

Greek economists and the quest for development

(1944-1967)



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Athens - 2009

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To understand the others: this is the historian's main aim.

It is not easy to have a more difficult task.

It is difficult to have a more interesting one.

Witold Kula, *The Problems and Methods of Economic History*

Aldershot: Ashgate, 2001 [1958], p. 234

Acknowledgements

Over the years, the present work has accumulated many debts; though far from settling any, the following paragraphs hope to acknowledge the most important ones.

Prof. Michalis Psalidopoulos introduced me to the history of economic ideas and helped me navigate the hitherto uncharted waters of Greece's post-war economic thought. He patiently read through successive versions of the manuscript, and helped me keep my focus – and spirits. Prof. Euclid Tsakalotos – a source of guidance dating back to my undergraduate years – also sifted through large portions of the text and offered comments and suggestions. Profs. Kostas Kostis and Panos Tsakloglou, generously combined feedback with moral support – not to mention the occasional therapeutic scold. I would also like to thank Prof. Stathis Tsotsoros, who provided input and assistance in the later stages of the project.

Ideas, comments and suggestions were also amassed during various seminars and conference presentations over the past four years, whilst an even greater debt was incurred during the many interviews held with Greek economists whose careers and memories stretched back to the early post-war decades. Conversations with them – sprinkled with the odd anecdote from the past – shed light on many of the lesser known aspects of development theorising in post-war Greece. I thank them all, and hope they find the present work worthy of their time and effort.

Much of the research underpinning this book would have been impossible without the help of various libraries and archive collections. The staff at the *Bank of Greece* library – and especially the head librarian Ms. Eva Semertzaki – deserve special mention, not least for putting up with exotic requests for books long-lost under thick layers of dust. I would also like to thank the staff at the *Doxiadis*, *Vovolinis* and *Contemporary Social History Archives* (ΑΣΚΙ) in Athens, as well as Mss. Aristeia Zevgiti and Katerina Dimopoulou, for their research assistance at key stages of the project.

My final debts are to the broader circle of colleagues and friends who offered advice, drinks and distraction over the years. Costas Aivalis, at the time Chief Economist at ICAP GROUP, blended unmitigated support as a friend, with patience and understanding as a supervisor; without him, it would have been impossible to balance my research with the exigencies of maintaining an active career as a consultant. Penny Baxevanou, Harry Dimopoulos, Katerina Linos, Efi Voutira, Nikos Kominis and Phillip Robotis also deserve special thanks, not least for putting up with me through what was inevitably a solitary and arduous writing process.

A. K.

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Chapter 1. Introduction

The world Development had known was gone. Its disciples began to ignore its theoretical innovations and the context in which those innovations took place. [...] Development has died, and its passing has hardly been noticed by those who call themselves disciples and devotees.

Jeannette Mitchell (2004), 'Development: An Obituary', *History of Economics Review*, pp. 33-34

Obituaries of development economics are in no short supply. Ever since the late 1970s, prominent members of the field have been publishing tracts bearing such morbid titles as *The Rise and Decline*, *The Rise and Fall* or *The Birth, Life and Death of Development Economics* (Hirschman 1981; Leys 1996; Seers 1979). Of course, most of this mourning is misplaced. Development economics is still regularly taught at both undergraduate and postgraduate level, and continues to attract a substantial amount research and funding; a casual search within the relatively narrow confines of peer-reviewed economics journals, yields more than 27,000 hits within the last five years alone¹ – and that's not even counting books or policy reports, let alone the scores of publications produced within the nearby field of development studies. Not that development's continued relevance today is particularly surprising: with cross-national inequalities rising and more than 1.3 billion people still living on less than \$1.25 per day (World Bank 2008: 11), development seems as urgent and relevant today, as it did sixty years ago.

Nevertheless, most would agree that the three or so decades spanning the early forties to mid-seventies, *did* mark a distinct period in the history of development – one set apart not only by its theoretical attributes, but also its messianic pronouncements. The heyday of development was the product of a specific historical conjunction – one which combined the experiences of the Great Depression and Second World War, with the perceived success of Soviet industrialisation and European reconstruction – all set against a background of rapid decolonisation and mounting East-West antagonism². Thus, what most mourners have really been lamenting is the passing of a particular *type* of development thought, rather than the field in its entirety. To some, this was no natural death, but the outcome of "a prolonged fight with orthodoxy and laissez-faire" (Mitchell 2004: 33); to others, it was the inevitable corollary of the social, economic and political realignments of the 1970s (Toye 1987), or the increasing disillusionment with development economists' record as 'practicing engineers' (Boettke and Horwitz 2005). Some even treated the occasion as a timely opportunity to do away altogether with an intrinsically problematic theoretical edifice (Cullather 2000: 647ff).

Little by little, the first decades of development economics drifted into the turf of historians. By the late 1980s, the first retrospective surveys were already making their appearance (Meier and Seers 1984; Meier 1987; Arndt 1987; Toye 1987), only to be followed by a steady stream of eye-witness accounts (Rostow 1990; Leys 1996; Meier 2005), biographies of key figures (Shaw 2002; Simon 2006; Tignor 2006), as well as

¹ The exact number is 27,776 for the 2004-2008 period, up from 21,572 the five years before. The query was run via CSA/Proquest on the ECONLIT database in February 2009, and included all articles whose subject classification fell under the development heading.

² Rist (2002: 69ff) and Leys (1996: 5ff) are amongst the many to offer broad-brush portraits of the circumstances surrounding the birth of development economics; so does the next chapter, which surveys the international history of the field.

textbooks and monographs with a distinctly historical focus (Hunt 1989; Preston 1996; Martinussen 1997; Peet 1999). What is more, references to the evolution of development theorising have been increasingly finding their way into works discussing the future of the field (Meier and Stiglitz 2001), many of them critical of contemporary practice (Easterly 2001; Rist 2002; Chang 2003).

Beyond economics *per se*, the history of development has attracted the attention of numerous historians, political scientists, sociologists and anthropologists. This trend has been especially strong in the post-1989 era, with its flurry of *fin de siècle* publications and rekindled interest in post-war history. Whilst anthropologists and sociologists have regularly attacked the cultural biases of Western modernisation theory (e.g. Escobar 1994; Ferguson 1990), historians and political scientist have sought to embed developmentalism into the broader context of such diverse influences as the cold war, decolonisation and nation-building, the rise of international financing institutions, taylorism and the reification of technology or the post-war 'social-democratic consensus'³. Many of these works also sought to place economic ideas within the vortex of domestic power struggles, and highlight their interplay with interests and institutions⁴. Either way, it appears that the passing of development has not gone completely unnoticed after all ...

Within the more narrow confines of the history of economic thought, recent years have also witnessed several publications devoted to development. Whilst no comprehensive biography of the field has been attempted, a substantial body of works focusing on specific authors or early aspects of the development discourse have emerged⁵. Admittedly, much of the relevant literature has been dominated by Latin America (e.g. Fitzgerald and Thorp 2005) – not least for being home to the influential *Economic Commission for Latin America* (ECLA) – but surveys of development theorising elsewhere have not been entirely uncommon (see, for instance, Gao 1997; Leys 1996; Choi 1996), nor have authors been oblivious to the importance of international agencies such as the World Bank in shaping the theoretical discourse (e.g. van Dijk 1998; de Vries 1996; Easterly 2001).

To the intellectual historian, the rise of development economics presents a unique opportunity, as well as a formidable challenge. Not only does the complexity of the development process itself guarantee a diverse body of primary material, but the distinctly policy-driven nature of the discourse inevitably raises delicate issues concerning the relationship between economic ideas and policy practice. Whilst the interplay between policy and theory has been a familiar theme within the history of economic thought, it has rarely been addressed explicitly in relation to the evolution of development⁶. What is more, the global spread of the development mantra offers an opportunity to study the dissemination of ideas across borders and the internationali-

³ The reader interested in sampling this voluminous literature would find the collected volumes edited by Cooper and Packard (1997) and Engerman *et al.* (2003) quite rewarding.

⁴ For recent surveys of contributions in these directions, see Cullather (2000) and Leftwich (2005).

⁵ Ascher (1996), Bianchi (2002), Toye and Toye (2003), Warner and Jameson (2004), Boettke and Horwitz (2005), Boianovsky (2010).

⁶ In fact, much of the relevant literature has once more been confined to Latin America – the standard reference here being the compilation of essays in Centeno and Silva (1998); see also, Sikkink (1991), Montecinos (1996), Babb (2001).

sation of 20th century economics (Spengler 1970; Coats 1996; Morgan and Rutherford 1998). In this vein, Love's (1996) meticulous diatribe into the spread of development doctrines from Romania to Brazil (via Portugal), or Warner and Jameson's (2004) more recent attempt to discuss East European contributions to the field, along with many of the works touching upon the role of US influences in Latin America (e.g. Loureiro 1996; Babb 2001), testify to the subjects considerable research potential.

Most interestingly – and less conspicuously perhaps – the history of post-war development theorising is intimately related to the very process whereby economists in developing nations forged professional communities, traced out and protected their jurisdictions, and sought to increase their sway in public affairs – not least by infiltrating the state bureaucracy and policy-making apparatus. Over the last couple of decades, numerous scholars have turned to the sociology and professionalisation of economics, as well as its evolving relationship with the state and government⁷. Admittedly, most of the relevant research has concerned the developed world, but a handful of authors have also looked beyond (Western) Europe and North America, to countries such as India (Ambirajan 1996), Korea (Choi 1996), Brazil (Loureiro 1995; 1996; Haddad 1981), Mexico (Babb 2001), Chile (Montecinos 1996; 1998), Peru (Conaghan 1998) Israel (Kleinman 1981), etc. More often than not, their narratives become embroiled in the history of development. For in most of these countries, the tale of economists' post-war ascent and professional emancipation, is ultimately also the tale of charting out development theory and policy ...

Written from the perspective of the history of economic thought, this book combines archival research, interviews with surviving economists and policy-makers, as well as qualitative and quantitative analyses of economic publications, in an attempt to map and interpret the evolution of Greece's post-war discourse on development. Key research questions include the identification and interpretation of major divisions and shifts in theoretical perception and policy prescription; the sources of foreign influences, their media of transmission and their reception in Greece; the interplay between theory and policy, as well as the relationship between economic discourse and its social, political and institutional context.

In short, this is a story of theorising about development; a story whose principal subject matter are economic ideas, the intellectual communities within which they were forged, and their contribution to our understanding of historical developments in post-war Greece. The main storyline tracks the birth of 'development economics' amidst the years of crisis and uncertainty that followed the end of the Second World War, and traces its links to inter-war theoretical traditions, foreign influences and domestic developments. We then contend that the post-1947 period witnessed the emergence of a 'development consensus', a set of axioms and prescriptions about the economy, common to all economists outside the Marxist Left. This consensus included an emphasis on industrialisation and a mounting confidence in state intervention, al-

⁷ Recent collections of articles in this category include Coats (2000) and Augello and Guidi (2001); for a more in depth account of developments in a single country, see Michael Bernstein's (2001) monograph on the evolving relationship between economics and government in the US.

beit within the overarching framework of a market economy. Appropriating elements of the international literature – increasingly in its Anglo-Saxon, rather than Continental variants – Greek economists thus converged toward structuralism and modernisation, and sought to project development as an a-political, value-free endeavour that could be safely handled within a technocratic context.

The mainstream consensus, reigned supreme over the next couple of decades, and several of its attributes became embedded in the contemporary policy framework. Still, 'course corrections' did take place in the late fifties and early sixties, largely in response to a series of theoretical and practical challenges, as well as developments on the political, institutional and professional front. The exact motivation and nature of these realignments are discussed at length. Special reference is made to the way in which economists tackled the relationship between monetary stability and development, economic programming, foreign trade and the prospect of acceding to the incipient *European Economic Community* (EEC). These issues are singled out both for their theoretical significance and their extensive policy implications.

Alongside the mainstream consensus, intellectuals of the Marxist (and socialist) Left, articulated their own vision for national economic liberation and development – one in which foreign dependency and monopoly capital were key theoretical primitives, whilst private initiative and markets were strongly distrusted. Just as the international development discourse was conditioned by the cold war, we argue that Greece's civil war and the intellectual rift between Left and Right carried far-reaching implications for the domestic discourse. We thus discuss both theoretical traditions at length, look at the reception of foreign ideas in each, and argue that – for all its persecution and isolation – the Left exerted considerable influence on the mainstream, not least by participating in the construction of a common set of theoretical focal points and taboos. Moreover, we treat the Left not as a theoretical monolith, but as a set of interrelated discourses, each with its own history and trajectory. Thus, we also trace the diverging paths of authors in the communist and socialist traditions, as well as the realignments that took place within each camp over time.

At the heart of our narrative, lies an argument about the importance of ideas in historical exegesis, as well as the way in which their dissemination across borders and processing within specific intellectual communities is conditioned by a wide range of non-ideational influences. In this context, we pay considerable attention to the sociology of the community of economists, and the importance of such considerations as the structure of professional and institutional affiliations, or the age and educational background of community members. To this end, we do not rely merely on texts, archival resources or interviews, but also seek to add a *quantitative* dimension to our analysis.

For the purposes of this book, we compile a number of original databases. The full contents of four different learned journals are reviewed, assigned key words and thematic categories, and converted into more than 2,500 individual database entries. These allow us to trace the broad patterns of scholarly activity, the evolution of thematic priorities, and the prevalence of development and/or policy-oriented work across

journals and over time. What is more, by combining this data with biographical information on economists, we are able to make a series of claims on the influence of educational background, professional affiliations, career patterns and age cohorts on the structure and content of the economic discourse. Our findings solidify our qualitative arguments and even revise portions of the 'received view' on the post-war internationalisation of Greek economics.

In a nutshell, the book at hand focuses on the intellectual history of development, and thus also hopes to add to our understanding of economic policy in post-war Greece. Beyond that, it hopes to enrich the international historiography on development, not just by putting the Greek case on the map, but also by using it to cast light onto some dimly lit corners of post-war developmentalism: the process whereby foreign development ideas were appropriated at home, or the nuances of Marxist-Leninist development theory – arguably one of the strongest ideological influences at the time, and yet one which is rarely discussed in the existing literature. On a more general note, we also aspire to contribute toward a better understanding of the interactive and complementary role of external and internal influences in shaping scientific discourse, as well as the interplay between economic theory and policy. The rest of this introduction explains our research motivations, objectives and methodology at greater length.

I. Motivation and subject matter

A historically and
intellectual
vibrant period

Greece's first post-war decades can hardly be called dull, and not just for the political or military historian. The economic historian is equally overwhelmed by the rich tapestry of events: hyperinflation and stabilisation, economic disarticulation and early reconstruction plans, successive – if not always successful – fiscal and monetary experiments, all leading up to a period of extensive investment, structural transformation, mass emigration and sustained growth, which precipitated the country's graduation into the developed world. The decades following the country's liberation in 1944, however did not only witness important political or financial events; they also witnessed significant intellectual developments. For it was in those years that the post-war notion of *economic development* took shape in Greek intellectual circles, particularly those of economists. This was an extremely powerful notion, which captured the minds of an entire generation, dominated a considerable portion of political discourse, and became associated with a specific economic policy framework.

Yet no history
of intellectual
developments

Yet whereas much has been written about Greece's post-war monetary adventures, the influx of foreign aid, economic stabilisation, as well as the subsequent period of growth and its shortcomings, the same cannot be said about the concomitant *intellectual* developments. Hitherto, there has been no systematic attempt either to survey and codify the evolution of economic thought in post-war Greece, or to integrate it into the country's post-war economic history⁸. The thesis at hand seeks to redress this im-

⁸ Having said that, a handful of publications devoted to specific aspects of the economic discourse (e.g. major authors, key events etc.) do exist, and references to such works will be made throughout our text. But none of these share this book's ambitions in either scope or methodology.

balance. Written from a history of economic thought perspective, its chief objective is to trace the evolution of the post-war economic discourse, specifically the discourse on development between 1944 and 1967. When does the notion of 'economic development' emerge and become solidified? What is the specific meaning attached to it and how does it compare to previous approaches? Which are the principal focal points and items of controversy, and how do they evolve over time? These were some of the most basic questions that motivated our research at its outset.

Mapping the Greek development discourse: some clarifications

The 1944-1967
time bracket

Historians of economic thought are generally averse to rigid time brackets, and the years included in our subtitle deserve some explanation. Development economics was undoubtedly a child of the post-1944 era, but most of the fundamental questions it sought to address were hardly unknown to inter-war or even 19th century Greek authors. In fact, one of the most fascinating parts of our story concerns the shift in the mode of discourse surrounding these issues, captured most succinctly by the concomitant change in terminology from 'viability' to 'development'. We thus devote an entire chapter to the *pre*-history of development, and trace the principal contours of Greece's economic theory and policy *prior* to 1944. On the other hand, the upper time boundary in our story is less pliable. Despite the fact that 1967 did not bring about an immediate overhaul in economic discourse or policy, the onset of the colonel's dictatorships did mark a break in a number of ways that would have undermined the continuity of our narrative. It coincided with the withdrawal – both voluntary and involuntary – of a number of key figures from the scene and led to the discontinuation of most major economic journals. Overall, the junta brought about a marked decline in theoretical output and intellectual exchange – not least due to the regimes' censorship policy and the heightened persecution of dissidents. For the purposes of the study at hand, it was thus thought best to limit our sources and analysis to the pre-dictatorial period.

What is the
'Greek development discourse'?

The historian browsing through the economic literature of the 1920s and 1930s in Greece, would be hard-pressed to find more than a couple of references to 'economic development'. A couple of decades later, the same historian would face an altogether different challenge. By 1950, it would be difficult to find a text – whether scholarly or colloquial – that did *not* somehow drift into a discussion of economic development. So where does one draw the line in defining the 'Greek development discourse'?

What's 'Greek'?

Let's take the national qualifier first. Most of the texts under consideration were written by Greeks, for Greeks, and within the Greek borders⁹. Two exceptions were made to this rule. The first one concerned foreign economists working in Greece – often at the invitation of a government agency: inasmuch as these scholars undertook research in the country and contributed to domestic debates, they earned a place in our narrative. The second exception pertained to those members of the communist Left who found themselves on the wrong side of the border at the end of the civil war:

⁹ Most were also written in Greek, whilst foreign publications were usually translated and reproduced for the domestic audience. In any case, works written in English, French or German were also considered here, whenever they were found relevant to our story.

inasmuch as they monitored developments back home and sought to participate in the economic discourse, they too were considered¹⁰.

What's the
'development
discourse'?

What about the prickly concept of the 'development discourse' itself? True to its grounding in the history of economic thought, this book *focused first and foremost on texts written by economists and addressed primarily – but not always exclusively – to an audience of their peers, rather than the general public*. These texts touched upon key facets of economic development, whether specific to Greece or general. Most of the time, they were research monographs, books, or articles in learned journals, whilst a smaller number of official memoranda and reports, and even some newspaper articles were also considered¹¹. The volume of material thus amassed was staggering, not least since most of the contemporary economic publications were development-oriented. No constraints were placed on the ideological or methodological slant of the texts: whether they were right- or left-wing, theoretical, empirical or policy-oriented, historical or mathematical. If this doesn't sound completely watertight, that's because it is not. Neither authors nor their work can be easily pigeonholed, and a measure of judgment was inevitably involved in choosing whom or what to consider. In this process, the author sought to be as inclusive as possible, so as to end up with a diverse and balanced set of people and publications. In most cases, the task at hand was straightforward. Whenever difficulties arose, the litmus test employed was largely determined by the task at hand. Specifically, the criterion for inclusion was the extent to which an author sought to participate in the discourse on economic development and was accordingly acknowledged by some portion of the 'community of economists'¹².

Economists: societies and journals

What's the 'com-
munity of econo-
mists'?

Reference to the 'community of economists', inevitably raises further conceptual issues. After all, economics is hardly a well-demarcated profession, and this was even more true in the period and place under consideration¹³. What is more, unlike the sociologist of professions, the historian of economic thought is only interested in those individuals engaged in the production and exchange of economic ideas. This is a much more focused group, and one which will never be revealed by a professional roll call, or a mere show of credentials¹⁴. At the end of the day, such communities build themselves, by engaging in intellectual conversations, publishing journals, organising seminars and conferences, founding societies, and developing a range of activities which

¹⁰ As far as the author is aware, this is the first time such an inclusive survey of Greece's left-wing economic thought is attempted. Part of the reason has to do with the difficulties involved in tracking down all the relevant texts and journals. To this end, the author was aided by the *Contemporary Social History Archives* (ASKI), as well as a streak of good luck whilst rummaging through a number of antiquarian bookshops in Athens and Thessaloniki.

¹¹ As a rule, however, neither newspapers, nor pamphlets, political manifestos, party documents or resolutions are included in our material – even when they address questions of development. Deviations from this principle occur when congenial to historical interpretation. Thus, for instance, it is impossible to understand left-wing economic debates without some reference to communist party politics; it is equally difficult to examine authors as producers of lofty academic tracts without also looking at their contemporary writings in newspapers and magazines, or their political activities.

¹² Acknowledgement could come in the form of journal publications, invitations to deliver lectures or contribute volumes to research series, as well as citations and references – whether favourable or unfavourable.

¹³ In fact, inasmuch as economists lack a well-defined jurisdiction and do not generally control professional entry, it might be debated whether economics constitutes a profession, *stricto sensu* (see Abbot 1988).

¹⁴ Several notable economic contributions in post-war Greece were made by individuals who had been trained in other disciplines (such as law, sociology, or engineering); this was particularly true in the earlier years, when the degree of professionalisation and specialisation was lower.

include some and the exclude others. The demarcation of the community of economists is something this book pays considerable attention to, and both scientific societies and learned journals play an important role in helping us identify intellectual communities and invisible borders. Specifically, we draw on the membership of such key fora as the *Greek Society for Economic Sciences* (GSES) and the *Science-Reconstruction* society (ΕΠΑΝ), as well as on the networks and clusters implicit in research institutes, academic departments, seminar series and scholarly journals with a focus on economics.

Learned journals in the history of economic thought This brings us to another one of this book's methodological innovations, namely the extensive use of journals as sources of quantitative data on theoretical production. The importance of learned journals in the evolution of economics has been recognised in the past (Coats 1971; Hagemann 1991) and many scholars have used journals either as distinct objects of inquiry, or as data sources for analyses of authors' institutional affiliations, methodological preferences, the rise and fall of sub-disciplines, etc.¹⁵. Of course there is something inevitably arbitrary and procrustean in treating journal authors as members of intellectual communities, and pages of text as a proxy for theoretical activity. Nevertheless, few would dispute the role of journals in fostering a sense of community and acting as "major channels of communication, co-ordination and control" (Whitley 1991: 6). As for the implicit equation of article pages with theoretical activity, this is an inevitable trade-off of quantitative approaches, whose potential for error is mitigated as long as we remain alert to possible biases and weave qualitative elements into our narrative.

Greek economic journals as an untapped source of material Aside from a few exceptions (Ιωαννίδης, *et al.* 1994; Psalidopoulos 1996a), little attention has so far been paid to Greek economic journals. What is more, there has been no attempt to use scholarly journals as sources of quantitative data. Yet given the dearth of alternative statistical information, these publications present a unique opportunity to study Greece's economics and economists. This is particularly true of the 1944-1967 period, when these journals reached their apogee and accounted for a substantial portion of indigenous theoretical activity. Of course, journals never constituted the only publication outlet for Greek authors. But the presence of alternative outlets (such as books or foreign journals) does not undermine the usefulness of our methodology, lest the items under examination are correlated with a systematic preference for different publication media¹⁶.

Introducing the journals and their databases In the first post-war decades, Greece's mainstream economic community was principally served by three scholarly journals: the *Archive for Economic and Social Sciences* (henceforth *Archive*), the *Review of Economic and Political Sciences* (henceforth *Review*), and the *Spoudai* [=Studies]. The *Archive* was in circulation throughout the entire 1944-67 period, whilst the *Review* and the *Spoudai* first came out in 1946 and 1951 respectively. All three publications were aimed at a specialised readership and

¹⁵ Coats's (1991) lengthy bibliography testifies to the size of the field; for a flavour of more recent contributions in this direction, see Gans (2000) and Backhouse (1998).

¹⁶ In other words, as long as we assume publication distributions in terms of the variables of interest (e.g. time, author age, education, professional affiliation etc.) to be similar across different media, no significant biases should arise from using journal data to make broader claims about trends in theoretical production.

mostly published scholarly papers and book reviews. Totalling 63 volumes and more than 30,000 pages, these three journals constitute a formidable source of material. For the purposes of this book, their entire contents were converted into a bibliographical database (henceforth referred to as the *Journal Database*, or JD), and subsequently categorised on the basis of format (paper, book review, column), field (economics, political science, sociology) and style (policy-oriented, theoretical). Economic articles were then singled out for further review, and each was allotted specific subject categories, according to the *Journal of Economic Literature* (JEL) classification system.

Alas, given the ideological divisions of the time, our *Journal Database* offers little insight into the activities of left-wing intellectuals, most of whom were excluded from publishing in mainstream journals. To compensate for this shortcoming, a separate dataset was compiled for the *Antéos*, arguably one of the Left's most prestigious journals, which was devoted to 'science and reconstruction' and thus contained regular publications in economics. The *Antéos*'s format, however, comprised many standing columns, small articles and commentaries and was thus quite different from that of the *Review*, *Archive* and *Spoudai*. This explains the difference in database architecture and classifications used. Further details on the construction of our datasets are found in [Appendix A](#). The total number of items in both databases runs upwards of 3,000 entries, and their potential is hardly exhausted in this book. For the purposes of our research, the data was used to identify structural trends and breaks, and thus provide an empirical scaffolding to our arguments.

II. Integration and interpretation

The international dimension of the domestic discourse

The rise of post-war developmentalism was hardly unique to Greece. It was part of a much more global phenomenon, which united scientist across countries and disciplines and absorbed considerable human and financial resources – not least since it became inevitably embroiled in cold war antagonism. The economic literature produced was voluminous and its rise explosive: as early as 1956, a selected bibliography on development and industrialisation ran up to 2,290 entries – most of them written after 1945 (see United Nations 1956).

What was the relationship between this international discourse and its Greek counterpart? How strong were foreign influences and how were they mediated? What were their principal sources and how did they evolve over time? By answering these questions, this book seeks to demonstrate the congruence between Greek development theorising and its international counterparts on either side of the iron curtain¹⁷. Just as the left-wing argument bears the signs of strong Soviet and European Marxist influences, mainstream development theory tracks the principal contours of the Western development literature. What is more, by attesting to the gradual shift from Conti-

¹⁷ Congruence doesn't mean identity, and our narrative shall inevitably discuss the different nuances of the Greek experience. On the other hand, emphasis on the broader alignment with the international history of development serves to undermine the notion of 'exceptionalism', which sometimes taints Greek historiography (see Gallant 1997).

	<p>nental to Anglo-Saxon influences, our argument also casts some light on the internationalisation of post-war economics in Greece (cf. Coats 1996).</p>
Intellectual influences: toward a more nuanced picture of foreign	<p>Special reference will be made to the mechanisms mediating these influences: education and training, interaction with foreign parties and aid missions, integration in international organisations, etc. Whereas much has been written about foreigners intervening directly in Greek economic affairs and policy, no attention has been paid to their influence not on the economy <i>per se</i>, but the discourse <i>about</i> the economy. What is more, earlier authors tend to portray foreigners either as benevolent saviours or sinister imperialists (e.g. Kofas 1989; Αγιαννηδης 1950). Such accounts usually overestimate the scope and efficacy of intervention, underestimate the role of domestic factors and generally oversimplify the process of policy diffusion. Closer inspection of the spread of ideas and practices reveals a much richer and subtler pattern, and undermines notions of either straightforward subjugation or salvation.</p>
Weaving Greece into the international literature	<p>On a broader level, this book hopes to weave the Greek story into the international historiography of development economics. This is a rich literature, albeit one where most contributions detract from the details of individual countries, especially countries that are considered 'peripheral' to the 'centres' of theoretical production. The history of development economics is still dominated by 'pioneers', sweeping tales of 'rise and fall', major 'schools of thought' and 'paradigmatic shifts' – all of which tend to eschew the details of specific national experiences¹⁸. Latin America is the only exception to this rule, but hardly a surprising one: ironically perhaps, Latin American economists' extensive preoccupation with the 'periphery' succeeded in integrating them into the 'centre' of conventional histories of development. On the other hand, far less attention has generally been paid to the way development ideas were disseminated, absorbed and transformed away from their respective theoretical birthplaces.</p>
From transmission to reception	<p>Yet 'peripheral' stories have their charms, not least since no country is a passive recipient of foreign influences: ideas are screened, appropriated and re-interpreted in a ways consistent with the "milieu of potential receivers" (Spengler 1970: 146; cf. Mäki 1996). Attention to different national experiences helps</p>
	<p>save the history of economic thought from the clutches of interpretative monolithism. (Cardoso 2003: 631).</p> <p>What is more, by shifting historiographical emphasis from the transmission to the reception of scientific ideas, the core-periphery distinction is rendered largely misleading (Gavroglu, <i>et al.</i> 2008).</p>
Post-war Greece: some attractive historical features	<p>What is more, no 'peripheral' story is truly peripheral or trite. Greece, for instance, presents the historian of development thought with at least two attractive features: first, it was one of the first relatively backward countries to become a major recipients of post-war foreign aid. In fact, one of the contentions of this book is that the swift abandonment of 'viability concerns' in favour of industrialisation after 1947, owes much to the intellectual influences of the Truman and Marshall aid missions. Second, Greece belonged to the cold-war front-line; its civil war had deepened ideological divi-</p>

¹⁸ Here, we are alluding to such texts as Meier and Seers (1984), Meier (1987; 2005), Hunt (1989), Leyes (1996) and Arndt (1978; 1987). Being devoted exclusively to the international history of development, the next chapter shall make much more extensive references to this literature.

sions and created a numerous left-wing intelligentsia that resided behind the iron curtain. This also gives us an opportunity to take a closer look at the Marxist-Leninist argument for dependency and development. For it is a conspicuous fault of most existing histories of development, that despite recognising the importance of the cold war in shaping developmentalism, they rarely offer more than a fleeting reference to the Soviet arguments on the subject. Western modernisation doctrines are usually juxtaposed to neo-Marxist or Latin American dependency theories – even though these emerged later, and were far less influential outside Latin America. Greece's experience between the forties and sixties is a case in point: several intellectuals developed extensive arguments of dependency, imperialism and economic liberation, without even as much as hearing about the works of Paul Baran or André Gunder Frank.

Interpreting the development discourse

Contextualising science	Reference to the appropriation of foreign ideas and the 'milieu of potential receivers' inevitably brings us to the contextualisation of scientific discourse. After all, the ultimate objective of the historian of economic thought is not merely to observe, but to <i>understand</i> and interpret intellectual developments.
Towards 'rich, deeply textured, thick' history	No history of science – especially social science – can turn a blind eye to the social context of scientific inquiry. For such inquiry inevitably remains embedded within a given social, political and institutional framework, which is capable of conditioning the form and content of scientific discourse. Historians of economic thought have long been aware of such 'external' influences, although the debate on their exact role and relationship to 'internal' factors is bound to remain unsettled for a long time ¹⁹ . Nevertheless, the last two decades have generally witnessed a shift toward greater historical contextualisation. Not least due to the critiques launched against 'rational reconstructions' and 'Whig' history by such authors as Weintraub (1991), Schabas (1992), Mirowski (1988) and McClotskey (1988), today's scholars are more in touch with their historical sensibilities, and often go at pains to situate ideas within their social, personal, political or institutional context. To a large extent, this also accounts for the proliferation in methodological tools and research styles employed recently in the field (Biddle 2003). The history of economics has thus become more 'deeply textured', 'richer' and 'thicker', moving closer to what Leonard (2004) humorously described as "Betty Crocker historiography". At the same time, as the wisdom of using the history of economics as a testing ground for competing philosophical doctrines came into question, many scholars stopped embedding their narratives within specific philosophy of science frameworks. These have increasingly been found 'thin' and ahistorical, though not devoid of intellectual merit (Backhouse 1995: 3ff).
In defence of Whiggishness	Nevertheless, most contemporary histories of economics maintain a measure of 'Whiggishness' in their narratives – as shown, for instance, by their lingering attachment to evaluative statements and their interest in the theoretical lineage of ideas. In

¹⁹ For a flavour of this voluminous and diverse literature, see Weintraub (1992; 2007), Backhouse (1992), Hands (1994; 1998), Maki (1992) and Klaes (2003).



our opinion, it is important that they continue to do so. The historian of thought is not faced with a stark choice between the logical-positivist view of science as the conquest of ignorance on the glorious path to the truth, and the converse belief that all knowledge is socially constructed; intermediate positions *are* available. Lest one is willing to tumble down the slippery slope of relativism, acknowledgement of the contingency of scientific ideas should not automatically lead to the dismissal of all evidential considerations as irrelevant to social science (Backhouse 1992). Such an approach would limit the usefulness of our intellectual histories, not least since it would significantly narrow down the range of meaningful statements historians of thought could make²⁰. Contextualising approaches – of which there can be several variants – can be complementary, rather than competitive, to more traditional canons of explanation, and the interplay between external and internal factors is best approached in a pragmatic and judicious fashion (see also Shapin 1992; Klaes 2001). 'Thick' histories are not necessarily constructivist²¹.

'Our choice: Betty Crocker doesn't assume 'the Position' To return to Leonard's (2004: 118) terminology, this book seeks to attain Betty Crocker standards, without 'assuming the Position' of social constructivism. Throughout our narrative, we remain alert to the social, institutional and political context of scientific inquiry. We also avoid framing our story in rigidly Kuhnian or Lakatosian terms, and thus maintain more 'degrees of freedom' in our analysis²². On the other hand, this doesn't mean that we eschew all epistemological statements and remain non-committal toward the ideas under scrutiny. Comparative and evaluative statements remain an integral part of this book, as arguments are appraised in terms of their elegance and internal consistency, their treatment of empirical challenges and – inasmuch as they entail policy proposals – their pragmatism.

'Thick' history and methodological pluralism Betty Crocker requires a full kitchen. Inevitably, our narrative uses a wide range of ingredients, depending on the requirements of each course: foreign influences, economic and political events, institutional and professional developments are all invoked at different stages of our argument. In most cases, our interest lies not in the individual ingredients *per se*, but in their interaction with each other and the sometimes unexpected flavours they engender. Different ingredients also require different utensils. This accounts for the pluralism of our methodology, which combines textual interpretation, archival material, interviews and quantitative analysis in an eclectic fashion. Amongst the different instruments in our toolkit, our treatment of the sociology of the community of economists deserves a few extra words.

²⁰ One might further question the extent to which a complete elimination of evaluative (Whig) elements is even theoretically possible. Though valuable in debunking histories based on the 'received view', a strictly constructivist approach might be too destructive for its own good – cf. the reflexivity critique in the sociology of scientific knowledge (SSK) literature (Hands 1997: 716ff).

²¹ Much of the current methodological confusion in the history of economics may indeed spring from the unwarranted bundling of 'thick' history with the sociology of scientific knowledge (SSK), which – though often correlated in practice – are methodologically distinct, since neither is either necessary or sufficient for the other (Hands 1997: 732).

²² Incidentally, the few examples of such attempts in the history of development economics (e.g. Hunt 1989; Foster-Carter 1976) are hardly impressive in their contributions to the *philosophical* aspect of the debate, and could probably have been better served by a less rigid methodology.

Sketching the community of economists

Sociology of science – but no constructivism	An important strand of inquiry into the history of science, sees scientists as members of communities, whose sociological characteristics (institutional affiliations, professional attributes, educational background etc.) condition the direction and content of their intellectual work. Historians of economic thought have been aware of such influences at least since Schumpeter's observations in the early pages of his <i>History of Economic Analysis</i> (1994 [1954]: 45-47), though many have tended to "resist the adoption of a sociological interpretation of their discipline" (Coats 1993: 23). Nevertheless, an increasing number of scholars have been inclined to include sociological considerations in their historical narratives. Many thus now seem prepared to integrate sociological aspects of scientific practice into their explanatory framework, "but not to the exclusion of more traditional 'intellectual history' work" (Emmet 2001: 265), and thus also not to the adoption of a purely constructivist perspective (cf. Coats 2003).
Little sociology in the history of development	The historiography of development economics has not generally taken part in this movement, and most of the relevant literature remains wedded to the conventional canons of 'conceptual history' (Klaes 2001). Notable exceptions include some of the more recent contributions to the history of Latin American economics – which inevitably touch upon issues of development (Loureiro 1995; Montecinos 1996). Though written from a sociological perspective, Sarah Babb's (2001) research into 20 th century Mexican economics and its practitioners is indicative of the kind of insights a sociological perspective can offer to the historian of economic thought.
Sketching the community of economists in Greece ...	In this context, one of the most original features of this book consists in its efforts to integrate sociological considerations into the interpretation of the development discourse. The principal attributes of the 'community of economists' were tracked over time and across the Right-Left divide, and several hypotheses were advanced concerning their implications for economic discourse. In fact, an attempt was made to assess those attributes and their evolution over time in quantitative terms. Mainstream economists were approached as members of the <i>Greek Society for Economic Sciences</i> (GSES) and as contributors to the country's learned journals. Biographical archives, yearbooks, obituaries and oral testimonies were used to document each economist's age, education, professional and institutional affiliations. By combining biographical and bibliometric information, we thus obtained a panel of data on economists and their annual publication activity ²³ .
... and linking its attributes to the development discourse	On the basis of the material thus collected, this book was able to track the demography and educational background of Greek economists, and make a series of claims on the role of different 'professional constituencies' in shaping the economic discourse. Specifically, we argue that mainstream economics in Greece was a state-centred profession whose fate was intertwined with that of the post-war developmental state. Professional and ideological cohesion went hand in hand, whilst substantial degrees of

²³ This is our *Journal Economist Database* (or JED) and its construction is described at greater length in [chapter 3](#). A similar approach was attempted for members of the Left, but data limitations were considerable (not least since many authors chose to publish anonymously, or use (various) pseudonyms).

vertical and horizontal control by senior members further fostered consensus and increased professional sclerosis. The economic discourse was state-oriented with a bias toward policy and credit-related issues, and an aversion toward matters sensitive to each professional constituency. Similar processes were found at work amongst left-wing intellectuals, though not so much in socialist circles. Communist intellectuals' exclusion from conventional professional constituencies heightened their dependence on the party apparatus and widened the cleft with the mainstream community.

Nevertheless, our data also suggests that a substantial realignment took place in the late 1950s and 1960s, as a younger generation of scholars entered the scene. These were not only proficient in recent methodological innovations; more importantly, they were less constrained by the ideological and institutional impediments that had burdened their predecessors. The extent of this realignment will be shown to have been stronger in mainstream circles, not least due to the influence of the *Centre for Planning and Economic Research* (CPER) – arguably the most innovative contemporary research institute in Greece.

III. Ideas matter

Ideas matter

Our interest in the development discourse is not driven by intellectual curiosity alone. A key theme underscoring this book is that ideas matter for our understanding of history, and thus deserve greater attention in our narratives. More to the point, we contend that Greece's post-war economic history cannot be fully understood without reference to the concomitant evolution of economic ideas. Though quite conventional from the perspective of the intellectual historian, this approach deviates substantially from the more 'materialist' accounts prevailing in existing Greek economic history.

What role for ideas in existing histories?

The last couple of decades have witnessed a flourish of research on Greece's post-war economy²⁴. Earlier studies either remained descriptive and laudatory, presenting policy reform as a succession of necessary (if late) adjustments, or they leaned in the opposite direction, and attributed all decisions to the base interests of the dominant class and/or foreign imperialists²⁵. By contrast, recent scholarship has adopted a much more nuanced approach, eschewing functionalist explanations of policy reform without embracing any overly mechanistic interest theories. Nevertheless, contemporary analysis remains almost exclusively materialist, and tends to dismiss ideas as irrelevant to historical exegesis. On the few occasions when these are explicitly considered, they are seen as subservient to material interests, institutional constraints, political or diplomatic exigencies²⁶. In this context, ideas appear as little more than "the veneer selected by individuals and groups to mystify and legitimise actions taken in their own self-interest" (Sikkink 1991: 5) – tailored to current circumstances and existing institutions.

²⁴ The most recent contributions include, *inter alia*, Lykogiannis (2002), Ιορδάνογλου (2003), Σταθάκης (2004) and Φραγκιάδης (2007).

²⁵ Contrast, for example, the economic analyses of such authors as Candylis (1968) and Freris (1986) to those of Σαμαράς (1978) and Σταμοτόπουλος (1989). Needless to point out how interest-based interpretations were chiefly associated with authors in the Marxist or neo-Marxist traditions.

²⁶ See, for instance, the treatment of ideas about industrialisation and development in Χατζηιωσήφ (1986), Thomadakis (1988) and Σταθάκης (2003); for a more detailed version of this argument, see Kakridis (2009).

The relevance of the ideas vs. interests debates to historians of economic thought

In recent decades, a heated discussion of the role of ideas in policy reform and institutional change has resurfaced in the field of comparative political economy²⁷. Despite their distinct subject matters and audiences, the discussions of political scientists on the role of ideas vs. interests in policy-making and the debates of historians of economic thought on external vs. internal influences in theory-making, do converge on a series of common puzzles²⁸. At the bottom line, both seek to socialise their agents' 'actions' (policies, theoretical pronouncements), and trace the nature of the limits imposed on the range of possible 'actions' – if any. It is no mere coincidence, for instance, that Peter Hall (1993) employs a Kuhnian metaphor to explain his theory of policy change, in which the most radical, third-order changes are likened to paradigmatic shifts – and traced back to major changes in ideational frameworks. Nor are the boundaries between the subjects addressed in two literatures as clear-cut as they may seem at times. Granted, the *explanandum* for most historians of economic thought (ideas) is part of the *explanans* for political scientists, who are more interested in policy-making and institutional change. But inasmuch as policies and institutions can – and often do – influence the context of scientific inquiry, they become quite relevant to the intellectual historians' work. Such pathways may be less relevant to someone studying the history of general equilibrium, or a scientific community largely detached from the state apparatus and policy-making. But in intrinsically policy-oriented fields like development, and in countries where the public sector acts as economists' principal professional constituency, theoretical production is brought much closer to the policy-making process itself.

Ideas as perceptual lenses and guideposts at times of uncertainty and crisis

Whilst eschewing the finer – and more controversial – aspects of a debate whose research objectives are distinct from those of the historian of economic thought, we shall thus remain sensitive to some of the points raised in these works, specifically in the historical institutionalist tradition. First of all, the inherent difficulty in extricating material interests, objectives and constraints from the ideational framework through which they are perceived renders purely 'materialist' interpretations intrinsically problematic²⁹. Economic theories provide the lenses through which the operation of the economy is understood, interests are identified, problems diagnosed, objectives set out, and the range of appropriate action (or inaction) becomes delineated. Thus, the ideas available for interpreting the environment and acting upon it become important in explaining historical developments. In fact, their relevance is heightened at times of crisis and uncertainty, when agents become unsure about the very 'rules of the game', or even their own interests in it (Goldstein 1993: 3; Blyth 2002: 30ff).

²⁷ 'New' institutionalist authors are usually associated with this trend. The underlying literature is vast, and lies outside the scope of this text; the interested reader could start with Hall (1989b) and Sikkink (1991), as indicative of the 'historical institutionalist' strand, whilst Goldstein and Keohane (1993) offer a good introduction to its 'rationalist institutionalist' variant. More detailed surveys and taxonomies, as well as attempts at critique and synthesis are provided, *inter alia*, in Jacobsen (1995), Berman (2001), Blyth (1997) and Campbell (1998).

²⁸ However subliminally, historians of economic thought are fully aware of the parallels between the two issues; it is not often, for instance, that one meets an intellectual historian entirely dismissive of external influences in science, and yet willing to interpret economic policymaking in purely interest-based terms.

²⁹ For an extensive and persuasive argument along these lines, see Blyth (2002: 27-30). Note that this should not undermine the usefulness of distinguishing between ideas and interests for *analytical* purposes – something shall be doing ourselves in this work.

Path dependency, feedback and interaction with non-ideational factors What is more, irrespective of the context of their inception, ideas tend to lock their carriers within specific cognitive frameworks, not least by narrowing down perceptual alternatives, and reproducing theoretical blind spots and taboos. This process is often mediated by their embodiment in institutions and policy frameworks³⁰, which in turn may influence the communities within which ideas are negotiated³¹. Over time, ideas thus become tenacious, and may sometimes drift in directions their initial proponents had hardly envisioned (Jacobsen 1995: 288; Hall 1989a).

Intellectual influences in Greek history: the development idea Though hardly oblivious to the significance of factors *other* than ideas – or ideas other than those capturing the minds of economists – this book posits a greater role for intellectual influences. More to the point, we contend that the rise of Greek developmentalism cannot be interpreted separately from the emergence of the development mainstream – or its interaction with such intellectual adversaries as the Marxist Left. Amidst a time of crisis and uncertainty, it was a new set of *ideas* about the economy that ultimately carried the day. The abandonment of erstwhile concerns of ‘viability’ and the emergence of ‘development’ entailed a fundamental change in world views, a break with pre-existing interpretative frameworks. By contributing to the *understanding* and *redefinition* of interests, political alliances, policy priorities and constraints – ideas about development cannot be reduced to mere material exigencies. Once established, these ideas were used to chart out policy reactions, mobilise popular support, discredit political opponents and build new institutions. In this process, they gained their own momentum and narrowed down the range of future intellectual manoeuvres. Of course, this was a complex and interactive process, where feedback effects between intellectual and political, professional or institutional developments were the rule rather than the exception.

Theory and policy: some practical limitations Historians of economic thought have long sought to trace the interaction between economic theories and actual policy practice (Goodwin 2003) and references to the policy dimensions of development theory have been present in virtually all histories of the field³². After all, development economics was – from its very inception – a distinctly policy-oriented field. Since many of Greece’s chief theorists were directly involved in policy design and implementation, the interplay between theoretical discourse and developments ‘on the ground’ forms an inevitable part of our narrative. Still, it is ideas that remain our primary focus, and no full mapping of post-war policy is attempted in this book. This is not simply a matter of analytical priority, but also one of practical limitations: as long as Greek historiography lacks a substantial body of research on post-war policy, and as long as much of the relevant archival material remains lost or inaccessible, our knowledge of the details of the post-war policy design process remain sketchy. Accordingly, this book shall not venture to interpret post-war policy, nor will it make any sweeping generalisations on the role of economists in

³⁰ Thus, Sven Steinmo has aptly described institutions as “crystallised ideas” – quoted in Blyth (2002: 39).

³¹ Political scientists may be primarily interested in the negotiation of ideas amongst political actors (state, trade unions, business elites), whilst historians of thought in their processing within intellectual communities. Questions of overlap and direct linkages between the two groups notwithstanding, both literatures seem to converge on the existence of path dependencies and feedback loops between ideational and non-ideational factors.

³² Political scientists interested in the process of policy-making for development have also made valuable contributions in this direction – see, for example, Sikkink (1991) and Gao (1997).

pushing through their ideas and agenda³³. A detailed mapping of post-war economic policy-making still eludes us; but a mapping of the underlying theoretical disputes and the community of intellectuals within which they unfolded, constitutes a small step in the right direction...

IV. The road ahead

The structure of the book is partly chronological and partly thematic. The next chapter surveys the history of the international development discourse, thus providing the international background to our narrative. Unlike other such surveys, it pays considerable attention to the role of the *European Reconstruction Program* in stimulating the development hype, as well as to the principal arguments and evolution of the Marxist-Leninist view of Third World development.

Chapter 3 then maps the community of economists in Greece throughout the 1944-1967 period, treating mainstream and left-wing theorists separately. The principal demographic, sociological and professional characteristics of economists are documented across the ideological divide and over time, and eight hypotheses on their implications for the form and content of the country's economic discourse are advanced.

Chapter 4 then draws on the secondary literature on Greece's economic history and its history of economic thought, and presents a broad outline of developments in the 19th century and the inter-war period. It thus offers a *pre-history* of development theorising: the principal loci of economic discourse, the dominant influences and trends, the main theoretical contentions – and the way these were transformed during the tumultuous inter-war years.

Chapter 5 focuses on the first post-war years of intellectual uncertainty and fermentation. The timidity of mainstream economists' contributions to the contemporary discourse is juxtaposed to the much more radical stance adopted by intellectuals of the Left – not to mention a sizeable portion of the engineering profession (irrespective of ideological leanings). Most of the chapter is thus devoted to the contributions of such Left wing authors as, Dimitris Batsis and his entourage at the *Antéos* journal, as well as socialist intellectuals like Angelos Angelopoulos and Achilleas Gregoroyannis. Accordingly, the relevant chapter sections close with two lengthy sections of appraisal for both communist and socialist economists.

Chapter 6 then tracks the birth of mainstream development consensus and discusses its principal theoretical components. Emphasis is placed on the sudden shift in economic locution from 'viability' to 'development/industrialisation' after 1947/8. Existing historical interpretations of this phenomenon are found wanting, chiefly for disregarding the independent explanatory power of ideational influences. The rise of the development consensus is presented as a fundamental shift in ideational frameworks; besides the obvious role of ideological polarisation and antagonism, we also discuss the importance of foreign aid missions – as early of 'transmitters' – and engineers – as

³³ Having said that, references to policy are an inevitable part of our story, whilst the in-depth accounts of debates on monetary stability, trade policy and development planning will cast some more light into economists' role in policy-making (see chapter 8).

the first 'receivers' of modern development thinking. Most of the chapter is devoted to the theoretical components of the mainstream consensus, namely (a) the notion of economic modernisation (and thus, industrialisation); (b) the emphasis on capital accumulation (and the implicit belief in the primacy of the capital constraint); and (c) the waning confidence in the market mechanism.

Chapter 7 opens with the main political and economic developments in the fifties and sixties, thus providing the necessary historical background for the evolution of the development discourse. Its principal subject-matter are a series of 'course corrections' that took place in mainstream economic theorising after 1958. In a nutshell, these entailed the gradual return from capital constraints and financial viability to various aspects of productive viability (demand, institutions, values, entrepreneurship, market structures etc.), albeit in a way consistent with the methodological and theoretical innovations of the 1960s. At the same time, the development discourse witnessed a rise in its 'social sensibilities', with issues of distribution, inequality, welfare, education receiving greater attention. Most of the chapter is devoted to presenting these 'course corrections', and linking them to contemporary policy challenges, political and economic developments, as well as realignments within the professional community of economists. Chapter 7 closes with a lengthy review and appraisal of the mainstream development theorising (section IV).

Chapter 8 breaks the time-line of our narrative and makes a series of three incisions into the body of Greece's post-war economic literature, focusing on such prominent themes as the relationship between monetary stability and development, development planning, and foreign trade policy – which inevitably spreads to the debates on association with the *European Economic Community* (EEC). All three subjects are inextricably linked to actual policy dilemmas and offer useful insights into the range of potential interactions between economic ideas and policy-making. What is more, by focusing on three specific topics, this chapter not only tests some of the ideas and arguments developed in previous sections, but also brings out additional nuances of the development discourse and its interplay with Greece's political, institutional and social milieu.

Chapter 9 picks up the story of left-wing theorists after 1948, starting with the second period of the *Antéas* journal. This spanned the years from 1948 to 1951, when Batsis was arrested and the journal's circulation was abruptly discontinued. The remaining chapter then turns to the evolution of the Left development vision over the course of the 1950s and 1960s. Alongside the views expressed by Marxist authors orbiting around the communist party, who largely adhered to the development paradigm formulated in previous decades, we also follow up on the intellectual activity of Angelopoulos, Grigoroyannis and other socialists, and their quest for a 'third way' between liberal capitalism and illiberal communism. The chapter closes with a second round of appraisal for Greece's left-wing economic theory.

Chapter 10 recaps our conclusions and offers some afterthoughts.

Chapter 2. Development theory: some international perspectives

Chapter goal and outline; accounting for some unusual thematic choices

The history of development economics has been the subject of a substantial number of papers, monographs and collective volumes, each with its own distinctive bent on the subject¹. This chapter cannot hope to substitute this rich mosaic of eyewitness accounts, historical reconstructions, biographies or in-depth surveys of particular schools of thought. This is not just a necessity imposed by space limitations; it is also a methodological choice, inasmuch as the Greek experience is the principal focus of this book. The next pages are principally subordinated to the needs of our subsequent narrative of the Greek development discourse. This accounts for some of the more unusual thematic choices made, which set this text apart from conventional surveys of development literature. Thus, for instance, the (post-)colonial facets of development, or the contributions the Latin American *cepalianos* are deliberately set aside, inasmuch as they are of tangential significance to the Greek development discourse. Conversely, some attention is paid to issues more pertinent to the Greek experience, such as the ideas surrounding the *European Recovery Program* (ERP) and the rise of Europe's 'welfare capitalism'.

Similar considerations led us to devote an entire section to communist views on economic development, particularly those articulated in the Soviet Union – to the exclusion of more conventional accounts of western neo-Marxism and dependency theory. After all, most of Greece's left-wing intellectuals were primarily exposed to the Soviet literature – as disseminated through communist parties loyal to Moscow – rather than to the work of authors like Paul Baran or André Gunder Frank. On a broader note, given the significance of the cold war in conditioning intellectual developments, it seems hardly appropriate to approach 3rd world development theorising with exclusive reference to the 1st world, and thus ignore the very reason for this peculiar bundling of states: the rivalrous existence of the socialist bloc (Toye 1987: 17). Unfortunately, this is exactly what most of the secondary literature does when it eschews theoretical developments east of the iron curtain, and opts instead to juxtapose 'mainstream' economics to neo-Marxism and dependency theory².

Some cautionary words on the road ahead

The broader historical background against which development economics unfolded in the first post-war decades, the decades of reconstruction, decolonisation and east-west antagonism is well known. In what follows, we shall thus abstract from historical detail and withdraw to the realm of economic ideas. The focus shall remain on broad themes and sharp divides, thus sacrificing much of the theoretical nuances captured in lengthier treatments. Modesty in size doesn't help modesty of pronouncements, especially if priority is given to clarity. Some of what follows is inevitably schematic and procrustean; the author only hopes that the detailed references included will soothe the specialist, without frustrating the narrative flow.

¹ Citing some of the most comprehensive publications in the field, we could mention Meier and Seers (1984), Meier (1987; 2005), Rist (2002), Rostow (1990), Martinussen (1997), Skarstein (1997), Little (1982), Leys (1996), Arndt (1978; 1987), Hunt (1989), Toye (1987), Peet (1999) and Preston (1982; 1996).

² Linguistic barriers certainly contributed to this practice, as did scepticism about the sophistication of Soviet economic theorising in the 1950s and 1960s, when it was often largely seen as subservient to political directives and diplomatic exigencies (see [section II](#)).

I. Mainstream development thought

Delineating the mainstream and sketching out the 'hard core' of their development economics

Whilst recognising the simplifications and errors inherent in the employment of broad categorisations, one can hardly overlook the common conceptual framework within which most of the post-war development thought was formulated. Our reference to the 'mainstream' thus captures this principal theoretical current, which – whilst exhibiting some variation over time and across groups – dominated the discourse and policy-making of development in the three decades that followed World War II. It was *within* this mainstream that a lively economic debate unfolded, and *against* it that Marxist, and later neo-Marxist, neo-classical or 'basic needs' approaches took their stand.

Mainstream development economics conceptualised development as the transition from backwardness to modernity, visualised as a unilinear process of convergence toward the Western 'model' of material affluence, technology and industrial prowess. In economic terms, industrialisation was seen as the principal catalyst of change, and capital accumulation – often accompanied by the transfer of (surplus) labour from agriculture to manufacturing – was thus placed at the heart of the emergent theoretical consensus. A generous dose of state interventionism was also included in the mainstream recipe: not only were backward economies plagued by imperfections that voided the application of liberal precepts, but the state was responsible for marshalling the resources (both tangible and intangible) necessary to break out of the cycle of poverty and expedite the economy's emancipation from tradition and backwardness. Before turning our attention to the economic components of this argument, the next paragraphs seek to place development within the broader nexus of post-war intellectual history.

Using a broad brush: structuralism, modernisation and technocracy

Structuralism in development economics, broadly defined

Any attempt to sketch out the intellectual milieu of development economics should best start with *structuralism*. Unlike some historians of development, who reserve the term for members of the ECLA school (Hunt 1989; Palma 1978; Preston 1996) or a particular (non-monetarist) interpretation of inflation (Canavese 1982), we follow Love (1996: 1), who defines *structuralism* as the broader set of

theoretical efforts to specify, analyse, and correct economic structures that impede or block the 'normal', implicitly unproblematic, development and functioning allegedly characteristic of Western economies. Because of these impediments and blockages, standard classical or neo-classical prescriptions were rejected by structuralists as inappropriate, inapplicable. Some structuralist theory, in fact, was designed to move the economy to the point at which neoclassical economics would be applicable.

Similarly encompassing approaches are found in Chenery (1975), Little (1982) and Arndt (1985), whose definitions invariably converge on the fundamental split between backwardness and advancement, and the view of development as the structural transformation of the former into the latter. This process is usually hindered by the perceived rigidity of the structures at hand. In his superb description of the 'structuralist vision', Ian Little thus explains how:

the structuralist sees the world as inflexible. Change is inhibited by obstacles, bottlenecks, and constraints. People find it hard to move or adapt, and resources tend to be stuck. In economic terms, the supply of most things is inelastic. Such general inflexibility was thought to apply particularly to LDCs. [...] The alleged inflexibility was married to the evident fact that the production structure of developing countries was very different from that of developed countries. To achieve development, this structure had to be changed, and to achieve rapid development, it had to be changed rapidly. [...] The structuralist view of the world provides a reason for distrusting the price mechanism and for trying to bring about change in other ways. [...] it primarily seeks to provide reason for managing change by administrative action. (1982: 20-1)

Structuralism in other disciplines; modernisation	Structuralism was a manifestation of a broader intellectual thread that ran through most of post-war social science. Its closest member of kin can probably be found in structural-functionalist sociology, where Talcott Parsons's 'pattern variables' were systematically invoked to posit a fundamental dichotomy between tradition and modernity. In this context, progress was defined as the shedding of traditional elements for the superior traits of modern society, such as rationality and efficiency ³ . A similar vision informed much of the contemporary research by psychologists and anthropologists, who sought to measure societies' cultural/psychological predilection to modernity – see McClelland's (1961) 'need for achievement' theory, or the work of Everett Hagen (1957). In the same vein, political scientists, spoke of 'nation building' and championed the convergence toward 'western' institutions and political mores (Foster-Carter 1976: 172). Most of mainstream development was embedded within this interdisciplinary framework of structuralism and modernisation, the latter defined as the process of uprooting traditional elements and converging to the ideal-type of a modern, industrial society – as portrayed in the work of such scholars as Marion Levy, Walt Rostow, Wilbert Moore, Shmuel Eisenstadt and others ⁴ .
Development economics as economic modernisation	Economics followed suit and championed development as the "economic component" of the broader process of modernisation (Lerner 1967: 21). The common starting point in much of development literature was the juxtaposition of backward to developed economies and the identification of those elements of 'backwardness' that made LDCs unique, and thus neoclassical economic theory inapplicable. It is on the basis of this bipolar contrast between tradition and modernity that both the object and the content of development were conceptualised. <i>Underdevelopment</i> was defined negatively and residually, as the absence of modernity; at the bottom line, backward societies were traditional ones (Toye 1987: 11ff). <i>Development</i> , in turn, entailed the transition from one state to another; its frequent identification with such 'superficial' measures as the growth rate of per capita output was a shortcut made possible by the underlying unanimity on the <i>qualitative</i> dimensions of development: the radical overhaul of domestic economic structures.

³ Parsonian pattern variables were dilemmas that guided the choices of social actors in societies (distinguished into 'expressive' and 'instrumental'). Parsons's work hailed from a long tradition of 19th century sociology, where conceptual dichotomies (*Gemeinschaft* - *Gesellschaft*, sacred-secular, status-contract etc.) were used to study the rise of European capitalism. For more on the link between structural-functionalist sociology and development economics, see Peet (1999: 71ff) and Preston (1996: 166ff).

⁴ Some authors employ the term 'modernisation theory' to denote either a branch of post-war American political science (e.g. Tipps 1973; Bernstein 1971), or a broader – but still distinctly American – approach to development, one to be distinguished from such development pioneers as Hirschman, Lewis or Rosenstein-Rodan, or the more eclectic approaches of authors like Myrdal (e.g. Preston 1996: 166ff; Leys 1996: 9-10). Though there is little doubt that the 'pre-paradigmatic' work of early development authors in the 40s and early 50s, exhibited much greater diversity than that of its successors, our broad-brush picture would gain little from such a distinction. What is more, whilst some facets of modernisation theory were certainly linked with MIT's *Centre for International Studies* (CENIS) and American economic diplomacy in general, the core notions that permeated the modernising ideal extended beyond American confines, and informed much of the *international* development discourse of the 1950s and 1960s. By seeking to drain the term from its foreign policy connotations and use it in a more encompassing manner, we hope to highlight a broader current in post-war social thought – albeit one deeply influenced by cold war antagonism (cf. Engerman, et al. 2003).

Modernisation, Structuralism and modernisation also entailed a particular interpretation of history: development was perceived as a *unilinear path* along which societies travelled on the road to modernity. Whilst there may have been different political vehicles available for this journey⁵, the route itself was common to all countries, as was the desired end-state to which they were converging, as “dictated by the technical and organisational imperatives of advanced industrialisation” (Hawthorn 1976: 242). The assumption of a path common to all countries, regardless of their placement in the historical *sequence* of development, also implied that the trajectories of different nations were largely independent, so that despite possible interaction with more advanced nations, backward countries retained their ‘original state’⁶. To quote the editor of one of the most prestigious development journals of the fifties and sixties, *Economic Development and Cultural Change*, “if there are ‘developed’ and ‘advanced’ countries in the present they must at some time have been ‘underdeveloped’” (Hoselitz 1952). Underdevelopment was thus interpreted as a universal historical stage, *not* a specific condition imposed by interaction with the developed world. This perspective was epitomised by Walt Rostow’s *Stages of Economic Growth*, arguably one of the most influential texts in the post-war development discourse⁷. By condensing much of the contemporary vision of development into the stylised logic of his five stages, and predicting that “the process of industrialisation repeated itself from country to country, lumbering through his pentametric rhythm” (Gerschenkron 1962: 355), Rostow seemed to be offering a universal and neat blueprint for rapid ‘take-off’ – so long as western donors and local ‘modernising elites’ succeeded in establishing the necessary ‘preconditions’⁸.

Naïve universalism, false universalism and the critics of modernisation For all their confidence in the linearity of modernisation, development economists realised that backward nations would still have to emulate the *past* experience of the west during its own ‘take-off’, rather than mimic its contemporary policies. This reinforced the key notion that advanced and backward economies could not be subordinated to the same theoretical framework, and served to strengthen the disciplinary boundaries of ‘development economics’. Development thus steered clear of ‘naïve’ strands of universalism, that would have the industrialised world ‘kicking away the ladder’, i.e. discouraging backward nations from adopting those policies it had once espoused in its own industrial ascent (cf. Chang 2002). Nevertheless, most economists clung to the notion of a unilinear path, despite being aware of the asymmetries between post-colonial backwardness and the pre-industrial experience of advanced nations (e.g. Myint 1954; Kuznets 1954; Higgins 1959: 252ff). This caused consternation

⁵ Rostow would thus distinguish between the Western ‘democratic-capitalist’ and the Soviet ‘totalitarian’ paths to modernity, the latter representing the morbid political alternative (Gilman 2003: 54-55) – cf. Kerr *et al.*’s (1960: 12) view on the existence of “several roads, each of which leads to industrialism”.

⁶ The term belongs to Henry Bernstein, who in his critique of the mainstream also notes how – unlike orthodox Marxists – modernisation theorists assumed that “societies have interests and goals, as opposed to investigating the crucial question of the interests and aspirations of different groups within societies, and the latent or manifest conflicts which exist” (Bernstein 1971: 152).

⁷ The classic references here being Rostow (1956; 1960; 1963). There is hardly a review of post-war development theory that fails to mention Rostow, with some authors going as far as to grant his work ‘paradigmatic’ status (Foster-Carter 1976; Hunt 1989). Part of his fame can be ascribed to his pivotal role within the academic establishment and his influence on US economic diplomacy, particularly during the Kennedy administration (see Latham 2000; Haefele 2003).

⁸ Rostow’s work of course belonged to a long tradition of similar attempts to visualise the rise of (European) capitalism in stages (Hoselitz 1961) and aptly conformed to the dictum of the historian as a ‘prophet looking backwards’. Note how his stage conception of history is also shared by Marx. Rostow himself modestly set out to provide “an alternative to Karl Marx’s theory of modern history” (1960: 2) and sub-titled his book *A non-communist manifesto* (cf. Meier 1964b: 23-25).

amongst those scholars worried about the possible *non*-linearity of development trajectories, or the impact of trade between agrarian and industrialised nations⁹. More significantly, universalism formed one of the main frontlines of the clash with communist, neo-Marxist and dependency theories¹⁰.

Modernisation as industrialisation

Disputes on the exact shape of development trajectories notwithstanding, neither the necessity of growth, nor the messianic view of an end-state of material prosperity ever came into question. *Industrialisation*, in particular, was placed at the heart of the mainstream discourse. The herald of modern values, industry was emblematic of the ultimate break with backwardness: the final emancipation from tradition, from colonial ties and manufacturing export dependencies, from the material poverty and cultural inertia of agrarian life. Not only economists, but sociologists and anthropologists as well, treated development, modernisation and industrialisation as virtually identical terms (Adas 2003: 37). Of course, much of the post-war industrial furore that surrounded the discourse on development, was a reaction to the industrial feats of the socialist bloc and betrayed the influence of cold war antagonism. Nevertheless, the emphasis on industry that underscored much of the mainstream discourse also belonged to an older (and wider) intellectual trend, albeit one that would become inevitably enmeshed in the ideological conflicts of the cold war.

Industry, positivism and technocracy

The celebration of rationality, technology and industrial prowess implicit in the modernising ideal, can be traced back to the core of the western imagery of development (Rist 2002) as well as the idea of science and technology as *the* key measures of human worth and potential (Adas 1989). Whilst often as old as the enlightenment or the industrial revolution itself, some of these trends would be reinforced by the intellectual fermentations of the inter-war period. In the US, efficiency and rationalisation lay at the heart of debates on productivity and growth, which promised a way out of the distributional dilemmas of the 1930s. The hope was that:

by enhancing productive efficiency, whether through scientific management, business planning, industrial cooperation, or corporatist groupings, American society could transcend the class conflicts that arose from scarcity. (Maier 1977: 613)

Confidence in the capacity of growth to transcend distributional problems was embedded within the tradition of technocracy and mechanisation, which were further stimulated by the advent of fordism and taylorism (Jordan 1994). Technocracy implied that economic growth was increasingly viewed as a *technical*, an *a-political* process, an issue amenable to (social) engineering. Addressing the issue of economic progress, one of Frederick Taylor's most ardent students thus explained that "what we need is not more laws, but more facts, and the whole question will solve itself" (Henry Gantt, quoted in Alford 1934: 262).

The ERP as a showcase of

Though present on both sides of the Atlantic as early as the 1920s (Maier 1970), these ideas would gain much wider currency with the onset of the *European Recon-*

⁹ The Latin American *cepalianos* – known for their sensitivity toward what they perceived as the unequal trade relations between the centre and the periphery – were natural candidates for such scepticism. In a statement anathematic of the modernist view of historical development, Celso Furtado would postulate that "underdevelopment is a discrete historical process through which economies that have already achieved a high level of development *have not necessarily passed*" (1964: 129 emphasis added). In fact, it was the *cepalianos*'s inherent aversion toward what Raul Prebisch (1949) had called 'false universalism', would later serve as a natural stepping stone for their conversion to the dependency school (see also Preston 1996: chapter 10).

¹⁰ See, for instance, Baran and Hobsbawm's (1961) critique of Rostow's stage theory. Much more will be said on this in [section II](#).

developmental-
ism, in its a-
political, techno-
cratic mantle

struction Program. Placing economic growth into much sharper focus, the Marshal plan sought to inject Europe with the American recipe for prosperity: the oft-used slogan “you too, can be like us” left little room for misunderstanding in this matter. Growth – often explicitly identified with industrialisation – became a dominant theme in the ERP propaganda campaign¹¹. Less conspicuously – and more effectively perhaps – the same ideas were injected in to the intellectual and policy-making elites of participating countries. This was accomplished through the interaction of personnel on site, technical assistance and the training of local administrators – all mechanisms that facilitated the dissemination of ideas. Needless to say how these ideological injections were also meant to inoculate Europe against the communist threat: growth and industrialisation were meant to rival communist rhetoric and overcome the material bases for popular dissatisfaction. As its first administrator, Paul Hoffman, would put it, the ERP sought to “confront the Moscow party line with the American assembly line” (quoted in Ellwood 1987: 432). Once more, the process envisioned was technocratic and a-political, based on increasing the pie’s size, rather than redistributing its slices. In the words of one scholar, Americans sought to prove that “the true dialectic was not one of class against class, but waste versus abundance” (Maier 1977: 615; cf. Machado 2007: 53-4).

From the ERP to
world develop-
ment: positivism
and technocracy
within the devel-
opment main-
stream

Its relevance to the Greek experience notwithstanding (see [chapter 6](#)), the ERP played a broader role in the evolution of post-war developmentalism, not least by lending credence to the notion that a favourable combination of intervention and capital injections was sufficient for development (Streeten 1972: 444ff). Thus, Richard Bissell, one of the masterminds behind the plan, would recently

regret its “unfortunate heritage” and “disservice” in propagating various myths: of rapid results, of the power of enthusiasm combined with huge resources, and that “economic and political problems could somehow be separated”. (Machado 2007: 118)

Whilst such statements probably overestimate the influence of European reconstruction *per se*, the outset of development economics is hard to disassociate from this particular historical junction. Several of the pioneers in the field first came to ponder on development as employees of wartime planning/reconstruction agencies; many of the ‘classics’ in the literature were devoted to post-war recovery and growth, with particular attention to Europe’s disadvantaged regions (Bonne 1945; Mandelbaum 1945; Rosenstein-Rodan 1943; 1944; Staley 1944). As the quest for development became global in the 50s and 60s, several of these intellectual strands would be woven into the unfolding fabric of the development mainstream: mechanisation and industrialisation would become synonymous with progress; development would be visualised as “a non-contentious process, not involving irreconcilable conflicts of interest between developed and underdeveloped countries or between different social groups within the latter” (Foster-Carter 1976: 172). In a nutshell, a ‘positivist orthodoxy’ (Preston 1982) would prevail, one which would have benevolent states armed with the appropriate analytical apparatus and endowed with sufficient resources attain the desired outcome, and converge to the modern, industrial ideal.

¹¹ See Ellwood (1997; 1998), Machado (2007: 22ff) and Whelan (2003). In this context, it is interesting to note how key *New Deal* projects such as the *Tennessee Valley Authority* (TVA) became emblematic of the US-promoted development path, symbolising technological superiority, regional planning, large-scale industrialisation and grass-roots democracy – the last meant rival Soviet authoritarianism (see Ekbiadh 2002; Lillenthal 1944).

Social engineering and social democracy: the developmental state as the parallel to the welfare state

These meliorist notions were not restricted to the international sphere, but mirrored similar intellectual developments *within* advanced economies themselves. In fact, no history of development can turn a blind eye to the parallel between 3rd world development and the rise of welfare capitalism or social democracy in the west (Rist 2002: 217). Several of the development texts of the time drew an explicit parallel between the rise of the redistributive welfare state and the efforts to industrialise backward areas (Rosenstein-Rodan 1944: 157). As one modern scholar would observe:

Modernisation theory was the foreign policy analogue of "social modernism" at home, namely the idea that a meliorist, rationalising, benevolent technocratic state was capable of solving all social and especially economic ills. [...] The developmental state was thus the post-colonial analogue to the welfare state in the developed world. (Gilman 2003: 56)

Thus, two years after publishing *National and International Measures of Full Employment in Developed Countries*, the United Nations would release its *Measures for the Economic Development of the Underdeveloped Countries*, a highly influential report which captured the contemporary 'development consensus' (Chakravarty 1993). Consistent with the 'social democratic ethos' (Leys 1996: 8) of the time, this gesture drew an implicit parallel between the commitment to full employment in advanced nations, and economic development for those countries lagging behind. Interestingly enough, though commissioned to study means of "reducing unemployment and underemployment" (United Nations 1951: iii), the report's authors soon decided that the "most urgent problem of these counties is industrialisation" (p.9). Not only that, but they imbued their analysis with the same confidence in 'social engineering' and 'technocracy' that was characteristics of contemporary social science: "given leadership and the public will to advance, all problems of economic development are soluble", the report's authors would contend (p.16).

The economics of industrialisation

Industrialisation: accumulation, external economies and modernising elites

Placed at the heart of the development mainstream, the drive for industrialisation was bolstered by a broad array of economic arguments: industrial products enjoyed greater stability of production and were better insulated from climatic conditions (Lee 1957); they faced more favourable international demand prospects and entailed greater productivity gains (Prebisch 1959); unlike subsistence agriculture, industry's could produce a re-investible surplus capable of financing future growth, thus generating a virtuous cycle of self-propagated accumulation (Rostow 1956: 25; Furtado 1964: 109). What is more, industrialisation generated sizeable positive externalities, forward/backward linkages and multiplier effects (Hirschman 1958; Rosenstein-Rodan 1944), and was much more congenial to technological progress, not least since "industry created technology which could then be applied to agriculture, but not vice-versa" (Myrdal 1957: 464). In line with the structuralist norm, manufacturing was also seen as the chief conduit of modern values, this "'pedagogical' aspect [...] being perhaps the strongest argument in favour of a policy of deliberate industrialisation" (Wallich 1958 [1952]: 198). Responsibility for introducing modern values and techniques, as well as making the appropriate use of the investible surplus, was delegated to a *modernising elite*, which could be a particular social class or – more often than not – a group of

modernising intellectuals, bureaucrats, or even military officers, who would function as an *Ersatzklasse* charged with replicating the western industrial revolution and hastening the coming of modernity¹².

Industrialisation: Arguably the most oft-cited argument in favour of industrialisation came with a distinctly social-democratic twist: industry was the only sector able to provide (productive labour surplus) work to agricultural labourers and thus offer a way out of un-/under-employment in backward nations. The existence of a large *surplus* workforce that could supply the modern, capitalist sector with abundant labour at low wages was deeply woven into the development lore. With estimates of 'agrarian overpopulation' and 'surplus manpower' ranging between 10 and 30 per cent of the population, this 'reserve army' of slack labour served both to fuel the industrialisation process, and to rationalise its urgency¹³. Surplus labour was thought to have zero marginal product, yet receive average product wages, kept near subsistence by some Malthusian population mechanism¹⁴. The modern, capitalist sector could employ these workers at low wages (thus maximising the generated surplus) and raise the total product with little or no sacrifice in agricultural output. This process would continue until the surplus was exhausted, from which point onwards, both sectors would have been modernised, and neoclassical theory would become applicable. This was the essence of the famous Lewis (1954) model, which claimed its lineage from the classics, and was representative of a large portion of the contemporary literature¹⁵.

The Lewis model built on the bipolar contrast of modernity to agrarian backwardness *within* developing nations. Such models of *internal dualism* could be expressed in broader, sociological terms – as in the case of J.H. Boeke's (1953) pioneering work on 'social dualism' – or they could focus on specific economic manifestations of dualism, in which case asymmetries in technology, productive relations or organisation came into play. Although the initial emphasis was on the supply of labour, the debate was gradually extended to other aspects of intra-sector relations, such as the supply of foodstuffs to the urban working class, the demand for manufacturing goods by the agricultural population, internal terms of trade etc¹⁶. The relationship between industry and agriculture was thus discussed at some length and whilst most authors concurred on the primacy of industrialisation, everyone dismissed the "false dichotomy of agricultural vs. industrial development" (Johnston and Mellor 1961: 566; cf. UN

¹² Modernising classes were often described as clusters of social 'deviants' (Schumpeterian entrepreneurs, Hagen's 'subordinated group', Toynbee's 'creative minorities'). Extensive references to the role of modernising elites in orchestrating and sustaining the industrial take-off, can be found in Rostow (1956: 25), UN (1951: 13-16), Higgins (1959: chapter 13) and Hagen (1957).

¹³ This is one of the most prominent themes in the contemporary development literature. The existence, magnitude and role of the labour surplus, are discussed, *inter alia*, by Rosenstein-Rodan (1943), Mandelbaum (1945), Eckhaus (1955), Navarrete and Navarrete (1958 [1953]), Rottenberg (1961) and Wonnacott (1962).

¹⁴ Much ink was spent on the marginal product of labour in agriculture, with several authors questioning whether it was really zero, or highlighting the costs involved in the inter-sectoral transfer of workers. The debate generated more heat than light and Lewis (Lewis 1972: 77-8) reflects that "it was probably a mistake to mention marginal productivity at all, since this has merely led to an irrelevant and intemperate controversy. [...] Since all the model requires is that the supply of labour exceeds the demand, zero marginal productivity was not a necessary condition".

¹⁵ Skarstein (1997: 58-60) discusses the relationship between the Lewis and corn models, whilst Ranis (1989) addresses the classical influences on dual sector models in general. The importance of Lewis's work has led some authors to grant his theory an almost 'paradigmatic' status (Hunt 1989).

¹⁶ For a survey of the various models of dualism, the reader can turn to Ranis (1987), as well as Kanbur and McIntosh (1987). Skarstein (1997: 52ff) also offers some useful insights, crediting Jorgenson's (1961) model with the shift in focus from surplus *labour* to the agricultural *product* surplus, and praising the work of Kaldor (1967) as instrumental in bringing demand considerations back in.

1951: 59). This is how one of the most popular development textbooks of the time summarised the conventional wisdom on the matter:

[E]conomic development is tantamount to getting people out of peasant agriculture. [However,] industrialization alone is unlikely to produce the desired results. [...] So far as industry versus agriculture is concerned, it is not a question of balanced growth or unbalanced growth, but one of balanced growth or no growth at all. At the same time, the most effective development policies will make good use of deliberately created imbalances designed to maximize "linkage". (Higgins 1959: 456)

Industry and
'heavy' industry

Despite such seemingly equanimous statements, the reality of much of the development theory and policy leaned toward industrialisation. Economic arguments notwithstanding, the symbolic appeal of manufacturing in backward nations, particularly those former colonies where nationalist sentiment was high, was often irresistible. One of the pioneers of development thus recalls

a conversation around 1950 with a Minister in a newly independent Asian country. When I kept on stressing the need for doing more for agriculture, he said that it was the imperialists who always told them to concentrate on agriculture; they had thought that I was an industrialization man. (Mandelbaum 1979: 511).

In this context, 'heavy industry' – key sectors such as refining, coal and steel in particular – occupied a special place in countries' aspirations, not least due to their symbolic connotations and strategic/military significance. Many economists were favourable toward such an industrial drive, treating heavy industry as the ultimate embodiment of technology and pointing to the "limitations of the comparative cost criterion" (Bohr 1952: 97) which might seem to favour more modest investments. Moreover, large-scale projects were seen as capable of generating sizeable spillovers and linkages for the economy (Hirschman 1958: 204; Chilcotte 1966). Last but not least, inasmuch as heavy-industry coincided with the manufacture of means of production, its growth was also seen as conducive to the expansion of the economy's future productive capacity. Whilst primarily associated with Soviet or Soviet-inspired growth models such as those by Fel'dman or Mahalanobis, considerations like these were far from unknown to western economists (cf. Domar 1957).

