

THE ECONOMIC AND SOCIAL EFFECTS OF THE ALBANIAN WAR (1940-1941) ON GREECE AND THE PROBLEM OF WAR FINANCING

By

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Abstract

The research on economic relations during the Albanian war has not proceeded systematically. This paper examines the economic activities during this period. At first, we mention certain principles and directions of a war economy. In continuation, we analyze the influence of the Albanian war on the Greek economy, specifically on agriculture and industry, and the economic and social consequences of the practice which the August 4th regime followed in order to finance the war expenses. Finally, the efforts of the Regime to reduce social inequalities is evaluated. This study demonstrates the impact of the economic developments of a certain period on the social evolution during the following period and the interplay between economic concurrence, economic theory and practice (Jel N14, N44).

Introduction

War economics or the political economy of the war developed particularly during the mid-war period in the two principal rival countries in the First World War, Germany and France. Keynes's contribution was later quite significant. In Pigous classic book "The Political Economy of War" the writer's main purpose was to describe the nature and anatomy of war economies and investigate into the way that economic institutions, which developed in a non-war economy managed to respond to the demands of a war economy. The break-out of the Second World War rekindled the interest in war economics. Later, within the framework of war economics, a new direction developed that of the relation of war and economic

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** The term "Albanian War" is referring to Greek-Italian War 1940-1941.

***With term "The August 4th regime" we are referring to the Metaxas' dictatorship which abolished the democratic regime on 4th August of 1936.

development². In the Greek case the relevant bibliography is limited. A basic contribution was made by A. Andreades³ where an effort was made to appreciate the economic and social effects of the First World War on the Greek economy; other contributions were made by D. Delivanis and W. Cleveland in which within the framework of a broader study regarding the monetary development in Greece during 1939-46 there was also an investigation into the economic effects of war and the German occupation during 1940-44.

The above work investigated not only the economic but also the social effects and later tried to evaluate the solution offered by the August 4 regime to the problem of financing war as well as the effort for restoration of Social Justice under conditions of a war economy; it also tried to show the economic and social restructuring brought about by the war which led to new social alliances and leading economic parties.

1. Principles and directions of a war economy

A war economy as well as an occupied economy have clearly defined procedures and traits, distinct from those of the economy of a period of peace. This does not mean, however, that under a regime of a war economy, we have to solve different economic problems in comparison with the economy of a period of peace. The economic problems of the war constitute merely an altered form of what exists during a period of peace .

In a war economy, the economic means are either channeled indirectly or are bound necessarily to satisfying major military needs. The consequence of this is that state intervention in the realm of economic activity is expanded and the balance between overall demand and overall supply is disturbed. A further consequence of this is the manifold social and economic changes and in particular the rearrangement of property and wealth.

From the description it becomes obvious that in war conditions, the first problem is that of production, in other words, the mobilization of all productive forces and their reallocation in productive branches in accordance with the new conditions which war forms. The expansion and distribution of productive activities continues under new organisational frameworks and is based, to a large degree, on new economic factors. Usually, these new sources are restricted to the production of military supplies, to metal industries and to agriculture. The requisition of productive means and the restriction

of work constitute crucial aspects of the above mentioned problem. Related to this is the issue of import-export, since, under the regime of a war economy, imports and exports are drastically reduced.

The coverage of the cost of new needs constitutes the second major problem of a war economy, a problem which is directly connected to the fiscal, monetary and transactory mechanisms. Under war conditions, the increase of state expenditure is greater than the increase of state revenue, which usually sets the issuing machine in motion. The result of this is the development of a war inflation, a decrease in the internal value of the currency with a further reduction of its external value.

The third problem concerns the restoration of social justice which has been upset, primarily as a result of the side effects of the two previously mentioned problems. It concerns a crucial problem. Priority is given to the training and readiness of soldiers but the effectiveness and the moral of the latter is definitely connected with the material support of the state to the non-combatant population.

The network of economic activities under the regime of a war economy refers each time to a particular framework which specifies the width and breadth of the problems of production, cost and social consequences. The component elements of that framework are primarily the political system, the economic and social structures, the time duration and the degree of war endeavors, the international politico-economic position of the country as well as the degree and time of national incorporation.

