing had been extensive. The communist governments, in an effort to show the effectiveness of their system, were inclined to choose their reconstruction priorities in a way which would guarantee quick results. However, by the end of the forties all these repairs had been completed. Integration of Eastern bloc economies and industrialization got priority.

In the case of Turkey there was no need for reconstruction. Despite heavy military expenditures necessary to stem off the Soviet pressure on

the north-eastern frontiers, Turkey's main drive was toward economic development.

In Greece reconstruction had to wait until the end of the guerrilla war. While in the case of other Balkan countries the end of the forties coincided with the completion of reconstruction, in Greece it only marked the end of hostilities against the insurgent Communists. Reconstruction of railroads and various projects in the countryside were completed by 1951. Actually, 1952, was the first relatively normal year. Reconstruction in Greece was substantially assisted by United States aid which followed the UNRRA program when the latter was terminated in late 1946. More than half of the 1947-1951 aid was used to assist the war effort against the Communists. Spending of United States aid funds took the form of purchases of war material and commodities and of those services which were needed in order to provide for tolerable living conditions for the population. Many people were actually compelled to leave their homes. It was naturally thought that providing for tolerable living standards would prevent dissatisfaction among the population. It was thought at the time that dissatisfaction could most effectively help the communist objectives in forcing Greece to join the communist camp. Actually the Communists had no chance in carrying out these objectives, unless the Greek people had no weapons, or the basic means at their disposal to fight effectively.

V.

In the nearly ten years which followed the end of reconstruction in the Balkans, economic developments followed different paths in the six countries concerned. Greece and Turkey achieved rather satisfactory results without eliminating private initiative and without relying heavily on excessive planning. Yugoslavia did not abandon economic planning. On the other hand, in implementing her economic plans, she tried to exploit private initiative as well, at least up to a certain point. Bulgaria and Roumania applied the prescriptions of integral planning throughout their economies. Albanian developments are practically unknown, except for the fact that Russian subsidies have replaced those of Austria before 1914, of Italy during the inter-war period and of Yugoslavia during the years 1945-1948. It is also known that the Albanian government follows, at least on paper, the communist pattern of economic planning.

Greece and Turkey succeeded in achieving a substantial increase in their national income. Despite the population increase, the per capita income, estimated at firm prices, increased from 1938 to 1959, 55 per cent

in the case of Greece and perhaps 25 per cent in the case of Turkey. Greece's progress is even more remarkable if one bears in mind that it occurred from 1952 to 1959. These results should be credited to private and public investments which reached about 17 per cent of the national income. Public investments were financed until 1955 exclusively by United States aid funds and credits from France, Italy and Western Germany. Since 1956 a growing portion of public funds is derived from the surplus of the budget which in turn lessened the dependence of the Greek economy on foreign loans and aid. This has been a happy development inasmuch as Greece is unable to secure loans from the International Bank for Development and Reconstruction. The Greek government assisted with public investments in the establishment of certain heavy industries which, although considered as unprofitable as private undertakings, were nevertheless viewed by the government as indispensable to economic progress. This has been the case of the oil refinery, which began functioning in 1958. The same thing may be said with respect to two sugar factories and one nitrogen factory. In all these cases the construction and the equipment have been undertaken by a foreign contractor. Upon completion, the factories will be offered by the government to a concessionnaire, who, in the case of the oil refinery, is a foreign firm. Ninety per cent of the refinery's net profits go to the Treasury. The hydro-electric and thermo-electric plants constructed by foreign firms are run by the state-controlled Public Power Corporation. On the other hand, the Greek Shipyards and the Greek Airlines are operated by private companies. A great number of smaller industries and building companies are privately financed by Greeks residing in Greece or living abroad. Thanks to private investments and the intensive exploitation of the agricultural products, Greek agriculture has increased by 50 per cent while Greek industry rose 135 per cent above the 1938 figures.

Developments are less spectacular in Turkey, since investments do not have the benefit of large private capital transfers from abroad as is the case with Greece. The economy is also handicapped to some extent as compared to Greek economy by the small number of available skilled businessmen. Thus investments in Turkey depend on the propensity of the Turks to invest, which should not be overestimated, and mostly on United States loans. According to Western European standards the Turks do not generally get the best out of their investments. This is mostly due to the attitude of the people and even of the authorities, in facing their problems with a sense of fatalism. The per capita income of Turkey is only one third to that of Greece. Since 1953, Greece was able to achieve a virtual equilibrium of her balance of payments, while Turkey only recently did

master this problem as a matter of fact by default. In general, Turkey has shown a rather low rate of development despite the fact that she has avoided the destructions of the Second World War and its consequences which very strongly felt in Greece. Partially this is also attributed to the very low living standards prevailing in Asia Minor except some coastal regions where cultivation of tobacco is intensive.