The economics of capital accumulation: supply and demand considerations

Capital fundamen-
talism

Industrialisation brought with it an emphasis on capital accumulation, which placed investment at the heart of the development discourse. Though human capital was often implicitly (or even explicitly) referred to (Schultz 1960), physical capital was the pivot around which the development process revolved¹⁷. Writing on the 'place of capital in economic progress', Alec Cairncross would thus observe in 1955 how:

In most of the recent writings of economists, whether they approach the subject historically (e.g. in an attempt to explain how the industrial revolution started) or analytically (e.g. in models of an expanding economy) or from the side of policy (e.g. in the hope of accelerating the development of backward countries), it is the process of capital accumulation that occupies the front of the stage. There is an unstated assumption that growth hinges on capital accumulation, and that additional capital would either provoke or facilitate a more rapid rate of economic development even in circumstances which no one would describe as involving a shortage of capital. (Cairncross 1955: 235)

Naturally, in circumstances of acute capital scarcity – such as those encountered in LDCs – this 'unstated assumption' was never challenged and "there was certainly a

¹⁷ Capital itself was of course related to a certain level of technology; "the recognition that investing and technical progress may be Siamese twins" (Hahn and Matthews 1964: 888) is thus considered a key contribution of contemporary growth models. Technical progress was an area where developed countries might be expected benefit from the assimilation of the technological feats of already developed nations (Gerschenkron 1952) – cf. the later debates on 'appropriate technology'.

tendency to assume that all investment was good" (Little 1982: 2). Development was systematically identified with an increase in the rate of capital formation and the minimum rate of investment consistent with economic 'take-off' was estimated around 15 per cent¹⁸. Having postulated a large reserve of surplus workers, economists felt comfortable ignoring labour, since "the real bottlenecks to expansion are capital and natural resources" (Lewis 1954: 152; cf. Bruton 1955). Critical of this capital fundamentalism, Dudley Seers (1979: 712ff) would later note how contemporary theoretical innovations such as the Harrod-Domar model, as well as the proliferation of economic statistics useful to these models, contributed to this trend. Either way, capital formation became the principal focus of development.

Demand- and
supply-side
constraints:
balanced growth
and investment
criteria

The challenge of raising investment had two sides to it: accumulation had to be stimulated *on the demand side* and financed *on the supply side*. Though both issues were recognised as important, much theoretical controversy *within* the development mainstream concerned the relative primacy of each constraint. Thus, for instance, the famous balanced-growth argument (Nurkse 1952) largely rested on the assumption that development was demand-constrained and a 'big push' (partly financed through large scale capital transfers; Rosenstein-Rodan 1943; 1944) was required to attain the 'critical minimum effort' (Leibenstein 1957) necessary to lift the economy out of the vicious circle of stagnation (Myrdal 1957). For their part, those sceptical of the ability of LDCs to finance such magnanimous projects emphasised supply-side constraints and debated the relative merits of alternative 'investment criteria', aimed at economising scarce resources and/or maximising growth¹⁹.

Of course, demand and supply considerations were interrelated, not least since investment itself could be regarded "both as an income generating factor and as a productive capacity-generating factor" (Furtado 1964: 60). The more fundamental issue at hand was determining the best way to break out of the vicious cycle of demand stagnation and low accumulation, and agreeing on the extent to which state intervention would be required to co-ordinate successive rounds of income- and capacity-generating impulses. The shadow of Keynes inevitably lurked in the background to these dilemmas; nevertheless, the more distinctly Keynesian dimensions of the argument were usually dismissed by mainstream authors, who felt that cyclical demand-deficiency was largely irrelevant to backward nations. Assessing the situation in his own country, the famous Indian development economist V.K.R.V. (a.k.a. *Alphabet*) Rao would question the policy-relevance of Keynesianism and conclude that

¹⁸ Apart from minor differences in the exact figures quoted, there is a remarkable consensus amongst contemporary economists on this issue, with Rostow (1956: 30) making it a necessary condition for 'take-off' and Lewis (1954: 154) boldly asserting that "the central problem in the theory of economic development is to understand the process by which a community which was previously saving and investing 4 or 5 per cent of its national income or less, converts itself into an economy where voluntary saving is running at about 12 to 15 per cent of national income or more". Similar statements can be found in UN (1951: 35), Higgins (1959: 471), Leibenstein (1957) and many others.

¹⁹ Many of these choices were further obfuscated by questions of time preference and disagreements on the extent to which present consumption could be depressed to raise future production. Thus, for instance, the capital turnover rules of Polack (1943) and Buchanan (1945) favoured labour intensive technology and sought to economise capital in the short-run; on the other hand, Singer (1952) and Galenson and Leibenstein (1955) favoured capital intensive technology by associating it with the maximum future re-investible surplus, which in their opinion was the appropriate maximand – note how most of these authors treated capital as the binding constraint on development, and rarely worried about the demand-side implications of their proposed criteria. For an introduction to the lively debate on 'investment criteria', see Hunt (1989: 102-5).

the old-fashioned (classical) prescription of 'work harder and save more' still seems to hold good as the medicine for economic progress, at any rate as far as the underdeveloped countries are concerned. (Rao 1958 [1952]: 218)

Inasmuch as this view was shared by most development authors, a substantial part of the mainstream discourse was devoted to determining the best means to procure the necessary capital for industrialisation. The conventional growth strategy:

implied that growth rates could be raised by relaxing the capital constraint, and that the benefits of growth would automatically spread through the population. (Bhalla 1979: 700)

At its extreme, the latter part of this recipe (also referred to as 'trickle down'), carried the un-Keynesian implication that individual consumption considerations could be safely ignored – at least in the early rounds of development. This belief would later come under scrutiny not only from such Keynesian theorists as Nicholas Kaldor (1967), but also from the champions of the 'basic needs' approach to development.

Loosening the supply-side constraint: capital, foreign exchange and two-gap models

Loosening the supply-side constraint meant exhausting all potential domestic or foreign sources of finance. In their quest for higher savings, development economists highlighted such issues as the adverse operation of the international Duesenberry effect (Nurkse 1952: 579ff), the role of income inequality, taxation and public finance (UN 1951: 36). Many called for a consolidated and powerful banking system, aided by specialised credit institutions (Higgins 1959: 487ff), whilst some even debated the merits of confiscations in mobilising domestic resources (Bronfenbrenner 1955). Everyone agreed that premature increases in consumption out of *additional* income were to be discouraged, even if widespread poverty precluded any curtailment of initial spending (Singer 1952). But even if domestic savings were secured, the economy's growth would still be constrained by the capacity of its machine-building sector, unless capital goods could be procured internationally. Adverse terms-of-trade effects and bottlenecks aside, this raised the spectre of *foreign exchange* shortages. What is more, the presence of strong capital indivisibilities and the need to undertake several investment projects simultaneously, implied that additional foreign finance might be forthcoming to avoid heavy sacrifices in current consumption. It would be considerations such as these that underscored two-gap growth models (Chenery and Bruno 1962; McKinnon 1964) and led to appeals for foreign aid to "get the process going without undue pain" (Bell 1987: 821; see also Hunt 1989: 105-6).

Inflation, development and a note on the Latin American inflation controversy

Before closing the section, reference should be made to the extensive literature on inflation and development, not least due to the primacy given to price stability in the Greek development discourse (see [section 8.1](#)). Straying from classical orthodoxy, early development theorists went so far as to consider the *deliberate* use of inflation as a policy instrument, a means to stimulate demand and loosen the capital constraint. Though these proposals quickly fell into disrepute, possible exceptions to the rule that wanted inflationary finance kept at bay were never entirely expunged from the literature²⁰. Moreover, most development economists agreed that some inflation was inevitable as the unintended by-product of development (Axilrod 1954: 337). Over time,

²⁰ Several of the development classics contain references to the possible usefulness of some inflationary finance (Nurkse 1952: 851; Lewis 1954; Bronfenbrenner 1953; Higgins 1959: 468-9). For a survey of the contemporary consensus on inflation and development, see Axilrod (1954). Whilst critical of inflationary finance, the author concedes that some in inflationary financing may be justified "where it is necessary to start a program of urgent public works" (1954: 337).

attention thus shifted to the costs of inflation and the range of appropriate measures to combat it; these issues lay at the heart of the famous controversy between 'structuralists' and 'monetarists', which was stimulated by the protracted inflationary experiences of Latin American countries in the 50s and 60s²¹. Though the details of this episode lie outside the scope of this chapter, one should point out that 'structuralist' theories of inflation came under attack from orthodox financial economists and banking circles, rather than development economists *per se*. The key structuralist arguments concerning the non-monetary underpinnings of Latin American inflation and the undue dampening effects of a monetary contraction were hardly alien to mainstream development theorists²². What is more, the ferocity of some of the Latin American inflation debates was not justified by economic arguments alone, but also reflected deep underlying political antagonism. As one contemporary observer of the reactions to the Kein-Saks stabilisation – which would find ECLA economists pitted against the IMF 'missionaries' in Chile – would comment:

In all fairness, it must be stated that the dividing line between "monetarists" and "structuralists" is perhaps not as sharp as drawn here. Some "structuralists" have exaggerated their differences with the "monetarists" for political reasons. It is obvious that the "monetarists" would agree with much of what the "structuralists" say and vice versa. [...] It was the International Monetary Fund which helped draw the lines of battle. (Grundwald 1961: 109)

Our narrative of the Greek development discourse is also replete with examples when political and institutional rivalries helped draw the battle lines between economists whose theoretical differences were more modest than what their animosity suggested.

Market scepticism and state intervention

The culture of market scepticism: intellectual background

By envisioning development as an immanent, yet state-guided process of modernisation and industrialisation, development economics was a child of its time. The culture of market scepticism that pervaded economic thought in the first post-war decades had its roots in the sinister legacy of the inter-war years of crisis and social upheaval. Conversely, confidence in intervention was stimulated by successful deviations from the liberal canon, ranging from the American *New Deal* to the economics of national socialism and the success of Soviet planning. On the theoretical plane, whether one looks at the corporatist/protectionist aspects of fascist economics, the work of American institutionalists, the stagnationist views of some New Dealers, the interventionist tenor of continental economists in the historical or (*ex cathedra*) socialist traditions, the inter-war 'calculation debate', or the rise of Keynesianism, there is no mistaking the backlash against liberal economic orthodoxy that was taking place in the run-up to the second world war. Similar trends were at work in less developed corners of the world, particularly those areas where countries had already gained their independence in the late 19th century. In Latin America, the practical problems caused by the great depression forced the abandonment of free trade and monetary restraint,

²¹ The reader interested in this episode of development history can turn to Seers (1962), Olivera (1964), Baer (1967), and Canavese (1982), as well as the passages included in Meier (1964b: 179-224).

²² See, for instance, Seers (1962) and Baer (1967). Note how this aspect of the controversy can be interpreted in terms of the relative primacy of demand vs. supply considerations, with monetarists being chiefly concerned with the effects of inflation on savings, and structuralists lamenting the adverse consequences of monetary stabilisation on the country's growth rate.

thus paving the way for the later emergence of ECLA economics²³. For their part, nations of Central and Eastern Europe – caught between Russian and German influences – had an even longer history of debating industrialisation in the vortex of Marxist, populist and corporatist ideas²⁴.

The golden age of interventionism

By the time the Second World War broke out, most of the new doctrines had already been scribbled at the margins of the old orthodoxy. By administering the final blow to 19th century nostalgia, the war allowed them to be written on a clean slate. The impressive performance of the Soviet war industry, the success of war-time planning and the ERP further raised the state's profile in economic management. As countries forged a new 'social consensus' that included a steadfast commitment to full employment and stability (cf. UK Beveridge report, US 1946 Employment Act), the West entered the 'golden age of interventionism' (Beaud and Dostaler 1995: 54). As the authors of an influential British text on *The Economics of Full Employment*, would put it:

The regulation of the economic process by market forces [...] must be supplemented by conscious and deliberate regulation by public authorities (Institute of Statistics 1944: 34)

Arndt (1985) dubs this the 'doctrine of market failure' and links it to such inter-war intellectual developments as the rise of welfare economics (which pointed to deviations from allocative efficiency), as well as mounting scepticism toward resource mobility an agent's responsiveness to economic incentives (cf. the work of Veblen and Duesenberry). As one might expect, Keynesianism also figured prominently amongst the new-found challenges to neoclassicism. Regardless of the specific *means* by which market failures would be corrected and full employment would be safeguarded – these could range from Anglo-Saxon demand-management to French indicative planning or Swedish corporatism – most economists embraced some form of state intervention as both necessary and beneficial.

Market failure

extends to development: protectionism, balanced growth, externalities

With growth seen as the Third World equivalent to the Western commitment to full employment, development economics was crafted in the same forge of market scepticism and interventionism²⁵. Deviations from the liberal canon often took the form of protectionism, since much of the theoretical rationale for industrial planning was based on the rejection of unfettered trade (more on this later). But market failure was not limited to the realm of foreign trade – several of arguments were invoked to bolster the need for systematic interference in *domestic* markets as well:

For a number of reasons, the price system, which makes this evaluation fairly accurate in more highly developed economies, is often a rather unreliable guide to the desirability of investment in an underdeveloped economy (Chenery 1955: 40)

To put the argument into sharper focus, one ought to mention 'balanced growth' as the single most influential body of theory to emerge out of doctrine of market failure, as applied to developing economies. The work of such authors as Rosenstein-Rodan

²³ The most celebrated *cepaliano*, Raul Prebisch, took active part in the conduct of inter-war policy in his own country Argentina, as it struggled with the collapse of international trade and drifted ever further from 19th century liberalism (Love 1980).

²⁴ See Warner and Jameson (2004) and Love (1996). This is the intellectual baggage that many of these economists carried with them when they emigrated to the West in the 1930s and 1940s, helped shape (American) post-war economics (Backhouse 1998). Whilst overstating his case, Johnson (1971) thus suggests that the obsession of development economists with industrialisation and national self-sufficiency can be attributed to "the flight of well-trained Central European scholars to the West during the 1930s".

²⁵ More often than not, the connection between the two theoretical strands was institutional as well. Thus, for instance, the *Oxford Institute of Statistics*, which spearheaded British research on full employment and stabilisation, also maintained close ties with such development pioneers as Kurt Mandelbaum (a co-author of the 1944 book quoted above), Thomas Balogh, Dudley Seers, Paul Rosenstein-Rodan and Nicholas Kaldor.

(1943; 1944) and Nurkse (1952) was largely premised on the idea that markets alone cannot produce a spontaneous industrialisation, because private firms cannot internalise the numerous positive externalities involved. These included the external benefits of worker training, demand/supply complementarities (reducing other firms' risk) and structural change, whilst their force was greatly amplified when combined with economies of scale and scope²⁶. Positive externalities, elasticity pessimism (Machlup 1950) and increasing returns undermined confidence in the capacity of markets to attain the 'critical minimum effort' (Leibenstein 1957) required to jump-start development (Fleming 1955; Scitovsky 1954). The solution entailed "a more or less synchronised application of capital to a wide range of different industries" (Nurkse 1952: 572). This 'big push' could only be orchestrated by the state, which would have to marshal the necessary resources and overcome private agents' coordination failures.

Keynesianism and development economics There is no mistaking the importance of Keynes to the 'doctrine of market failure'. Whilst the direct applicability of Keynesian theory to LDCs was generally thought to be circumscribed, its influence on development economics must not be overlooked. By casting doubt on the 'inherent self-recuperative capacity' of the capitalist market economy, Keynes

showed the way out of the beautiful, self-balancing clockwork economics to which so many of his contemporaries had subordinated their minds. (Toye 1987: 22)

His confidence in the role of enlightened intervention added to the 'technocratism' of the time (Toye 1987), whilst his contribution to the building of post-war international institutions is hard to forget (Chakravarty 1993). On the purely theoretical plane, Keynes provided the theoretical foundations for national income accounting and macroeconomic policy, without which development economics would not have gone very far. On the other hand, one must be careful not to overemphasise the importance of the Keynesian legacy: like many other aspects of developmentalism, Keynesianism was a product of the times²⁷.

Beyond the doctrine of market failure: saltation-ism The culture of state interventionism that permeated development economics extended beyond mere correction of market failures. Development policy was no mere "patching of the market" (Higgins 1959: 435), but required guidance of an altogether different kind. The state was often expected to act as the key modernising force, responsible for setting development in motion and expediting what would otherwise have been a long-winded historical process. There was little room for incrementalism in this picture; as one of the key development textbooks of the time would explain, any such approach was foredoomed to failure: "by its very nature, the development process is a series of discontinuous 'jumps'" (Higgins 1959: 384). The very notion of the 'big push', for instance, called for a radical break, a disregard for the static, marginal calculus of general equilibrium, whose applicability was invalidated by externalities, indivisibilities

²⁶ In this matter, Rosenstein-Rodan drew inspiration from Allwyn Young's (1928) seminal paper on economies of scale and growth, where it was argued that an increase in the *supply* of goods enlarges, at least potentially, the market for other goods. All in all, "the resulting failure of economic coordination [...] is greatly intensified in the presence of increasing returns" (Bell 1987: 820).

²⁷ Thus, for instance, Johnson and Johnson's (1978: 232) claim that the central role given to capital accumulation in development "while not of Keynes' own coining [is] essentially Keynesian both by direct discipleship and by intellectual affinity with the concentration on fixed capital investment as the prime economic mover in The General Theory" clearly overlooks what we have been emphasising as the integral role of capital accumulation to modernisation (cf. Toye 1987: chapter 2). For the same reasons, Seers's (1983) complaint that the internationalism of development policies was a product of Keynesian influences should also be taken with a grain of salt.

and dynamic considerations. If Alfred Marshall had espoused the Darwinian dictum *natura non facit saltum* to emphasise the gradualist conception of economic phenomena within 19th century liberalism, then post-war development economics signified a clear break with this tradition – the biological analogue to genetic engineering²⁸.

The limits of intervention: government failure and unbalanced growth

Deliberately engineered 'saltationism' implied a degree of intervention which would spread domestic administrative resources thin. Though perhaps abundant in developed economies, such resources were as scarce as capital in most backward nations. Calls for an increase in the effectiveness of domestic bureaucracy were thus common to development tracts, though never strong enough to reverse the pro-state tenor of the main argument²⁹. The work of Albert Hirschman deserves special mention in this respect: Hirschman (1958) developed part of his 'unbalanced growth' thesis on the premise that development was constrained by the scarcity of the 'binding agent' that organised and managed all other resources. The state could mobilise its decision-making capacities to overcome this constraint, but not to the extent envisioned by the proponents of balanced growth. Instead, Hirschman advocated the concentration of resources in a few sectors, chosen on the basis of their capacity to *intentionally* engineer disequilibria so as to stimulate change and mobilise additional resources³⁰.

The resulting 'strategy of unbalanced growth' values investment decisions not only because of their immediate contribution to output, but because of the larger or smaller impulse such decisions are likely to import to future investment, that is, because of their linkages. (Hirschman 1987: 210)

The linkage concept attained considerable popularity and stimulated much research, not least because it was easily integrated with Leontief-style input-output matrices³¹. Hirschman (1987: 211) claims that this may have given 'linkages' an edge over such rival concepts as Rostow's 'leading sector' or Perroux's (1957) 'propulsive industry' and 'growth pole'. Whilst linkages came in several variants (Hirschman 1987), most of the early work on the subject focused on *backward* linkages, which ended up favouring capital-intensive projects and import-substituting industrialisation (ISI). Interestingly enough, Hirschman added a historical twist to this argument, claiming that ISI was made necessary by the fact that backward nations were late-comers and thus had to start the process from the end backwards, unlike industrial pioneers, who had proceeded in more balanced fashion (Hirschman 1968).

²⁸ On the – somewhat hazy – meaning of the Marshallian epigraph, and its relationship to contemporary biology, see Fishburn (2004).

²⁹ When it comes to providing examples of those sceptical of government intervention in LDCs, the almost universal reference to the work of Bauer and Yamey (1957) by development historians is quite telling of the dearth of such dissident voices at the time – for a brief, but succinct introduction to Lord Bauer's work, see Elkan (2006).

³⁰ Bell (1987) fittingly calls this process one of generating "creative tension" and argues that it should be interpreted more radically than a large change in relative prices under demand pressures, to include such things as institutional changes and shifts in attitudes and tastes – cf. Hirschman (1958).

³¹ For a flavour of the research stimulated by 'linkages' see the May issue of the 1976 *Quarterly Journal of Economics* (vol. 90, no. 2). The use of input-output analysis to measure linkages was, of course, misleading, not least since input-output matrices are by nature static and synchronic, whilst linkages are a dynamic concept that only unfolds over time.

Measuring and planning growth and development³²

The rise of development planning

The culture of market failure and interventionism inevitably brought *planning* to the foreground and fuelled a fertile line of research as well as a host of policy applications, ranging from modest 'project plans' to more comprehensive blueprints such as those seen in India, Kenya, Mexico or Pakistan. Differences in the exact scope, detail and time horizon of individual plans aside, there is little doubt that the first post-war decades witnessed a surge in such initiatives, as virtually every developing country sought to jump on the 'planning bandwagon'. Perfectly aligned with the interventionist *zeitgeist*, these efforts were partly inspired by the apparent success of socialist planning, as well as similar trends in advanced capitalist economies, where 'indicative' planning was gaining credence³³. On the theoretical plane, planning was not merely the natural corollary of market scepticism concerns for the efficacy of the pricing mechanism, but also incorporated the broader problematic of the 'calculation debate', as well as more recent theoretical innovations in growth theory, input-output matrices, operations research and linear programming. Despite this noble theoretical pedigree, most of the actual plans demonstrated low levels of sophistication, and fell short of expectations in terms of policy outcomes (Little 1982; Killick 1976). Thus, by the late sixties, it was thought pertinent to organise special conferences devoted to the *Crisis in Planning* (Seers and Faber 1972).

The contribution of contemporary growth theory ...

Whilst no detailed narrative of the evolution of growth models can be attempted here, mention should be made of the influential work of Harrod and Domar – arguably the starting point of post-war formal growth theory³⁴. Originally designed to explain depression and unemployment in the developed world, these models were gradually seen as offering a universal framework of analysis. As their gloomier predictions of instability and secular stagnation were set aside, they were re-interpreted with a view to development planning. The famous Harrod-Domar equation seemed to offer a menu of policy choices, where higher growth rates could be attained at the cost of larger sacrifices in current consumption³⁵. The ancillary assumption of an inelastic incremental capital-output ratio (ICOR) was generally thought problematic, but rarely questioned in policy practice (Eckhaus 1955; Higgins 1959: 209). The later contributions of Solow

³² A comprehensive treatment of the rise of post-war planning, or its connection to different strands of economic theorising certainly lies outside the scope of this section, and the interested reader is encouraged to turn to any of the numerous surveys in the field. Though largely hostile to the practice, Little (1982: chapters 3, 4 and 9) offers one of the few general surveys of development that pay extensive attention to issues planning. Seers and Faber (1972), Chenery (1984) and Chakravarty (1991) produce insightful historical accounts, whilst Manne (1974) offers a comprehensive survey of the more technically advanced models of development.

³³ Other contemporary influences of course include war-time planning, European reconstruction, the colonial development plans of the 1940s (e.g. Britain's 1945 Colonial Development and Welfare Act) etc. For contemporary planning in advanced nations, the classic works of Schonfield (1969), Hagen and White (1966) and Hackett (1963) still serve as useful introductions; on the theoretical background to indicative planning (particularly in its French variant) see Estrin and Holmes (1983: part I). Note how the link between planning for advanced and developing economies went beyond mere intellectual osmosis, to an overlap in institutions and personnel. Thus, for instance, a highly influential Fabian Society pamphlet on *The Principles of Economic Planning* [1948], originally aimed at a British audience, was authored by none other than Arthur Lewis; the book went into three editions and was translated into several European and Asian languages.

³⁴ The classical references here being Harrod (1939) and Domar (1946; 1947); described as an attempt to 'dynamise Keynes', their work combined the angst of the early post-war economics (the spectre of a new major recession looming over the capitalist world, the fear of mass unemployment, Hansen-style investment stagnation) with a confidence in the efficacy of state intervention. For an early survey of post-war growth theory, see Hahn and Matthews (1964).

³⁵ In its initial formulation, the equation implied that steady growth required savings (*s*) to equal the product of the capital-output ratio (*k*) and income growth (*g*): $s = k \cdot g$. This was a strict 'knife-edge' equilibrium condition, that could only haphazardly be satisfied without state interference. This aspect of the theory – discredited by the sustained post-war boom in both Europe and the US – was soon forgotten, as emphasis shifted to the implication that $g = s/k$.

(1956) and Swan (1956), which endogenised the ICOR and permitted factor substitutability, opened the stage to a series of neoclassical models forecasting long-term convergence to a steady state³⁶.

... was limited

Despite its convergence on such key themes as the significance of capital accumulation, population growth and technical progress, as well as its espousal of the modernist vision of a uniform development trajectory, post-war growth theory exerted little *direct* influence on development thought³⁷. Its relevance to development policy was cast into doubt by its formalistic rigour and restrictive assumptions, which seemed at odds with the reality of the development process (Bruton 1955: 322). Several authors thus expressed their concern for the policy relevance of growth theorising, with Sen's retrospective standing out for the vivid imagery it invokes:

[After 1945] growth was everybody's concern and it is no wonder that in such a milieu growth theory was pampered by the attention of economists. With this immensely practical motivation it would have been natural for growth theory to take a fairly practice-oriented shape. This, however, has not happened and much of modern growth theory is concerned with rather esoteric issues. Its link with public policy is often very remote. It is as if a poor man collected money for his food and blew it all on alcohol. (Sen 1970: 9; cf. Hahn and Matthews 1964: 890)

Of all theoretical innovations of the time, Harrod and Domar certainly enjoyed the greatest popularity in development planning, though it was stripped of its theoretical nuances and reduced to a mechanical rule of thumb. More sophisticated attempts rarely survived the transition from academic journals to planning agencies' drawing boards. Early development plans often resembled *ad hoc* lists of desired projects, with the rationale and connection between investments being tenuous – at best. Of course, with time, the technical sophistication of plans was upgraded, to include dynamic input-output techniques and optimisation algorithms (see Manne 1974). Little (1982) singles out Chenery's model for Italy (see Chenery 1955) as one of the earliest attempts to use input-output matrices and linear programming to estimate the shadow prices of resources (remember that actual prices deviated from true resource costs in backward economies); but the author rushes to add the following sobering observation:

The actual plans of developing countries in the 1950s (and later) have been much less sophisticated than the Chenery model. Most were only plans for a few major macroeconomic variables, without the links between the two being spelled out. Where a more comprehensive model was attempted, it was based on Harrod's analysis, relating rates of growth to required investment via assumed capital/output ratios (for which almost no appropriate data then existed). (p. 41)

Little's words echo in the mind of anyone who seeks to review Greece's experience with development planning in the 1950s and 1960s (see [section 8.3](#)).

Measuring the

Reference to the data constraints to successful planning brings us to another issue, namely the growth of national income accounting and the intensification of economic data compilation³⁸. Though at first a luxury only developed economies could afford, the revival of 'political arithmetic' was extended to the 3rd world after the war, and efforts were made to harmonise statistical practices across countries. An interest-

³⁶ For a historical account of later reactions to the Harrod-Domar model, including those by Cambridge economists like Kaldor and Robinson, see Rostow (1990: 337ff).

³⁷ Thus, for example, Irma Adelman's (1961) survey of the *Theories of Economic Growth and Development* would be almost exclusively devoted to the contributions of Smith, Ricardo, Marx and Schumpeter; a similar picture emerges from Higgins's (1959) 774-page textbook, of which only 3 are devoted to the formal neoclassical growth model.

³⁸ This process owes much to the inter-war the pioneering work of Simon Kuznets, Richard Stone and Colin Clarke, as well as Kalecki, Lindahl, Sauvy and others. Keynes's contribution to this process consisted not only in his work at the UK Treasury, but also inasmuch as "Keynesian analysis offered a conceptual framework for the design, construction and use of national accounts" (Beaud and Dostaler 1995: 58).

ing off-shot of these efforts was the increase in statistical analyses of the *historical* growth process, as pioneered by Simon Kuznets³⁹. His comparative morphology of growth patterns produced several hotly debated empirical findings (such as the famous U-curve of inequality and per capita income) and established several of the 'stylised facts' of development (e.g. the decline of the agricultural share in income). This line of research was taken further by Hollis Chenery and his colleagues, who explained how

the main purpose of this study has been to provide a comprehensive statistical analysis of the major features of development that can serve as a basis for economic theory and policy. (Chenery and Syrquin 1975: 207)

Growth

morphology and
modernisation

The operational purpose of these statistical compilations, of course, was to contribute to the design of development policy and programmes. At the same time, however, they were deeply woven into the theoretical fabric of mainstream development. The notion of a unilinear convergence to the modern, industrial ideal was implicit in the work of Kuznets, Clark and Chenery, the last one leaving little room for misunderstanding when he explained how,

Inter-country comparisons play an essential part in understanding the process of economic and social development. To generalize from the historical experience of a single country, we must compare it in some way to that of other countries. Through such comparisons, uniform features of development can be identified and alternative hypotheses as to their causes tested [...] The present study attempts to provide a uniform analysis of the principal changes in economic structure that normally accompany economic growth. (Chenery and Syrquin 1975: 1)

Estimates of growth patterns prescribed the 'average' path, which countries were destined to follow; at the same time, the use of cross-sectional economic and non-economic data to classify and juxtapose countries, tied in perfectly with the dualism implicit in contemporary development thought.

Trade and development

Development and
trade in main-
stream thought

No outline of post-war development theorising can be complete without some reference to economists' views on the role of trade in development. Arguably, many of the field's pioneers were loath to accord trade a prominent place in their analysis: Rosenstein-Rodan, Nurkse, Leibenstein, and Hirschman all emphasised the *domestic* facets of the development challenge and treated external relations as secondary. Some of them even predicted that industrialisation would *diminish* the relative importance of international trade (e.g. Mandelbaum 1945: 16). Of course, external considerations were never completely expunged from the development discourse, especially once trade flows amongst principal trading partners were re-established in the post-war period. Surveying the relevant research, de Vries (1966) offers the following description of the consensus prevailing in the 1960s:

The last two decades have produced considerable change and a much higher degree of sophistication in the approach of economists as to what trade and exchange policy is most conducive to, or compatible with, the economic development of under-developed countries. New developments in the theory of international trade, [...] have meant that in the minds of many economists, free trade as a policy goal is no longer the norm, even in theory; rather the exceptions are often thought to be 'normal', especially in the circumstances of developing economies.

At the same time many of those who were previously strong advocates of protection and restricted trade and of exchange controls or multiple exchange rates for developing economies have become somewhat disenchanted with the operation of these policies in practice. Conse-

³⁹ Kuznets's work was carried out at the *Social Science Research Council*, and was originally published in the form of ten monographs in the *Economic Development and Cultural Change* journal, between 1956 and 1964. See Kuznets (1965; 1966) for a synthesis of many of the earlier findings. Rostow (1990: 352-9) offers a sweeping survey of broader 'statistical analyses of the structure of growth'.

quently, although there is by no means unanimity of views, for the vast majority of economists the sharp contrast between the orthodox free trade school and the protectionist school has been greatly diminished. (de Vries 1966: 19)

Trade scepticism: In similar vein, economists of the 50s and 60s came to regard balance of payments issues *not* as monetary, but as structural phenomena, reflecting the excess of domestic investment over savings, rather than inflationary pressures or credit overexpansion. But most importantly, scholars of development remained sceptical of the potential benefits of free trade for backward economies (UN 1951: 56-8; Higgins 1959: 410ff; Myint 1954). Specialisation on the basis of free trade was usually tantamount to foregoing industrialisation and thus consigning underdeveloped nations to perpetual backwardness. Factor immobility and surplus labour undermined the operation of classical trade theory, as relative money prices did not reflect true comparative advantages (Lewis 1954). The presence of external economies, multiplier effects and increasing returns to scale further meant that static, comparative advantage was a poor guide to economic policy. Development, after all, was an inherently dynamic process: if sacrificing allocative efficiency *today* meant internalising positive externalities and improving one's competitive position *tomorrow*, interventionist trade policy became theoretically defensible. The infant industry argument had always hinged on such a malleable conception of comparative advantage, one which allowed countries to forge their own competitive destinies. With the advent of the 'big push' and balanced growth,

the question became not whether each individual industry might eventually be able to produce competitively without protection but whether a group of protected industries would be more likely to pay their way. The argument was not for the infant industry but for the infant economy. (de Vries 1966: 24)

Inequality in the distribution of gains from trade Such considerations aside, much of the debate on trade and development revolved around the perceived inequality in the distribution of gains from international economic relations. The secular decline in the terms of trade of developing vis-à-vis developed countries is the most celebrated case in point (Singer 1950; Prebisch 1950), but similar arguments expressed in terms of 'backwash effects' and 'cumulative causation', or inequality between creditors and debtors, were also present in the literature (Myrdal 1957; Myint 1954). When it came to offering a theoretical explanation for the declining terms of trade, several mechanisms were proposed: on the one hand, the low income elasticity of demand for primary commodities, the development of synthetic substitutes and the protection of western agricultural markets led to a decline in international demand (Singer 1950; Nurkse 1961). On the supply side, a fundamental asymmetry existed in the way in which technological progress was absorbed in the industrially advanced 'centre' and the underdeveloped 'periphery', not least due to the downward pressure surplus labour exerted on wages; thus,

general improvements in productivity tend to be fully reflected in the increment of the wage rate at the centre, while at the periphery, part of the fruits of these improvements is transferred through the fall of export prices and the corresponding deterioration in the terms of trade. (Prebisch 1959: 262; cf. Lewis 1954)

What is more, cyclical fluctuations had a divergent impact on the prices of primary and manufacturing commodities, leading to a ratchet effect that further undermined the long term prospects of agrarian exporters (Prebisch 1950; Baer 1962)⁴⁰.

⁴⁰ This is not the place to review the voluminous literature on the Prebisch-Singer thesis, which has fuelled a heated empirical debate, as well as the emergence of several more theoretical works. For a state-of-the-art assessment of the hypothesis, see Sapsoford and Chen

When intellectual and political battle-lines get confused: on the originality of ECLA views on trade

Scepticism toward trade liberalism was thus characteristic of the majority of development economists in the first post-war decades, all of whom were willing to justify some measure of trade protection. This was invariably presented as a transitory measure, aimed at fostering industrialisation and subject to constant re-appraisal; words of caution against over-protection, inefficiency and the creation of 'perpetual infants' were not uncommon⁴¹. Note how this undermines the *cliché* that wants import substitution and protectionism falling within the principal purview of the Latin American *cepalianos*⁴². Much as in the case of the inflation debate, most of the reactions to ECLA trade arguments came from orthodox trade theorists, *not* development economists *per se* (e.g. Viner 1952; Haberler 1959; Ellsworth 1956). Granted, the *cepalianos* did pay much greater attention to issues of trade, and were sometimes willing to tolerate greater deviations from liberal precepts, but their differences from the rest of the development mainstream should not be overstated. Exaggerations of the singularity of ECLA economics also owed much to the politics of the Americas and the cold war. To offer but one, striking example, note how the Prebisch-Singer thesis, whilst treated as a hallmark of ECLA and principally associated with Raul Prebisch, owed much more to the work of Hans Singer (Toye and Toye 2003). Tensions in relations with the US had contributed to Latin American hostility against western economic prescriptions, not least since Americans had opposed the very formation of ECLA⁴³. Against this background, the Prebisch-Singer thesis emerged as a threatening and potentially subversive doctrine that

lent itself so readily both to the economic nationalism of the underdeveloped countries and to the polemics of the Cold War (Toye and Toye 2003: 439)

The UN censored the more provocative elements in Singer's original report, but – in violation of its standing principle of anonymity – chose to publish Prebisch's 'manifesto' under its author's own name, thus hoping to downplay its importance by emphasising the 'personal' nature of the views expressed therein. Ironically, this only served to propel Prebisch and ECLA into the limelight (*ibid.*)!

Trade, dependency and the challenge to modernisation

Admittedly, the congruence between *early* ECLA thought and the views on trade advanced by western scholars of development is sometimes clouded by the fact that many of the *cepalianos* later drifted toward dependency theory and added a distinctly Marxist, or neo-imperialist twist to their argument. This, of course, *did* constitute a radical break with the development mainstream, inasmuch as it ran contrary to some of the core precepts of modernisation. Once trade flows were no longer believed to be of secondary importance, and the interaction between industrialised and backward nations through international markets was seen as potentially harmful, the assumption of a universal historical path to development started to crumble (Toye 1987: 11-13). On

(1998). The historian of economic thought will undoubtedly also benefit from Toye and Toye (2003), Shaw (2002: chapter 7), Love (1996: chapter 8) and Bianchi (2002).

⁴¹ Thus Prebisch (1959: 260) explains how "all this requires a very cautious and selective policy of protection and does not conflict with the possibility and advisability of reducing and eventually eliminating protection in those industries having a faster rate of technical progress" – cf. various expressions of concern for 'over-protection' by Myint (1954: 160ff), Hicks (1959: 180-8).

⁴² Preston (1996: 195), for example, misleadingly juxtaposes Latin American (dependency) theorists to "the modernisation theory informed proposals to rely upon the marketplace, which entailed simply reaffirming an upgraded version of the historically generated and debilitating role of primary product exporter".

⁴³ The US administration favoured the *Organisation of American States* (OAS) instead, an agency stationed in – and largely controlled by – Washington itself (Street 1987).

a related, but subtler point, note how some of the key controversies on trade and development invoked different counterfactuals in their appraisals: whereas orthodox trade theory compared the trade outcome to autarky, those favouring a dynamic view of trade policy sought to incorporate the future in the analysis:

what is important [...] is not where the country now is, but what its future must be, having regard to the limits of its natural resources and to the principle of comparative cost. (Lewis 1958: 47)

For their part, those complaining of the 'unfair' distribution of gains from trade seemed to have a different counterfactual in mind, one appealing to some 'ideal' or 'fair' international resource allocation (Meier 1964a: 371). But what might such a 'fairer' alternative look like – and how was it to be attained? For several decades, communist authors of development tracts argued that integration with the socialist bloc held the answer to this question. It is thus time to shift our gaze to the east of the iron curtain ...

II. Imperialism, dependency and 'national economic liberation'

Words of caution Anyone attempting to sketch out the 'communist view' of 3rd world development within in half a chapter, is clearly about to make some hard choices and simplifications. Obviously, there is no such thing as a single, monolithic body of post-war theory that can be designated as 'communist' and condensed to a few pages. Nevertheless – much as in the case of mainstream development thought – one can pick up a series of themes and common threads that set the stage on which more elaborate theoretical nuances were expressed. The next paragraphs do this with primary reference to the Soviet experience, not least due to its widespread influence on the communist parties and left-wing intellectuals of many countries, including those outside the eastern bloc. In fact, many of the key concerns and precepts of the Soviet economic discourse are matched by similar considerations amongst neo-Marxist authors – not to mention the official documents of European communist parties. The more demanding reader should also bear our intentions in mind: this section seeks to offer the necessary background to the views that were expressed by Greek intellectuals. And when it came to the Greek Left, the direct or indirect influence of Soviet views on economics is hard to miss.

Core elements of the 'communist view' of development

Diagnosis At the heart of the communist interpretation of backwardness lay the notions of imperialism and dependency. The principal cause of underdevelopment amongst backward nations was *external*; it stemmed from the country's exploitative ties with foreign capital, which were propagated with the aid of a local '*comprador*' class equally opposed to development. The manifold domestic structural defects identified by most mainstream development theorists as inimical to growth, were but symptoms of this deleterious interaction⁴⁴. Whilst the modes and channels of this interaction evolved historically, its ultimate essence remained the same:

⁴⁴ For their part, Marxist scholars would not hesitate to agree with their non-Marxist colleagues as to the role of low private returns to industrial investment (due to externalities), luxury consumption by high-income classes or agricultural surplus labour in inhibiting growth (see for instance Baran's 1950 address to the AEA; Baran 1952); but their aetiology of these obstacles would be quite different.

“the expropriation of economic surplus from the many and its appropriation by the few, the polarisation of the capitalist system into metropolitan centre and peripheral satellites, and the continuity of the fundamental structures of the capitalist system throughout the history of its expansion and transformation” (Frank 1967: 3)

Cure The above diagnosis left little room for misunderstanding as to who was to blame for economic backwardness. Addressing the 22nd CPSU Congress in 1961, Khrushchev reiterated the communist prescription for the Third World:

It's time to tear out the roots of imperialism [...] until [the new states] end their dependence on imperialism, they will continue their role as "world countryside" [...] The interests of a nation call for [...] ousting imperialist monopolies, founding a national industry [...] and strengthening political independence. (CPSU 1961: 32)

The cure was straightforward: development hinged on the extirpation of exploitative ties with the capitalist West and the uprooting of local comprador elites. This would release domestic resources currently siphoned off as super-profits for foreign capitalists, and permit rapid, inward-oriented development, particularly industrialisation and the mechanisation of agriculture. Radical political reform was necessary to achieve this, by sweeping the old oligarchy out of power and creating a new set of 'progressive' institutions capable of orchestrating the country's 'national economic liberation'. Ever since the 1928 Comintern decision on the "Principle Types of Revolution", countries with a medium development of capitalism, colonial and semi-colonial countries were barred from direct transition to socialism. During an interim stage of transition, however, the new regime would complete the *bourgeois-democratic* transformation, supervise the uprooting of imperialist dependencies, and pave the way for socialism⁴⁵.

Specific treat- The state lay at the heart of this transformation. By expanding the ambit of its
ment: state plan- own authority vis-à-vis the private, capitalist sector – the realm of imperialists and
ning, nationalisa- their indigenous allies – the state would uproot the sources of exploitation. Planning
tion, trade reori- and regulation would curtail the haphazard and unfair operation of markets. Nationali-
entation sations, starting with key industries and foreign-owned enterprises, would further tilt
the scales in favour of the national economy. Small-scale private business would sur-
vive during the transition stage, albeit under strict state supervision. The same applied
to small peasant ownership, whilst most blueprints for development called for agrarian
reform and redistributing the *latifundia*. The country's external trade would also be-
come subject to strict state control; though invariably emphasising the primacy of *do-*
mestic resources for development, authors in the communist tradition also called for a
re-orientation of trade (and aid) toward the socialist world; the implicit assumption
was that relations with the latter were non-exploitative and "equivalent", as opposed
to those with the capitalist countries.

Industrialisation Rapid industrialisation – especially one geared toward *heavy* industry – consti-
(and agriculture) tuted an integral part of this process of "economic liberation", inasmuch as it was ex-
pected to strengthen the regime both internally and externally⁴⁶. No longer would the
country be relegated to the status of primary commodity exporter, a portion of the

⁴⁵ The details of this 'revolutionary paths' and the subsequent regime were actually quite controversial, as was the exact definition of the 'intermediate' stage, variously referred to as the 'people's democracy', the 'independent national democracy', the 'national revolutionary' stage etc. But at this level of abstraction, we cannot afford to go into details on what were often practical, rather than theoretical disagreements on political strategy.

⁴⁶ *Heavy* industry entailed the manufacture of means of production (metallurgy, chemicals – the famous *Sector I* in Marxian economics); both common sense and Lenin's famous aphorism that "socialism = proletariat dictatorship + electrification" suggest that energy production also played an important role.

"world countryside". Industrialisation would precipitate internal transformation, improve technology and labour productivity, thus permitting the rapid and continuous expansion of national output and the continued transition toward socialism⁴⁷. Agriculture would also benefit from this process of mechanisation, but its significance was deemed inferior to that of industry. In fact, this was a characteristically uncomfortable issue for most communist intellectuals, who recognised the preponderance of the peasantry in backward countries (and thus its importance both as an economic force and a political ally), whilst on the other hand finding it hard to suppress their orthodox Marxist disdain for agrarianism.

Industrialisation (and agriculture) in Soviet economic thought

Most of these issues had already cropped up in the Soviet Union's own historical experience: the uneasy proletariat-peasant alliance (*smychka*), the relationship of agriculture to industry, the degree of reliance on market exchange, economic planning, investment priorities and the relative primacy of heavy industry had all figured prominently in the famous inter-war industrialisation debates. These had pitted Preobrazhensky and the other 'super-industrialisers' of the party's Left against the more gradualist Bukharin and the *New Economic Policy* (NEP), with Stalin maintaining a characteristically opaque and eclectic stance, at least until all his political opponents had been eliminated (Spulber 1964; Erlich 1960). Despite their striking relevance to the economic dilemmas faced in post-war developing countries⁴⁸, these intellectual exchanges were subsequently buried under tonnes of Stalinist dogma and verbose Party propaganda. What was remembered, was the way the debate was settled: by the time the 15th Party Congress of 1926 called for "a development rate higher than in the capitalist countries", rapid and heavy industrialisation had carried the day (Schlesinger 1964: 30ff).

Industrialisation, development and Stalin's 'basic economic law of socialism'

In the course of the later 1920s, Stalin broke with Bukharin's gradualism and increasingly emphasised the need for rapid accumulation and heavy industry. His concomitant views on agricultural collectivisation are well documented, as are their dire consequences for the Russian peasantry (Erlich 1955). Whilst usually defended in terms of affirming economic and military independence – an important consideration in the run-up to a world war and the age of 'socialism in one country' – the primacy of heavy industry also reflected Marxian confidence in the superiority of large-scale production, its contribution to productivity and the concomitant capacity of capital-intensive sectors to produce a higher surplus (Howard and King 1992: 32ff). This was formalised in the famous two-sector Fel'dman model, which utilised Marxian reproduction schemes to confirm the need for greater investment in sector *I* as a precondition for the unhindered expansion of the economy as a whole⁴⁹. Subsequent economic

⁴⁷ For a textbook analysis, see Dutt and Rothstein (1957). This is the English translation of the 2nd edition of the political economy textbook released by the Soviet Academy of Sciences in 1955, which incorporated Stalin's own observations on socialist development (Stalin 1952). Chapter 24 on *Socialist Industrialisation* starts with the unequivocal assertion that "Socialism can only be built on the basis of large-scale machine production. Only large-scale machine production both in town and country can ensure the victory of the socialist forms of economy over the capitalist forms, an uninterrupted growth of the productivity of labour and the improvement of the welfare of the working people."

⁴⁸ For a review of the relationship between development economics and the Soviet debates of the 1920s, see Nove (1979). See also, Colette (1964) for a lengthy treatise on the relationship between the investment criteria in development and Soviet planning.

⁴⁹ A similar argument ran through Maurice Dobb's 1960 classic *An Essay on Economic Growth and Planning*: inasmuch as growth was bound by the supply-side constraint of capital accumulation, emphasis on capital-intensive production would maximise long-run growth

textbooks published in the forties and fifties reiterated this conviction, which was enshrined in successive 5-year plans and became gradually elevated to canonical status (Dutt and Rothstein 1957: 717). In fact, this process of *socialist accumulation* (Ostrovityanov 1945), was seen as an extension of the '*basic economic law of socialism*', whereby the object of production was defined as:

"the securing of the maximum satisfaction of the constantly rising material and cultural requirements of the whole of society, through the continuous expansion and perfection of socialist production on the basis of the highest techniques" (Stalin 1952: 45)

Such appeals to rising material and cultural standards across the population were combined with claims that – under socialist planning – consumption and accumulation were not antagonistic (Dutt and Rothstein 1957: chapter 19). Of course, in the face of the acute suffering brought about by the forced collectivisation of agriculture, as well as the shortages of consumer goods, such pronouncements sounded increasingly hollow. But at least until Khrushchev's snide comments against the "metal-eaters" in 1961, the primacy of heavy industry remained unchallenged.

Communist de-

velopment theory
and the '*doctrine
of the Soviet ex-
perience*'

This was the body of theory and historical experience behind the communist development doctrine, which was to be transplanted *outside* the Soviet Union, not only to those economies within direct Soviet reach, but also to the semi-colonial states of the Third World. The importance of industrial emancipation, combined with unbridled optimism surrounding its feasibility, dominated the communist literature on development in the 1940s and 1950s⁵⁰. Predictably perhaps, a more nuanced approach made its appearance in scholarly texts of the late-60s, but it took several years for this to 'trickle down' to the bulk of official publications⁵¹. In all of these issues, Marxian theory, offered some guidelines, but hardly provided any definite answers concerning the strategy of economic development, the speed of transition or the sectoral priorities of investment⁵². More often than not, these were provided by the Soviet experience itself, which was referred to variously as a 'law', a 'model' or a 'prototype' (Macridis 1954: 33). Its influence transcended the iron curtain, to left-wing parties around the globe and to a host of communist intellectuals and fellow-travellers who were equally impressed by the Soviet accomplishments. The Latin American development discourse cannot be interpreted without reference to this doctrine, nor can developments in 'non-aligned' countries such as India or Egypt. Similarly, Western Marxists such as Paul Sweezy, Paul Baran, Maurice Dobb or Charles Bettelheim, would extol the Soviet paradigm for the transition to socialism (Howard and King 1992: 174). It would only be after Khrushchev's 'Secret Speech' of 1956, and with considerable delay, that many

– to the possible detriment of short-run consumption. The Fel'dman essays are reprinted in Spulber (1964), but his model became known in the west through Domar (1957). It's resemblance to Leontief's input-output model is hard to miss and the potential Menshevik influences on Leontief are debated by Jasny (1962) and Levine (1964).

⁵⁰ Thus, for instance, a Soviet book on *The economy of the African countries* would devote most of its pages to industry, arguing that all prerequisites for Africa's rapid industrialisation were already in place (Shpirt 1963); agriculture received a much more cursory treatment (Valkenier 1968: 648).

⁵¹ Thus Valkenier (1983: 88ff; 1968: 247-8) identifies the hesitant return of the NEP as a useful source of experience for development policies in the work of Lev Reisner, as well as references to balanced growth in the work of S.V. Baskin and V.G. Solodovnikov; the last in fact complained that the Soviet views on industrialisation had been 'misunderstood' in the West, and that Marxists sought "a harmonious development of all branches of the national economy" (Solodovnikov 1961: 68).

⁵² After all, most of Marx's own work was concerned with the fate of advanced capitalist nations that had already attained a high degree of industrial development.

would turn to other countries, such as Mao's China or Castro's Cuba, for inspiration⁵³. Yet none of these reached the same paradigmatic status, especially in Greece, where communist economics were saturated in the Soviet tradition, either directly, or indirectly, through communication with European parties 'loyal' to Moscow.

Imperialism, exploitation and dependency

Dependency vs.
modernisation

Although several facets of the communist discourse are reminiscent of its western counterpart, the twin notions of imperialism and dependency posed an obvious challenge to the modernisation mainstream. This extended far beyond the rejection of the (admittedly circumscribed) liberal elements in mainstream thought, to the very interpretation of historical development. For dependency and imperialist exploitation constituted a break from the 'universalism' of modernisation. If the structural handicaps of backward nations were the product of adverse interaction between the advanced capitalist 'core' and the underdeveloped 'periphery', then development could not be conceived in independent, linear trajectories. Inasmuch as external influences were critical and industrialised metropolises distorted backward countries' internal structure in a way that precluded further advancement, backwardness could not be interpreted as a primal condition of 'stasis', from which countries would eventually break out (or take off). "Underdevelopment" ceased to be a state of nature and was transformed into a mode of historical interaction, eloquently captured by Frank's (1967) transitive use of the term. The historical paths of both developed and developing countries were intertwined; where modernisation theory "attributed a history to the developed countries, but denied all history to the under-developed ones" (Frank 1967: 40), communists paid attention to the multiple ways in which peripheral countries had seen their development stymied by the imperialist monopolies and their domestic allies⁵⁴.

Dependency and
capitalism's 'his-
torically progres-
sive role': the
Marxian ortho-
doxy

For neo-Marxists like Baran and Frank, the break from modernisation was clean and the wound healed. But this was not always the case. For in their battle against modernisation, scholars of neo-imperialism may have found allies amongst post-colonial nationalists, free-trade sceptics and economists disenchanted with conventional import-substitution strategies (e.g. the Latin American *cepalianos*), but they also found an unexpected adversary: orthodox Marxism. By placing imperialist exploitation at the centre of its analysis, the theory of imperialism denied capitalism its 'historically progressive' role in backward societies. Both Marx and Engels, had distinguished between the 'subjective motivations' of capitalist expansion to the periphery, and the 'objective historical results', in terms of uprooting feudal institutions, precipitating social change and paving the way for socialism. Several passages from Marx's own writings on colonial states, along with his famous dictum that "the more industrially devel-

⁵³ For the Maoist vision and record of development Hunt (1989: chapter 8) and Riskin (1987) offer good starting points respectively. The poly-centrism in Marxism in developing countries after 1956 is discussed in Leys (1977); Clecak (1973) and Caute (1988) survey the attitudes of individual left-wing intellectuals vis-à-vis the Soviet Union.

⁵⁴ These are also core propositions for neo-Marxists/dependency theorists. Given the virtual absence of such influences in Greece before 1967, neo-Marxism dependency theory are not discussed explicitly here – but see Leys (1977), Howard and King (1992: 167ff), Brewer (1980: 131ff).

oped country, only shows, to the less developed the image of its own future”⁵⁵ suggest that – to Marx – capitalist development in the periphery was not only *necessary* (to uproot pre-capitalist institutions), but also *perfectly feasible*; much more so in fact, it was inevitable: there was no way in which capitalism, once ‘contracted’ to the periphery, would not transform it in its image⁵⁶. Thus Kierman (1967: 183) claims that

what [Marx] had in mind was not a further spread of Western imperialism, but a proliferation of autonomous capitalism, such as he expected in India and did witness in North America.

According to this strand of thought, then “capital created underdevelopment not because it exploited the underdeveloped world, but because it did not exploit it enough”⁵⁷! Though largely dormant in the 50s and 60s, this strand would be revived in the late 1970s, especially in some circles of western Marxism (e.g. Warren 1980; Desai 2002). It is hardly a coincidence, in fact, that its resurgence occurred in parallel with the ‘neo-liberal counter-revolution’ (Toye 1987): at the heart of this controversy within the Marxian tradition, lie the several *liberal* elements in Marx’s own thought: his general support for free trade, limited state intervention and his optimism concerning the international spread of capitalism (Howard and King 1992: 216ff).

The intellectual

journey of imperialism authors: the German ‘classics’

In complete antithesis, the post-war communist analysis of underdevelopment, whether strictly Marxist-Leninist or neo-Marxist, denied capitalism the potential for positive contributions to development. This reversal was the product of a long-winded intellectual journey from the German intellectuals of the SDP, through the Russian populist debate, all the way to Lenin’s later writings and the first Comintern documents on colonial emancipation. Early scholars like Bernstein, Kautsky, Luxembourg and Hilferding had maintained the Marxian orthodoxy, albeit with some occasional qualification. More importantly, they offered the first interpretations of imperialism, as the next – if not the last – stage of capitalism. Most of the post-war dependency arguments can be traced back to these ‘classics’ of imperialism: the scramble for resources and markets, the effort to counteract declining profit rates and underconsumption, the growth of monopolies/cartels and the repudiation of free trade, the increasing prevalence of finance capital etc., all made their first appearance in these attempts to account for the cataclysmic economic and political events unfolding in the four decades preceding the Great War.

The Russian

populist debate

The Russian populist debate, for its part, pitted the Narodniks against authors reluctant to abandon the bourgeois-democratic revolution and the development of capitalism as intermediate stages to socialism (Howard and King 1989: 165ff). Whilst the Narodniks were arguing that capitalist development in Russia was both impossible, and unnecessary⁵⁸, Plekhanov, Tugan-Baranovsky and a young Lenin felt that it wasn’t

⁵⁵ This is found in the preface to the first German edition (Marx 1867 [1951]: 6). Palma (1978: 887-9) and Skarstein (1997: 4-9) reproduce the most pointed references on the subject, whilst Avineri (1969)(1969) offers a collection of Marx’s writings on colonialism.

⁵⁶ Marx seems to have had some second thoughts about this toward the end of his life. These were chiefly expressed in connection with the Russian populist debate and imperialism in India/China – see Marx (1867 [1951]: Vol. 3 / 365-6); Shanin (1984).

⁵⁷ Kay (1975: x); cf. Marx’s own claim in the first edition of the *Capital* that “the backward country suffers not only from the development of capitalist production, but also from the incompleteness of that development” (1867 [1951]: xiv).

⁵⁸ In this sense, their argument was reminiscent of dependency theory: Russia’s capitalist development was impossible because the country was a late-comer. In the words of the chief Narodnik theoretician, Vasily Vorontsov, “the more belated is the process of industrialization, the more difficult it is to carry it on along the capitalist lines” (quoted in Walicki 1969: 121). On the other hand, backwardness had its advantages, inasmuch as the technology (but not the structure) of capitalism could be emulated (Sutcliffe 1972: 182). At the same time, the essentially socialist character of the peasant land commune (*obshchina*) could be used as the basis for a direct transition to socialism.

just necessary or possible: it was already under way⁵⁹. Yet these authors were also willing to concede that capitalist development in the periphery was different from that of the 'early starters' (Palma 1978: 896). Lenin's (1899 [1967]) *Development of Capitalism in Russia* contained several references to obstacles and considerations that were likely to make Russia's capitalist development a slower, more arduous process⁶⁰.

From 1905 to 1917 and the 1920s in Russia

Over time, confidence in the beneficial 'objective results' of imperialist penetration in backward states wavered. The 1905 revolution further contributed to this shift by raising the onerous possibility of a bourgeois alliance with the reactionary *ancien régime*. Once the path through capitalist development appeared less feasible, its necessity also came into question⁶¹. Nevertheless, as late as 1916, Lenin's *Imperialism: the Highest Stage of Capitalism*, remained ambiguous on the subject. In many ways, its status as a 'classic' owes much more to its systematic use by Soviet authors unwilling to cite Hilferding or Hobson, than to its theoretical originality⁶². The ultimate break with the orthodox view on capitalist penetration in the periphery only took place *after* the *October Revolution*, and is enshrined in the *Comintern* documents of the 1920s. In treatments of backward nations, attention was increasingly geared toward the alliance between imperialists and traditional oligarchies, aimed at thwarting internal transformation. In his 'Theses on the Revolutionary Movement in Colonial and Semi-colonial Countries' presented at the 6th Comintern Congress of 1928, *Otto Kuusinen* would explain how:

the progressive consequences of capitalism, on the contrary, are not to be seen there [despite the increase in foreign investment]. When the dominant imperialist power needs social support in the colonies it makes an alliance first and foremost with the dominant classes of the old pre-capitalist system, the feudal-type commercial and money-lending bourgeoisie, against the majority of the people' (quoted in Degras 1960: 526)

Several authors (Mosley 1964-5; Palma 1978) cite this as the important turning point in communist development theory, and it is certainly true that subsequent references to the prospects of backward nations were usually premised on imperialist exploitation and the need to 'de-link' from world capitalist markets.

Post-war theories of imperialism and modes of surplus extraction

This is hardly the place to chronicle the evolution of theories of imperialism⁶³. The previous paragraphs served merely to sketch out the gradual shift in attitudes surrounding capitalism's role in backward countries. Post-war theories of imperialism and development largely mirrored the critical outlook that emerged during the 1920s, albeit with some minor modifications (e.g. the feudal-imperialist alliance gave its place to that of local and foreign monopolists). Inspired by changes in relations between advanced and underdeveloped nations (de-colonisation, trade/capital flows), theorists

⁵⁹ This was the essential argument in Baranovsky's (1898) *The Russian factory in the 19th century* and Lenin's *Development of Capitalism in Russia* (1899) – see also Howard and King (1989: 152ff) on Plekhanov.

⁶⁰ Including, *inter alia*, the weakness of the domestic bourgeoisie, the ambiguous role of foreign capital, the effect of industrial competition with Western Europe and the unexpected capacity of traditional structures to survive within Russia (Palma 1978: 892).

⁶¹ Having broken away from Menshevism, Lenin appears ever more doubtful of the bourgeoisie's potential to bring about capitalist development and progress in Russia. At the same time, Trotsky – in his 1907 *Results and Prospects* – went a step further by rejecting the rationale of the two-stage revolution and speaking of Russian capitalism's "uneven and combined development". This core notion – which comes close to dependency theorist's view of capitalist penetration in the periphery – implied that capitalism in Russia was a far less potent a catalyst than what orthodox Marxism suggested.

⁶² See Skarstein (1997: 13ff), Palma (1978: 890) and Howard and King (1989: 250ff). The book did offer several 'canonical formulations', notably on the equation of imperialism with 'monopoly capitalism'.

⁶³ An exploration in this vast secondary literature can start with Brewer (1980), Howard and King (1989; 1992) and Kemp (1967). Sutcliffe (1972) and Palma (1978) approach the same subject from a more developmental perspective.

also changed their interpretations of the modes of surplus extraction. In this matter, it is hard to resist the elegance of Sutcliffe's distinction between three phases

in the relations between capitalism and the peripheral countries and areas of the world. One (prominent in Marx's and Engels's writings) involves plunder (of wealth and slaves) and exports of capitalist manufactures to the peripheral countries. The second (uppermost in Lenin's writing) involves the export of capital, in competition for supplies of raw materials and the growth of monopoly. The third involves a more complex, post-colonial dependency of the peripheral countries, in which foreign capital (international corporations), profit repatriation, adverse changes in the terms of trade (unequal exchange) all play a role in confining, distorting or halting economic development and industrialisation. (1972: 172)

MNEs, FDI and Western aid

This is the ground in which the seeds of post-war development theory were sown. Despite nominal independence, the new states were still being exploited by their erstwhile colonial masters. International capital flows were summarily dismissed as manifestations of neo-colonialism. Multinational corporations and foreign direct investment were the easiest targets for such polemics, their mere existence being taken as sufficient evidence of exploitation⁶⁴. This attitude was gradually reversed in the course of the later 1960s, when Marxist economists increasingly conceded that foreign capital could be beneficial (primarily for its superior technology), as long as its terms were not exploitative (Valkenier 1983: 78ff). A similar story can be told of communist views on Western development assistance, including the Marshall plan (see Jaster 1969).

Foreign trade and unequal exchange

In the post-colonial period, the increasing role of trade in international transactions led to a shift in emphasis from capital to commodity flows. Trade between the capitalist metropolises and their erstwhile colonies was accused of 'non-equivalence', a notion that was rarely rigorously explained or defined, but subsumed a host of inter-related claims about the 'unequal exchange' between agriculture and manufacturing, adverse trends in the terms of trade, monopolistic pricing at the centre, wage inequality etc. This is not to suggest that the Marxian tradition lacked a theoretical model of unequal exchange: in fact, there were at least two distinct strands of thought on the matter, the first associated with differences in the organic distribution of capital (which can be traced back to Otto Bauer (1907)), and the second based on differences in labour costs due to wage inequality, which became central to the work of Arghiri Emmanuel in the 1960s (see Emmanuel 1972)⁶⁵. Most authors, nevertheless, glossed over such theoretical niceties, and took trade with the West to be axiomatically exploitative.

'Bifurcated world markets' and exchange with the socialist camp

Needless to say, none of the aforementioned criticisms applied to transactions with the socialist countries. As Stalin (1952: 26-7) had explained, with the emergence of the "powerful socialist camp", the "single, all-embracing world market" had been replaced by two independent entities⁶⁶. Trade within the socialist camp operated in a coordinated and fair manner which ensured equal participation in the gains of trade (Valkenier 1983: 76). Once more, this was usually assumed rather than demonstrated; as the 1957 Academy textbook would explain:

⁶⁴ This is one of the most common themes in the Greek communist literature on development. For some comparable examples on other developing countries, see the (translated) works of Melman (1963) and Pavlov (1963) for India.

⁶⁵ Space limitations preclude a discussion of these theories. See da Silva (1987) for an attempt to include both in a simple Marxian model and Andersson (1976) for a rigorous formulation of Emmanuel's theory, along with a survey of previous contributions.

⁶⁶ Valkenier (1983: 39) calls this the notion of a "bifurcated world market", the two portions of which operated independently from and antagonistically to each other; she identifies this as a common theoretical thread running from the 1940s till well into the 1970s.

In accordance with the basic economic law of socialism, economic relations between the countries participating in the new, world market are subordinated to the task of the fullest satisfaction of the constantly growing needs of the working people by means of the uninterrupted growth and perfection of socialist production, on the basis of the highest technique. For this reason, in the socialist camp there are not and cannot be economic penetration, unequal exchange, competitive struggle, exploitation, and the enslavement of weak States by stronger ones. The mutual relations of the countries of this camp are characterised by comradely collaboration and mutual aid. (Dutt and Rothstein 1957: 605)

Similar statements extended to communist views of aid and capital investments (e.g. Rymalov 1959).

Which theory of imperialism?

The reality of trade/aid flows within the socialist camp and with the 3rd world notwithstanding⁶⁷, to the historian of thought, the disconcerting feature of much of this discourse was its reluctance to engage in serious theorising on the exact conditions in backward countries and the actual mechanisms of development. This was particularly true of much of the Marxist-Leninist literature, with neo-Marxist authors in the West demonstrating a greater sophistication in their arguments⁶⁸. Of course, one must bear in mind that most of the imperialism literature was stimulated by considerations *remote* from the 3rd world. Luxembourg, Hilferding and Kautsky were interested in explaining events in the European centre, not the periphery; Lenin's *Imperialism* similarly sought to account for the failure of European socialism and mounting war tension; even the inter-war Comintern debates, though not 'euro-centric', were clearly informed by Soviet foreign policy considerations. During the cold war, the very notion of a 'bi-furcated' global market implied that 3rd world development was attractive as a means of undercutting capitalist centres from their markets, not as an end in itself (Breslauer 1987). In a context where economic theorising was subject to strict Party control and thus subordinate to foreign policy considerations, theoretical details became less important, if not cumbersome. Over time, the very notion of imperialism in Soviet documents became increasingly vague and tautological. Summarising the tone of Marxist-Leninist literature in the fifties and sixties, one scholar says:

Imperialism is not something the Western countries do: it is a state of being, it is what they are. They have reached the stage of monopoly-capitalism; this, by definition, is imperialism. It has nothing to do with pursuit of this or that line of action in their foreign transactions; no matter what they do, it will be by definition 'imperialist'. (Roberts 1977: 371)

This brings us to the political dimensions of the communist development discourse and the oft-cited complaint about politics 'dominating' economics.

Politics vs. economics; voluntarism vs. fatalism; genetics vs. teleology

October 1917 and the algebra of revolution

In many ways, communist development theory after 1920 distanced itself from orthodox Marxism. To Marx, capitalism was a necessary prerequisite for socialism, a process that – despite its brutality – would benefit the periphery by uprooting feudal institutions and endowing it with a strong industry and a numerous proletariat. Socialism would follow where the objective conditions were ripe, i.e. where capitalism was

⁶⁷ Not surprisingly perhaps, trade within the CMEA tended to favour the stronger partners (Bideleux and Jeffries 1998). On the other hand, Valkenier (1983: 3-11) argues that (early) Soviet aid terms were more beneficial than those usually offered by the West.

⁶⁸ Despite their broad convergence, neo-Marxists and orthodox Marxist-Leninists *did* have some key theoretical differences, particularly on the relative importance of production and exchange relations (for the background to this dispute, see Howard and King 1992: 205). In the work of Frank, Wallerstein and Emmanuel, exchange relations (trade) were seen as the primary causes of underdevelopment, endogenously *determining* social relations of production. This accounts for Emmanuel's claim that "all imperialisms are, in the last resort, mercantile in character" (1972: 187). Baran was less 'unorthodox' in this sense, but his influential concepts of 'actual' and 'potential surplus' were defined in terms of production and subsistence consumption, rather than in relation to the structure of property ownership or the labour theory of value – see Baran (1957: 23) and Sutcliffe (1973: 90-1).

most advanced. The October of 1917 changed all this: the revolution started in the periphery; 'Socialism in one country' became a reality and changed what Plekhanov would have called the 'algebra of revolution'. As Stalin would spell out in the *Foundations of Leninism*, the anti-imperialist struggle was a global one, and "the revolution will not begin where industry is most developed [...] but where the chain is the weakest" (1950: 46). What is more, after 1917, it became increasingly common for authors to emphasise the revolutionary nature of the Party and its capacity to *bend* the rules and conjure up social transformation *irrespective* of objective conditions⁶⁹.

The anti-imperialist struggle in the 3rd world

These ideas inevitably altered the perceptions of 3rd world development. Instead of emphasising 'objective conditions' in backward countries, communist authors started focusing on the role of leadership. The implicit assumption was that the political superstructure was capable of restructuring the socio-economic base and releasing the country's development potential (Valkenier 1983: 98). In his 1966 *Problems of the Contemporary National Liberation Revolution*, a leading Russian scholar of development, V.L. Tiagunenko, would proclaim that "transition to socialism was possible for any country, independent of the level of development", and regardless of the strength of the domestic proletariat (1966: 15). The very process of "national liberation" was more political than economic, inasmuch as priority was given to defeating imperialism, irrespective of economic details⁷⁰.

The primacy of politics over economics?

It is evidence like this that has led some authors to speak of a "primacy of politics over economics" in the communist development literature (Jaster 1969; Valkenier 1983). Admittedly communist authors were more alert to some political aspects of the development process than their '*bourgeois*' colleagues, and the very issues we've been discussing so far in this section testify to this. Commenting on Stalin's political economy – a key influence in the 40s and 50s – Howard and King claim that it was "much lighter on the *economic* than on the *political*" (1992: 26), and the same can be said of most Soviet works on economic development. Nevertheless, both the diagnosis and the proposed treatment of backwardness by communist authors rested on an essentially *economic* argument, that of surplus extraction and dependency. What is more, a mere glance at communist works on developing countries reveals that – more often than not – their *political* analyses were equally superficial: classes were bundled together in broad, uniform aggregates along a single dimension from comprador to anti-imperialist; the details of domestic politics and history were glossed over and the country was mean to fit into the general 'laws' of socialism. The following criticism of neo-Marxist dependency theory can easily be extended to the communist literature:

[it] tends to be economicist in the sense that social classes, the state, politics and ideology figure in it very noticeably as derivatives of economic forces, and often get very little attention at

⁶⁹ This is another area where Marx is confusing: the relationship between the superstructure and the material base is variously referred to as one of 'correspondence', 'determination' or 'conditioning', allowing subsequent authors to offer equally opaque formulations such as that by Lenin that "man makes history, but within the conditions, and with the materials, given by the corresponding period of civilisation" (quoted in Palma 1978: 883). Obviously, this leaves much room for interpretation and the later Lenin would describe the party as "a revolutionary organization, knit together by discipline, faith, and will [...] composed of an elite which could interpret the march of history" (Macridis 1954: 24).

⁷⁰ In fact, this is how Valkenier accounts for the "Soviet readiness to grant aid for just about any project proposed by a developing country and rejected by the West, without prior investigation of its economic feasibility" (1983: 75).

all. [...] And [it] tends to be mechanical in the sense that processes tend to be presented as resulting from a 'logic' or mechanism, a system of vicious circles reinforcing each other.⁷¹

No economics or bad economics? In this sense, one had better speak of a primacy of *bad* economics and politics, than the primacy of politics over economics. Whilst certainly not as barren as contemporary Western accounts suggested, the intellectual *milieu* for social science behind the iron curtain was far from ideal. This was *particularly* true for the Soviet Union, where the very program of the CPSU made it clear that:

The investigation of the problems of world history and contemporary world development must disclose the law-governed process of mankind's advance towards communism, the change in the balance of forces in favour of socialism, the aggravation of the general crisis of capitalism, the break-up of the colonial system of imperialism and its consequences, and the upsurge of the national liberation movement of people. (1961 CPSU Program, quoted in Morris 1973: 250)

Variations across countries and over time notwithstanding, such forces were at play in communist parties on either side of the iron curtain, interfering with intellectual work to an extent unmatched in the West⁷².

Voluntarism vs. fatalism and geneticism vs. teleology The 'primacy of politics over economics' is often used to refer to the 'voluntarism' of early communist economics, as reflected first and foremost in early Soviet economic experience and Stalinist doctrine (Howard and King 1992: 24; Macridis 1954: 28). In this sense, voluntarism refers to the unbridled capacity of sheer 'political will' and the party 'superstructure' to produce changes in the material base. This attitude must be partly defended, inasmuch as it formed a deliberate and explicit component of communist doctrine: voluntarism was juxtaposed to *bourgeois* fatalism, which entailed the mere perpetuation of the *status quo*. Within the context of a radical break with the past, conventional descriptions of material constraints hinging on the *status quo ante*, were poor predictors of future outcomes. This was a long-rehearsed argument, which underscored the Bukharin/Preobrazhensky controversy of the 1920s, and the more general clash between the 'geneticist' and 'teleologist' school of Soviet economics⁷³.

Voluntarism, scientism and technocracy Unfortunately, after Stalin's ascent, these arguments were usually settled at the Gulag, not at research institutes. Thorough scientific work was replaced by dogmatism and mechanical applications of Marxist-Leninist generalisations⁷⁴. The first 5-year plans and their over-ambitious production goals were seen as practical refutations of 'geneticism': the party leadership, employing the "highest techniques" and using state control to co-ordinate production, had appropriately channelled the "enthusiasm of the masses" to transform the underlying "material conditions", falsely interpreted as constraints by "bourgeois prejudice"⁷⁵. This appeal to technocracy and socialist science – a trademark of communist rhetoric – reflects both the 'modernist' nature of the communist regime and the tradition of applying dialectic materialism to the sciences, which can be led as far back as Engels's *Anti-Dühring* of 1878 (Sheehan 1978). The coexis-

⁷¹ Leys (1977: 49); Morris (1973: 261) makes a similar point. Interestingly enough, Morris blames this on "the Marxist view of politics as being merely a reflection of the pattern of economic relations" and "public officials focusing their attention on Africa's economic problems and policies". The 'politics over economics' argument might thus reflect economists' own professional bias, rather than the reality of Soviet analysis.

⁷² The impact of Stalinist purges on Russian economics is discussed in Jasny (1973). Cf. Schrecker (1986) on MacCarthyism and US academia.

⁷³ The geneticists emphasised the path dependency of development and the costs of radical change, whilst teleologists stressed the transforming potential of state planning (Howard and King 1992: 26). An interesting parallel exists in Soviet biology, with the agrobiologist Trofim D. Lysenko and his followers dismissing the constraints imposed by inheritance and purporting that the environment was capable of radically conditioning the characteristics of plants and animals.

⁷⁴ In a further, tragic parallel to economics, several Soviet geneticists lost their lives and livelihoods during the rise of Lysenkoism – for the details of the Lysenko affair see Joravsky (1970), Lewontin and Levins (1976) and Lecourt (1977).

⁷⁵ See Stalin (1952) and the references in Howard and King (1992: 25ff).

tence of strong ideological biases with the most fervent appeals to scientific impartiality would be one of the most embarrassing aspects of communist thought, and one we shall encounter in the work of several Greek communist authors as well.

3rd world messianism and development in the late 1960s

In this context, communist voluntarism toward development emerged as a form of *political messianism*⁷⁶ vis-à-vis the 3rd world. The primacy of politics over economics was invoked primarily as a means of dismissing uncomfortable economic data. Though strongest under Stalin, these trends were not immediately reversed after 1956. In fact, it would only be in the course of the late 1960s that criticism of earlier development analysis appeared⁷⁷. In 1965, the *Academy of Sciences* vigorously criticised the *Africa Institute* for its emphasis on "historical questions" and its "insufficient attention to the problems of economic, social and political development of present day Africa" (quoted in Morris 1973: 257). A few years later (1968) a conference on development economics would openly criticise past work for its:

excessive reliance on schematic and wishful thinking at the expense of obvious realities [...] The focus on the components of a pre-ordained political progress had to be superseded by close analysis of the factors contributing to economic development. (quoted in Valkenier 1983: 51)

Class alliances and the role of the national bourgeoisie

The interim stage and class alliances

Coming back to the 'algebra of revolution', we find the 6th Comintern Congress recommendations on the 'types of revolution' holding firm in the post-war period. Countries where capitalist development was either low or medium could not be expected to jump straight on the bandwagon of communism: a process of transition would be necessary, often called the period of "national democracy",

bridging the gap in Communist theory between the earlier stage of bourgeois-nationalist revolution and the more distant one of building socialism. In this transitional stage [...] the national democracies are expected to cut themselves loose step by step from the imperialist system and move steadily closer to the socialist camp. (Mosley 1964-5: 89)

Lacking in capitalist development, underdeveloped countries would be endowed with a narrow proletariat unable to make a successful bid for power on its own. A substantial portion of the communist development discourse was thus devoted to the issue of class alliances, particularly the role of the peasantry and the national bourgeoisie.

Peasants: the awkward class

The peasantry seemed a natural ally in the struggle for 'economic liberation'. An (allegedly) harmonious proletariat-peasant alliance (*smychka*) lay at the centre of the Soviet 'model', and even Western scholars often attributed the appeal of communism in LDCs to its radical pro-peasant rhetoric of land redistribution and agrarian reform. Yet peasants remained what Shanin (1984) had astutely called an "awkward class" for Marxian scholars, not least due to their perceived backwardness⁷⁸. As early as 1928, the Comintern had explicitly condemned the agrarianism of colonial states, lamenting that the proletariat "still has one foot in the village" (quoted in Watnick 1952: 26). In his penetrating analysis of communist ideology in LDCs, Morris Watnick explains how,

⁷⁶ The idea of a 'secular' messianism in Soviet ideology is discussed in McKenzie (1955) – see also Barghoorn (1955).

⁷⁷ Similarly, it would not be before Brezhnev that Lysenkoism was repudiated.

⁷⁸ Once more, this view can be led back to Marx himself, as well as his views on the progressive role of capitalism in uprooting feudalism. Interestingly enough, the disdain for the peasantry is picked up by neo-Marxist authors; Baran's explanation of Stalinist heavy-handedness, is thus explained as such: "a revolutionary break with the centuries old backwardness of the antediluvian Russian village could not have been achieved with the consent of the *irrational, illiterate and ignorant peasantry*" (1957: 278; emphasis added).

rhetoric aside, communism was much less congenial to farmers and relied more on the *bourgeois* nationalist intelligentsia, often the only pool of potential leadership, not least because of its Western (colonial) education and modernist ideology (1952: 25).

The 'national
bourgeoisie' in
backward states

This brings us to the somewhat controversial role of the 'national bourgeoisie' in developing nations. Ever since Lenin's "strategic approach to revolution" prevailed in the Lenin-Roy debate⁷⁹ of 1920, communists favoured a temporary alliance with indigenous nationalist movements in colonial and post-colonial states, regardless of their exact class consciousness. This approach, which reflected the Soviet Union's own strategic priorities, was soon put to practice, when Lenin supported the Kemal movement in Turkey – to the detriment of the local communist party. The 1928 typology of revolutionary paths further confirmed this stance, inasmuch as it recognised the primacy of support for national independence in colonial and semi-colonial nations, even if that implied supporting the domestic bourgeoisie.

The national
bourgeoisie in
backward states
after 1945

The revival of interest in the 3rd world in the latter half of the 1950s would lead to the re-discovery of the middle classes. When once even Gandhi was dismissed as an 'imperialist agent', communist scholars increasingly embraced the 'national bourgeoisie' as a potential ally (Laqueur 1959: 327). Whilst loosely defined⁸⁰, this class was generally juxtaposed to the comprador elite. Its progressive character was defined in terms of its hostility toward Western monopolies/imperialists. In economic terms as well, the bourgeoisie was seen as a force whose positive historical significance had not yet been exhausted in backward countries (Zhukov 1950: 25ff). Of course, this view did not go universally unchallenged: the middle classes were invariably distrusted for their fickleness, whilst many were uncomfortable with the notion of a non-proletarian class playing such a role in the countries' transformation (Laqueur 1959: 328). Chinese communists were particularly sceptical of the character of nationalist regimes in Asia and sought to emphasise the need for communist party leadership. In the words of a prominent Chinese party member:

Although [...] the national bourgeoisie in the colonies and semi-colonies are opposed to imperialism in certain periods [...] they are nevertheless unsteady [...] Therefore they cannot be the leading centre in uniting the nation and forming a mighty national united front [...] Hence, [...] to win victory in the present historical phase [...] the national liberation movement in the colonies and semi-colonies can be led only by the proletariat and its party, the Communist Party. (Liu Shao-ch'i, 1949 - quoted in Macridis 1954: 31)

In the late 1950s, in fact, Beijing would accuse Moscow of allying itself with anti-popular forces whilst true revolutionaries were persecuted⁸¹. In practice, of course, both countries realised the need to employ the services of the domestic middle classes (if not also portions of the landed aristocracy) in developing nations under their influence⁸². After all, Mao had been the one to speak of the "fourth class" of the revolutionary front, in which 'national capitalists' were included (Mosley 1964-5: 95).

⁷⁹ Manabendra Roy was an Indian delegate at the 2nd Comintern Congress (1920) who disagreed with Lenin on colonial and national questions and submitted an alternative thesis, which called for genuine proletarian revolutions and questioned the wisdom of alliances with non-proletariat forces – see Laquer (1959: 325) and Macridis (1954: 25).

⁸⁰ In a formulation that rivals that of his contemporary Greek intellectuals, Tiagunenko (1966) spoke of the "progressive forces representing the interests of the nation". Cf. Valkenier (1983: 656), who argues that Soviet analyses of LDC class structure became somewhat more refined toward the late 1960s.