Thus, an autocratic and fascist political regime is not usually that which can, for example, guarantee effectiveness during the stage of expansion and reallocation of the productive activities. A high level of industrial organisation renders the movement of productive factors easier and allows for easier state intervention. It is also obvious that the more limited the time span of the on-going war, with the military endeavors characterized by small territorial expansion, the more the expansion and reallocation of the productive activities is limited, and the general cost to the economy and to society becomes smaller. In addition, the powerful international politico-economic position of the country may positively influence the form and the outcome of the on-going war. Finally, powerful national cohesion and the recentness of national integration constitute positive factors for small countries which are entangled in war, as was the case of Greece in 1940.

2. The influences of the war on the economy

It is difficult to distinguish with accuracy the result of the war upon production during the specific time period (October 1940 - March 1941).

Firstly, let us look at agriculture. Its yield from 1940 was not, in its totality, satisfactory. Its total production was limited in comparison with 1939. Negative factors were bad meteorological conditions and disorganisation due to conscription and requisition. At this point we must make a note that the situation would have been worse without the effort to reorganise the crops (expansion of the cultivation of wheat and corn, a cut back on tobacco cultivation etc.), during the period immediately prior to the war and agricultural mobilization as soon as the war was declared, even though these efforts did not have the expected results .

The issue is not so much the interpretations given regarding the causes of differentiation of agricultural production as it is the existing estimations concerning the degree of production (final data, which show deviations).

In Table I below we submit analytical comparative data for the agricultural production of Greece for the years 1939 and 1940.

As it can be seen from the Table, with the data from ETE a more optimistic picture emerges. The total volume of production appears decreased by 4.8% in 1940 in comparison to 1939. Based on the data given by A. Bakalbassis the total volume of production for the same period appears decreased by 20%. In accordance, always, with the data of A. Bakalbassis, the greatest decrease in the volume of production occurs in olive oil, by 27.7%, followed by wheat and corn by 26.5%. Despite the fact that Bakalbassis's evidence cannot be judged as quite reliable, although according to the data presented by the National Bank of Greece some funds are of a quite temporary nature, we can say that there is a slight reduction in the production of wheat.

A decrease of the production of wheat by 1/10 or more during the period of 1939-40, certainly seems greater in light of the fact that the expanse which was shown in 1940 was 10% greater than that of 1939. This does not show on its own the degree of self-sufficiency in corn and wheat which developed due to the war. It must be added that in 1939 from the domestic production, the needs for wheat were covered by 70% and in 1940 by 77% and that due to the impediments of international transportation during the examined period, a significantly smaller quantity of wheat and corn was imported, in comparison to internal consumption . However, in

TABLE I
Volume of agricultural production of Greece 1939-1940

	Source (ETE)		Variation	Source A. Bakalbassis		Variation
	Year		%	Year		%
CULTIVATIONS	1939	1940	%	1939	1940	%
Wheat and Corn	9210000	906000	-1.6	1042640	766100	-26.5
Wine	-	-	-	221198	164540	-25.6
Wheat and Barley	-	-	-	61087	43520	-28.8
Oats	-	-	-	150941	130630	-13.5
Maize	-	-	-	261537	203700	-22.1
Rye	-	-	-	62404	41800	-33.0
Other Grains	670000	694000	+3.5	757167	584190	-22.0
Legumes	-	-	-	119973	69800	-41.8
Tobacco	56800	49000	-13.7	54936	51500	-6.3
Cotton	48000	51000	+6.2	48000	52000	+8.3
Potatoes	-	-	-	162000	196000	+20.9
Current (Corinthian)	240000	260000	+8.3	130200	134000	+3.2
Sultanina	41000	24000	-41.4	36569	27886	-23.7
Grapes	427641	340000	-20.5	385000	323000	-16.1
Olive Oil	140000	103000	-26.4	148000	107850	-27.7

Source: Processed data from A. Bakalbassis's book: "The Economy of Greece..." and from ETE (National Bank of Greece) annual reports.

no case was the decreased total production of wheat and corn channeled into the market through legal routes. The system of state concentration through KEPES (Central Committee for the Protection of Domestic Wheat and Corn Production) and the ATE (Agricultural Bank of Greece) appeared to fail to a large degree, as it is mentioned in an internal ETE report. In accordance with ETE, the causes of such a failure were: the low prices of concentration (which fell short as much as 50% of those of the free market) and the poor quality of wheat and corn . To these factors, of course, we must add the bad organisation of KEPES as well as the fact that the farmers of regions where single cultivations were applied, did not have faith in the system of state concentration of other agricultural products. This was especially the case after the compulsory laws of the August 4 regime, on the basis of which trading of wheat and corn was absolutely forbidden and it was assigned to KEPES to purchase every offered quantity . Furthermore, under these conditions, the barter of oil-wheat was developed among the wheat producing regions as well as between them, as it can be seen from the conclusions of our local survey for the areas of Western Greece and the

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Ionian Islands ' To the degree that the barter extended with time, slowly the outline of the black market surfaced, along-side the state one . For the year 1940 we do not have reported data as far as the degree of failure in the system of state concentration. However, on the basis of Bakalbassis data for the years 1941 and 1942, with the precaution referred to above the quantities concentrated under other conditions, of course, came to 4% and 14% of production respectively .