The efforts of the Turkish government to improve the income of the farmers resulted in difficulties in the balance of payments. The Turkish government paid very high prices to the farmers for their crops but the latter did not use their purchasing power exclusively to buy domestic commodities. The increased demand for foreign commodities led to increased imports, which very often were financed by credits made available to Turkish importers by foreign firms. This way, Turkey fell in debt on short-term foreign credits which amounted to approximately \$ 600 million and led to the necessity of funding operations.

Since 1948 Yugoslavia constitutes a special case on account of her break from the fold of Moscow-directed communist countries. Although her foreign policy changed immediately, her economic policy remained unaltered until 1951. During 1948-1950 Yugoslavia pursued the typical communist line as outlined under section IV. This was evidence that the strained relations with the Soviet Union did not necessarily lead to a change in economic policy. Such policy was gradually carried out independently of Western assistance which certainly compensated for the loss suffered on account of the interruption of the assistance from the Soviet Union. The nationalisation of the farms and industrialization at any price were abandoned. Agriculture, transportation and consumer good industries received new impetus in an effort to correct past omissions by stepping up the production of foodstuffs and consumer goods. The new policy was assisted by the fact that certain major works, built during the first post-war years, began to yield output. Now the Yugoslav government focussed its efforts on bridging the gap which existed between the most and the least developed areas of the country. The ratio of the per capita income between Slovenia and Yugoslav Macedonia is estimated at 3 to 1, while in Greek Macedonia the per capita income is more than double to that prevailing in regions north of the Greek frontier. The per capita income of Northern Greece will certainly show a further substantial increase when the public investments which have been carried out in the less developed regions of the area begin to contribute to the Greek national income.

The per capita income of Yugoslavia amounts to \$ 250 on the basis of the official exchange rate for tourists and 33 per cent more on the basis

of the official rate for capital transfers. However, one should figure the per capita income at half that amount on the basis of the official rate for immigrants' remittances, not to mention the rates offered at the black market. I believe that the official rate for tourists corresponds more closely to reality and helps to make a more accurate comparison. In Yugoslavia, as in all communist countries, the national income includes only the "material product" at market prices. If services are added, the figure for the national income would be higher. On the contrary, if factor cost is considered—as in the case of Greece—instead of market prices, the Yugoslav national income would be considerably lower. This may also serve as an example to guard against drawing conclusions lightly on the basis of official figures on the national income of various countries. Another point in respect to Yugoslavia is that income is fairly evenly distributed among the inhabitants of the various areas of the country, except in the case of individuals belonging to the "new class" whose incomes far exceed the average income.

In Albania, Bulgaria and Roumania the application of integral communist economic policies has continued. Particularly in Bulgaria, nearly 80 percent of the farms have been nationalized. Public investments are chiefly channeled to heavy industry and difficulties are neutralized to a certain degree, by measures analysed under section IV. It seems that the low living standard of the majority of the population do not constitute a source of trouble for the respective governments. There are no figures available indicating the evolution of the national or the per capita income in those countries. A bare comparison between the present estimates, particularly the rate of imports, and the 1938 figures leads to the assumption that the per capita income is lower today than in 1938. The manipulation of the exchange rates by the Soviets in their trade with Roumania and Bulgaria is considered as one of the reasons for the present decline. Figures compiled and published since 1953 by the Economic Commission for Europe show a noteworthy improvement in many sectors of the economy. However, this improvement is very small, if present data are compared to 1938 data, or if they are examined in the light of achievements in Greece from 1938 to 1958, or even 1959 on the basis of incomplete data. The comparison with Greece is particularly striking since no other Balkan country suffered the hardships and destruction that Greece did during the second World War. Frequent earthquake disasters during 1945-1956 wrought additional devastation on the Greek economy and created additional problems for reconstruction. Funds which would have been allocated to the development of the country and the improvement of the living standards of the population were spent for rebuilding the quake-stricken areas.

On the basis of the discussion of Balkan economic developments, it is the contention of this writer that it does not appear to be worthwhile to impose expensive plans of industrialization on the people as long as they bring no fruits to the living generation, especially so since given the rate of technological progress, it is uncertain whether they might actually benefit future generations as well. The Soviet experience is very instructive in this respect. More than 30 years have elapsed since the first five-year plan was put into effect, and the outcome on Soviet economic policy is, according to certain estimates, less satisfactory than it would have been should the Soviet Union had followed the rate of economic progress in 1890-1913. On the other hand, the Greek experience of the fifties proves how much could be achieved without imposing a strain on the living conditions of the people, without depriving them of their freedom and without worsening the prospects of the coming generation in peace time.

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