⁸¹ For an extensive discussion of the Sino-Soviet disagreements on this subject, see Zagoria (1962: 245-60).

⁸² Watnick offers a range of examples from Asia (China, Vietnam), where communist parties, once in power, modified their stance toward large farms. "The shift is equally apparent in the industrial field where attempts are being made to enlist the support of the 'na-

The national bourgeoisie in advanced capitalist states

There is a clear parallel between these considerations and questions surrounding the role of the middle classes in the *advanced* western nations. This was a subject on which communist theory was notoriously ambivalent, alternating between periods where 'bourgeois nationalists' and even left-wing 'national reformers' were dismissed as 'traitors'⁸³, to times when party members were asked to moderate their rhetoric and try forging a broader, all-inclusive "united front". Whilst invariably clad in scientific language, these were essentially changes in strategy and usually coincided with important turning points in Soviet policy⁸⁴. This should not be taken to suggest that views on the role of the middle classes in industrialised countries were devoid of all theoretical content. In fact, in the course of the fifties and sixties, this would be one of most controversial issues in the communist economic discourse, not least because of its linked with such fundamental questions as the stability of the capitalist system and the role of the state. The elaborate pathways between these issues are the subject of our next, and final, section.

The state, socialism and capitalism

The state under socialism: Marx, Engels and the pre-revolutionary Lenin

In its highest form, communism meant the abolition of all exploitation, the end of class divisions and of the state as an instrument of class domination. In the words of Engels (1878 [1939]: 306), in the course of the revolution:

the proletariat seizes the state power, and transforms the means production in the first instance into state property. But in doing this, it puts an end to itself as the proletariat, it puts an end to all class differences and antagonisms, it puts an end also to the state as the state.

Of course, none of the founders of Marxist-Leninism believed this transition to be instantaneous. Industries would be nationalised, but the small-scale capitalist sector would not be completely eliminated. Similarly, the bourgeois state would be smashed, but the *dictatorship of the proletariat* would need its own state to subjugate the bourgeoisie. Yet this state would be fundamentally different: being in the majority, the proletariat would not require the conventional, oppressive state, but

only a state which is withering away, i.e., a state which is so constituted that it begins to wither away immediately, and cannot but wither away. (Lenin 1917 [1964]: 22)

Similar references to the "withering away" of the state under socialism can be found in the work of Marx and Engels, who both envisioned a gradual process whereby "the government of persons is replaced by the administration of things" and power devolves and dissolves amongst the people⁸⁵. What is more, to the pre-revolutionary Lenin, this process could start "within twenty-four hours after the overthrow of the capitalist and bureaucrats" (1917 [1964]: 83).

The state under socialism: post-1917

In the first days of the October revolution, these ideas would be put to the test – and fail (Reed 1919: 338ff). The survival of the revolution in the face of civil war and foreign intervention mandated a strong central command. The transition to full social-

tional bourgeoisie' during an indefinite transition period pending the introduction of 'genuine' socialism. The present program envisions a form of limited, state-sponsored and regulated capitalist enterprise to promote the process of industrialization" (1952: 34).

⁸³ This took place, for instance, during the *Comintern's* 'third period' (1928-34), when all class collaborations were banned, and again in Stalin's later years after 1947 (Laqueur 1959: 324).

⁸⁴ Thus the re-emergence of the "united front" after 1934 reflected increasing concerns about the rise of fascism, whilst the same development after 1956 mirrored Khrushchev's revisionist aspirations.

⁸⁵ Engels (1878 [1939]: 307). See Sanderson (1963) for a lengthy discussion of Marx and Engels's views on the state.

ism was relegated to a later stage, with successive statements by Lenin pushing the timetable ever forward into the future (Medalie 1959: 518). Stalin's theory of 'socialism in one country' also called for the survival of a strong, consolidated state, capable of extirpating the last capitalist remnants and defending the country against 'capitalist encirclement'. In a passage characteristic of the tenor of economic writing at the time, prominent economist and academician K.V. *Ostrovityanov*, reiterated Lenin's predictions about the withering of the state, but also explained how

Developing the Marxist-Leninist theory of the state, Comrade Stalin drew the conclusion, characteristic of his genius, that the state will still exist under Communism, if the capitalist encirclement has not been destroyed and replaced by a socialist encirclement by that time. Hence the necessity of further strengthening the Socialist State, which is the chief instrument for building Communism. (*Ostrovityanov* 1950: 11)

By extension, state intervention and planning were seen as important dimensions of the anti-imperialist struggle, more so perhaps than a means of effective economic co-ordination. Commenting on early drafts of a political economy textbook, Stalin explained⁸⁶ how important it was

[...] to properly define the objectives of the planning centre. Not only must it establish the proportions. Proportions are not of central importance, they are essential, but still secondary. [...] The first objective consists in planning in a way that ensures the independence of the socialist economy from capitalist encirclement.

Proportionalities were thus usually mentioned last, in conventional lists of the role of planning in the socialist economy (e.g. *Ostrovityanov* 1950: 5). Over time, statism became so firmly entrenched in Soviet ideology, that neither Khrushchev nor Brezhnev would ever question it. Conferences were occasionally organised to discuss the pre-conditions for the ultimate transition to full socialism (*Medalie* 1959: 521), but these were of little significance.

The state under capitalism: the heart of the controversy

Whilst there was never too much controversy on the role of the state *within* the socialist camp, the same cannot be said of its role *outside* the socialist world. The First and Third worlds presented communist theorists with a series of challenges, some of which directly touched upon the role of the state⁸⁷. At the heart of these controversies lay a fundamental tension between two strands of Marxian theory. One visualised the state merely as "a machine for holding down the oppressed, exploited class" (*Engels* 1884 [1972]: 235), and thus (under capitalism) a mere extension of bourgeois dominance, which – as Lenin famously put it – needed to be 'smashed'. The other strand acknowledged the complexity of the state and its capacity to attain a measure of independence from society⁸⁸. In typical Marxian fashion, both strands were present in the writings of Marx and Engels; in his *Origins of the Family, Private Property and the State*, Engels defined the state as a mechanism of class oppression, but added, how:

"by way of exception, however, periods occur in which the warring classes balance each other so nearly that the state power, as ostensible mediator, acquires, for the moment, a certain degree of independence of both." (*Engels* 1884 [1972]: 231).

This qualification, of which there are many variants (see *Sanderson* 1963) contains two points that are fundamental to communist state theory: first, it raises the possibil-

⁸⁶ Record of conversation dated January 29th, 1941, in Stalin's *Five Conversations with Soviet Economists, 1941-1952*. An English version of the conversation appeared in the *Revolutionary Democracy* journal, Vol. IV, No. 2, September 1998.

⁸⁷ This section will inevitably be elliptical; for a more extensive discussion of Marxian theories of the state, see *Daniels* (1953), *Medalie* (1959) and *Jessop* (1982).

⁸⁸ *Jessop* draws a similar distinction between theories which offer an *instrumental account* of the state, and those that see the state as an *independent force* 'standing outside and above society' (1982: 16) (1982: 16).

ity of the state being an supra-class entity, one which *mediates* amongst warring classes, and may thus occasionally act against the interests of the *bourgeoisie*; and secondly, it hints at possible divisions *within* the ruling class itself, which increase the state's scope for independent action. One implication of state autonomy is that the state is no longer identified with – but merely connected to – the dominant class. This in turn means that it might not have to be 'smashed', but merely 'captured' by the working class and used to pave the way for a peaceful and democratic transition to socialism. In fact, it is here that class alliances are intertwined with theories of the state, for the possibility of gaining control through democratic means automatically brings the 'united front' strategy back into the debate: which forces are to be included in this bid for power and to what extent can a 'call to arms' include rival factions of the *bourgeoisie* itself? By and large, these were the dilemmas at the heart of communist discourse on state capitalism in the post-war era.

The state under capitalism in developing nations

Support for national liberation movements in the developing world entailed an alliance between proletarians, peasants and the national bourgeoisie, all united under the banner of anti-imperialist struggle. The ensuing regimes were encouraged to nationalise major industries, consolidate state power and undertake comprehensive, large-scale planning; nevertheless, they would not be socialist *per se*, but would maintain sizeable capitalist sectors. In this context, the consolidation of the state was largely interpreted as part of the process of economic liberation: a stronger state would be better equipped to resist foreign imperialists. Nationalisations (sometimes without compensation) were endorsed both as a means to increase savings and as a means of tilting the scales in favour of the state⁸⁹. Valkenier (1983: 75-8) argues that Soviet development theorists advocated state capitalism principally as a bulwark against imperialist aggression, rather than as an economically advantageous or efficient way of running the economy (see Stalin's comments above). She further contends that later scholars' formulations of development theory in the course of the 1960s paid more attention to issues of state efficiency⁹⁰ and indirect intervention through the market (taxation, credit control etc). Either way, inasmuch as communist theorists acknowledged the need for an anti-imperialist alliance with the national *bourgeoisie*, support for the state in backward nations was equally uncontroversial. The principal theoretical challenge to Marxist-Leninist orthodoxy concerning the state thus came from the developed, not the developing world.

State capitalism in the west: an 'awkward' phenomenon

Ever since the 1920s, communist doctrine held capitalism to be in a phase of 'protracted' or 'general' crisis that would lead to its ultimate demise. At the same time, several authors noticed the state's expanded role in the economy and started theorising on its implications for the future of capitalism. The inter-war period had already witnessed the revival of social democratic revisionism in Germany and Italy, with authors such as Hilferding, Bauer, Renner, Lederer, Naphtali and even Kautsky and

⁸⁹ Thus the Soviet daily and academic press applauded the expropriation decrees promulgated in Indonesia and Guinea, whilst regretting that India's second 5-year plan did not resort to any further nationalisations (Valkenier 1983: 76).

⁹⁰ E. A. Utkin's 1965 book on the *Problems of Planning in Developing Countries* emphasised the need for planning to broaden the public sector, whose efficiency was much superior to that of the capitalist private sector – cf. Valkenier (1968: 651).

Gramsci speaking of 'organised capitalism' and envisioning not the collapse of capitalism, but its gradual reform and stabilisation (Howard and King 1989: 270ff). On the other hand, authors such as Bukharin and Varga recognised the distinctive features of 'state capitalism' but rejected its capacity to save capitalism from its impending doom⁹¹. Encapsulating the official communist line, the *Comintern* adopted after 1924 the thesis of capitalism's 'relative stabilisation' (Hardach, *et al.* 1978: 51-4). Following the Great Slump, Stalin spoke of a 'depression of a special kind' that was engulfing capitalist economies and was fuelling imperialist aggression (Day 1981: 261). This became one of the cornerstones of Stalinist orthodoxy, one which would be maintained in the post-war period, along with predictions of working class impoverishment and ever deepening underconsumption crises, averted through military aggression and imperialist expansion.

Capitalism in the west after 1945: between Stalinist dogmatism and social-democratic revisionism

With the onset of the cold war, these ideas were revived to account for the US recession of 1948/9, the outbreak of the Korean war, the Marshall plan and the rise of 'imperialist aggression'; all of these developments were seen as symptoms of a deepening capitalist crisis. Nevertheless, this doctrine became increasingly untenable in the course of the later fifties and early sixties: the European economy was experiencing an unprecedented 'long boom', real wages were on the increase and state intervention *within* capitalism had become widespread. In need for an alternative theoretical edifice, communist theorist found themselves in intellectually treacherous waters: on one side rose the Scylla of Stalinist dogmatism, increasingly contradicted by empirical evidence; across the straights lay the Charybdis of social-democratic revisionism. European socialists had all but embraced (welfare) capitalism for its capacity to produce full employment and sustained prosperity (Sassoon 1996: 137-49). Communist theorists, could never go so far; to them, capitalism remained intrinsically flawed and ultimately doomed to failure. Nevertheless, the 1960s did witness a series of realignments in communist economic theory surround western capitalism, notably the abandonment of Stalin's theory of the 'depression of the special kind' (Day 1995: 103-110) and increased attention to the west's technological superiority and its expanding production of consumer goods and services⁹². Inevitably, the question of state intervention re-entered the intellectual scene and the answers that emerged were highly reminiscent of the inter-war debates.

State monopoly capitalism (*stamocap*) theory

State monopoly capitalism theory (*stamocap*) was the principal theoretical way in which state intervention reconciled capitalism's temporary stability with the continued existence of its basic contradictions. The term had already been used in the 1920s and was well integrated within Lenin's identification of contemporary capitalism with monopoly capitalism (cf. Sweezy 1949: 273ff). In the course of the 1960s, *stamocap* re-emerged amongst communist intellectuals on either side of the iron curtain⁹³,

⁹¹ For a fascinating account of inter-war soviet debates on the stability of western economies, see Day (1981). The sequel (Day 1995) which charts the evolution of post-war economic theories on western capitalism is equally rewarding.

⁹² The parallels with Khrushchev's 'second revisionist offensive' in 1961 (where the comments against the "metal eaters" were made) and Brezhnev's later scientific-technical revolution are hard to miss (cf. Sassoon 1996: 263ff).

⁹³ One of the most succinct introductions to 'stamocap' available to English readers is that by Jessop (1982: chapter 2). The soviet theorists are discussed extensively in Day (1995). The very term *stamo[k]ap* emerged in East Germany, and one certainly benefits

weaving together a series of traditional Marxist-Leninist themes. State intervention was interpreted as an attempt to overcome capitalism's mounting problems of realisation; given the parallel process of capital concentration, state intervention ended up serving the interests of the monopolist oligarchy. Though incapable of averting the system's ultimate demise, *stamocap* *did* succeed at stabilising capitalism. What is more, since it entailed the socialisation of production, *stamocap* was not altogether undesirable, for it formed the material basis for socialism:

This 'economic maturity' of capitalism however was no substitute for political action and the actual transition to socialism could only come about as a result of the 'anti-monopoly struggle'. In this struggle, the working class sought alliances with all other classes and strata (up to and including the self-employed middle class) which were detrimentally affected by state monopoly capitalism. (Hardach, *et al.* 1978: 66)

We've thus come full circle, to the supra-class role of the state, the divisions within the middle class, and the role of class alliances in seizing control. Though not directly related to 3rd world development theory, *stamocap* parallels concerns for the role of the bourgeoisie and the wisdom of 'united front' strategies in backward countries – just add "foreign monopolies" to the enemies of the anti-monopoly alliance and you have the canonical picture of dependency. As Greece was gradually visualised as a (quasi)developed economy, *stamocap* theories became increasingly influential amongst communist circles.

III. Some final remarks

The differences in both the diagnosis and therapeutic philosophy of development theorising on either side of the iron curtain are hard to miss. Despite similarities in their description of some of its *symptoms*, the two camps started out from fundamentally different interpretations of economic backwardness, offered divergent economic prescriptions and accorded distinct roles to the state, domestic elites, foreign capital, etc. (see [table 2.1](#)). In these last paragraphs, however, some thought is given to those intellectual areas where the two approaches exhibited intellectual *affinity*, rather than opposition.

Some key disagreements notwithstanding, the primacy of industrialisation and capital accumulation was a *leitmotif* of both mainstream and Marxist-Leninist development theory. The identification of manufacturing with technology and modernity was common to both traditions (Howard and King 1992: 31), even though its link to some classes and not others (e.g. capitalist entrepreneurs or the proletariat vs. the peasantry) presented Left-wing authors with uncomfortable dilemmas. Of course, both sides paid tribute to the role of agriculture in development, though neither was very good at hiding its preference for manufacturing⁹⁴. The celebration of technology and mechanisation was not limited to Western modernisation theorists. The appeal to 'pure' science was equally strong amongst socialist circles: engineering and technology

from the collective volume published by the *Institut für Marxistische Studien und Forschungen* (1972), which also explains the principal theoretical variations across different versions of the theory.

⁹⁴ In a further interesting parallel, both camps drifted away from these positions in the course of the late-1960s and 1970s, when the emphasis on industrialisation gave itself to concerns for basic needs in the West and a rediscovery of the NEP in the East.

might not make class distinctions irrelevant – as hoped by some western intellectuals – but it would help eliminate them over time.

Table 2.1 Post-war development theory: some key economic contrasts

Development mainstream	'Marxist' development discourse
<p>The principal causes of underdevelopment are <i>internal</i>, stemming from the country's own backward structure, institutions, values, technology and its capital shortages – as contrasted to its surplus in agricultural labour.</p>	<p>The principal causes of underdevelopment are <i>external</i>, stemming from the country's exploitative ties with foreign capitalist countries (monopolies), propagated with the aid of domestic compradors; structural defects are but symptoms of this harmful interaction.</p>
<p>All countries progress down a unilinear path from tradition to modernity; some may lag behind or even get caught in a low-income equilibrium, but this is not due to any external conditioning.</p>	<p>Countries don't progress uniformly toward development because advanced capitalist countries exploit the periphery and impede its own (capitalist) development. In the age of imperialism, development can only occur if economic relations with the West are suspended, i.e. through a process of 'economic liberation'. Conversely, relations within the socialist camp were devoid of any exploitative aspects.</p>
<p>Crucially, once initial obstacles are overcome, countries converge towards the desired end-state of industrial modernity. Backwardness is identified with tradition, which is static and a-historical.</p>	<p>Industry is chiefly advocated for its 'liberating' implications, its ability to terminate the diversion of surplus to foreign monopolies.</p>
<p>Industry is chiefly advocated for its superiority to agriculture, the external economic benefits it confers and the modern values it injects into society.</p>	<p>Its productive and cultural superiority vis-à-vis agriculture are acknowledged, but often come second. Heavy industry offers the best chances of economic liberation and enables the rapid expansion of the economy's productive capacity.</p>
<p>Industrialisation transforms the workings of the domestic economy, offers employment to surplus labour and fuels surplus accumulation.</p>	<p>The Soviet experience stands out as the key model.</p>
<p>The importance of heavy industry (particularly infrastructure) is recognised, but not to the complete elimination of efficiency and 'balance' considerations.</p>	<p>State intervention (in independent states) is advocated for its capacity to limit the scope for imperialist aggression and monopoly rapacity as well as for preparing the ground for socialist transformation.</p>
<p>State intervention is advocated for its capacity to compensate for the poor functioning of the market mechanism (particularly in backward nations), and the absence of some local modernising elite capable of expediting development (<i>Ersatzklasse</i>).</p>	<p>Class alliances are important to the analysis, so the class control of the state is crucial in determining both the motivations for intervention and its efficacy.</p>
<p>The scope of development planning is often circumscribed and – when it comes to the private sector – merely indicative.</p>	<p>Under socialist development, planning is comprehensive and mandatory.</p>
<p>The greatest threat to freedom comes from <i>within</i> a country, from oppressive regimes sacrificing individual welfare and liberty.</p>	<p>The greatest threat to freedom comes from <i>outside</i>, from foreign imperialist intervention that threatens to perpetuate backwardness.</p>

The instrumental role ascribed to some 'modernising class' or 'elite' also appears to be shared by theorists in either field. This guiding force, whose class composition and identity were subject to much controversy, would have to orchestrate a major social and economic transformation and accelerate what would otherwise have been a glacial, or impossible process. Looking beneath the surface, we can thus spot a familiar dose of social engineering – of different flavours perhaps, but with a shared confidence in the capacity of some segment of the 'superstructure' to effect a radical break in the economic, social and/or political *status quo*. One must thus be careful when levelling charges of 'voluntarism' or 'saltationism' exclusively at one side of the debate.

One can further question the degree to which the mainstream and communist analysis of backward economies exhibited substantial differences in their sophistication, especially in the early years. Both sides seem much more preoccupied with macro-structures such as industries, classes, parties, the state, etc., than with the micro elements of these economies. What is more, both aggregate nations into large, amorphous categories that detract from their historical experience. Next to the dipole of modernity vs. tradition, communist theorists bundled most LDCs together as 'dependent' and thus incapable of development (or only capable of 'dependent development'), at least until they broke off from the capitalist system, at which stage they would start

their journey toward socialism. Extending this observation to the neo-Marxist discourse, one scholar thus observes how:

it's is not really an accident that these simplistic pairings, developed/underdeveloped, centre/periphery, dominant/dependent resemble those of bourgeois development theory (traditional/modern, rich/poor, advanced/backward, etc); they are basically polemical inversions of them. (Leys 1977: 48)

This last point raises another, more provocative question: for all its critique of modernisation, to what extent does Marxist-Leninist theory escape from the trap of universalism? After all, its description of a common end-state of mechanisation, high per capita output and material prosperity has the same end-of-history ring to it, as Rostow's stage of mass consumption⁹⁵. This point did not go unnoticed by Tacott Parsons, who observed that

underneath the ideological conflicts [between capitalism and communism] that have been so prominent, there has been emerging an important element of wide consensus at the level of values, centring in the complex we often refer to as 'modernisation'. (quoted in Gilman 2003: 55)

What is more, neither communist, nor western neo-imperialist theorists succeeded in completely denying the 'modernist' aspects of their orthodox Marxian heritage. In many ways, the communist perspective was also deterministic and universal in its projections: granted, imperialism and foreign monopolies impeded development, but once the sources of exploitation were eliminated, countries would progress unequivocally toward modernity – with a socialist twist. Even the 1928 revolutionary typology, which might be taken as a sign of historical sophistication, merely signified different starting positions (one is tempted to say *stages*) along the same path⁹⁶. Both mainstream and Marxist authors thus conceptualised development as a pre-ordained path to a common end-state, open to all underdeveloped countries, once some roadblocks were removed. Of course, where the mainstream saw structural rigidities, market failures and capital shortages, communist theorists saw imperialism, dependency and internal distortions. But despite all the emphasis on the *differences* between the two perspectives, their common elements should not be overlooked. In a similar spirit, one historian would recently observe:

Ironically, despite great emphasis on the differences with the soviet bloc, the peoples of post-colonial societies were faced with a similar sort of cultural imperialism on either side. Rivals on both sides divide privileged fossil-fuelled, large-scale, top-down drives for industrialisation as the essence of modernity. Proponents of the two approaches might clash over the role of the state and the market in the development process, but they shared the conviction that traditional or 'feudal' beliefs, customs and institutions were little more than impediments to the inevitable transformation of backward non-western economies and societies into fully modern ones. Both placed a premium on unbridled scientific investigation and technological innovation; neither evinced much concern, until at least the 1970s, for the environmental consequences of industrialisation. Even more than in the West, the Soviets and later Maoists stressed the importance of heavy industry and the application of science to everything from production to social organisation. (Adas 2003: 39)

⁹⁵ With the key difference, of course, that such an end state was only though stable and genuine if attained within the framework of socialism.

⁹⁶ Similar dissatisfaction with the historical dimension of western neo-Marxism is sometime expressed by some critics. Thus, Leys (1977: 53) argues that "[underdevelopment and dependency theory] itself is really ahistorical, in the same way that *bourgeois* development theory is, and for the same reason (i.e. its problematic is the same). It does have a time dimension of course, which some versions of bourgeois development theory conspicuously lacked. But this is not the same thing as history. The mere extension of the model to allow for change, or to see the present as the end of a chain of events extending back into the past, is not to make it historical, i.e. does not explain underdevelopment by reference to social forces which have been identified as a result of a coherent and consistent method for sifting out from the complex flow of events the patterns that allow us to make sense of it, now and in the past".

Chapter 3. Mapping the community of economists

[a] relation [...] exists between the definition of science as a technique that develops in a social group professionally devoted to its cultivation and the ideological aspects of the methods and results that emerge from the 'scientific' activities of such a group. Evidently there must be a certain amount of cohesion between its members, at least when the group has attained a sufficiently definite existence, a corporate spirit that produces explicit or subconscious rules according to which the members recognise each other and admit certain individuals and exclude others.

Joseph A. Schumpeter on 'The Sociology of Economics' in Schumpeter (1994 [1954]: 45)

This book is essentially about the evolution of a scientific notion. As such, it is primarily concerned with ideas, theories, conjectures and refutations – all aspects of the 'internal' scientific process. Yet the history of science – especially social science – must invariably heed the social context of scientific inquiry, for the latter is capable of conditioning the form and content of scientific discourse. The present chapter focuses on one particular facet of the 'external' context, namely the sociological group characteristics of those participating in the economic discourse.

External vs. internal history?

By looking at economists as members of distinct communities, we are adhering to an analytical tradition that goes as far back as Schumpeter's insightful observations on the 'Sociology of Economics'. As "professionals that devote themselves to scientific work in a particular field [...] become a sociological group" (Schumpeter 1994 [1954]: 47), closer inspection of the group's structure, dynamics and sources of legitimation can enrich our understanding of theoretical exchanges. In the same vein, the professional and institutional affiliations of individual members, their educational background and age profile all hold potentially valuable information for the historian of science. In fact, one of this book's key arguments is that one cannot fully comprehend the structure and content of Greece's post-war development discourse, without some reference to the institutional, social and professional framework of the community of economists. This should not be taken to imply that 'external' agents necessarily take precedence over the esoteric processes of scientific validation, nor that a purely externalist historiography should displace traditional canons of 'intellectual history' work. On the contrary, both approaches can be seen as mutually reinforcing and complementary; subsequent chapters will seek to weave our theoretical narrative together with aspects of the institutional and professional configuration of economists.

I. Setting the stage

Professional ascent chiefly a post-war phenomenon

The territorial expansion, state modernisation and intellectual fermentation of the first decades of the 20th century brought about an accelerated increase in public employment, economics chairs and journals in Greece. Nonetheless, economists remained a small and fluid group, whose overall professional cohesion and influence on public discourse were circumscribed. Lawyers continued to dominate the upper echelons of public administration, and any challenges came mostly from the aspiring class

of engineers, the harbingers of modernisation and technocracy¹. Thus it was mostly from the 1940s onwards, that economics set out on a clear path toward professionalisation. Post-war reconstruction certainly played a key part in this development, not least by expanding the public sector's needs for economic expertise. Though not as influential as jurists, whose practitioners were still disproportionately represented in the country's bureaucratic and political elite, economists were gaining ground and overtaking other professional groups in matters of policy-making and development planning. As growth and development came to dominate public discourse, economists managed to secure their place in the new division of expertise within the administration².

A divided community

Whilst economists were making bold strides toward professional recognition, their ranks suffered a decisive blow. Following the outbreak of the civil war, many left-wing intellectuals – particularly those of the communist Left – were expunged from academia and the civil service, imprisoned, exiled – or worse. These were the *extra muros*, denied both elementary civil liberties, and access to public employment, funds and publication outlets. Even those of merely socialist inclinations, who were rehabilitated after the end of the hostilities, would not regain their pre-war status for many years. This fundamental division – though hardly unique to Greece, or economists, for that matter – is a crucial feature of the country's economic community. As later chapters will show, despite the limited *direct* interaction between the two opposing camps, the antagonism between the "communist" and "bourgeois" worlds played a decisive role in shaping the post-war economic discourse. Despite their disadvantage in numbers and resources, left-wing intellectuals would remain the most vocal and influential critics of the country's chosen development path.

Psalidopoulos's pioneering work: the 'received view' of post-war economists

In a series of pioneering contributions, Psalidopoulos (1999c; 2000) has painted a broad-brush portrait of Greece's post-war economists, particularly those outside the communist Left. Whilst acknowledging the aforementioned overall trends, the author also emphasises the slow rate of modernisation and new university appointments, which he attributes to institutional inertia and the close link between academia and politics. In his account of the institutional framework, staff composition and economic curricula of Greece's economic departments until 1967, Psalidopoulos (1999c) documents the prolonged dependence of economics on law, the slow pace of curricular innovations and the dominance of an elite group of senior academics – most of them educated in inter-war Germany or France – in universities. Findings such as these urge him to argue that the 'internationalisation' of Greece's economics "was delayed until the mid-1970s and got under way after the fall of the military dictatorship in 1974" (2000: 227); such "internationalisation [...] meant, primarily, the coming of age of the UK-American trained economist" (p. 243).

The road ahead

This chapter seeks to extend and refine our understanding of Greek economists in the first post-war period, by combining original, quantitative data with qualitative material drawn from contemporary texts and oral interviews. In what follows we shall

¹ A more detailed account of the 'pre-history' of Greek economics will be offered in the [next chapter](#).

² Of course public employment is neither a necessary nor an *a priori* sufficient condition for professional ascent; but as will become apparent presently, a special relationship was forged between the Greek state and the economics profession at the time.

approach economists from two complementary angles, first as members of a distinct professional society devoted to the study and advancement of economics ([Section II](#)), and then as authors of economic articles in Greece's learned journals ([Section III](#)). A further section will be devoted members of the communist Left, who – in virtue of their isolation – require separate treatment. Throughout this chapter, our approach shall remain sociological and aggregative; references to *individual* economists or the theoretical nuances of economic discourse will be kept at a minimum, as they are reserved for subsequent chapters.

II. The Greek Society for Economic Sciences

GSSES profile ...	Founded on July 20 th , 1950, the <i>Greek Society for Economic Sciences</i> (GSSES) was Greece's largest economics society and one of the principal fora for economic discourse in the post-war period and up until the early 1970s. According to its charter, the society's purpose was "the development and dissemination of economic sciences, especially in Greece". Founding members aside, the GSSES included economics professors and readers (<i>ifigites</i>) at local universities as well as economics doctorates living in Greece. Economists living abroad could become "corresponding" members, whilst ordinary economics graduates were soon offered "associate" memberships.
... and activity	Starting out with a couple of dozen members in 1951, the society quadrupled its membership by 1960. Though hardly comparable to such bodies as the <i>American Economic Association</i> – after which it was allegedly modelled ³ – the GSSES tried to make the best out of the modest means available to it. Several round-table discussions and lectures were organised every year and speakers were occasionally invited from abroad. Foreign textbooks were translated into Greek whilst the papers presented were published in annual volumes, as well as in the <i>Archive</i> ⁴ . Over the course of the 1960s the GSSES also organised landmark conferences on such key issues as economic development (1960), EEC accession (1963) and the balance of payments (1966).
A rallying point for economists?	The GSSES thus acted as a rallying point and locus of discourse for the majority of economists regardless of their institutional affiliations or professional mantles. In this sense, an analysis of the society's membership register offers a unique opportunity to look at the sociological profile of Greece's post-war economists. Such an approach is in line with the literature using societies to make inferences about the status and evolution of the economics profession (e.g. Coats and Coats 1973). Nevertheless,
Two caveats	two caveats need to be borne in mind. The first concerns the status of economists of the communist Left, who were entirely excluded from the GSSES – and the economic community in general ⁵ . The second point to be remembered, is that the GSSES was not a professional chamber, but rather a self-selected group of individuals with notable formal qualifications in economics, where PhDs outnumbered ordinary economics

³According to one testimony, it was economists from the *American Mission for Aid to Greece* who first suggested the foundation of the society along the lines of the AEA (oral testimony of K. Kalogris to professor Michalis Psalidopoulos – cf. Psalidopoulos 2000: 231).

⁴ The journal choice was not coincidental; its editor – Dimitris Kalitsounakis – was one of the society's longest-serving presidents.

⁵ This goes a long way toward explaining the society's silence on issues of academic freedom.

graduates. Inasmuch as it omitted most rank-and-file economists, it is thus hardly appropriate for a sociology of the profession *in toto*. But from the perspective of the historian of economic thought, a society bringing together the majority of key intellectuals interested in “the development and dissemination of economic sciences” offers an ideal starting point, not least because it successfully tracks down the otherwise quite elusive group of individuals identifying themselves as professional economists⁶. Throughout the next two sections, the “community of economists” will be taken to signify this focused group, the prime locus of economic discourse outside the segregated communist Left.

Section overview and methodology This section draws on the 1964 GSES register, which includes the name, employment and address of each society member. Being also interested in the age, career and educational background of Greek economists, we turned to several alternative sources (Who’s Who books, yearbooks, personal archives, obituaries, oral testimonies etc.) and compiled additional biographical information on as many members as possible. In the absence of detailed annual records, our analysis has to be cross-sectional and the 1964 register is the richest one available, thus offering a snapshot of the community at its broadest. Furthermore, since membership was for life, successive registers are cumulative and the 1964 list contains most⁷ of the society’s recent history.

General demographics and employment profile

General demographics from the 1964 register Utilising the 1964 register in conjunction with our biographical database, [Table 3.1](#) highlights some interesting features of the national economic arena. The GSES was a small, male-dominated community whose total membership did not exceed 135, of which 92 held a university chair and/or a PhD in economics. I also collected additional biographical data for more than half of these individuals, including the years of birth for 90 of them. The median age was 53 years, though ‘associate’ members were generally about a decade younger. Needless to point out how this makes for a rather ‘elderly’ group of economists, many of whom had already begun their professional careers in the inter-war period⁸. What is more, it makes for a group of economists who were professionally active during the civil-war, an experience which undoubtedly left its marks on them (more on this below).

Employment profile The employment profile of GSES members is one of the most interesting aspects of this database. The Venn [diagram 3.1\(a\)](#) allots each member into one of several distinct – but not mutually exclusive – employment categories for 1964 (banking, academia, civil service, business or other – cf. [table 3.1](#)). [Diagram 3.1\(b\)](#) is based on economists’ entire careers, thus also taking into consideration any posts they may

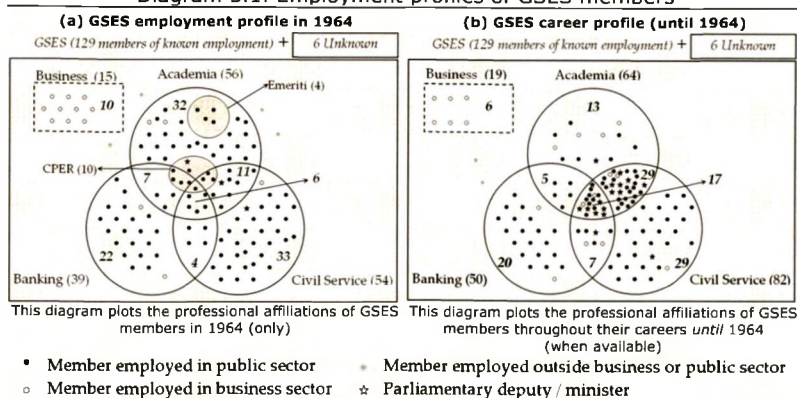
⁶ This is especially important during a time when economic professionalisation was still incomplete; the *Greek Economic Chamber* was not established before 1980.

⁷ After 1959, the society decided to include in its annual volumes the obituaries of those members who had passed away during the preceding year; only four such obituaries were published between 1960 and 1965.

⁸ Note how biographical data is more likely to be available for older members (with a long career behind them) than for aspiring young economists. To minimise this bias, we sought biographical sources from the 1970s and 1980s, but there is still good reason to expect members for which no information is available to be *younger* than average.

have previously held. Taken together, these diagrams reveal some of the most salient features of the Greek economic community.

Diagram 3.1. Employment profiles of GSES members



Notes: **Academia:** persons employed at Greek universities and/or CPER; emeriti professors counted as academics in 1964. **Civil service:** all public sector employment outside academia or banking. Aside from the central administration, this includes public utilities, insurance funds, the national statistical service etc.

Table 3.1. Employment profile of the GSES (1964)

	Members	Median year of birth*	
		1910	[90]
By membership type	Total	135	
	Regular	92	1910 [73]
	Associate	43	1919 [17]
By sex	Male	128	1911 [85]
	Female	7	1914 [5]
Professional career started	Before 1930	17	1899 [16]
	1930-39	24	1908 [23]
	1940-49	27	1916 [26]
	After 1949	27	1924 [23]
	Not available (N/A)	40	
First employed in	Civil service (broad) ¹	48	1910 [42]
	Academia ²	13	1914 [11]
	Banking	17	1913 [17]
	Business	8	1914 [8]
	Law	10	1910 [10]
	Other	2	;
	N/A	37	
Employment in 1964 in (more than one possible)	Civil service (broad) ¹	54	1913 [37]
	Academia ²	56	1910 [52]
	Banking	39	1914 [27]
	Business	15	1916 [11]
	CPER ³	10	1921 [9]
	Other	3	;
	N/A	6	

* Number in brackets indicates observations used to calculate median (i.e. number of individuals with known birth-dates). A minimum of five observations required to report median - otherwise [:] is indicated.

1 Includes all public sector employment outside academia or banking. Aside from the central administration, this includes public utilities, insurance funds, the national statistical service etc.

2 Member employed in Greek university and/or CPER. Emeriti professors counted as academics in 1964.

3 Centre for Planning and Economic Research.

On professional
constituencies

One of the most important questions that a sociological approach to any professional community needs to address concerns the sources of professional power and legitimization, usually "founded on the achievement of socially recognised expertise"

(Larson 1977: xvii). Following Sarah Babb's (2001) insightful treatment of Mexican economists, however, we shall argue that widespread social recognition is neither necessary nor sufficient to guarantee professional ascendancy in a developing country, where few are capable of paying for professional services – especially those of the highly qualified experts in our database. Rather, suffice it that some organisations or agents with resources choose to finance the training or employment of professionals (Babb 2001: 16). Babb uses the term "constituency" to refer to those entities that provide resources to sustain a profession (p. 25).

A state-centred
community

Returning to [diagram 3.1](#) we may thus pose the following question: which were the principal professional constituencies of economists? Whether one looks at economists' employment in 1964, or at their entire career, three constituencies dominate: banks, universities and the civil service; on the other hand, the business community is virtually absent. Given that most banks were state-owned and universities were exclusively public, economics was a state-centred profession. Comparative historical accounts of professionalisation have long emphasised the distinction between statist societies such as those of Continental Europe, where states played a central role in the development of professions, and non-statist societies, such as the US or UK, where professionalisation occurred more independently (see for instance Heidenheimer 1989; Wittrock and Wagner 1996). With 89% of the GSES members of known employment holding posts in the public sector, there is little doubt as to which category Greece falls into – at least with respect to economics. After all, Continental influences on the state's institutional framework can be traced as far back as Greece's 19th century Bavarian king, whose administration set up several key institutions, including the country's first university.

Modernisation,
developmental-
ism and statism

Such influences aside, the configuration of economists' professional constituencies clearly mirrors the country's own underdevelopment. The absence of the private sector stems from the preponderance of family-owned micro-enterprises, where the penetration of economics graduates was minimal. On the other hand, the gradual emergence of the modern state, with its mounting needs for skilled labour, offered ample employment opportunities to economists. The majority of GSES members *started* their careers as civil servants, many of them during the inter-war period ([table 3.1](#)). During those years, successive liberal administrations established key public institutions, such as the *Agricultural Bank*, the *Bank of Greece*, the *Ministry for National Economy* and the *National Statistical Service*⁹. After the Asia Minor disaster of 1922, the state was suddenly called upon to orchestrate the relocation and economic integration of more than a million refugees, a development that exerted substantial pressures on the existing administrative capacity and increased in public employment. In the aftermath of the second world war, the daunting task of reconstruction presented yet another formidable challenge, one which mandated the mobilisation of all available expertise – whether in academia, banking or the civil service. The gradual emergence of

⁹ Eleftherios Venizelos, arguably Greece's most prominent statesman at the time, was usually behind these reforms; for a discussion of Venizelism and inter-war modernisation, see Μαργαροπόδης and Χατζηιωσήφ (1988).

the development-oriented state precipitated a further wave of expansion in public employment, and – once again – economists stood to gain from this trend. In this case it was Anglo-Saxon, rather than Continental, influences that prevailed: the absorption of more than one billion dollars worth of foreign aid during the Truman and Marshall plans (1947-53) strained administrative resources and led to the establishment of new ministries. Successive British and American economic missions offered help, but also required local counterparts and demanded administrative modernisation. It would not be long before membership in multilateral organisations such as the Organisation for European Economic Co-operation (OECE), NATO and (later) the EEC would prompt the drawing up of the first development plans (see [section 8.3](#)).

The civil service and banks

The shallow footprint of the civil service

Being state-centred, the economics profession was inevitably tinted by the idiosyncrasies of Greece's public sector. Though one of the top employers of economists, the civil service and public enterprises were primarily concerned with day-to-day administration; economists were seldom asked to hone their theoretical skills. The deplorable ineptitude of public administration was widely acknowledged and little was expected from ministries and similar bodies in terms of research. Speaking at a 1963 GSES conference, university professor and erstwhile ministry official *Stylianos Pouloupoulos* emphasised the importance of resistance by senior civil servants against any modernising attempts; commenting on suggestions to create research departments within ministries, he added:

"Unfortunately, I assure you that there is almost no chance of research departments prospering, for whenever such a department was created at a ministry, all sorts of underground attempts were made to undermine it." (Πουλόπουλος 1963: 190)

Vertical control and clientelism

High levels of 'vertical control' by senior officials ensured that "all sorts of underground attempts" were usually successful. Vertical control of course doesn't necessarily mean stability or inertia, especially if high-ranking economists are parachuted in from above with clear mandates for reform. At the very least, vertical control implies adherence to a strict chain of command. But in Greece's case, hierarchies largely mirrored the prevalence of vertical networks, patron-client relations and clientelistic politics. Thus the links in this chain were embedded within a framework that undermined emancipation and professionalisation of the civil service and fostered inefficiency. One could in fact argue that resistance to reform was a rational response to the prevalence of uncertainty and short-termism (cf. Rodrik 1996), or that inefficiency itself was instrumental to the operation of the clientelistic system, inasmuch as it produced the very administrative impediments that rendered patronage necessary (Lyberaki and Tsakalotos 2002: 99ff). Regardless of its exact aetiology, vertical control kept the premia for individual initiative low and slowed down reform. Notable exceptions notwithstanding, these were salient features of the civil service, which undermined its contribution to economic discourse and administration *per se*.

The banking establishment Much of the void thus created was filled by banks. A key player in domestic economic developments since the 19th century, the banking establishment was hit hard by the monetary adventures of the 1940s. As commercial banks saw their assets evaporate in the post-war hyperinflation, a new institutional configuration emerged. The *Bank of Greece* – once shunned by the omnipotent *National Bank* – rallied to the rescue of commercial banks, thus establishing its dominance over the financial system. The central bank's position was further solidified by its key role in the *Currency Committee*, arguably the post-war period's most powerful economic decision-making body, which was entrusted with the conduct of monetary and credit policy (Pagoulatos 2003: 48ff). What is more, legislation put an end to small-scale private banking and paved the way for the powerful state duopoly that would prevail in subsequent decades¹⁰.

The banking establishment as an alternative source of expertise Transformed, but far from weakened by these developments, the banking establishment continued to play a leading role within the economic profession. A major employer of economists, banks were not only regarded as institutions with privileged access to information and financial expertise, but also as islands of efficiency. As one prominent economist and centrist politician would put it, if the state is unable to address its own problems of maladministration, a solution might be forthcoming if:

"several sectors currently burdening the state were delegated to banking establishments, whose organisation and mechanism have proven themselves capable of operating more efficiently" (Κανελλόπουλος 1960: 17)

In a variation of the typical argument associating late industrialisation with active bank involvement ((to supply the required capital – Cameron 1967; Gerschenkron 1966), we might argue that bank prominence in post-war Greece was also guaranteed by their privileged access to economic expertise. It thus comes as little surprise, for instance, that foreign missions systematically chose to establish key agencies within the central bank rather than in economic ministries¹¹. Nor is it unusual that the *Currency Committee* was an essentially monetary institution concerned with drawing up bank policy. Greece's model of 'credit interventionism' was not only consistent with the country's traditional preference for loan-financed development, but also reflected the prevailing configuration of economic and administrative expertise and institutional effectiveness.

The Bank of Greece The *Bank of Greece*, stands out amongst other institutions for its contribution to post-war economic thought. With an initial staff of fewer than 500 in 1928, the *Bank* quickly grew into a formidable institution, employing over 2,000 people by 1941. The added challenges of the stabilisation years would soon double that figure, which peaked at 4,192 in 1952¹². A member of an international network of central banks that held regular meetings and exchanged experiences, the *Bank* was much more alert to international developments in economics. What is more, its role in restoring and maintaining price stability after Greece's traumatic hyperinflation had granted it with sub-

¹⁰ Encouraged by a report submitted to the Bank of Greece by US experts in 1950, state policy vis-à-vis banking became much more stringent and the majority of small private banks were closed down, whilst all public sector savings were transferred to the *Bank of Greece* from the *National Bank* (see Τράπεζα της Ελλάδος 1978: 319ff). For more information on the role of banks in the inter- and post-war years, the interested reader can turn to Δρίτσα (1990), Κωστής (1997), Χριστοδουλόκη (2002) and Pagoulatos (2003).

¹¹ These were usually bodies involved in the management of aid, trade etc. On a related point, most missions failed to produce notable policy results outside the sphere of money and finance (Σταθάκης 2004: 125).

¹² Τράπεζα της Ελλάδος (1978: various tables); most of these, of course, were administrative staff.

stantial *de facto* – though not *de jure* – independence, including greater freedom to choose its own personnel.

Zolotas and the
Directorate for
Economic Re-
search (DER)

These features became particularly relevant after the appointment of *Xenofon Zolotas*¹³ to the governorship in 1955, whereupon he announced his desire to reform the Bank's Directorate for Economic Research (DER) by employing qualified economists of graduate and postgraduate education¹⁴. Subsequent competitions added a series of qualified researchers to the Bank's family, creating the country's first economic research institute. Numerous seminars and lecture series were held and employees were offered scholarships to study abroad. Despite reaction from the Bank's traditional staff against allegedly 'superfluous' endeavours, Zolotas stood by the DER and relied on its advice¹⁵. There is also some evidence that DER staff regularly contributed to the drafting of Zolotas's texts, including the *Annual Report* and some of his own monographs. Either way, it is within the Directorate's walls that several prominent economists of the time would work and publish. More significantly perhaps, it was within the DER that a new generation of economists who would have had difficulties being absorbed in academia were first offered professional shelter. For a while, the Bank of Greece thus became the principal agent of professional rejuvenation. Development economics figured prominently on its agenda, albeit with a reasonable bias toward financial and monetary aspects of the matter (more on this in [section 8.1](#)). This situation would remain largely unchanged until the early 1960s when the newly founded Centre for Planning and Economic Research (CPER) emerged as an alternative hub of expertise.

Universities and economic education

Universities: law
and economics

Unlike banks, universities were less capable of handling change. Modelled after their German counterparts, Greece's first higher educational institutions subsumed social sciences under the faculty of law¹⁶, thus relegating economics to a subsidiary status (de Bie 1956). This also accounts for the high share of GSES members trained in law (see [table 3.2](#)), a testimony to the hazy borders separating the two disciplines at the time¹⁷. With only a handful of chairs at their disposal, economists at the *Athens Law School* – the country's oldest university – taught eight courses, of which only two were mandatory for those wishing to graduate from the department of 'political and economic sciences'¹⁸. The *Thessaloniki Law School*, for its part, had more chairs and offered six courses in economics; its 'political and economic sciences' department enjoyed greater popularity than its Athenian counterpart, not least because it was al-

¹³ A professor at the University of Athens since 1931 and one of the most important economists of 20th century Greece, Zolotas was keenly interested in seeing economics attain professional maturity and prestige.

¹⁴ Session of the General Council (16.02.1955) – Zolotas also announced that he had asked UN statistician *Louis Shapiro*, working at the *National Statistical Service of Greece* at the time, to help organise the DER's statistical branch – Τρόπος της Ελλάδος (1978: 474).

¹⁵ Oral testimony of Apostolos Lazaris to the author (23.01.2006).

¹⁶ This was initially an *Austrian* influence on many German universities. The alternative – Prussian – model placed economics in the philosophy faculty and encouraged students of public administration to study it (Cohn 1900).

¹⁷ Note also how those of purely economic or quantitative training were several years younger – on average.

¹⁸ That choice was made in the fourth year and many students first graduated from law and later opted for a few economics courses to easily gain a second degree.

lowed to pick its own entrants from the first year (de Bie 1956: 28). Needless to say that a chair on *development* economics was unheard of in either institution, and none of the courses offered were *explicitly* devoted to development, linear programming or any other of the theoretical novelties of the post-war period.

University chairs, hierarchies and vertical control Turning to the institutional features of universities, much can be said about their hierarchical system of administration, which revolved around individual chair-holders (again, a product of Continental influence). Strong hierarchies allowed greater scope for individualism at the senior level, but undermined departmental (or disciplinary) consciousness. Academic departments were rarely more than the sum of their parts, and no faculty developed anything like a 'school of thought' or even a distinctive perspective on economic theorising. At the same time – as in the case of the civil service – strict hierarchies implied a high degree of vertical control over professional resources, which could be – and sometimes was – used to thwart attempts at reform. Surveying universities in the post-war period, Ψαλιδόπουλος (1999c) laments the dominance of a group of senior academics – many with strong political connections – capable of resisting change in tertiary education. In this context, it is worth pointing out how radical reform, including the emancipation of economics from law, would have to wait until the early 1970s, when the military junta uprooted many of the existing hierarchies.

Universities as educators of economists Universities are not merely *employers* of economists; more than any other professional constituency, universities train and confer credentials to future members of the profession. Education is probably the most effective process of knowledge transfer, a "tremendously labour-saving social mechanism", yet one also capable of "stereotyping the tyro" (Schumpeter 1994 [1954]: 46), by instilling him with the ideas and biases of his teachers, themselves probably influenced by their own academic mentors. Looking at the educational background of Greek university professors, Psalidopoulos (1999c) observes how most of them had been educated in inter-war Germany or France and were thus hardly fluent in the post-war methodological or theoretical novelties. Good intentions notwithstanding, they continued to teach the same textbooks they had first published in the 1940s (p. 176), whilst even their more recent texts were dominated by references to their inter-war mentors. Innovations such as indifference curve analysis and imperfect competition were left to the younger generation of readers.

Education and the transmission of ideas This last point raises questions concerning the international transmission of economic ideas and the role of foreign influences on Greek economics and economists. Such influences can take many forms, all of which entail varying modes of contact between the "source" and the "receiver" (Spengler 1970): formal training, exposure to foreign literature, conferences, seminars, joint ventures etc. What is more, since policies are embedded within particular theoretical frameworks, *policy* diffusion across countries can be seen as both reflecting and stimulating the transmission of ideas. Thus, for instance, attempts at development programming in post-war Greece certainly mirrored a combination of coercion (as foreign aid was made conditional on plans) and the spread of ideas on interventionism amongst the Greek intelligentsia.

Regardless of the initial impulse, the *process* of planning itself heightened interest in foreign models, as shown by the many scholarships granted to study programming abroad and the participation of several foreign experts in Greek plans (see [section 9.3](#)).

On diffusion

Obviously, the exact direction and nature of influences hinges heavily on the mechanisms of transmission. The diffusion of policies and ideas exhibits patterns and clusters across space and time, which mirror its complex aetiology. Ranging from political, economic or linguistic factors, the preponderance of foreign contacts or the perceived status of the "source" country, to less subtle mechanisms such as the adoption of specific policies as a precondition for membership in international organisations or the granting of aid, the list of potential media of diffusion is formidable. This has produced a seemingly endless array of taxonomies of diffusion mechanisms, from the typologies of "isomorphism" invoked by 'new institutionalists' (DiMaggio and Powell 1991), to the distinction between "coercion" and "persuasion" featured in the 'rationalist-constructivist' debate in international relations and law (Goodman and Jinks 2004). This is not the place to engage in a lengthy diatribe on the mechanisms of diffusion, a topic which could be the subject of a separate monograph¹⁹. Yet throughout this text we shall remain alert to the principal sources of foreign influence and their evolution over time. In this context, the educational background of Greek economists is of primary importance, not least because education also conditions *future* media of interaction, such as the network of foreign contacts, the type of literature one is likely to follow more closely after graduation etc.

The educational profile of GSES members

[Table 3.2](#) summarises the educational profile of GSES economists and is in some ways reminiscent of Psalidopoulos's findings on academics. Though not as striking as in the case of senior university professors, the share of individuals educated before 1940 is substantial. What is more, whilst virtually everyone completed their undergraduate studies in Greece, most also pursued post-graduate training abroad. France and Germany come at the top of the list of preferred destinations, thus hinting at the existence of a strong continental tradition. Such influences are discussed in Ψαλιδόπουλος (1999d), wherein all Greek translations of economic books between 1808 and 1948 are recorded, as well as in (1999a), where a link is established between the German "social market economy" school and the views of Panagis Papaligouras, a prominent Greek statesman of the post-war era. In a parallel vein, Pagoulatos (2003: 29) speaks of a German 'ordoliberal' tradition and questions the relevance and influence of the British vis-à-vis the German or French economic blueprints on Greece's post-war experience (p. 52ff). On the other hand, some of the evidence in [table 3.2](#) suggests that more caution is needed when examining the educational profile of economists *in toto*. Unlike senior academics, who were almost exclusively trained in Continental Europe, the 1964 GSES included several members of Anglo-Saxon training. What is more, these people were – on average – 18 years younger than those edu-

¹⁹ A monograph that is perhaps long overdue in the history of economic thought, where authors usually highlight their 'favourite' pathways of diffusion and influence without reference or comparison to other media. For some recent, comprehensive applications of alternative diffusion models in social policy, see Linos (2007), Simmons, Dobbin and Garrett (2008).

cated in Europe: the post-war educational profile was clearly shifting toward the UK and the US, a trend we shall return to in the next section.

Table 3.2. Education profile of the GSES (1964)

Table 3.12: Education profile of the GSES (1964)					
		Members		Median year of birth*	
Last education qualification obtained					
	Before 1940	43		1904	[39]
	After 1940	63		1919	[51]
	N/A	29			
By field of university education					
	Law, politics, and economics	57		1910	[55]
	Commerce/Economics	30		1912	[24]
	Mathematics/Statistics and economics	6		1914	[6]
	Geography/Geology and economics	3		:	[3]
	Other/ N/A	39			
Educated in (more than one possible)					
	Greece	92		1911	[81]
	North America (US-Canada)	25		1920	[22]
	United Kingdom	25		1922	[22]
	Germany	20		1903	[17]
	France	27		1904	[24]
	Other Continental Europe	14		1914	[14]
	N/A	33			
Educated in (only one)					
	Greece only	20		1911	[18]
	North America/UK	29		1922	[24]
	Continental Europe	43		1904	[37]
	Both N. America/UK and Cont. Europe	10		1917	[10]
	N/A	33			

* Number in brackets indicates observations used to calculate median (i.e. number of individuals with known birth-dates). A minimum of five observations required to report median – otherwise [:] is indicated.

Developments at Whilst economics at Greece's law faculties remained almost stagnant, a series of 'graduate schools' 'graduate schools' that had been upgraded to university status in the late 1950s took the initiative²⁰. In the 1960s, they introduced many of the curricular innovations that were long overdue (Ψαλιδόπουλος 1999c: 177-8) and expanded their enrolment. Soon, these institutions would not only be training the majority of young economists; they would also be chiefly responsible for attempts to bring new subjects and techniques – including development economics, marginal analysis and quantitative methods – into lecture halls. Apostolos Lazaris is a case in point: having been educated at Manchester, he joined the ΑΒΣΠ team in 1958 and added linear programming, input-output analysis and development planning to the curriculum. Six years later, the ΑΒΣΠ would also establish the first chair in development economics, and elect Athanasios Kanellopoulos to the post. Overall, these institutions offered tenure to many of Greece's younger generation of economists who had either been excluded from academia, or had been employed as readers at traditional universities, where they served as anything between glorified clerks and surrogate professors. Nevertheless, the institutional structure of 'younger' departments was identical to that of law schools; hierarchies were rigid and senior academics were given ample scope to exercise control over staff appointments and curricular reforms.

Multiple affilia- A further key feature of the employment profiles of economists is the share of tions and individuals with multiple professional affiliations *within* the public sector. In fact, [Diagram 3.1\(b\)](#) reveals a striking pattern, with one in two economists serving in at least extensive

²⁰ These were the Athens Graduate School for Economics and Business (ASOEE), the Piraeus and Thessalonica Graduate Schools of Industrial Studies (ΑΒΣΠ and ΑΒΣΘ), and the Pantheon Graduate School for Social and Political Science. Further economics chairs existed at the Athens School of Agriculture and the National Polytechnic, but these were of marginal significance to economic training.

involvement in
public affairs

two of the three principal branches of the public sector during his career. The highest concentration appears in academia and the civil-service, hinting at the existence of a special bond between the two branches. Indeed, the civil service was a typical professional entry point for educated individuals, many of whom subsequently pursued academic careers, whilst continuing to hold senior positions in public administration. Again, Greece is hardly unique in this respect, which reminds us of Smith's famous dictum that "the division of labour is limited by the extent of the market": the strong involvement of academics in the public sector is common to small countries, reflecting both shortages in qualified personnel and economies of scale in administration²¹. At the same time, modest public sector salaries further encouraged parallel employment. Economists' extensive involvement in public affairs made them particularly alert to the political realities of their time. This was especially true of those actively engaged in politics, though it can hardly be argued that others remained oblivious to such developments. After all, the first decades after the civil war were highly 'political' times, the chief dichotomy arising from the conflict between the bourgeois and communist world-views, which extended to all facets of public life.

Implications of
public involve-
ment and multi-
ple affiliations

Whilst increasing economists' status and professional clout, political activities threatened to compromise the independence of their scientific work. On a more general note, inter-sectoral employment undermined the relative autonomy of each branch. Whilst enjoying the privileges of multiple affiliations (e.g. access to scarce information and key networks) economists employed across branches were often constrained by the sensibilities, priorities and aversions of their professional constituencies. Such influences need not necessarily serve any ulterior motives, nor did they have to be conscious or explicit: academics employed in banking, for example, would shape their research agenda according to their extra-academic endeavours; those active in public service would be influenced by the problematic and language of the policy discourse. When taken together, though, these influences were capable of conditioning the direction and content of research and 'locking' economic discourse in various constituency-determined paths.

Horizontal over-
lap, compounded
by vertical control

What is more – and this is where the configuration of the Greek society of economists comes into play – since economists' were such a tightly-knit community, the path dependencies, biases and predilections of one branch were unlikely to be "compensated for" by those of another. Substantial *horizontal* overlap between alternative branches implied that the same individuals were active on multiple fronts and thus monopolised professional resources. Here I choose the term 'overlap' over the more active notion of 'control', not least because one implication of the vertical (and clientelistic) structure of the Greek public sector was administrative fragmentation and a concomitant weakness of institutionalised horizontal associations (Lyberaki and Tsakalotos 2002: 99). Rather, what horizontal ties *did* exist hinged on personal and political affinities, if not the outright overlap of personnel across different branches. Nevertheless, this overlap, when compounded with strong hierarchies and vertical control

²¹ Cf. Sandelin and Veiderpass (1996: 159) and Babb (2001: 34ff) for similar findings in other countries.

ensured that senior community members were capable of policing the boundaries of the established orthodoxy and maintaining overall consensus on key issues. In line with Psalidopoulos's (2000) findings, we seem to have stumbled upon a sclerotic community, controlled by a small group of elderly academics, most of them educated in inter-war Germany or France. Subsequent chapters will show these mechanisms at work, and their implications for the development discourse.

III. Economists as contributors to economic journals

Weaknesses of the GSES data

The information contained in the 1964 GSES register precludes inter-temporal analysis and fails to correct for possible variations in the individual 'productivity' of each *Society* member. Membership alone is taken as *prima facie* evidence for involvement in economic discourse, but it is reasonable to expect actual contributions to vary across individuals and over time. This section seeks to remedy these shortcomings by using another database, designed explicitly for the task at hand. Instead of focusing on the members of a professional society at a point in time, we now turn our attention to authors in Greece's principal economic journals over the entire 1944-67 period. This way we can also test the robustness of our methodology and mitigate any selection problems caused by the use of the GSES registry in the previous section.

Table 3.3. Journal economists database (JED) – overview

Greek authors writing on economics	Authors	Articles	Pages
1944-1948	23	34	880
1949-1953	65	109	2,204
1954-1958	82	134	2,446
1959-1963	109	229	4,551
1964-1967 (4 years only)	102	172	3,301
Total	*244	678	13,382
(less) those writing only once	-144	-139	-2,720
Journal economist database (JED)	100	539	10,662
Of which, also in GSES (in 1964)	61	402	7,903
(% of JED)	61.0%	74.6%	74.1%
also in biographical database	90	504	9,865
(% of JED)	90.0%	93.5%	92.5%

* Items in this column do not sum to the total, for the same author may be active in multiple periods

The Journal

Economist Database (JED)

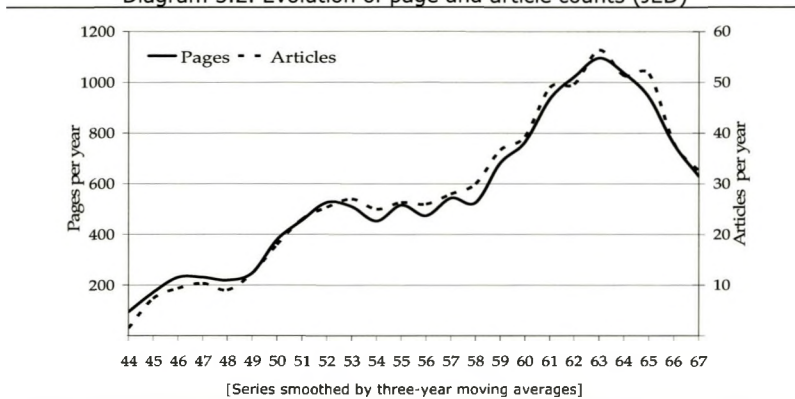
In this chapter, we restrict our attention to Greek authors of economics articles²². Between 1944 and 1967, 244 different authors met these criteria, producing a total of 678 articles. Tracking the evolution of pages and articles, [diagram 3.2](#) reveals a staggering increase in overall output, which seems to accelerate in the late 1950s²³. Moreover, the number of different authors rises from a modest 23 for the 1944-8 period to over one hundred in the 1960s. This gives a flavour of the *dynamics* of the community, and hints at a measure of fluidity hitherto concealed by the cross-sectional data presented in the previous section. In an attempt to filter out *ad hoc* contributions and authors with no consistent presence in the field, we subsequently exclude anyone who

²² This excludes material: (a) written by foreigners; (b) not addressing economic issues (politics, philosophy, history etc.); (c) not taking the form of an article (columns, obituaries, inlaid reports, book reviews, data appendices etc.).

²³ The upward jump in the early 1950s is associated with the emergence of the *Spoudai* journal. On the other hand, the decline toward the end of our period can be largely attributed to the instability preceding the years before the 1967 military junta, which took its toll on intellectual activity.

has not written at least two articles throughout our 24-year period. The remaining 100 persons are responsible for 80% of the material published and comprise our *journal economist database* (JED). Cross-reference with the 1964 register reveals that 60 of them – writing three quarters of the JED articles – were also GSES members. The comparability and extensive overlap between the two databases raises our confidence in the robustness of our methodology and its ability to successfully identify the majority of Greece's economists – the usual caveats applying.

Diagram 3.2. Evolution of page and article counts (JED)



The JED vs. the GSES: page shares and their importance

Our biographical database offers additional information on the age, education or professional affiliations of 75 JED members, whose writings account for roughly 80% of total pages. [Table 3.4](#) is similar to [tables 3.1 and 3.2](#) presented earlier, only this time the data comes from the JED. Remember that – unlike the GSES – the JED is not based on a cross-section at a point *in time*, but rather on a pool of individuals active in journals over a span of 24 years. Nevertheless, a key feature of [table 3.4](#) is the remarkable consistency of its results with those of the GSES, in terms of (relative) author numbers in each subcategory. One of JED's innovations is that it can calculate the number of associated pages of text, and use it as a proxy for overall engagement. By doing this we are not equating intellectual activity or influence with text volume, but we are expecting the two to be broadly correlated. Furthermore, our methodology can accommodate alternative forms of publication activity (e.g. books, monograph series, newspaper articles etc.) as long as the choice of medium is independent of the categories under scrutiny (cf. [chapter 1](#)). In other words, if some economists choose other media to publish their work in, this doesn't bias our results as long as this choice is not also correlated with the sociological characteristic under examination, e.g. their educational background, age, professional affiliation etc. Though weak, these conditions are hardly innocuous and we shall return to them promptly. In any case, the JED's ability to produce article page-counts explains the additional columns in [table 3.4](#) and offers a range of new insights. One of those insights is important from a methodological perspective, for it lessens the significance of missing biographical information: page share

data shows that economists for whom no biographical details are known are less 'significant' than their absolute numbers would otherwise suggest²⁴.

Table 3.4. Profile and publication activity of JED members (1944 – 1967)

		Members	Median year of birth*	Pages	% of pages
	Total	100	1911 [67]	10,662	100.0
By sex					
	Male	94	1911 [62]	10,142	95.1
	Female	6	1933 [5]	520	4.9
Last education qualification obtained					
	Before 1940	35	1906 [30]	3,010	30.1
	After 1940	55	1921 [37]	7,001	65.2
	N/A	10		651	
By field of university education					
	Law, politics, and economics	39	1910 [36]	5,492	62.3
	Commerce/Economics	23	1921 [21]	2,574	29.2
	Mathematics/Statistics and economics	5	1917 [5]	558	6.2
	Geography/Geology and economics	3	[3]	185	2.1
	Other/ N/A	30		1,853	
Educated in (more than one possible)					
	Greece	76	1913 [61]	8,587	91.0
	North America (US-Canada)	19	1919 [15]	2,637	27.9
	United Kingdom	21	1925 [17]	2,657	28.1
	Germany	11	1904 [9]	1,478	15.7
	France	22	1904 [19]	2,585	27.4
	Other Continental Europe	9	1912 [8]	721	7.6
	N/A	19		1,222	
Educated in (only one)					
	Greece only	15	1912 [14]	1,176	12.5
	North America/UK	32	1922 [24]	4,053	42.9
	Continental Europe	29	1903 [23]	3,396	36.0
	Both N. America/UK and Cont. Europe	5	1921 [5]	815	8.6
	N/A	19		1,222	
Professional career started					
	Before 1930	12	1898 [11]	1,130	13.0
	1930-39	14	1906 [13]	1,628	18.7
	1940-49	19	1913 [18]	2,493	28.6
	After 1949	30	1928 [22]	3,460	39.7
	N/A	25		1,951	
First employment in					
	Civil service (broad) ¹	33	1910 [27]	4,099	43.8
	Academia ²	15	1919 [11]	1,830	19.6
	Banking	20	1911 [18]	1,903	20.4
	Business	7	1911 [5]	354	3.8
	Law	7	1908 [6]	1,016	10.9
	Other	3	[1]	148	1.6
	N/A	15		1,312	
Throughout their career, employed in (more than one possible)					
	Civil service (broad) ¹	55	1910 [46]	6,646	71.1
	Academia ²	54	1914 [48]	7,337	78.5
	Banking	34	1910 [31]	3,649	39.0
	Business	10	1913 [8]	1,546	16.5
	CPER ³	12	1922 [11]	2,116	22.6
	DER ⁴	17	1928 [15]	1,916	20.5
	N/A	14		1,312	

* Number in brackets indicates observations used to calculate median (i.e. number of individuals with known birth-dates). A minimum of five observations required to report median.

1 Includes all public sector employment outside academia or banking. Aside from the central administration, this includes public utilities, insurance funds, the national statistical service etc.

2 Member employed in Greek university and/or CPER.

3 Centre for Planning and Economic Research.

4 The Bank of Greece's Directorate for Economic Research.

New insights of-
ferred by the
page-share data

Whilst broadly consistent with our general argument, the page-share data contained in [table 3.4](#) also suggests that some of our earlier findings may have been misleading. Authors educated after 1940 produce almost twice as much material as their older colleagues, whilst data on the timing of career onsets reveals a similar pattern. What is more, Anglo-Saxon training prevails, even if some of those educated in the UK

²⁴ Thus for instance, we may not know where 33% of JED members were educated, but these authors were jointly responsible for far less than 33% of material published (18.8% to be exact).

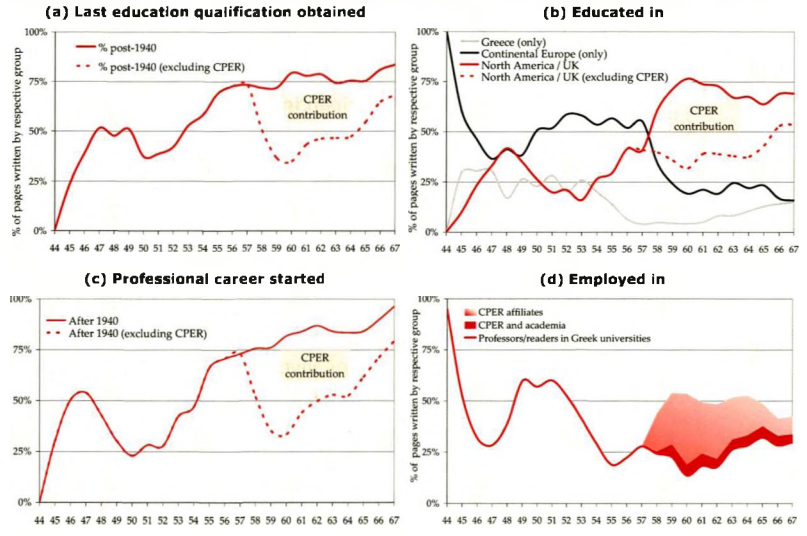
or US had also received some training in Continental Europe. The second innovation of the JED consists in its ability to track economists and their publication activity through time. As will be shown below, the aggregate data contained in [table 3.4](#) masks a generational shift that occurred after the mid-fifties, leading to the rise of the post-war economist of predominantly Anglo-Saxon training.

Blanket statement

In this section, *I argue that Greece's community of economists underwent a substantial realignment in the late 1950s, as a younger generation of scholars – most of them educated in the post-war UK or US – entered the scene and became professionally active. These men – and even a couple of women – were not only proficient in recent theoretical and methodological tools; more importantly, they were less constrained by the theoretical taboos inherited from the traumatic civil-war period.* In this sense, Psalidopoulos's (2000) contentions on the internationalisation of Greek economics detract from the details of the 1944-67 period and underplay the significance of shifts occurring before the mid-1970s. Though in line with developments at the upper echelons of Greece's universities – arguably the most sclerotic segment of the community – the image of inertia does not do justice to the totality of Greece's economists in the 1960s. Both in terms of overall output, and in terms of quality of research, the 1960s represent a break with previous decades. Journals were much more sensitive to these changes than university chairs, not least because the existence of three different publications catering to the needs of such a small community implied that – unlike university chairs – journal space was less scarce and barriers to entry were low.

Diagram 3.3. Page-share evolution by author's educational and employment background (JED)

[Series smoothed by three-year moving averages]



Adding a tempo-
ral dimension to
page-share data:
a generational
shift

Diagram 3.3 plots the evolution of page shares through time, by different segments of the JED – segments reflecting the timing and nature of authors' education and employment. Thus diagrams (a) and (c) show that ever since the mid-1950s, more than half of the article pages were written by economists educated and employed after 1940; a few years later, the corresponding share crossed the 75% threshold. What is more, diagram (b) shows that the arithmetical advantage of economists educated in Continental Europe masked substantial differences in journal output. The post-war period witnessed the gradual increase in the proportion of material drafted by economists who had received training in North America or the UK. In fact, as of the late 1950s their contributions had outstripped those of their colleagues of continental backgrounds²⁵. What is more, this conclusion is probably stronger than what our data suggests, for these economists were also *more* likely to choose alternative publication media such as research monographs or international journals²⁶. Even in terms of journal activity alone, the "coming of age of the UK-American trained economist" (Psalidopoulos 2000: 243) seems to take place in the 1960s. Authors such as Apostolos Lazaris, Konstantinos Kalogris, Andreas Papandreou, Adamantios Pepelasis *et al.* filled the pages of the *Studies, Review* and *Archive* with methodological and theoretical novelties such as input-output analysis, game theory, linear programming, Keynesian applications of the multiplier-accelerator, and econometric work on consumption and cost functions, money demand etc. It would indeed take another decade for such innovations to trickle down to university curricula, but in terms of overall economic discourse, whether in journals, conferences or policy circles, this new generation of scholars was already having a strong impact. These economists did not only bring along their brand-new textbooks; more importantly perhaps, they left behind some of the ideological baggage burdening their colleagues of generations past, particularly those who had been professionally active during the civil-war years (see chapter 7).

Coercion or persuasion? American influence on Greek economists

A digression on
American influ-
ence

Reference to the ascent of US-trained economists brings us back to the subject of diffusion, particularly the role of American influences on Greek economics. This is a vast topic on which much can – and even more has – been said, and one we shall have to return to from time to time throughout this text. The next paragraphs will discuss some theoretical issues and highlight some of the sociological aspects of the process.

Coercion

A large portion of the relevant literature relies on a mixture of Marxian materialism with an *a priori* hostility toward anything American, and offers portrayals of the US as the perennial villain and arch-puppeteer of Greek post-war affairs. Such accounts usually overestimate the scope and efficacy of American influences, underestimate the role of domestic factors and generally oversimplify the process of diffusion. Admittedly, Greece's post-war history offers several examples of "coercive diffusion" i.e. the adop-

²⁵ On a side point, note the small and declining share of authors educated in Greece alone; a testimony to the traditional cosmopolitanism of the Greek intelligentsia ever since the 19th century.

²⁶ Whilst violating our independence assumption, this phenomenon introduces a bias that tends to *reinforce* our argument.

tion of policies under foreign pressure, due to resource dependence. This was particularly striking in the 1940s, when successive British and American missions made aid conditional upon the adoption of specific reforms and demanded that their delegates be granted substantial *direct* powers within key branches of Greece's administration. More recent scholarship, however, has shown the process of interaction to be much more complex and ambiguous. In economic affairs in particular, foreign missions demonstrated a mixed record of policy influence and results²⁷. What is more, they looked favourably upon sharing authority and even complained about the passivity of the local intelligentsia, who was expecting foreigners to come up with – let alone finance – the solutions to Greece's economic woes²⁸. The chief objective of economic missions was Greece's transformation into a "self-sustaining economy"²⁹ within a few years, the time-frame becoming even more pressing as the cold war escalated and attention shifted from reconstruction to rearmament and from Europe to Korea. In this context, foreign advisors were eager to delegate authority back to their Greek colleagues. Of course, these would have to be like-minded colleagues, but the important point is that the British, and more so the American, administrations realised the benefits of training and persuasion rather than outright coercion. This would become increasingly important as Greece's resource dependence subsided.

Persuasion

Whereas most of the literature on diffusion focuses on policies, here we are primarily interested in the transmission of *ideas*³⁰. This is an altogether subtler affair, a cognitive and internal process where persuasion and social interaction play a key role. After the war, both the US and the USSR enjoyed status and recognition, which extended to their economic models. Diffusion was widespread, and did not necessarily entail arm-twisting. Thus, for instance, Psalidopoulos acknowledges the presence of foreign advisors in post-war Greece but claims that "there is no evidence that this multiple Greek-US/British interaction led Greek economists to major changes in attitude" (2000: 236). "Agreement was anyhow unanimous on basics" (*ibid.*) and thus – the reader is led to believe – persuasion was unnecessary. Yet not only is "unanimous agreement" equally (if not *more*) likely to reflect influence, but even if some of the ideas championed by American advisors were consistent with pre-existing notions, this doesn't mean that their impact was limited: foreign influence may still have contributed to the *persistence* and *evolution* of these 'indigenous' ideas, that might otherwise not have survived. Thus, the claim that "foreign economic advice had little to offer for the modernisation of Greek economics" (2000: 237) is unduly restrictive.

The micro-

processes of diffusion:
acculturation

In my opinion, the literature on the diffusion of foreign ideas in Greek economics would gain much from a more careful scrutiny of the sociological *micro-processes* of influence. These include day-to-day interaction between foreign and local officials, the exchange of personnel between universities, government agencies etc., education,

²⁷ See for instance Σταθάκης (2004) and Lykogiannis (2002) for the US and British missions respectively. For a broader, critical discussion, see Stathakis (1990); Hogan (1987: 432ff) makes a similar argument for Marshall plan countries *in toto*.

²⁸ See the exasperated journal entries of *Paul Porter*, America's first special envoy to Greece (Ψαλιδόπουλος and Βρετός 2006: 124).

²⁹ This was the terminology employed by the Truman doctrine and Marshall plan; the term "self-sustaining democracy" was sometimes used as well, highlighting the connection between the political and economic dimensions of the plans (Hogan 1987: 36).

³⁰ Of course, as mentioned earlier, policies are embedded within broader ideational frameworks and even if their initial implementation is purely coercive, they inevitably end up exercising some measure of non-coercive influence.

training programs, seminars etc. Such scrutiny would probably reveal a combination of normative and coercive mechanisms operating at the level of ideas; coercion would not necessarily flow from resource dependence, but also some combination of social sanctions and rewards. Goodman and Jinks employ the term 'acculturation' to describe a similar phenomenon, whereby "conformity is elicited through a range of socialisation processes" (2004: 630). What is more, scrutiny of the micro-processes is likely to show multiple pathways of influence, some of which were set up and financed to that explicit end. Throughout the first post-war decades, the Ford and Fulbright Foundations promoted the 'acculturation' of Greek scholars and civil servants by offering scholarships to US universities and encouraging American academics to visit Greece. Financial incentives aside, aspiring students of independent means would increasingly opt for an Anglo-Saxon education, for it was there that the present and future of economics – and the world – was seen to lie.

An international
pattern

These developments were not uniquely Greek. Discussing economics in post-war Korea, Choi (1996) argues that an Anglo-Saxon training was integral in improving communication with the Americans. After the civil war, South Korea became the recipient of substantial economic and military aid:

The American fears that South Korea was a "bottomless pit" where massive aid had no noticeable effects and that she had the potential to become a "permanent ward" prompted the American government to explore the possibility of weaning South Korea off aid and converting her into a viable economy. This concerns had to involve South Koreans in various economic policy matters [...] Effective communication was needed. (Choi 1996: 109)

The Korean experience is highly reminiscent of the Greek case, but is hardly uncommon. Similar developments took place in many of the countries that landed on the Western camp after the second world war³¹. All of them had been recipients of American aid; and all were witnessing a similar 'repatriation' of the first generation of US-trained scholars in the 1960s, many of whom had benefited from American scholarships and training programs. In some cases, in fact, funds were even used to *employ* these economists back home, thus converting American research foundations into extra-territorial professional constituencies; Greece, was one of these cases.

The Centre for Planning and Economic Research (CPER)

The professional
constituencies of
younger econo-
mists: the DER
and CPER

Though largely following in its predecessors' footsteps (public employment, multiple affiliations etc.) the new generation of scholars was first absorbed in those areas that exhibited the greatest degree of flexibility. Predictably, these were *not* the country's universities. In fact, the overall page-share of university professors and readers between 1944 and 1967 follows a downward trend. Abstracting from any fluctuations, we can observe that university staff page-shares drop below 50% in the early 1950s and oscillate around a meagre 30% henceforth. We've already mentioned the role of the Bank of Greece's DER. Yet in what follows we shall focus on the role of the *Centre*

³¹ See for instance the experiences of Japan, Brazil and Mexico as described in Ikeo (1996), Loureiro (1996) and Babb (2001) respectively. It goes without saying that the USSR also undertook systematic attempts to train local economic elites in countries within its sphere of influence (see [section III](#), below).

for *Programming and Economic Research* (CPER), undoubtedly the most innovative and fertile locus of economic research in 1960s Greece.

CPER's contribution, as captured by journal article data

Founded in 1959, CPER was the country's first quasi-independent academic research institute on economics, and development planning in particular. Its impact on the national economic discourse was substantial. In the first nine years of the *Centre's* existence (until 1967), its affiliates wrote 34.5% of the articles published in Greece's economic journals³². What is more, these figures probably *underestimate* CPER's significance – even in purely quantitative terms – for its principal contributions consisted of monographs, policy documents and development plans. Nevertheless, [diagram 3.3\(d\)](#) tracks the rising importance of CPER in the early 1960s, when it came to rival universities as a source of journal publications.

The non-CPER counterfactual

Bringing together a group of young scholars of almost exclusively Anglo-Saxon educational background, CPER is chiefly responsible for the realignments discussed above³³. This is confirmed by the dotted lines on each graph, which exclude the work of CPER affiliates. Of course – in the *Centre's* absence – many of its economists would have been employed elsewhere in Greece and some might even have contributed to scientific journals. But given CPER's privileged institutional and financial status and the extraordinary circumstances surrounding its operation, it is reasonable to assume that the result would have been very different. Though imperfect as counterfactuals, the dotted lines thus give a rough impression of CPER's contribution to the rejuvenation and modernisation of the Greek economic community.