If we extend our analysis to the case of olive oil, we observe that, even though its production in 1940 was significantly reduced in comparison with 1939, the exports during the same period were increased and came to 30354 tons compared to 28942 in 1939¹⁵.

These exports primarily concerned the first five month period of 1940, since in May 1940 the regime placed obstacles on the export of oil. In this way, in the six month period of the Albanian war, there were great undisposed quantities internally, which, however, did not lead naturally to a drop in the price of oil as the difficulties in transportation and the concealments started to develop local markets, which opened the road to the black-market of the product. During 1941 agricultural production suffered one more shock from the continuing war. According to the report of the governor of the National Bank of Greece I. Pesmatzoglou, concerning the years 1941 to 1945 the production of wheat fell from 906000 tons in 1940 to 566000

tons in 1941; the production of tobacco fell from 54455 to 10066 tons, that of olive-oil from 103000 to 90000 tons . Bakalbassis makes similar estimations: according to him the production of wheat fell to 566000 tons in 1941, the

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production of tobacco fell to 12000 tons and that of olive-oil to 98600 . The fall in the production of tobacco is due to the increase of the restricted areas that cultivated tobacco, a fact that resulted from the country being excluded from foreign markets due to the continuing war. The needs for internal consumption of wheat were, according to I. Pesmatzoglou's report, estimated to 1200000 tons before the war . So even during the first year of the war and as the production of wheat could cover the needs of the country by 50%, we can see the beginning of the food problem which would develop in the following years.

Regarding manufacture, we observe that the influence of the war on industrial production was more distinct and direct in relation to agriculture. The lack of raw materials and the closing of the borders resulted in the restriction of productivity of many industries. The paper, leather, metal and some mechanical industries fell into a recession, whereas there was more movement in food products and textiles. A characteristic of these developments, was that according to the formal data of the regime from October 1939 till February 1940, 135000 people were dismissed from their jobs¹ , which intensified the friction among urban workers and the workers from

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the provinces newly arrived to the cities . The Albanian war, however, would cause a new flow of urban dwellers to the provinces, either to protect themselves from the bombings or to secure the necessities for their survival. Whereas the first flow led to the strengthening of the worker and the vocational trade unions, the second flow tended towards speculation. Finally, both form new collective behaviours, greatly egoistical, which would propel the great social and economic deviations of the period 1941-44 .

As Table II shows there are three kinds of enterprises. The first comprises those enterprises whose production was much higher than that of 1939; the second includes those that had an active production of 80% to 100% compared to the production of the previous year; and the third includes enterprises that fell into a recession. The above sample deals with the reconstruction of industrial activity related to the war, the lack of fuel and raw materials, the policy of industrial stock and the price policy. It will have to be pointed out here that the most active kinds of textile industries and food industries are slightly lower in levels of production than those in 1939. These kinds of industries were related to the rising problem of food

requirement as well as the requirement of the Public Sector. Moreover, the relative activation of these two branches was obviously related to a policy of protection as well as to the favourable conjunctures, that of the disposal of domestic raw materials. Besides the protective measures for the two branches, special provision was taken for the iron and steel industry as well as the war industry, whereas the problem of the sufficiency of raw materials and their distribution among the various industries was assigned to the ²² Committee of the industry for raw materials .

It is not surprising that in 1938 out of 152 new industries established 104 were foodstuff industries, 15 were textile industries, 7 were chemical industries and the rest were various others. In 1939, however, out of the 131 new industries 88 were foodstuff industries, 10 were textile industries, 8 were chemical, 7 mechanical and the rest were various others . At the same time, however, hundreds of other enterprises in other sectors of the economy closed down. Table II also shows that some of the mechanical industries directly related to the war moved more actively than other mechanical ones whose relation to the needs of the war was rather indirect. It should also be stressed here that the report of the National Bank of Greece for 1940 makes no mention of statistical data concerning the production of industrial enterprises during the period 1939-40, but accepts that the reduction of industrial activity was significant .