CPER's foundation

CPER's establishment and operation are indicative of the confluence of foreign and domestic forces that makes unidirectional accounts of diffusion grossly inadequate. Founded by *Andreas Papandreou*, the son of the leader of the centrist opposition of the time, CPER was endorsed by the *Academy of Athens*, where Zolotas had once more used his influence to encourage professional modernisation. Conscious of the paucity of economic expertise in the country, the Karamanlis administration had readily consented to the proposal, simultaneously contemplating the political advantages of having an opposition leader's son directing the newly established body³⁴. The *Centre's* mandate was gradually increased to include not only research but also responsibilities for elaborating Greece's national and regional development plans, evaluating state investment programs, economic forecasting and the drafting of policy briefs and advisory memos. Its original, and primary objective, however was to

conduct scientific research into the economic problems of Greece, encourage economic research by others and to collaborate with appropriate international organisations. (CPER 1966: 12)

A professional constituency funded from abroad

But which international organisations were "appropriate"? Before returning to Greece, Papandreou had been a prominent academic in the US, where he had taught at several universities³⁵. Utilising his academic credentials and influential background, Papandreou established strong ties between CPER and Berkeley and procured sizeable

³² Or 23.9% of the total post-war output – see [table 3.4](#); remember that this excludes articles written by foreigners, even those visiting scholars collaborating with the *Centre*.

³³ Bear in mind that all graphs have been smoothed using three-year moving averages; this accounts for the appearance of CPER page shares in 1958, i.e. one year before its establishment.

³⁴ Oral testimony of *Adamantios Pepelasis* to the author (20.10.2005).

³⁵ Northwestern, Berkeley and Minnesota – for a collection of articles published at the time see Papandreou (1993).

grants from the Ford and Rockefeller foundations. Comprising about 70% of the institute's budget, these funds were sufficient to extract CPER from the administration of the Academy and establish it as a self-governing research body under the *Ministry of Education*³⁶. In further testimony to the *Centre's* international orientation, numerous foreign academics would visit Greece to undertake research, deliver lectures or teach at its seminars: the list of foreign partners contained in [appendix C](#) makes for an impressive inventory of the world's elite economists and planners of the 1960s. Note how most of them came from ivy league universities, with a small number of experts being invited from the UK and Canada. CPER's 'acculturising' mission also extended to economists' formal training: aside from its own seminars, the *Centre* offered scholarships to junior economists wishing to study abroad. Again, it was mostly US universities and the Fulbright foundation that funded these projects, and four out of five scholars went to American institutions (CPER 1966: 21). Needless to point out how all of this would have been much harder to imagine outside the cold war context and America's campaign to offer a blueprint for economic modernisation that would rival that of the USSR. In the spring of 1963, president Kennedy's brother, Edward, spent a day at CPER's headquarters in Athens and announced that the *Centre* could function as a 'model' for similar projects in South America and India³⁷.

Symbolic power,
legitimation and
normative
isomorphism

Of course this doesn't mean that CPER research was subject to the explicit guidance of American donors, nor that Greeks were no more than passive recipients of foreign ideas. The *Centre's* establishment was ultimately a decision of the Greek government. Even so, Papandreou's foreign credentials and broad network of contacts made him ideally suited for the job. A seasoned politician like Karamanlis could not have been blind to the advantages of employing a team of American-trained economists. They could act as a symbol of Greece's Western orientation and modernity, and legitimise economic policy in the eyes of the country's powerful allies and donors³⁸. Once institutionalised of course, this process would start to reproduce itself independently of the initial stimulus, as incumbent professionals chose to employ individuals of a similar background³⁹ – a process DiMaggio and Powell (1991) call "normative isomorphism".

CPER's atypical
institutional
status and social
profile

By now, CPER's atypical status and operational framework must have become apparent. The institute had privileged access to the upper echelons of Greece's administration and political elite, its chief members being in direct contact with senior politicians and policy-makers. What is more, though embedded within the Greek public sector, CPER enjoyed considerable independence vis-à-vis traditional professional constituencies. This was largely thanks to its foreign funding, which exceeded anything hitherto known to Greek academics, and attracted scholars from prominent universities around the world for its research and seminars. To my mind, this unique constellation of features helps explain CPER's substantial deviations from the trodden paths of

³⁶ Additional funding was provided by the *American Mission to Greece* (CPER 1966: 16, 27).

³⁷ Πανελλόνος (1996: 129). Kennedy further claimed that he would explicitly take up the issue with John K. Galbraith upon his return to the States. Galbraith was already aware of the *Centre's* work, for he was a personal friend of Andreas Papandreou.

³⁸ Similar processes have been documented in other developing countries at the time – cf. Montecinos (1996: 284ff), Choi (1996: 107).

³⁹ Discussing recruitment at CPER, Pepelasis recalled how priority was given to anyone with an Anglo-Saxon background in economics. Oral testimony to the author (20.10.2005).

Greek economics. As we shall see in [chapter 7](#), the new generation of scholars principally associated with CPER broke through many of the established boundaries of Greek economic thought, not only in methodological, but also in purely theoretical terms. In the words of one of its founders, the Centre's prime ambitions had been to introduce Greek social scientists to "a new way of doing research"⁴⁰.

Recognition and
impact

CPER's "new way" received favourable reviews⁴¹ and attracted international attention. Copies of the *Centre's* monographs were ordered by universities and research institutes world-wide and foreign students visited Athens as part of their post-graduate training (CPER 1966: 24). Strikingly perhaps, reactions *within* Greece were lukewarm. Copies of CPER's publications were sent out to universities, banks and ministries, and many of its reports were reviewed in the country's scientific journals. Papaligouras, finance minister at the time, would praise its work from the parliamentary podium (Πεπελάσης 1996: 126) and George Papandreou would – for obvious reasons – rely on it in his economic speeches. Nevertheless, the *Centre's* *direct* impact on economists outside its own generation of 'young Turks' was quite limited. In my opinion, both CPER's theoretical 'transgressions' – as well as their reception by the rest of the economic community – cannot be understood without reference to the Centre's institutional position and sociological profile.

Accounting for
the hostility to-
ward CPER

CPER's emergence on the domestic front was not greeted by universal applause. Much of this can be traced back to the dismay of members of the traditional elite, many of whom had been rebuffed by the *Centre's* administration as potential collaborators, and who may have perceived the institute as a threat to their prestige and monopoly of expertise. Professional rivalry and injured pride was compounded by what was already a *natural* impediment: many of the novelties introduced by CPER could hardly be reproduced by the older generation of economists. Although certainly not a 'scientific revolution' in Kuhn's (1962) terms, CPER's work involved a new "worldview" with respect to research methodology, and it is not surprising that a generational rift emerged. Professional antagonism with CPER's partners, whose substantial salaries were an additional source of resentment, also generated resistance in the middle and lower echelons of state administration and banking. Civil servants and DER officials treated *Centre* researchers with suspicion and were loath to offer assistance, one *National Statistical Service* director even making brazen demands for kickbacks in exchange for data⁴². These strained relationships with the middle echelons of public administration and the Bank of Greece meant that the Centre's work was deprived of two key avenues for exerting policy influence, a development which gradually led it to a position of "isolation" and "purely academic endeavours"⁴³.

⁴⁰ Oral testimony of Adamantios Pepelasis (Palaio Psychiko, 20.10.2005).

⁴¹ In such journals as the *American Economic Review*, the *International Labour Review*, the *Journal of Economics*, the *World Agricultural Economics and Rural Sociology Abstracts*, *L'Industria*, and the *Economic Record*. See for instance the reviews of Ward, Koutsourmaris, Break and Turvey at the *American Economic Review*, by Cumberland (1963), Phillips (1966), Hicks (1966).

⁴² Oral testimony of Adamantios Pepelasis to the author (20.10.2005).

⁴³ Oral testimony of Apostolos Lazaris to the author (23.01.2006).

CPER, universities and educational reform Relations with the universities were equally strained. CPER researchers were not only a rival source of expertise that challenged professors' preferential relationship with public administration, but also a threat to established academic traditions. This threat was far from imaginary, since the Centre's mandate called for an expanded educational role. To modernizers like Zolotas, who felt that the future of economics depended on its institutional separation from law faculties and the introduction of modern curricula, CPER was a vehicle for reform (Πεπελάσης 1996: 112). It is in this light that we can also interpret Papandreou's (1960) 'Draft Recommendations for the Reconstruction of Higher Education', whose proposed economics syllabus was largely modelled on personal experience from the US. This report, written in collaboration with Pepelasis and Lazaris, called for the creation of a separate economics department at the University of Athens and the transformation of the Athens Graduate School for Economics and Business (ΑΣΟΕΕ) into a business school, focusing on accounting, finance, marketing and business administration⁴⁴. Predictably perhaps, little came out of these proposals, as several incumbent professors reacted, particularly those at schools threatened by the University of Athens. ΑΣΟΕΕ students were mobilised in protest, demonstrating at the centre of Athens and lying on tram tracks in front of the *Centre's* offices (Πεπελάσης 1996: 118). The next potential threat came in 1964, when CPER's mandate was revised to include – inter alia – the "provision of graduate training in economics leading to a post-graduate degree" (CPER 1966: 29). But this never materialised; by the mid-1960s, most of CPER's founders were already absorbed in politics, and the *Centre's* influence was waning.

Papandreou's mixed legacy This last point brings us to Andreas Papandreou's mixed legacy. Although undoubtedly the key figure in CPER's establishment and early operation, Papandreou probably never saw the *Centre* as an entity independent of himself. Early evidence of this came in 1962, when he suddenly decided to return to Berkeley and remain there for several months⁴⁵. When faced with a colleague's determination to remain in Greece and work at CPER, Papandreou harshly replied "I built the Centre, and as long as I'm not here, there will be no Centre!"⁴⁶. But the damage caused to CPER's reputation and integration within the Greek economic community *after* Papandreou's return in 1963 was even more lasting. Along with his increasing involvement in politics, came a mounting use of CPER resources for the drafting of his party's policy platform. Though difficult to distinguish from the Centre's official task of policy advice, this trend compromised the institute's scientific status and tarnished its record. As most of its senior members either left Greece or became absorbed in other posts in public administration, banking or politics, CPER's revolutionary fervour began to unravel. Ironically, the country's youngest and most energetic professional body fell prey to two of the oldest trends in the Greek economics community: individualism and the dependencies implied by multiple affiliations and political posts.

⁴⁴ Oral testimony of Adamantios Pepelasis (20.10.2005) – cf. Πεπελάσης (1996: 114ff).

⁴⁵ At the time, Papandreou was still uncertain about his professional future and unwilling to jeopardise his US citizenship and career. His decision to return to Greece and enter politics came after his father's first electoral victory in 1963 (Πεπελάσης 1996: 120-1).

⁴⁶ Quoted in Pepelasis (1996: 121). It took what the author calls a "conspiracy" between Papandreou's wife Margaret, his father, and Pepelasis himself to keep CPER from closing during his absence.

IV. The *extra muros*: economists of the communist and socialist Left

Persecution and exile	Greece's civil war deepened what was already a wide cleft between the Left and Right. Persecution became widespread and was even formalised in a set of heavy handed emergency decrees that served to demoralise, isolate and ultimately extirpate communists and leftist sympathisers. Following the defeat of communist guerrilla forces in 1949, more than sixty thousand refugees fled to the Eastern bloc, where most would remain in exile for several decades. Those left behind would be faced with continuing hostility: the 'perpetual civil-war theory' – according to which the war had not ended in 1949, but was still in progress – was invoked to maintain many of the repressive emergency measures, whilst a series of administrative practices continued to penalise anyone suspected of communist sympathies, not least by blocking them from any public post (see Meynaud 2002: 207ff).
The segregated community of Left economists	Economists of the Left thus operated against an entirely different social, political and professional background, one which merits separate treatment. These people were both dismissed by, and dismissive of 'bourgeois economists'; they never sought to join the mainstream, nor were they allowed to do so. They remained isolated within their own, separate sub-community. Many were involved in underground party work and others were loath to reveal their true identities in public, preferring to publish anonymously. These features don't make left-wing economists amenable to the sort of aggregate, statistical manipulation used in previous sections.
An interdisciplinary community	Data constraints aside, few of the communist authors writing on economics considered themselves "economists" in the first place; hardly anyone had received formal training in economics and many came from entirely different disciplines and fields of work, notably engineering or the natural sciences. Disciplinary boundaries were much weaker amongst left-wing authors, not least because the size of their community did not leave much room for specialisation. Adding to this trend, was their dismissal and exclusion from universities and other professional constituencies which nurtured disciplinary demarcation. Their persecution mitigated any professional rivalries and fostered a sense of collegiality amongst what they referred to as the corpus of "progressive scientists", which was pitted against the "bourgeois quacks".
A party-centred community	Nevertheless, the chief source of cohesion amongst the left-wing intelligentsia was the Communist Party (KKE) itself. A key source of funding, publication outlets and employment opportunities, the party served as the principal institutional link between members. Though not a professional constituency <i>per se</i> , the party often arranged for its members' employment. Cut off from the public sector, left-wing intellectuals either worked privately, or in some arm of the party mechanism. Several authors were employed as journalists in KKE-controlled newspapers, whilst others became directly involved in party administration. Most of the Left's prominent intellectuals were KKE members, and many of those writing on economics occupied senior posts within the

party hierarchy⁴⁷. The party also controlled the principal outlets of intellectual work, notably those newspapers, journals and publishing houses that were open to members of the Left.

Vertical control,
the party line
and dogmatism

The Communist Party thus came to play an important part in shaping the community of Left-wing economists. Official ideology was systematically disseminated and the party line was firmly upheld. Such practices had been enshrined in KKE statutes ever since the party's bolshevisation in 1924 (Kousoulas 1965: 12ff), but it would not be before the appointment of *Nikos Zachariadis* to the post of Secretary General in 1931, that internal discipline was rigidly enforced. During Zachariadis's long leadership, the KKE witnessed several purges, whose intensity escalated after the 1949 military debacle. Familiar with Stalinist practices, the party leadership would not hesitate to brand its political adversaries 'sectarians' or 'liquidarists', strip them of official titles and condemn them to poverty and exile. Needless to say how this stunted intellectual creativity and left little room for theoretical disagreements. Following Zachariadis's removal from office in 1956, the situation improved mildly. Nevertheless, 'vertical control' was still prevalent, especially since the party's exiled leadership remained in charge of all KKE activity, including the operations of the increasingly successful *National Democratic Change* (ΕΔΑ) party, which was active in Greece⁴⁸. Thus, the scope for theoretical deviations was circumscribed and even seasoned party figures found themselves chastised for expressing 'opportunistic' or 'sectarian' views. What is more, the continuing persecutions and exile limited the number of (horizontal) alternatives available to communist intellectuals and also reinforced the party's regimented cell structure, which was hardly congenial to open intellectual debate. One could thus argue the dependence of Left-wing economists on the KKE was just as much the product of anti-communist persecution, as it was a result of the party's own degree of vertical control. Discussing the link between KKE dogmatism and anti-communist persecution, one prominent party member would explain how:

dogmatism appears to be the best weapon against the opponent's ideological pressure. [...] the longer the KKE survived against persecution and harassment, the more established did dogmatism become amongst subsequent generations. Around it, emerged the halo of the party's resilience and uniqueness. (Oral testimony of Grigoris Farakos – Μαρτυρία 1999: 566)

Foreign
influences

Another key feature of the Greek Communist Party, and one which inevitably influenced communist intellectuals, was its substantial dependence on 'foreign models', especially those propagated by the *Communist Party of the Soviet Union* (CPSU). As with 'bourgeois' economists, the diffusion of ideas and policy directives took both coercive and non-coercive forms. Dependence on the CPSU for international recognition and financial assistance certainly contributed to the steady transfer of Soviet ideas and policy lines. Though already evident during the Comintern years⁴⁹, the degree of political dependence on the CPSU and other 'brethren parties', inevitably increased during the decades of foreign exile. On the other hand, the power of non-coercive mecha-

⁴⁷ This did not reflect the 'success' of economists within the ranks of the KKE. Rather, members of the *Central Committee* and the *Politburo* would write on economics, regardless of their professional background. At best, the prevalence of economic authors in senior positions testifies to the importance of economics in the Left's (materialist) interpretation of Greek political affairs.

⁴⁸ For a more detailed account of these developments, see [section 9.2](#).

⁴⁹ After all, it was the CPSU that appointed Nikos Zachariadis Secretary General in 1931.

nisms of 'acculturation' should not be underestimated. [Chapter 2](#) mentioned the inherent, ideological appeal of the Soviet inter-war experience and the Soviet industrialisation to developing nations. The profound impact of the Russian revolution in galvanising the Greek communist movement has been broadly recognised (Δάγκας 2003) and several commentators attribute the wholesale transfer of Soviet ideas to Greece as a product of the relative underdevelopment of the indigenous socialist movement⁵⁰. In parallel to American efforts, the Soviets also offered scholarships to promising comrades and trained party cadres at universities in the Eastern bloc. However, one of the key features of Soviet academic scholarship was the institutional separation between teaching and research, between universities and research institutes, which meant that university students were rarely exposed to the more innovative products of Soviet scholarship (Avtonomov 2007; Valkenier 1968: 645). Universities aside, a mere glance at the translations published by the KKE throughout the 1944-1967 period testifies to the prominence of Soviet texts (Νούτσος 1994c). For many years, for example, Greek Marxists relied on Leont'ev's 1936 *Political Economy* textbook, as translated by T. Konstantinidis. Leont'ev's textbook was very successful internationally, and was one of the first to place great emphasis on the connection between monopoly and imperialism (Roberts 1977: 371). Once again, these mechanisms of acculturation were reinforced during the years of foreign exile, when KKE members were almost exclusively exposed to the ideas and practices of their host country parties.

The confluence of foreign influences and dogmatism

The question of foreign influences amongst left-wing intellectuals is as complex and intractable as that of western policy diffusion. What is particularly striking in the case of the KKE, however, is the confluence of foreign diffusion with the institutional characteristics of the party mechanism itself. Strong vertical hierarchies and a near monopoly of communication media guaranteed that the party remained the sole mediator of ideas, and that these were rapidly disseminated and converted into party doctrine and policy – sometimes without any room for contemplation or debate. This was confirmed by the embarrassing ideological reversals that have plagued the party's history⁵¹. The extent to which these ideas were genuinely internalised by the party intelligentsia is a different story, and one very hard to tell. Throughout this book, foreign influences shall be highlighted where appropriate, but our emphasis shall remain primarily on the evolution of the domestic development discourse *per se*.

Antéos and the society for "Science - Reconstruction" (ΕΠΑΝ)

The *Antéos* and the ΕΠΑΝ

In the 1940s and early 1950s, the primary locus of economic discourse for members of the communist Left, was the *Antéos* journal. In its original conception, *Antéos* aspired to become the main vehicle of expression for all leftist intellectuals, uniting all 'progressive scientists' in a debate on national reconstruction. The institutional embodiment of this community was the *Scientific Society for the Study of Mod-*

⁵⁰ Oral testimonies of Leonidas Kyrkos and Grigoris Farakos to Panagiotis Mavroeidis, published in Μαυροειδής (1999: 393, 569).

⁵¹ The party's stance on the Macedonian question and on the relationship to socialists are two of the most celebrated cases in point. [Chapter 8](#) will show how communist economic thought also followed a similar pattern.

ern Greek Problems: "Science - Reconstruction" (ΕΠ-ΑΝ), which was founded in September 1945 in order to:

«να συνενώσει τους επιστήμονες, να τους προετοιμάσει, να τους εξοικειώσει στα γενικά και ειδικά προβλήματα της ανοικοδόμησης, ώστε να καταστήνουν αληθινοί πρωτοπόροι του λαού και του έθνους μας» (ΕΠ-ΑΝ 1945: 262).

The society had evolved out of EAM's specialised working groups, formed during the period of EAM's resistance to German occupation, as well as subsequent *Planned Reconstruction Study Groups* (ΟΜΣΑ). Numbering 70 founding members, the society is alleged to have comprised as many as 250 people (Παννά 2000: 19). Though unable to confirm this estimate, we can certainly point out that ΕΠ-ΑΝ succeeded in mobilising a considerable number of left-wing scientists, especially engineers.

3.5. The profile of *Antéos* article authors

	Authors	Pages
Total	115	1.121
of which, discussing economic issues	50	624
{ of which, non-Greek	7	30
of which, Greek	43	594
{ of which, without biographical data*	22	187
of which, with known biographical data*	21	407
{ of which, economists/lawyers	6	179
of which, engineers/architects	7	71
of which, geologists – agronomists	8	157
{ of which, professors/readers	5	43

* Societies and other collective bodies, as well as anonymous authors are automatically excluded.

The relationship between ΕΠ-ΑΝ and *Antéos* and the obsession with 'pure science'

The connection between "Science-Reconstruction" and the *Antéos* personnel is obvious: the society constituted the journal's main source of material and authors, whilst the latter systematically publicised ΕΠ-ΑΝ activities. Both *Antéos* and ΕΠ-ΑΝ placed great emphasis on the importance of interdisciplinary cooperation as well as the role of 'pure science' in reconstruction and development. This obsession with scientific enquiry, emanating from the majority of *Antéos* texts, was driven by two principal factors: on the one hand, it was the theoretical product of 'scientific socialism' and the application of dialectical materialism to all disciplines; on the other hand, it reflected an attempt to dismiss allegations of political bias and appeal to a broader readership by invoking the purely positive and technical facets of reconstruction. Either way, the belief in the key role of scientists from all disciplines in promoting development was mirrored in the member structure of the Left's economic community.

The *Antéos* author profile

Tabulating the authors of *Antéos* articles, [table 3.5](#) records as many as 115 different individuals, 50 of which wrote articles on economic issues. If we further exclude seven foreign authors whose articles were translated for publication, we are left with a narrow group of 43 collaborators. Again, this is a small community⁵², and one which would grow distinctly smaller after 1948, i.e. after the escalation of civil war. Out of the total of 50 individuals writing on economic issues, information on professional affiliations was supplied in just 21 cases, including five cases of authors holding university chairs⁵³. The majority of these authors seems to have a technical background, whereas economists are in the minority. On the other hand, just six economists ac-

⁵² These figures are not comparable to those of [section III](#) above; [table 3.5](#) records *all* authors, regardless of the number of articles they submitted; what is more, *Antéos* was not a scientific journal, and most articles were no more than a couple of pages long.

⁵³ These would gradually be relinquished as their occupants were dismissed from academia on account of their political beliefs.

count for 43.9% of the pages written, a figure that is certainly inflated by the work of such prominent theorists as Dimitris Batsis and Serafeim Maximos. Nevertheless, the striking number of engineers, geologists, agronomists etc. confirms the existence of a comfortable alliance between a significant portion of the engineering community and economists of the communist Left, who were united against the common enemy. This harmonious co-existence – epitomised by the close collaboration between *Batsis* and *Nikos Kitsikis*, arguably one of the most significant figures of the inter-war engineering world (see Αντωνίου 2006) – had little in common with the professional rivalries emerging between *mainstream* economists and engineers, as the former asserted their supremacy in the determination of post-war development policy (see Kakridis and Kostis 2009). Chapter 5 is largely devoted to the economics of Batsis, Maximos and their entourage, as well as their impact on the early development discourse in Greece.

After Antéos: Communist economists in the 1950s and 1960s

Intellectual activity shifts abroad

In the aftermath of the civil-war, the country's left-wing intelligentsia became divided between those still active in Greece and those who had fled to the Eastern bloc. ΕΠ-ΑΝ and Antéos tried to keep the home front alive, but were faced with the authorities' mounting wrath. In the summer of 1950, Athens police forces ordered the dissolution of ΕΠ-ΑΝ, at a time when several of the society's key figures had already been imprisoned or exiled. The Antéos journal continued its circulation for another year, but it too was suspended after the arrest of its editor on October 23rd, 1951. Little by little, left-wing intellectual activity moved away from Greece. Most of the KKE leadership was already behind the iron curtain and, in the course of the 1950s, new hubs of activity emerged in Tashkent, Bucharest, Budapest and Moscow. Whilst living abroad, the KKE intelligentsia remained up to date with – and engaged in – Greek affairs and this is mirrored in the Politburo debates and party publications. No study of communist economic thought can thus ignore the activities of the Greek community in exile, and chapter 9 will inevitably be divided between developments at home and abroad.

Communist 'economists' in the 1950s and 1960s

By and large, the communist economic output of the 1950s and 60s was modest, both in quantity and quality. Amongst the handful of authors writing regularly on economics, few had received any formal training in the subject. Thus for instance Panagiotis Mavromatis, arguably one of the most important communist economists at the time, had been formally educated as a doctor. His interest in economics matured throughout his long career as a journalist and senior party figure⁵⁴. Mavromatis was the rule rather than the exception: senior party members were responsible for most of the material published in the 1950s, including articles on economic subjects. Needless to point out how this blurred the boundaries between party politics and intellectual work further, especially at a time when obedience to the party line was non-negotiable.

⁵⁴ Born in Istanbul in 1904, Mavromatis had studied medicine in Vienna and Berlin (as of 1923). Before joining the KKE in 1927, he had been a member of the *Austrian Communist Party* (1925). He worked as a journalist for several party publications and was a member of the *Central Committee* since 1945; in the 8th Congress of 1961 joined the *Politburo*, wherein he would remain till 1972 (see his obituary in the *Πρώτη*, 21.02.1985).

What is more, the civil war defeat increased the KKE's clinginess on foreign communist parties, not least since the latter were the KKE's only genuine source of authority and legitimation (cf. Μαυροειδής 1999: 595).

Geographical and
factional shifts

Nevertheless, the post-1956 de-Stalinisation – and Zachariadis's impeachment – brought about an overhaul in the social and political framework of party intellectuals. Several members of the old guard were removed from their posts and core aspects of the party doctrine were opened up to debate. Developments in Greece were also congenial to reform: the party for *National Democratic Change* (ΕΔΑ) – the KKE's chief political arm – enjoyed a series of electoral successes, whilst the rise of the *Centre Union* signalled the end of many years of right-wing rule. Along with electoral success, however, came mounting political responsibility at the home front. This implied that the Left's centre of gravity would have to shift back home; indeed, the 1960s witnessed a rejuvenation of domestic intellectual activity, mirrored in the substantial number of new publications and journals. Unfortunately, many of the party's post-1956 reforms had only been skin deep. The party structure had not gained in flexibility, nor had the new party line become any less impervious to criticism. The KKE leadership in exile insisted upon exercising full control over ΕΔΑ's operations in Greece, thus confirming its adherence to a strictly hierarchical structure. Geographical separation was gradually transformed into an ideological one, and a widening rift emerged amidst the community of left-wing intellectuals.

A generational
shift

Section 9.2 discusses these developments in greater detail; here we shall merely add how – in what constitutes an interesting parallel to 'bourgeois economists' – left-wing economists underwent a generational shift in the late 1950s. Traditional authors such as Alekos Psiloreitis, Stathis Karydis or Antonios Solaros were gradually displaced by a new generation of communist theoreticians of formal economic training. Grigoris Farakos – undoubtedly the Left's most prominent economists at the time – was a mechanical/electrical engineer who turned economist after his post-graduate studies at the *Moscow School of Social and Political Sciences* (1953-6). Michalis Malios was a professor at the Moscow Institute of Social Sciences, who specialised in state-monopoly capitalism and international economic relations. Georgios Samaras had similar interests, which he pursued first as a doctoral candidate (till 1965) and later (after 1976) as a professor of the Budapest Economic University; it is there that Stergios Babanas-sis also received his doctorate in 1964. Annika Charalambidi was educated in Moscow, where she completed her dissertation on contemporary Greek economic thought in 1963⁵⁵. Together, these people represent a new wave of authors that had been educated in Soviet and Eastern European universities and would play a key role in shaping the communist economic discourse of the 1960s and 1970s.

⁵⁵ For more details on the scientific achievements of Greek expatriates in the USSR, see Νοῦτρος (1994β: 189-191) and the references therein.

Beyond the communist Left: socialist economists

Socialists and communists: the break-up of EAM

Despite the authorities' claims to the contrary, not everyone who disagreed with the mainstream political line in Greece was a communist. The political spectrum was full of intermediate positions occupied by a heterogeneous group of individuals, whose diverging points of view would sometimes be projected on the economic plane. In fact, one of the communist party's most significant achievements during the Greek resistance period, consisted in the integration and coordination of these socialist, populist, agrarian and progressive factions within the *National Liberation Front* (EAM). EAM's national platform and war-time unity was as much the product of KKE's political moderation and 'united front' strategy, as it was a the result of fragmentation and dissidence amongst the coalition's non-communist components (Fleischer 1995). Yet the coalition could not survive the mounting animosity between the communist Left and the traditional '*bourgeois*' political forces after 1944. In the run-up to the civil war, socialist broke away from EAM, which decreed that the time had come for "a political and organizational re-adaptation of its alliance" (quoted in Fleischer 1995: 77). In effect, this meant the almost complete take-over of EAM by the communist party.

Not a sociological group

Having parted ways with the communists, socialists were nevertheless exposed to the authorities' wrath: many of those employed in the public sector were dismissed from their posts and younger intellectuals were denied careers in the civil service or academia⁵⁶. Socialists thus drifted into a political and professional twilight zone that defies straightforward categorisation. They constitute an extremely fluid and hazy group of intellectuals that hovered between the communists and bourgeois worlds, proclaiming their alignment to neither, but capable of conversing with both. Economists amongst them can be counted on the fingers of a single hand, thus being hardly amenable to any sort of sociological generalisation.

Angelos Angelopoulos

Angelos Angelopoulos is *typical* example of the *atypical*, midway career paths of left-wing intellectuals outside the communist Left. A prominent inter-war economist, Angelopoulos had served as a professor at the Athens Law School and director of the country's *Supreme Economic Council*. During the civil war, however, his political convictions cost him his post at the university and forced him to move to Geneva, where he remained until the late fifties. After his return, he was reintegrated into the mainstream community of economists and was even appointed professor at the *Panteion Graduate School* (1961). Most of the time, however, he found himself uncomfortably seated between two chairs. Though a member of the GSES, he never delivered a single lecture at the society, nor did he participate in any of its conferences. A prolific author, he never contributed a single paper to the country's scientific journals, preferring instead to publish in his own quasi-scientific journal, the *New Economy*. It is this uncomfortable dualism that makes both Angelopoulos and the intellectual milieu of the *New Economy* journal an interesting part of our story (see [chapters 5 and 9](#)).

⁵⁶ The *Bank of Greece* was an exception (chiefly thanks to Zolotas) to this rule, inasmuch as it also employed intellectuals of known left-wing sympathies (e.g. Elias Venezis, Rena Christoula-Gregoroyanni).

V. Conclusions and hypotheses

Greece was deeply scarred by its civil war experience; the country was split along the Right-Left divide, which saturated every aspect of civic life and sealed people's professional fates. Communist intellectuals found themselves behind bars and outside borders, both literally and metaphorically. They were neither welcome to the mainstream community of economists, nor interested in joining it. Few had been formally trained in economics and hardly anyone identified himself as a professional economist. Their allegiance belonged to the party, which – however indirectly – also acted as their principal professional constituency. Political activity was the rule, not the exception and the party mechanism guaranteed high levels of vertical control and cohesion. What is more, the party was the chief mediator of foreign models and ideas, originating primarily – though not exclusively – from the Soviet sphere of influence.

Greece's community of economists thus primarily consisted of the *intra muros*, those members of the 'bourgeois world' who identified themselves as economists. The overwhelming majority was employed at the civil service or state-owned banks and universities, with substantial interpenetration between branches. Many were also actively involved in public affairs, which in some cases led to a seat in parliament and a career in politics. Cross-branch affiliations and political engagements blurred the boundaries between individual constituencies (horizontal overlap) and guaranteed that a small group of key individuals were capable of influencing developments across multiple professional fronts. Continental influences aside, the preponderance of state affiliations primarily reflected the relative paucity of the business sector *vis-à-vis* the nascent developmental bureaucracy, with its rising demands for economic expertise. Post-war economics thus grew as a *statist* profession, whose fate was intertwined with that of the development-oriented and anti-communist state; a state characterised by rigid hierarchies that ensured 'vertical control' and added to the public-sector's sclerosis, as reflected in the slow rates of personnel turnover and reform. This was particularly true of universities, where professorial positions were usually occupied by elderly academics educated in inter-war France or Germany. But similar mechanisms were at work in the civil service and banking, with the notable exception of the *Bank of Greece*, where a combination of institutional autonomy and Zolotas's personal élan contributed to a flourishing Directorate for Economic Research.

Nevertheless, the late 1950s and early 1960s witnessed a partial realignment, as a younger generation of scholars – most of them educated in the post-war UK or US – entered the scene. These were not only proficient in recent methodological innovations; more importantly, they were less constrained by the ideological and institutional impediments that had burdened their predecessors. This finding, which reverses part of the 'received view' on Greek economics before 1974, cannot be explained without reference to the Centre for Programming and Economic Research, and its unique composition and institutional status. It is this very uniqueness that also accounts for the

hostility with which CPER's research was greeted by older community members, and its ultimate failure to produce a radical overhaul of Greek economics.

The turn of the decade witnessed realignments in the ranks of the left-wing intelligentsia as well. Though partly the product of the same, biological process that effected the withdrawal of senior community members, these events were also stimulated by an entirely different set of party-related developments, such as the post-1956 change in leadership and a rekindling of political and intellectual activity back home. In further parallel to developments in bourgeois circles, these events were nonetheless unable to bring about radical reform, although they did cause the party's exiled and indigenous communities to drift apart. Nevertheless, communist intellectuals, including those interested in economic affairs, continued to operate within a highly regimented party framework, which left little room for theoretical 'deviations'.

Implications for economic discourse: reiterating our hypotheses

This entire chapter is predicated on the assumption that a scientific community's external, sociological characteristics matter for its intellectual output. Time and again, we hinted at the implications the composition and structure of the community of economists might have for economic discourse. With the mapping of the community behind us, it's time to take stock of our principal hypotheses.

Given the constellation of professional, educational and institutional features described above:

- We can expect the ideological divide between Right and Left to go hand in hand with the physical and professional segregation between mainstream/*bourgeois* and communist economists. A segregation, that probably undermined intellectual exchange and circumscribed the boundaries of economic discourse.
- *Within* each separate camp, strong mechanisms of vertical control enabled senior members to police theoretical boundaries and minimise potentially 'dangerous' deviations. At the same time substantial overlap between alternative professional constituencies, or – as in the case of the communist Left – the absence of such horizontal alternatives further reinforced overall cohesion. Each side can thus be expected to demonstrate a considerable degree of *internal consensus*, predicated on a nexus of mutually reinforcing professional and ideological affinities. Polarisation across the Right-Left divide further strengthened inner cohesion, as fellow theorists dismissed their differences in the face of the much larger 'threat' posed by the opposite camp.
- On a related point, inter-sectoral employment encouraged cohesion but undermined the autonomy of each professional branch, as economists were constrained by the sensibilities, priorities and aversions of their respective professional constituencies (banks, government agencies, party newspapers etc). Though neither conscious or necessarily adverse, these influences were capable of 'locking' economic discourse into various constituency-determined paths. In-

ternal cohesion made it unlikely that one constituency's biases would be corrected by those of another. In the case of the communist Left, in fact, it is debatable whether any other constituency was available, save for the party and its extended network of connections.

- On the other hand, multiple affiliations and political involvement increased economists' status and made them alert to the political realities of their time; presumably this would be reflected in their work, which should address the *political* dimensions of Greece's economic woes and their solutions.
- Being a state-centred profession, economics should exhibit a similarly *statist* perspective, favouring macroeconomics and policy-related work over microeconomics, business-oriented or purely theoretical contributions. Even academics – the prime candidates for abstract theorising – are likely to demonstrate a preference for policy research, due to their complementary roles as civil servants and bank advisers.
- Multiple mechanisms of diffusion and foreign interaction suggest that Greece's economists were exposed to a host of foreign influences and were well integrated within the international economic discourse, albeit in ways moulded by their educational background, professional affiliations and ideological predilections. It's only natural for such influences to be manifest in their own work, though disentangling the exact source of the transmission and assigning it with a given 'impact factor' is probably too ambitious a goal. Our findings also hint at a gradual increase in the degree of Anglo-Saxon (particularly American) 'acculturation' through foreign missions, research funding, scholarships etc. though similar processes were at work in Left-wing circles behind the iron curtain.
- This brings us to our last point, namely that the late fifties and early sixties witnessed a series of realignments in the Greek community of economists, as a new generation of scholars entered the scene and seized control of theoretical production. We should thus be alert to the possibility of contemporaneous realignments in intellectual work, especially if those are correlated with changes in the 'sociology' of economists. In other words, when examining the evolution of economic thought near the turn of the decade, we might expect to see theoretical innovations following 'generational' or 'constituency'-related patterns.

Subsequent chapters will show to what extent these hypotheses are borne out by the evidence. Some will be confirmed, whilst others shall be founding wanting and in need of amendment. Either way, this chapter contends that no study of Greece's post-war development discourse can ignore the sociology and structure of the community of economists responsible for articulating that discourse.

Chapter 4. Pre-history: theorising about development before 1944

Ὡς δὲ ταῦτα ἤκουσε Δημήτριος, ἔλεγε τάδε: «Βασιλεῦ, ἐπειδὴ ἀληθεῖα διαχρήσασθαι πάντως κελεύεις ταῦτα λέγοντα τὰ μὴ ψευδόμενος τις ὅστερον ὑπὸ σέο ἀλώσεται, τῇ Ἑλλάδι πενιὴ μὲν αἰεὶ κοτε σύντροφος ἔστι, ἀρετὴ δὲ ἑπακτός ἐστι, ἀπὸ τε σοφίης κατεργασμένη καὶ νόμου ἰσχυροῦ· τῇ διαχρεωμένη ἡ Ἑλλὰς τὴν τε πενίην ἀπαμύνεται καὶ τὴν δεσποσύνην.»

Herodotus, *Historiae*, Section 102, Lines 1-7
The history of Herodotus, Volume 2, Translated by G. C. Macaulay

[When Demaratus heard this, he spoke as follows: O king, since thou biddest me by all means utter the truth, and so speak as one who shall not be afterwards convicted by thee of having spoken falsely, I say this: – **with Hellas poverty is ever an inbred growth**, while valour is one that has been brought in, being acquired by intelligence and the force of law; and of it Hellas makes use ever to avert from herself not only poverty but also servitude to a master.]

This chapter covers over a century's worth of economic history and thought, as it traces the main features of the Greek economy, as well as its economists, prior to 1944. We first turn to the long nineteenth century, spanning the period between the country's emergence as an independent state and the 1909 coup in Goudi, an oft-used milestone marking the rise of Eleftherios Venizelos and his bourgeois-reformist agenda (Μαυρογορδᾶτος 1988), whilst greater attention is paid to the subsequent period encompassing not only the Balkan and First World wars, but also the tumultuous inter-war years. Needless to say that this can only be a very sketchy account of the period, and emphasis will be placed primarily on those elements of continuity and discontinuity that inform one's understanding of the post-war evolution of economic theorising.

I. The long nineteenth century: agrarianism, irredentism, and diluted liberalism

An exciting
century

Greece emerged as a tiny independent state at the tip of the Balkan peninsula in the late 1820s¹. Over the course of the 19th century, it would: embroil itself in a series of internal and external military conflicts; witness the expansion of its territories (Ionian isles [1862], Thessaly and Southern Epirus [1878]) and the growth of its population (from approximately 0.7 million in 1830, to over 2.6 million in 1909); go from a fledgling republic to a kingdom; oust its king (1862); change royal houses (from the Bavarian king Otto to the Dane George I), and undergo a series of political and economic reforms.

A weak state

The fledgling state was weak and its position precarious. On the domestic front, it lacked both the resources and expertise required to deploy a strong and effective central administration. Still, it was expected to live up to the expectations raised during the liberation war and establish itself as a modern, independent nation – a “model kingdom in the East”, as king George would proclaim in 1863 (Σκονεῖδα 1988). On a more practical level, the state had to establish control over a largely heterogeneous population (a hefty portion of which was still armed) and affirm its authority *vis-à-vis* a broad array of both old and new ‘players’ in the domestic power-game (local notables,

¹ This section is in no way intended as a thorough account of Greek history, or even economic history in the 19th century. Both Svoronos (1972) and Clogg (2002) can serve as useful introductions to the foreign reader, whilst such recent works as Κωστής and Πετμεζός (2006) and Δερτιλής (2006) are particularly rewarding in terms of providing an overview of the current literature on Greece's 19th century economy.

powerful merchant-creditors and landowners, war chieftains, etc). The state's international position was equally fragile, with its very liberation having depended on the favourable intercession of contemporary superpowers. In subsequent years, Britain, France and Russia would maintain a steady involvement in the country's affairs, their allegiance shifting according to the mandates of their policy in the Eastern Mediterranean. It would only be in the course of the 1870s that Britain gradually distinguished itself as the primary source of foreign influence – a position it would hold until the announcement of the Truman doctrine, in 1947.

State-building and nation-building: simultaneously and from scratch It was against this background that Greece's first ruler, as well as the subsequent Bavarian monarchy, simultaneously set out to build both a state and a nation – virtually from scratch². In this process, several western institutions and norms were transplanted to the newborn state, where they became inevitably enmeshed with pre-existing ideas and practices – not least the heritage of centuries of patrimonial rule, and the prevalence of vertical networks of patronage. Faced with the manifold needs of a poor, fragmented and largely illiterate country, governments throughout the 19th century sought to modernise and expand the state apparatus, whilst also using public employment as an instrument of patronage³. Nevertheless, the development of the state's infrastructure, mechanisms and institution framework remained a long-winded, tortuous process – not least due to the paucity of the country's resources.

Military outlays, nationalism and irredentism For all its financial woes, Greece spent a substantial portion of its budget on defence. Military expenditures constituted one of the largest drains on public finances, but were an inevitable by-product of the nationalist and irredentist ideology that pervaded the country in the 19th century⁴. Nationalism – largely predicated on the notion of historical continuity with classical Greece – acted as an ideological rallying point, a means to consolidate the new-born state. Furthermore, ever since its liberation, and much more so after 1843, the country was consumed by the 'grand' idea (*Megáli Idéa*) of expanding its borders to incorporate the majority of the Greek population living in the Balkans and Asia Minor (Σκονετζά 1988). As one might expect, the virtually universal espousal of such aspirations legitimised the state's authority and the need to establish a strong central administration, one capable of funding and orchestrating the military and diplomatic means to extend the kingdom's territories. The importance of irredentism in shaping policy and thought in 19th century Greece – as well as many other Balkan countries – should not be underestimated.

Other instruments of legitimisation: 'Premature' political Nationalism aside, the country's internal stability and cohesion were predicated on the pursuit of a moderately inclusive and reformist policy, one which legitimised the crown and government in the eyes of majority and solidified the emergent power structures. This in turn, led to a gradual drift toward increasingly participatory forms of

² Note the difference with most Western European nations, where the modern state grew within a much more nationally-minded and homogeneous society, and was expected to legitimise itself in continuity, rather than in opposition to pre-existing institutions. At their inception, by contrast, most Balkan nations were faced with the twin tasks of nation-building and state-building – at a time, in fact, when the range of expectations from the state were expanding (Mishkova 1994: 78ff; Δεπιλιής 2006: 325ff).

³ This is a subject on which a substantial literature exists – see, *inter alia*, Τσουκολάς (1981), Mouzelis (1978) and Δεπιλιής (1977); cf. the more recent Δεπιλιής (2006: 336-42).

⁴ This is not to suggest that nationalism was the only cause for these expenditures: the need to establish firm control over the land, combat piracy/banditry and impose the rule of law also contributed in this direction – along with less noble outlays such as the exorbitant payroll of the early Bavarian mercenaries.

modernisation? government: Greece, was one of the first countries to grant – as early as 1843 – universal suffrage to its male citizens⁵. Greece was not unique in this respect: similar patterns emerged in most 19th century Balkan countries, where various institutions and parliamentary practices were established ‘prematurely’ in a deliberate effort to forge a national identity and legitimise state authority⁶. In this sense, it is debatable whether either the rapid expansion of the state apparatus (civil service, army etc.) or the broad enfranchisement of the population were really “premature” (Τσουκαλός 1981: 29) or “wasteful” and “symbolic” attempts at modernisation (Berend and Ránki 1982: 125), offering merely “an ideological and institutional façade” (Jowitt 1978: 20). Inasmuch as they were essential to the process of state- and nation-building (itself a prerequisite for further development), they were neither purely symbolic, nor innocuous in their implications⁷.

The political economy of peasant enfranchisement Of course, democratic institutions were imperfect and remained embedded within pre-existing networks of patronage and coercion, which restricted genuine popular participation and ensured that power remained vested in the hands of a handful of families and professional politicians – giving rise to what Mouzelis describes as an “oligarchic parliamentary rule” (1986: 3). But this should not lead one to underestimate the importance of the enfranchisement of the independent peasant small-holders in most Balkan countries. As one historian explains:

Electoral competition, however intermittent or distorted by fraud and coercion, was a strong force contributing to the early demise of restrictive structures of domination. On the ideological level, moreover, democratic/liberal ideals and themes did constitute a serious obstacle to the institutionalization and legitimacy of long-term dictatorial rule. (Mishkova 1994: 75)

What is more, by reinforcing the relative power of the populous peasantry within the new-born state, these developments were critical in shaping the range of politically feasible policy alternatives in these countries. Several Greek historians have emphasised the implications of the early enfranchisement of the mass of small-scale peasant owners for the political economy of reform in Greece (Δερτιλής 1993; 2006: 759-66; Χατζηιωσήφ 1993).

Policy: a liberal framework It is against this background that Greek policy remained wedded to a framework of ‘diluted liberalism’, which combined an adherence to overarching liberal precepts, with a hefty measure of state interference – often arbitrary and empirical. Such cornerstones of 19th century liberalism as the protection of private property, the free movement of capital and labour, as well as the relatively unhindered movement of commodities, were generally upheld, and the overarching principles of *laissez-faire* were frequently invoked, albeit much more so when they appeared aligned with national or sectional interests. This was not merely a product of the times, or the spread of liberal ideas due to the Enlightenment. It also mirrored the configuration of contem-

⁵ By international standards, the 1843 constitution was one of the most progressive of its time. Although in line with the spirit of political liberalism that permeated the rhetoric of the 1821 struggle, this move did not go uncontested by contemporary intellectuals (see Χατζηιωσήφ 1993: 373).

⁶ Other mechanisms deployed to the same end included the introduction of mandatory military service, basic education, the reinforcement of the church, and the rapid expansion of state employment; all four were also present in 19th century Greece (Σκονετιάς 1988).

⁷ See Mishkova (1994) for an elaboration of this argument for all Balkan countries. Of course, this is not to deny the exorbitant (and often unsustainable) burden imposed on state finances through this process, or the way it became enmeshed with nepotism and patronage. Nor should we abstract from various other, country-specific sources of ‘waste’, such as the profligacy of Greece’s Bavarian court or the avarice of the country’s bankers and foreign creditors. But whether such phenomena could have been avoided at that particular historical juncture, is a question that merits our attention.

porary political and economic forces: in parallel to universal suffrage, free trade acted as the buyer's 'right to vote' – if not also the peasant's right to export. Similarly, extensive encroachments on the income and property of the populous and enfranchised peasant smallholders were ruled out (Χατζηιωσήφ 1993: 370-81; Δερτιλής 1993; 2006). Liberal precepts were also particularly popular amongst the powerful classes of merchants and traders, not to mention the wealthy Greeks of the diaspora, whose involvement in domestic affairs hinged on their freedom to move their family, business and capital across borders. Last but not least, inasmuch as the 19th century kingdom captured but a small fraction of the Greek population and economic activity, the distinction between *us* and *them* was blurred, and the notion of a protected internal market was weakened. What is more, in some departments (e.g. the promotion of industry), the administration's inexperience and financial frailty limited the scope for more imaginative or costly interventions (Χατζηιωσήφ 1993: 271-3).

Policy: Nevertheless, day-to-day policy practice often deviated and *ad hoc* interventions
deviations from in various areas co-existed alongside appeals to the overarching principles of *laissez-
liberalism faire*. In part, these could be traced back to the country's Ottoman heritage and the
fact that Greece had little experience with the functioning of a genuine market system. More importantly, economic liberalism would often fall prey to the same strategy of state- and nation-building that mandated a strong, centralised administration and a rapid expansion of state expenditures and staff. Liberal rhetoric aside, many were the occasions when Greek policy followed a much more pragmatic and empirical bent, aimed at either reinforcing the state's authority, or ensuring its budgetary survival (Χατζηιωσήφ 1993: 266ff). This gave rise to what one scholar has described as a 'managerial' attitude toward policy-making (Ψαλιδόπουλος 2006: 348), which entailed several deviations from liberal doctrine⁸. Last but not least, inasmuch as particularism and nepotism were long-standing traits of the political scene, many of these deviations were ineffectual, or entailed arbitrary concessions to particular business interests. It was this latter dimension of state intervention that mostly infuriated the staunch liberal economists of the time (see below), convincing them of the detrimental consequences of statism⁹.

A celebrated Greece's trade policy serves as a good example of this variable mixture of liber-
example: tariff alism with *ad hoc* empiricism. The original tariff schedule introduced in 1830 was solely
policy interested in providing the state with an extra source of revenue, and – by and large – this remained the case after subsequent realignments (in 1856, 1867 and 1884/7). Neither liberal, nor protectionist principles seemed to be vindicated by successive tariff schedules: the dire condition of public finances precluded any wholesale reduction in tariffs, which continued to burden the country's exports, as well as imports. At the same time, despite upward revisions in tariff rates, the liberal orientation of the coun-

⁸ Once more, this was not uncommon amongst Balkan states. South-European liberalism was often more successful in its political than its economic dimensions; on the liberal rhetoric of Greek politicians at the time, see Kitromilides (1988). This can be attributed both to the regulatory heritage of past occupation (see Stavrianos 2000: 419-24), and to the drive for centralisation that accompanied the process of state-building (Mishkova 1994).

⁹ As one of them would put it: "the organic illness of our society, that represses the belief and the impetus of Greeks to the improvement of their situation, is the defective and party-spirited administration" (Σούτσος 1874: 50).

try's trade policy was never seriously compromised, as priority was given to the absorption of Greek agricultural exports – on which both the peasantry and the treasury were so dependent. Industry was afforded little or no genuine protection, with heavy industry being particularly exposed to foreign competition¹⁰. Actual policy was thus largely subordinated to such practical exigencies as revenue collection and the promotion of agricultural exports (especially after the onset of the currant crisis), rather than some coherent theoretical framework – whether liberal or protectionist. The very architect of the 1884 tariff reform, prime minister Charialos Trikoupis, would thus proclaim the purely liberal and revenue-oriented inspiration of his policy, whilst simultaneously taking great pride in the protection it afforded to domestic industry¹¹!

Growth and
agrarianism

Despite its military and financial adventures in the course of the long 19th century, the economy of the Greek kingdom succeeded in growing at a rate of almost 3% per annum, and lifted its expanding populations' living standards (Κωστέλενος 2006). On the other hand, the country remained a laggard in comparison to Western Europe, and showed few signs of genuine economic transformation, thus conforming to what leading one historian has described as "evolution without development" in 19th century Balkan economies (Palairat 1997). Industrial production remained low and never accounted for more than 10% of the GDP¹². At the same time, the primary sector's contribution to output remained well above 50%, whilst the majority of the population were peasants. Agricultural yields were low, plots were small and fragmented, subsistence agriculture was widespread, whilst certain cash-crops (currants, wine, olive oil and – later on – tobacco) were systematically used to finance grain imports and guarantee an adequate caloric intake (Πετμεζός 2003; 2006). Nevertheless, 19th century Greece did not fully conform to the standard image of an underdeveloped, agrarian nation. Its peasantry may have been poor, but it was still in a relatively more favourable position than that of several other countries in comparable stages of development. The absence of a genuine landed aristocracy, the preponderance of independent smallholders, the shortage of agricultural labour, the supportive aspects of the existent networks of patronage, and the political significance of the agrarian vote, all served to reinforce the *relative* position of the peasantry. Thus, both the 1871 agrarian reforms – which distributed the 'national lands' amongst landless peasants and smallholders – and subsequent tax reforms were largely favourable to the peasantry and ensured the continued improvement of its living standards – at least until the onset of the currant crisis in the 1890s (Δεπιλής 1993; cf. Πετμεζός 2003: chapter 2).

Agrarianism and
industrialisation

The resilience of Greek agriculture¹³ is of additional interest to us, as it is seen as an integral piece of the puzzle surrounding the country's reluctance to distance it-

¹⁰ Machines and industrial raw materials were afforded tariff exemptions, as part of the deal with Greek foreign trade partners, to ensure the absorption of the ever-more-important cash crop exports (wine, currants etc.) (Χατζιωσήφ 1993: 145-51).

¹¹ Βεργόπουλος (1977: 88) – cf. Ανδρέου (1933: 91). Bear in mind, of course, the dual meaning of the word 'industry' at the time, which could denote either manufacturing, or the totality of professional activities (see Δεπιλής 2006: 406).

¹² See Κωστέλενος (2006) – cf. Louri and Minoğlu (2002: 327-8), who place the share of industrial production by the eve of the Balkan wars around 5% – see also Δεπιλής (2006: 596ff) and Χατζιωσήφ (1993).

¹³ Complementary explanations for this phenomenon include: the moderation of the Greek agricultural tax system (as opposed to its harsher Western equivalent which sped up the commercialisation of agriculture and precluded the survival of small holdings); the temporary currant boom, the outlet of emigration and subsequent injection of emigrant remittances to bolster agricultural incomes etc. (see Σταματόπουλος 1989: 61-72; Amin and Vergopoulos 1974; Βεργόπουλος 1975; Mouzelis 1978: chapters 1 and 4).

self from liberal precepts and develop a genuine protectionist/industrial momentum, at a time when other European countries were doing so. Considerations of political economy largely precluded measures that could jeopardise the viability of small-scale agriculture and the existent wealth distribution, i.e. the very measures that had accompanied the *Great Transformation* underscoring European industrialisation (Polanyi 1944). Moreover, the persistence of a largely non-monetised sector of subsistence agriculture reduced the potential domestic market for industrial goods, as well as agriculture's capacity to supply industry with an adequate flow of raw materials and labour (Πετμεζάς 2006: 111-3; Αγριαντώνη 2006: 232ff; Χατζιωσήφ 1993: 35ff). Despite the increasing preponderance of agrarian un- and underemployment (Πετμεζάς 2003: 143), 'surplus labour' was not systematically channelled to urban centres to build up the country's industrial proletariat (Παναγιωτόπουλος 1985). Even at the height of the currant crisis, the peasantry demonstrated substantial tenacity, and even those who ultimately abandoned the countryside often ended up either emigrating to the US, or becoming absorbed in the urban tertiary sector.

Industry and alternative investments

With the exception of such temporary industrial spurts as that of 1867-1875, and again briefly in the 1890s, or such sectors as cotton-spinning, textiles, mining etc., Greek industry remained virtually non-existent till the eve of the Balkan wars¹⁴. Of course, one should not overlook the *external* dimension of this phenomenon (Δρίτσας 1990: 73-88): the new-born state was, after all, participating in an international division of labour that made cash-crop specialisation highly rewarding. What is more, by the time Greek manufacturing began to grow, other European nations were already at the crest of a remarkable industrial wave, whilst improvements in international transport (steam-ships, railroads) had opened up the Greek market to cheap imports few domestic industries could compete against. The onset of the Long Depression in the 1870s further undermined industrial growth – not least by lowering commodity prices – and it would only be in the 1890s that the currant crisis and the drachma devaluation would stimulate a second wave of import substitution (Αγριαντώνη 2006: 222-8). Considerable attention has also been paid to Greek capitalists' consistent aversion towards long-term industrial investments – not least because this behavioural pattern persisted until well into the 20th century. The rich Greek diaspora was not terribly eager to abandon its foreign portfolios and even scarce domestic capital would occasionally flow out of the country (Χατζιωσήφ 1993: 54-62). Faced with uncertainty and substantial shortages in infrastructure, technical expertise and labour, capitalists were reluctant to tie up their funds in long-term investments, especially if they could reap higher risk-adjusted returns elsewhere (Δεπιλής 2006: 649ff). Shipping and merchant trade almost consistently yielded such superior returns, whilst simultaneously offering Greek capitalists a degree of mobility and liquidity that reduced their risk and was consistent with the environment they were operating in¹⁵. What is more, private invest-

¹⁴ Detailed monographs on the evolution of industrial activity in the long 19th century include Αγριαντώνη (1986; 2006), Τασσασός (1993; 1994), as well as Χατζιωσήφ (1993) and Δεπιλής (2006: section H).

¹⁵ Lyberaki and Tsakalotos (2002: 101) explain how "arbitrary and changing rules of the state, and clientelistic ties that are 'here today and gone tomorrow', put a premium on extracting the maximum gain from any situation as quickly as possible and made cooperation with other in horizontal relationships very risky". For an Introduction to the history of Greek merchant shipping, see Χαρλαύτη (2006).

ment toward industry may have been further crowded out by large scale public borrowing¹⁶.

Public economics
and the prefer-
ence for loan-
finance

Irrespective of their impact on private capital flows, Greek public finances remained precarious throughout the long 19th century. We've already discussed the pressures exerted on public employment and outlays in the process of state- and nation-building. Raising the taxes/savings to finance these expenditures internally would have been virtually impossible in the first years of the country's life. Over time, however, the systematic preference for foreign capital inflows (and the relative openness they required) seemed less of an inescapable necessity, and more of a conscious policy preference. External finance permitted the pursuit of such developmental goals as were mandated, without ever jeopardising the economic *status quo* and the existent wealth distribution. The downside, of course, was that the country oscillated between financial solvency and default, as it alternated between periods of extensive borrowing, bankruptcy (as in 1843 and 1893), and the concomitant isolation from foreign capital markets. What is more, its financial obligations were occasionally used by its foreign creditors and guarantors as leverage in their negotiations with the cash-starved government¹⁷. These are themes we shall encounter again, not only in the inter-war period, but also in post-war discussions on reconstruction and foreign aid.

Economic thought: a 'poor land' in the international division of labour

Which economic
thought?

Economic thought in 19th century Greece was largely limited to a handful of intellectuals of some economic training – some of them active in parliament – as well as a few academics. Strictly speaking, there was only one university chair in economics at the Law Department of the University of Athens, held for the better part of the century by the staunch liberal Ioannis Soutsos (1837-90)¹⁸. As the turn of the century approached, the number of both chairs and 'readers' (υφηγητές) in economics was increased, and new scholars such as Nikolaos Gounarakis, Neoklis Kazazis, Ioannis Zografos and Andreas Andreadis came into the limelight. The overall publication activity was modest, with Aristidis Oikonomos's *Economic Review* (Οικονομική Επιθεώρησης, 1873-90) probably being the only contemporary economic journal of high standard (Psalidopoulos 1996a). Of course, some pamphlets were in circulation (many with a socialist orientation), whilst several economic articles were published in the daily press – but these were of lesser quality and often supported sectional or local interests¹⁹.

19th century eco-
nomic thought in
a nutshell

The evolution of economic thought in 19th century Greece mirrors the gradual, albeit tortuous dissemination of liberal ideas in the European periphery²⁰. Early economic tracts of the late 18th and early 19th century were a strange brew of Greek, Hel-

¹⁶ Dertilis (1985) – but see Χατζηιωσήφ (1993: 48ff) for a critique of the crowding out argument.

¹⁷ The link between Greece's financial dependency and its susceptibility to foreign intervention has attracted the attention of numerous historians, especially those in the Marxian tradition. See, *inter alia*, Coulombis *et al.* (1976), Petropoulos (1968), Kofas (1989) as well as Δεσπιάδης (2006).

¹⁸ For a detailed account of Soutsos's economics, see Itinakissios (1992), as well as Psalidopoulos and Stassinopoulos (2005).

¹⁹ See for instance the regional press coverage of the 1880s debates on tariff reform, as described in Χατζηιωσήφ (1993: 329-30).

²⁰ Recent years have witnessed several publications devoted to the history of 19th century economic policy and thought in Greece. The interested reader could turn to Psalidopoulos (1996a; 1999b), Στασινόπουλος (2000), Κουντούρης (1998), Καρδάρης (1995). On economists in parliament, see Psalidopoulos and Syrmaloglou (2005) and Συρμαλδγλου (2007). This paragraph draws heavily on Ψαλιδόπουλος (1999d; 1999b) as well as the subsequent refinement (and partial revision) of this argument in Ψαλιδόπουλος (2006).

lenistic and Christian ideas, to which a few liberal drops were occasionally added²¹, without altering the texts' romantic aftertaste. It would not be before the mid-19th century, that the preponderance of liberal precepts became apparent in economic thought, even though state policy never conformed to the ideals championed by such intellectuals as Soutsos and Oikonomos. The twin strategy of state- and nation-building, along with the prevalence of empiricism and patronage in actual policy design, were hard to reconcile with the image of the state found in classical political economy. Nevertheless, key facets of liberal doctrine enjoyed broad currency and liberal ideas were dominant within contemporary economic thought (Ψαλιδόπουλος 1999d: 37). At the same time, of course, the last decade of the 19th century witnessed the gradual rise of more interventionist perspectives, mostly influenced by German historicism and state socialism.

Economic development

At a time where economics as a whole was still in its infancy, development was certainly not treated as a separate sub-discipline. In fact, the very term "economic development" (*οικονομική ανάπτυξης*) did not appear in the vocabulary of Greek economists until the post-war period. On the other hand, it would be naive to suggest that the ruling elites and intellectuals of an impoverished, young and peripheral state were not interested in the country's future outlook – not least since their own survival and legitimation were largely predicated on the economy's future prosperity and modernisation.

Poverty of land'

The overall discourse on progress can be best understood through two key constellations of ideas: 'poverty of land' (*φτώχεια γης*) and 'viability' (*βιωσιμότητα*). The first is aptly captured by the epigraph at the start of this chapter – one of the earliest formulations of the long-standing cliché that Greece was inherently poor²²: poor in land; poor in resources (especially fossil fuels other than lignite); but also poor in people, both qualitatively (skilled labour) and quantitatively (an ample industrial workforce and a population capable of supporting greater division of labour). Neither classical romanticism nor Orthodox Christian teachings – inasmuch as they were occasionally translated into economic ideas – seemed particularly concerned with overcoming such poverty; after all, their priorities lay elsewhere: in classical values, or the virtues associated with a frugal, agrarian life (Ψαλιδόπουλος 2006). Agrarianism was further vindicated by economic liberalism, where it was seen as the inevitable result of the country's participation in the international division of labour. To add another cliché, economic prosperity was linked to the prowess of the country's merchant trade and shipping – which allegedly reflected the natural inclinations of Ulysses's descendants. Either way, Greece's economic articulation was conceived as part of the natural order of things, mirroring the country's stage of development, as well as the present state of its borders. In the words of Trikoupi: "so it's rather our small population, or the

²¹ Liberalism, interpreted mostly as a revolt against Ottoman feudal rules, pre-dates the emergence of the Greek state (cf. the writings of Rigas) and largely mirrors the influence of French enlightenment on the Greek intelligentsia abroad. Pamphlets such as the anonymous *Hellenic Nomarchy* (1806), express a profound distaste for feudalism and state interventions and call for the transition to a new economic structure based upon land-owning peasants, the "pillar of society" – see Karayannis and Ithakisios (1999). Note, however, that the Greek enlightenment's was primarily concerned with questions of history, language and culture, rather than economic policy.

²² Thus, Herodotus's words, «τῇ Ἑλλάδι πεινὴ μὲν αἰεὶ κοτε σύντροφός ἐστι» (poverty has always been a companion to Greece), frequently crop up in economic tracts until well into the 1940s.

narrowness of our borders that is the true cause of our misery"²³. Ideally, those borders would soon expand, to embrace Greeks across the Balkans²⁴; irredentism should not be overlooked as an important influence on the ambitions of Greeks intellectuals in the 19th century, as well as a solution to those fearing for the viability of the economy as a whole. Thus, whilst lamenting that Greece was "a vast farm", Soutsos's successor at the University of Athens, Nikolaos Gounarakis, would explain how "the most immediate national goal and the highest ideal is the attainment of our nationhood" (Γουναράκης 1883: 24); it would only be after the fulfilment of Greece's irredentist aspirations that greater economic and cultural development would be forthcoming.

Industrialisation?

Where did industry come into this discussion? Contrary to what one might expect, given actual policy practice, there was little disagreement on the superiority of industrial production and its link to material prosperity. Thus Soutsos would not hesitate to state that "there is a strong connection between industrial progress and spiritual and political development" (1882: 15). Its desirability notwithstanding, most intellectuals remained highly sceptical about the prospects of Greek industrialisation: the impediments imposed by the land's poverty were either insurmountable or not worth surmounting (in terms of the costs imposed on other sectors). At best, industry would be export oriented and limit itself to the processing of agricultural commodities²⁵. One of the earliest decrees on industrial policy, concerning the creation of a 'Commission for the promotion of national industry' (1837), clearly stipulated that the products encouraged "should not become more expensive than foreign imports of the same quality" (quoted in Ψαλιδόπουλος 1999b: 67). In the same, liberal vein, Soutsos would explain how:

It is common knowledge that a **viable** industry, one genuinely aimed at serving society's needs, whilst taking full advantage of its qualities, and one not impeded by natural or administrative obstacles in its development, can find both resources and credit. Thus, the usefulness of governmental incentives and assistance is only justified in extraordinary circumstances, since the most effective governmental incentives to industry are not – as has been contended – awards and favourable administrative measures, but good legislation, security, the consolidation of the rule of law, the appropriate protection of individual rights and the removal of all obstacles that subdue or hinder industrial activity in any way. (Σούτσος 1882: 601-2, emphasis added)

Viability

The notion of viability played a prominent role in economic discussions about development up till the late 1940s. It was a problematic concept, inasmuch as it was applied to both industries and countries, even though the latter cannot 'go out of business' in the sense that firms can. But even *industrial* viability was problematic, inasmuch as different authors meant different things by it: was a viable industry capable of remaining in business *without state intervention*, or was state interference necessary to *render* an industry viable (the infant industry argument)? As the Soutsos quote shows, 19th century liberals leaned toward the first definition²⁶, but the terminology was by no means fixed. What is more, when applied to an economy as a whole, the

²³ Minutes of the National Assembly (6.3.1844) – quoted in Χατζηιωσήφ (1993: 337).

²⁴ Expansion would not necessarily entail armed conflict. True liberals like Soutsos were in fact quite uncomfortable with the bellicose attitude shown by the Greek state in the late 19th century, arguing that the "moral and material means for the implementation of the *Great Idea*, consist mainly in the economic and political promotion of the nation" (1876, quoted in Psalidopoulos and Syrmaloglou 2005: 23) and wouldn't be solved by military aggression or even simple expansion of available lands.

²⁵ Commenting on the construction of ironworks (heavy industry) in Greece, one economic review dismissed any such notion as an «economic solecism» (Οικονομική Ενημέρωσις 1873, quoted in Χατζηιωσήφ 1993: 328).

²⁶ Ανδρέου (1933: 90) also quotes Trikoupi stating that "first of all, no support must be given to industries [...] unable to develop on its own. It is best that weak industrialists become extinct".

term 'viability' carried much more modest connotations than 'development'; it merely dispelled the possibility of *non-viability*, rather than making any promises of long-term prosperity and progress. Its naturalistic connotations are also in line with the evolutionary, stage-driven view of economic progress that was already prevalent in the Continental historical school; at the same time, however, each stage was seen as part of a natural order that could not be hurried by state intervention. After all, *natura non facit saltum*.

Dissident voices
and the gradual
shift to German
historicism

To what extent is the picture painted above representative of *all* economists in Greece until 1909? Obviously, opinions were not as homogeneous as our cursory description suggests. The later decades of the 19th century witnessed a gradual shift from France to Germany as the preferred destination for foreign training and the increasing influence of German historicism and other schools of more interventionist leanings (state socialism, *Kathedersozialismus*, List's system of *national* economy)²⁷. The generational shift that occurred near the turn of the decade, saw such staunch liberals as Soutsos and Oikonomos being replaced by German-trained academics such as Ioannis Zografos and Nikolaos Gounarakis, who called for the creation of a 'national' economy and reiterated List's infant industry arguments (Andreades 1927: 238). Reviewing the vast literature (both academic and non-academic) surrounding the 19th century debates on tariff reform and industrialisation, Ψαλιδόπουλος (1994a; 1999b) finds evidence of considerable controversy between pure liberals and advocates of a more protectionist policy (e.g. Σκαλτσούνης 1868). Quite often, these debates would have little bearing on actual policy-making, which retained its more empirical, quasi-liberal bent.

Towards inter-
war pluralism

In 1902, Andreas Andreadis would become professor of public economics at the University of Athens. An eclectic liberal of considerable tolerance toward German historicism, Andreadis would arguably be the most influential academic economist of the early 20th century (Ψαλιδόπουλος 1999c: 171). On the other hand, the new century would also witness the further growth of those currents of thought that drew their inspiration from socialism, or called for the deliberate use of state interference to accelerate the natural rate of progress. The 1909 coup at Goudi set a train of events in motion that ultimately brought the modernising administration of Eleftherios Venizelos to power. Its name notwithstanding, Venizelos's Liberal party also believed in the wisdom of state interference in the economy. Thus, Greece's first ministry of national economy – the so-called 'eighth ministry' – was established along with Venizelos's first government, on October 12th, 1910. But this brings us close to the inter-war period of intellectual fermentation, which is the subject of our next section.

²⁷ Ψαλιδόπουλος (2006: 363). Surveying all Greek translations of foreign economic texts between 1801 and 1944, Ψαλιδόπουλος (1999d) documents a gradual shift towards less liberal texts, starting with the 1894 translation of Laveleye's *Éléments d'économie politique* (1882).

II. Turbulent times: 1909-1940

Between the 1909 coup at Goudi and the Italian invasion in 1940, the quasi-liberal agro-merchant vision of Greece received a series of blows that gradually dismantled it; not all came from the same direction or brought about the same consequences, a feature which goes a long way toward explaining the period's theoretical pluralism and policy vicissitudes. As the constants of the 19th century world crumbled beside them, the members of Greece's political and intellectual elite found themselves at a loss; their theoretical differences were artificially accentuated by the polarisation of the political climate²⁸. Nevertheless, amidst the tide, there emerged a trail of convergent themes and responses, planting the seeds of what would grow into the post-war development consensus.

Balkan wars and expansion	Amidst a time of economic hardship and popular frustration, most Greeks greeted the 1909 coup with enthusiasm; the coup's manifesto was one of widespread reform and modernisation, in the armed forces, public administration, education etc. This was the impetus on which the first Venizelos administration capitalised, building up the resources that would make the Balkan wars (1912-13) modern Greece's most successful military campaign. Within a couple of years, the country had enlarged its territories by 90% and brought another 2.1 million souls within its borders.
World War I and naval blockade	World War I found Greece divided on its allegiance, at least until the 1916-17 naval blockade settled the issue in favour of the <i>Entente</i> . The blockade served as a painful reminder of the fragility of an economy so dependent on its own agricultural exports. The overall deterioration of trade prospects, especially for Greece's luxury cash crops (currants, wine), undermined the traditional export-based model and brought about the first spell of 'forced introversion'. Social conditions deteriorated and discussions about land redistribution and a new policy toward industry were rekindled in 1917. Domestic industry was further stimulated by the steady procurement of supplies for Greece's decade-long military operations between 1912 and 1922 (Louri and Pepelasis-Minoglou 2002: 329). At the turn of the decade, these operations may have placed the nation's economy under severe strain, but the Treaty of Sèvres (1920) consolidated past territorial gains and opened the road to Asia Minor. Greece was but a breath away from the realisation of its <i>Megáli Idéa</i> .
Five seas and three continents	It is against this confusing background of success and failure that a new policy framework began to take form. Concern about the social consequences of agricultural poverty and unemployment, coupled with the exuberance brought about by Greece's recent expansion, led to a series of policy innovations. Such innovations included the 1920 law on the establishment of incorporated enterprises (2190/20), the 1922 law

²⁸ Throughout the inter-war period, Greek politics was dominated by the division between the republican supporters of Venizelos and his royalist opponents (*εθνικός διχασμός*), a conflict that was as much ideological (Mavrogordatos 1983) as it was about taking control of the state and military apparatus. With time, this conflict became increasingly irrelevant to the country's pressing economic problems and social cleavages, leading Mazower (1991) to argue, that the rise of the Metaxas dictatorship in 1936 largely mirrored the failure of the traditional political elite to adapt to the new challenge at hand. Metaxas transcended the almost defunct division by calling both sides to unite as defenders of the bourgeois order against the alleged threat of communist insurgency.

“on the promotion of Industry and Handicrafts”²⁹ (2948/22), a chain of decrees concerned with agriculture and land redistribution, as well as several laws on social insurance and labour relations. Most of these were meant to prepare the country for the new age, when it would be spread over “five seas and three continents”.

The Asia Minor disaster and its aftermath

Things turned out quite differently: the Eastern front collapsed in the summer of 1922 and Greece was ultimately forced to sign the Treaty of Lausanne (1923), which stipulated widespread population exchanges with Turkey and marked the end of the country’s irredentist dreams. This forced consolidation of the majority of Greeks within the geographical borders of the Greek state had several crucial implications. For the first time in its modern history, the focus of Greek activity would lie within Greece itself and irredentism could no longer assume its 19th century expansionist guise (Βεργόπουλος 1978a). After the collapse of the *Megáli Idéa*, Greek nationalism would gradually be channelled towards the rhetoric of inward development and industrialisation (particularly so in the Metaxas period – see below). Note how this produces and interesting parallel to the industrialisation-bent nationalism of post-colonial states, with the main difference being of course that in the Greek case, developmental nationalism did not stem from newly acquired independence, but from the aftermath of the 1922 disaster.

The Asia Minor disaster wreaked havoc in an already debilitated economy and a debt-ridden treasury³⁰. Greece soon defaulted on its debt, precipitating another suspension of the much-needed foreign capital movements on which the 19th century loan-financed development model was predicated. The influx of more than 1.2 million refugees within such a short time-span strained existing infrastructure (cultivable land, irrigation, housing etc.) and led to significant increases in demographic pressures³¹. Greece went from the 19th century labour shortages to a protracted period of high unemployment and agricultural underemployment, during which real wages plummeted. As the economy was unable to absorb the new labour force within the existing production structures, the ‘poverty of land’ thesis was re-invigorated, increasingly interpreted as an unfavourable ratio of land and resources to labour.

Of course, the refugee influx also increased the size of the domestic market and endowed Greece with a sizeable and docile labour force, not least since refugees diluted the bargaining power and homogeneity of the labour force. In fact, several authors have seen 1922 as a decisive turning point in the Greek development trajectory, whilst others argue that the refugees mostly accentuated pre-existing trends (Freris 1986: 45-53). On the other hand, the refugee influx precipitated a second wave of agrarian reform³² which – in conjunction with ill-devised inheritance customs – per-

²⁹ Χατζηιωσήφ (1993: 280-7) believes this marks a turning point in state-industry relations: preceded by a long public debate and modelled after similar laws abroad, 2948/22 adopted the first hesitant measures deliberately geared toward industrial development.

³⁰ A couple of paragraphs can hardly do justice to the vast literature on the impact of the refugee influx on the Greek economy and society. The interested reader might start from Χατζηιωσήφ (2002: 20-6) and Δπίροα (1990: 287-339) and the references therein.

³¹ These were sustained well into the subsequent decades, as quotas constrained emigration abroad and high fertility (especially amongst the country’s new inhabitants) doubled the rate of natural population increase (Polyzos 1947: 70-92).

³² The decree for land redistribution was issued by Venizelos’s ‘revolutionary’ government in 1917, but remained largely dormant until refugee resettlement mandated substantial land concessions. Once underway, however, Greece’s land reform was the most radical in post-1918 Europe (Mazower 1991: 78), undoubtedly bolstered by such traditional forces as the enfranchised small peasant-holders, to whom the new refugee farmers were added.

petuated the small-scale land owning system that undermined industrial development (cf. Κωστής 1988; Δρίτσος 1990: 287-339). Of course, hardly anyone at the time was concerned with or even aware of these influences, nor were there many socially acceptable or politically feasible alternatives. As for industrial development, the 1920s were a period of rapid growth (6.8% per annum), especially in construction and traditional manufacturing. Aided by the real wage drop, successive devaluations, a building boom, and favourable policy shifts such as the new tariff schedule of 1926, industry boomed (Louri and Pepelasis-Minoglou 2002: 329-31), albeit without undergoing genuine modernisation. Most of the expansion was due to new, small-scale enterprises which provided much needed employment to urban refugees, but were unlikely to prove *viable* in the long term. This dimension of inter-war industry needs to be borne in mind when we turn to attitudes toward industrialisation in the next section.

Policy making in the 1920s: monetary stabilisation The Asia Minor disaster galvanised the political establishment and led to a series of policy innovations, aimed at overcoming the crisis at hand, and setting the foundations for a *viable* Greek state. Most of these innovations would seem hardly surprising to the 19th century observer, as they entailed an attempt to return to the traditional recipe of 'diluted liberalism': the state would *in principle* refrain from intervention and focus on infrastructure, coordinating a massive program of public works. The program would also be financed in the traditional fashion, namely with the aid of foreign capital. This of course presupposed the settlement of outstanding debt, monetary stabilisation³³ and a return to the gold standard, all of which were attained over 1927-8. In opting for this path, Greece was hardly exceptional by international standards: stabilisation and rehabilitation in international capital markets were the standard remedies advanced by the League of Nations at the time³⁴. What was exceptional was the sheer volume of debt amassed in the brief period until 1932, by which time the traditional model of loan-financed development foundered under the pressure of the Great Depression and mounting balance of payments difficulties (Βεργόπουλος 1978b: 335-7).

Policy making in the 1920s: Agriculture and industry Most of the borrowed funds were channelled into infrastructural improvements in agriculture: after all, farming was still the main pivot of the Greek economy, as well as the sector responsible for feeding, not to mention employing, the refugees. Land reclamation, irrigation and redistribution of large estates would seek to overcome the country's inherent 'poverty of land'. Hence, it is hardly surprising that agriculture was the only area where the Greek state was "heavily and actively involved" (Mazower 1991: 74). This did not only reflect policy-making preferences, but also institutional realities: specialised state agencies were available to carry out policy in a field with a much longer tradition of state involvement than industry³⁵. On the other hand, most

³³ As the government was forced to resort to the printing press to cover its mounting war expenditures, the 1920s witnessed the onset of considerable monetary turmoil, interspersed with some of the most original monetary experiments in Greek financial history (e.g. the 'dichotomisations' of the drachma) (see Freris 1986: 53-61).

³⁴ Independent central banking was another important component of the staple recipe, and thus the Bank of Greece was first established at the request of the League of Nations in 1928. This crucial development, which clearly antagonised the dominance of the National Bank of Greece, is analysed in greater detail by Χριστοδουλάκη (2002).

³⁵ These institutions were primarily the Αυτόνομος Σταφιδικός Οργανισμός (ΑΟΣ), and the Κεντρική Επιτροπή Προστασίας Εγχωρίου Σίτου (ΚΕΠΕΣ). Note that agricultural policy was also linked to other priorities, such as redressing trade imbalances; a much-debated policy of grain self-sufficiency (αυτάρκεια) was gradually introduced over the decade, to moderate the negative impact of cereal imports on the balance of payments.

authors agree that the post-1922 period witnessed the onset of a shift in attitudes (if not policy) vis-à-vis industry; industry was increasingly viewed with some encouragement, primarily as a possible source of employment for the masses of incoming refugees. Much has been written in this context about the 1923 tariff schedule (implemented in 1926), which for some heralded an important break with the traditional revenue-oriented philosophy (Ζολώτας 1926: 122). This view was challenged by contemporary authors such as Χατζηβασιλείου (1936: 17), who still saw trade policy as revenue-oriented and disorganised. Modern researchers lean towards the latter view, though most are cognisant of the complicated nature of contemporary clearing and trade negotiations, as well as their connection to foreign policy objectives. Most agree that the new tariff schedule did not represent a genuine shift towards industrial protection; it was designed as a basis for trade negotiations aimed at attaining favourable concessions for Greek (agricultural) exports, as well as bolstering public finances. The absence of a genuine industrialisation philosophy was also reflected in the lack of sectoral tariff differentiation (Δπίρσα 1990: 188ff)³⁶.

The Great Depression

The recently re-established liberal orthodoxy based on fixed exchange rates and foreign capital imports was not destined to last. As in the case of most countries, the Great Depression would administer the *coup de grâce* to Greece's flirtations with 19th century-style liberalism. After a futile struggle to remain on the gold standard (the 'battle for the drachma'), Greece was eventually forced to devalue in 1932, simultaneously defaulting on its debt for the second time within a decade. Although the period leading up to 1932 was a dire one (especially for tobacco-growers), the devaluation brought about an unexpectedly rapid recovery. Aided by the policy framework set in place in the 1920s (see [footnote 35](#) above), agriculture entered a period of 'inward-oriented' development: exports dropped, overall production doubled, grain output rose rapidly, whilst foodstuffs and raw materials produced for the *home* market saw up to five-fold output increases (Βεργόπουλος 1978b: 332). Industrial output followed suit, its growth rate being second only to Japan and the USSR in the 1930s, as Greece entered a period of import-substituting industrialisation (ISI). For the Liberal administration however, it was too late to capitalise on these gains; Venizelos was voted out in 1933 and replaced by the largely ineffectual government of Panagis Tsaldaris and his conservative People's Party (the 'Populists', as they were called).

Economic policy after 1932

Liberating countries from the shackles of fixed exchange rates, the gold standard's collapse was "the triumph of discretion over automaticity" (Cairncross and Eichengreen 2003). Greece was not only free to loosen its monetary policy, but debt default economised some 10% of budget spending – everything was in place for a transition to a greater degree of state coordination and control over the economy. Theoretical arguments notwithstanding, actual policy practice fell short of such a transition, especially once the Tsaldaris administration took over in 1933. Fearing the reactions of the merchant/shop-keeper class that constituted an important portion of their electoral

³⁶ In the brusque words of the 1927 Liberal finance minister Georgios Kafantaris, "I'm utterly indifferent toward industry, and consider its only usefulness the fact that it contributes to the existence of a tariff schedule that collects half the state's budget revenue". Kafantaris was addressing an audience of industrialists; quoted in Βεργόπουλος (1978b: 339).

base, the Populists were loath to distance themselves from the quasi-liberal orthodoxy. As one historian put it,

it would be little exaggeration to say [that the Populist government] was ideologically committed to doing as little as possible to preclude Greece's eventual return to the world of *laissez-faire*. (Mazower 1991: 237)

The overall policy record was one of mixed solutions; policy-makers attempted to address the most urgent problems in a piecemeal and often contradictory fashion, focusing on short-run stabilisation rather than long-term consistency. In agriculture, the government was armed with a pre-existent intervention mechanism, but eventual recovery had little to do with the policies chosen. The same applied to industry, where explicit intervention was almost non-existent. The high protection afforded to industry throughout most of the period was either the result of devaluation, or the unintended consequence of policies aimed at conserving foreign exchange, maintaining the trade balance, or controlling labour militancy. No consistent industrial policy was formulated, whilst several of the stabilisation measures adopted actually undermined industry's ability to modernise. Thus, for example, a series of laws passed between 1929 and 1934 prohibited the import of new machinery in an attempt to save foreign exchange; both factory enlargement and the creation of new plants were discouraged (Χατζηιωσήφ 1993: 105). The Populist government made extensive use of the distinction between "viable" and "non-viable" industries, the latter being defined mostly in terms of their reliance on imported inputs; several sectors were described as "satiated" (κεκορεσμένοι) and further development was deemed inefficient, a waste of resources and foreign exchange. Ironically enough, these measures only increased protection for inefficient incumbents and acted as disincentives to modernise, i.e. had the exact opposite results from the allegedly pursued "rationalisation" (Mazower 1991: 256-62; Δπίτσα 1990: 437).

The Metaxas dictatorship

The last years leading up to the Second World War are covered by the dictatorship of Ioannis Metaxas. Taking advantage of mounting social discontent and popular disenchantment with the political elites, Metaxas seized power on August 4th, 1936 and pledged to transcend bourgeois partisan factions and avert the communist threat. All over Europe, this was a time of mounting nationalism and parliamentary crisis (Mazower 1998: 16ff), as fascist regimes mushroomed across the continent. Metaxas was Greece's variant of this broader theme; nationalism and authoritarianism were key components of his ideology, whilst economic prosperity and growth became an essential part of the regime's rhetoric and legitimisation. During his rule, several efforts were made toward the encouragement of heavy industry (armaments, metallurgy, energy) – albeit with little success. Although energy production had been given some attention throughout the entire inter-war period, economising on imported fuels and energy self-sufficiency became high-profile issues in 1930s, when several of the major prospecting studies were carried out³⁷. The dictatorial regime also sought to restore the influx of

³⁷ The most important one being the Kegel study (1937-9), which is a landmark in energy discussions, inasmuch as it becomes the standard reference for those seeking to prove the country's energy viability on the basis of lignite found in the area of Ptolemaida.

foreign direct investment; the most famous example was the “Cooper contract”³⁸, a massive project for a joint hydroelectric, metal and chemical industry complex along the Acheloos river, whose first stage would cost some \$10 million. The contract was negotiated between 1936 and 1939, and final decision was published in 1940 (ΦΕΚ Α/65 of 17.02.1940). The outbreak of the war meant that the contract would never be honoured, but the Greek concessions to the foreign consortium would remain legendary, and form part of the standard references of left-wing authors in the post-war period.

In terms of economic philosophy, the Metaxas dictatorship did not mark a radical break with the past. In those areas where it demonstrated some success (e.g. social insurance, compulsory labour arbitration, peasant debt relief etc.), it was largely implementing those laws its predecessors had failed to push through parliament. Its few genuine policy innovations were largely imposed by international developments, rather than the product of a genuinely novel, or clear-cut set of economic ideas (Σταθάκης 2003: 363; Ψαλιδόπουλος 1999e). Good intentions and rhetoric aside, the Metaxas administration – though more decisive than its Populist predecessor – was also plagued by indecision and amateurism, especially when compared to the performance of similar regimes abroad (Χατζηιωσήφ 1993: 308-19). Labour repression was the key to its success in enforcing legislation, an approach increasingly adopted in the inter-war period (cf. the infamous *Idionymos* of 1929) and ‘perfected’ under the dictatorship’s iron fist. Interestingly enough, repression was also extended to economic thought and economic publications were censored. Needless to say that against this background, all concerns about economic ‘viability’ were miraculously dispelled ...

III. Economic thought amidst the tide: from pre-war liberalism to inter-war pluralism

A period of all-round pluralism and fermentation

It is against this tumultuous background that several new intellectual currents emerged in inter-war Greece. The 1920s and 1930s are generally considered an intellectually fertile period in all fields (arts, humanities, literature). This also applies to the social sciences, whose ‘object of inquiry’ was undergoing radical changes (urbanisation, poverty, rise in labour militancy and repression, refugee influx etc.), making it almost impossible to summarise the period’s economic thought³⁹. As always, our interest lies in theoretical approaches to economic development, but this hardly makes our task any easier.

A scholastic point?

The term economic *development* was virtually absent from inter-war discourse. Discussions about economic prospects were usually couched in terms of the country’s “viability” (βιωσιμότης), “reconstruction” (ανασυγκρότησις) or even “stabilisation” (σταθεροποίησις). This is *not* a purely scholastic point. It is indicative of the priority on

³⁸ The initial proposals came from the American consortium Hugh L. Cooper, Inc. and Chemical Construction Company at New York; in 1937 the two companies formed the Hellenic Hydroelectric and Metallurgical Corporation, the future project contractor.

³⁹ Ψαλιδόπουλος (1989a) needs more than 500 pages to portray inter-war economist’s reaction to the Great Depression, and his emphasis is mostly on issues of monetary stabilisation and international economic relations.

dealing with the crisis at hand and restoring the damage or imbalance brought about by the refugee influx or the 1929 crisis. All three terms are modest in their outlook, far more reserved – one might even say pessimistic – in their overtones than “development”. But the difference was not only one in degrees optimism: for many, the choice of terms also reflected a reluctance to abandon the old orthodoxy – not least because no comprehensive alternative theoretical edifice had yet been erected to replace it (more on this later).

Viability (again)

All three terms were entirely consistent with this interpretation: “stabilisation” implied a disequilibrium adjustment, whilst “reconstruction” was tantamount to rebuilding what had been destroyed. “Viability” was by far the trickiest (and most preponderant) term, and one we shall be returning to throughout our narrative. In the previous section we saw how it was related to the poverty-of-land thesis and how liberal economists used it to denote the ability to survive *without state intervention*. As a matter of fact, this is how the term was often used in the inter-war years as well, when it was felt that the devaluation was conferring transient benefits to a series of industries which would not survive the anticipated return to normalcy. This interpretation was taken to new extremes by the Tsaldaris administration, which identified non-viability with imported inputs; the underlying rationale however would remain the belief in the ultimate return to liberalism, and the need to minimise those distortions that would make the return harder for the economy.

Two digressions...

Of course there were also those who didn't see the inter-war period as a temporary deviation and had no interest in returning to the *status quo ante* (mostly socialists and fascists). To them, it was clear that the old paradigm was defunct, but there was no consensus on what would replace it and hence no standardised terminology to express the new drive. Before focusing on economists, we need to make a digression in two other sources of economic statements: politicians and engineers. The former are of interest since they defined policy and were chiefly the ones everyone else was seeking to sway – and criticise. What is more, it is important to our story to trace the birth of the Greek communist party and its bid for economic development. Engineers for their part exemplify the exact opposite of traditional politicians, inasmuch as they appeared as one of the most intellectually committed and homogeneous group, whose arguments were to play an important role in inter-war and post-war debates about industrial viability.

Political visions of Greece's future: Liberals, Populists, Communists

Politicians and economic development

Amidst those unpredictable times, politicians and policy-makers, plagued by the usual shortcomings of their trade, could hardly be expected to produce a consistent theoretical framework on the country's economic future. Their vacillations and backtracking were handsomely portrayed in the previous section. From large-scale policy reversals such as the return to gold and the final capitulation in the 'battle of the drachma', to smaller inconsistencies such as the occasional wooing of industry, at the

same time when its expansion was discouraged as wasteful, politicians were the theoretical chameleons of the time⁴⁰. Some of these differences did follow an ideological pattern: the Venizelists were less inclined to view industrial development with hostility than their Populist counterparts, whilst Metaxas's nationalism could hardly be reconciled with concerns about Greece's industrial potential. Nevertheless, most attitudes cut across party lines and exceptions occurred mostly at the individual level⁴¹.

Socialism and Communism Although much attention has been paid to Liberals and Populists in previous paragraphs, special reference should be made to the Communist Party of Greece (KKE), not as much due to its political significance *at the time*, but because the inter-war years saw important ideological discussions on social transformation and the country's future outlook – discussions that would shape the Left's development vision after 1944 (see [chapter 5](#)). This has influenced our decision to make a small digression on the Communist Party in the 1930s, but shouldn't lead to the false impression that the inter-war Left was any less plagued by theoretical fermentation and pluralism⁴². In fact, in eschewing earlier developments and dissident voices, we are deliberately overlooking a multitude of socialist intellectual groups (e.g. *Spartacists*, *Archive Marxists*, *Agrarianists* etc.) and their views on revolution and social transformation. Suffice it to say that Noutsos devotes more than two tomes of his five-volume anthology of Greek socialist thought to the inter-war period (Νούτσος 1991; 1992; 1993).

The 6th Plenum of the Communist Party After a protracted period of internal conflict and purges, leading up to the party's 'bolshevisation' (1924), the KKE was brought under the homogenising influence of the *Comintern* (Δάγκας 2003). The critical turning point is the 6th plenary meeting of the Central Committee, which convened in January 1934 under the guidance of Nikos Zachariadis, and established that Greece belongs to those countries that under the *Comintern* classification were characterised as:

Countries of a medium level of capitalist development, [...] with significant semi-feudal relationships in their agricultural economy, with a minimum of material preconditions, where the process of bourgeois-democratic transformation is yet unfinished. (KKE 1995: 98)

Forging broader social alliances On the basis of this formulation, which constituted an explicit adoption of the *Comintern's* views on communist strategy in 'backward' nations, the prospect of socialist revolution without an intermediate stage was abandoned, and a "bourgeois-democratic revolution" was seen as essential to socialist transition. Simultaneously, the KKE overcame its erstwhile hostility toward socialists, revisionists and agrarianists and prioritised the creation of a "united", "popular front", replacing its slogan of "soviet authority" with "popular democratic authority" to the proletariat *and farmers* (KKE 1995: 192) – cf. [section 2.2](#).

... and asserting economic viability The 6th Plenum paid special attention to the role of foreign capital, highlighting Greece's reliance on French and English finance, the exploitative placement of foreign

⁴⁰ A champion of state-assisted industrialisation ever since the 1880s, the editor of the *Acropolis* newspaper would have few kind words to say about inter-war economic policy: "of course, even after the war, we seem not to have learned that contemplation, if not aimed at action, is no different than masturbation" (Γαβριηλίδης 1918: 4).

⁴¹ Mazower (1991: 94-5). A notable example is Alexandros Papanastasiou, a left-leaning Venizelist politician of significant theoretical contributions. For a detailed study of his economic ideas, see Psalidopoulos (1988).

⁴² For a detailed account of the diverse components of the Greek Left in the inter-war period see the excellent survey by Μαρκέτος (2003). For a more general history of the Greek Communist Party, the interested reader could try balancing out the opposite biases of Kousoulas (1965) and Ιστορικό τμήμα της ΚΕ του ΚΚΕ (1995), as well as glancing at official party documents.

capitalists in key domestic sectors (mineral extraction, large utilities, etc.) and the export-led bias of agriculture, which rendered the country dependent on imports for grain, raw materials and manufactures. In a nutshell, the 1934 Plenum asserted the country's industrial viability, and proposed focusing on *domestic* sources of growth and severing the adverse ties to *foreign* capitalists.

The engineering community and industrialists

The Left however did not have a monopoly on the belief in industrial viability, at least in its more moderate formulations. The interwar boom also witnessed the rise of the professional community of engineers, who increasingly came out as vocal champions of industrialisation.

The rise of the engineer community

After 1910 the professional status of engineers was upgraded and the importance of technology as an instrument of state intervention was recognised (Αγριαντώνη 2002; Αντωνίου 2006). The needs for technical expertise in large public works, construction and industry gave impetus to a process whose main landmarks were the raising of the National Polytechnic (ΕΜΠ) to university status and the consolidation of most technical agencies in a single, new ministry (Υπ. Συγκοινωνίας) in 1914. In 1923, the Technical Chamber of Greece (ΤΕΕ) was founded, and ten years later it numbered no less than 2,035 members, half of which were under the age of 35 (Αγριαντώνη 2002: 269ff). Hence, a young and vocal professional community was created, which sought to participate in discussions about the country's economic future, particularly its capacity to develop a viable and modern industrial sector. During the 1930s, through its several journal outlets (*Έργα*, *Τεχνικά Χρονικά*), the engineering world would constantly reiterate its confidence in the country's industrial viability (Λουλακάκης 1932), criticise industrial policy (Κουτσώκωστας 1934) and encourage plans for greater intervention and corporatism (Κιτσίκης 1932)⁴³.

The technocratic ideal and relations to other sciences

Alongside engineer's professional ascent, came the rise of technocracy as the new credo for social transformation and modernisation. The spread of fordism and taylorism contributed to what one scholar has called 'technological fundamentalism' (Misa 2003: 6), the messianic vision of salvation through the social application of the technocratic ideal. This intellectual current, which swept a multitude of engineers, architects and artists in the United States and Europe during the inter-war period, could hardly leave Greece unaffected (Αντωνίου 2006). Projecting an 'apolitical' image of 'pure' science, capable of transcending the problems of traditional politics, Greek engineers challenged the authority of traditional political elites, even calling for the ejection of the excessive number of lawyers from parliament and their replacement by natural

⁴³ One could also mention the role of engineers in the discourse on 'industrial rationalisation'. Rationalisation (which entailed 'scientific organization of labour' (taylorism), mergers and a shedding of inefficient enterprises) was in vogue in many countries in the inter-war years (Pemberton 2002; see also several articles by D.H. MacGregor in the *Economic Journal* between 1927-34). Politicians in Greece paid lip-service to the notion to justify their claims about industrial exuberance being unsustainable, but the theoretical argument belonged mostly to engineers, such as the mineralogist Themistoclis Charitakis – see Χοπράκης (1926).

scientists⁴⁴! This image of allegedly value-free science would also be used by left-wing engineers in the post-war era – in fact, it would often be the same people, who advanced it. In the 1920s, most engineers were progressive in their political convictions and belonged to the Venizelist camp. Over time however, many members of their community would drift toward the Left, several of them emerging as key figures in the post-war communist party⁴⁵. Engineers' rapid professional ascent (at a time when economists were far more obscure), as well as their partial alliance with the Centre-Left, adds an interesting twist to post-war development discussions: economists would have to vie to establish their control over the development agenda, whilst the arguments of prominent engineers of the Left would condition left-wing development economists such as Dimitrios Batsis (see [chapter 5](#)).

Industrialists and the Industrial Review view Engineers were not the only professional community to emerge with a pro-industry interventionist bias. Industrialists were another obvious group, and Chatjiiosif's claim that their participation in public debate was limited to such prominent figures as Andreas Chatzikyriakos doesn't do justice to their activities⁴⁶. As of 1934 industrialists started their own journal, the *Industrial Review* (Βιομηχανική Επιθεώρησης), which featured articles – sometimes written by engineers – with such titles as "The national significance of Industry & Handicrafts and the State's mission", "Greece as an industrial nation", or "Greece was and is an industrial country"⁴⁷.

A case in point The first article to be ever published in the *Industrial Review* belonged to George I. Pesmazoglou, then minister of national economy under Tsaldaris's Populist administration. Pesmazoglou saw it fit to clarify, at the beginning of his article, that "Greece's economic foundation is dual, Agricultural and Mercantile", before embarking on a defence of the government's distinction between viable and non-viable industries, the latter being the ones based on imported inputs. Such industries constituted a long-term threat, for "once today's irregular economic situation is over, we shall be unable to return to free trade" (Πεσμαζόγλου 1934: 12). One could hardly hope for a more fitting example summarising the themes raised in the paragraphs above: the lingering appeal of traditional, quasi-liberal views, the belief in the transient nature of the crisis and the clash between politicians, engineers and industrialists. Needless to say that most of the subsequent contributions to the journal in 1934-6, concerned themselves with the refutation of Pesmazoglou's incensing comments.

Economists, market scepticism and industrial viability

Reluctance to abandon 19th The inter-war period can be seen as a challenge to the quasi-liberal, agro-merchant vision of Greece. Much like everyone else, economists were initially reluctant

⁴⁴ The chemist Βαρούνης (1918) would not hesitate to exclaim that "Anyway, it must be stressed as absolutely true, that those of the positive sciences have a different way of thinking, a different intellectuality!" Needless to say what parliamentary jurists thought of these arguments and their proponents - cf. Αγγινττώνη (2002: 290).

⁴⁵ Nikolaos Kitsikis is the most prominent example. In 1935, the populist government dismissed seven (allegedly) Venizelist university professors from the Polytechnic, including Kitsikis. He would later be persecuted for his communist sympathies in the post-war era.

⁴⁶ Χατζηιωσήφ (1993: 355-6) – cf. the increasing mobilisation of industrialists via the Greek Industry and Handicrafts Union (ΣΕΒΒ), as documented in Πανσεληνά και Μαυροσιδη (2007).

⁴⁷ Δέδες (1934), Κανακάρης-Ρούφος (1934) and Πουλόπουλος (1935). Dedes was president of ΣΕΒΒ, Kanakaris-Roufos was president of the Society for the protection of Greek products, whilst Pouloupoulos was vice-president of the Commercial and Industrial Chamber of Athens (ΕΒΕΑ).

century orthodoxy to abandon the comfort of their traditional analytical apparatus. This was reflected in their support for the return to gold in 1928, as well as their disapproval of the subsequent devaluation, which most viewed as a 'necessary evil'. Dominant figures in Greek academia, such as Andreadis and Spourgitis, remained wedded to the neoclassical framework, albeit with some 'eclectic' adjustments due to extraordinary circumstances. Attention was devoted to short-run stabilisation in the country's troublesome balances (trade, budget or monetary), with considerations of long-term prosperity and growth being relegated to a later date. The overall attitude was one of 'weathering the storm', until normalcy was restored. This interpretation partly accounts for the scepticism with which several economists viewed industrial development, believing industries to be inefficient and unlikely to survive the resumption of international trade (cf. rationalisation debate). After all, one shouldn't forget that – to most – Greece still was inherently poor⁴⁸ ...

Theoretical alternatives and the emergence of two key trends Economists' reluctance to abandon the quasi-liberal orthodoxy can in part be traced back to the absence of a comprehensive, alternative blueprint for understanding the economy. Even though it was increasingly evident that the 19th century model was in trouble, most continued to regard it as the true and valid framework to which the world was ultimately expected to return. This brings us back to the importance of having access to alternative ideational frameworks before abandoning an 'incumbent' theory – however unsatisfactory⁴⁹. In this sense, it is hardly surprising that the scholars who distanced themselves first from the quasi-liberal orthodoxy, were those of fascist or socialist leanings. As the traditional outlook became increasingly untenable, two trends emerged *at the theoretical level*:

- [1] An increasing 'market scepticism', followed by a concomitant rise of confidence in state intervention (not necessarily democratic).
- [2] An increasing acceptance of industrialisation as both necessary and possible, i.e. consistent with the country's natural endowments (a partial rejection of the poverty-of-land thesis).

Although springing up in the contributions of a diverse set of thinkers, these trends were primarily (though not exclusively) affiliated with two of the principal alternatives to 19th century liberalism, that had taken shape in the inter-war period: *socialism* and *fascism/corporatism*. On both counts, the influence of continental, particularly German economic thought was substantial ...

Continental statistism, state-socialism and interventionism Section I closed with references to the increasing influence of German historicism and state socialism on Greek academics around the turn of the century. This trend was strengthened in the inter-war years, especially after the October revolution put matters into new perspective. Psalidopoulos (1999d: 32-4) documents an unprecedented boom in translations of reformist, state-socialist and Marxian texts in the

⁴⁸ Δαμαλός (1963: 114-5) laments the time when "a university professor was asked how the economic problem would be solved, replied that Greeks were perennially destined to eat 'bread and onion'" and criticises Varvaressos, who, "in his books and lectures, never ceased to express himself against protectionism". On the other hand, Varvaressos's inaugural speech at the Academy of Athens in 1936 defended the practice of state intervention along largely socialist principles (see Κωστής 2002: 34-5).

⁴⁹ Cf. Blyth's (2002: 101ff) account of how even Swedish socialists originally approached the Great Depression with classical ideas (balancing the budget, deflating the economy and returning to the gold standard) in the absence of a well-formulated theoretical alternative.

1920s, including works by Marx, Bernstein and Sombart. Sombart, Schmoller, Wagner, Rathenau and Bücher were some of the main German economists who would influence Greek academics in the inter-war period. To name but a few, Spyros Koronis was a Berlin-trained state-socialist who in 1931 would not hesitate pronounce the end of liberalism and prophesise a new age where “the reins will be in the state’s hands”⁵⁰. Demetrios Kalitsounakis gave his inaugural speech in 1921 on *Today’s Trends Towards Nationalisation*, wherein he would argue that

The effort to have economic freedom as the only basis of our economic livelihood was impossible (*sic*). State intervention created the counterbalance against the extremities of economic freedom. (Καλιτσούνακης 1921)

Continental vs.
Anglo-Saxon in-
fluences

Over the next two decades, Kalitsounakis would use his position as founder and editor of AOKI to publish translations of texts by Sombart, Moll, Pirenne and others; it is in this context that we find in the 1928 AOKI, a translation of Keynes’s *The end of laissez-faire*. Although indicative of the mounting reservations of some Greek academics vis-à-vis the market mechanism, Keynes’s famous text was unique in one respect: it is the only English text until 1942, i.e. the only exception to the rule of Franco-German translations. This suggests that Greece’s convergence to the ‘doctrine of market failure’ (Arndt 1985) – one of the building blocks of post-war economics – prior to 1944, followed a predominantly Continental route: Anglo-Saxon penetration was minimal, and it was Continental historicism and state socialism that chiefly fuelled scepticism toward the liberal orthodoxy.

Geo-economics

Geo-economics was another German-inspired approach, this one bringing us closer to the fascist/nationalist challenge to orthodoxy. Combining elements of historicism and economic geography, geo-economists spoke of Greece’s “natural outlets” toward the east or the Balkans (cf. the German *Lebensraum* discourse). The key reference here is another AZOEE academic, Konstantinos Sfyris, and his 1931 essay entitled ‘Under what circumstances in Greece viable?’. His answer to that question is interesting inasmuch as he remained sceptical of the country’s potential for inward development, including industrialisation⁵¹; instead, Sfyris prioritised the resumption of trade in the Eastern Mediterranean and the restoration of natural outlets for Greek emigrants; both solutions of course hinged on international developments⁵². Either way, Sfyris clearly favoured expanding the ambit of state intervention (see also Χατζηιωσήφ 1986: 342-3). Other geo-economists also focused extensively on the formation of larger territorial trade units (Balkan, Mediterranean), where Greece would have a dominant position. More often than not, this would *not* entail territorial expansion, but rather some effortless cultural and ethnological superiority. What is most intriguing for our purposes is that these authors often invoked the poverty-of-land thesis to support their

⁵⁰ Quoted in Παλιόπουλος (1989a: 167). Koronis was a professor of political economy at the National Polytechnic (ΕΜΠ) between 1917 and 1944.

⁵¹ “It’s time for the dreams of miracle-working productive works and surplus-yielding crops to cease. [...] But the growth possibilities of already existing Greek industries are also severely constrained. [...] As for the potential for developing Foreign Industries, this is subject to the following principal determining influences: i.e. the undeveloped level of Greek material civilisation and the unfavourable terms under which the country’s natural endowments are utilised” (Σφυρίς 1931: 308-11).

⁵² “But even if the urgent, successful and complete implementation of the aforementioned radical measures were assumed feasible, broadening the scope for Viability would still urgently require harsh, radical, immediate external solutions. These solutions, I have ceaselessly emphasised, are inextricably linked to the two fundamentally basic problems, i.e. to the problem of population outlets and to the problem of the Aegean and the area of dispersal within the Mediterranean” (Σφυρίς 1931: 331).

arguments; Δανιηλίδης (1932) for example starts with the famous Herodotus quote on Greece's inherent paucity, whilst Καραβίδας (1981) sees the country's current borders as neither "positive, nor permanent".

Corporatism –
fascism

Karabidas brings us closer to another group of inter-war intellectuals, namely those of direct fascist and corporatist leanings. He envisioned an economy based on agrarian communities rather than "intruding parliamentarism". Chatziliosif thus calls his work the most genuine Greek fascist proposal of the inter-war period, an attempt to tailor Mussolinism to Greece's agrarianism (Χατζηιωσήφ 1986: 343). Ioannis Tournakis, yet another ΑΣΟΕΕ professor, would also flirt with similar ideas, particularly after Metaxas's ascent to power (Ψαλιδόπουλος 1989b). The swift recovery after 1932 and the ideological framework of the 1936 dictatorship inspired new confidence in the country's capacity for industrialisation and growth. Poverty of land was rejected as evidence of Greece's mineral wealth was marshalled out, and overpopulation – the other facet of the Greece's tragedy after the Asia Minor disaster – was increasingly viewed as a blessing rather than a curse.

Dem. Stefanidis

Demosthenis Stefanidis, a German-trained professor of economics in Thessaloniki, is an interesting case in point. His work encapsulated both the rejection of liberalism and the belief in Greece's industrial viability, whilst his nationalist/fascist sympathies were well documented. Stefanidis treated the agro-merchant view of Greece with disdain, and attributed it largely to the adverse influence of liberalism, a doctrine concocted by industrial nations to exploit the agricultural periphery⁵³:

Never for a moment do the sage economists of these counties cease to preach – with ample passion – from their lofty chairs, the benefits of international economic interdependence and the national suicide of agricultural countries, who waste their modest capital to build 'moribound' industries and train former farmers into merchants and sailors. (Στεφανιδής 1935: 17)

The idea [propagated] by liberal economists and those who – not necessarily selflessly – propagandise free trade principles, that the division of countries into agricultural and industrial is a law of nature, turns out to be entirely false. (Στεφανιδής 1938: 20)

With these observations in mind, Greece should follow the route of maximum economic autarky, and develop its industry without fear of its alleged non-viability:

Greek industry has recently made considerable progress, but it can make even more. The notion that this sector does not befit countries lacking ample raw materials and fuels, is erroneous. [...] The availability of ample raw materials and fuels in the land is merely one of these determinants, and not the most important one at that. That's why we find countries rich in raw materials and fuels, but industrially undeveloped – and vice versa. Thus, we must not lightly dismiss those of our industries that use – either in part or in total – foreign raw materials and fuels, as un-economic and non-viable. (Στεφανιδής 1935: 23)

Beyond fascism

But one doesn't need to go very far to find advocates of corporatism and industrialisation: an increasing number of authors *without* fascist predilections, expressed their sympathy for such views. Addressing the plenum of the *Commercial and Industrial Chamber of Athens* (ΕΒΕΑ) Λοβέρδος (1922) proposed a corporatist role for the newly formed Supreme Economic Council (ΑΟΣ)⁵⁴, whilst Μνησνάρης (1933) placed great hopes on the country's mineral resources and affirmed that:

We are certain, and in this sense we are optimistic, that the Greek dominion does comprise development potentialities. To realise them, we also need competent people, and that's wherein

⁵³ This 'unequal exchange' is an integral part of Stefanidis's argument and has justly earned him the title of Greece's equivalent to Romania's Mihail Manoilescu (Βεργόπουλος 1978b). More on this in chapter 8 (section II).

⁵⁴ "The ΑΟΣ is governed by the aristocratic principle of choosing the best, whilst parliament is governed by numbers. The latter rests on the views of electoral regions and societies, whilst the former is structured according to professions and merit - i.e. its composition is much superior and narrower" (Λοβέρδος 1922: 156).

the greatest difficulty lies. The sluggish state apparatus that drags its feet, the **parliamentary mentality**, the unending discussions, the indecision and the lack of moral courage – which one encounters so rarely – the reaction of the scandal-mongering press – all constitute obstacles that will have to be surmounted, if we are to reach the happy end. (Μνησφόρης 1933: 184 – emphasis added)

Even the young Xenofon Zolotas, one of the dominant figures of post-war economics, conceded that fascism might not be the appropriate solution to Greece's problems, but would like to see power removed from the hands of incompetent parliamentarians and given to a strong executive, guided by the wise counsel of experts and scientists (Ζολώτας 1936: 101ff).

Zolotas and
Greece in the
Stage of Industrialisation:
Capital shortage
and government
intervention

The inter-war Zolotas is best known for his PhD thesis entitled *Greece in the Stage of Industrialisation*, one of the earliest assertions of the country's industrial viability. Zolotas believed that industrialisation was a necessary step forward for underdeveloped countries, but argued that its progress was hampered by a series of country-specific bottlenecks. In Greece's case, capital scarcity (*Kapitalknappheit*) was the main bottleneck, followed by the absence of a skilled industrial labour force (Ζολώτας 1926: 105). Although not oblivious to other constraints such as inadequate roads or the lack of high-quality energy sources (stone coal), Zolotas treated these problems as secondary to – or derivative of – capital shortage. He thus concluded that Greece was unlikely to develop heavy industries, even though it was relatively abundant in a natural energy sources, such as lignite and waterfalls. Of course, few of these resources had been harnessed, mainly due to the shortage in sufficient capital (p. 48). Capital shortage stemmed from the low incomes of the domestic population, which was unable to generate savings, as well as foreign capitalists, who were unwilling to take a chance on domestic industry, especially if they could find higher returns on alternative investments, such as government bonds (p. 96ff). Zolotas closed his thesis with a defence of state interventionism, particularly the use of List's 'educational tariffs' to protect infant industries. Examining Greek policy, however, he lamented the absence of incentives to modernise industry and make firms more competitive, and argued that high tariffs "had not served to strengthen or educate Greek industry, but had contributed to the creation of frail industrial firms" (p. 121). This last point aside, note that to Zolotas, industrial viability implied state protectionism ...

The word
spreads ...

Young Zolotas's book was received with praise by the economic community. Nevertheless, the review presented at the *Society for Social and Political Sciences* (15.3.1927) by Dimitrios Bezanis was indicative of the difference between 'older' and 'younger' generations. Bezanis expressed his objections to the title, arguing that the book itself testified to the fact that Greece was *not* in a stage of industrialisation⁵⁵, whilst also reiterating the orthodox agro-liberal argument:

Greece's industrialisation seems unlikely to me. Tobacco and currants shall remain the basis of our production, and we must try to develop them as much as we can, in order to claim a place in the International Economy. An industry bolstered by high tariffs is detrimental to agricultural production, because it raises the cost of living. (Βεζάνης 1927: 181)

Of course this opinion was expressed in 1927; after 1932 an increasing number of economists of the older generation would also – begrudgingly perhaps – concede the

⁵⁵ The German title of the original was the more moderate: *Griechenland auf dem Wege zur Industrialisierung* (Greece on the road to industrialisation). The 'stage' conception probably springs from Bücher's economics stage theory (*Wirtschaftsstufen*), which Zolotas applied to Greece in the first part of his book.

necessity of interventionism, protectionism and some measure of autarky. As the country was forced to “abandon its traditional reliance on agricultural exports, remittances and foreign loans and turn instead towards a policy of autarkic development based upon domestic sources of growth” (Mazower 1991: 1), established economists such as former *Bank of Greece* Governor Alexandros Diomidis would not hesitate to announce that “the era of unfettered economic liberalism is gone forever” (Διομήδης 1934: 130), and thus:

Even until recently, Greece drew its main incomes from those sources of its wealth that lay abroad. [...] Now, however, it is forced to turn its efforts primarily to the development and exploitation of those economic resources that lie within its borders. (Διομήδης 1934: 99-100)

The Supreme Economic Council (ΑΟΣ) would soon be making the same point, when it observed in 1939 that “the centre of gravity can no longer lie in the unstable force outside of Greece, but in the multiple possibilities that are found within the country itself” (quoted in Βεργόπουλος 1978b: 99).

Summary and conclusions

The 19th century
backdrop: agrarianism, irredentism, diluted liberalism

This chapter has covered a lot of ground on several different fronts, touching upon many themes that will be picked up later in the text. The first issue emphasised in previous paragraphs was the existence of a quasi-liberal tradition enmeshed with a smaller (but increasing) dose of continental historicism and statism. This tradition had a specific political economy behind it (universal suffrage, small-scale agriculture, powerful merchant class, links with the *diaspora* etc.) and was heavily conditioned by the financial and ideological exigencies of the twin strategy of state- and nation-building, which used irredentism, state aggrandisement and centralisation as means to legitimise state authority. This confluence of intellectual, financial and political forces was translated into a hybrid policy framework of ‘diluted liberalism’: an overarching adherence to *laissez-faire* principles, mixed with *ad hoc* attempts to ‘manage’ the economy and intervene in an empirical – and often particularistic – fashion. The state was seen as integral in providing infrastructure, administration, basic education etc., as well as orchestrating the country’s campaign for territorial expansion; foreign capital was the preferred means to finance such costly endeavours, not least because it by-passed intractable issues of domestic taxation. The country’s prosperity was predicated on the prowess of its cash-crop agriculture, shipping and merchant trade – as well as the realisation of its irredentist aspirations. Industry was recognised as superior to farming, but deemed inappropriate or premature in what was perceived as an inherently *poor* land. What is more, new industries would have to be pampered by the state and liberal-minded economists were loath to encourage politicians to extend further privileges to individual business concerns. Most intellectuals shared the naturalistic conception of economies as living organisms going through different stages of development, but rejected the idea of using state intervention to engineer evolutionary leaps forward. The only leap the state was expected to promote, was that toward the *Megáli Idéa*.

Inter-war pluralism and the waning belief in markets and poverty-of-land During the inter-war period, the quasi-liberal orthodoxy received a series of blows that eventually dismantled it. These blows came from different directions and often had different consequences for the domestic economy. Coupled with political polarisation and ideological diversity, this contributed to the observed policy vicissitudes. Politicians, policy makers and economists were initially reluctant to abandon the comforts of the quasi-liberal, loan-financed model of development –not least because no comprehensive alternative theoretical edifice seemed yet fit to replace it. But as the last attempts to cling to the old orthodoxy faltered, even the staunchest of liberals were forced to concede the need for a new paradigm. At the theoretical level, the inter-war crisis led to a series of diverse responses that fostered intellectual pluralism. Nevertheless amidst this widespread confusion, we identified the roots of two important components of the post-war consensus: market scepticism (along with increasing confidence in state intervention) and an acknowledgement of the country's need and ability to industrialise (i.e. a waning belief in Greece's "poverty of the land").

Socialism and fascism as sources of alternative ideational frameworks As one might expect, both trends were primarily – though not exclusively – affiliated with the two broader inter-war intellectual camps that seemed to proffer an alternative ideational framework to that of 19th century liberalism: socialism and fascism/corporatism. In this context, it is equally unsurprising that some of the most vehement political rejections of unfettered liberalism and the poverty-of-land thesis came from the ideologues of the Metaxas regime, as well as the nascent communist Left. In its 1934 Plenum, the Communist Party asserted the country's industrial viability, and proposed focusing on domestic sources of growth and severing exploitative ties with foreign capitalists.

Economists and other professional communities Focusing on economists *per se*, this chapter highlighted the small size of their professional community, which was mostly limited to a handful of academics appended to law departments across the country's few universities. This was contrasted to the rapid ascent of the engineering community. In the first decades of the 20th century engineers (and industrialists), became the most vocal defenders of the country's potential for inward-oriented industrialisation. Not oblivious to domestic policy challenges or intellectual developments abroad, economists also sought to realign themselves in the wake of the inter-war paradigm crisis. More often than not, however, their responses were plans for short-term stabilisation rather than blueprints for future growth and prosperity. There was nothing compared to the universal post-war emphasis on 'economic development'; in fact, economic discourse was couched in much milder terms such as *stabilisation*, *reconstruction* and *viability*.

Viability (yet again!) Viability is by far the trickiest notion that permeates the early history of development discourse in Greece. Intimately tied with the 'poverty-of-land' thesis, viability is a portmanteau term indiscriminately applied to firms, industries and countries, even though it carries different connotations at each level. Yet this is just one of the sources of the term's opacity; the other – which has eluded previous commentators (e.g. Χατζηιωσήφ 1986) – is that viability is an empty shell. Although all authors refer to it, the emphasis is never on viability *per se*, but on the set of supporting assumptions and

conditions necessary to guarantee it. Discussions on the country's future may revolve around questions such as "is Greece viable?", but these are purely rhetorical. The real question is *what does it mean for Greece to be viable*, and here is where different authors embed the term with different supporting assumptions. Early liberal economists saw viability as the ability to prosper *without* state interference, but *with* access to foreign goods and capital markets. Inter-war geo-economists like Sfyris were much more congenial to state support, but still favoured free access to regional markets and/or resources. Last but not least, an increasing number of inter-war authors, often under the influence of socialist or fascist/corporatist ideas, began viewing viability as the capacity to prosper *because* of state interference and *in spite of* limited access to international markets⁵⁶. On the eve of the Second World War, these authors seemed to have set a trend that would be hard to reverse ...

⁵⁶ Many saw this as a blessing rather than a curse, an automatic source of industrial protection and introversion.

Chapter 5. Viability and dependency: 1944-1947

The viability issue, if one is to call it so, is fundamentally neither natural/geographic, nor demographic. Viability is a *socioeconomic* issue, which can only be dealt with under specific socioeconomic circumstances and each time within the specific social transformations aimed at elevating society to a higher form.

Dimitris Batsis, *Heavy industry in Greece* (1977 [1947])

The last chapter traced the ebb of the quasi-liberal agro-merchant orthodoxy and the emergence – amidst a period of considerable pluralism – of two trends that would play a key role in forging the post-war development discourse: scepticism toward the market (mixed with a rising faith in state intervention) and an increasing confidence in the country's industrial viability, i.e. on the capacity of Greece to industrialise using its own resources. War and occupation, however, put an abrupt end to inter-war plans for industrial aggrandisement, whilst simultaneously placing authors of fascist/corporatist leanings – many of whom had been instrumental in attacking the liberal canon – at an obvious disadvantage. The rest of the economic world, faced with uncertainty and the premonition of an upcoming crisis, either chose to remain silent on matters of long-term development, or recommended a course of small-scale investment and agrarian development. Against this background, left-wing intellectuals emerged with the confidence and perseverance afforded to them by their successful organisation of the resistance, as well as their ideological head start as prime champions of the ideological status quo. The first years following the country's liberation in 1944 thus witnessed were thus characterised by considerable theoretical pluralism and a rekindling of heated debates on industrial viability.

I. Setting the stage

The war heritage

The end of World War II found Greece's population tormented and famished, its infrastructure destroyed and its economy disarticulated. Alongside the state-controlled enterprises and the rationing of supplies, a substantial black market had emerged during the occupation, catering for the food provisions of urban dwellers whilst lining the pockets of several unscrupulous merchants (Thomadakis 1981). The occupying forces, and primarily the Germans, had resorted to a combination of requisitions and 'market' purchases to appropriate the economy's meagre output; the latter were financed through inflationary credit, the printing press or the sale of gold sovereigns, leading to a protracted period of hyperinflation and the widespread use of gold as a store of value and a medium of exchange¹ (*χρυσοφιλία*). On top of that, the country was broken up into different administrative zones whilst resistance forces were increasingly gaining control over the periphery; urban centres were thus cut-off from their rural supply sources, exacerbating the inflationary problem (Σταθόκης 2004: 49). It is in this context that one commentator argued that:

¹ This is obviously an oversimplification of Nazi economic policy in Greece. For a more detailed analysis see Χατζηιωσήφ (2007), Ritter (1986), Σταθόκης (2004: chapter 1) and the references therein.

With the benefit of hindsight, possibly the most damaging and long-lasting effect of the war on the Greek economy was the virtual destruction of the monetary and fiscal system. It is perhaps indicative that most of the efforts in the economic field of the immediate post-war Greek governments were centred around re-establishing the trust of the population in the national currency and the elimination of gold coins. (Freris 1986: 120)

Political outlook

The political outlook upon liberation was equally disquieting. Whilst the king and the traditional political elites had fled the country in 1941, an amalgam of Left-wing forces under communist leadership had organised a successful resistance 'in the mountains' (the National Liberation Front, or EAM); by the end of the war, EAM controlled most of rural Greece and large portions of Athens and had become much more than a simple resistance movement, bordering on a surrogate government (the ΠΕΕΑ), complete with its own regional administration and a system of welfare provision. Whilst comprising a much broader left-wing alliance, EAM was heavily influenced by the Communist Party and retained links with the Soviets and their Balkan allies. On the other hand, the crown and government-in-exile were cooperating with the British and preparing their return to power in Greece. The two sides were on a collision course which would soon manifest itself after the country's liberation.

Towards civil war

It is against this background that the government of George Papandreou arrived in Athens on October 18th, 1944, to implement the Lebanon and Kazerta agreements, which stipulated the disarmament of guerrilla troops and granted six cabinet seats to EAM ministers². The situation in Greece was charged, and the latent animosity between Left and Right was disclosed on December 3rd, when shots were fired on a crowd of EAM demonstrators, marking the onset of a months-worth of fighting in Athens and its environs. The situation was critical and Churchill was forced to spend Christmas in Athens, but EAM forces finally retreated in early January. The subsequent Varkiza agreement (12.2.1945) offered amnesty in exchange for disarmament, whilst marking a decisive shift in the balance of power: for the first time since 1942, the Left was on the defensive. The civil service and security forces were purged *not* of Nazi collaborators but of suspected leftists, whilst right-wing terror – especially in the countryside – gradually slid out of the government's own control and left erstwhile EAM members few alternatives but to flee their homes and re-form their armed contingents. In the elections of March 1946, the KKE chose to abstain and the Populists under Tsaldaris won the majority of seats, whilst a plebiscite conducted a few months later secured the king's return. By late 1946 it was evident that the situation was escalating: persecutions against the Left became widespread, the KKE identified military conflict as the dominant form of struggle (February 1947) and – much to the chagrin of the USSR and its Balkan allies – the 'Greek issue' was brought before the Security Council. On December 27th, 1947, the government outlawed both the KKE and EAM and instituted harsh penalties for those seeking to overthrow the political/social regime. A month later, the KKE decided to take the stand-off to its next level, abandoning guerrilla warfare in favour of tactical military operations – the civil war was entering its climax³...

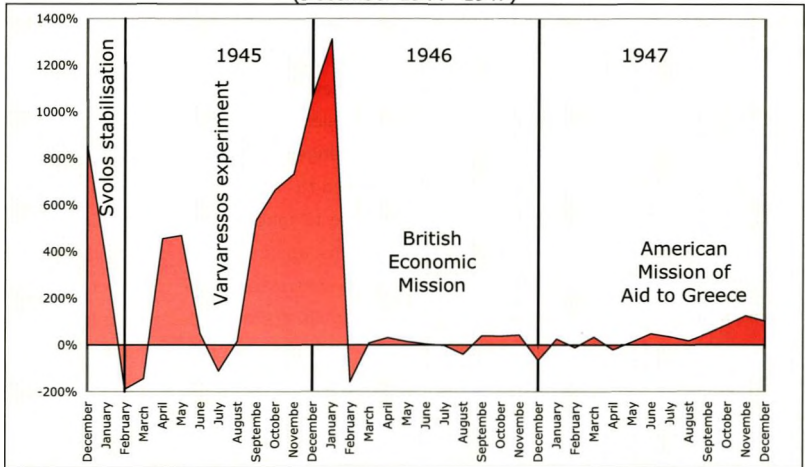
² During the same month, Churchill met with Stalin in what is known as the "percentages agreement", whereby it was agreed that the UK would retain a 90% influence in Greece (as opposed to a Soviet 10%), in exchange for the reverse arrangement in Romania.

³ For detailed historical surveys of the civil-war period, see Iatrides *et al.* (1987), Iatrides and Wrigley (1995), Close (1995) and Mazower (2000).

Economic outlook and policy

Reconstruction and monetary stabilisation were hardly possible under these circumstances. Faced with widespread uncertainty and a sky-rocketing public deficit, policy-makers sought in vain to restore some measure of normalcy in the country's financial system. Despite multiple attempts at monetary stabilisation, inflation remained rampant and gold hoarding persisted as the value of the drachma slid to new lows⁴ (see figure 5.1). These were the times of the Svolos monetary reform, the dispute between Zolotas and Varvaressos at the Bank of Greece on the correct means to stabilise the currency, as well as the famous 'Varvaressos experiment', the last attempt to bring the economy under control by implementing rigid price controls and seeking to curb excessive merchant-industrial profits⁵. Thereafter, policy-makers (with British approval) resigned themselves to selling the Bank's much-cherished reserves of gold sovereigns and implementing a largely accommodating policy which may have squandered large amounts of foreign aid (some \$400 million were spent), but succeeded in satisfying the British political priorities in the country: the return of the king and the electoral victory of the Right. This being one of the most thoroughly documented periods of post-war economic history⁶, there is little need to dwell on the details here. Before turning to the role of economists however, we should make some brief references to the framework of foreign intervention and aid.

Diagram 5.1. Annualised inflation rates based on monthly consumer price index (December 1944 –1947)



Source: Author calculations based on Τρόνεζα της Ελλάδος (1978: table 36, p.259) and Σιοθάκης (2004: tables A11 and B10).

UNRRA, BEM,
Currency Com-
mittee

Humanitarian assistance was initially distributed via the British *Military Liaison* (ML) and later through the *United Nations Relief and Rehabilitation Administration* (UNRRA), which also undertook the first assessments of the country's situation and outlook. After the departure of Varvaressos in September 1946, successive govern-

⁴ For a detailed account of the hyperinflation, see Palairot (2000) and Makinen (1986).

⁵ For more on Varvaressos see section 6.5 and the references therein.

⁶ The interested reader can turn to Lykogiannis (2002), or the more descriptive information supplied in Τρόνεζα της Ελλάδος (1978). Useful references include Σιοθάκης (2004) and Candylis (1968).

ments sank back to inertia and hyperinflation resumed. Faced with outright disaster, Britain was forced to increase its involvement in the country and offer a new stabilisation loan. In exchange, the *London Accord* was signed (24.01.1946), which established the *British Economic Mission* (BEM) and the *Currency Committee*. This latter institution – composed of the Bank governor, the ministers of coordination, finance, agriculture, commerce and industry, as well as one British and one American representative (each with veto powers) – was to have “statutory management of the note issue”. Over time however, its powers were gradually extended to other fields, transforming it into the main administrator of monetary, credit and foreign exchange policy. Long after the removal of its foreign members in 1951, the Currency Committee remained the most powerful policy institution in post-war Greece (Pagoulatos 2003: chapter 3).

The shift from British to American aid The fragile monetary stabilisation brought about by gold sales and aid did not create a sustainable situation and by early 1947 the British were letting the US government know that they intended to withdraw from Greece by the end of March. This galvanised American involvement, as the country became an American ‘responsibility’ and set in motion a train of events that culminated in the famous Truman doctrine⁷ and the arrival and establishment of the American Mission for Aid to Greece (AMAG)⁸.

II. Economists in the early stabilisation years

Failing to stand up to the occasion This is the terrain, on which economists were expected to plot a course for the country’s future development; it was nothing short of a political minefield laid out on treacherous economic grounds. Nevertheless, it was also a time of great need for sound economic advice and a challenge to the country’s policy-makers. Most economists did not meet up to this challenge – at least not in the first few years. Admittedly, much of their attention was devoted to issues of short-term deflation and monetary reform⁹, but even so, the reluctance to take a stand on development issues, combined with the re-emergence of concerns about the country’s industrial/economic viability seem somewhat paradoxical when contrasted to the trend set in the late 1930s.

Journals filled with theoretical contributions of little policy relevance Perhaps the simplest way to illustrate the point is to look at the profile of academic journal articles between 1944-47, as opposed to the overall 1944-67 period (see [table 5.1](#)). Not only is the journal output meagre, but the few economic articles that *do* get published are usually disappointing. Amidst the turbulent liberation years, economists saw it fit – one is tempted to say *safe* – to publish abstract theoretical texts on such matters as Aristotle’s economics and indifference curve analysis; Keynes’s death in 1946 contributed to the trend by prompting the *Review* to devote an entire issue to his biography and economics. It thus comes to us as no surprise that only 18.5% of the period’s economic articles are devoted to development issues (as

⁷ Announced by president Truman in an address to the US congress on March 12, the doctrine marked a broader policy shift towards communist containment and is viewed by some as a preamble to the Marshall plan. Truman signed the act into law on May 22nd, 1947, thus granting Greece and Turkey \$400 million in military and economic aid at a 3:1 ratio.

⁸ See Στροβόκης (2004). For an interesting account of these events through Americans eyes, see Paul A. Porter’s (Truman’s emissary to Greece in early 1947) diary, as published by Ψαλιδόπουλος and Βρετός (2006).

⁹ This explains why ‘domestic monetary and financial theory and institutions/policy’ emerge as top subject areas in the 1944-7 period journal articles, their occurrence far outstripping the overall period means for 1944-67 (see [table 5.1](#)).

opposed to an overall mean of 41.7%), or that only 28.6% are policy-oriented (the overall mean being 42.5%). 'Macroeconomic theory' and economic fluctuations' score high on the period's subject lists, whilst 'economic development theories and models' are seriously underrepresented!

5.1. Comparative profile of academic journal articles 1944-47 (pages and %)

	1944-47	1944-67
Total article pages	854	23,559
of which, economic	798	16,050
of which, policy-oriented	228	6,828
of which, on development	148	6,694
of which, policy-oriented	148	4,600
Economics articles (% of total)	93.4%	68.1%
of which, policy-oriented (%)	28.6%	42.5%
of which, on development (%)	18.5%	41.7%
of which, policy-oriented (%)	100.0%	68.7%
Top broad subjects		
1 General economic theory (02x)	31.3%	20.4%
2 Domestic monetary and financial theory and institutions (31x)	24.7%	13.4%
3 Economic systems (05x)	24.5%	3.1%
'Missing' broad subjects		
1 Fiscal theory and policy; public finance (32x)	2.0%	8.2%
2 International trade theory (41x)	0.0%	5.0%
3 Regional economics (94x)	0.0%	4.5%
Top narrow subjects		
1 Domestic monetary and financial theory and policy (311)	20.9%	10.8%
2 Macroeconomic theory (023)	18.2%	11.1%
3 Economic studies of developing countries (121)	15.2%	12.2%
4 Economic fluctuations (131)	13.6%	6.7%
5 Public enterprises (614)	13.0%	1.6%
'Missing' narrow subjects		
1 Mathematical methods and models (213)	0.0%	9.1%
2 Economic development models and theories (112)	5.4%	14.0%
3 Industrial policy (616)	0.0%	7.2%
4 International trade theory (411)	0.0%	4.8%
5 Economic integration (423)	0.0%	4.6%

Notes: Subject classification follows the 1969-90 *Journal of Economic Literature* classification system (codes in parentheses). Broad subjects correspond to 2-digit JEL codes and narrow subjects to 3-digit codes – see [appendix A](#) for details. 'Missing' subjects are those whose period shares show the largest discrepancy in comparison to overall prevalence.

One could of course argue that [table 5.1](#) merely reflects the failure of journals to become the vehicle of contemporary economic discussions, and it is certainly true that contemporary newspapers contained several articles on economic policy. Still, the author of the *Review's* column *Chronicles* – probably Zolotas himself – would have few kind words to say about the standard of contemporary economic analysis:

There's need for one thing: debate and criticism. Despite the paucity of our social and economic means for undertaking specialised economic research, we need to go beyond the mere exposition of known theories – which often takes the form of a mere compilation of foreign opinions – and start studying particular aspects of the Greek reality, producing collective work and subjecting each other's opinion to scrutiny. At the same time, book reviews must stand up to their purpose. In the interest of the nation and the young people seeking guidance, value, silliness and fraud must be named for what they are. (*Review*, 1947, Vol. 2(4), pp. 408-9)

The *Society for Socialist Studies* and economic calculation

Ironically perhaps, Zolotas himself was going through one of his less conventional phases. In 1943 he joined the *Socialist Greek Union*¹⁰ (Σοσιαλιστική Ελληνική Ένωση) – one of many socialist factions emerging in leftist circles during those years; soon afterwards he even published a book bearing the auspicious title *Creative Socialism*. In the post-1944 political stand-off, Zolotas distanced himself from the Left, but not before founding the *Society for Socialist Studies* (Εταιρεία Σοσιαλιστικών Μελετών), which held regular discussions on market-based socialism. The group's main argument was that a decentralised socialist system making use of the market mechanism would

¹⁰ Other members included Angelos Angelopoulos, Konstantinos Tsatos, Grigoris Kasimatis and Ioannis Lambiris (Νούτσος 1993: 609).

strike the best balance between equity, efficiency and freedom¹¹. Such preoccupations – though in line with similar debates taking place elsewhere in Europe at the time and reminiscent of the socialist calculation debate of the 20s and 30s – did little to improve the policy relevance and development focus of economic publications in Greece. The debates were purely academic and deliberately eschewed the politics of the matter, whilst the level of theoretical sophistication was pretty low. This short-lived endeavour¹² accounts for the disproportionately large share of articles on “economic systems” published during this period.

The return of
viability angst

The early post-war Zolotas is interesting for another reason: whether as an academic or as (co-)governor of the Bank of Greece, he was already emerging as an important policy-making figure. In 1945 he published a small pamphlet bearing the title *Greece Must Become Viable*, wherein he re-iterated the poverty-of-land thesis and cast doubts on the country's prospects for industrialisation. Following standard practice and emphasising the overpopulation caused by the Asia Minor disaster, Zolotas invoked inter-war data to testify to the country's low agricultural productivity, high population density and lack of natural resources sources¹³. He then warned that:

It is a dangerous illusion to believe that Greece could become viable and overcome its economic inadequacy, which stems from the scarcity and aridity of its lands, through the development of large-scale industrial activity. (Ζολώτας 1945: 10)

Having painted this dismal picture, Zolotas went on to argue that territorial expansion¹⁴, in conjunction with foreign aid, were essential to Greece's viability and improved living standards; emigration was also mentioned, but isn't considered an attractive solution (Ζολώτας 1945: 12-3). This constitutes a paradoxical return to a mode of discourse that seemed to have been falling out of favour in the late 1930s. Interestingly enough, it wasn't just the author of *Greece in the Stage of Industrialisation* who seemed to be backtracking in 1945. Several of his colleagues were expressing similar bewilderment at the country's economic woes and were looking for solutions outside its borders: in foreign lands, foreign funds or foreign markets (see the works of Σφοδέλλος 1944; Σμπαρούνης 1945; Λιβαδεύς 1945; Βογιατζής 1946; Κατακουζηνός 1946). For Zolotas and the majority of economists outside the communist Left, industrialisation did not offer a genuine way out of Greece's economic impasse.

The Left counter-
argument and its
significance

These views did not go uncontested. A solid group of Left intellectuals were busy formulating their own vision of national development, where viability did not rely on foreign territories or capital. These authors were the first (post-1944) to articulate a complete set of policy propositions founded on an underlying development model, and it is only natural that we turn to them next in our discussion. Increased political animosity and the outbreak of civil war may have driven most of these intellectuals out of the limelight, but their impact – however indirect – on the Greek development discourse should not be underestimated. Amidst the galvanised climate of the civil war

¹¹ The main references here are Ζολώτας (1944), Αγαπητίδης (1945), Χαλκιάκουλος (1945).

¹² The *Society* was composed of what the Left would call 'bourgeois' economists; despite their attempts to keep politics out of the way, as tensions between Left and Right escalated, Zolotas and his colleagues quickly abandoned their socialist musings.

¹³ His principal source was a much-cited 1933 *League of Nations* report on Greece (*Rapport au Conseil sur la Grèce*, 30.06.1933).

¹⁴ Zolotas (1945) rushes to clarify that his proposals were distinct from the *Lebensraum* theories proposed by the 'Central Powers' (*sic*), for Greece was merely claiming the lands corresponding to the population evicted in 1922.

and its aftermath, economic arguments would invariably have to heed the Left's unrelenting criticism.

Which Left?

The term 'Left' has been used rather loosely so far, not least because it is meant to encompass a rather broad group of individuals. For our purposes here, it refers to a group belonging to, or orbiting around, the *National Liberation Front* (EAM), whose vision of post-war reconstruction converged on such common themes as industrialisation, economic planning, nationalisation and the establishment of a people's democracy. Communists certainly dominated this group and section III takes a closer look at the work of *Dimitris Batsis* – the communist party's most prominent economist at the time – and his journal *Antéos* – one of the main outlets for the Left's economic publications. But the Left also comprised several intellectuals of socialist leanings whose participation in the EAM was independent of the KKE. Section IV thus focuses on the Greek socialists and identifies their similarities with the communist Left, as well as the critical points of departure that would lead the two groups down different paths in the decades to come (see chapter 9). As with all such taxonomies, the distinction between communist and socialists is imperfect, since it exaggerates the degree of independence between two fluid intellectual communities that were still largely united in a common cause. What is more, the distinction brushes over heterogeneities *within* groups, which weren't entirely trivial – especially in the case of socialists.

III. The communist Left and development: *Dimitris Batsis* and *Antéos*

The political
framework

The previous chapter described how, out of the interwar squabbles and purges, a bolshevised communist party had emerged. The 6th Plenum of 1934 then adopted the Comintern line on intermediate stages to socialism, spoke of broader peasant-proletariat alliances and affirmed the country's economic viability. Over the next decade, whether persecuted by the Metaxas regime or absorbed in the World War II resistance, the party had little time for theoretical pursuits. When the *People's Republic*

The 7th KKE Congress of 1945

Draft Program was presented by Dimitris Partsalidis to the 7th KKE Congress in 1945, the core of the analysis remained virtually identical to that of 1934¹⁵. Immediate transition to socialism was ruled out in favour of an interim People's Democracy. During the transition, power would be vested in the hands of a broad alliance between workers, farmers, craftsmen and the intelligentsia; private property would not be abolished and private initiative would be encouraged, inasmuch as it served the public interest (KKE 1987: 24). Economic measures mentioned in the *Program* included nationalising banks and large industries, abolishing the privileges of foreign companies, impounding and redistributing large estates and property amassed during the Nazi occupation, as well as combating income and gender inequality.

¹⁵ These paragraphs draw on the following official documents: (a) the decision of the 11th KKE Plenum (5-10 April 1945), published in the *Rizospastis* newspaper of April 24th and the April-May issue of the *Communist Review* – see KKE (1974: 369-379); (b) the People's Republic Draft Program (Σχέδιο για το Πρόγραμμα της Λαϊκής Δημοκρατίας) approved by the political office of the KKE's Central Committee at its meeting of June 15th, 1945 and published in *Rizospastis* two days later; and (c) the Political Resolution of the 7th KKE Congress and the Resolution on Agriculture, voted on October 6th, 1945 – see KKE (1987: 23-29, 95-98 and 77-88).

Heavy industry and independence Firmly believing in the exploitative role of foreign and domestic capitalists, the KKE argued that development entailed independence and reconstruction *for the people*, and – by extension:

the establishment of heavy industry, meaning metals, chemicals, machine-building and the utilisation of the country's entire wealth-producing resources. Only thus will the country become economically independent, and this is a necessary condition for its independent and sovereign national and political existence. (Political Resolution of the 7th Congress - KKE 1987: 82)

Hence, the 7th Congress tied heavy industry to the release from foreign dependency.

In fact, the Congress went one step further, presenting evidence:

taken from bourgeois scientists and specialists, which confirm that Greece is endowed with all that is required for the establishment of stable heavy industry, one based on domestic resources and capabilities. [...] It has the markets for the products which will be produced and can raise the capital necessary [to build] the required facilities. (*ibid.*)

These couple of lines trace out the 'hard core' of the research program subsequently pursued by a large number left scientists, who would be the main contributors to the *Antéas* journal. Although the KKE positions were not universally binding, they still constituted an important point of reference for the majority of authors, especially party members like *Dimitris Batsis*. In full alignment with the *Draft Program*, Batsis and his *magnum opus* encapsulate the Left's vision for the transition to socialism, where heavy industrialisation – orchestrated through a detailed plan and implemented by a new political alliance – is set to play an integral role.

Dimitris Batsis and his Heavy Industry in Greece

Biography and significance Born in 1916 and trained in law at the University of Athens, Batsis managed to combine a busy career practicing law with a vociferous campaign for his political convictions – a campaign that would eventually cost him his life. Until his execution on March 30, 1952, he was editor and later director of *Antéas*, influencing the journal's material and style. He was also the author of *Heavy Industry in Greece*, his only book and the *locus classicus* of the Left's discourse on post-war development. Published in 1947, *Heavy Industry* was the most crucial development text of the period. The affinity between the book and the journal can easily be verified by the numerous cross-references, whilst most of the articles in *Antéas* can be read as extensions or refinements of the book's thesis.

A viability [counter] argument to "bourgeois economists" Batsis's argument can be summarised in the following blanket-statement: *an industrially developed Greece is both desirable and feasible, as long as foreign exploitation ceases and power is conferred to a new political authority (the people's democracy) and a strong state apparatus*. What is more, to Batsis and his colleagues, industrialisation meant *heavy industry*, as opposed to light consumer/export manufacturing. This is a *viability* argument was presented as a counterpoise to the alleged pessimism of 'bourgeois economists', a useful catch-all term we shall borrow from Batsis¹⁶. Batsis's work is best understood if we start with the bourgeois argument he was trying to deconstruct; to do this we shall first introduce a simple 3x2 classification which will come in handy.

¹⁶ The term was used to denote virtually everyone who didn't agree with the communist line on development. In drawing the portrait of the 'bourgeois economist', Batsis was employing a common rhetorical technique: he was building a useful straw-man he could then demolish whilst unfolding his argument.

A 3x2 classification of viability; productive and financial viability defined

Industrial growth and – by extension – economic development, can be said to require (a) sufficient natural resources (land, raw materials, energy etc.), technology and human capital (skills); (b) sufficient demand to absorb the economy's output and (c) sufficient capital to finance the investment necessary to establish, sustain and expand economic activity. The first two dimensions can be further merged into what we shall refer to as *productive viability*, a notion encompassing technical feasibility, compatibility with natural endowments and sufficiency of demand. But *productive viability* is a necessary but not sufficient condition for overall viability; *financial viability*, i.e. the ability to finance the necessary investment outlays is also required. Furthermore, any given economy can seek to fulfil these three conditions basing itself on domestic and/or foreign resources.

The *bourgeois* economists and their argument

The *bourgeois* economists Batsis sought to discredit were presented as defenders of the traditional poverty-of-land thesis, arguing that Greece fell short in all three domestic prerequisites for (industrial) development (see [table 5.2](#)). Batsis called these views the "pseudoscientific basis of the Mégali Idéa" and found them usually associated with solutions such as (a) the annexation of new, fertile lands; (b) labour emigration; (c) the quest for commercial spheres of influence and (d) the influx of foreign capital (Μνότσης 1945b) (1977 [1947]: 377-90)

Table 5.2. Viability angst: the *bourgeois* economists and development

	Domestic	Foreign
Technology, natural resources & human capital	Shortage in: domestic resources (poverty-of-land, technological backwardness, lack of skilled labour)	Territorial aspirations (emigration)
Demand (Absorption)	Shortage in: domestic market (a small country with low-income population)	Free trade Integration in the int'l division of labour
Supply (Finance)	Shortage in: domestic savings/capital (domestic accumulation and capital market weak)	Foreign capital inflows Integration in int'l capital markets

The unfortunate Mr. Kouvelis

When it came to attacking '*bourgeois* pseudoscience', Petros Kouvelis was Batsis's favourite punching bag, not least due to his heated rows with Serafeim Maximos, another one of *Antéas's* prominent contributors. Kouvelis was the author of *Greece's Industrial Potential and Energy Policy* (1945), wherein he made a series of dire predictions about the country's industrial prospects. As far as he was concerned, Greece lacked the necessary technical expertise, capital, mineral and energy resources, as well as access to the international heavy industry market, which lay "in the hands of foreign trusts, which regulate world-wide movements of such products" (Κουβέλης 1945: 100-5)¹⁷. What is more, to Kouvelis, the benefits of territorial expansion and

¹⁷ Kouvelis also argued that Greek industrialisation had to be viewed in an international context, and that the reactions of industrialised countries ought to be taken into consideration – this is an intriguing argument, inasmuch as it relies on Wageman's 1943 *Wirtschaftspolitische Strategie* and is reminiscent of Singer's thesis on declining terms of trade (see Κουβέλης 1945: 104-5).

agrarian development far outstripped those of industrialisation: industrialisation was expected to offer 1.5 billion drachmas over a long period of time, whereas an extra 2.47 million acres of farmlands would yield an immediate benefit of three to five billion drachmas – not to mention the obvious contribution to employment (Κουβέλης 1945: 100). To cap it all, Kovelis then wrote in his 1947 book, *Financing Reconstruction*, that Greece's scope for domestic capital accumulation did not exceed 1.9% of its 1938 GDP (Κουβέλης 1947; Μνότσος 1977 [1947]: 456). This unfortunate remark – made at a time when the Soviet Union was accumulating more than one fifth of its output and even Western economists were calling for investments in the order of 10-15% of GDP – sealed Kovelis's fate in left-wing eyes.

The Left's two-pronged counter-argument

Batsis's counterargument was two-pronged: he first attacked the allegedly beneficial effects of foreign resources and demand and then sought to establish the country's scope for *inward-oriented* industrialisation. The former point was associated with what we shall refer to as his *dependency theory*, whilst the latter was based on *radical structural transformation*, both economic and social/political, wherein a new state (organised under socialist principles) would play a prominent role. Let's take each argument in turn.

Dependency theory

As far as communist intellectuals were concerned, Greece had invariably been dependent on foreign powers, not only commercially (cash crop exports, fuel and manufacture imports, foreign enterprises) but also financially (public debt, international financial supervision). In the post-war period, dependency persisted, but in new guises: the London Accord and Truman/Marshall aid institutionalised interference in domestic policy (Μνότσος 1949b; 1950). Foreign intervention distorted the economy's productive structure, perpetuated its quasi-feudal status and suspended domestic accumulation, thus delaying the much-desired bourgeois-democratic transformation¹⁸. Rather than offsetting this process, the domestic *bourgeoisie* was an accomplice: "always on the look out for safe, short-term and monopolistic investments", whilst serving "as the commercial servant to foreign capital, its obedient middleman" (Μνότσος 1977 [1947]: 42, 23). Exploitation worked through the mechanisms of surplus transfer familiar to Marxian economists (cf. Howard and King 1992: 167-75): any surplus extracted was either channelled abroad in the form of profit, interest etc., or absorbed by the domestic *compradors*, who spent it on speculation, gold hoarding or luxuries¹⁹.

Rejecting capitalism's progressive role and modernisation

In making these statements Batsis, along with the majority of the communist Left, explicitly rejected capitalism's progressive role in developing countries and the view of development as a linear process of modernisation (cf. [chapter 2](#)). Batsis was aware of the existence of such an approach *within* the Marxian tradition and called the notion that "works undertaken by the bourgeois class were beneficial because they helped ripen the conditions for socialist change" a "travesty of the socialist thesis":

¹⁸ As Batsis would explain, "the deeper significance of our foreign dependency lies not in the burden to our economic transactions *per se*, but in the perpetuation of our economy's backwardness" (Μνότσος 1977 [1947]: 41).

¹⁹ During the civil war, Batsis also invoked another standard type of wasteful expenditure: military outlays, whilst also listing three distinct ways in which foreign capital undermined development: (a) exporting profits (b) prioritising small-scale investment with rapid pay-off periods (c) seeking monopoly privileges and special concessions (Μνότσος 1949b).

The root of the error lies in the anti-Marxian, dogmatic belief that foreign capital contributes positively to the steady and equal development of productive forces, whilst [...] its operation in a dependent country contributes toward the tying of productive forces in forms of one-sided exploitation. (Μνάτσος 1977 [1947]: 94)

If development

can't be foreign-oriented, then domestic viability must be proven

It thus goes without saying that Batsis was reluctant to encourage any foreign involvement in the development process, including the expansion of the country's borders at the expense of its Balkan (and incidentally communist) neighbours. Contrary to popular criticism, this was not an argument for *autarky*, but for downgrading the significance of foreign economic relations and re-orienting the country's trade toward the East²⁰. But if the pre-requisites for industrialisation and development were not to be found abroad (see table 5.3), then how was domestic prosperity to be assured? Postulating domestic viability was essential to the Left's development argument, and goes a long way toward explaining the concerted effort by an army of Left engineers, geologists and agricultural experts, to testify to the country's resources and growth potential. Several of these studies were published in *Antéas*, whilst Batsis devoted 130 of his 580-page volume to a thorough review of their findings.

Table 5.3. Viability and Dependency: the Left counter-argument

	Domestic	Foreign
Technology, natural resources & human capital	No real shortage in natural resources; technology/skills bottlenecks can be removed with planning	Rejection of false irredentism and 'Megáli Idéa'
Demand (Absorption)	No real shortage in demand: the result of under-consumption and income inequalities	Exploitation through trade, 'Unequal exchange' Need for trade realignment
Supply (Finance)	No real shortage in capital: the result of <i>bourgeois</i> wealth hoarding and exploitation (a <i>potential surplus</i> exists)	Foreign capital exploitation, surplus extraction, Underdevelopment
	Structural transformation (not only economic, but also social/political; state-guided)	Dependency Theory

Productive and financial viability through social transformation

Shortages in land and resources aside, *bourgeois* economists also pointed to weaknesses in demand and capital abundance. This is where radical structural transformation under the people's democracy came in. Those who attributed economic stagnation to the inadequacy of demand (which in turn discouraged investment), "take the feebleness of the internal market as given, when they are the ones generating it" (Μνάτσος, Δ. 1948: 215): demand was weak because *under capitalism*, the surplus extracted was used unproductively (channelled abroad, hoarded etc.), whilst labour wages plummeted, causing under-consumption (Μνάτσος 1977 [1947]: 175). Similarly, the alleged shortage of domestic capital was an illusion: to Kouvelis's meagre 1.9% of GDP, Batsis juxtaposed his own estimate of the country's potential rate of accumulation – a staggering 18.5%. This *potential surplus*, to make use of Baran's (1957) term,

²⁰ See Μνάτσος (1977 [1947]: 504). The author also seemed to favour participation in some form of (communist) Balkan trade union (pp. 515-7). He was also not entirely dismissive of foreign capital as a source of finance, though expecting far better terms (p. 500).

was currently being squandered, but would become available once the economy was transformed and credit was nationalised²¹.

The people's democracy, planning and development – a technocratic approach

Under the people's democracy, the state would take control of the economy, nationalise large industries, and orchestrate the necessary social and economic transformation. Surplus value would be transformed into surplus product and poured into investment and the improvement of workers' standards of living (Μνάτσος 1977 [1947]: 336, 349). By expanding supply and demand in a balanced fashion, economic planning was bound to avert crises and improve workers' lives. Part of the social surplus would be devoted to society's technological and cultural improvement. In this framework, development was defined as a simultaneous expansion of people's material and spiritual well-being²². Such references to the 'spiritual' dimensions of development notwithstanding, Batsis paid little attention to the changes in social mores and values associated with the transition to the people's democracy – or socialism for that matter. His fixation on the 'scientific' demonstration of Greece's industrial viability left little room for discussions of workers' job satisfaction, participation in decision-making, social solidarity, civic engagement or any other of the less technocratic aspects of social organisation. As we shall see in later chapters, this facet of Batsis's thought – which was characteristic of Greek Marxists and often mirrored Soviet influences – was largely shared by the bourgeois mainstream, which subsequently also projected an image of development as a technocratic and value-free process.

The main argument restated: circularity or virtuous circle?

At last the significance of the chapter's epigraph transpires: the domestic impediments cited by *bourgeois* economists were *symptoms of capitalist malaise, subject to social(ist) treatment*; they were *not* laws of nature cast in stone²³. Radical social and economic transformation could sever the exploitative ties with foreign capitalists, stimulate domestic accumulation and enable inward-oriented development. But why the emphasis on heavy industry and energy production? Batsis certainly believed in industry's higher productivity, the technical superiority of large scale production, and its role in expanding the productive capacity of other economic sectors (Μνάτσος 1977 [1947]: 225, 439ff). But in line with the contemporary Marxist-Leninist orthodoxy, Greek communists chiefly favoured industrialisation for its capacity to free the country from its foreign dependency (cf. [section 2.2](#)). Heavy industry was the best conduit of structural transformation and economic liberation; by establishing its own industrial infrastructure, the country would both reduce its foreign dependency and overcome its domestic shortcomings. If this sounds too much like a circular argument, bear in mind that Batsis visualised it as a self-reinforcing process spread out over time, i.e. a process of *extended reproduction*. His industrialisation plan entailed three distinct periods,

²¹ In Batsis's own words: "the change in the economy's structure and the removal of monopoly privileges and key positions from oligarchs and foreign capitalists, will permit a radical redistribution in the use of the mass of available capital" (p. 476).

²² The best formulation belongs to Kitsikis, who speaks of a "ceaseless elevation of spirit and matter" (1945: 5). There is a clear Soviet parallel to these formulations: when describing the basic law of socialism, which lead to "balanced, proportionate development", Stalin would refer to "the maximum satisfaction of the continuously growing material and cultural requirements of the whole of society" (quoted in Day 1995: 87). Similarly, in his *Economic Problems of Socialism in the USSR*, Stalin would include "raising the cultural level and living standards of the populace" in the preconditions for the transition to socialism (Stalin 1952: 76-7; cf. Dutt and Rothstein 1957: 396-7).

²³ In [chapter 2](#), we mentioned the parallel between economists' confidence in social engineering and the rejection of genetic determinism by contemporary communist natural scientists. It is thus worth mentioning that Antéas also published a series of articles on Lysenko at the time – see Kakridis (2005) for details.

each drawing on past accomplishments (the first two lasting between 7 and 10 years). During the first stage, Batsis expected capital shortages, warned against overheating the factor markets and expecting too much from domestic demand (pp. 311-2). Forward and demand linkages also seemed to play a crucial role in the plan's lay-out over time, even though the term 'linkage' was never used as such (p. 148). As expected, both linkages and investment priorities were to be determined by *domestic* demand and supply, not by developments on the foreign markets (p. 315).

Quantifying the
benefits

Much like Kouvelis, Batsis didn't shy away from explicit estimates of the country's expected benefits from industrialisation. Using pre-war data and making several brave assumptions, he put the added income from heavy industries at 5.6 billion drachmas in the first stage, going up to 11.2 and 19 billion during the second and third stages respectively (p. 337). Heavy industry was the panacea to all other sectoral bottlenecks and was expected to stimulate agricultural development, light manufacture, construction and transport. The *total* benefits of industrialisation during the first period (both direct and indirect) were estimated at 15.6 billion, divided as such: 5.6 billion from industry and 10 billion from agriculture (8.5 from electrification, mechanisation and irrigation and 1.5 from fertilisers) (p. 341). Thus for Batsis, two thirds of the industry benefits would accrue to the country through agriculture!

Beyond Batsis: the *Antéos* journal

Uncharted biblio-
graphical territory

Classic books, Oscar Wilde used to quip, are those books everyone wishes to have read, but no one wants to read. Batsis's heavy tome probably falls into this category; despite being a standard reference in the literature, it is hardly ever analysed in depth. What is more, the *Antéos* journal, even after its republication by the Greek Literary and Historical Archive (ΕΛΙΑ) in 2000, remains largely in obscurity; the few exceptions (Νούτσος 1993: 96-101; 1994a; Παππά 2000) are not written by economists and do not discuss the journal's contribution to economic thought. The following paragraphs seek to fill this void.

Journal profile

Antéos's first circulates on May 20, 1945, as a "fortnightly journal for the study of reconstruction problems"²⁴. In his opening article, the journal's director expresses the hope that

our journal shall become a central tool for all those who feel the inner drive to roll up their sleeves and plunge into the sacred work of [re]construction for our country and people. (Θεοδωρίδης 1945).

Reconstruction and development thus became the journal's leitmotifs; its aptly chosen name was a mythical giant who draws his powers from mother-earth²⁵. Subsequent years of hardship and persecution would moderate the journals *élan*. One year after the publication of *Heavy Industry in Greece*, *Antéos* announced the beginning of its second period (1948-51). The journal's style and orientation shifted, its circulation became more erratic and sparse, its size shrunk and its erstwhile optimistic subtitle was

²⁴ Prof. Eleni Antoniadis has informed the author of the existence of several type-written issues of an 'underground' *Antéos* published before that date; unfortunately, no surviving copies of that publication have been located so far.

²⁵ The symbol had already been used by both Zachariades (the KKE secretary general) and Stalin before (Νούτσος 1993: 97).

replaced by the rather vague triplet: «Science–Technology–Economy». Details of the changes in the journal's contents and orientation after 1948 will be provided in [chapter 9](#); this section is devoted to the 26 issues published between 1945 and 1947, spanning the journal's more creative period.

The journal's subject priorities – *Antéos* was the main vehicle of the communist Left's development discourse, but its interests were not limited to economics: several articles on medicine, natural science, law, education, the arts etc. were also published and comprised about one third of the journal's material until 1947. Nevertheless, the majority of pages was devoted to economics, and [table 5.4](#) utilises our *Antéos* database to analyse its articles between 1945 and 1947. Although not directly comparable to the scholarly journals discussed earlier, *Antéos*'s profile is that of a development-oriented journal, where 60% of its economics articles explicitly take up issues of development. Narrowing its focus on that 60%, the lower panel of [table 5.4](#) also offers information on the individual subjects addressed, using a customised 15-category thematic classification (see [appendix A](#)). To the reader of Batsis's *Heavy Industry*, the priorities implicit in the subject ranks offer few surprises.

Table 5.4. *Antéos* article contents 1945-47 (pages and %)

	Pages	%
Total article pages	727	
of which, economic	468	64,4%
of which, appraising current policy	262	56,0%
of which, containing explicit policy proposals	242	51,7%
of which, addressing matters of stabilisation/reconstruction	261	55,8%
of which, addressing matters of development	281	60,0%
of which, containing explicit policy proposals	192	68,3%
Subjects addressed in development articles (pages and % of total)		
1 Productive viability	137	48,8%
2 Agriculture	127	45,2%
3 Industry - Energy	99	35,2%
4 State planning vs. private initiative	64	22,8%
5 Comparative economic systems	52	18,5%
6 Financial viability	51	18,1%
7 Dependency	45	16,0%
8 Investment priorities	33	11,7%
9 Employment - unemployment	26	9,3%
10 Commerce - transport	16	5,7%
11 Fiscal policy	14	5,0%
12 Public administration	9	3,2%
13 Money and inflation	8	2,8%
14 Balance of payments	7	2,5%
15 Credit policy	7	2,5%
Articles on economic development	281	100%

Notes: Subject classification was designed by the author and is tailored to the peculiarities of *Antéos* – see [Appendix A](#).