Industry was hit with the onset of the Albanian war, not only by the lack of raw materials, but also by the lack of trained staff, while problems arose in transportation. In this way, on 29 October 1940 pensioners were called to cover positions in factories and businesses, positions such as bakery workers, mill workers, stokers, machinists, coppersmiths, fitters, foundry workers, sewerage system workers and carpenters ²⁵.

In the period of neutrality, as well as during the Albanian war, the assignment of state order to middle or individual businesses for articles of clothing and footwear would develop, sooner or later, a new prospectus class with inflated purchasing power. This power, not controlled by state mechanisms, would be channeled later to underground-economic business. During this period (the period of neutrality and the Albanian war), the prosecutions for speculation and the transference of real estate were prominent in the daily and weekly press.

TABLE II
Volume of Industrial Production of Greece 1939-40

Industrial Production of Greece 1939-1940 (per ton)	Production Year		The production of the year 1940 in % over the year 1939.	
	1939	1940		
INDUSTRIES				
Metallurgical Industries				
Lead and its Products	3403	2433	71.5	
Mechanical				
Wire-Nails-Needles	11000	8600	66.6	
Electrical Accumulator	8600	9000		104.5
Industries for Building Products				
Cement etc.	342930	190325	55.5	
Textile Industries				
Cotton Mills				
Yarn Industry	16200	1400	86.4	
Silk Industry	200	160	80.0	
Wool Industry	6941000	6300000	90.7	
Carpet Manufacturing	70000	20000	28.5	
Industry for Processing Thread	4500000	5900000		131.0
Industries for Food Goods				
Pastes	21640	33000		152.5

TABLE II (cont'd)

Canned Vegetables	5150	4650	90.3	
Sugared Starches	115000	13900	92.7	
Alcohol	17032110	13168790	77.3	
Chemical Industries				
Chemical Fertilizers	124000	65000	52.4	
Inorganic Agricultural Products	73600	38900	52.7	
Glassware Products	-	-		
Flasks-Bottles	3368	4140		122.5
Tableware	1670	1095	65.6	
Glass Pines	1443500	431300	29.9	
Other Chemical Industries				
Organic Paints	397	308	77.6	
Pharmaceutical Products	800	800	100.0	
Resin Products				
Colophony	18200	16000	91.2	
Turpentine-oil	5200	4750	91.3	
Olive pit oil	8265	11000		123.2

TABLE II (cont'd)

Soap	23550	23420	99.4	
Caoutchouc Products	2100	1600	76.2	
Explosive Materials-Bullets				
Tanning	7270	3500	48.1	
Paper Manufactory				
Paper-Cardboard	24370	17925	73.5	
Tobacco Industry	5885	6238		106.0

Source: Processed data from A. Bakalbassis's book: "The Economy...."

3. The financing of the war and related problems

By-passing secondary aspects of the problem of production under conditions of a war economy, we will closely examine certain aspects of the problem of financing the war.

This problem was one of the most discussed during the period of the mid-war, especially from 1935 and thereafter, in all the European countries. On the one hand, there was the negative influence of the First World War and on the other hand there was the imminence of a new war. The predominant solution to financing the war expenses during the previous war, that is, resorting unwisely to inflation, was defeated and measures were proposed based on a combination of the three primary economic policies, that of taxation, loaning and an increase in monetary circulation.

In our case, before we evaluate the results of policies which were adopted in practice, it is especially worth noting the views which were expressed by Greek economists.

Shortly before the Albanian war, professor A. Angelopoulos, in the "Review of the Social and Public Finance", examines systematically the problem of financing war expenses . According to Angelopoulos, the most correct formula is a combination of taxation and loans, whereas inflation, as a means of financing the war, should be excluded from the beginning. He also takes a negative stand towards Keynes's method of compulsory saving. The increase of monetary circulation is deemed a necessary evil when other taxes are insufficient, thus, the writer underlines the need that, when the wise use of inflation becomes inevitable, especially during the onset of a war, measures should be taken -control prices and fixing prices- for the mitigation of unequal social results caused by inflation .

A similar view is expressed in the same issue by X. Zolotas in his article "Problems of Labour and Capital" in which he argues against the increase of monetary circulation as a basic means of financing the war expenses, and rejects Keynes's method as unrealistic. Despite all this, he stresses his opposition to the system of controlling and fixing prices to combat the economic and social consequences of the war-time inflation, allowing the mechanisms of the market to function freely. The same viewpoint is expressed concerning other crucial problems of the war economy, such as the labourers' problem etc., to such a point that the author's differentiation from A. Angelopoulos is obvious.