Productive viability and Left-wing engineers – Productive viability, with an emphasis on the adequacy of the country's natural resources, comes at the top of our list. Most relevant articles were written by engineers and geologists, confirming what the [previous chapter](#) claimed on the relationship between the left-wing engineering and economist community. Nevertheless, the theoretical argument embracing most of these analyses belongs to the journalist and economist Serafeim Maximos, a staunch defender of the country's domestic industrial potential. To Maximos, "viability is a relevant concept, since it incorporates the socio-economic situation and the degree of labour exploitation" (Μάξιμος 1945). One of the most fertile minds of the Left, Maximos had been a parliament deputy and prominent KKE member in the inter-war period; the party expelled him in 1928, accusing him of belonging to a 'centrist' faction. A prolific journalist, member of the *United Opposition*

and the *Spartacus* group (see Παλούκης 2003), Maximos was also well versed in economics²⁶. His contributions to *Antéos* played an important role in shaping Batsis's thoughts on viability and the superiority of industry over agriculture.

Industry, de-
pendency, and
comparative eco-
nomic systems

Most of the subjects occupying the top places on our list might well have come straight out of Batsis's *Heavy Industry*. Not only were matters of industry/energy discussed in 35.2% of development articles, but several authors wrote extensively on foreign intervention and dependency (e.g. Λάιος 1946; Σταυρόπουλος 1946), and paid particular attention to state contracts with foreign corporations (Cooper, EBASCO etc.). Many pages were also devoted to the superiority of state planning vis-à-vis free markets as well as the comparison between socialist and capitalist systems in general; foreign experiences with nationalisation were reported, and the Soviet record was extolled. On the other hand, suggestions for increased planning *within the existing capitalist system* were dismissed with striking vehemence. Echoing the party line on the subject, Batsis explains how

These "plans" are nothing but the "planned" exploitation of working people from the financial oligarchy. That's also what state, or organised capitalism is about. (Μνάσιος 1977 [1947]: 203)

At the time, the KKE's hostility toward such theories had little to do with *bourgeois* economists and their dreams of market socialism (e.g. Zolotas's *Society for Socialist Studies*); the main opponents were left-wing 'revisionists' who were sceptical of capitalism's impending doom and were willing to discuss the prospect of 'organised capitalism'²⁷. Attacking such notions had invariably been a priority of the Comintern and thus also of the KKE, which was thus trying to discredit rival, social-democratic factions that were breaking away from EAM (Νούτσος 1993: 164ff). Over the next decades, however, the Left's criticism of 'organised capitalism' became increasingly directed against both *bourgeois* economists and social-democrats, as both groups seemed to be converging on a vision of state interventionism within a market economy framework (see [chapters 6 and 9](#)). On a related point, it is interesting how socialist values such as personal self-development, social solidarity and worker's participation in administration were never invoked in 'scientific' debates on the relative superiority of socialist vis-à-vis capitalist economic systems. Most of *Antéos*'s contributors saw the people's democracy more as a triumph of a technocratic state capable of removing exploitative ties, mobilising resources and re-distributing the fruits of labour, than an overhaul in interpersonal relations and social values *outside and beyond* the state²⁸.

Agricultural vi-
ability

A journal run by the author of *Heavy Industry in Greece* might not be expected to devote 45.2% of its development texts on agriculture. Yet this is not as surprising as it may seem at first, especially when agriculture's share in output and employment are taken into consideration. Furthermore, agricultural development played an impor-

²⁶ In 1937 he spent six months in Latin America as a correspondent of the newspaper *Vradyni*. Later that year he started studying at the department of political science in Sorbonne, where he stayed until his return to Greece in 1939. During that time he wrote research papers on economic history, whilst using the *French National Archives* to look into Greece's 17th-18th century trade dealings (Αεελός 1977; Μόξιμος 1975; Νούτσος 1994b).

²⁷ One can trace this conflict back to Berstein's revisionism, as enshrined in the SPD's Erfurt program and the Second International. The Russian equivalents date back to the late 19th century and Tugan-Baranovsky. After the first world war, a second wave of revisionism emerges (Rudolf Hilferding, Fritz Naphtali, Otto Bauer, Karl Renner, Emil Lederer et al.) – see Howard and King (1989: chapter 14).

²⁸ Αγγελόπουλος Δ. (1945) is a rare and generally poor exception to this otherwise universal rule concerning *Antéos*'s articles on economics. To be fair, communist author's generally presumed that the radical economic and political reform would somehow 'trickle down' to the every day life of all citizens, as well as their values and aspirations.

tant role in the Left's development rhetoric: the peasantry was seen as a potential political ally and agricultural self-sufficiency was an integral component of the Left's argument for national viability (see various articles by Sakantanis and Kriaris). After all, even Batsis's attributed two thirds of industrialisation benefits to agricultural modernisation. Most of the agriculture-related articles sought to prove that Greek farming could survive without recourse to foreign territories, as long as farmers' exploitation by monopolists and taxmen ceased, large estates were redistributed, technology was upgraded and farmer cooperatives became more widespread. In short, agricultural development was contingent on the same radical transformation championed in other fields; agricultural viability too, was a *social* rather than a *natural* phenomenon:

The failure of our land to guarantee the prosperity of our people is not due to a shortage in land area, but to the country's economic backwardness, which in turn has a complex and multifaceted aetiology, whose basic characteristic is our country's semi-feudal and semi-colonial configuration. (Σακαντάνης 1945b: 39)

The actual economics contained in these articles was limited and obscure, with several arguments ranging from the unintelligible to the unintelligent (e.g. the claim that agricultural mechanisation will promote rural employment - Σακαντάνης 1945a). On the other hand, agriculture sometimes served as the springboard to interesting applications of historical materialism, where agricultural reform was seen as part of a the revolution against the 'backward, feudal Ottoman state' which had started in 1821, but was delayed due to reactions by land-owners and other conservatives. The country was thus condemned to backwardness, whilst agrarian poverty limited the size of the domestic market for manufactures (see Αγγέλου 1948).

Agriculture vs.
industry

Nevertheless, in the minds of Marxian economists, the relationship between agricultural and industrial development was not as unproblematic as the above paragraphs suggest (cf. [section 2.2](#)). Most of the comments on the current status of agriculture were far from flattering, whilst the true limits of the Left's tolerance for agricultural promotion became apparent whenever matters of sectoral priorities came to fore; after all, it was *bourgeois* economists like Kouvelis who were arguing that agricultural development (with territorial expansion) was superior to industry. The Left couldn't leave this criticism unanswered, and – once more – it was Maximos who spearheaded the theoretical campaign in an exchange of articles with Kouvelis himself. Most of his arguments were then taken up by Batsis in his *magnum opus*²⁹, which sought to dispute the claim that "agriculture can yield incomparably higher social returns and employment to a million people" (1977 [1947]: 405) by means of a long and convoluted detour into value and distribution theory.

Maximos (and Batsis) responded with a juxtaposition of Marxian and Smithian distribution theories. At the heart of their argument lay wages and their treatment in calculating sectoral productivity. *Bourgeois* economists calculated a sector's *net income* (*≈ net product*) as the sum of wages, profits and rents. Using standard Marxian notation, Batsis and Maximos thus argued that bourgeois economists identified *net income* with *variable capital* V (the stock of capital required to pay wages) and *surplus value* S (the excess of gross receipts over fixed and variable costs). But wages – when

²⁹ See the 1945 issues of *Antéos* and *Μνάστης* (1977 [1947]: 404-51); for the other side of the story, see Kouvelis (1945: 196ff).

taken to be at subsistence level – are a cost necessary for the reproduction of (labour) inputs and do not represent an increment on last period's output. Much like fixed capital, comprising raw materials and depreciation, variable capital should be *netted out* when calculating a sector's net income (pp. 414-5), which is thus equal to *S* alone. What is more, *bourgeois* economists used *absolute* net income, rather than its magnitude *relative* to inputs to defend agriculture's superior rate of return. But the rate of return is a *relative* notion, and thus depends on *S/V* rather than just *S* (pp. 418ff). In short, *bourgeois* economists did not only overestimate agricultural yields by taking farmer's own subsistence income into consideration, but also failed to appreciate that rates of return were defined in relative terms (pp. 440ff).

The first component of the argument, dating back to the Physiocrats and Ricardo, is absolutely correct, as long as wages are taken to be at subsistence levels. The modern practice of incorporating wages in estimates of net national income reflects the belief that consumption is linked to welfare, even though it may not be an investment³⁰. The second part of the argument is more problematic, and Batsis and Maximos's own terminological confusion does little to clarify things. The authors shuffle freely between "productivity" (παραγωγικότητα) and "rate of return" (αποδοτικότητα) and whilst everyone would agree that they are both *relative* notions, the choice of the ratio *S/V* remains puzzling. By excluding fixed capital from the denominator, Batsis and Maximos were tilting the scales in favour of industry, whose rate of return they now calculated at 420%, compared to a meagre 22.8% for agriculture (p. 440). Of course, few would take issue with the claim that industry's superior organic distribution of capital made for a higher *labour* productivity and increased the scope for accumulation, and some passages suggest that that Batsis and Maximos were groping for this argument (pp. 420, 439). But they never quite managed to elucidate the relationship between sectoral productivity and the organic distribution of capital³¹. On a different note, it is debatable whether *bourgeois* economists were indeed making an argument about *relative* yields or simply trying to point out how an expansion of Greece's cultivable land would bring about a larger *absolute* increase in income – a far less controversial statement. Either way, Smith's physiocratic preference for agriculture was an easy target for Left economists, eager to emphasise industry's superior organic distribution of capital and subsequent potential for rapid accumulation.

Staying within the realm of classical economics, one could interject that Smith's preference for agricultural investment in *The Wealth of Nations*, was aimed at economising capital (Book II, chapter 5, §19-21), a noble goal shared by many post-war development economists (cf. [section 2.1](#)). It was thus based more on concerns about financial viability and capital scarcity rather than the relative returns of industry vs. agriculture. Indeed, procuring the capital necessary for its grandiose investment plans was a much greater challenge to the Left than allegations about the superiority of agri-

³⁰ Even Smith implies at some point in his *Wealth of Nations* that wages should be added to depreciation (1976: book II, chapter 2, §1-10), but he doesn't go as far as Ricardo who equated net income with profits and rent (Blaug 1996: 53).

³¹ See for instance, the characteristically opaque formulation of the "only correct way to calculate the economic productivity of an economic sector" in Μνόντης (1977 [1947]: 424).

cultural production. But let's save any further criticism for the next section. Suffice it to reiterate that most contributors to this debate were either confused or confusing; as Maximos himself conceded in the closing paragraph of one of his letters to Kouvelis, published in the 1945 *Antéos*: "so there's quite a mix up here ..."

The communist Left and development: a first appraisal

The communist Left's vision of development after 1945 rested on the twin pillars of dependency and viability. Batsis, Maximos and their comrades at *Antéos* formulated a fully-fledged dependency theory arguing that foreign capitalist states, in allegiance with the domestic *bourgeoisie*, exploited and 'underdeveloped' peripheral nations like Greece. An end to imperialist exploitation and a radical plan for inward-oriented industrialisation were prerequisites for development. Radical political transformation was part of the package, with a large portion of economic activity subordinated to centralised planning. Under the people's democracy, the state was going to utilise domestic resources efficiently and distribute the fruits of development more equitably, though little attention was paid to implications in terms of values and principles at the individual – rather than collective/state – level.

The Soviet influence

The methodological and theoretical background was Marxian, with a strong Soviet aftertaste. The frequent and uncritical reliance on the Soviet experience diluted the overall quality of some arguments: Stalinist five-year programs and agricultural collectivisation were extolled, and the reader was sometimes left with the impression that the USSR precedent offers sufficient proof of any outlandish prediction on the Greek economy, as long as the Soviet example was faithfully reproduced at home. The consistent transfer of many Soviet positions to Greece narrowed the horizons of economists around KKE. Unfortunately, the confidence with which such positions were adopted testifies to the poverty of domestic theoretical production rather than an autonomous 'convergence' to the same ideas³².

An 'osmotic' process

The above is not to suggest that Marxists at the time did not seek to tailor imported theoretical schemes to the contemporary realities of Greek economy; current events guided *Antéos*'s editorial choices, whilst the viability debate formed part of the inter-war theoretical 'baggage'. In the case of works such as *Heavy Industry*, an 'osmotic' process can certainly be detected: Batsis stands out amongst his peers not as much due to the originality of his arguments, but in virtue of his remarkable skill at appropriating (not always without criticism) the findings of his colleagues at *Antéos*. His place in our story is therefore justified, even if less due to his own distinction, than to the mediocrity of other Marxist economists at the time.

³² If we wanted to add a brief comment on the more immediate sources of influence, three translations of economic textbooks published by Néa Biblíá in 1945-6 serve as a useful starting point. Both Louis Segal's (1936) book translated by G. Zioutos and the two volumes by A. Leontief translated by T. Konstantinidis were basic Marxian economic textbooks at the time. Furthermore, Greek Marxists also read a series of foreign articles, many of which were translated in Greek and circulated through *Antéos*, *Morfosi* and the *Communist Review* (Νοῦτρος 1993: 260-4). Batsis for instance frequently cites a translated text on the laws of the socialist economy, written by the president of the economics department at the University of Moscow (1943-8), K. V. Ostrovityanov (1946). Last but not least, linguistic factors contributed to an increased reliance on translations from journals published by the French Communist Party.

An exaggerated
thesis?

This brings us back to the confidence inspired by most of these texts, which in most cases is *not* followed by any detailed account of policy measures. On one of the rare occasions when Batsis chooses to enumerate specific measures for reconstruction (1977 [1947]: 198-201), the reader is flooded with generous promises; no policy field is left out from these four pages of unqualified optimism, where the present indicative is virtually absent, whilst no fewer than 44 verbs are written in the subjunctive, first person plural: «να ανασυγκροτήσουμε, να ξεκινήσουμε, να οργανώσουμε, να εξασφαλίσουμε» [=let's rebuild, start, organise, ensure]! The Left's development vision is steeped in this comradesly enthusiasm, and many of its arguments would not survive a more critical second glance. Most issues are deferred to a later time, when most *parameters* of Greece's contemporary economic malaise will have been replaced by malleable *variables*. This miraculous increase in 'degrees of freedom' was attributed to the anticipated change in the country's political regime, when it was not left completely unexplained. History of course took a different path and most of these plans were never tested in practice. But one has to wonder how such an expensive development plan would be implemented in an economy as disarticulated as 1945 Greece; or how the promised increases in consumption standards would be reconciled with staggering investment in heavy industry (an area where the Soviet precedent offered troubling insights).

The overall efficiency of central planning, or the guidelines for prioritising investments were never discussed at any length. For all their apparent sophistication, most analyses of technical viability took resource availability as a sufficient condition for profitable utilisation, abstracted from world market constraints and often rested on shaky grounds. Batsis's overall blueprint for rapid growth in the chemical and metal industry – which incorporated many of the surveys undertaken by left-wing engineers – was little more than the sum of its parts. Several different projects were strung together, whilst many basic capacity and technological choices were left unjustified. Batsis's projected capacity for magnesium production, for instance, which was in the range of 7,000 to 10,000 thousand tonnes per annum (1977 [1947]: 140), was double the aggregate US production for 1946³³.

In defence of
voluntarism

Two things need to be said about this widespread *voluntarism*, which incidentally doesn't invalidate many of the *critical* observations on contemporary policy. Our first point – which was already discussed in [chapter 2](#) as well – is that a certain degree of voluntarism was bound to arise in any development argument that proposed to produce a radical overhaul in material circumstances. Communists themselves readily admitted this type of confidence in the superstructure's potential for (social) engineering as one of the most *inviting* features of their thesis, as opposed to the *fatalism* of *bourgeois* scientists. In contrast to the deterministic poverty-of-land thesis, they believed that it was the *environment* that determined a society's development potential and that radical intervention in that environment could overcome existing boundaries. In this perspective, it is reasonable to expect *bourgeois* economists' objections to be

³³ The author is indebted to professor Stathis Tsotsoros, whose engineering background made some of these comments possible.

rejected, inasmuch as they were assuming the persistence of current conditions. On the other hand, too much recourse to this sort of sleight-of-hand rendered the Left's argument non-falsifiable if not outright vacuous. Secondly, one must bear in mind the profoundly *political* nature of most economic discussions at the time. Paraphrasing Clausewitz one could say that development debates were the continuation of political clashes by other means. Of course, contrary to many economists, historians of economic thought are hardly surprised by the suggestion that theory is value-laden and intimately enmeshed with politics. The irony in *Antéos's* case is that the journal was built on the strong conviction of 'pure science', employed selflessly and without normative judgements against the 'bourgeois quacks' and their theories ...

IV. Beyond Batsis and *Antéos*: Greek socialists on the eve of civil war

Cracks within
EAM's socialist-
communist
alliance

In the aftermath of the alarming events of December 1944 and the subsequent Kazerta agreement, the first cracks appeared in the EAM: many socialists disagreed with the communist party's handling of the crisis and broke away from the coalition³⁴. Over the next few years, several socialist parties emerged, vying for leadership of the Left and seeking to counterbalance the communists' dominance within the EAM (Νούτσος 1993: 164ff; Fleischer 1995: 76ff). The *Socialist Party-People's Democratic Union* (ΣΚ-ΕΛΔ), which was established in January 1946 under the leadership of Alexandros Svolos, and the much more anti-communist *Socialist Federation* were two of the principal political alliances formed during that time. Their publication outlets were journals like the *Socialist Review* (Σοσιαλιστική Επιθεώρηση), run by Stratis Someritis and the *Battle* (Μάχη), whose editor was the ΣΚ-ΕΛΔ secretary-general, Ilias Tsirimokos. In 1946 Angelos Angelopoulos founded the *New Economy* (Νέα Οικονομία), which would go on to become one of the most prominent economic journals of the post-war era.

The principal
guidelines of
Greek socialists:
evidence from
ΣΚ-ΕΛΔ's charter

In the few years preceding the climax of the civil confrontation, the socialists struggled in vain to navigate around the Greece's political minefields and avert military conflict, without compromising their socialist principles. Against an increasingly polarised background, socialists tried to reformulate the Left's bid for social, economic and political reform, albeit in a more conciliatory framework. A mere glance at the charter of the ΣΚ-ΕΛΔ (1946) confirms the delicate balance that needed to be struck. In a text highly reminiscent of the communist *Draft Program* of 1945, the ΣΚ-ΕΛΔ affirmed its loyalty to the principles of 'scientific socialism' and the long-term objective of socialist transformation, whilst acknowledging the need for a people's democracy as a transitional stage (ΣΚ-ΕΛΔ 1946: 7-9). This intermediate regime – whose establishment would require the help of *all* anti-capitalist forces (farmers, artisans etc.) and *not* just the working class – would nationalise the "principal levers of the economy", but permit

³⁴ The largest parties to leave EAM in the spring of 1945 were the *People's Republic Union* (ΕΛΔ) and the *Socialist Party of Greece* (ΣΚΕ). In a joint statement, the two parties claimed that it was still difficult to apportion responsibility for the December events, but implicitly acknowledged that the EAM leadership had not acted with adequate political acumen and had compromised the popular movement (Νούτσος 1993: 151).

the “coexistence of small-scale ownership (in agriculture, manufacturing etc.)”, along with “the promotion and development of their cooperative forms” (*ibid.*). On the other hand, the charter placed great weight on the *democratic* form of social struggles, ruled out “the coup by a minority as a means of political struggle” (p. 8) and emphasised the relationship between democracy, freedom and socialism. Despite their appeal to the urban middle and lower strata, such noble principles offered little comfort to the rural populace, where erstwhile EAM members faced persecution and death. As the crisis escalated, pleas for moderation fell on deaf ears and socialists were increasingly marginalised.

Socialist thought
on economics
and develop-
ment?

Against this background it is hardly surprising that politics, rather than economics, absorbed the energies of most socialist writers. Nevertheless, authors versed in economics such as Angelos Angelopoulos, Achilleas Grigoroyannis and his wife Rena Christoula³⁵ wrote extensively on economic subjects, whereas even non-economists such as Stratis Someritis, Yannis Skouriotis, Alexis Pilios [=Kostas Papaioannou] and Manolis Korakas occasionally addressed similar topics. Skouriotis in fact published a series of ‘educational’ articles in the *Socialist Review*, discussing the role of money, property and income, and the limits of economic freedom and employment choice under socialism (Σκουριώτης 1946c; 1946a; 1946b). Nevertheless, in terms of both volume and quality of economic analysis – particularly in development – Angelopoulos and Grigoroyannis were by far the most prominent authors of the socialist camp; the next paragraphs are devoted to their contributions in those turbulent years.

Angelos Angelopoulos

Biographical pro-
file

Having studied economics in Athens, Leipzig and Paris, Angelopoulos was elected reader and later professor of Public Economics at the University of Athens in the 1930s. Before the war he also served as director to the country’s *Supreme Economic Council* and co-editor (with Zolotas) of the *Review of Social and Public Economics*, a scholarly journal published by the university of Athens. During the German occupation, he became active in the resistance and held ministerial posts in the ΠΕΕΑ government, as well as George Papandreou’s first administration. Following a fall-out over the composition of the new security forces, Angelopoulos joined the other EAM ministers in resigning from Papandreou’s cabinet on December 3rd, 1944. As the political outlook became grimmer, he was dismissed from the university of Athens and moved to Geneva, where he remained until 1957. Angelopoulos was a prolific writer who participated in the country’s development discourse over several decades; he was also the founder and editor³⁶ of the *New Economy*, undoubtedly one of Greece’s most influential non-academic economic journals in the post-war period (see [section 9.3](#)).

Angelopoulos’s
1944 treatise on
Socialism:

Written in 1943 and published after the liberation, *Socialism* was Angelopoulos’s first post-war book. Though poor in explicit references to either Greece or reconstruction, the book traced out the key tenets of its author’s new economic philosophy. It’s

³⁵ Christoula wrote several of the *Socialist Review*’s book reviews and also participated in Zolotas’s *Society for Socialist Studies* (see Χριστούλα 1945; 1946). Her contributions to the development discourse were much more circumscribed.

³⁶ Save for the time of his self-imposed exile in Geneva, when the journal was run by Christos Agalopoulos.

historical evolution and capitalism's bankruptcy starting point was Angelopoulos's rather surreptitious version of historical materialism and dialectics, which mandated the constant tailoring of social and economic institutions to "new socio-economic circumstances, modern technical exigencies and the novel demands of man and the community" (Αγγελόπουλος 1944: 59). By eschewing all references to class struggle and making naïve allusions to "communal needs and interests", Angelopoulos remained characteristically opaque in his account of the way in which these forces manifested themselves and were expected to bring about the desired systemic adjustments³⁷. Whilst no one disputed the many services capitalism had rendered humanity in its time, Angelopoulos went on to argue, "today we've come to a point of economic and social development where the conditions of production no longer conform to the new mandates" (p. 61). For all its former progressiveness, capitalism was no longer able to address the pressing problems of inequality, waste, monopoly and periodic fluctuations (p. 15ff). In short, capitalism was bankrupt. Attempts to salvage it by means of either a return to 19th century liberalism or an increase in state intervention *within* capitalism (as in the case of fascism-corporatism) were doomed to failure – such palliative measures did not alter its intrinsically problematic nature, nor did they offer a solution to the pressing problem of distribution³⁸.

Socialism, its content and attainment The future belonged to socialism, a system «based on morality and justice» (p. 70), which comprised (a) the socialisation of the means of production; (b) economic planning; and (c) social justice (p. 83). Socialism was thus grounded in a broader, moral and humanistic framework, and "went beyond Marxism – Marxism gave socialism foundations, but was in need of readjustment" (p. 80). The influence of European socialism on Angelopoulos was evident, and the book was filled with references to British, French and Belgian socialists such as Henry Dickinson, George-Douglas Cole, Leon Blum, Henry de Man, Emile Vandervelde and others. What is more, several pages were devoted to issues of democracy and individual freedom under socialism, as well as a review the socialist calculation debate (p. 155ff). The Soviet Union received its first mention on page 78, but still occupied a central place in the text³⁹, not least because it "dismissed the last doubts on the functionality of a socialist economy and showed us the way to make a socialist economy viable" (p. 78). Then again, in terms of political strategy, Russia's revolutionary approach didn't have to be emulated: the switch to socialism could take place in a gradual process of democratic transformation, without recourse to violence (p. 211). In fact, Angelopoulos spoke of a "gradual transition from the revolutionary to the reformist spirit" (p. 215), aided by *bourgeois* welfare policies and the integration of some strata of the proletariat into the middle classes. Whilst recognising how this process could "bring about a dangerous tepidity to the worker's

³⁷ The reference to "les besoins et intérêts de la communauté" comes from the 1953 *Planisme et Progrès Social* (p. 11), arguably Angelopoulos's most comprehensive economic tract, which was written during his self-imposed exile in Geneva and epitomised the author's views on post-war economic policy (see section 9.3). In testimony to the persistence of this theme in the author's analysis, the first two chapters in that book are entitled to "la nécessité d'une réadaptation permanente des objectifs de l'état" and "révolution sociale et réformes révolutionnaires" respectively.

³⁸ "Through liberal capitalism we can neither really coordinate production nor offer genuine service to society. We simply have a [form of] interventionism usually instigated by large capitalist enterprises, and this interventionism of the bourgeois state ends up [...] privatising profit and socialising losses" (Αγγελόπουλος 1944: 57).

³⁹ Angelopoulos's laudatory description of the soviet economic system is largely based on secondary sources such as R. Mossé's 1939 *L'économie collectiviste* or M. Dobb's 1928 *Russian economic development since the revolution*.

struggle" (p. 216), Angelopoulos – along with the majority of socialist intellectuals – could hardly conceal his aversion toward some of the more radical alternatives proposed. In one of the closing passages of his book, he would explain how:

When the proletariat distances itself from extreme revolutionary solutions, when it sets aside some [of its] unrealistic claims and takes a more pragmatic and workable approach, thus driving away the fear of violence from the minds of the many, then, the demands of the middle classes and all the populace who live out of their own labour – and who are in their soul and their whole essence anti-capitalist – will become common. Then, socialism shall take a broader meaning and much wider content. (p. 277)

The economics behind this transformation was not absent from Angelopoulos's work, and *Socialism* contained several pages on the conduct of economic policy under the people's democracy, the extent and priority of nationalisations, the operation of the price mechanism, work remuneration, taxation, redistribution, monetary policy etc. Nevertheless, most of these issues were treated in a superficial and rather abstract fashion, with Greece rarely receiving more than a fleeting reference. For Angelopoulos's thoughts on reconstruction and development, we need to look beyond *Socialism*.

The people's democracy and a 'new system of economic organisation'

Angelopoulos's writings on development in the 1940s were a direct outgrowth of the principles set out in *Socialism*. Capitalism was a "bankrupt system", and thus "even those who did not accept socialism fully" should embrace state intervention and planning, in order to attain higher productivity and maximise social welfare (1945 [1974]-b: 65). Writing for the *Antéos* in 1945, Angelopoulos would explain how an immediate transition to socialism was ruled out in favour of a people's democracy (1945a). The blueprints for this were laid out in a 1945 pamphlet on *Greece's Economic Problem: Formulation and Treatment*, which was circulated soon after its author's resignation from the National Unity government. In a final section entitled *Economic Rehabilitation and Reconstruction*, Angelopoulos called for a long-term economic program, subdivided into smaller five-year plans, the first one aimed at stabilising the economy and mobilising all available resources for reconstruction (p. 65ff). Of course, implementing such a scheme pre-supposed a "corresponding system of economic organisation, mirroring to the content of the peoples' democracy". As the lead editorial in the *New Economy's* inaugural issue would explain, this entailed a tripartite division of economic activity between the nationalised sector (comprising banks, utilities and large-scale monopolies), the controlled sector (of large firms) and the free sector of small and medium enterprises⁴⁰.

Heavy industry, full employment and nascent Keynesianism

In line with the communist development thesis, Angelopoulos placed considerable emphasis on industrialisation, particularly *heavy* industry and electrification, arguing that those who promise development without them only contributed to the maintenance of "low national income, inadequate living standards, parasitism and the general impoverishment of the land" (1947 [1974]-a: 124; 1945 [1974]-b: 71). Full employment became an integral part of his rationale for industrialisation and interventionism, for without it underemployment would remain rampant (1947 [1974]-a: 125). It is in this context that references to Britain's Beveridge report became commonplace in An-

⁴⁰ Νέα Οικονομία (1946) – an almost identical, but less streamlined formulation is also found in Αγγελόπουλος (1945 [1974]-b: 69). Extensive nationalisations were an integral part of socialists' early development plans – after all, "today, factories are means of [performing a] social service. They do not belong to their incidental owners, but to society" (1945 [1974]-a: 87). Nevertheless, true to his democratic principles, Angelopoulos would advise against such measures without prior electoral approval (*ibid.*).

gelopoulos's texts. These did not merely serve to bolster his argument on the centrality of the full-employment commitment to post-war policy, but also influenced his views on social insurance provision and the welfare state (1945 [1974]-a: 85). What is more, Beveridge probably helped bring Angelopoulos closer to some strands of Keynesianism: "the adoption of a full employment plan implies – as the English professor William Beveridge observes – a revolution in public finances"⁴¹. Henceforth, the wisdom of public spending would not be judged by its relation to revenue, but by its capacity to regulate economic activity and guarantee full employment:

Through its public expenditure policy, the State must seek to undertake as many expenditures, as are necessary – along with spending by the private economy – to provide employment to everyone living in the country. In this sense, post-war fiscal policy must be broader than what it was before the war. [...] The limits to fiscal activity are no longer determined by the level of spending, but by its effect on the aggregate economy. (1945 [1974]-a: 118)

In partial contradiction to this principle, Angelopoulos also recommended that regular outlays be covered by taxation, whilst the state's 'productive expenditures' (by which he meant investments) be financed through borrowing (1945 [1974]-b: 74; 1945 [1974]-a: 117). Though the emphasis on public finance reflected Angelopoulos's academic specialty, the broader discussion on the significance of the Beveridge report was typical in socialist circles at the time. Writing for the *Socialist Review* in 1945, Rena Christoula would draw an explicit link between Keynes's *General Theory* and the economic philosophy enshrined in the Beveridge plan, and highlight in its importance in signifying the 'bankruptcy of economic liberalism'. Nevertheless,

any intervention in the economy that would eliminate economic anarchy but maintain in other respects the capitalist form of production [...] would not be able to save capitalism from crisis. (Χριστούλα 1945: 125)

For Greek socialists in the forties, capitalism was still historically obsolete.

Dependency re-stated...

Industrialisation was not only the necessary conduit to full employment, but also a prerequisite for economic autonomy. Greece might not be able to afford a policy of complete autarky, but it had historically been over-dependent on foreign capital and markets (Αγγελόπουλος 1945 [1974]-b: 15). Delivering a lecture on the *Greek economy and its foreign relations* in front of an audience at the society for *Science-Reconstruction* (ΕΠΑΝ), Angelopoulos criticised previous governments for their excessive reliance on foreign loans, usually issued under unfavourable terms and wasted on unproductive uses⁴². His tone was far less scathing than that of Batsis or Maximos, but the overall conclusion remained largely identical:

We are not against foreign capital. Far from it. [...] But foreign capital has to perform an economic and social service, not become a means to profiteering and economic dependency. (1946: 231)

For these services to be rendered, certain conditions had to be met: loans had to be detached from political strings, issued on fair terms and used for productive purposes alone. The same applied to trade policy, where an opening up of markets toward Eastern and Central Europe was seen as an essential prerequisite to more balanced and favourable exchange relations (1947 [1974]-a: 126).

⁴¹ Αγγελόπουλος (1945 [1974]-b: 73). This became one of Angelopoulos's favourite phrases in the years to come (cf. Angelopoulos 1953; Αγγελόπουλος 1954 [1974]: 541), though he never reproduced the report's much more ambitious reference to "a revolutionary moment in the world's history [being] a time for revolution" which had raised eyebrows in the UK (Abel-Smith 1992: 12).

⁴² Cf. Angelopoulos's (1936) monograph on the historical evolution of Greece's foreign obligations, wherein he condemned foreigners' exploitative terms as well as the profligacy of domestic politicians.

- but without
imperialism?

On the other hand, Angelopoulos's analysis of dependency lacked the militancy of its communist counterpart. Surplus extraction and unequal exchange were hinted at, but never explicitly mentioned. To Angelopoulos, dependency meant gaping trade deficits, unfavourable loans and substantial reliance on specific export markets (1945 [1974]-b: 15; 1946: 227ff). To the communist Left, all this reeked of imperialist exploitation and comprador connivance; but Angelopoulos was less eager to point fingers and rarely used the term 'imperialism'. His attitude toward British and American aid missions was devoid of the anathematic overtones of his communist colleagues. Discussing the AMAG treaty of 1947, for instance, Angelopoulos expressed his dismay for what he felt was a substantial infringement of Greece's political and financial autonomy. Its cause, however, was not imperialist aggression, but Americans' reluctance to take more radical measures against what they justly regarded as an inept and corrupt local administration. By choosing to manage aid and reconstruction directly, however, the US was making a mistake, not least since its "involvement – which will necessarily be extensive and complex – shall lend credence to complaints by third parties about interference in the country's internal affairs" (1947 [1974]-b: 132).

Viability affirmed

Nevertheless, in terms of his overall development vision, Angelopoulos shared many of those 'third party' views. After all, industrial viability and its defence against 'bourgeois fatalism' lay at the heart of his thesis on Greek economic rejuvenation:

The Greek economy encompasses rich productive sources, whose utilisation will increase its national income and improve its people's living standards. This, however, under the fundamental condition that its economy becomes industrialised, through the development of heavy industry and the utilisation of its energy sources. Thus, through a broader program of complete reconstruction, the Greek economy will become viable and financially independent. Economic policies in any other direction do not solve the Country's economic and social problem. (1947 [1974]-a: 124)

Angelopoulos's arguments for productive viability were largely conventional, even if his calls for income redistribution to broaden the internal market were sometimes delivered with a Keynesian twist. When it came to asserting the country's *financial* viability, foreign funding – whether in the form of loans, aid or war reparations – played an important part in Angelopoulos's early work, though he invariably stressed that:

foreign capital must serve as the complement to internal efforts, which will be based on the utilisation of the Country's productive resources, and not as its basic prerequisite, like some are contending. (1947 [1974]-a: 126)

In line with the communist thesis, priority was thus given to mobilising of idle resources, discouraging luxury consumption and taxing war-time profits (1945 [1974]-a: 111). Here, Angelopoulos was once more reluctant to engage in bitter polemics against capitalists. Much as he held the business elite responsible for foiling early plans to tax inflation gains and war profits (1945 [1974]-b: 61), his prose was never as biting as that of communist authors. Thus, it comes as no surprise that *Antéos's* review of his *Greek Economic Problem* – written by Batsis himself – praised the book for its emphasis on viability, but found its analysis somewhat superficial. By highlighting the lack of appropriate policies, Angelopoulos had failed to identify the true culprits behind the country's economic malaise: the 'bourgeois oligarchy' (Μνάτσος 1945a: 278).

The state and
its role in the

Blaming state policy was much more Angelopoulos's style, and this he did both liberally and without repose. The State – capitalised in his key passages – was inces-

economy santly censured for its weakness, its inefficiency, and its failure to exercise adequate control over economic activity⁴³. To Angelopoulos, more state intervention – whether that be welfare provision, income redistribution, the ownership of basic industries or the planning of aggregate economic activity – held the key to solving just about any problem an economy might face. Needless to point out how this approach was only tenable inasmuch as the state was conceptualised independently of social classes and sectional interests. We've already mentioned how class analysis was not Angelopoulos's strong suit, but the following passage is quite instructive:

Each economy, which comprises all economic agents living and operating in the country, aims at procuring the means to satisfy the needs of individuals and society as a whole. [...] That is the objective of the State, which stands above individuals, like a supreme form of social coexistence and cooperation. (1945 [1974]-b: 4)

Admittedly, one could interpret this as a *normative*, rather than a *positive* statement, but this would still make Angelopoulos's prescriptions naively abstract from reality. In practice, of course, this was an author acutely aware of the dire need for administrative reform and a radical overhaul in Greece's state apparatus (1945 [1974]-b: 68ff). But this did not stop him from placing undue weight on this apparatus in his policy proposals – even those supposed to apply forthwith.

Financial viability State intervention was not the only area where Angelopoulos's economics
and financial pru- seemed shaky. On the one hand, his readers were inundated with promises of higher
dence spending on wages, housing, health and infrastructure⁴⁴, and were told that revolutionary principles of public finance had overthrown orthodox recipes for fiscal restraint. On the other hand, Angelopoulos expressed serious concern for monetary stability⁴⁵, acknowledged the role of budget deficits in fuelling inflation and confidently declared that «the first measure [necessary] is the drawing up of a balanced budget» (1945 [1974]-a: 121). His remarkably lucid and pragmatic discussion of monetary stabilisation in the 1940s – unmatched by anything written in the contemporary *Antéas*⁴⁶ – is hard to reconcile with the rhetoric of profligacy found elsewhere in his texts, or his suggestions that monetary finance be used to pay for productive investments – albeit to an extent not conducive to inflation (1945 [1974]-b: 76).

The economic Part of Angelopoulos's voluntarism – which admittedly was far less pronounced
problem is essen- than that of most communist authors – could be traced back to the shared conviction
tially a political that Greece's *economic* woes were essentially *political* (1947 [1974]-a: 127). Eco-
one nomic stabilisation was predicated on the return to political normalcy and the cessation
of hostilities (1945 [1974]-b: 66), whereas the transition to the people's democracy
would fundamentally alter the way economic policy was conducted and enable the
state to control economic activity directly. In accordance with the political strategy of

⁴³ "At the bottom line, are we to blame the industrialist if the State comes along and practically gives him the raw materials and fuel for free, and then allows him to sell [his] articles at the free market?" asks Angelopoulos in an article published in *Antéas* (1945b: 295; cf. 1945 [1974]-a: 86).

⁴⁴ Mind you these policy proposals, which extended to widespread nationalisations, were dubbed "immediate measures to increase production", not long-term policy goals (1945 [1974]-a: 92ff).

⁴⁵ One can only speculate as to the role his German training or the vivid memories of Greece's inter-war monetary adventures played in shaping his views on money and prices. But throughout the post-war era, Angelopoulos remained particularly sensitive toward inflation, not least because of its adverse impact on the lower, salaried classes.

⁴⁶ The best examples of this are found in the book he wrote immediately after his resignation from George Papandreou's National Unity government, wherein he offered not only a retrospective of Greek economic development, but also a valiant defence of his economic policies against criticism from both Right and Left. The soberness of these passages – which pertain to Svolos stabilisation of 1944 – suggests that the verbosity of some of his later prose may not do justice to the pragmatism of Angelopoulos as a policy-maker.

Greek socialists, however, this transition could *only* spring from democratic elections leading a "progressive, socialist government" to power (1945 [1974]-b: 67; 1945 [1974]-a: 84).

Achilleas Grigoroyannis

Profile and 1936
thesis on foreign
capital

Born in 1904, Achilleas Grigoroyannis was educated at the university of Athens, where he wrote his doctoral thesis under the supervision of Zolotas on the role of *Foreign Capital in Underdeveloped Countries* (1936). This was a two-part treatise, that combined a 'classical' exposition of capital theory (influenced by Gustav Cassel) with a more Marxian approach, relying heavily on Rosa Luxembourg's *Accumulation of Capital*. His analysis was interspersed with references to *Hobson, Hilferding, Bucharin, Sombart, Ohlin, Taussig* and others, and concluded that foreign capital – though invested for the sake of industrialised creditors – played a constructive role in backward countries. In Luxembourgian terms, capitalism's inherent tendency to expand, carried the seeds of its own destruction, as it gradually destroyed the pre-capitalist hinterland (agriculture, backward countries) on which its survival was predicated⁴⁷. Of course, Grigoroyannis had few illusions as to the immediate impact of capitalist penetration in pre-capitalist economies:

By penetrating into undeveloped countries, capitalism breaches the boundaries of their self-sufficiency, destroys the existing artisan production, opens the gates to international trade and vis-à-vis the industrialised nations, creates the type of agrarian country. (1936: 96)

Little by little, however, the exploitation of natural resources gives its place to labour exploitation, and foreign capital starts – unwittingly – to contribute to the industrialisation of backward states. This leads Grigoroyannis to the bold conclusion that:

Consequently, capital export to undeveloped countries implies, in its final manifestation, not their economic enslavement and "proletarianisation", but – on the contrary – their economic development, which renders their position as debtor countries more or less transient. (p. 159)

Many years later, Grigoroyannis would renounce some of the arguments contained in his thesis, but he would continue to argue that foreign capital played a progressive role in backward countries, implicitly invoking a distinction between its subjective motivation and its objective historical results (see Γρηγορογιάννης 1945).

From academia
to politics and
the *Economic
Program of
Greek Socialism*

Four years later, in 1940, Grigoroyannis also completed his habilitation thesis (υποψηφία) – *Social Relativism and Economic Science*, a promising tract on the philosophy of social science, heavily influenced by the work of Max Weber. But the outbreak of the war drew him away from academia and into politics, as he joined the resistance and became a leading member of the *Revolutionary Socialist Party of Greece* (ΕΣΚΕ). After the liberation, Grigoroyannis distanced himself from the EAM and joined the central committee of ΣΚ-ΕΛΑ. A regular contributor to the *Socialist Review*, he was also allowed to write in Zolotas's *Review*. It is there that he first published his *Economic Program of Greek Socialism*, which later circulated as a separate book in 1947. Whilst eschewing pressing (and practical) questions of stabilisation and immediate re-

⁴⁷ Cf. Howard and King (1989: 106ff). Surprisingly enough, Grigoroyannis didn't take this argument to its full, Luxembourgian conclusion, i.e. that capitalism was unable to operate without recourse to a non-capitalist hinterland and was thus heading for a "general crisis" in the post-war era.

covery, this short treatise offers us another glimpse at the development model permeating the work of Greek socialists on the eve of the civil war.

The diagnosis

Familiar with Marxian methodology, Grigoroyannis sets out with an application of historical materialism to the development of Greek capitalism. Long-term problems are traced back to the peculiar way in which capitalism evolved in 19th century Greece. Throughout the long 19th century, irredentism served as the *bourgeoisie's* way out of the country's inherent weaknesses. A century after independence, the bourgeois-democratic transformation was complete (1946: 234ff) and Greece had become capitalist, but it had not succeeded in becoming industrial. The distinctive feature of Greek capitalism was the premature and parasitic development of the tertiary, mercantile sector, which was also related to the

commercial and financial dependence of the totality of economic relations from central capitalist powers, a phenomenon that in the modern imperialist age is stems from the aggrandisement and dominance of finance capital in both national and global markets. (p. 231-2)

Hence a whiff of dependency inevitably creeps in Grigoroyannis's analysis – one especially tied to finance and banking and thus also reminiscent of his doctoral dissertation and the influence of Hilferding's *Finance Capital*. Nevertheless, the author continues to acknowledge capitalism's historically progressive role, only to add that this had ceased to be relevant today (1947: 37).

The cure

Going from the diagnosis to the cure, Grigoroyannis appeals to "four principal demands, that define the social and philosophical essence of socialism as an ideological current": planning, equality, progress and democracy (1946: 238). It is on the basis of these four pillars that the author of the *Economic Program of Greek Socialism* then goes on to make a lengthy list of policy recommendations, most of which are virtually identical to those of Angelopoulos and other socialist – or even communist – authors. The role of economic planning is extolled – with explicit references to Soviet achievements – whereas intermediate solutions such as those envisioned by left Keynesians or the members of Zolotas's *Society for Socialist Studies* are rejected as inadequate (p. 241ff). At the same time, of course, emphasis is once again placed on individual freedoms under socialism (p. 243) and the rule of democratic principles.

The mixed economy

Proceeding to the details of his economic blueprint, Grigoroyannis acknowledges the need for a transition period and explains that private property will be maintained in small-scale enterprises⁴⁸. Full-scale nationalisation is neither strategically wise, nor administratively feasible at early stages of the transformation (1947: 22ff), but – in the long run – complete collectivisation is the only option consistent with full employment and the maximum use of economies of scale/technical progress. Hence "the organisation of a mixed economy offers a solution addressing the needs of a transition period" (p. 27). During that intermediate period, full equalisation of rewards will also be postponed, though tax reform and nationalisations will certainly contribute to a fairer distribution of income. What is more, Greece should not disassociate itself from international trade, even if it remains surrounded by capitalist states. Instead, the state should control all foreign exchanges, protecting the economy from exploitation

⁴⁸ He also expects cooperatives to play an important role in shaping the private sector of his mixed economy (1947: 25).

whilst reaping the benefits from international specialisation. Interestingly enough, Grigoroyannis makes no mention of trade relations with the Soviet bloc, but hopes that Greece will soon be able to participate in a West-European zone of socialist states (p. 42-3). Given the author's intrinsic aversion towards vested interests and parasitism, protectionism is condemned as "a terrible inconsistency of capitalism" and "one of the reasons for its decadence" (p. 41); readers however are left puzzled as to how the state will identify low prices as malevolent dumping by capitalist states and distinguish them from genuine differences in comparative advantage. Nevertheless, Grigoroyannis is quite adamant on the need to abolish tariffs and seems oblivious to, or disinterested in, infant industry arguments or dynamic comparative advantage (p. 44).

Fatalism or
pragmatism?

His attachment to cost-efficiency and competitiveness also has interesting implications for his views on industrialisation and agriculture:

the industrialisation effort is considered a fundamental duty of socialism [...] but this general orientation is only acceptable as long as it doesn't lead to uneconomic solutions in its concrete applications. The problem of industrialisation is not about applying an abstract formula; it is linked to each country's specific geo-economic circumstances. One can't ignore that the Greek geo-economy doesn't possess enough of the raw materials needed for radical industrial development. (p. 42)

This bold assessment, which goes a long way toward explaining why its author never appeared on the columns of *Antéas*, leads Grigoroyannis to question Greece's scope for rapid, or heavy, industrialisation:

Greece shall long maintain the fundamentally agrarian character of its economy, in parallel with the utilisation of its industrial resources (particularly its energy potential), which will undoubtedly take place. (p. 43)

[...] agriculture constitutes the most basic and – at the bottom line – the most decisive factor in implementing the right economic policy for Greece. The inability to pursue complete or large scale industrialisation in Greece, implies that the country's current agrarian character will be essentially preserved with the implementation of the socialist program. (p. 46)

It is ironic – but also indicative of Grigoroyannis's disregard for the left-wing taboos on viability – that, in his opinion, the chief impediment to Greek *agricultural* development is none other than the country's inherent ... "scarcity of land" (*ibid.*)!

Greek socialists and development: a first appraisal

Common ground
between socialists
and communists

Greek socialists and communists may have drifted apart after the Kazerta agreement, but differences in political strategy did not amount to much when translated into economic theory. The above paragraphs show substantial convergence on several key issues, thus largely justifying our references to a common, 'Left' vision of development. The fundamental diagnosis of Greek backwardness was formulated in terms of the warped evolution of domestic capitalism, foreign dependency and exploitation. Post-war capitalism was bankrupt and the palliative measures in terms of state intervention *without* a change in social relations of production were doomed to failure. An immediate transition to socialism was ruled out in favour of a transitional regime. Regardless of whether they would call it a peoples' democracy or a mixed economy, left-wing authors had overlapping visions of what this intermediate stage would entail in terms of planning, nationalisations, income redistribution, tax reform, and the preservation of small-scale private property. All of them affirmed Greece's viability, especially its capacity to rebuild its economy on the basis of its own resources, using for-

eign capital and markets more sparingly and judiciously. And all of them agreed that development did not merely entail reconstruction, i.e. a return to the *status quo ante*, but a radical transformation of the way the economy operated. Industrialisation was seen as the essential prerequisite for this, and most authors agreed on Greece's capacity to develop its own, heavy industry. Development was thus conceptualised in broadly materialist terms, with mechanisation, technological progress and top-down intervention playing a key role in socialist thought. Closer inspection however does reveal some differences between socialist authors and their colleagues at the *Antéos* journal, and it is to these that we now turn.

Differences between socialists and the Batsis-*Antéos* group

Contrary to Batsis and his *entourage*, economists belonging to the 'socialist' camp formed a much less cohesive group. Whether one looks at Angelopoulos's surreptitious attitude toward imperialism and class conflict, or his notion of the state as a supra-class entity capable of guiding economic transformation, one cannot help noticing a theoretical diversity unlike that found in KKE circles. Grigoroyannis's iconoclastic views on heavy industry and his insistence on the progressive (if inadvertent) consequences of foreign capital penetration are equally telling in this respect. This diversity also stemmed from the fact that socialist economists drew on a much wider body of literature, which combined traditional Marxism with German historicism, revisionist political economy and even Keynesianism. These people had received a more extensive and 'mainstream' economic education, and were not constrained by the KKE's doctrinaire adherence to a handful of key texts. What is more, despite their frequent reference to the Soviet experience, socialists were clearly oriented toward European social-democracy. The European labour movement was a source of inspiration and guidance, and it was in a socialist west that Greece ultimately belonged⁴⁹. Even in methodological terms, despite their appeal to "scientific socialism" (ΣΚ-ΕΛΔ 1946: 7), they were more open to alternative approaches. Last but not least, some of their texts contained passages devoted to individual values and freedoms, human emancipation and personal self-development under socialism, the participation of workers in management or farmers in cooperatives.

Moderate moderation

Moderation was a key aspect of socialist views on development. Social transformation had to be non-violent and the need for political stability and democratic elections was a recurrent theme in socialist writings. Gradualism was preferred over sharp discontinuities, even though some authors acknowledged that social transformation was more *likely* to follow some sort of military confrontation or civil upheaval (e.g. Γρηγορογιάννης 1946: 258). Moderation also extended to policy proposals for reconstruction. Though not entirely devoid of political rhetoric or voluntarism, these authors were more reserved in their formulations. Some of them, after all, had recently served on cabinet positions, and were acutely aware of the practical limitations to economic policy-making. Angelopoulos's emphasis on deflation or Grigoroyannis's scepticism toward heavy industry are indicative of a more pragmatic approach to economic devel-

⁴⁹ It goes without saying that subsequent disenchantment with European socialism would cause some embarrassment to Greek socialists, who were forced to look for other sources of inspiration (see [chapter 9](#)).

opment. Granted, state intervention, social reform and a realignment of foreign relations would release the country's untapped resources and set it on a path of self-sustained growth – such arguments formed the bulk of the socialist development discourse. But every now and then, sometimes between the lines, these authors would express their worries on the practicalities of this plan: the weaknesses of Greece's public administration, technical backwardness, the precarious state of public finances and monetary policy etc.

Why are these different nuances important? Had the world come to an end in 1947, few would mind these different nuances. From the perspective of the 1945, left-wing views of development were almost identical, especially when pitted against *bourgeois* fatalism and the poverty-of-land thesis. But the world kept spinning, and the two camps went down divergent paths over the next couple of decades. In fact, most of their subsequent divergence can be traced back to the issues raised in this section: gradualism, the state's relative independence, the usefulness of the soviet model and the scope for palliative measures *within* the framework of a capitalist market economy. Chapter 9 returns to these issues describes the evolution of left-wing development thought after the civil war.

V. Interpreting the theoretical stance of economists outside the Left

Misreading the data on industrial potential? The 1944-47 period thus witnessed the rekindling of debates on Greece's capacity to industrialise and rely on its own resources for reconstruction and development. Whilst many economists remained silent on the matter, those who *did* broach the subject, tended to invoke the conventional framework of 'viability' and remained sceptical toward the country's industrial potential. In doing so, they invited the wrath of left-wing intellectuals of either communist or socialist leanings, who accused them of (deliberately) misreading the data on the country's productive capacity. The revival of viability concerns thus seemed to reflect differences in the underlying assessment of the country's resource endowments.

Politics distorting the debate on resources? This interpretation may have served us well in our presentation of the left-wing thesis, but it can hardly be taken at face value. Amidst the politically charged atmosphere presaging the outbreak of civil war, economic arguments were dragged into the political arena, distorted and transformed into yardsticks of one's patriotism or class conscience. Politics artificially accentuating an ideological clash that produced more heat than light. Looking more carefully at the literature, one finds that most contemporary authors actually concurred in their favourable assessment of the country's resources, particularly its mineral deposits and energy potential.

Kouvelis revisited? The best way to illustrate the point, is to return to the notorious Petros Kouvelis himself. In his 1945 book on *Greece's Industrial Potential*, he defended the country's self-sufficiency in raw materials and extolled its key geographical position, the favourable configuration of its metal-bearing strata, the hydroelectric potential of its many

waterfalls, as well as the adaptability and ingenuity of its labour⁵⁰. In short, he advanced a view of Greek resources with which few of his left-wing colleagues could have taken issue – if only politics didn't get in the way.

But it did. On page 97, Dr. Jekyll imbibes the potion of anti-communism and is transformed into the Mr. Hyde so handsomely portrayed by Batsis and Maximos. Commenting on the Left's critique of *bourgeois* views, Kouvelis bursts out:

Such baseless remarks are used by the extreme Left, or by some scientists under its guidance, to spread unpatriotic propaganda against our national claims, under the pretext that claims on "foreign" territories cannot be based in economic necessity, since the efficient utilisation of the country's productive resources will render the desired improvement in popular living standards possible. (Κουβέλης 1945: 97)

In what follows, the author reverses many of his earlier assertions and makes extensive references to his quarrel with Maximos. One can't help wondering what this controversy would have looked like if the two men hadn't been sitting at opposite sides of the table in a bitter political conflict about to explode into outright civil war.

Aid, reparations

and the revival of
irredentism?

But if disagreements on resource endowments were largely overstated, how can we account for the divergence between bourgeois and left-wing attitudes toward industrialisation? Kouvelis's reference to 'national claims' brings us to another important dimension of post-war viability debates. In the years leading up to the signature of the Paris peace treaty, it was believed that Greece's war sacrifices would be rewarded with further territorial gains – at the expense of neighbouring Axis members and their allies⁵¹. This led to a temporary revival of the *Mégali Idéa*, and a fusion of nationalist rhetoric with scientific arguments on overpopulation and agricultural yields. In what was the first – and most influential – review of post-war viability debates, one modern historian has thus attributed the re-emergence of 'viability angst' after 1944 to the renewal of irredentist aspirations in non-communist circles (Χατζηιωσήφ 1986: 357ff).

A problematic
explanation ...

Such considerations certainly played their part in shaping discussions of war damages and reparations. In a stratagem hardly unique to Greece, contemporary authors sought to exaggerate the country's economic predicament, and thus raise its stake in aid and reparations. Estimates of Greece's war damages – as reported at various peace conferences – were thus inflated to a staggering \$18 billion, and even Angelopoulos's figure of \$3.7 billion was almost thrice the size of the country's pre-war GDP⁵². On the other hand, his overblown demands for reparations did not stop Angelopoulos from being an ardent champion of heavy industrialisation⁵³. On a more general point, it is far from clear how territorial aspirations and the desire for large aid/reparations can be used to account for bourgeois economists' preference for agrarian development. In fact, by attributing the re-emergence of viability angst to irredentism, Chatziiosif seems to be confounding two theoretically distinct issues: why should the desire for territorial expansion be seen as mutually exclusive with the drive for industrialisation?

⁵⁰ Κουβέλης (1945: 64ff). Similarly, the author of a contemporary book favouring foreign emigration/expansion over industrialisation did not hesitate to observe that: "[...] sufficient natural energy sources exist within the country – not just those necessary today, but also a wide margin for the [future] broadening of its needs and the promotion of its natural wealth resources" (Σηματούνης 1945: 140).

⁵¹ Greece's aspirations at the time included Northern Epirus, the Dodecanese, and portions of Southern Bulgaria and Eastern Thrace.

⁵² All figures are in 1938 dollars – see Δοξιάδης et al. (1947: 17), Αγγελόπουλος (1945 [1974]-b) and Σταθάκης (Σταθάκης 2004: 34).

⁵³ Similarly, Angelopoulos never expressed any opposition to Greece's territorial claims.

The political dimension of emphasising territorial claims

Politics is one answer, and many authors deliberately confounded the two issues, in order to make their ideological adversaries appear opposed to the country's national aspirations. Just as left-wing authors liked to reduce their opponents' argument to the suggestion that Greece's soil was poor in resources, only to then marshal out countless of statistics testifying to the opposite, right-wing authors liked to dismiss the Left's position as 'treacherous', because it denied Greece's 'rightful' claims⁵⁴. But this means that territorial issues were dragged into the industrialisation debate largely due to their potential for causing political embarrassment to the Left – not in virtue of their great bearing on the theoretical argument as such⁵⁵. What is more, any interpretation based on a revival of irredentism fails to account for the most salient characteristic of bourgeois theoretical production in the 1944-47 period, namely the reluctance of the majority of economists to write on development and reconstruction ([section II](#)).

A difference in theoretical perspectives

Neither differences in estimates of Greek resources, nor irredentist aspirations, nor the desire for large reparations can adequately explain the silence of *bourgeois* economists after 1944, or their scepticism toward prioritising industrial development. These can only be explained with reference to the theoretical framework and the intellectual milieu surrounding economists outside the Marxian or broader socialist Left. Privileged with the hindsight of the post-war boom, we tend to forget how these were years of pronounced pessimism and widespread expectations of an upcoming crisis – not just in Greece but across the continent (Judt 2005: 95). Against this dismal background, the country's intellectual and political elites were expected to chart a course for economic and social rejuvenation. Yet they lacked not only sufficient *control* over the economy, but also sufficient *understanding* of it. Conventional truths seemed dubious and uncertainty prevailed, so that no concrete ideational framework was available, through which to interpret the present, or plan the future.

Harking back to a familiar intellectual framework

In this context, it is hardly unreasonable to find the majority of economists choosing to remain silent, and focusing on the daily management of the crisis at hand. Nor is it surprising that those authors who *did* venture to offer economic advice, harked back to the old, quasi-liberal recipes of agrarian development and emigration. After all – for all its apparent failures and shortcomings – this was the *only* interpretative framework these people had at their disposal. The deputy director of the *National Bank of Greece*, for instance, would go back to the teachings of the Great Depression to account for his cautionary remarks against Greek industrialisation:

Absolute preference for agriculture is not only the trademark of agronomists, or those in charge of agricultural policy, but others – taught by the world crisis – have also applied the same principle in practice. The nature of post-war economic terms still remains unknown. Greece, however, being a small country, can only progress in international cooperation as an agrarian or merchant shipping country. (Σμπορούνης 1945: 136)

Sbarounis was not the only one to point out how the rules of the post-war economic game remained unknown, making it difficult to plot a long-term course for economic

⁵⁴ Inasmuch as it woke up memories of the KKE's stance on the Macedonian question, this was indeed a delicate issue for the Left – more so since the disputed territories were now under communist control. Χατζηιωσήφ (1986: 357) interprets the communist party's emphasis on Eastern Thrace and Cyprus as (unsuccessful) attempts to divert attention elsewhere.

⁵⁵ Terminology didn't help either, for the very term "viability" was used rather loosely to describe both an industry's ability to withstand foreign competition (a key issue for industrialisation) and the country's overall capacity to attain a measure of agricultural self-sufficiency (a key strategic/territorial issue).

recovery⁵⁶. Memories of the rapid but largely unsustainable industrialisation that had taken place during the inter-war period, played an important role in shaping economist's opinion of Greece's industrial viability. Echoing another conventional inter-war agony, in his 1945 pamphlet on viability, Zolotas warned that Greek industry had been inherently weak and was unlikely to survive a return to normalcy – by which he meant the restoration of international trade flows (Ζολώτας 1945: 10-11).

Industry vs. agriculture prior to the post-war industrialisation hype

Within the same theoretical framework, most economists outside the Left also believed agrarian development to be more *desirable* as well, to be better suited to address the country's economic problems. Everyone acknowledged industry's higher productivity *per unit of labour*, but in a poor country with widespread un- and under-employment, creating jobs and raising per capita consumption were the top priorities. In the opinion of such authors as Συναρπώνης (1945: 141) and Κατακουζηνός (1946: 186ff), these could not be served by industrial investment, which – looked at from an inter-war perspective – could only bring about modest income and employment gains. Given agriculture's relative size in the economy, and its labour-intensity, primary sector investments would ensure (per unit of invested capital) a much more rapid and widespread rise in living standards, than would energy production and manufacturing. At the bottom line, this was the theoretical core of Kouvelis's heated – and politically charged – controversy with Maximos.

Accounting for viability angst

Thus, contrary to left-wing accusations, many of the *bourgeois* economists active in the 1944-47 period were neither ignorant, nor entirely dismissive of Greece's natural resource endowments. Nevertheless, they were reluctant to plot a course for long term economic prosperity; the few who did so, remained modest in their assessment of the role for industry. The argument here is that this reluctance and modesty were not simply part of an elaborate ruse to bolster Greece's territorial claims, or war reparations. They were due to an implicit theoretical world-view still embedded within the inter-war economic legacy and thus sceptical of international economic prospects, as well as industry's capabilities in bringing about sustainable growth to 'peripheral' countries.

Head starts: the Left and engineers

The Left's intellectual head start

Contrary to their ideological adversaries, left-wing intellectuals had no difficulties finding their theoretical bearings and coming up with a clearly defined – if unduly voluntarist – blueprint for the country's industrial future. The [previous chapter](#) illustrated how socialists and fascist/corporatists had spearheaded the inter-war attack on the liberal agro-merchant orthodoxy. The war may have put fascist theorists at an obvious disadvantage, but it cleared the way for the Left to emerge with an *intellectual head start*. What is more, when senior economists and policy-makers landed in Piraeus in 1944, the Left's *National Liberation Front* (EAM) had already been running a substan-

⁵⁶ In similar vein, Σφόελλος (1944: 9) relegated further economic plans to a later stage, "when the international situation [would] have become more concrete".

tial portion of the country for several years. This offered them an additional, practical head start in the discourse on economic policy and development.

Engineers' professional head start

Whereas much has been written about the Left's *intellectual* head start, however, far less is said of the *professional* head start of engineers, who joined the development debate much sooner than economists and played a key role in shaping the post-war development discourse. The [previous chapter](#) emphasised the ascent of the engineering community in the inter-war period and its engagement in discussions of industrial viability and economic reconstruction. Contrary to communist rhetoric, most *bourgeois* engineers were ardent supporters of industrialisation and a more active role for the state in orchestrating economic recovery⁵⁷. At a time when economists, jurists and other professional groups traditionally powerful within the economic administration were still struggling with monetary stabilisation and the balance of payments, engineers were drafting the first reconstruction plans. As early as 1943, the *Technical Chamber of Greece* (TEE) had put together a *Committee for Industrial Production and Mineral Wealth* to assess the scope for post-war industrialisation. Summarising the committee findings in 1945, its president would point out how "[our] research also demonstrated that pessimism concerning the country's economic, particularly its industrial future, is unjustified"⁵⁸. In similar vein, the *Plan for the Survival of the Greek Nation* prepared by Konstantinos Doxiadis and his colleagues at the Ministry of Reconstruction in 1946, declared its full confidence in the country's capacity to industrialise and utilise its natural resources, albeit with the aid of foreign capital⁵⁹. Moreover, non-communist engineers were equally favourable to 'heavy' industries – though invariably referring to them as 'basic'. In fact, recovery plans drafted in the 1940s contained most of the major energy and mineral extraction projects championed by the Left; their principal *economic* difference lay in the role they ascribed to foreign aid and their deferential attitude toward the domestic entrepreneurial classes.

Engineers vis-à-vis territorial aspirations

Incidentally, the technical world also had a very sober view of the relationship between Greece's industrialisation and its territorial claims; in particular, engineers treated the two issues as entirely distinct and non-rivalrous. Introducing the first post-war issue of the *Technika Chronika*, TEE president Alexandros Verdelis would talk of "combining" better utilisation of domestic resources with territorial expansion, and conclude that:

Greece cannot get back on its feet unless it develops at a swift pace, unless its national aspirations are satisfied, unless the general utilisation of [its resources] is organised systematically and on positive bases. (Βερέλης 1945: 4)

Verdelis may have tiptoed around the term "industrialisation" on this particular occasion, but every single article published in the journal over the coming years would leave no room for misunderstandings.

⁵⁷ Thus, it is in my opinion quite misleading of Batsis to bundle economists such as Zolotas, Kouvelis and Vogiatzis, together with engineers like Raftopoulos, David, Filaretos and Stylianidis in his polemics against bourgeois fatalists (1977 [1947]: 383-4); incidentally Χατζηιωσήφ (1986: 355) also seems to regard both professional groups as united.

⁵⁸ Πατρινός (1945: 76); in a passage reminiscent of the concerns expressed by economists, the author also explained how the committee had had difficulties in making specific predictions, because the nature of post-war trade relations had not yet been determined.

⁵⁹ For a detailed account of Doxiadis's contributions to post-war reconstruction and a lengthy review of the *Survival Plan*, see Kakridis and Kostis (2009).

Positivism, technocracy and the link with the Left

Verdelis's reference to the "positive bases" of development hints at the lingering conviction, that many of the problems plaguing Greece were amenable to a purely scientific solution. In this context, engineers – not indifferent to their own professional well-being – preached the gospel of technocracy and presented themselves as the apolitical arbiters of social conflict; more than that, they promised to render such conflicts obsolete (e.g. Δοξιάδης 1949: 198). As a matter of fact, this attitude transcended the ideological fault lines of Right and Left, and is not hard to identify it in the works of 'progressive' scientists within the *Science-Reconstruction* society. What is more, the Antéos's incessant appeals to "genuine", or "pure" science – though at odds with its polemical language – were strongly reminiscent of what Misa (2003: 6) has described as 'technological fundamentalism', injected with a dose of social revolution (Kakridis 2005; 2009; cf. Maier 1970: 36). This technocratic image of development would gradually become one of the key attributes of the emergent theoretical consensus.

Chapter 6. Forging a development consensus (1948-1957)

Viability is a chimera, if it is taken to mean just restoring damages, bolstering agriculture and expanding old manufactures. The attainment of viability further presupposes [...] the undertaking of large scale hydroelectric, ore- and lignite-extracting, irrigational and land-improvement works as well as the creation of new industries.

Xenofon Zolotas, *Reconstruction and Viability*, 1948; p. 16

The revival of viability concerns turned out to be short-lived. Sometime after 1947, economists abandoned their erstwhile pessimism and embraced industry as both feasible and desirable – much more so in fact than agriculture. As the above epigraph suggests, by 1948, the author of *Greece Must Become Viable* would be describing the notion of viability *without* large-scale industrialisation as chimerical. In fact, Zolotas would not be alone in his new-found enthusiasm for inward-oriented, industrial development. This became one of the cornerstones in Greece's 'development consensus': a constellation of axioms and beliefs about national economic progress that was shared by the majority of economists and traced out the intellectual frontiers of mainstream development thought in the 1950s and 1960s¹. This chapter seeks to map the outlines of this consensus, and account for its emergence and consolidation after 1947.

I. *Deus ex machina*: foreign aid and the disappearance of viability angst

Foreign aid and the *deus ex machina*

The last chapter mentioned the shift in foreign tutelage as the *British Economic Mission* (BEM) ceded its place to the *American Mission for Aid to Greece* (AMAG) with the onset of the Truman doctrine in 1947. This was soon followed by the much more ambitious Marshall plan, which marked the beginning of a longer period of direct US involvement in Greek economic recovery². Under the Truman and Marshall plans, Greece received total aid inflows in excess of one billion dollars – military supplies notwithstanding (Τρόπεζα της Ελλάδος 1978: 350-4). The influx of American aid seemed to reverse the pessimism prevalent in the early post-war years; trying to account for his radical change in tune after 1947, Zolotas would thus explain how:

No-one can foresee the future. Thus today, the European Reconstruction Program is really the *deus ex machina* ready to drag Greece from vegetation to viability. This *deus ex machina* was not in sight three years ago, and it was in this perspective that my book *Greece Must Become Viable* was written [...]. (Ζολώτας 1948: 4)

Divine intervention became the standard explanation amongst erstwhile pessimists, who attributed their new-found enthusiasm for industrialisation *not* to a change in theoretical outlook, but to an adjustment to a new reality: American aid.

Problems with the *deus ex machina* story: can the advent of US aid

Despite its intuitive appeal, this interpretation is hard to reconcile with some of the evidence at hand. In the last chapter's closing section, we argued that the post-1944 disputes on industrial viability – however distorted by political antagonism – emanated from differences in the underlying theoretical frameworks. For its part, the

¹ In parallel to chapter 2, the term "mainstream" is used here to denote a large portion of the ideological and theoretical spectrum; it is mainly juxtaposed to the views expressed by Left (not even centre-Left) intellectuals, which are discussed mostly in chapters 5 and 9.

² Announced on June 5th, 1947, the Marshall plan was signed into law by Truman on April 3rd, 1948, whilst operations began formally in July. Milward (1984), Hogan (1987) and Griffiths (1997) constitute classic references in this literature (see also, Burke 2001), whilst anyone interested in the Greek experience with US aid, could turn to Σταθόκης (2004) and Βερόπουλος (2007).

explain the rise in industrial optimism?

deus ex machina story seems to detract from the role of ideas and attribute the rise in industrial optimism to a change in material circumstances. Yet Zolotas's earlier arguments had been supposed to hold "whatever the size of aid given to us from abroad" (Ζολώτας 1945: 12). Back in 1944-46, aid had not been a sufficient condition for industrialisation, nor had the influx of foreign capital been ruled out by Greek authors. In fact, it had always been taken for granted that large-scale capital injections (whether in the form of war reparations, loans, or financial aid) would soon be taking place, not least since there was a widespread conviction that the "world owed Greece a living" (Lykogiannis 2002: 53). The reality of contemporary aid receipts vindicated this conviction: surprisingly perhaps, Greece received its largest annual injection of aid (\$520 million) in 1946, i.e. a whole year prior to the arrival of the *deus ex machina* (Σταθάκης 2004: 121)!

The *deus ex machina* disappears ...

Yet even if we were to accept Zolotas's explanation in 1948, how would this account for what happened a couple of years later? The *deus ex machina*, after all, proved a much lesser god than originally imagined. Original estimates of aid figures were soon disproved, and only a fraction of the total aid was ultimately channelled to reconstruction – as most funds were used to cover public consumption expenditures (food imports, refugee relief, civil war damage reparations, etc.). What is more, the outbreak of the Korean war and the shift in Marshall plan priorities (Hogan 1987: 380ff), led to heightened efforts for a speedy American disentanglement from Greece. Further cut-backs were made to an already much-curtailed reconstruction plan, and most attention was devoted to stabilisation. With the exception of some parts of the electrification program and a handful of loans, industrialisation was largely left on paper. Meanwhile, the country was sinking in its first post-war recession, as fiscal retrenchment sought to stabilise the currency and rid the budget from American crutches³.

... but industrial optimism lingers

If the post-1947 optimism was due to foreign aid (or the promise thereof) we'd expect economists to reverse their estimates once the actual magnitude and uses of Marshall aid became apparent. On the contrary, however, our survey of the literature reveals that after 1947, hardly anyone questioned the country's development potential any more; and that this development was never interpreted as anything short of far-reaching industrialisation. Thus, at the trough of the 1952 slump, the conspicuous Mr. Kouvelis himself, would go as far as to proclaim that:

industrialisation is still today, much as it was four years ago, the invariant design for all long-term solutions – industrialisation as the only way to break out of the vicious circle that low productivity and population pressure create in this country. (Κουβέλης 1952a: 13)

Note how overpopulation and low productivity – once the cornerstones of the 'poverty of land' thesis now seemed to *justify* the imperative for industrialisation. The diagnosis didn't change, but the prescription did. In fact, the success of this prescription was henceforth predicated on the availability of an abundant and low-wage labour force (more on this later). Industrialisation was thus *predicated* on the very overpopula-

³ This was the Kartalis stabilisation of 1951/2, which took a heavy toll on real wages and investment, but ultimately succeeded in bringing down inflation. The subsequent Markezinis devaluation (1953) marked the end of Greece's post-war monetary adventures – see Σταθάκης (2004: 359, 396); cf. Candyliis (1968: 52ff) and Freris (1986: 134ff).

An intellectual
victory for the
Left?

tion/poverty that had once constituted its principal impediment! This cannot be just a reaction to material circumstances; it is a change in world-views, a change in outlook.

Left-wing authors would argue that this change was brought about by their own vigilance and *élan*. To them, American aid was just another manifestation of the foreign imperialism that was responsible for Greece's underdevelopment in the first place. The *bourgeois* acknowledgement of Greece's industrial potential – however erroneous in its details – was an intellectual victory scored by left-wing science, which had exposed the falsehood of viability concerns⁴. Whereas Zolotas and his colleagues were reluctant to acknowledge any intellectual influences (especially if they might have come from the Left), Marxist authors went to the other extreme, dismissing the role of foreign aid and assuming full responsibility for the change. Whilst the tenacity with which the Left had been championing for industrialisation since the 1930s cannot be disputed, the trouble with this explanation, is that it doesn't account for the *timing* of the shift: why was the economic world 'convinced' in 1947/48 and not before?

Influencing not
the economy *per se*, but the dis-
course on the
economy

This is where the Truman doctrine and the Marshall plan re-enter our story, but not in the conventional fashion. For whereas much has been written about the magnitude and uses of aid, or the policy interventions of foreign missions to Greece, their role in influencing the conception of the economy – rather than the economy *per se* – has been largely overlooked. In our introductory chapter, we made reference to the independent explanatory power of ideas in history, particularly in times of crisis and uncertainty, when ideas act as the perceptual lens through which agents grasp the operation of the economy and their own interests within it (Goldstein 1993: 3; Blyth 2002: 30ff). Throughout the 1944-1967 period, if there was ever a time of widespread alarm and economic uncertainty in Greece, a time when the premium on advancing new economic perspectives was maximised, these would be the years immediately after the 1944 liberation. The post-1947 disappearance of viability concerns and the concomitant emergence of the development consensus – whilst certainly imbued with a strategic and political dimension as well – essentially involved a fundamental shift in perceptual frameworks. American aid missions played a key role in stimulating this transition, both by expediting and helping to give shape to the indigenous development consensus (Kakridis 2009).

Foreign transmission – domestic reception

The size and in-
fluence of US
missions to
Greece

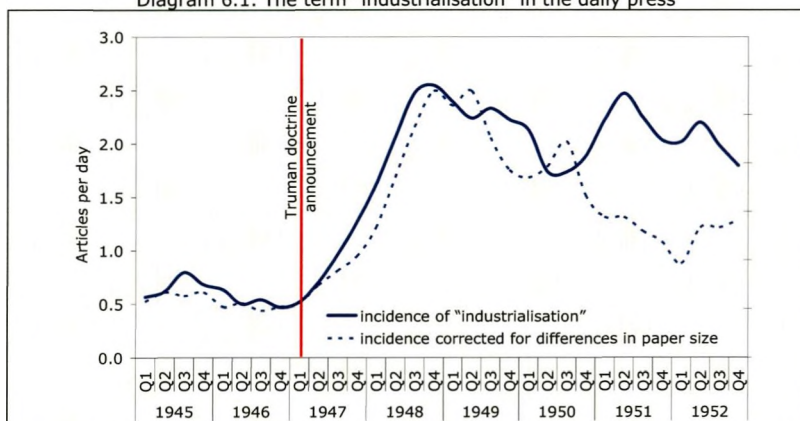
By the standards of other European countries, foreign missions to Greece were both uncharacteristically powerful and unusually large. With a foreign civilian personnel in excess of 200 (and roughly three times as many Greeks), the *European Cooperation Administration* in Greece (ECA/G) was the single largest national mission in Europe (Machado 2007: 70-1). Alongside embassy personnel, these people interacted with Greek officials, politicians and bureaucrats in various echelons of the administration on a daily basis. We've already mentioned the significance of the ERP in promoting

⁴ To this day, the notion that Left almost single-handedly defeated the "poverty of land" thesis comprises a crucial aspect of the Greek Left's self-image – see Μαυροειδής (1999: 441).

post-war developmentalism and the ideology of modernisation (section 2.1); we've also discussed the importance of the micro-processes of personnel interaction and 'acculturation' in promoting the diffusion of ideas (section 3.3). Evidence of this such influences did not take long to appear in the Greek economic discourse.

'Development' & 'industrialisation' 'poverty of land' and "viability" from the vocabulary of centrist and right-wing politicians and intellectuals. Before long, it was trickling into public discourse. As a case in point, [diagram 6.1](#) plots the incidence of articles containing the word "industrialisation" in one of the largest contemporary newspapers, *Eleftheria*. Note how references take-off immediately after the announcement of the Truman doctrine and peak sometime toward the end of 1948.

Diagram 6.1. The term "industrialisation" in the daily press*



* The e-fimeris database was used to search a total of 227,748 articles published in the centrist daily *Eleftheria* for the word «εξβιομηχάνισις» and its derivatives. The choice of newspaper reflects technical constraints imposed by the database, though results are consistent with informal evidence from economic journals and other large-circulation papers.

Source: Author calculations drawn from National Library e-fimeris database (<http://www.nlg.gr/english/diefimerides.htm>).

Industrialisation part of US mission's plan for Greece

No doubt, part of the sudden hype surrounding industry was little short of propaganda. Nevertheless, a closer look at key policy texts, including confidential reports and private memoranda, confirms that there was more to it. Both the contents of the widely publicised *Porter Report*⁵ and the documents circulated within the foreign administrations – particularly during the first years of the ERP – suggest that a substantial number of mission members were congenial to Greece's industrialisation. This attitude – which was quickly forgotten when aid was curtailed and the US opposed plans for some projects (Νικολαΐδης 1954) – was hardly at odds with their intellectual background. Several senior American officials had all been ardent New Dealers, some with direct administrative experience within such agencies such as the TVA or the *National Reconstruction Administration* (NRA) (see Βετσόπουλος 2007: 359ff). Contrary

⁵ Drafted by US government envoy Paul A. Porter during his preparatory trip to Greece between January and February 1947, the Report was a milestone in US policy toward Greece. With respect to development, the Report embraced industrialisation, arguing in fact that industry (which included heavy industry) was necessary to provide employment and foreign exchange, diversify exports, and stimulate agricultural productivity (see Σταθόκης 2004: 153ff; Thomadakis 1988: 30-1).

to popular perception, many of them genuinely believed Greece's future to lie in the course of industrial progress; they believed that Greece could be transformed into a miniature US, a country-wide *Tennessee Valley Authority* perhaps, with its dams, hydroelectric plants, industrial complexes etc.⁶ Of course, ever since the *Porter Report*, most agreed that this would be a drawn out process, and one not to be financed by the American tax-payer (Σταθάκης 2004: 156).

Other sources of foreign acculturation
 In any case, the Truman doctrine and Marshal plan did not entail the mere transfer of funds, but the exchange of ideas as well. Of course, by the time Americans had entered the scene in 1947, various foreign agencies had already been active in the country for several years. Agencies such as the *United Nations Relief and Rehabilitation Administration* (UNRRA) and the *Food and Agriculture Organisation* (FAO) had published highly influential reports on Greek economic development, each emphasising the country's natural resources and development potential (FAO 1947; UNRRA 1948). More generally, inasmuch as the ERP was part of a broader sequence of international initiatives and institutions, it may be hard to disentangle its individual effects on any one country or policy area; as one historian recently observed, "there are simply too many variables" (Machado 2007: 33). Nevertheless, American missions to Greece did constitute one of the chief sources of foreign influence. What is more, let's not forget the ERP's role in galvanising Europe's political elites in to action. Two weeks into his visit to Greece in 1947, Paul A. Porter would make the following entry in his journal:

It is becoming increasingly clear that one of the main obstacles we'll have to overcome is the fatalism of several educated Greeks. (Ψαλιδόπουλος and Βρετός 2006: 124)

Replacing fatalism with optimism certainly was one of the Truman and Marshal aid's principal contributions in Greece as well.

From transmission to reception
 We must be careful, however, not overstate our case. American attitudes toward Greek industrialisation were far from uniform, whether across mission departments or through time. Many American advisors were reserved in their appraisals, and became even more so as the plan's deadline loomed ahead (L.S. 1949: 2; Σταθάκης 2004: 330ff). On a more general point, one could ask why this *particular* constellation of ideas was 'picked up' in Greece – when others were not. After all, US experts were equally keen to promote fiscal retrenchment, administrative modernisation, better farming techniques, and freedom in intra-European trade; none of these ideas was received as warmly and rapidly as industrialisation. To the historian of ideas, the answer comes easily – reception also matters (Spengler 1970: 146ff). Which naturally begs the question: who was on the receiving end in Greece?

Reception matters: inter-war trends
 Industrialisation and developmentalism in post-war Greece would not have flourished as rapidly, if their seeds had not been planted in intellectually fertile soil. Ever since the inter-war years, Greece's economic discourse had drifted away from the 19th century liberal, agro-merchant orthodoxy, and had become much more congenial to notions of state intervention, industrial rationalisation and development.

⁶ See William M. Rountree – Truman library oral history interview (Missouri, 05.05.1964), pp. 15-16. In a statement indicative of the American perspective, the correspondent for the prominent US magazine, *The Reporter*, called the recovery plan "a little TVA for Greece" (L.S. 1949). The comparison between ERP electrification and the TVA was neither entirely amiss, nor unique to Greece – cf. the similar story of Austria's *Kaprun* power plant (Rigele 2000).

Reception mat- Whilst some have argued that policy-makers kept championing industrialisation
ters: cognitive because they wanted to keep receiving American aid (Σταθάκης 2003: 364), I would
lock-in also add that they had no alternative. More appropriately – since this is a book about
the history of economic ideas – I’d argue that they could *think* of no alternative. To put
it bluntly, I believe that by 1950 it was no longer *theoretically conceivable* to embrace
any of the old doctrines: whether that be 19th century liberalism, agrarianism or any-
thing of the sort. Economic development was the order of the day; and this order was
increasingly visualised as a process of state-guided (but market based) modernisation,
with industrialisation posing as modernisation par excellence. This formed the heart of
the emergent theoretical consensus both abroad and in Greece, and the role of the
Marshall plan in establishing this consensus should not be overlooked.

Reception mat- On the other hand, our emphasis on the intrinsically theoretical nature of the
ters: politics as a sudden reversal in attitudes toward industry, should not be taken to suggest that vi-
catalyst for the ability debates lacked a political dimension. Much like the *transmission* of growth opti-
spread of devel- mism to Europe through the ERP was not left untouched by the simmering cold war
opmentalism tension, *reception* in Greece was conditioned by the civil war. It is common knowledge
that “viability” and “industrialisation” were used as weapons on the political battlefield,
thus contributing to the rapid spread of developmentalism as a neutralising agent
against communist rhetoric. In chemical terms, we might say that the civil war acted
as a political *catalyst* that accelerated a reaction involving both pre-existing and new
theoretical compounds.

Reception mat- Furthermore, I would add that politics and propaganda ‘locked’ Greece’s eco-
ters: political vi- nomic discourse into a particular course. By using the debate on development and in-
ability and politi- dustrialisation as weapons in the civil war, both sides had narrowed down the room for
cal lock-in future intellectual manoeuvres. To use a term coined by Peter Hall, in his famous
treatment of the spread of Keynesian ideas (Hall 1989a: 366), I would say that it was
no longer “politically viable” to suggest that the country was industrially non-viable.
To return to our chemical analogy, we could say that the political and propagandist
facets of the industrialisation debates ensured that the reaction was *unidirectional*,
that it would be impossible to return to fatalism after confidence in industry had been
proclaimed. Thus, though not necessarily the prime instigator of the shift from fatalism
to optimism, the Left may have been chiefly responsible for the *persistence* of the new
consensus. Marxist authors’ relentless critique ensured that the commitment to indus-
trialisation would remain at the heart of the development discourse. Throughout the
1950s and 1960s, the very terms “viability” and “poverty of land” became a taboo.
Greece was rich in natural resources, viable and on the road to industrialisation; woe
to anyone who dared suggest otherwise – see [section VI](#) in this chapter.

Reception mat- Whilst certainly dominant, the division between Left and Right was not the *only*
ters: the role of one relevant to the shaping of Greece’s post-war development discourse. Previous
engineers chapters have also discussed the role of engineers, a young and ambitious professional
group raised in the spirit of technocracy and modernisation, and interested in reinforc-
ing its professional clout. As we have argued at length in two separate papers (Kakridis

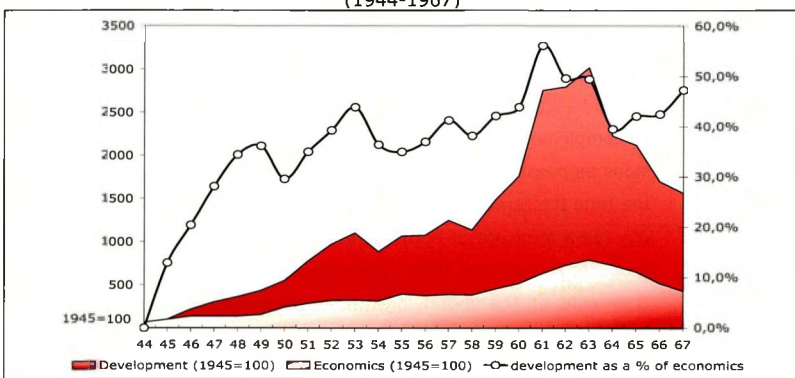
2009; Kakridis and Kostis 2009), an important, but hitherto unmentioned aspect of the Marshall plan in Greece was that it empowered the engineering community by placing it at the forefront of the reconstruction effort. Thus, early Marshall plan administrations in Greece not only helped the rapid dissemination of industrialism, but also imbued the vision of development with an allegedly a-political and technocratic aura – one which persisted long after engineers were replaced by economists in the charting of development policy.

II. Economists and emergent development consensus

A surge in economics: a view from the journals

Slowly but steadily, the post-war period witnessed the rise of the professional community of economists, whose roles in academia, policy-making and public administration are gradually upgraded. University departments grew and staff was added to policy units at ministries and the Bank of Greece. New journals came into circulation whilst several economic societies and think-tanks appeared on scene, organising conferences and publications (cf. [chapter 3](#)). Using our journal database to go back to the pre-1947 period, we find a meagre output of 8 articles (200 pages) *per year* during 1944-7. Over the next decade, an average of 27 economic articles (506 pages) would be published in academic journals every year, a figure which barely compares to the intellectual output of the 1960s, when 52 articles (1,020 pages) are published annually in the *Review*, the *Archive* and *Spoudai* together.

Diagram 6.2. Economic articles and articles on economic development* (1944-1967)



* Data based on page counts; three-year moving average smoothing implemented.

Source: Author calculations based data from Σπουδαί, ΑΟΚΕ and ΕΟΠΕ journals (see appendix A)

A surge in development economics: a view from the journals

This surge in economic output is still modest in comparison to the staggering increase in articles devoted to economic development. [Chart 6.2](#) shows the relative evolution of pages devoted to economics and development economics (1945 is the base year). The share of development-oriented articles in economics rises almost monotonically between 1945 and 1961, remaining steadily above 30% after 1948. The late 50s – early 60s witness the greatest upsurge in development-related publications, whilst

the drop in output after 1964 is consistent with the decline in CPER-related publications (as many of its first generation of scholars become absorbed elsewhere), as well as the uncertainty preceding the 1967 junta.

“Economic development” becomes a buzz word In full alignment with international experience, development economics in Greece was a post-war phenomenon: the sheer volume of theoretical work produced on the matter in the fifties and sixties far exceeds the humble crop of previous decades. This transition was followed by a change in economic terminology, as the term “development” was established. Of course, the term was not entirely absent from inter-war texts⁷, but ‘reconstruction’, ‘stabilisation’ and ‘viability’ were in much greater vogue. Though occasionally used by left-wing authors in the mid-1940s, only after 1948 did ‘economic development’ become common currency in mainstream economic discourse: its first appearance in an article *title* took place in 1952, in the *Review*⁸; its author was no other than the barometer of Greek economics – Xenophon Zolotas. From then on, ‘development’ became the buzz word of the time⁹.

A semantic point? Again, this is not a purely semantic point: like ‘viability’ before it, ‘development’ was a term implanted with a particular set of complementary axioms and beliefs about the functioning of the economic system. Like ‘viability’ before it, its use became a shorthand for a host of core values, ideas and beliefs embedded in contemporary economic discourse. As such, ‘economic development’ was a child of its time, a term encapsulating the common ground shared by a community of economists, politicians and policy-makers.

Converging toward a common notion of “economic development”

A common notion of development and its constituent parts Economists were fully aware of the multifaceted nature of development: when given the chance to discuss terminology in depth, most rushed to explain how development entailed a rise in both material *and* cultural standards, and proposed a long list of complementary indicators (health, education, welfare) to capture as many dimensions as possible¹⁰. Nevertheless, such theoretical endeavours were rare, and most of the time the term was approached in more conventional terms, such as per capita output (as a measure of both welfare and productivity) or the share of industry in total product. This did not reflect idleness or a lack of sophistication, but the existence of a consensus on the underlying theoretical framework. Such shortcuts were possible because they invoked a host of shared beliefs. The three principal constituent parts of this common framework were: **(1)** modernisation [=industrialisation]; **(2)** an emphasis on capital accumulation (with the capital constraint often seen as the primary bottleneck); and **(3)** state intervention.

⁷ Λοβέρδος (1922) uses it in his article, whilst Zolotas (1926) often speaks of “industrial development”.

⁸ The term had also appeared on the cover of the *Review* a year earlier, when the journal featured a translation of the famous 1951 UN report on *Measures for the Economic Development of Underdeveloped Countries* (see [chapter 2](#)).

⁹ A cursory glance at a dozen dictionaries and encyclopaedias published between the late 19th century and the 1960s revealed that ‘development’ (ανάπτυξη) was never given an economic interpretation by contemporary lexicographers. Its economic dimension was probably subsumed under its broader meaning of growth, expansion, improvement etc.

¹⁰ E.g. Μαρμαράκης (1956), Angelopoulos (1953: 181ff) – see also the translation of a foreign paper discussing the weaknesses of various development indicators, as published in the 1962 issue of the *Review*.

Summarising the development consensus In a nutshell, the consensus on economic development envisioned a process of state-aided modernisation, i.e. an accelerated transition from tradition to modernity, guided by the visible hand of the state, albeit within the overarching framework of a market economy. Modernisation was perceived as a process of structural transformation. Industrialisation being an economy's structural change *par excellence*, industrial growth became an integral part of the shift to modernity. Such growth may have required not only capital, but also human and natural resources and sufficient market outlets, but most attention was devoted to the process of capital accumulation. The domestic potential for accumulation was seen as the primary bottleneck faced by backward countries like Greece and much ink was spent on measures to procure the savings and foreign exchange necessary to finance large-scale investment.

International parallels and national politics All of these themes are familiar to the reader of chapter 2. National idiosyncrasies aside, Greek development economics converged to the same set of core propositions about economic progress, that were currently occupying the centre stage in the international development discourse. Thus, they converged to a structuralist argument for modernisation, where the road to modernity was paved with capital accumulation and required state guidance and planning. In further parallel to the international experience, many of these propositions would soon become rhetorical devices in the hands of politicians and policy-makers, who would employ them to legitimise their authority and allay popular frustration with the economic – not to mention the political – hardships imposed on post-civil war Greece. Unfortunately, the absence of thorough research on the post-war economic *policy process* undermines our ability to trace the exact limits between rhetoric and genuine policy commitments, but few would dispute the important political dimensions of Greece's development discourse¹¹. Returning to the realm of economic *theory*, the next three sections discuss each component of the aforementioned consensus in greater detail.

¹¹ For an argument leaning heavily on the legitimising and rhetorical function of the development discourse in Greece, see Σταματόπουλος (1989). Interestingly enough, the author treats the Left's post-war bid for power as critical in uniting the *bourgeoisie* in what he calls a "common power strategy", whose main components were industrialisation and modernisation of the capitalist state (pp. 89ff). Nevertheless, Stamatopoulos doesn't offer a detailed survey of how this strategy was mirrored in actual policy-making.

III. Development as economic modernisation: industrialisation

Conceptualising underdevelopment In our introductory survey of the international development discourse, we discussed how the structural juxtaposition between tradition and modernity lay at the heart of most post-war development literature. Greek economists demonstrated a similar keenness to visualise development as a linear process of transition from one state to the other, and identified the main characteristics of progress and backwardness antithetically. In tracing their views, we could thus start in similar fashion, turning first to the concept of *underdevelopment*.

Conceptualising underdevelopment and modernisation

Agrarianism, surplus labour, overpopulation and underemployment Agrarianism figured prominently in discussions of Greece's underdevelopment. What is more, the country's economic problem was often defined in terms of overpopulation; Kouvelis in fact had made explicit references to the "Malthusian spectre" (Κουβέλης 1952a: 15). Originally, overpopulation was interpreted as an unfavourable land-to-labour ratio¹², but capital-to-labour quickly gained ground as well. The notion of *surplus labour* was systematically invoked to forge the link between agrarianism and overpopulation, which dominated Greek development thought for several decades. A large portion of the agricultural population was believed to be underemployed, with estimates usually ranging between 30% and 40% of the rural labour force¹³. Following conventional practice, most economists believed these labourers to have zero – if not actually negative – marginal products¹⁴, their predicament being responsible for emigration, low savings, the narrowness of the domestic market – not to mention the "canker of parasitism" (Δαμαλός 1956) which bloated the tertiary, urban sector (e.g. public sector overstaffing). In line with the emergent international literature¹⁵, industrialisation was increasingly seen as the only genuine solution to the problem of underemployment, although Malthusian calls for moral restraint were also heard at times¹⁶.

Psychological and idiosyncratic constraints: the cultural backwardness of traditional societies The bipolar distinction between tradition and modernity wasn't purely material, but extended to the cultural and psychological sphere. Underdeveloped societies lacked key values such as the drive for modernity, civic responsibility, ambition etc. and were plagued by adverse psychological traits like indolence, individualism and impatience. Greek intellectuals were well aware of this line of argument, but neither the potency of the Christian-Orthodox tradition (which idealised the simplicity and poverty of rural life and preached a disdain for the material world), nor the belief in Greece's

¹² "The problem stems from the shortage of cultivable land and the high rate of population growth" (Στεφανόπουλος 1951: 31).

¹³ Alternative estimates speak of 117 day's wages lost per worker every year (Γεωργαντάς 1952), one million of virtually idling workers (Κομινός 1962b) or 300 million days of work wasted (Δοξιάδης 1959). Rural underemployment is also matched by urban unemployment and parasitic employment, usually estimated around 20% (Χαλκιός 1958: 14).

¹⁴ See the dire observations of Κανελλόπουλος (1961d): "underemployment is particularly acute in agriculture and services. In either of these sectors, the marginal productivity of labour is negative" or Δαμαλός (1954: 135): "it is thus certainly possible to remove about 40% of the rural population from its current employment and have the same level of production, perhaps even a higher one".

¹⁵ Thus, for instance, the Lewis model was generally acknowledged as an important influence, especially amongst the younger generation of economists; interview with Adamantios Pepelasis (Psychiko, 20.10.2005).

¹⁶ "People must understand, that it is impossible for each Greek to play the role of a breeding machine and have six or eight children, in a country where there is such a surplus of population" (Δαμαλός 1954: 146).

rich cultural heritage, allowed much scope for derogatory comments. When referring to the population as a whole, most authors either avoided the subject altogether, or praised the 'self-restraint', 'ingenuity' and 'resilience' of the masses. Interestingly enough, on the few occasions when negative attributes such as sloth or individualism were ascribed to Greeks *in toto*, these were treated as 'Oriental influences', remnants of Ottoman rule. Commenting on the beneficial effects of EEC accession, one author thus hoped that this

would mobilise Hellenism, thus purging it from an exogenous element, oriental indolence and the depreciation of time. (Κανελλόπουλος 1961e; cf. Βαρβαρέσσος 2002 [1952]: 88-90)

Of course, by bundling together and ascribing such traits to an exogenously defined, primeval state of 'backwardness', such interpretations eschewed the country-specific structural, financial or political factors that might support – if not rationalise – these behavioural patterns (e.g. existing networks of patronage, uncertainty and arbitrariness of the institutional framework). Left-wing writers were in an equally uncomfortable position: they could increase the number of culprits to include such agents as the Orthodox Church (e.g. Γρηγορογιάννης 1959a), but were less free to express their views on the traits of the peasantry. Interestingly enough, both sides appeared equally confident of the superiority and desirability of the end-goal of 'modernity' – even though this was never discussed explicitly.

The psychological shortcomings of the entrepreneurial class

There was one segment of society, however, whose behavioural and cultural shortcomings were frequently discussed: merchants and industrialists. One doesn't need to turn to Marxist authors to find acerbic statements accusing most businessmen of being timid, selfish, unscrupulous and profiteering. Kyriakos Varvareσσos for instance, whose bitterness at the reactions against his 1945 'experiment' hadn't subsided when he wrote his famous *Report on Greece's Economic Problem* in 1952, had no kind words to spare for the entrepreneurial classes. Under the influence of CPER and its strong links with foreign-trained academics, the integration with international theories on the matter became even stronger: in 1962, Pepelasis wrote a paper on the 'Socio-cultural Factors Influencing Economic Change', whilst two years later, Alec Alexander published his analysis of Greek industrialists, which was set explicitly within the tradition of Parsonian 'pattern variables', McClelland's 'N-achievement' and Hagen's 'withdrawal of status respect'.

Similarities to the poverty-of-land thesis

In any case, whether one looks at beliefs on Greece's overpopulation, agrarianism or cultural backwardness, the similarities between the conceptualisation of underdevelopment and the poverty-of-land thesis are hard to miss. Nevertheless, after 1948, these shortcomings were no longer seen as threats to economic viability but as incentives to modernise. This lends further credence to our argument that the shift from viability angst to the development consensus was more of a change in perceptions than a change in underlying material circumstances.

From underdevelopment to development: modernisation/

Against this background, development was conceptualised as the transition to modernity, a structural transformation toward the modern (and implicitly Western) archetype. In economic terms, this transformation was generally subsumed under the process of industrialisation, which signified the structural transformation *par excellence*.

industrialisation Virtually every Greek economist after 1948 converged on this interpretation of development. Whilst giving the first lecture at the *Economic and Political Sciences Alumni Club* in 1953, Eustratios Panas would take it almost for granted that:

The concept of economic development is derived from the definition of an economically under-developed country. It means raising a country's living standards of a country by applying an increasing volume of available capital per worker. (Πανάς 1955: 188)

Structural transformation Development, as Panas went on to explain, was primarily a *structural* process. Within the mainstream economic discourse, this structural transformation embraced several aspects of economic and social life: production, employment, expectations, habits, values etc. Production had to shift from agriculture to industry, with the tertiary sector following at a later stage¹⁷. Employment was expected to follow suit; the Lewis model relied heavily on the absorption of agricultural surplus labour in industry, and Greek economists expressed similar hopes¹⁸. Changes in popular mentality and values (entrepreneurial spirit, marginal propensities to save etc.) were by far the trickiest to orchestrate, but most economists associated modernisation with the prevalence of 'superior' values and habits congenial to capitalist development¹⁹.

Within a few years from the publication of such gloomy pamphlets as Zolotas's *Greece Must Become Viable*, a new development consensus had taken shape: industrialisation was no longer seen as impossible or unsuitable for Greece's small, agrarian economy; on the contrary, it had become both absolutely *necessary* and *entirely feasible*.

On the necessity and feasibility of Greek industrialisation

On the merits of industry vs. agriculture On line with the international development discourse, the benefits of industrialisation were usually defined in contrast to the drawbacks of agrarianism. Industry would absorb the scores of surplus labourers who depressed rural incomes (and savings) and fuelled urban parasitism and emigration. Furthermore, manufacturing was largely insulated from weather shocks and was not subject to the strong diminishing returns faced by agriculture²⁰. What is more, development entailed a substantial increase in productivity and income and "it goes without saying that no intensification of agricultural production can ever fully attain these objectives" (Κουβέλης 1952a: 13), not least because Engel's law imposed further limits on the demand for agricultural products (see also Δαμαλός 1950: 167ff).

External economies and industry A much more interesting and novel line of defence for industrial progress could be subsumed under the general heading 'external economies', in clear testimony to

¹⁷ Konstantinidis offers one of the best formulations of the modernisation thesis in terms of production structure, making special reference to Colin Clark's research. He concludes by quoting another economist, George Loukopoulos: "the only appropriate measure of success for Greek economic development is structural transformation which entails industrialisation" Κωνσταντινίδης (1963: 248).

¹⁸ Αγονητιδής (1959) for instance presents a host of statistical evidence on employment characteristics in Greece and abroad, constantly contrasting the data of underdeveloped and industrial nations.

¹⁹ Zolotas was one of the authors paying great attention to matters of public sentiment and mentality and often referred to the need to increase popular commitment to the development ideal (see Zolotas 1965).

²⁰ See for instance Δαμαλός (1950: 167ff) or Ευελινδής (1954), who in the inter-war period had already quoted Cassel's *Traite d'économie politique* to argue that "whilst industrial production is subject to cyclical crises, in agriculture, it is atmospheric conditions that play a leading role" (Ευελινδής 1931: 147).

Greek economists' awareness of the theories of Rosenstein-Rodan, Nurkse and others. As early as 1950, Vassilios Damalas would praise the role of industry, for:

Industrialisation radically transforms the structure of the economy as a whole. Since this beneficial effect stems from the foundation of various industries, it must be credited to the assets of such enterprises, under the name external or structural economies. (Δαμαλάς 1950: 166)

Industry was thus expected to disseminate technical expertise, create all-round multiplier effects that would spread across several other sectors, promote national defence (Δαμαλάς 1956; 1957) and even bring about the moral and intellectual betterment of the population²¹. In light of this new theory, old disputes on the relative productivity of industry vs. agriculture had been beside the point: given sufficient social returns, even industrial projects of low internal productivity could still be salvaged. Revealing her familiarity with the international literature, Athi Papanikolaou thus wrote on 'cumulative causation' and favoured industrial over agricultural development, for:

Though agricultural investments are sometimes extremely rewarding and the relationship between invested capital and additional output is quite favourable, even in the smallest of projects, agricultural expansion has the principal drawback of not generating external economies; thus such investments are not capable of setting the cumulative process in motion, to which advanced countries owe their modern levels of prosperity. (Ποπονικόλου 1962: 101)

Basic industries
and investment
priorities

Not all industries were equally capable of generating large-scale external economies, or providing the desirable inter-sectoral linkages and multiplier effects. In a further parallel to their ideological adversaries of the Left, several mainstream economists acknowledged the importance of heavy industry in pump-priming the development process²². Given the political connotations of the 'heavy industry' slogan, however, they had to be creative in their use of terminology: the term 'heavy' had to be avoided at all costs, and 'basic' became the politically correct substitute:

When I say industrialisation, I do not mean heavy industries. The land is not appropriate for them. But I don't mean light industries either. I mean the so-called basic industries, those based on raw materials produced domestically, which shall naturally function as a kind of solid trunk, from which various derivative, secondary industries shall be derived and on which they will base their activity. (Στεφανίδου 1951: 7)

Wordplay aside, basic industries included energy production, mineral processing, fertilisers, metallurgy, cement, etc. and were consistently defined as using domestic raw materials and providing the footing for other sectors – including 'light industry' (Αγανητίδης, Σ. Ι. 1952: 117; Καραβίδας 1957). On the other hand, compared to their colleagues of the communist Left, mainstream economists were much more equivocal in their prescribed investment priorities. Whilst acknowledging the importance of basic investments, several authors would call for greater emphasis to be placed on consumer staples – to ensure an adequate domestic market, export-oriented or import substituting manufacturing – to improve the balance of payments, or labour-intensive industries – to maximise employment and economise on capital²³. As younger scholars entered the community in 1960s, articles on investment criteria started tracking the

²¹ An argument first attributed to List, and reproduced in Greece by authors such as Τσουτρέλλης (1958: 11). Cf. the contrary view expressed by inter-war fascist authors on the moral/social superiority of agriculture, which produced "morally superior and more conservative elements, thus creating the necessary counterbalance to the degeneracy and excessive radicalism of large industrial centres" (Στεφανίδης 1938: 5).

²² Remember how the post-1947 Zolotas proclaimed that viability henceforth presupposed "the undertaking of large scale hydroelectric, ore- and lignite-extracting [...] works, as well as the creation of new industries" (Ζολώτας 1948: 16). For explicit theoretical arguments linking heavy industries with development, see, *inter alia*, Χαλκιάδου (1947: 200; 1958: 173), Γεωργαντάς (1959: 190) and Γερωνυμάκης (1963: 91).

²³ Χαλκιάδου (1947; 1958), Κουβέλης (1952a), Χαλκιάς (1958; 1960) and Δαμασκηνίδης (1959) are indicative of a set of arguments quite common to contemporary texts.

foreign literature more closely²⁴. Nevertheless, apart from a consensus on a set of key (often energy-related) investments, a survey of the discourse on sectoral priorities reveals considerable ambiguity and confusion amongst most mainstream economists.

Industry vs. agriculture?

Despite the role ascribed to industrialisation in development, mainstream economists, much like many of their colleagues abroad – not to mention Batsis and his comrades – were loath to dismiss agriculture altogether. In fact, one of the most frequent arguments *in favour of industrialisation* hinged on its beneficial implications for agricultural development. Zolotas had expressed his confidence in the mutually reinforcing relationship between industry and agriculture as far back as 1926, and continued to return to the subject from time to time²⁵. Scholarly articles were written and lectures were delivered bearing such titles as 'Agricultural or industrial development?' or 'Agriculture and industry in modern long-term development plans'. Each time, lengthy paeans to the virtues of industry were followed by cautious statements guaranteeing the non-rivalrous nature of agricultural and industrial development²⁶. In Greece, the term 'balanced growth', used internationally to denote the parallel evolution of different manufacturing sectors, was systematically taken to mean harmony between industry and agriculture. Rostow's sole appearance in domestic academic journals came in 1965, when a text bearing the title 'Economic development without agriculture is impossible' was translated for the *Spoudai* (Vol. ΙΣΤ(2)). Addressing the students at the *Piraeus Gradual School of Industrial Studies* in 1951, Sotirios Agapitidis, would aptly summarise the consensus on the matter:

It is far from true, what is sometimes said, that industrial development progresses at agriculture's expense. On the contrary, both agriculture and industry need to be promoted. They are not mutually conflicting, but complementary. Farmers' disposable purchasing power is channelled into industry, which supplies agriculture with manufactures, both production means and consumables. Industrial development may reduce rural living costs and agricultural production costs. What is more, thanks to industry, the rural population attains higher levels of cultural development, e.g. through electrification works. (Αγωναρίδης, Σ. 1952: 117)

Though academically impeccable, these statements were hardly profound and had little to contribute to actual development policy. Greece had a much longer tradition of public works and policy interventions in agriculture than in any other sector. The risk of too much attention being diverted to industry was minimal; if anything, the country suffered from administrative ineptitude and lack of political resolve across the board, rather than an undue allocation of its resources between sectors. In this perspective, the recurring comments on the mutual benefits between industry and agriculture may have mirrored a portion of the international development debate, but were hardly pertinent to the Greek experience. To some extent, the same applies to the extensive debate on investment priorities, which was poorly integrated into either

²⁴ It was thus that you would have authors discussing the relative merits of the marginal social productivity (MSP) and re-investment quotient rules (Πανελάδης 1962), or the correct way to use input-output matrices to measure the true cost of capital (Λόζορης 1960) – see also Δεβλέτογλου (1962), Παναγοστασίου (1966), Μαλινδρέτος (1964).

²⁵ The main points raised concern the use of agricultural raw materials as inputs and the role of agriculture in absorbing manufacturing output. In his 1926 dissertation, Zolotas concludes that "after all, industry and agriculture are two sectors whose interests are not opposite to one another, but coincide" (1926: 41). In a paper written in 1960, he restates his case with greater vehemence: "those who identify economic development with industrialisation are utterly wrong. No serious economic development can be attained without intensive agricultural development" (1960: 10-11). Cf. Ζολώτας (1948: 27), which criticises early development programs for their excessive attention to agriculture (vs. industry).

²⁶ To quote from the two documents just mentioned: "Thus, there appears no reason why economic policy should face the dilemma, industrial or agricultural development? Economic development presupposes growth in both sectors" (Λιβιερόπουλος 1959: 99). Κολάφρης (1957: 10) in turn seeks to sketch out the "the emergence and analytical justification for the simultaneous and balanced development of agriculture and industry in long-term development programs".

Greek development planning, or the design of the country's credit policy (more on this in [section 8.3](#)).

Industrialisation and foreign trade Returning to our survey of the industry-related aspects of the Greek development discourse, several of the pro-industry arguments found in the literature revolved around foreign trade. Industrialisation substituted costly imports and economised on foreign exchange, whilst simultaneously averting the exploitation of domestic natural resources by foreign enterprises²⁷. This last point, which belonged to a family of inter-related theories of 'unequal exchange', is not only reminiscent of the Left's arguments on dependency, but serves as further testimony to Greek economists' alignment with the contemporary trends in development economics. The discourse on trade and development will be discussed at greater length in [section 8.2](#). For now, suffice it to mention once more Dimosthenis Stefanidis, the first Greek author to write on unequal quantities of labour embodied in agricultural and industrial products (e.g. Στεφανίδης 1938), as well as Vassilios Damalas, the most prolific writer on the relationship between trade and development, who consistently produced arguments in the Manoilescu/Prebisch-Singer tradition.

Old wine in new bottles: It is interesting to observe that most of the pro-industry arguments employed by development economists were hardly new at all. With the exception of the more Keynesian aspects of the externalities argument, most of the points raised after 1948 would have been readily acknowledged by a 19th century economist like Ioannis Soutsos, who believed that "there is a strong connection between industrial progress and spiritual and political development" (1882: ις). The desirability of industrialisation had rarely been questioned *per se*; it was only when feasibility entered the picture that the costs of industrialisation were found too high to bear. So what happened to concerns about the country's 'productive viability' after 1948?

Poverty of land as an incentive for industrialisation One way or another, most of these were miraculously dispelled. Our survey of pro-industry arguments revealed an interesting point: most of the problems industry was expected to overcome were identical to the problems formerly associated with the country's 'poverty-of-land'. In his classic book on the *Morphology of Greek Industry*, George Koutsoumaris follows a trail of thought that would have been untenable in previous decades:

In countries like Greece, that have a surplus in population and relatively few natural resources, economic growth primarily requires the creation of additional productive capacity; industrialisation thus tends to be considered the chief solution to the problem of economic development. (Κουτσουμάρης 1963c: 18)

The land of plenty Whereas authors such as Koutsoumaris transformed the erstwhile *impediment* of poverty-of-land into the main *incentive* for industrial development, several others rejected the notion altogether. Agapitidis would confidently announce as early as 1951, that:

Nevertheless, the future of Greek industry appears quite bright. [...] The prerequisites for industrial development are mostly there, since the country is endowed with energy resources and an internal consumer market, can produce raw materials (agricultural and mineral) suitable for industrial processing, has an adaptable workforce in ample supply and, last but not least, faces no shortage in entrepreneurs with a flair for industry. (Αγαπητίδης 1951)

²⁷ Steering clear of Left authors on the matter, we can quote Στεφανίδης (1958: 227) in stating that: "nowadays it is commonly believed that backward economies must turn primarily to industry, which reinforces the economy as a whole and makes it more independent vis-à-vis foreign markets, by ensuring that the country's productive resources are fully employed, high income is attained and raw materials (which are often exported at knock-down prices) are adequately utilised."

Zigdis for his part would call the poverty of land thesis “an excuse for our intellectual indolence” and take the argument even further, citing Switzerland and Israel as examples of developed countries with few natural resources (Ζιγδής 1964: 85). Ironically, the Switzerland example – which dates back to the inter-war period – was taken to new extremes by a speaker at 1951 lecture series on economic development²⁸, who felt Greeks would have less trouble industrialising than the Swiss did:

Our country won't have to make the same effort as Switzerland, because we are rich in climate, running waters, soil, subsoil and human intellect, and lag only in their suitable cultivation and utilisation. (Χωροφός 1952: 149)

From productive viability to financial viability Amidst this aura of confidence and grand visions of industrial glory, most Greek development theorists after 1948 dismissed their worries about the country's productive resources. On the other hand discussions of *financial viability* were still very much alive. This brings us to the second core component of the development consensus and the next section, which discusses capital accumulation and the widespread belief in prevalence of financial bottlenecks to development.

IV. Capital accumulation and the primacy of the capital constraint

Investment at the front stage In our review of international development theory, we saw how capital accumulation “occupied the front stage” – to revert to the phrase used by Alec Cairncross. Greek economists followed suit: as development was increasingly taken to imply industrialisation, investment became an intense preoccupation, hovering on the brink of obsession. Standing on the podium of the *Greek Society for Planning* on April 4th, 1965, the president of the industrialists' union, Georgios Drakos, would exclaim:

Investments and only investments. I've been wearisome and monotonous in repeating this tonight. Investments even in partnership with the devil! Investments any way we can; even those amongst our audience that happen to be socialists, let them be smart and allow us to build the industries first. They can have them later ... (Ελληνική Εταιρεία Προγραμματισμού 1966: 47)

On the primacy of the capital constraint This emphasis on investment did not emanate solely from its perceived importance in the transition to modernity, but also reflected a widespread belief that capital was the primary bottleneck hindering Greece's take-off. In the words of Panas “the lack of sufficient capital is the common denominator of all problems of economic development” (Πανάς 1955: 191). Some would of course acknowledge that financial constraints were but *one* aspect of Greece's overall backwardness, in which case the argument would go that most other constraints could ultimately be converted into capital shortages. In the words of Apostolos Lazaris:

Besides capital, underdeveloped economies usually face shortages in specialised labour, and sometimes (as in the Greek case) in the factor land. But it is possible to raise the quantity of specialised labour, as well as to enhance the economy's potential in terms of land through the use of capital, to fund schools, vocational training etc. or to undertake land works and generally create new territories. Thus, shortages in [other] factors is ultimately transformed into shortage in capital. (Λάζαρης 1959: 22 – emphasis added)

Bear in mind that Lazaris was one of the pioneers in linear programming for development in Greece; his work on the Harrod-Domar model (e.g. Λάζαρης 1961), along with most of his input-output models, became meaningful only in the presence of a single,

²⁸ The speech was delivered on December 19th, 1951 at the *Piraeus Graduate School of Industrial Studies* and republished in the *Spondai* journal. It should come as no surprise that Chorafas was a civil servant, trained in engineering.

Explaining the
primacy of the
capital constraint

over-arching constraint that could be expressed in monetary terms: capital²⁹. But most economists, including those who never touched linear programming, shared the view that capital shortage was the principal binding constraint to Greek development³⁰.

A multitude of arguments was offered to account for the primacy of the capital constraint. Though the list of culprits is endless, ranging from the ineptitudes of the civil service to the inherent moral flaws of Greece's upper classes, capital shortages were usually explained in terms of monetary instability (which discouraged savings), low income (which left little room for them) or segmented and shallow capital markets (which failing to mobilise them). As the monetary turmoil subsided, another argument cropped up in the literature, postulating the existence of a large portion of *potential* savings that are either hoarded or wasted in conspicuous consumption. Writing in 1956, Nikolaos Marmataakis argued that:

the tendency of large income-earners to spend their surplus income on luxury goods, to siphon it off abroad or to shy away from taking the business risk to invest it in manufacturing firms, constitutes an obstacle to economic development. (Μαρματάκης 1956: 101)

Later still, several authors would make explicit references to the demonstration effect and its detrimental impact on domestic accumulation³¹. Note how many of these arguments converged to the Left's thesis on the existence of a *potential* surplus³². Of course, economists outside the communist Left were more reserved in their moral reprimands; to many, the behaviour of domestic capitalists was a rational reaction to domestic uncertainties and structural weaknesses. In fact, it was these same weaknesses that were undermining the inflow of foreign capital to close the dual gap of savings and foreign exchange necessary for investment.

Foreign capital:
the traditional
development
model revived

Foreign capital was never overlooked as a potential ally in the effort to overcome the country's financial woes. We have already seen how Marshall aid was perceived as the *deus ex machina* in 1948; no amount of foreign aid would quench the thirst of domestic policy-makers (not to mention politicians) in the years to come. When aid petered out, most turned to foreign loans and direct investment. Promoting the influx of foreign investment was an integral part of the post-war development lore. Foreign capital was seen as necessary to overcome the financial bottleneck, as well as to introduce technical expertise to the country³³. Little by little, this aspect of Greece's traditional development model was being revived, as foreign resources were expected to finance growth and bypass politically taxing issues such as corporate taxation and redistribution. Contemporary economists of course saw matters quite differently: in the absence of foreign capital, accumulation would have to rely on domestic sources, thereby depressing consumption amongst the masses. This might have been possible under

²⁹ It was very fortuitous, though probably no coincidence at all, that several of the mainstream consensus elements were congenial to mathematical modelling. Little (1982: 42) mentions the following practical advantage of the surplus labour assumption: it enabled planners using the Harrod-Domar model to ignore the knife-edge problem "as long as it was assumed that a 'reserve army' of unemployed would last throughout the planning period. In effect, this was always assumed."

³⁰ After all, the belief in Greece's *Kapitalknappheit* to use Zolotas's (1926) German term had been around much longer than the Harrod-Domar model and linear programming.

³¹ See for instance Κονελλόπουλος (1959a), Σεπεντζής (1958), Θεοφανίδης (1963) and Μπουντολούκας (1958).

³² Μαλινδρότος (1964) in fact explicitly uses Baran's terminology, making the appropriate references.

³³ In the words of one observer, any foreign capital inflow "is often followed by the dispatch of a considerable number of qualified engineers and economic personnel. In virtue of their scientific training and experience, these people disseminate the spirit of modern development from advanced countries to backward ones" (Σεπεντζής 1958: 203).

oppressive regimes such as the USSR, but was politically unviable in the 'free' world³⁴. Ironically enough, the events in Greece during the late 1960s showed something else to be politically unviable: attempts to shift the tax burden towards the upper income classes and afford a larger degree of civil liberties...

Qualifying state-
ments and un-
qualified policy

Returning to economists and foreign capital, some reference should be made to the qualifications added to most of their statements on the matter. Faced with unremitting criticism from the Left, several authors were eager to warn against the dangers of excessive reliance on foreign funds and clarify that such funds were seen as complements to rather than substitutes for domestic savings³⁵. What is more, economists belonging to the Centre occasionally took advantage of the political sensitivity of the matter and attacked right-wing administrations for their attitude toward foreign enterprises (see numerous articles by Zigdis, Kanellopoulos and others). This culminated in the early sixties, when various contracts with foreign companies were signed against an increasingly polarised political background. The deal with *Pechiney* to build a large aluminium complex in Greece, stirred up much commotion, and quickly became the post-war equivalent to the infamous *Cooper* contract (Κωστής 1999). Yet such foreign deals were natural extensions of a policy framework that had been set in place meticulously over the course of the 1950s and 1960s. Political fanfares and academic qualms notwithstanding, policy practice took a much less ambiguous course. The appropriate legal framework was set in place through law 2787/53 "on foreign capital investment and protection", which stipulated the various incentives and tax exemptions for foreign investors and granted them constitutional protection³⁶. No matter what economists may have written on occasion, foreign capital was an important piece of the country's development model.

Alas, still not
enough capital

Questions of desirability aside, most authors were sceptical about the *scope* for foreign capital inflows. As far back as 1926, Zolotas had observed that capital rarely followed neoclassical rules and was usually attracted to countries with *high* capital-to-labour ratios: low productivity, structural rigidities and uncertainty outweighed low wages and rendered investments unprofitable. This argument was reproduced in the post-war period to account for the reluctance of both domestic and foreign capitalists to invest in Greek industry; it thus became part of the development consensus on the primacy of the capital constraint.

Demand vs.
supply considera-
tions

Discussions about financial viability are essentially discussions on the *supply-side* constraints to development. Hence, *believing in the primacy of capital constraints also implies believing in the inferiority of demand-side considerations*. Mainstream development economists were usually biased against demand as a possible impediment to Greek growth and issues were invariably analysed in the supply-side perspective. Konstantinos Kalogris for instance repeatedly referred to the country's labour surplus as a large pool of "dormant savings" (Καλόγρης 1957; 1960: 83), even though one

³⁴ For variations of this argument and allusions to Soviet-style oppression as the alternative to foreign capital inflows, see Ασπυράκης (1953), Πανάς (1955), Δελιβάνης (1961a: 10), Τσούγος (1961) and Μομφεράτος (1959).

³⁵ Κομινός (1963), Κουτσομύρης (1963b) and Λουκόπουλος (1962: 194ff) serve as good examples in this case.

³⁶ Meaning that these privileges could not be unilaterally revoked through a simple act of parliament. For details on this and other components of post-war investment policy, see Καραγιάννη and Νικολάου (1994).

could just as well have treated the underemployed as pool of dormant demand. At a time when Western economics was being swept by the Keynesian revolution, Greek authors were reluctant to grant demand an equal footing in determining the patterns of future growth. Demand was either treated as 'passive', in the sense that it expanded alongside supply when new incomes were generated, or it was taken to be irrelevant to the country's development problems, which were structural rather than cyclical in nature. As Zolotas would confidently proclaim:

In less developed countries the core of the problem is not the inadequacy of effective demand in relation to potential supply, but the structural defects of the economy as regards the complementary factors of production. (Zolotas 1965: 7)

In this framework demand-management was ineffective, whilst simultaneously jeopardising monetary stability – or so the argument went. Similarly, few Greek economist seemed either aware of, or particularly influenced by, arguments concerning the long-term role of investment as the active determinant of savings (through profits and income), rather than the other way around – a trail of thought mostly associated with the (post)Keynesian Cambridge tradition (Kalecki, Robinson, Kaldor, and others).

The notion that developing countries were not faced with the same cyclical demand shortages occasionally plaguing industrialised nations was neither untenable, nor unique to Greece (cf. [chapter 2](#)). Similarly, the neoclassical principle of 'availability of capital' as a constraint to growth was equally widespread in the international development lore. But the extent to which mainstream Greek economists were left untouched by such aspects of Keynesianism as income redistribution and demand management to stimulate employment and growth was quite striking. Discussing the broader nexus of ideas on credit policy and monetary stability – a centrepiece of post-war development orthodoxy – [section 8.1](#) shall return to this issue in greater depth. What is more, the [next chapter](#) traces the partial shift from supply to demand considerations during the early 1960s, whilst our discussion of Angelopoulos's work in [chapter 9](#) will bring us closer to one of the most Keynesian-flavoured analyses of Greek economic development. In the meantime, we turn to the culture of market scepticism, thus touching upon another aspect of the Keynesian impact on the post-war development discourse.

V. Market scepticism and state intervention

The third principal component of the post-war development consensus was a widespread belief in the imperfections of the market mechanism and the need to redress them through appropriate state intervention. Such intervention would no longer be limited to the minimum tasks of a "night watchdog" – as the 19th century expression went. Instead, state interference – always within the overarching framework of a market economy³⁷ – was completely rehabilitated and much ink was spent arguing for its compatibility with private freedom and democracy (e.g. Δασκαλάκης 1949). What is more, state guidance was deeply embedded in the notion of economic development. In

³⁷ As the [previous chapter](#) showed, exotic deviations from this principle such as Zolotas's *Society for Socialist Studies* were short-lived. By the 1950s, no-one outside the communist Left would ever question Greece's alignment with the market-economies of the West.

fact, so strong was the perceived connection between the two, that some authors would go as far as to define development:

in the strict sense of the systematic state intervention in the economic system, aimed at attaining a rate of growth in per capita national income higher than the one registered in country before. (Ζιγδης 1959: 429)

State intervention was thus explicitly linked to the view of economic systems as amenable to deliberate engineering, and thus capable of experiencing discontinuous jumps from backwardness to rapid growth. What is more, note how interventionism – and development itself – were increasingly invested with a positivist, technocratic aura, one which would have benevolent states armed with sufficient resources tweaking the economic apparatus to squeeze out the extra investment necessary for take-off.

Post-war developments toward interventionism

These attitudes were not merely an extension of inter-war trends. Wartime planning had injected an air of military dirigisme in economic policy³⁸, whilst few in the West were oblivious to the implicit pressure imposed by growth records and planning in the Soviet Union and its satellites³⁹. After all, it was in partial response to this pressure that the *European Reconstruction Program* had been announced – only to later become part of the post-war lore of successful, meliorist intervention itself. Of course, the role of broader theoretical developments must not be overlooked; Greek economists were certainly influenced by the international spread of market scepticism. Whereas traditionally of German (or French) origin (cf. [chapter 3](#)), in the course of the subsequent decades, these influences became distinctly Anglo-Saxon – if not chiefly American. State intervention was increasingly justified in terms of externalities, information imperfections, uncertainties and ‘faulty telescopic views’ (i.e. high private discount rates), rather than the ideals of *Kathedersozialismus* permeating inter-war texts⁴⁰. Of course several authors defended state interference on social terms, with *Charalambos Sepentzis* summarising the dominant viewpoint in the statement as such:

economic policy in backward countries much follow a peculiar course. Its principles much be in line with the basic views of economic liberalism, whilst simultaneously protecting society as a whole from the extremities of an economic system, whose main trademark is the exploitation of one's fellow. (Σενεντζής 1958: 70)

But more often than not, socially-inspired calls for state intervention were indirect: intervention would accelerate development and thus produce full employment and better living standards. In line with the increasingly *a*-political and technocratic conceptualisation of development economics, social policy and redistribution were rarely seen as first-order objectives.

Keynesian influences

A substantial number of authors made explicit references to the teachings of Keynes and their implications for economic policy. To mention but a handful of the available references: Andreas Saounatsos interpreted Keynes's core message as the need to socialise investment; Petros Dimitrakopoulos explained how various market rigidities produced cyclical downturns and documented the victory of Keynesianism over Say's law; George Malanos contrasted classical liberalism to Keynesian interventionism

³⁸ As one author put it: “our economy's reconstruction is a military, or quasi-military economic endeavour” (Βορβούτης 1951: 55).

³⁹ The anonymous author of the *Review's* column *Χρονικά* would thus observe in 1948 that “those countries that wish to preserve their institutions free, without facing the danger of economic and military competition by those countries who – through unwavering discipline and the overstretching of their productive forces – will tend to become more powerful, will have to undertake large-scale projects for economic development themselves” (quoted in volume 3, issue 1-2, p. 98).

⁴⁰ See for instance the lecture by Sp. Papaspiliopoulos on ‘Why the free market doesn't guarantee continuous progress’, as published in Ελληνική Εταιρεία Προγραμματισμού (1966).

and argued that investment should be partially socialised to stabilise the economy and promote full employment; last but not least, Ioannis Koulis made frequent references to the use of fiscal policy in cyclical stabilisation⁴¹. Addressing the *Academy of Athens* in 1952, Zolotas delivered his inaugural speech in a tone reminiscent of his earlier intellectual flirtations with market socialism. Speaking on the *Transformation of Capitalism*, Zolotas argued that post-war capitalism had been transformed under the influence of such developments as: widespread social protection and a commitment to full employment (Beveridge report); state interference (French nationalisations) and a rising confidence in the state's capacity to stabilise output (Keynesian revolution). What is more, Zolotas wondered whether this would turn out to be a sustainable 'compromise' or whether further nationalisations will become necessary, to mitigate the contradictions of private production, stimulate employment and satisfy mounting social demands⁴².

Doubts on the applicability of Keynesianism to Greece

Much of this initial interventionist *élan* would be moderated over the years. Respect for Keynes and his contribution to economic thought would be combined with the conviction that Keynesian remedies for unemployment were no comfort to backward countries facing inherently *structural* problems. The hint of post-Keynesianism found in some of the works of the 1940s, cited in the previous paragraphs, would not be maintained in subsequent years. By 1966, a speaker at the *Greek Society for Planning* would reject demand-management for developing countries, but praise Keynes for laying the foundations of modern development theory: "Keynesian theory has demonstrated that, by itself, the market mechanism cannot offer a satisfactory rate of investment for development"⁴³. Psalidopoulos's (1996b) claim that Keynesianism exercised little direct influence on post-war Greece's economic thought and public policy may have been partly exaggerated. Nevertheless, it is certainly true that neither their interpretation of Keynes, nor their conceptualisation of the country's economic malaise was congenial to the popularity of Keynesian remedies amongst Greek development economists.

Market failures specific to underdeveloped countries

If cyclical unemployment and demand deficiency did not justify intervention in backward economies like Greece, other considerations weighed heavily in favour of state guidance. Interventionism was primarily based on the widespread presumption that markets were *especially* problematic in underdeveloped nations, and thus (neo-) classical prescriptions did not hold. These arguments formed the backbone of the structuralist theoretical perspective that legitimised state intervention in the eyes of Greece's development economists.

Elasticity pessimism

Borrowing a term coined by Fritz Machlup (1950) in a different context, we could start with arguments relying on 'elasticity pessimism' as a justification for interventionism: if supply and demand elasticities in developing countries were low, then small

⁴¹ The corresponding references are Σαουνάτσας (1946), Δημητράκοπουλος (1947; 1948), Μολάνος (1949) and Κούλης (1952).

⁴² Ζολώτας (1953: 34). These observations do not necessarily imply that Zolotas *approved* of these developments. On the matter of Keynesianism in particular, the inter-war Zolotas had expressed some reservations toward Keynes's *General theory*, particularly those aspects that seemed to encourage consumption rather than savings and would thus - in Zolotas's neoclassical perspective - jeopardise the much-cherished capital accumulation necessary for economic development (Psalidopoulos 1996b).

⁴³ Sp. Papsiliopoulos, speaking on April 5th, 1965 in a session on *Planning, Free Economy and Democracy*; published in Ελληνική Εταιρεία Προγραμματισμού (1966: 14).

quantity adjustments mandated disproportionately large price variations which undermined the reliability of the price mechanism. Similar concerns were raised by Greek observers, especially in connection with agricultural products (Καλυβιανάκης 1963). For his part, Delivanis explicitly attributed the rise in interventionism to the decline in demand/supply elasticities after the 19th century (Δελιβάνης 1946: 270ff). Alongside elasticity pessimism, various structural disequilibria specific to backward economies (surplus labour, rationed capital) were leading to incorrectly priced resources.

Market liberalism in trade not congenial to growth What is more, authors such as Stefanidis, Damalas and Kanellopoulos argued against the free rein of markets for another reason: free market capitalism – when extended to a country's trade relations – undermined autonomous growth by integrating underdeveloped countries in the (present) international division of labour, thus undermining their ability to industrialise in pursuit of (future) comparative advantages in non-agricultural sectors. As a result, "rich countries become richer, whilst the poor get poorer" (Δαμαλάς 1958: 78). For his part, Kanellopoulos rejected the application of market liberalism in international trade, holding it responsible for "the cumulative process of poverty and acute, unhindered economic inequality between nations" (Κανελλόπουλος 1959a: 37). These arguments will be discussed in greater detail in section 8.2.

Private sector inability / reluctance to finance investment By far the most popular justification of state intervention in development revolved around the private sector's failure to procure the necessary investment. Whether plagued by market uncertainties or hampered by its own cultural and psychological shortcomings, private capitalists were seen as reluctant or unable to amass the large amounts of capital necessary to break out of the initial poverty trap. As early as 1947, professor Georgios Chalkiopoulos would be declaring that:

Inasmuch as private business shows no inclination to assume broader productive activity, or is in no position to take on large-scale productive investments, the State must become the main lever of change, and take on – whether directly or indirectly – the undertaking of an extensive investment plan to increase national income. (Χαλκιοπούλος 1947: 191)

Similar statements were expressed by several economists (cf. Πουλόπουλος 1947; Κανελλόπουλος 1960), although explanations for the private sector's failure were varied. Many authors, especially those loath to point accusing fingers at the country's businessmen, emphasised the imperfections of the Greek capital market, which was unable to attract domestic savings and/or channel them to industry. Though initially scarce, this 'missing market' argument figured prominently in the work Delivanis (1958), not to mention the painstakingly thorough mapping of Greek capital markets carried out within the CPER research program (see Psilos 1964; Ellis, *et al.* 1965).

Externalities, big-push and state intervention The most original explanation of the private sector's inability to orchestrate development on its own, fell under the broad heading of 'externalities'. A market failure *par excellence*, externalities rendered some projects socially desirable despite their relatively low *private* returns. Such projects usually entailed large infrastructure investments, such as steel-mills, power plants etc. Examined in isolation, each project may have been unprofitable; but a battery of such investments, with their multiple linkages and spill-over effects was capable of producing the big-push necessary for take-off. Thus, state intervention would not only compensate for the shortfall between

private and social yields, but also overcome the coordination problem that precluded the decentralised undertaking of these investment projects. Such arguments were frequently voiced by Greek academics⁴⁴, thus testifying to the shift from German-inspired interventionist theories to the Anglo-Saxon 'doctrine of market failure'. But old habits die hard – especially if the economic community's personnel turnover is low – and academic journals continued to publish articles by German and French authors discussing the same issues in their own theoretical traditions⁴⁵.

The limits of intervention;
development planning

Summarising our findings so far, we see that mainstream economists treated state intervention as a necessary *complement* to the market mechanism, at least until the structural handicaps plaguing developing countries had subsided⁴⁶. State intervention was fully rehabilitated, albeit within the overarching framework of the market economy, where the private sector remained "chiefly responsible for economic development" (Ζολώτας 1958: 41). In this context, nationalisations were to be avoided (or kept to a minimum, as in the case of the 1957 nationalisation of power companies), in stark contrast to the much more interventionist vision of Left authors. On the other hand, planning was generally acknowledged as an indispensable component of the development mainstream, even if much less comprehensive than its communist counterpart (see [section 8.3](#)). As always, Zolotas could be relied upon to produce a summary of the theoretical orthodoxy; delineating the scope for intervention, he identified three main tasks for the state:

First, basic or – as they are otherwise called – infrastructure projects, which must be realised by the state itself, or by public enterprises.

Second, the desired promotion and development of various lines of production, belonging to the domain of private initiative, such as industry, handicrafts, agriculture etc. In these areas, detailed planning is impossible. The state limits itself on the one hand to the creation of a favourable framework, within which private initiative can operate successfully, and on the other hand to the provision of incentives, which make productive investments appealing and discourage non-productive ones.

Third, in those cases where it is nevertheless shown that private initiative is unable or unwilling to undertake works belonging to its domain, which are considered of vital importance to economic development, then the state is obliged to assume responsibility for the realisation of these projects itself. (Ζολώτας 1958: 36-7)

Government failure and the failures of mainstream economists

State intervention – sometimes even beyond the limits set down by Zolotas – was an inextricable part of the emergent consensus. No contemporary discussion of the development challenge could fail to invoke the state on a handful occasions, either as a source of regulation, funding, bans and incentives or as a surrogate entrepreneur. Lengthy diatribes on market imperfections, externalities or the paucity of private initiative were invariably combined with appeals for some type of benevolent intercession by 'the State' – frequently capitalised, if rarely defined. Yet neither this 'State', nor the specific ways in which it was embedded within the Greek society and economy ever became the subject of mainstream economic analysis. The contemporary policy reality comprised an arcane, overstaffed and overly bureaucratic administrative apparatus, largely 'captured' in a web of patronage and corruption. Of course, economists were not oblivious to these shortcomings, and many would caution against more ambitious

⁴⁴ See, for instance, Κουκλέλης (1954: 212); for a similar argument in terms of Rosenstein-Rodan's big-push, along with other interesting points on surplus labour and infant industries, see Χαλκιάδουλος (1958).

⁴⁵ See for instance the article by Kurt Häsele in the 1955 issue (Vol. 38(Δ)) of the Archive, discussing the ordoliberal arguments for a *Soziale Marktwirtschaft*.

⁴⁶ Κανελλόπουλος (1960) speaks of government activity "playing an educational role" and "paving the way" for private initiative.

interventions that might place undue strain on the country's administrative resources⁴⁷. But as Greece's own historical experience had shown, arbitrary interventions, ineffectual and clientelistic practices were also compatible with a more liberal policy stance. In fact, it would often be in such cases that strange policy amalgams, combining *de jure* overregulation with *de facto* business freedom (or even impunity) for the select few, would emerge in practice⁴⁸. In the absence of an obvious trade-off between market and government failure, it was hardly possible – even for a more liberal-minded economist – to by-pass issues of state regulation or institutional reform. Still, the majority of mainstream authors remained silent on such matters – despite their consensus on the necessity and sagacity of intervention. The country's institutional and administrative shortcomings, as well as the specific political economy that sustained them, were usually treated as exogenous to the economic system. Being essentially *political* in nature, they were taken to fall outside the scope of economic analysis⁴⁹.

Economics without politics: the modernising ideal?

This brings us to another salient feature of the mainstream discourse, namely its consistent disregard for the political facets of the development process. Contrary to what one might expect from a group of intellectuals, many of whom were placed in proximity to the decision-making apparatus, most economists remained silent on such subjects as the politics of state intervention and reform, or the distributional implications of economic policy. It would be too simplistic to accuse these authors of intellectual indolence, or naïveté. After all, their work was embedded within the post-war ideological framework of 'development as modernisation'. Both the postulate of an exogenous modernising elite (often the state itself), and the eschewing of distributional considerations were integral to the conceptualisation of development as a-political and technocratic – not to mention the demarcation of economics as a scientific (and thus allegedly value-free) theoretical endeavour⁵⁰. In this respect, many Greek economists were hardly different from their foreign colleagues, who produced equally technocratic analyses of 3rd world development. How could they be, after all, given the manifold processes of acculturation we have so often referred to?

Economics without politics: the underlying political economy of a-political analyses

But this cannot be the end of the story. Just as the western modernising ideal was bolstered by the ideological exigencies of the cold war, or the experience of the *European Recovery Program*, the principal attributes of the domestic development consensus were also supported by ancillary mechanisms that conditioned their relative appeal and viability. In the case of Greek economists' reticence toward political and value-laden judgements, there were at least two such mechanisms at work. One was

⁴⁷ Discussing the scope for state construction of basic industries, one author conceded that "our civil service has not accustomed us to such activities" (Γεωργιαννός 1952: 139); in similar vein, Damalas would point (in 1956) that nationalisations had been wisely avoided, not least because "to the careful observer, the Greek state has few accomplishments to show for itself" (Δαμαλάς 1956: 106).

⁴⁸ Their 'strangeness' of course having nothing to do with the stability or functionality of such arrangements. As a matter of fact, it was largely thanks to these grey zones between inane bureaucracy and private initiative that the nexus of patron-client relationships was sustained and reproduced (see Lyberaki and Tsakalotos 2002: 100). Still, few contemporary economists made the distinction between benevolent intervention and corrupt regulation; one of them was Angelos Angelopoulos, whose work is discussed in chapters 4 and 9.

⁴⁹ Γαλάνης (1946) offers a good case in point, inasmuch as he lists the theoretical arguments for intervention and extols the role of the state in development, whilst simultaneously clarifying that he only has a new and reformed public sector in mind. Galanis was a prominent economist, with a long career in public service, which included two brief ministerial stints and a lengthy service as Deputy Governor and later Governor of the Bank of Greece (1955-73).

⁵⁰ The parallel to Left intellectuals' insistence upon their true scientific credentials is hard to miss. Only in their case, it was exactly their attention to the political or class dimensions of economic policy which rendered their work *scientific*, and annulled that of the 'bourgeois quacks'.

ideological, stemming from the taboos generated by the civil war and the clash with the Left, which tended to unite the intellectuals of the 'bourgeois world', regardless of the party affiliations, against the perceived threat of the communist critique⁵¹. A second, reinforcing mechanism emanated from the very structure and sociology of the mainstream economic community: embedded as they were within the state apparatus – which acted as their principal professional constituency – mainstream economists found it convenient, if not necessary, to eschew questions that pertained to the state itself, or touched upon key political dimensions of the established development agenda. This was certainly the case with those principally involved in the civil service, but it was equally true of most other economists as well; after all, this was a tightly-knit community with many horizontal overlaps and strong vertical hierarchies. The image of development as a non-contentious, technocratic process reinforced the standing of a profession allegedly specialising in the objective manipulation of such levers as investment, tariffs and interest rates. What is more, it did so without raising issues that might be embarrassing to economists' own professional constituencies, or the political establishment to which these were intimately linked. The ideological and professional appeal of modernisation is an important theme in our story, and one we shall return to again. For the time being, let's turn to a man who had few ideological or professional qualms when he wrote on public sector reform, as well as all other aspects of Greece's *Economic Problem*.

VI. Case in point: Varvaressos's *Report* & reactions by economists 'back home'

Brief biography

A professor at the University of Athens (as of 1923), cabinet minister (in 1932) and governor of the Bank of Greece (1939-44 and again in 1945), Kyriakos Varvaressos was dominant figure of Greek public life for several decades. Responsible for a series of key reforms at home, and decisive negotiations abroad, he was chiefly remembered for his brief stint as deputy prime minister in 1945. Amidst a time of rampant inflation and economic disarticulation, Varvaressos received the blessings of the British to return to Greece and assume full control of economic policy, with the aim to stabilise the economy. This was the time of the famous 'Varvaressos experiment', a concerted attempt to bring the economy back in line through draconian price controls and incomes policies. Despite their initial success, Varvaressos's reforms were met with vehement reactions – particularly from merchant and industrial circles – and by August his policies had begun to crumble⁵². One month later, Varvaressos resigned and returned to Washington, where he joined the World Bank until his death in 1957⁵³.

Historical context

Though stationed in Washington, Varvaressos remained a keen observer of the Greek economy. The outbreak of the Korean war led to a realignment of American aid priorities, from reconstruction to rearmament, and expedited American disentangle-

⁵¹ The political weakness and fragmentation of the Centre also contributed to the homogeneity of the *bourgeois* world, at least until the rise of the Centre Union in the 1960s.

⁵² Varvaressos is often depicted as the victim of a right-wing merchant-industrialist conspiracy, although the communist Left also undermined his efforts – see Lykogiannis (2001).

⁵³ For a much more detailed account Varvaressos's life and work, see Κωστής (2002) as well as Ψαλιδόπουλος (2009).

ment from Greece (Σταθάκης 2004: 317ff). Under the tutelage of the Americans, successive Greek administrations implemented a series of heavy-handed stabilisation measures to bring inflation and public finances back in line. Although largely successful, these measures took their toll on real wages and industrial growth, causing widespread alarm amongst local politicians and policy-makers. It is against this background that the centrist administration of Nikolaos Plastiras asked Varvaressos to write a *Report on Greece's Economic Problem* and suggest possible solutions.

The overall contents of the *Report*

Commissioned in 1951 and submitted in January 1952, Varvaressos's report was the most comprehensive policy text written in the 1950s. Unembellished and terse, the *Report* was a testimony to its author's analytical prowess and pragmatism. An in-depth discussion of the entire document falls outside the scope of this text; instead, here we focus on those aspects which are of interest to our narrative, particularly with respect to the rise and consolidation of the development consensus, as well as its subsequent revisions. We are thus obliged to remain silent on such important issues as monetary stabilisation, or foreign trade, where Varvaressos's views were broadly in line with those of his contemporaries⁵⁴ (see [chapter 9](#)). Last but not least, it is with a heavy heart that we have also chosen to set aside the report's in-depth analysis of the tobacco industry and exports, and the lengthy chapter on civil service reform.

Varvaressos's report was a pragmatic policy document aimed at advising a government facing gaping deficits, high inflation and economic stagnation. Focusing on the country's "current problems", the author set out on the assumption that Greece was an infertile and poor country that had suffered considerable losses during the Second World War. These were taken as the invariant features of the Greek economy⁵⁵, which was further plagued by inflation, balance of payments difficulties, conspicuous income inequalities and an overstuffed, underpaid and grossly incompetent public administration. Despite the bleak colours on his palette, Varvaressos devoted his fifth chapter to 'The Population's Low Living Standard and the Need for Economic Development', wherein he formulated the policy challenge at hand:

What we are pursuing today is not the mere reconstruction of the country, but its economic development, i.e. the increase in production and national income beyond pre-war levels, with the help of foreign aid and on a programmed basis. (p. 310)

This quote may have placed Varvaressos at the heart of the development mainstream, but the next sixty pages contained several contentious statements that appeared at odds with the emergent consensus. Specifically, Varvaressos expressed several reservations on the feasibility and desirability of Greek industrialisation, particularly the development of heavy(or basic) industries, and enumerated a series of bottlenecks that should be overcome before the country could realistically pursue such a path. With the exception of some light industries and construction – which he felt was necessary to

⁵⁴ The *Report* contained a confidential addendum on a proposed devaluation; for obvious reasons, this was only published *after* the 1953 devaluation. Devaluation had been an integral part of stabilisation plans from the beginning, the main dispute being the actual timing and extent of the realignment. It eventually took place in April 1953 (50%) and is generally remembered by the name of the Coordination minister at the time, Spyridon Markezinis. See Σταθάκης (2004: 392-5), Candyli (1968: 52ff) and Freris (1986: 134ff).

⁵⁵ "I shan't dwell on two characteristic attributes of the Greek Economy, which are not up to us to change" (p.87) Much later, Varvaressos would add that "whilst in terms of general preconditions [to development] our country is in a better position compared to the other backward countries, I think it does lag behind many of these countries in terms of resources available" (p. 339). All pages refer the 2002 republication of the *Report*.

solve the country's housing problems – most other industrial aspirations should be carefully scrutinised before being converted into policy commitments (pp. 343ff): technical viability did not guarantee economic profitability and neither the state nor private business seemed ready for such major undertakings (p. 347-8). Greece, after all, was no Switzerland or Belgium, whose industries were highly competitive and well integrated in international markets, whereas even developed countries like Sweden, Australia and New Zealand preferred to export unprocessed minerals without feeling exploited (p. 347). On a broader note, Varvaressos considered the widespread notion that industrialisation was sufficient for development “blatantly mistaken” – an unfortunate by-product of the Great Depression, Soviet propaganda and the logical fallacy of confusing cause and effect (pp. 332-7). On the other hand, he appeared much more congenial towards agricultural development:

Increasing agricultural output and income must be a top priority for any poor country development program, if development is to raise the living standards of the common classes. (p. 321)

Reactions

'back home':
the Left and
the engineering
community

It was statements like these that triggered the hostile reaction against the *Report*. Predictably enough, the Left accused Varvaressos of bourgeois fatalism, destined to hold the country hostage to foreign imperialism⁵⁶. The reaction of the engineering world was equally unsurprising – if not equally hostile. In a lengthy announcement published in the 1952 *Chronicles*, the *Technical Chamber* (TEE) concluded that the *Report* constituted:

a systematic distortion of the country's current situation and future prospects, aimed at perpetuating the National Economy's current strangulation. (TEE 1952: 6)

This was caused by the anachronistic and narrow economic perspective that its author had adopted, which seemed to place undue emphasis on financial factors and disregard the role of technological progress and heavy industry in economic development. Yet there was more to this dispute than a mere theoretical disagreement. Varvaressos's report was allegedly saturated:

in the implicit doctrine that Engineering must be subjugated to “Economics”. (TEE 1952: 8)

Needless to say the professional association of engineers would have none of that⁵⁷. Whilst economic life during the previous century had been 90% economic and 10% “technical-scientific”, the twentieth century these percentages had been reversed (*ibid*). Inasmuch as Varvaressos's *Report* was perceived as a threat to engineers' professional status and standing within the development process, it had to be discredited.

Reactions from
the mainstream
community

Interestingly enough, however, Varvaressos's *Report* also seemed to have provoked the mainstream economic community. The 1952 *Review* devoted an entire issue to it, with articles ranging from the unsympathetic to the insulting. The majority of authors accused Varvaressos of reviving the inter-war spectre of non-viability and thereby denying Greece its future place amongst industrial nations (e.g. Ζιγδης 1952: 27). His suggestions for import and investment curtailments to cut external and budget deficits were expected to “terminate economic development” and Varvaressos

⁵⁶ As usual, socialist authors were much less prone to hyperbole and fierce accusations – contrast the appraisal of the report found in Ψηλορείτης (1952) and P.X. (1952) (this is probably Rena Christoula-Grigoroyianni). A year later, Angelopoulos would in fact defend Varvaressos against those who accused him of denying Greece's growth potential (see Αγγελόπουλος 1953 [1974]: 312).

⁵⁷ Note how the authors deliberately placed “Economics” in quotes, thus questioning its scientific status, or at least its worthiness to stand next to Engineering (without quotes) in the same sentence – let alone subjugate it.

was accused of “not paying due attention to the fundamental importance of basic productive works” (Ζολώτας 1952: 5-6). Such views had been forthcoming in the inter-war period, but things had changed since then, as economists:

had been awakened from fatalism and realised the colossal significance of the country's rational economic development through the systematic exploitation of its natural resources and surplus labour. (Ζολώτας 1952: 3)

A battery of arguments was thus employed in an effort to prove the scope for Greece's industrialisation and dent Varvaressos's allegedly fatalistic thesis⁵⁸.

The mainstream consensus: affirmed and defended against outsiders

The reaction against Varvaressos testifies to the radical change in the post-1947 mainstream economic discourse and the consolidation of the development consensus – as described in this chapter. The bravado with which mainstream economists reacted is also telling of the powerful mechanisms that were put in place to defend the newly-established consensus against perceived ‘fatalists’ – whether real or imaginary. These were not just ideological (e.g. the spread of the modernisation ideal), or political (e.g. the need to shield bourgeois discourse from left-wing criticism); they were also professional in nature. By the early 1950s, Varvaressos was an outsider to the indigenous economic community, and his *Report* seemed to challenge several of the precepts on which recent economic expertise had been based. In fact, his willingness and capacity to raise these challenges cannot be seen as irrelevant from his independence *vis-à-vis* the domestic professional community, or its constituencies. Conversely, many economists – particularly those involved in the upper echelons of economic policy-making – were annoyed and alarmed by the prospect of Varvaressos's political ‘reactivation’⁵⁹. Against this background, it was thus hardly surprising that he was faced with an orchestrated attack, which seized upon the most contentious portions of his text and sought to portray him in the most unfavourable colours. His own bitterness at this reaction could hardly be concealed; in his letter to the *Review*, he complained of being misquoted and refused to offer a detailed reply to his critics, not only for “lack of time”, but also because any:

unbiased scientist in good faith, if he were to take the trouble to read the report, would easily make up his mind on the value of these accusations. (Βορβορέσος 2002 [1952]: 205)

The importance of being an outsider: reservations against the modernising ideal

The only issue Varvaressos saw fit to address concerned his alleged disdain of industrialisation, which he passionately denied, arguing instead that his words had been words of warning and caution rather than outright discouragement. On this, Varvaressos was absolutely right; his reader will search in vain for a single *unqualified* statement condemning industrial development in Greece, even in its more ambitious (heavy) versions. On the other hand, careful formulations can only get you so far: if not an outright implication, the overall *implicature* of the report was certainly pessimistic with respect to Greece's industrial potential. Varvaressos was well aware of that, and he had deliberately gone against the current, hoping to moderate the industrial

⁵⁸ The reader of section III above will find no surprises here: several authors employ trade-based arguments for industrialisation (pointing to declining terms of trade, unequal labour exchange – e.g. Ευελνίδης 1952), while others mention linkages and externalities as justifying heavy industrialisation (Ζιζόλης 1952). Αγωννίδης (1952: 59) returns to the surplus-labour/employment argument. In what can be only seen as ironic, one of the most vehement critiques against the *Report* comes from no other than Petros Kouvelis himself, who extols the beneficial effects of industrialisation on the country's balance of payments (Κουβέλης 1952a).

⁵⁹ Bear in mind Zolotas had already clashed with Varvaressos once in 1944 on matters of monetary stabilisation; it was at that time that Varvaressos resigned as Governor of the Bank of Greece and remained abroad as ‘ambassador’ of Greece on both sides of the Atlantic. For more information on this aspect of the reaction against Varvaressos in 1952, as well as evidence proving that his return to Greek politics was more than wild speculation, see Κωστής (2002: 62).

enthusiasm of contemporary discourse. As he would later explain in a memorandum to the US Secretary of State, Dean Acheson:

for the last ten years the Greek people have been subjected to a barrage of demagoguery and propaganda on the part of politicians, businessmen, economists, technical experts etc. stressing [...] that, given "ample and cheap capital", the country has "immense" potentialities for economic development and that it is the duty of the Great Powers to finance an ambitious program of development that would completely alter the structure of the Greek economy, equip the country with modern industries and raise its living standards. [...] it is essential to induce a more realistic attitude among the population and especially among its leaders. This I have tried to do in my report, but although I have met with considerable momentary response, mine was a lone voice which will soon be submerged. (quoted in Κωστής 2002: 68)

Distinguishing himself from the country's contemporary "politicians, businessmen, economists, and technical experts", Varvaressos remained sceptical of the technocratic, modernising ideal, or the prospect of rapid/heavy industrialisation. At the same time, he touched upon a host of theoretical issues his Greek colleagues had tended to ignore: the importance of demand, income distributions, technical and organisational efficiency, competition and efficiency, the narrow scope for surplus labour transfer, the organisation of state administration. Most of these subjects were sensitive to economists' respective professional constituencies, and it would take another group of 'outsiders' to reintroduce them to the domestic development discourse: many of Varvaressos's more contentious claims would be 'rediscovered' by CPER economists in the course of the 1960s.

Social and organisational constraints

Varvaressos lacked the overwhelming obsession with capital, or rather the belief in capital's – especially foreign capital's – miraculous potential for transforming the Greek economy. This is not to suggest that he did not place investment at the heart of development, or that he was not duly concerned with questions of finance: living in Washington, he was particularly worried about the future prospects of American aid to Greece. But he sought to 'lean against the wind' and redress what he perceived as an imbalance in the writings of his contemporaries, who seemed to overlook the bottlenecks imposed by the country's institutional framework and international position. Capital constraints notwithstanding, Varvaressos emphasised the shortages in technical expertise, the lack of political, social and economic organisation and the ineptitude of the civil service. In most cases in fact the shortage in capital was a mere *symptom* of a broader malaise undermining the successful implementation of any development program.

Challenging the surplus labour thesis

Another controversial, but prophetic, aspect of the *Report* concerned surplus labour and its role in industrialisation: Varvaressos was the first Greek author to question the surplus labour thesis. Whilst acknowledging the abundance of the country's agricultural labour force (p. 260) and "covert unemployment" (p. 318), he astutely pointed out that partial unemployment throughout the year did not necessarily lead to surplus labour: variations in employment may be *seasonal* rather than structural, raising the cost of transferring rural labourers to urban labour markets (*ibid*). Of course agricultural mechanisation was bound to release labour from the countryside⁶⁰, but this mandated radical steps toward agricultural development which were unlikely to

⁶⁰ Κουβέλης (Κουβέλης 1952a: 62) criticised Varvaressos for allegedly overlooking this pathway, thereby vindicating the author who complained that few had actually read his work carefully.

take place if emphasis was placed on industrialisation. What is more, a dynamic industrial labour force required a growing supply of foodstuffs, so even if agricultural output remained unabated, it was unlikely to cater for the mounting needs of the urban proletariat. The virtual disaster faced by the Soviet Union during its first five year plan served as a reminder of the dire consequences of industrialisation without parallel agricultural promotion. We have already explained how most of these concerns were largely misplaced in Greece's case, but in emphasising these points as early as 1952, the author of the *Report* stood out not only amongst his colleagues in Greece, but also internationally.

Competition, market structure and size (= demand) Another area where Varvaressos's words would echo familiarly in later years was monopoly power and competition. Several passages were devoted to industrial competitiveness and the dangers of creating large industrial complexes as natural or state monopolies⁶¹. Varvaressos's admonitions may not be particularly surprising, coming from an economist raised in Greece's academic tradition of 'diluted liberalism', but there were few Greek academics in the 1950s who *didn't* share his theoretical heritage; yet few expressed such strong qualms about the prospect of building an inefficient, introvert and state-dependent industrial base. Greece was especially exposed to these dangers, not least due to its narrow domestic market. Attention to demand issues, albeit certainly not in a Keynesian perspective, was another one of the report's commendable features.

Income inequalities and basic needs Whether concerned about demand or – and this was the norm – seeking to portray the structural underpinnings of the country's woes, Varvaressos paid considerable attention to income equality and poverty. In many ways in fact, his development perspective was reminiscent of what would become known in the 1970s as the 'basic needs paradigm' (Hunt 1989: 259ff), a view of development that grew out of mounting disenchantment with trickle-down approaches based on heavy industrialisation. Summarising his view of development, Varvaressos claimed that "improving the position of poorer classes should be the principal objective of the development program" (p. 340), and went on to define his interpretation of this improvement as such:

a) improving their nutrition, both quantitatively and qualitatively, b) improving their housing, c) taking better care of their needs in clothing and commonly used articles, d) providing better medical care, and e) increasing the potential for productive employment. (p. 342)

Note how Varvaressos's list of priorities differs only slightly from similar catalogues produced from the 1970s onwards: e.g. Hicks and Streeten (1979: 578) mention nutrition, housing, clothing and sanitation as key dimensions of basic needs strategies.

Admittedly, the Plastiras government had explicitly asked Varvaressos to propose measures aimed at improving the position of the lower classes, a wish he "took under serious consideration" and which "mirrored [his] own feelings on the appropriate direction of our economic policy" (p. 83). Varvaressos's assurances were largely redundant; his commitment to such policies had already become apparent during his 'experiment', when stabilisation was predicated on a redistribution from rich merchants and profit-earners to the mass of salaried employees bearing the brunt of hyperinfla-

⁶¹ See pp. 181ff; cf. Evelpidis's review of Varvaressos's report, wherein he expresses his conviction that "basic industries can only operate to the benefit the public, if they are run as national monopolies" (Ευελπίδης 1952: 26).

tion. The *Report* offered him a novel opportunity to point his finger at the Greek business class, whose reckless profiteering and lack of social empathy had foiled his ambitious reform program seven years before⁶².

Table 6.1 Income and population distribution in 1945

	Share of active population (%)	Share of income (%)
Destitute	17.0	1.2
Pensioners	15.0	2.5
Public sector employees	15.0	5.9
Private sector employees	13.0	3.4
Workers	25.5	10.0
Subtotal	85.5	23.0
Self-employed professionals, free artisans	12.5	47.5
Capitalists (merchants, industrialists)	2.0	29.5
Subtotal	14.5	77.0

Source: 'Memorandum on the present structure of money and incomes and the distribution of purchasing power among the Greek population' prepared by the Bank of Greece Research Department in May 1945 – as reproduced by Στρούκκης (2003: 357).

Inequality and economic development

Inequality was indeed a serious problem in Greece (see [table 5.1](#)) and the stabilisation path ultimately chosen during the early 1950s hardly mitigated income disparities. Real wages bore the brunt of domestic deflation and the 1953 devaluation further eroded public purchasing power. Over the following decade, incomes policies invariably sought to keep wage rises *below* productivity increases; through a combination of decrees and union control, the state guaranteed the docility of Greek labour, further undermining income equality (Ιορδάνογλου 2003: 74). Mainstream development economists were well aware of these gaping disparities, but most remained conspicuously silent on the matter – and its distinctly political implications. The benefits of economic development were expected to 'trickle-down' to the masses, while some economists even went as far as to reformulate the classical argument on the positive relationship between inequality and growth. Thus one contributor to the 1953 *Review* would write in his article entitled 'Some Observations on Domestic Income Inequality' that earnings disparities were modest (!), which in combination with low incomes undermined the country's scope for domestic surplus accumulation (Αθανασιάδης 1953: 435ff). Admittedly, such arguments were not heard often, but to most Greek economists of Varvaressos's time, income inequality and widespread poverty was an embarrassment preferably kept under wraps⁶³.

Development and redistribution

In contrast to most of his colleagues, Varvaressos paid considerable attention to poverty and inequalities in the class distribution of income. He may have discouraged all-round pay rises and wage indexation (pp. 176-8), but he was in favour of higher salaries for civil servants; more than anything else, however, Varvaressos saw the reduction in income disparities as resulting from the curtailment of excessive profits earned by speculators and monopolists (p. 169ff). Several years after suffering his most bitter political defeat, Varvaressos appeared unrepentant, if not vindictive: his proposals did not even call for higher agricultural prices or wages; income redistribution would have to take place through the much more provocative, explicit *reduction* of

⁶² On a more theoretical level, Kostas Kostis writes of the role of Ludwig Joseph Brentano – a Kathedersozialist and eminent member of the New German historical school – in stimulating Varvaressos's interest in labour matters and social inequality. Varvaressos had met Brentano in 1908, during his post-graduate studies in Munich (Κωστής 2002:19).