During the same period a peculiar view is expressed by A. Kokkalis who sees the solution of the problem primarily in the economy relying on its own powers and especially in the overexploitation of labour within the

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national framework . In addition, I. Zigdis, in his article in the 1940 issue of the "Archives of Economic and Social Sciences" rejects the method of inflation as a policy of real toxicomania , and adopts a kind of internal

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compulsory loaning based on Keynes's known positions .

Finally, the expenses of the Albanian war were met in great part by means of the increase of monetary circulation which became possible due to the issuing machine of the State; the difference being that the issuing of bank cheques was done against English credit. The government sold the exchange from previous credits to the Bank of Greece and acquired the necessary drachmas for irregular war expenses.

At this point mention should be made to the effects of war on certain critical macroeconomic aggregates and economic indices. War expenditure during both the period of neutrality and the period of war contributed to the further increase of the public debt. The Tables given by Dertilis in his article "About the Public Debt of Greece" show that the public debt increased by 18% during 1937 to 1941, the internal public debt increased by 35%, while the external one by 19% . The increases will look larger if we include the 35 million gold pounds granted to Greece by England to cover the war expenses. Regular public revenue was less during the months

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of war and public expenses were covered by additional taxation and state loaning. Here we should co-estimate the extra taxation through collection. Obviously reduced income led to the reduction of public revenue, a fact that contributed to the further increase of the public debt which was worsened by the devaluation of both the internal and external value of the drachma. Therefore, the average index cost of the gold pound increased in 1940 in relation to that of 1939 by 12,75%, when at the same time the cost of living index moved upwards .

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During the Albanian war, monetary circulation increased by 71% . The increase of circulation was rapid at the beginning and at the end of the war developed naturally. The first month saw much general mobilization with great expenses at the onset of the war, whereas the last month saw the decrease of the reserves, the diminishing yield of taxation and increased prices.

The issue is an excessive increase of monetary circulation in relation to the previous period, and it would have been even more serious if greater obstacles in transportation did not arise. Xenophon Zolotas, in his article written immediately after the Albanian war in "A review of Social and Public Finance" in 1941 will note that the way the war was financed, with the issuing of bank cheques against English credit, was a mistake. The state, faced with the danger of inflation, should have covered its irregular expenses primarily with added taxation and short term loans. Extending his thinking, the author supports the idea that even when relative inflation has taken effect, as in the case of Greece, it is wise not to let it continue but to impose taxes and contract loans to absorb this purchasing power and to avert any further development of inflation . We must note here that this point of view of resorting to taxation as well as to domestic loans, with the wise use of English credit, has been adopted by a large group of economists and university professors, as can be seen by the memorandum of the committee which was submitted on January 4th, 1941 to the Prime Minister of the country, I. Metaxas. The basic concern of this committee was to avoid inflation and avert its destructive results for the economy and society. The writers of the memorandum ascertain that inflation can also occur in the event of unmeasured issuing of totally covered bank notes and the unmeasured circulation of pure gold. They doubt that the system of fixing prices and control can maintain prices at low levels .

The university members of the committee met again, and on April 4th submitted to the then Prime Minister Alexander Korizis a new memorandum and before the ever increasing rate of inflation requested that the government cease dealing with the problem of covering the war expenses in a one-sided way .

This proposal, no doubt, was completely contrary to what was applied and it was supported before the war by D. Delivanis in his work "The influence of war on economic life", who supports the system of control and quotas .

Evaluating a posteriori the solution which was adopted by the August 4 regime concerning the financing of the war expenses, we can observe the following: Firstly, given the fact that preparation for the war was incomplete and wasteful and given the standards of the Greek economy, the solution chosen in advance as a decision of the moment, may have been, for the beginning of the war, a solution of necessary evil . Secondly,

the brevity of the war (6 months) harboured the weakness of the specific practice of using exchange for purchases in the zone of sterling. This practice was supported later on by D. Delivanis in his book "The drachma from February 1939 till the monetary regulation of June 25th, 1940⁴²".

The general argument of D. Delivanis, as arises from the study of his previously mentioned work was, firstly, that the Albanian war did not so negatively- influence the gap between total supply and total demand, and furthermore, that the increase of monetary circulation was not so excessive, nor could it be held exclusively responsible for inflation at the time, which was also due to other reasons (increase of freight, prices of imported goods, etc.). D. Delivanis further argues that inflation, during the whole period of the Albanian war, did not fluctuate to exceptionally high levels, in comparison, of course, with the period of occupation. However, it was a significant percentage in comparison with the six month period immediately preceding, whereby the increase came to 7%. Specifically, during the six month period of the Albanian war, the cost of living in Athens increased by 14% . D. Delivanis rejects Zolotas's previous criticism of the exclusive coverage of the war expenses by English credit . In Delivanis's opinion, the proposal to resort to taxation or at least to domestic loans was theoretically correct, but this did not suffice to support its application, in the specific time period, the necessary prerequisites for the application of such a policy were absent . Finally, the writer believes that in no case should we resign from English credit for fear of inflation and resort to domestic loans or to an increase of taxation, even if their success was secured .

The consequences of inflation held a significant position in the conversation among economists concerning the most appropriate method to finance war expenses. Certain people rejected in advance the method of increasing the monetary circulation proposing at the same time the application of control systems to reduce the consequences of inflation.

However, from the minute that the August 4 regime decided upon the method of increasing the monetary circulation, the dispute was displaced as to how the consequences of the war inflation would be reduced to a minimum. The criticism against the August 4 regime for the enforcement of control systems and quotas was based on the need to find the best solution to the problem of readjusting the economy with the free functioning of the market. A system of taxation and domestic loans set into effect a posteriori would limit the inflationary purchasing power.

We should, however, note that without the control system and fixation of prices, the August 4th regime would cause great income displacements at the expense of the broader working classes, whose contribution was necessary both for the national war effort as well as for the cohesion of the regime without there being any guarantee that the a posteriori reparative mechanisms would be effective.

However, the application of the control system and fixation of prices under the existing socio-economic conditions set off new problems in the development of a vicious cycle of concealment, profiteering, and the increase of production in secondary sectors. An attempt was made to combat concealments, concerning chiefly the needs of war, with state concentrations, and the latter to be promoted with incentives or prim in the prices, in this way developing the prerequisites for small groups of producers to apply themselves to informal-economic activities. On the other hand, an attempt was made to combat profiteering by penal prosecution or by fines which usually concerned minor cases, with the result being that individuals, with greater economic surface promptly advantage of the instability which prevailed in the real estate market. It is obvious that at this point, the birth of all those informal-economic mechanisms was set on course. These mechanisms would be active as soon as the front collapsed.

4. The restoration of social justice and the August 4th regime

The restoration of social justice was a difficult problem which had to be dealt with under conditions of a war economy. Whereas war causes serious social injustices which, to a certain degree, have to be reduced, at the same time tendencies prevail which downgrade social politics. As a lot of researchers under score, at the very moment when a withdrawal of social purposefulness concerning protective measures was noted, prior to serving national-war needs, and when the national and economic criteria prevailed over the social, then a strengthening of solidarity was necessary both between the military and the civilian population of the country, as well as between the sectors of production .

During the period of neutrality, but also specifically during the period of the Albanian war, the August 4 regime had to face a series of social problems among which the following stand out:

- a) The problem of unemployment, especially during the initial period.

- b) The securing of allowances and benefits to the unprotected families of those mobilized.
- c) Assistance in the form of income given to low income classes who were hit by inflation, and
- d) The enforcement of steady low prices on food supplies.

Unemployment, especially during the period of neutrality, took on dramatic dimensions in certain branches such as the tobacco industry.

There was an attempt to face the problem of unemployment by imposing two basic measures: the first (A.N. 2009, 2/10/1939) referred to the system of work in rotation in enterprises which were unable to use all their working force; the second referred to the establishment of an organisation under the title "Labour Organisation for the Removal and Protection of the Unemployed", the purpose of which was to provide information about new positions of labour and cover the removal expenses of the unemployed towards areas where new positions of work appeared. Later, during the war, the prohibition of the dismissal of employee became a Law.

The measure of the system of work in rotation did not prove an effective solution to the problem. It was merely an ad hoc confrontation and at the same time it caused difficulties of managerial nature between employers and employees. The second measure was meant to fill in a gap, to make the removal of employees easier, but it was of a secondary importance. The measure of the prohibition of the dismissal of employees which was adopted later had a limited effect since it was in fact covered by the first measure, that of work in rotation. A policy of an overall movement of productive resources during neutrality but also during war was necessary for reducing the problem of unemployment, presupposed a consistent policy of reserve resources and the existence of a healthy state of administration.

So, the protective measures for the unemployed did not appear to have the anticipated results. We should, at this point, also note the weakness workers' trade union to intervene during this period to address workers' problems. The trade union had turned into an appendage of state policy as the former was especially used by the Ministry of Labour. These conclusions are also confirmed through study of the records of the administration of ESEE (National Confederation of Workers of Greece) during the period 1936-1944⁴⁹.

The declaration of war minimized and to some degree displaced the problem without solving it. During the Albanian war, the system of work in rotation in the private sector (Law 2000) continued to be applied to some extent, as appears from the study of relative archives .

Allowances and benefits to the families of those mobilized became a law together with the economic measures taken by the Ministry of Finance in November 1940 . According to these measures the pensions of the families of soldiers and officers were increased. The total amount of the above allowances amounted to 1,2 million drachmas, thus covering 50% of the expenditure of the Organisations of Social Security . Simultaneously, a number of tax exemptions were adopted for the families of those mobilized. However, these measures were not carried out consistently. Furthermore, we can see that the revenue of the Organisation of Social Security increased in 1940 by 18% when the corresponding expenditure increased by 14% .

So, allowances and benefits to unprotected families of those conscripted did not appear to solve the problems. A partial solution in the previously mentioned direction was the increase, on a small scale, of salaried workers in the state sector. This practice was particularly adopted during the period of the German occupation (1941-1944) with the result being the emergence the following day of the so-called public-employee problem. This problem, on the one hand, constituted the freezing of wages during the period of intense inflation and on the other hand the excessiveness of the public servant classes, the result being that the public administration acted as a brake on every effort to cleanse the economic system . It is known that during those periods the foundations were set for the current privileged treatment of certain public servant classes.

The help given to the low income classes afflicted by inflation in the form of a subsidy constituted a greater proclaimed target. It is obvious that such a policy could be attempted through counterbalancing. The added taxes which were imposed do not move towards the previous direction. Later on the government of National Unity formed two new tax bills, a tax on the wealthy and a tax on those who benefited from inflation. These bills turned against every natural or legal person, native or foreign nationality who gained wealth or benefited from the monetary inflation during the period from 28th October 1940 until 15th November 1944. These bills never became national laws since the political crisis of 29 November 1944 intervened.

Later, with modifications, Law 182 of March 12th 1945 was voted by the Government of Plastira⁵⁵.

The enforcement of steady and low prices on food goods was assigned to the Undersecretary of the Market Inspection Service beginning with the period of neutrality. These politics were connected with the politics of securing adequate reserves in basic food goods. Formal services limited themselves primarily to assuring the existence of necessary reserves, but the concealments attested to the contrary. Imposing lower prices and fixing prices led to the reduction of prices which inevitably led to a decrease in supply. The result was a rationing system, owed to the market police regulations imposed by the Government. Although in August 1940 the papers supporting the Government referred to the effectiveness of market police regulations, a few months later, in March 1941, they talked of the system of rationing.

It is made clear from the previous analysis that some of those measures were based on certain healthy principles, while others were superficial and ineffective and within the given economic and political conditions they became even more so.

5. Conclusions

From the previous analysis we can conclude the following: During the Albanian war the cost and the effects of the war on the economy could not be ignored. However, the differences in the rate of change of the economic indices were not so important as the effects the war had on the structure of economy and society. Ever since the period of neutrality, but even during the Albanian war, there had been a restructuring of both the economy and the society as becomes apparent from the conversion of Industry towards enterprises that tried to cover the needs of war. At that time the August 4 regime was unable to accomplish the work of social rehabilitation due to both subjective and objective reasons. This failure reinforced informal economic activities.

Within the above mentioned framework the economic developments during the period of the German occupation (1941-44) cannot be examined if we exclude their relation to the results of war on economy and society.

Notes

1. See Reference 8.
2. See Reference 12.
3. See Reference 1.
4. See Reference 2.
5. See pages 103-121, Ioannou G. Zigdis-Papaioannou "War and Economy", Economic and Social Sciences Archives. Volume 20 (1940), Issue B.
6. For the influences on agriculture see pages 29-63 A. G. Bakalbassis "The Greek Economy and the organised private initiative during the period of occupation 1941-1944". Athens 1944 and the Annual Report of ETE for the year 1940, page XXVIII-XXXVI.
7. See page 72, E. Savopoulou "About Policy Economic self-sufficiency generally and specifically in Greece", Athens 1942.
8. See page 5 "Greek and International Economy during the first year of conflict from the 1940 Report of the Bank of Greece", "Ploutos" issue 13/31/3/1941.
9. See the same as note 8.
10. See page 38, ETE "Monthly Economic Review", September 1940.
11. See "The call for the increase of production", "Ploutos", Athens, issue 41/7/10/1940.
12. See Th. Kalafatis "The development of the barter in Western Mainland and the Ionian Islands 1940-1944". A study in the process of being published.
It should be noted that timidously from this period but also more overt during the period 1941-1944 salt is being used as one of the general equivalent of money, in the goods market as well as in the work market. See Series Salt-mines Lefkada 1938-1988, G.A.K. (General Archives of State), Lefkada.
13. For a more general study of the phenomenon see St. Thomadakis "Black market inflation and violence in the economy of occupied Greece" in "Greece in the decade 1940-1950". Themelio Publishers, Athens 1984.
14. See the same as A part note 6.
15. See the same as B part note 6.
16. See pages 21-22 "Reports for the Years 1941-1945 of the Governor of the National Bank of Greece", G.I. Pasmazoglou, N.B.E., Athens, 1946.
17. See page 31 A.G. Bakalbassis "The Greek Economy...".
18. See the same as note 16 page 21.
19. See page 1 "The confrontation of the war crisis and the cooperation of capital and work", "Ploutos", Athens, issue 19/6/5/1940.
20. See the same as note 19.

21. See also N. Katiforis: "When we were digging the sky". Themelio Publishers, Athens 1964 and Alberto Moravia: "The country woman", Odysseus Publishers, Athens 1981.
22. See Report ETE for the year 1940 page XXXVI Report ETE 1940.
23. See page 3 "Chamber of Commerce and Industry Bulletin", 3-4/1940, Athens.
24. See the same as note 15.
25. See Newspaper Kathimerini, Athens 29, October 1940.
26. See page 31-71, A. Angelopoulos "Problems of Financing the War", Review of Social and Public Finance, Vol. 9, issue A, 1940.
27. See the same as in note 26, page 49.
28. See page 3-30, "Review of Social and Public Finance", Volume 9, issue A, 1940.
29. See A. V. Kokkalis From an economic point of view confrontation of the war. "Review of Social and Public Finance", Volume 9, issue B, 1940, page 195-216.
30. See the same as note 5.
31. See Reference 5.
32. See pages 14-16 P. Dertilis "About the Public Debt of Greece", Economic and Social Sciences, Volume 20 (1940), Issue A.
33. See page 37 D. Delivanis "The Drachma from February 1939 until the Monetary Regulation on 25th January 1946". Athens, 1946.
34. See the same as note 22, appendix.
35. See page 48 and 148 D. Delivanis "The drachma...".
36. See Xenophon Zolotas "Inflation and price control, Social and Public Finance", issue A, 1941, pages 3-7.
37. See the same as note 36.
38. See "Thoughts on the general direction of war economic politics", Series XXXII Occupation Re-establishment File 19-21 document 2, IAETE (Historical Archives of the National Bank of Greece).
39. See Series XXXII Occupation Re-establishment file 19-21, document 3, IAETE.
40. See D. Delivanis "The influence of war on economic life", Athens 1941, for a more total support of the economic policy of the August 4th regime from the same person, see D. Delivanis "The economic problems of fighting Greece", 1-3 March 1941, Magazine "The New State" page 188-195. For the development of the basic economic aggregates in the same period see: R. Highow and T. Veremis (ed) "Aspects of Greece 1936-50. The Metaxas dictatorship", Eliamep, Athens 1993.
41. K. Varvaressos "Study of the Governor of the Bank of Greece on behalf of the general committee for balancing for the year 1940". See also Industrial Review, issue 2, February 1941.

42. See D. Delivanis "The drachma...", page 50.
43. The same as note 42.
44. The same as note 42, page 50.
45. The same as note 42, page 50-51.
46. The same as note 42.
47. See S. Agapitidis "The influence of the war on Social Policy". *Social and Public Finance*, year 9th, issue A, 1940, page 90-91.
48. See pages 5-6 "Review of Social and Public Finance", vol. 9, 1940, Athens.
49. See ESEE "Minutes of Administration of ESEE 1 Jan. 1940-16 Sept. 1940" and "Minutes of Administration of ESEE 11/10/1940-29/4/1941".
50. The same as note 49.
51. See "Ploutos", Athens, issue 46/11-11-1940.
52. See page 48 L. Dertilis "Saving and Investments", Athens, 1950.
53. See the same as note 52.
54. See also A. D. Damaskinidou "Credit as a way to solve the economic problems of public workers", Thessaloniki 1945.
55. See A. Angelopoulos "The economic problem of Greece", Papazissis publications, Athens 1945.
56. See "Ploutos", Athens, issues 33/12-8-1940 and 12/24-3-1941.

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