⁶³ Note the distinctly un-Keynesian implications of this theoretical stance. The [next chapter](#) will show how inequality and demand discussions were rekindled in the 1960s.

industrial profits and prices. Whether the Varvaressos of 1952 truly expected such a policy to succeed where he had failed in 1945 is an open question – he certainly didn't offer any arguments to warrant additional optimism.

One thing is certain however: Varvaressos was fully conscious of the choice between "development based on reform" and "development without reform"⁶⁴. In a wonderful section revealing his gift for mixing cynicism with analytical prowess, Vavaresos discussed the causes of the post-war development hype and the undue attention paid to foreign capital:

[T]he dominant classes in these countries see the change in the attitude of the common masses and realise the danger this implies not only for their countries, but for their own position as well. Still, in many cases they refuse to abandon either the exceptional privileges they enjoy, or the disproportionately large incomes they earn – amidst widespread misery and misfortune. In their eyes, the only solution consists in economic development through large-scale foreign support; this will allow the popular masses to attain their aspirations, without requiring the owners of wealth to make any serious sacrifices. (p. 312)

Some authors have long argued that one of the Marshall aid's most important contributions to post-war growth lay in facilitating structural reform through mitigating redistributive clashes⁶⁵. As the statement above suggests, Varvaressos was well aware of how foreign assistance could serve to appease potential opponents to the development process – especially amongst the wealthier classes. But he refused to accept the necessity for such an appeasement, both in 1945 and in 1952; in this sense, he was never politically adept enough to survive post-war Greece.

⁶⁴ The term belongs to Σαράννης (2004: 412-4) and his discussion of the Varvaressos *Report*.

⁶⁵ See Eichengreen and DeLong (1993) – it goes without saying that the argument doesn't apply to Greece, where most of the Marshall plan aid was spent on military outlays or stabilisation (rather than reform or development).

Chapter 7. Course corrections (1958-67)

Too often perhaps the "cause" of underdevelopment of the Greek economy has been found in a shortage of capital and insufficient foreign investment. Responsibility should instead be placed on the country's poverty in soil and subsoil resources, the small size of the economy, present and potential, the unfavourable geographical location of Greece, the recurrent heavy military expenditures, inadequate public policies and other less immediately obvious factors.

Stephen G. Triantis, *Common market and economic development*. Athens, 1965, pp.185-6

By the late 1950s the development consensus had ripened and had become firmly seated in the minds of all economists, policy-makers and politicians outside the recalcitrant Left. Over the next decade, the 'hard core' of the development orthodoxy would remain largely invariant, but a series of adjustments would take place in response to changes in the country's political and economic outlook, as well as the configuration of its economic community. This chapter seeks to chart out these 'course corrections' and trace their causes and consequences; before devoting our attention to the evolution of the development discourse, we turn to the main political and economic developments in Greece through the 1950s and 1960s; in doing so, we hope to make up for the sketchiness of the historical account offered in the previous chapter, which was almost exclusively devoted to the theoretical nuances of development economics.

I. Setting the stage

Erecting the post-war economic & political edifice

In many ways, the 1952-3 stabilisation and devaluation mark the return to normalcy in the Greek economy, polity and society. By 1957, the main pillars of the post-war political and economic edifice had been erected: the parties of the Right were already in their fifth consecutive year of government and Konstantinos Karamanlis – the most prominent statesman of the fifties and sixties – was in his second term of office. At the same time, Zolotas had assumed his 'throne' at the heart of the Greek monetary system – a position he would maintain until 1967¹.

Return to political stability

As previous chapters have shown, the late 1940s were a period of economic disarticulation and political crisis. Amidst a time of general upheaval, civil war was raging in the countryside and Athens was tantalised by food shortages and rampant inflation. On the political front, suffice it mention that no fewer than 25 governments were sworn into office between the October 23rd, 1944 and November 18th, 1952. This mean tenure of 3.9 months per administration stood in stark contrast to the subsequent seven governments that followed until 1963, spending an average of 18.1 months in office². The 1952 administration of Alexandros Papagos is the first stable one-party government in post-war Greece, which also marks the beginning of eleven years of consecutive right-wing rule. Capitalising on the fiscal contraction orchestrated by Georgios Kartalis in previous years, Papagos and his powerful Coordination minister Spyridon Markezinis supervised the 1953 devaluation and trade liberalisation, thus

¹ Zolotas resigned from the Governorship of the Bank of Greece in 1967 to return after the fall of the colonels' dictatorship in 1974 – his withdrawal from the Bank in 1981 marked the end of the longest tenure of any central banker in Greece.

² Since 2 of those 7 administrations were provisional (supervising elections), the true figure is closer to 25.4 months per government. These span the period between November 19th, 1952 and June 19th, 1963.

paving the way for a return to normalcy on the economic front as well.

The rise of Karamanlis to power

A couple of years later, Papagos was critically ill and the Right's political support was waning in the aftermath of a fall-out with Markezinis and a deterioration of affairs in Cyprus. The Palace intervened and Karamanlis succeeded Papagos in the premiership (summer of 1955), dissolved his party (February 1956) and won the next election under the banner of his newly-established *National Radical Union* (EPE). For Karamanlis, this marked the beginning of a long period of dominance in the Greek political scene; a statesman of considerable acumen and popular appeal, Karamanlis ploughed through four consecutive terms of EPE government before eventually stepping down in 1963.

The principal features of EPE governments

Much like his predecessor, Karamanlis and his party enjoyed the support of rural voters, as well as the merchant-capitalist *bourgeoisie* that had become rich in the 1940s and was craving for political leverage to take control of the reconstruction process and safeguard its own interests (Νικολακόπουλος 2000: 183). His administrations pursued a course of unwavering attachment to the western camp and a heavy-handed policy of domestic discipline, guaranteed by various mechanisms of political persecution and suppression of public dismay. The last political execution (N. Ploumidis) took place on August 14th, 1954, but the number of political prisoners and exiles remained in the several thousands. Purging the civil service from dissidents, and revamping the top army and police leadership, the party mechanism infiltrated the public administration and established a highly effective apparatus of state control and repression³.

Economic policy and economic outlook

Statism, 'diluted' and 'antiquated' liberalism

Economic policy under Karamanlis was consistent with the overall principles of post-war right-wing administrations: along with the devotion to a 'western' model, came a firm commitment to the protection of private property and entrepreneurial initiative. On the other hand, a bureaucratic and repressive state mechanism could hardly be expected to refrain from interfering in various aspects of economic life, especially when the country's long-standing tradition of patronage, corruption and nepotism was taken into consideration. This brings us back to the troublesome borders between benevolent 'intervention' and unproductive 'statism', as well as to the strange – but functionally powerful – amalgams of overregulation and private-sector capriciousness, that dated back to the emergence of the modern Greek state, but continued to exist throughout the 20th century⁴.

The political personnel of economic policy under EPE

Still, the policy compromise attained in the fifties and sixties demonstrated considerable resilience and was largely unaffected by changes in political personnel. Over the years, several people paraded through the corridors of the Coordination ministry, which was chiefly responsible for economic policy-making. Spyridon Markezinis, Th.

³ As always, our survey of political developments is necessarily elliptical – the demanding reader may start from such sources such as Clogg (2002), Νικολακόπουλος (2001), Botsiou (1999) and Ψυρούκης (1976).

⁴ See Lyberaki and Tsakalotos (2002). Σταματόπουλος (1989: 117) speaks of a contradiction between political authoritarianism and economic freedoms, and coins the term 'antiquated liberalism' to refer to the policy framework of the 1950s and 1960s; but as the above point suggests, bureaucracy and overregulation often ended up encroaching upon *economic freedoms* as well – at least those of ordinary businessmen.

Kapsalis, Panagis Papaligouras, Andreas Apostolidis, Dimitrios Chelmis and Alexandros Protopapadakis were the key EPE personalities entrusted with the conduct of economic policy. Of course, not all of them were as important political figures as Markezinis, or as long-serving as Chelmis and Protopapadakis. But personalities such as Papaligouras, who became one of the most prominent politicians in the economic field, stood out for their acumen and rich theoretical background⁵. Papaligouras encapsulated most aspects of the right-wing economic orthodoxy and – unlike most of his colleagues – actually sought to embed the Right's policy consensus within an overarching theoretical framework. His theory of 'realistic liberalism' – whilst not terribly original – was one of the few attempts by a Greek *politician* to express his *Weltanschauung* on economic policy. Twentieth century liberalism was to be 'realistic', inasmuch as the state was expected to coordinate development and defend the socially underprivileged. Of course Papaligouras's definition of social policy was so narrow that it rendered his 'socialism' almost entirely void⁶: his frequent admonitions towards the lower classes and those who wet their appetites with promises of higher wages (i.e. the Centre-Left opposition) echoed provocative in the face of widespread poverty and unemployment (Ψαλιδόπουλος 1999a: 220ff). On the other hand, they were very much in tune with the dominant orthodoxy on monetary stability and development (see [section 8.1](#)).

Zolotas enthroned

Returning to our discussion of policy-makers in general, we might point out how the frequent rotation of ministerial personnel in the economic field was counterbalanced by remarkable stability at the Bank of Greece. After a couple of terms under Georgios Mantzavinos (1946-1955), the governorship returns to Zolotas, who assumed his 'throne' at the heart of the banking establishment in 1956. Zolotas's long tenure at the Bank – as opposed to the more fickle terms of most cabinet ministers – increased his clout within the omnipotent Currency Committee, which continued to rule supreme over Greece's capital markets and credit policy. Thus, as the decade neared its end, the stage was set and the main tenets of the prevalent development orthodoxy had been established ...

Economic performance and restructuring

Despite lingering unemployment, rural poverty and acute income inequality, the overall track-record of the 1953-67 period was far from modest: as shown in [table 7.1](#) – which summarises the period's macroeconomic indicators – the mean growth rate was 6.9% per annum. This was one of the best performances internationally⁷, whilst manufacturing growth was even stronger, causing the GDP composition to shift in its favour. Strong gains in agricultural output notwithstanding, by 1971, the primary sector would account for 18.2% of GDP (down from 28.8% twenty years earlier) as opposed to the 31.9% share of the secondary sector (up from 19.5% in 1951)⁸. Much to the dismay of many commentators – not to mention the vindication of Varvaressos's

⁵ Papaligouras was educated in law, international relations, philosophy, political science and economics in Athens and Geneva, wherein he also wrote his habilitation; he would later abandon his academic career to return to Greece and enter the political arena. For a thorough review of Papaligouras's economic thought and policy contributions, see Ψαλιδόπουλος (1994b; 1999a).

⁶ Ironically enough, in the post-dictatorial period, the same politician would be (unfairly) accused of being 'social-obsessed' (σοσιαλιστής), not least because of the key role he played in a handful of major nationalisations.

⁷ The 7.8% growth rate attained between 1963-73 was second only to Japan amongst the OECD countries (Ιορδανόγλου 2003: 60).

⁸ Reference to 1971 is due to the availability of census data for employment. Agricultural employment in 1971 stood at 41% of the labour force (down from 58% twenty years earlier). The corresponding figures for industry were 27% and 18% (Τρόπεζα της Ελλάδος 1992).

prophecies – a significant portion of the country's fixed capital formation was channelled into construction, which accounted for a quarter of secondary output. Though few would deny the population's urgent dwelling needs, the truth of the matter was that much building activity catered for a small urban elite; what is more, economists concurred that housing investments did not boost the country's industrial productivity⁹. On the other hand, energy also witnessed rapid growth, contributing directly to spectacular improvements in such sectors as steel and chemicals¹⁰.

Table 7.1 Main macroeconomic indicators (1953-1967)

	1953-57	1958-62	1962-67	1953-67
Economic growth and investment				
Real GDP growth (% per annum)	7.8	5.0	7.9	6.9
Manufacturing growth (% per annum)	9.5	6.4	9.4	8.4
Gross fixed capital formation (as % of GDP)	13.4	18.4	20.8	17.5
Output composition (% of GDP unless specified otherwise)				
Primary sector	29.1	24.5	23.8	25.1
Secondary sector	21.4	24.8	26.3	24.8
of which, manufacturing	70.4	64.1	61.1	63.7
construction	20.5	25.6	28.0	26.0
energy-mining/quarrying	9.1	10.2	10.8	10.4
Tertiary sector	49.5	50.7	49.9	50.1
Inflation, money and banking				
Inflation (% per annum)	7.1	1.4	2.7	3.7
Discount rate (end of period, %)	10.6	7.6	5.3	7.8
Money velocity (nominal GDP/money supply)	9.3	7.0	5.5	7.2
Bank deposits (as % of GDP)	5.3	13.9	18.8	12.7
Time deposits (as % of total deposits)	46.9	76.3	82.5	68.6
Foreign balance				
Export volume growth (% per annum)	12.0	4.9	12.3	9.6
Import volume growth (% per annum)	9.5	7.7	11.5	9.6
Trade deficit (as % of GDP)	6.4	7.2	8.8	7.5
Public finances				
Budget deficit (as % of GDP)	0.7	1.3	1.6	1.2
Population, emigration				
Population (millions, averages)	8.0	8.3	8.6	8.3
Emigration (thousands, totals)	126.8	238.9	452.4	818.1

Sources: International Financial Statistics (IFS) database; Emigration data drawn from Table 5.5 in Freris (1986: 164); Output composition data drawn from Τρόπεζα της Ελλάδος (1992).

Main tenets of economic policy

How much of the bang from this explosive Karamanlis decade can be attributed to public policy *per se* is a much trickier issue, further obfuscated by the absence of thorough research on policy making¹¹. Economic development was certainly placed at the heart of the contemporary policy discourse, which was steeped in the vision of modernisation/industrialisation. Several development plans were formulated, but most were of dubious calibre; quality notwithstanding, such exercises in macroeconomic foresight remained largely on paper (Σακκάς 1994). Industrial policy, though equally opaque and inconsistent (Καραγιάννη and Νικολάου 1994), demonstrated a commitment to the attraction of foreign capital and the promotion of industrial investments and exports. But an almost Talmudic set of fiscal and credit incentives designed to translate this commitment into practice usually ended up tailoring policy to the needs

⁹ This is a topic on which much ink has been spent. Calliopi Nikolaou's chapter in Ellis *et al.* (1965) offers one of the most thorough contemporary analyses of the matter, explaining the factors driving the construction boom and accounting for its moderate success in mitigating housing shortages and providing long-term employment. See also Πονσιωάννου (1959) who – amongst other things – argues that the true magnitude of construction activities is underestimated by some 33% in official statistics. For more recent discussions see the relevant papers published in Εταιρεία Σπουδών Νεοελληνικού Πολιτισμού (2000) as well as Ιδρυμα Σάκη Καράγιωργα (1994).

¹⁰ For a monograph on the evolution of energy production in Greece and its interplay with industrial development, see Τσιτσούρη (1995).

¹¹ For a glimpse at Greece's economic history in the period under examination, one can turn to Candyliis (1968), Freris (1986), and Τρόπεζα της Ελλάδος (1978). For attempts to speak about policy choices and outcomes on an equal footing, see Ιορδάνογλου (2003) and Pagoulats (2003).

of a handful of 'usual suspects': established oligopolies, political allies and traditional state beneficiaries. Private initiative notwithstanding, the state took direct action in a handful of key sectors and substantial public works in infrastructure (road-building, irrigation etc.) further contributed to higher growth rates.

Fiscal and monetary conservatism On the other hand, the post-1953 policy framework – especially under the right-wing administrations of Papagos and Karamanlis – was implanted with a strong conservative bias which left little room for expansionary policies, income redistribution or Draconian incomes' policies generous wage increases. The government was expected to run – and consistently did so, after 1957 – a primary budget surplus and keep the total budget deficit as low as possible. A draconian incomes' policy ensured that wage increases were invariably kept below productivity gains whilst widespread unemployment was vented on foreign labour markets, as almost a million Greeks emigrated within a couple of decades. Under Zolotas's watchful eye, domestic inflation was kept at near-zero levels, even if that meant that real interest rates would remain steep and commercial banks would be kept on a tight leash. Then again, confidence in the country's monetary system was promptly restored after the 1953 devaluation; money velocity receded, bank deposits ballooned and the share of long-term to total savings rose from 26.9% in 1963 to 88.1% in 1967. Monetary credibility was further enhanced by participation in the Bretton-Woods mechanism, which offered the standard advantages of 'tying one's hands' and gave Zolotas good reason to take pride in keeping Greek inflation below that of the country's trade partners (Zolotas 1965: 41).

Foreign economic relationships By taking part in both Bretton-Woods (1953) and the General Agreement on Tariffs and Trade (1949), Greece sealed its attachment to the Western multilateral trade system (Ιορδάνογλου 2003: 69). The 1953 devaluation gave a temporary boost to the balance of payments, but the trade deficit would soon resume its upward trend. Despite the incessant rhetoric on export promotion, exports grew at the same rate as imports throughout the fifties and sixties (Table 7.1). Given the adverse evolution in relative prices and the fact that imports started off at a higher level, this was translated into a mounting deficit, which stood at an average of 7.5% of GDP between 1953-67. Fortunately, the current account *in toto* was salvaged by the sizable remittances of the 'new' emigrant diaspora and a flourishing tourist and merchant shipping industry. Despite modest success conquering foreign markets, industrial modernisation and export promotion continued to capture the minds of Greek policy-makers in the 1960s and became part of the explanation offered for subsequently joining the European Economic Community in 1961 (see section 8.2).

II. Winds ^{Wafts} of change after 1958

The years around the turn of the decade witnessed a series of catalytic changes on several fronts, both at home and internationally: the economic outlook changed, opportunities and threats emerged in the guise of new international trading blocks, whilst the domestic political scenery was galvanised by the resurgence of the commu-

nist Left. At the same time, the economist community found itself in a state of flux, as the first post-war generation of foreign-trained graduates was repatriated and new institutions sprung up (see [section 3.2](#)). These changes were not radical enough to challenge the hard core of the development consensus, or profound enough to produce an overhaul of the professional community of economists. Nevertheless, when seen cumulatively over the subsequent decade, these 'course corrections' after 1958 offer interesting insights into the evolution of economic thought and its interplay with the sociology of the profession, the institutions, politics and personalities of post-war Greece. This is the subject of the next section, while the following paragraphs offer an overview of the main developments that mark 1958 as a useful turning point in our story.

Economic and political developments

The 1958-60 recession

Hindsight may suggest that the couple of decades following the 1953 devaluation were Greece's finest, at least in terms of overall growth rates; but analysts in the late 1950s had little reason to celebrate. 1958 was a good year for the olive fruit fly (*Bactrocera oleae*), but not for Greek agriculture, which witnessed a staggering drop in olive oil production. At the same time, worldwide recession brought about a substantial downturn in purchases of raw materials, both agricultural and mineral. In Greece, the global slump was propagated through the usual channels, as domestic tobacco production couldn't be absorbed on the international market. Between 1958 and 1960, growth decelerated to 4.2% – compared to 7.5% during 1955-7, as well as 1961-3. The crisis also exacerbated the country's perennial balance of payments problems and engendered a growing conviction that the contemporary growth model was nearing its limits¹².

Savings pile-up

But there was also good news. Monetary stability had been fully restored and savings had began to flow back towards commercial banks. A one-off 'jump' in savings rates (from 7% to 10%) orchestrated by the Currency Committee in 1956 (Τρόπεζα της Ελλάδος 1978: 425) played a key role in encouraging people to channel their savings back toward the banking system. By the turn of the decade, savings were piling up in bank vaults as the Currency Committee's maintained a firm grip on lending. In terms of economic theory, the upswing in savings contributed to the weakening of the capital-constraint argument – an issue we shall return to in a moment.

European regional trade blocks

On the international front, the late 1950s was a period when Europe's stabs at regional co-operation were reinvigorated (Moussis 1994: 17ff); sanctioning the conclusions of the *Spaak Committee* and building on the previous success of the *European Coal and Steel Community* (ECSC), the six founding states of the *European Economic Community* (EEC) signed the Treaty of Rome on March 25th, 1957. At the same time, Britain was championing the creation of a large *European Free Trade Area* (EFTA) between the EEC and other OECD member-states. Greece became almost immediately

¹² In the words of a later scholar, the 1958 recession demonstrated that "the scope for development based on traditional structures was extremely narrow, and further growth could not be attained merely by reproducing the structures and activities that had hitherto been characteristic of the economy" (Γιαννιτσης 1983: 23).

embroiled in these developments, pondering on their implications for its future economic outlook and debating its attachment to either regional trade block. After some initial dithering, a visit by Karamanlis to Bonn (November 1958) made Greece's courtship with the EEC official¹³; after long negotiations, an Agreement of Association was signed in Athens on July 9th, 1961 and became effective as of November 1st, 1962. The agreement stipulated a 22-year transition period. Although Greek exports to EEC countries were immediately granted the terms afforded to full members, Greek tariff reductions vis-à-vis EEC imports would be phased in over the 22-year horizon, the exact schedule depending on the nature of the products in question¹⁴. The EEC association reaffirmed Greece's attachment to the West and marked the onset of a gradual shift away from American and toward a more European orientation¹⁵.

International political developments

Remaining on the international front, the 1960s marked the apogee of post-war development policy, as foreign aid rose and increasing attention was paid to issues of development world-wide. What is more, the cold war "appeared to move a few tentative steps in the direction of sanity" (Hobsbawm 1994: 242), with a *détente* gradually setting in during the early 1960s. On the other hand, Khrushchev would famously declare "growth of industrial and agricultural production" to be "the battering ram with which we shall smash the capitalist system"¹⁶, thereby heightening Western consternation surrounding Soviet growth rates. It was this perceived challenge, along with the broader intellectual and cultural momentum of the New Left¹⁷, that led to what one historian has aptly described as "growth liberalism", encouraging "great societies at home and great designs abroad" (Collins 1994: 11; cf. Collins 2000), i.e. to an increased preoccupation with growth, as well as with facets of development lying closer to the hearts of Left intellectuals (inequality, poverty, etc.).

Domestic political developments: a resilient Left

Mobility on the Centre-Left range of the political spectrum also dominated the domestic political scene after 1957. Given the forced dissolution of the Greek Communist Party, the post-civil war Left was forced to seek out new avenues of political involvement in Greece¹⁸; the most successful new entity born out of this process was the *United Democratic Left* (ΕΔΑ), which emerged in August 1951 as a coalition of small parties and eminent personalities. Over time it would evolve into a fully-fledged party which – though not merely a surrogate of the exiled KKE – would never hide its overall Marxian leanings. ΕΔΑ's transformation into a single party would have to wait

¹³ Simultaneously, Greece withdrew from the still embryonic EFTA. Britain's refusal to accept the need for a common agricultural policy as well as its reluctance to grant substantial privileges to those potential entrants still facing development challenges (notably Greece, Ireland and Turkey) had already generated widespread dissatisfaction amongst Greek officials (Botsiou 1999: 400ff). Irreconcilable differences between France and Britain would soon lead to the collapse of negotiations on the creation of a 'large' EFTA – a 'little' EFTA of nine members was founded in 1959 but to little avail: over the next decades, six out of nine initial EFTA members would join the EEC (Moussis 1994: 18).

¹⁴ The main distinction was between (a) products manufactured in Greece (b) other manufactures and (c) agricultural products. Duties for type (b) products were scheduled to fall at a faster rate, with full liberalisation being attained in 12 years. Special treatment was afforded to different categories of agricultural commodities. With the advent of the 1967 junta, the accession process would be disrupted; Greece would eventually become a full member in 1981.

¹⁵ This was largely endorsed by the United States; after all, the shift towards an integrated European economy had been part of American post-war plans for Europe ever since the conception of the Marshall plan (Hogan 1987). What is more, US diplomats saw Greece's membership in the EEC as a big step towards the country's political stabilisation and its emancipation from American interventions to guarantee a continued alignment with the Western world (Botsiou 1999).

¹⁶ Speech at Krasnodar; published in *Pravda*, March 10, 1957 – also quoted in Collins (1994: 15).

¹⁷ For the key readings of the *New Left* movement which starts in the late 1950s and flourishes in the following decade, see Albert and Albert (eds.) (1984).

¹⁸ Both KKE and EAM were banned under Emergency Law 509 (27.12.1947); of course, the Communist Party would continue its underground activities and remain in operation outside Greek borders – see [chapter 9](#).

until its 1956 conference, which also heralded a number of ‘openings’ towards politicians of the Centre-Left (Tsirimokos, Pyromaglou, Bredimas)¹⁹. It is this broad left-wing alliance under the banner of “national democratic change” that participated in the 1958 general elections, contributing to one of the most startling results in Greek electoral history²⁰.

The EPE’s reactions to the 1958 electoral results

The emergence of the ‘disguised’ Left as head opposition party only a few years after its military defeat alarmed the Karamanlis administration and was taken as a sign of mounting social dissatisfaction with the country’s development record. Despite impressive growth, unemployment and emigration remained obstinately high, whilst additional income and better living standards had not ‘trickled down’ to the lower classes – as ‘realistic liberals’ like Papaligouras had expected. In a series of governmental meetings held after March 1959, the country’s ‘economic problem’ was discussed at length. Several economists – including some not ideologically affiliated to the EPE – were invited to submit memoranda and offer their advice on the future course of economic policy. Drawing on contemporary archival material, Ψαλιδόπουλος (2009) argues that these meetings led to a series of key strategic decisions, which reflected Karamanlis’s attempts to respond to the political challenge at hand. Major policy innovations included the establishment of a state-owned farmer pension fund (ΟΓΑ) and Greece’s association with the EEC. Less remarkable in terms of its actual policy implications – but important to the status and role of economists within the administration – the decision to introduce more rigorous development planning was also made in the aftermath of the 1958 electoral results (Ψαλιδόπουλος 2009; see also section 8.3).

From Left to Left-Centre: the rise of *Centre Union* to power

Ironically enough, ΕΔΑ’s success in 1958 also marked the high-point of its electoral influence: the state and security mechanisms were promptly mobilised in the backlash, whilst a reformed *Centre Union* (ΕΚ) party would soon emerge on the scene as a ‘safer’ challenger to EPE dominance. The Union would erode the Left’s electoral appeal by advancing a centrist platform of social cohesion within a Western, ‘democratic’ framework. But it would not be before 1963/4 that this platform would bring the Union and its leader, Georgios Papandreou to power²¹, thereby ending a decade of political supremacy by the Right and opening the road for a series of Centre and Centre-Right administrations that would alternate in power until the 1967 derailment.

Economic policy under the *Centre Union*

Though reluctant to alter the fundamental tenets of the policy-making consensus, the centrist administrations pursued less restrictive policies, increasing state consumption and accommodating wage rises *on a par with* or even *above* productivity growth (Ιορδάνογλου 2003: 82). By 1962, the economy had overcome the vicissitudes of the late 1950s and a combination of high private investment²² and rapid growth rates

¹⁹ These developments were facilitated by the gradual de-Stalinisation of the KKE: the 1956 Plenum in Bucharest decided to expel Nikos Zachariadis, the recalcitrant Secretary General of the civil-war period – from the Party and replace him by Kostas Koliogiannis – see section 9.2.

²⁰ The election was carried by the right-wing EPE (41,2% of votes and 171 seats), but ΕΔΑ unexpectedly came second (24,4% and 79 seats). The centrist Liberal Party was limited to 20,7% of the ballots and 36 seats in parliament.

²¹ This delay is partly attributable to the EPE party mechanism having deeply infiltrated the state apparatus; this largely enabled it to ‘rig’ the 1961 general election, thus prompting Papandreou’s famous ‘first unyielding struggle’, between 1961-3. For these and other aspects of Greece’s political history in the 1960s, see Πρίγος *et al.* (2008), Meynaud (2002) and Νικολακόπουλος (2001).

²² A substantial portion of which comprised foreign direct investment, as several major ‘deals’ signed during the last years of Karamanlis’s administration started to ‘kick in’. Between themselves, the *Pechiney* deal on aluminium, the *Esso-Pappas/Ethyl International*

permitted the partial withdrawal of the state from fixed capital formation and a shift in emphasis toward aspects of 'social policy'. These developments would encourage the Bank of Greece to lean in the opposite direction and adopt a more conservative monetary stance, even though it never appeared to directly contradict the government line. Commenting on recent wage increases, Zolotas would reiterate the orthodox policy mantra:

demands raised by various segments of the population for increases to their money incomes, must be maintained within the constantly widening productive potential of the Greek economy and the margin for a healthy mobilisation of resources from abroad. (Report of the Bank of Greece Governor on the 1964 balance sheet, Athens 1965)

Less reserved in their critique, EPE politicians like Papaligouras would castigate the Centrist government for its "omni-consumptionist policy" which allegedly increased budget spending by 50%, threatened the balance of payments and undermined monetary stability²³. Across the floor, the Centre Union would retort with accusations of plutocracy and paeans to the merits of greater income equality. Economists-turned-politicians such as Andreas Papandreou and Ioannis Zigdis would defend the party's theoretical line in public. In several ways, these men also represented the new 'breed' of professional that was gradually increasing its influence in the economics community: they were young, technically proficient and trained in Anglo-Saxon universities...

Professional developments and subject realignments

Changes within the professional community of economists

Alongside these changes in the background to the economic discourse, came a series of professional and sociological developments within the mainstream community of economists. In [chapter 3](#), we saw at length how the late 1950s and early 1960s witnessed a partial realignment, as a younger generation of scholars – most of them educated in the post-war UK or US – entered the scene. These were not only proficient in recent methodological innovations; more importantly, they were less constrained by the ideological and institutional impediments that had burdened their predecessors. Along with this influx of 'new blood', came increased mobilisation on the professional scene. Several vocational schools were elevated to university status, enrolment rates were increased, curricula were broadened, new methods and subjects were introduced, seminars were organised and foreign scholarships were handed out to the ablest of students. In other professional fronts, specialised credit institutions were established (e.g. OXOA, OBA) and attempts were made to improve the status of economic expertise within the administration – not least to respond to the commitment to better development programming.

CPER's unique composition and institutional status reiterated

The most significant new institution to emerge near the turn of the decade was the *Centre for Programming and Economic Research* (CPER), arguably the most fertile and innovative research hub of its time. Founded in 1959 and embedded within the public sector, CPER nonetheless enjoyed considerable independence vis-à-vis traditional professional constituencies. This was guaranteed by its autonomous (let alone

deal on refining and the *Hellenic Shipyards* of Stavros Niarchos accounted for 59.7% of the entire FDI flows to Greece between 1954 and 1966 (Ρουμελιώτης 1977).

²³ Παπαληγούρας (1996: 405). According to Papaligouras, the Centre Union "had been the grand prophet of consumption" (*ibid.*: 328).

generous) foreign funding, and was bolstered by the specific profile of its personnel, which comprised a majority of young, foreign-trained and recently repatriated scholars. Some of them may have had privileged access to the upper echelons of politics and administration, but few had any other attachments prior to their arrival at CPER. The Centre's unique composition and institutional status also account for its original and often iconoclastic contributions to the Greek development discourse, as well as the hostility with which its research was greeted by many older community members. The next section will inevitably draw on this remarkable research record, which played a key role in the theoretical realignments that emerged in the course of the 1960s.

Table 7.2. Comparative profile of journal articles 1948-67 (pages and %)

	1948-57	1958-67	1948-67
Total article pages	8,196	14,509	22,705
of which, economic	5,059	10,193	15,252
of which, policy-oriented	2,578	4,022	6,600
of which, on development	1,909	4,637	6,546
of which, policy-oriented	1,546	2,906	4,452
Economics articles (% of total)	61.7%	70.3%	67.2%
of which, policy-oriented (%)	51.0%	39.5%	43.3%
of which, on development (%)	37.7%	45.5%	42.9%
of which, policy-oriented (%)	81.0%	62.7%	68.0%
Top broad subjects			
1 Economic growth; development, planning theory and policy	20.8%	23.6%	22.7%
2 General economic theory	16.1%	22.1%	20.1%
3 Econometric, statistical & mathematical methods/models	7.7%	19.4%	15.5%
Top narrow subjects			
1 Economic development models and theories (112)	15.2%	14.2%	14.5%
2 Economic studies of developing countries (121)	13.4%	11.6%	12.2%
3 Macroeconomic theory (023)	10.8%	10.8%	10.8%
4 Domestic monetary and financial theory and policy (311)	15.6%	7.8%	10.4%
5 Mathematical methods and models (213)	5.5%	11.6%	9.6%

Notes: Subject classification follows the 1969-90 *Journal of Economic Literature* classification system (codes in parentheses).

Broad subjects correspond to 2-digit JEL codes and narrow subjects to 3-digit codes.

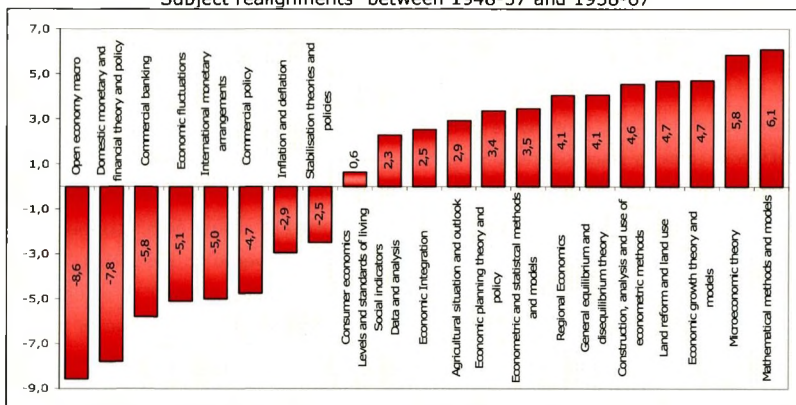
Source: Author calculations based on journal database (see [appendix A](#) for details).

Implications for The above developments were soon mirrored in the community's theoretical ac-
theoretical output tivity, as proxied by publications in scientific journals. Not only did the volume of intel-
lectual output rise, but its composition, i.e. the relative weights attached to different
subject areas and methodological approaches, also shifted. [Table 7.2](#) contains the pro-
file of articles published in the *Review*, the *Archive* and the *Spoudai* between 1948 and
1967, broken down by sup-period. Impressively enough, the post-1958 decade was
associated with a two-fold increase in the volume of economic output, as totals soared
above one thousand pages per year. Obviously, part of this increase may reflect the
relative rise of journals as media of scientific communication²⁴, rather than an absolute
increase in the theoretical output, but there is little evidence to suggest that this is the
dominant effect in our case. An expanding share of economic articles was devoted to
facets of economic development. At the same time, policy-oriented texts declined, as
theoretical novelties had to be shared with the community: more and more, conven-
tional policy discussions were displaced by papers introducing readers to aspects of
modern theory, mathematics and quantitative methods²⁵.

²⁴ This is common in fields where integration and specialisation "make possible the standardisation of research skills and the communication of research results by way of concise, highly formalised articles (as opposed to books, for instance)" (Leijonhufvud 1991: 2).

²⁵ The overall share of policy-oriented papers fell from 51.0% to 39.5%; the shift was even larger in development articles, where the post-1958 period recorded only 62.7% of pages explicitly related to policy, down from 81.0% in the 1948-57 period.

Diagram 7.1. Economic articles published in Greek scientific journals:
Subject realignments²⁶ between 1948-57 and 1958-67



Subject classification follows the 1969-90 *Journal of Economic Literature* classification system (3-digit subject categories). The numbers indicate the difference in percentage points in subject coverage between the two periods. Thus for example, matters of open economy macro were discussed in 12.2% of 1948-57 articles as opposed to 3.6% in 1958-1967, leading to a difference of -8.6. Negative numbers indicate a decline in subject prevalence after 1958, with positive numbers denoting the opposite.

Source: Author calculations based on Journal Database (see [appendix A](#) for details).

Thematic variations

By far the most telling changes occur at the thematic level, with several new subjects rising to the foreground in the course of the 1960s. Whereas economic growth and development are the most prevalent subject categories overall, fields such as mathematical/econometric methods and models only become commonplace *after* 1958. But even within the development discourse, articles on linear programming and growth models first make their appearance in the 1960s. Thus for instance, some fleeting references aside, detailed applications of Harrod-Domar models are entirely absent from Greek journals prior to 1960; henceforth, the younger generation of economists employed at the DER and/or CPER writes extensively on the subject²⁶.

The details of these thematic realignments are presented in [chart 7.1](#), where those subject categories undergoing the largest shifts between 1948-57 and 1958-67 are recorded. Whereas some changes, such as the upswing in attention to "economic integration", are clearly linked to specific events (the EEC accession debate), others reveal deeper shifts in methodological and theoretical leanings. Thus, for example, the chart reveals a move towards quantitative methods, programming and mathematical modelling²⁷. What is more, there also appears to be a shift away from domestic and international monetary/financial issues²⁸, as well as an increase in attention paid to 'social' dimensions of economic policy²⁹. As the next section will try to show, these developments are symptoms of a broader move away from monetary stability and capital constraints, and back toward aspects of productive and technical viability. What is

²⁶ See articles by Παναγόπου (1960), Καλόγρης (1960), Λάζαρης (1961), Γουδή (1962), Μαρματάκης (1961), Οικονομάκη-Μαλινδρέτου (1965) and others.

²⁷ Note how "economic planning theory and policy", "econometric and statistical methods and models", "mathematical methods and models", "economic growth theory and models", "microeconomic theory" and "construction, analysis and use of econometric methods" all increase in popularity after 1958.

²⁸ Note the decline in the share of pages devoted to "commercial banking", "domestic monetary and financial theory and policy", "economic fluctuations", "international monetary arrangements", "inflation and deflation", "stabilisation theories and policies".

²⁹ Subjects such as "consumer economics, levels and standards of living", "social indicators, data and analysis" and "regional economics" rise from obscurity in the post-1958 period.

more, these theoretical realignments were derivative of the particular configuration of political, economic and professional developments discussed in previous paragraphs.

III. Course corrections: rediscovering aspects of productive viability

Blanket state- If we were to condense the evolution of development economics after 1958 into ment: from capi- a single statement, we'd have to emphasise the gradual shift from capital constraints to and financial viability back to aspects of productive viability. Domestic demand, entre- the (re)discovery preneurship, human capital, technology, business administration, market structure, ef- of productive ficiency and competition were all 'rediscovered' in the 1960s, as doubts were cast on viability the primacy of the capital constraint or the availability of unlimited surplus labour. What is more, economic discourse registered an upsurge in 'social sensibilities' and many authors turned their attention to matters of income distribution, regional ine- quality, poverty, health care, education etc. To put it differently, economists drifted away from their vision of Greece as a country whose boundless development potential was just waiting to be unleashed – as soon as sufficient capital was procured and the appropriate incentives were put in place. Instead, the nagging realisation was that several of the concerns expressed by viability sceptics had not been entirely amiss. Of course, the development consensus was deeply ingrained in everyone's mind, and state-aided industrialisation remained the order of the day. But perhaps there was something to be learned from those who had lamented the country's inherent resource limitations. Even if natural resources, such as tillable land, mineral wealth etc. were no longer deemed as terribly important in determining economic progress, what about *in- tangible* resources like human capital, entrepreneurship, technology, and well- functioning institutions? These were some of the considerations that crept into the de- velopment discourse after 1958 and brought about modest 'course corrections' in the prevalent consensus.

Interplay with Theoretical developments were intimately tied to the economic, political and pro- political and eco- fessional realignments discussed in previous paragraphs. The decline in financial con- cerns after 1958 was certainly prompted by the 'uncomfortable' triangle of monetary stability, ample savings and languishing investment/growth rates. In the face of pro- longed price stability and bulging bank coffers, the capital shortage argument was rap- idly losing credibility. The same can be said of 'trickle down' arguments and Pa- paligouras's 'realistic liberalism', which were becoming increasingly *unrealistic* as ine- quality and poverty persisted. The rise in economists' social sensibilities was not unre- lated to the re-emergence of the Left and Centre-left on the political scene. For its part, the Right's waning popularity pointed at mounting frustration with widespread unem- ployment, draconian incomes policies and glaring inequalities. A perceptive politician with an instinct for practical solutions, Karamanlis was hardly blind to these develop- ments, and his policy initiatives after 1958 also helped reintegrate productive viability and social concerns into the mainstream development discourse.

Interplay with
professional de-
velopments

On the professional front, the increase in personnel turnover injected new blood into the veins of the local economic community and broadened its exposure to the international development discourse, where similar trends were underway. But the re-kindling of discussions on technical and productive viability was no mere echo of parallel developments abroad: it also marked the fading of theoretical taboos inherited from the 1940s, when "viability" had become a battle-cry in a civil strife involving much more than conflicting pieces of policy advice. As the new wave of foreign-trained theorists trickled into the local scene in the 1960s, they did not only bring along their brand-new textbooks; most importantly perhaps, they left behind some of the ideological baggage burdening economists of generations past³⁰. What is more, since many of these scholars – especially those affiliated with CPER – were either detached from domestic politics (e.g. foreign academics), or aligned with the Centre-Left³¹, their work was more likely to be critical of, or at least not deferential to, the policy record of the last decade. CPER's relative independence vis-à-vis traditional professional constituencies further ensured that its researchers would be less constrained by existing constituency-determined theoretical sensibilities and biases – whether conscious or sub-conscious (cf. [chapter 3](#)).

Little by little, it was becoming *politically* and *professionally* viable again to address such issues as the adequacy of natural resources and domestic demand, or the appropriateness of institutional design – especially if these were embedded within a framework of social sensitivity, as was often the case in the 1960s. Thus, it came about that statements like the one placed at the top of this chapter would creep back into the development discourse. Writing in the mid-sixties, Triantis would not only have the audacity to lament the country's "unfavourable geographical position" and "small size", but would even go as far as to speak of "poverty in soil and subsoil resources"! These provocative statements all had the same point of departure: rising scepticism towards theories that attributed the country's woes to "a shortage of capital and insufficient foreign investment" (Triantis 1965: 185).

Casting doubts on the capital-constraint and surplus-labour arguments

Questioning the
capital-constraint

Our suggestion that the development consensus remained unchanged throughout the 1960s does not imply that none of the previously held convictions were ever revised. In a loose application of Lakatosian terminology, we might say that whilst the 'hard core' of state-aided modernisation was left intact, the same did not apply to the entire length of its 'protective belt'. Whereas the priority of capital accumulation and industrialisation were never questioned, confidence in some auxiliary hypotheses began to waver and arguments were 'corrected' appropriately. One of the most interesting shifts surrounds the primacy of the capital constraint. We have already seen how

³⁰ It goes without saying that this also applies to foreign scholars visiting Greece (usually as part of CPER's research/seminar programs). There is little reason to believe that they were conditioned by traditional development thought in Greece. Of course, there is good reason to believe that they were influenced by the theoretical clichés and biases of their own countries of origin.

³¹ Not least because the *Centre Union's* leader, George Papandreou was the father of CPER's founder, Andreas Papandreou.

financial viability was often seen as the primary impediment to economic development and how it was entwined with concerns for monetary stability. But less than a decade after the 1953 devaluation, savings were piling up and inflation was at historical lows; nevertheless the long-awaited 'take-off' had not quite kicked in.

These developments would not go unnoticed by economists, especially those less congenial toward EPE's economic policy. In the words of one famous theorist of the centrist opposition:

the myth, according to which capital shortages inhibit Greek economic development, has long now crumbled and not even the government itself invokes it as a factor stalling development. (Ζιγδής 1960: 454)

Commenting on a paper presented by Lazaris, which used linear programming to minimise the capital input required for a given growth rate, Delivanis congratulated the speaker "regardless of the fact that incidentally – and perhaps only temporarily – capital is not the scarcest factor in Greece" (Δελιβάνης 1961b: 98). It would only take another couple of years for such cautious remarks to be replaced by outright rejections of the primacy of the capital constraint. Replying to a paper presented by Stylianos Geronymakis at a conference on EEC accession, Dimitris Chalikias argued that the speaker's fears that industrial development was undermined by capital shortages were unfounded (Χολικιάς 1964). In the same vein, Achilleas Kominos dismissed the notion that "lack of capital [was] the greatest obstacle on the road to industrialisation" (Κομινός 1963). Always on the look out for an empirical angle, Pepelasis added that:

a look at the Coordination Ministry's national accounts and the break-down of financial institutions liquidity, suggests that the private sector has generated much larger savings compared to the investments undertaken. (Πεπελάσης 1963: 8)

The 1964 Psilos monograph on the *Capital Market in Greece*

The most thorough dissection of the Greek capital market would come with two CPER monographs published between 1964 and 1965. True to CPER's flair for empiricism, Psilos (1964) set out to investigate the Greek capital market, only to discover that – as of 1955 – the private sector had been in financial surplus, producing some 9.7 billion drachmas *more* in savings than what investment could absorb:

This surprising finding about private savings led us to investigate the origins of savings by income class. Most theories of economic development put more emphasis upon the savings potential of the upper income groups. One would expect the unequal distribution of income in Greece to imply the existence of a sizable wealthy group with considerable savings. But, by and large, the high income Greeks seem generally inclined to indulge in conspicuous consumption and thus not to save as much as would be expected on the basis of behaviour in developed economies. However, there seems to exist a middle-income class in Greece, namely that of salary-earning and wage-earning people, which has raised its propensity to save, over the period under review, more than did the upper-income classes, consisting of entrepreneurs and professionals. (Psilos 1964: 242)

These findings, reminiscent of left-wing claims on the true potential for domestic accumulation, led Psilos to argue that policy should aim at greater income equality. This way, a steady flow of savings would be guaranteed and overall liquidity would remain high. Of course, savings would have to be converted into productive investment, and it was here that Psilos offered penetrating insights into the *structural* and *institutional* features of the domestic capital market. Discussing issues ranging from firm fragmentation and corporate legislation to entrepreneurship and stock markets, Psilos did not hesitate to criticise the country's oligopolistic banking establishment for inefficiency and "undesirable behaviour" (p. 250).

- The 1965 Ellis *et al.* monograph on *Industrial Capital in Greek development* took the argument one step forward. Investigating those factors that encouraged or hindered the link between savings and investment (p. 30), the authors almost took it for granted that "the aggregate supply of capital was never an inhibiting factor in the development of the Greek economy" (p.43). They meticulously discussed impediments to industrial investment and highlighted such factors as human capital, entrepreneurship, technology, competition, firm fragmentation etc. Provocatively enough, Ellis *et al.* (1965) would also attribute a large portion of the blame to bank practice and the state's unfortunate monetary and fiscal policies, which crowded out private investment and rationed credit to smaller enterprises. Monetary authorities had been fully aware of capital market imperfections, but were loath to intervene appropriately. As the CPER team would put it, "the prevalent credit policy constitutes a very serious hindrance on the demand for capital" (Ellis, *et al.* 1965: 66). In a nutshell, the CPER monographs were not only casting doubts on the allegedly binding capital constraints to development: they were also pointing an accusing finger at the prevalent economic policy framework, at the Bank of Greece and the EPE cabinets. Needless to say, both works caused considerable consternation in traditional banking circles and were greeted with disdain by most economists outside CPER, who systematically chose to ignore their findings. In my opinion, neither their originality and iconoclastic conclusions, nor the hostility with which they were received by outsiders, can be understood without reference to the CPER's unique professional and institutional position within the mainstream community.
- Questioning the surplus labour theory
- The vision of the economy 'taking-off', once capital shortages had been overcome, was also predicated on the assumption of an elastic supply of complementary factors, including labour. Surplus labour went hand in hand with simplified stage-theories of industrialisation, permitting economists to focus on financial constraints to growth. Hence, it was hardly surprising that the country's most dynamic research institute would choose to devote an entire monograph to agricultural unemployment and underemployment. What was surprising, was their finding that the surplus labour assumption had been overstated...
- The 1962 Pepe-
lasis & Yotopoulos monograph on *Surplus Labour in Greek Agriculture*
- Pepelasis and Yotopoulos wrote their survey of *Surplus Labour in Greek Agriculture* as part of the CPER research monograph series. Faced with conventional estimates of rural underemployment ranging between 25% and 45% (cf. [section 6.2](#)), the authors provocatively argued that the true surplus in 1953 stood at a meagre 3.5% of the labour force. What is more, from 1955 onwards, this 'labour reserve' had evaporated: emigration to urban centres and abroad, along with increased absorption from intensive cultivations, had not only eliminated the previous surplus, but was even causing labour shortages at peak seasons (Pepelasis and Yotopoulos 1962: chapter 2). A large portion of the discrepancy in estimates emanated from previous researchers' failure to distinguish between seasonal and permanent components of unemployment (but see Βαρβαρέσος 2002 [1952]: 318). What is more, Pepelasis and Yotopoulos assumed constant technologies, thus disregarding labour released as production proc-

esses improved. Investment in agriculture was meagre, land fragmentation hindered the application of some technologies, and other innovations were even more labour-intensive. Thus, the authors felt justified in postulating that technological frontiers would remain unchanged in the foreseeable future. On the other hand, they also assumed that surplus labour could be transferred to other sectors without loss of agricultural output, however unrealistic that may have appeared to them³².

In search of a

new culprit: three
main alternative
directions

Between themselves, the Pepelasis-Yotopoulos monograph and the Psilos, Ellis *et al.* research on capital markets, chipped the conventional wisdom surrounding Greece's obstacles on the path to prosperity. By questioning the urgency of financial constraints, these authors were creating a void that needed to be filled: if capital was not the chief missing ingredient, then what lay behind the country's lingering development problems? If savings were abundant, what stopped them from being transformed into industrial investment? Obviously, a new culprit had to be found and economists started looking for answers in several different places. Despite the variety of responses offered, some common themes quickly began to emerge. By and large, mainstream development texts would pointed in three alternative directions. First of all, there were those authors who wanted to shift attention *from supply to demand*. These would voice concerns for the size of the domestic market and discuss the interplay between income inequality and the inadequacy of demand. Then came arguments aimed at *highlighting alternative facets of supply* (i.e. factors other than capital), such as entrepreneurship, education, technology, business organisation etc. It is within this latter approach that we also find several economists *emphasising failures at an institutional level*, such as the operation of the banking system or the functioning of product and factor markets. Such authors would not hesitate to blame Greece's industrial malaise on the oligopolistic structure of the country's capital markets, firm fragmentation, adverse state intervention, and the inadequacies of the country's legal and economic policy framework. More often than not, the specific interpretation adopted by each economist would be conditioned by their own professional affiliations and political leanings. Subsequent paragraphs take a closer look at each one of these arguments in turn ...

Market size, demand considerations and redistribution

Orthodox devel-
opment econom-
ics and demand
in the 1950s

In the previous chapter, we argued that beliefs in the primacy of capital constraints went hand in hand with a relative disregard for demand-side considerations. Orthodox development economists – though familiar with big-push theories and forward linkages – felt that Keynesianism was largely inapplicable to underdeveloped countries like Greece: demand stimuli were more likely to jeopardise monetary stability than increase growth and investment (Κολόγρης 1959). Thus, with the exception of

³² Pepelasis and Yotopoulos rejected the zero-marginal product assumption as untenable "lest we are willing to accuse the peoples of underdeveloped nations for irrational behaviour bordering on stupidity" (1962: 37). Yotopoulos in fact had written his doctoral dissertation on the subject, which "occupied a good deal of the literature on the labour surplus economy" (Ranis 1987) internationally.

some dissident voices such as Andreas Saounatsos or Georgios Kolomvos³³, most economists remained silent on matters of demand, focusing their attentions on the overriding goal of capital accumulation instead. Of course this should not be taken to imply that they were oblivious to the importance of market size in determining the scope for industrialisation. Writing in 1952, an old acquaintance of ours would point out that:

The first obstacle that needs to be overcome in the process of industrialising an underdeveloped nation, is the lack of effective demand, which in these countries is often the greatest impediment to the establishment of large-scale industries. (Κουβέλης 1952b: 16)

But such statements were rarely followed by in-depth analysis and it was usually assumed that demand would either come from abroad (cf. the widespread emphasis on exports) or expand alongside supply over the course of domestic expansion³⁴.

Demand and income inequality in the 1960s: a centrist argument

As capital constraints fell out of prominence in the 1960s, several economists turned their attention to issues of aggregate demand. As a rule, these were economists of centrist leanings, and their analyses were often critical of established policies. Thus for instance, the authors of one CPER monograph would acknowledge EPE's efforts to increase supply and encourage investment,

but unfortunately, monetary and fiscal policies, including those measures concerning public debt, have not been entirely consistent with the government's pronounced intentions. (Elis, et al. 1965: 68)

Fiscal and monetary conservatism undermined rapid development and employment growth, whilst simultaneously imposing an undue burden on lower income groups, who were caught between the Scylla of high taxation and the Charybdis of draconian incomes policies and meagre social spending. The government's rule of financing public investment through primary budget surpluses placed an undue burden on current generation of taxpayers. Even today's popular 'golden rule of government finance'³⁵, which is generally deemed a conservative policy framework, is more tolerant of governments borrowing to fund public investments³⁶ than EPE's policy in the 1950s. Addressing his colleagues at a GSES conference in 1963, Georgios Kanas would offer one of the most scathing critiques of the country's fiscal conservatism. In its effort to generate primary surpluses, Kanas argued, government policy was systematically depressing consumption, especially wages and pensions, which constituted the main source of purchasing power (Κανάς 1963: 136ff). As a result, growth was undermined by lack of effective demand, and the standards of living amongst the lower income-classes stagnated:

Financing public investment expenditures out of regular budget surpluses on a long-term basis, is a policy for totalitarian States and causes little or no improvement in the living standards of

³³ A professor of political economy at the Piraeus Graduate School of Industrial Studies, Saounatsos was a champion of Keynesian demand expansion to promote employment (e.g. Σαουνάτσος 1960). In similar vein, Kolomvos had a long-standing interest in social policy and unemployment, which he often attributed to insufficient demand – see e.g. his critique of Delivanis in Κολόμβος (1961a: 57).

³⁴ For a similar reference to market size, see Γεωργιανός (1952). Addressing the audience at the Piraeus Graduate School of Industrial Studies in December, 1951, Georgantas argued that "placing our final products will be a greater issue. No industry can survive and grow on the basis of a consumer market of 7,500,000 poor people. If they are its only market, it will never be able to against the production cost of international manufacturing".

³⁵ Put simply, the rule instructs governments to balance their current budget and borrow no more than the amount of gross public sector capital formation. Golden rules are embodied in the constitutions of several German *Länder*; the same philosophy lies behind the EU's notorious *Stability and Growth Pact*.

³⁶ This is not to suggest that today's 'golden rule' philosophy is analytically impeccable. As argued by Buiter et al. (1993), there is nothing golden about the golden rule: many useful and desirable government investment projects never pay for themselves and there is nothing intrinsically wrong with borrowing to finance consumption.

the popular masses. As a result, the increase in national income due to the multiplier effects of these expenditures is not proportional to the size of the requisite sacrifices. (Κονός 1963: 152)

The connection between demand deficiency and income inequality was characteristic of centrist arguments in the 1960s. Whereas economists in the 1950s usually focused on the relationship between income inequality and savings, their centrist colleagues in the next decade would defend income redistribution not only on social grounds, but also as a means to enlarge the domestic market. Writing for the centrist newspaper *To Vima*, Kanellopoulos (1961h) would lament widespread inequality and argue that the cost of industrialisation had fallen disproportionately on the country's working classes. But social considerations aside,

it is worth noting that income redistribution is also sometimes mandated for reasons of stimulating consumer demand and broadening the market. (Κανελλόπουλος 1961h: 231)

Andreas Papan- This profoundly Keynesian line of argument³⁷ – close at heart to the work of dreou, redistribution and demand such socialist authors as Angelopoulos, if not communist complaints of labour impoverishment and underconsumption as well (see [chapter 9](#)) – was soon picked up by Andreas Papandreou himself:

In Greece there is a widespread belief – advanced and propagandised by the governments of the 1950s and 1960s – that social justice in the distribution of income and wealth is inconsistent with rapid economic development, that rapid growth should take precedence and – by extension – that questions of income redistribution should be relegated to a more appropriate future time. One of the principal impediments to the development of an industrial base in Greece is the meagreness of the domestic market. In our opinion, the development of industry – itself a prerequisite for sustained development and evolution – necessarily presupposes a broadening of the domestic market through a better distribution of income and wealth. (Παναγόπουλος 1965a: 573)

Interestingly enough, the reader of Papandreou's *A strategy for Greek economic development* – the first research monograph to be published by CPER in 1962 – would find little evidence of the author's subsequent theoretical leanings. Explicitly embedded within the framework of development-as-industrialisation, the book discussed choices amongst alternative investment plans, subject to Greece's *financial* constraints. Admittedly, Papandreou devoted an entire chapter to "Growth, Income Distribution and Employment", but his analysis remained largely conventional³⁸. The shift in Papandreou's theoretical outlook was indicative of the interplay between politics and economics: after joining his father's cabinet in 1965, Papandreou would make extensive use of such arguments to defend the Centre Union's policy, whilst simultaneously trying to woo the Left by appropriating a portion of its economic arguments and portraying himself as the leader of a more radical current within the Centre. What is more, the entire incident serves a good example of how changes in the 'protective belt' of mainstream theory could take place without undermining the 'hard core' of the development discourse: emphasis on capital accumulation and industrialisation was entirely consistent with the new-found interest in aggregate demand, which merely replaced an exaggerated concern for financial constraints.

Other approaches Discussions of aggregate demand did not always revolve around inequality and in a Keynesian redistribution. Articles by Οικονομάκη-Μαλινδρέτου (1965), Σαρσέντης (1964) or Δη- vein and empiri- μητρακόπουλος (1964), all highlighted the role of the country's internal market in cal work

³⁷ For a clear formulation of similar considerations (and a rejection of the link between inequality and capital accumulation) by Keynes himself, see the *General Theory's* concluding chapter (Keynes 1973 [1936]: 372-4).

³⁸ Instead, of focusing on the link between inequality and demand, the author contested the classical argument that inequality promoted savings, by raising the standard counterargument of conspicuous consumption (Papandreou 1962: 38).

promoting balanced growth and fostering industrial development. More often than not, such arguments were of Keynesian inspiration, even though their authors were sometimes unaware of their intellectual lineage. Theoretical treatments were complemented by empirical work, as the 1960s saw an increasing number of publications estimating the country's demand elasticities and marginal propensities to consume/import. Their authors sought to confirm the existence of a 'demonstration effect' (diverting domestic income to luxury imports) and produce estimates of Keynesian demand multipliers³⁹, though some work was also inspired by purely social considerations⁴⁰. Last but not least, we should also mention Georgios Koutsoumaris's famous monograph on the *Morphology of Greek Industry*, which contained an entire chapter on the role of demand in shaping industrial output. Crude regressions of sectoral income elasticities led the author to conclude that industrial development was *demand-driven*. What is more, demand was primarily derived from intermediate consumption rather than final consumers, especially since most households had meagre earnings and low income elasticities. More significantly perhaps, Koutsoumaris dismissed the role of foreign imports in stimulating industrial development, as total industrial exports did not exceed 2% of manufacturing output⁴¹:

This fact is particularly significant with respect to industry's growth potential. In terms of demand, import substitution may thus for long remain the primary vent for expansion, unless serious changes transpire in the near future. (Κουτσουμάρης 1963c: 97)

Casting doubts on Greece's export potential This last point was also taken up by Papandreou, who complemented his argument on the importance of *domestic* market demand with warnings about the country's poor export potential. Until Greece had amassed substantial production experience, its industry would be better off catering for the internal market:

One cannot artificially set up a competitive, exporting industry on the basis of a decrepit, over-protected, under-developed industrial base, tangled up in traditions. Thus, a new policy is taking shape – a policy mirroring the rich experience of all countries, who devoted their attention to the internal market before being able to face the fierceness of competition in foreign markets. In other words, we've come to believe that import substitution is the critical task at this stage of Greek economic development. (Παναγόπου 1965a: 578)

Though such explicit calls for import substitution *as opposed to* export orientation were far from common, the 1960s did witness mounting concerns for Greece's modest export performance. Admittedly, such concerns usually emanated from the country's ailing balance of payments and most analysts approached the matter in a rather simplistic, 'hydraulic' way: if a trade deficit was deemed undesirable then credit items had to rise and debit items had to fall. Thus, several economists felt perfectly comfortable calling for a simultaneous process of export promotion *and* import discouragement, even though the necessary policy instruments were rarely available. The fixation on monetary stability ruled out expenditure-switching policies such as devaluations, whilst additional protectionist measures contravened Greece's commitments to the GATT and the EEC. The only other option – widespread domestic deflation – was generally expected to have catastrophic consequences for the development process (Χαλκιάς 1963:

³⁹ See for instance the work of Καλόγρης (1960), Γερωνυμάκης (1962b), Θεοφανίδης (1963), Λιονός (1965) and Χασάκης (1966).

⁴⁰ See the paper by Βολαωράς (1964) on the Greek population's nutrition, or Γερωνυμάκης (1962c; 1962a) on the evolution of Greece's regional and personal income distribution.

⁴¹ The majority of these exports consisted of processed foodstuffs, alcohol and tobacco, as well as certain chemicals, corresponding to 61.3% of total exports, with textiles, clothing and footwear accounting for a further 17.0%. Between 1948 and 1960, no single manufacturing sector would export more than 4.5% of its total output (Κουτσουμάρης 1963c: 95ff).

78ff). Nevertheless, a widening trade deficit in the 1960s alerted Greek economists to the country's competitiveness problems and stimulated the debate on EEC accession (see [next chapter](#)).

No distinctive
Keynesian shift –
several alterna-
tive approaches

Despite the widespread rhetoric of demand and redistribution, the Centre Union's policy record hardly did justice to Papandreou's vociferous arguments. Boosts in wages and government consumption spending were largely offset by concomitant drops in investment. Total public spending was kept in line (see [table 7.1](#)) and Zolotas maintained his firm grip on monetary policy. Far from experiencing a shift toward Keynesian demand management, Greek economic policy merely exhibited a rising awareness of social facets of economic development. On the theoretical plane, the acceptance of such Keynesian arguments was far from universal. The majority of economists belonging to the 'old guard', as well as those outside the ideological ambit of the Centre Union, and within the professional ambit of the Bank of Greece, continued to believe that demand management was inapplicable to backward economies, where supply was highly inelastic. Thus, Zolotas would be forced to concede that "the creation of an effective expansionary impulse" (1965: 15) was required to mobilise resources in LDCs, but he would still reiterate his conviction that:

in less developed countries the core of the problem is not the inadequacy of effective demand in relation to potential supply, but the structural defects of the economy as regards the complementary of factors of production. (Zolotas 1965: 7)

But even those who dismissed demand constraints in the 1960s are loath to return to the strict capital fundamentalism of previous decades. Instead, they turned to other troublesome facets of supply. As another contemporary author would put it:

The anomalous development process in developing nations does not arise from the lack of effective demand, but mostly from the lack of entrepreneurship, appropriate investment media, specialised labour and all kinds of managerial skills. (Ευδωρίδης 1966: 110)

It is to this nexus of entrepreneurial, managerial and skill-related impediments that we turn our attention in the following paragraphs...

Other facets of supply: entrepreneurship and management

From tangible
capital to intangi-
ble entrepreneur-
ship, manage-
ment, etc.

The previous chapter showed how much of the development consensus was built on the juxtaposition between tradition and modernity, which extended beyond the material sphere and embraced cultural traits and economic behaviour. Though invariably part of the development discourse, such considerations were reinvigorated in the 1960s, offering an alternative explanation for the uncomfortable piling up of dormant savings in bank coffers: if capital was no longer the primary bottleneck to development, there was a host of *intangible, structural* bottlenecks that thwarted development by discouraging demand for new investments. In the words of one economist:

Presently, Greece's economic development problem is not chiefly one of capital shortage, but one of technique, management, entrepreneurship and programming. Right now, Greece has surplus capital. This phenomenon doesn't reflect the existence of a genuine oversupply of capital relative to investment opportunities, i.e. a true savings "glut", but a low aggregate demand for investment capital, itself due in part to temporary and in part to more permanent causes [...] insufficient entrepreneurship and business initiatives (particularly of a modern kind), as well as insufficient state investments; technical, economic and managerial difficulties; lack of planning and administrative shortcomings; institutional and educational impediments; structural rigidities and the lack of a consistent and non-contradictory economic policy. (Καλδύρης 1960: 103-4)

Kalogris's insistence that there was no real "savings glut" can be seen as an indirect rebuttal of those who blamed the Bank of Greece for undue monetary stringency and called for more active demand-management. Being one of Zolotas's most faithful disciples, Kalogris shared his mentor's supply-side interpretation of the country's development malaise. What is more, he insisted that once such structural impediments had been overcome, Greece would still end up facing a problem of capital shortage, if not one as urgent as before (Καλόγρης 1960: 104).

Entrepreneurial
shortage: an ad-
verse cultural
trait

Others were less eager to absolve the Bank of Greece from all responsibility for the savings glut⁴²; but the majority of theorists in the early sixties agreed that it was often technical and entrepreneurial impediments that lay behind the country's investment problem. Addressing the GSES, Delivanis would lament the absence of appropriate 'agents' of economic development:

Finding entrepreneurs who are no mere speculators is not easy, and it is even harder to replace them with civil servants or politicians. Using foreign businessmen, assuming they are available, willing to take on the task, and are not dangerous to the security of the country where they'll be developing their activities, is not generally considered a satisfactory solution – lest it's thought temporarily inevitable. (Δελιβάνης 1960: 59)

One year later, Kalogris would return to the matter and express his view of the domestic entrepreneurial class in all candour:

The entrepreneur of underdeveloped countries, rather than introducing technological and managerial innovations to raise production and productivity, lags behind technological and managerial progress, and has a short-term and "marauding" mentality, as well as a strong propensity towards indolence and protection. (Καλόγρης 1961: 88)

Alexander's 1964
book on *Greek
Industrialists*:
from cultural
traits to rational
market reactions

To anyone familiar with Varvaressos's 1952 Report, such formulations were hardly surprising, and our reader may recall how several authors – especially those belonging to the communist Left – criticised merchants and industrialists for their inherent psychological shortcomings, particularly their reluctance to reinvest surpluses productively. With the advent of foreign-trained economists in the 1960s, much of this debate became influenced by the international literature on the matter. Thus, in 1962, Pepelasis would write a paper on 'Socio-cultural Factors Influencing Economic Change', whilst Alec Alexander's monograph on *Greek Industrialists*, published by CPER in 1964, was aptly subtitled 'An Economic and Social Analysis'. Explicitly set within the framework of Parsonian structural-functionalism, Alexander's book offered the most diligent review of entrepreneurial behaviour to date. Combining historical analysis with questionnaires collected from industrialists themselves, Alexander documented the factors stimulating and impeding entrepreneurial activity. Whilst finding considerable social mobility and an environment historically congenial to business (e.g. absence of feudal heritage), the author also identified a series of obstacles to entrepreneurship. In particular, Alexander argued that anaemic industrial investment was due to (a) liquidity constraints rationing out potential entrepreneurs⁴³; (b) various structural factors rendering Greek industry genuinely *less* profitable than other business activities like real estate or (import) trade⁴⁴; (c) the EEC accession, which increased uncertainty and

⁴² Thus for instance, the Governor of the *National Bank of Greece*, the country's largest commercial credit institution, felt it was "unacceptable" for bank credit to fall short of available savings. In his opinion, the problem was not merely one of insufficient entrepreneurship, but also the result of Zolotas's excessively stringent policy of "precautionary deflation" (Εκθεση του Διοικητού της Εθνικής Τραπεζικής της Ελλάδος 1960: 146ff).

⁴³ See Alexander (1964: 72ff) – no doubt, the author picked up this line of argument from the contemporary work of Psilos and Ellis.

⁴⁴ Much more so, when differences in business risk are taken into consideration (Alexander 1964: 67ff).

placed higher demands upon new entrants into manufacturing (Alexander 1964: 74). In other words, the author of *Greek Industrialists* didn't feel that capitalists' reluctance to invest in manufacturing reflected an inherent moral or cultural defect on their part; quite on the contrary, theirs was a rational reaction to prevailing market conditions. This was one of Alexander's chief contributions to the development discourse and one which was absorbed in the subsequent writings of authors such as Triantis⁴⁵ and Kanellopoulos⁴⁶. Writing his 1965 *magnum opus*, Zolotas himself would observe how:

experience shows that businessmen in many low-income countries can be both bold and resourceful. But these virtues are either latent or directed towards activities that are undesirable from the standpoint of economic development. (Zolotas 1965: 158)

But rationality

doesn't automatically imply modernity

Thus, economists gradually came to interpret entrepreneurial choices in traditional societies as rational reactions to available incentives⁴⁷. But individual rationality did not ensure collective optimality and modernisation still entailed a transition towards new behavioural patterns. What is more, differences in people's skills, expectations and preferences generated variations in business strategies, giving rise to various behavioural 'typologies', some *more*, and some *less* conducive to industrial progress. Alexander would distinguish between three types of Greek industrialists: "primitive", "commercial" and "progressive". Whereas all three categories were seen as behaving rationally from the individual's point of view⁴⁸, future national development hinged on the expansion of the "progressive" entrepreneurial class. True to the precepts of modernisation theory, Alexander in fact defined such entrepreneurs merely as individuals adopting policies "comparable to those pursued by the better organized firms in industrially advanced countries" (Alexander 1964: 130).

From entrepreneurial to managerial culture and technology

Alexander's "primitive" industrialists were mostly former craftsmen who ran small-scale operations with limited resources. More significantly perhaps, "the level of their education [was] low (compared to that of other industrialists), probably contributing to managerial inflexibility" (*ibid.*: 129). This two-pronged statement on education and managerial style highlights two further facets of the country's intangible resources that captured the minds of development theorists in the sixties. As immediate capital constraints subsided, corporate management and technology came under increasing scrutiny. Addressing the GSES in 1963, one economist emphasised the organisational aspects of the country's development problem, not only in the private, but also in the public sector:

In terms of organisation, the situation in Greece's civil service is generally hopeless. [...] Training within enterprises themselves is a further area where Greece does not have the slightest tradition. Finding competent and specialised executives is one of our economy's most acute

⁴⁵ Triantis comments that people in developing countries "are influenced by business consideration just as much as their opposite numbers in more advanced countries, and that their policies may be different chiefly because economic conditions are different" (1965: 27), thus concluding with the comment "there is no peculiar social or psychological bent – or, some would have it, sinister design of opposition to the country's economic development which leads businessmen and capital owners in underdeveloped economies to behave differently than people in more advanced countries" (*ibid.*). Note that this last comment is aimed against dependency theorists just as much as it is aimed against traditional structural/functionalists.

⁴⁶ See Κανελλόπουλος (1966); cf. Κανελλόπουλος (1961b), where a series of external factors (uncertainty, small market size, high discount rates etc.) are seen as influencing Greek entrepreneurship adversely.

⁴⁷ This was hardly a development unique to Greece: associated with the pioneering work of Lord Peter Bauer (see Bauer 1948; 1984: 30-2), this perspective became increasingly popular as neo-classical economics gained some ground in the 1960s. Today, it is by far the dominant interpretation of entrepreneurial behaviour in developing economies.

⁴⁸ E.g. "commercial" industrialists operated in small, protected and unstable markets and thus rationally emphasised the selling aspect of their activities. They usually pursued a high per unit profit strategy through high prices, which also included an insurance premium against business risk (Alexander 1964: chapter 6).

problems at its present stage of development. The problem of capital is perhaps less acute. (Στρατουδάκης 1963: 111)

The next speaker to take the podium pushed the argument to an even higher plateau:

[...] not just the country's strictly economic problem, but the entire Greek problem – the new *Megáli Idéa* of our People, our financial, social and cultural development – are, at the bottom line, essentially problems of Management and Organisation. Just a few years ago, when the development problem was mostly identified in a series of "surface variables" (e.g. capital shortages or the budget deficit ...), this view was considered strange. Nowadays, it is shared by a large – perhaps even the largest portion of those studying the Greek problem – economists, sociologists, politicians etc. (Κονδύλης 1963: 167)

Rhetorical hyperbole aside, such references testify to a spreading awareness of organisational impediments to development. Authors such as Klavdios Bandaloukas and Georgios Katzourakis wrote extensively on these subjects⁴⁹, whilst the *Piraeus Graduate School of Industrial Studies* (ΑΒΣΠ) devoted a sizeable portion of its academic effort to managerial and technical modernisation⁵⁰. Moreover, several CPER scholars paid attention to aspects of firm operation: Koutsoumaris (1963c) spent two chapters discussing business organisation and productivity, whilst Ellis *et al.* (1965) also treat production methods, firm size and efficiency at length. Interestingly enough, though the public sector's own organisation shortcomings were acknowledged, most economists continued to treat them as exogenous to their analysis.

Industrial efficiency & rationalisation

Many of the texts discussing efficiency and industrial re-organisation also turned to issues of firm viability, mergers and acquisitions. In this sense, some of these documents were reminiscent of the 1930s drive for 'rationalisation'. Thus, one author spoke openly of "technological restructuring and the elimination of marginal enterprises" (Τσουτρέλλης 1958: 38), whilst it was no secret that most scholars agreed on the need for fewer/larger enterprises (cf. Κουτσουμάρης 1963c; Νέζης 1966). Even the president of the country's industry federation, Georgios Drakos, would concede that:

There is a great need for a radical reorganisation of industrial units. We must aim for an optimal size. This will require mergers, concessions, sacrifices in egoism; it will take virtues that Greek industrialists have to the same extent that all Greeks have them. If these things don't happen, the price will be death. (Ελληνική Εταιρεία Προγραμματισμού 1966: 46)

In further parallel to the 1930s rationalisation, banks were expected to play an important role in stimulating modernisation, not least thanks to their superior technical expertise and substantial leverage in the business-world⁵¹. On the other hand, industrial rationalisation in the sixties did not share the inter-war corporatist themes: as far as most economists were concerned, firm mergers and the elimination of inefficient units should not compromise competition or be used as an excuse for state intervention to save the laggards. Instead, liberalisation and competition were expected to free enterprises from the shackles of inertia and state interference (see [below](#)). At the same time, we have already seen how some of the younger authors – especially those associated with CPER – complained about commercial lending practices, which rationed out new entrepreneurs and channelled funds to a select clientele, thus transplanting the fi-

⁴⁹ Bandaloukas held the first chair of Business Administration at the ΑΒΣΠ (1952-75) and produced several related publications. Katzourakis delivered several GSES lectures on the same subject (Κατζουράκης 1959; 1960; 1962). See also Οικονόμου (1960) and Τάδ-τσος (1959).

⁵⁰ Several of these contributions were published in the ΑΒΣΠ journal, *Spoudai*. One should have few illusions as to the nature and calibre of many texts in this category. Suffice it to mention a 1956 paper on the processing of salted codfish (published straight after a paper on mathematical economics), or a 1957 article on pasteurised carbonated orange juice, sub-titled "the exemplary way of making it in France"!

⁵¹ See for example Kanellopoulos's article in *Το Βήμα*, calling for mergers an industrial rationalisation and expecting banks, in collaboration with the government and the social insurance funds (ΙΚΑ), to assume larger initiatives in the matter (Κανελλόπουλος 1961c).

nancial system's oligopolistic structure to other sectors of economic activity. To the same end, authors like Zigdis would thus call for the creation of specialised "industrial development corporations/banks", designed to shoulder the responsibility for establishing efficient enterprises⁵². In similar vein, issues of competition and industrial efficiency would also be invoked in connection to the EEC accession debate, with participation into the trade block seen as the only way of dismantling local monopolies (e.g. Σαραντόπουλος 1962: 51 – see section 8.2).

Other facets of supply: education and human capital

Educational concerns in historical perspective

Amidst this broad discussion of the country's intangible endowments and their implications for investment and development, education was placed at centre-stage. Admittedly, such concerns had invariably been part of Greek public discourse, not least due to the stark contrast between the reality of widespread illiteracy and the romantic vision of Greece as the custodian of a rich cultural heritage. This latter ideological construct was key in fostering the Greek sense of nationhood and promoting the country's irredentist aspirations in the 19th and early 20th centuries⁵³. On the other hand, it also instilled a distinctly classical bias in Greek education, which the country is still trying to shake off today. Technical/vocational education was relegated to second place, despite rising awareness of its importance to industrial development. What is more, funds available to education were modest and most of the population – especially in the countryside – had limited access to schooling.

The inter-war educational reforms

The first major reforms in the 20th century came along with the broader Venizelist drive for modernisation after the 1909 coup: a series of educational reforms (1913, 1917 and 1929-32) sought to address the main weaknesses of the regime inherited from the previous decades. In the words of one of its chief architects, Demetrios Glinos, the reforms sought to attain:

Real compulsory education, a practically-minded syllabus, modern pedagogic, female education, a tailoring of the educational system to the country's social and economic needs, a turn to positive sciences, the establishment of vocational training. (quoted in Μαγουλιά 1998: 168)

Thus, along with improving universal access to schooling and increasing the overall quality of the services provided, policy-makers sought to strike a better balance between technical and classical education. In this, they were certainly encouraged by the country's inter-war industrial spurt and the professional ascendancy of engineers. Subsequent developments during the Metaxas period continued in the same vein, despite being tinged by the regime's nationalist ideological framework. But the Second World War – not to mention the civil strife that followed it – took a heavy toll on Greek education: between 1939 and 1944, primary school attendance rates dropped from 99% to 65%, whilst only 12% of the pupils continued into secondary education.

⁵² Ζιγδής (1959) – cf. Κουσουλάς (1960). Institutions born out of such proposals, notably the *Organisation for Industrial Development* (OBA) or the *National Bank for Industrial Development* (ETBA) fell short of such expectations (interview with Apostolos Lazaris, Nea Kifisia 23.01.2006).

⁵³ Ψαλιδόπουλος (2006: 348) correctly points out that the Greek enlightenment theorists in the 18th and 19th century first turned to issues of language, education and national independence. Note that emphasis on education was also common amongst 19th century Greek socialists, who often addressed the link between rural poverty and illiteracy (Νούτσος 1990).

Education and development in Left economic thought	Theorists on the Left were the first to incorporate explicit references to educational reform in their post-1944 vision of national development. We've already seen how <i>Antéas</i> was subtitled "Science-Reconstruction" and how development itself was often defined in both material and cultural terms. Universal education was an integral part of the transition to socialism, whilst left-wing authors – particularly those of a technical background – sought to mitigate what they interpreted as a bourgeois obsession with classicism: the natural sciences and vocational training had to be promoted if education was to accelerate industrialisation and become accessible to all ⁵⁴ .
Developments in educational policy after 1958	Though hardly unknown to theorists outside the Left (cf. the Varvaressos <i>Re-educational policy port</i>), most of these themes only entered mainstream development discourse in the late fifties and early sixties. This trend went hand in hand with a general rekindling of public interest in educational affairs. On June 14 th , 1957 Karamanlis established a select committee to review the country's educational problems. After several months of deliberations, the committee's report affirmed the relationship between economic reconstruction and education, and called upon the government to make investments in education its top priority and promote vocational training ⁵⁵ . Sharing the fate of similar attempts before, the 1957-61 reforms caused widespread criticism and were quickly superseded ⁵⁶ by yet another reform, this time carried out by the Centre Union. Orchestrated by a progressive philosopher and academic, Evangellos Papanoutsos, the Union's policy on education entailed sweeping changes which were to set the tone of Greek education for at least another decade. Amongst other things, Law 4379/64 abolished tuition fees in all educational levels, expanded mandatory education from six to nine years and changed the university admissions process. What is more, two new universities were established, one in Ioannina and one in Patra. Admittedly, Papandreou's government also failed to complete its reformist agenda: amidst rising political turmoil, bills on technical/vocational and university education never made it to parliament for discussion. Nonetheless, it is clear that the 1960s were a period of heightened mobilisation on the educational front. The Left's indirect influence – especially after the 1958 elections – should not be overlooked in this context: education remained high on the Left's political agenda, and EDA produced voluminous publications on the subject (Επιτροπή Παιδείας ΕΔΑ 1966).
The Centre Union's version of the education argument	It is against this background that economists came to regard education as integral to the development process. Broader access to schooling and improvements in technical/vocational training were not only seen as necessary ingredients in the country's recipe for industrialisation, but also contributed to social cohesion and redistribution. Centre Union members like Andreas Papandreou, Zigdis or Kanellopoulos, advertised higher spending on education as one of the new government's key policy innova-

⁵⁴ See Κιρκίρης (1945) and Δεσποτόπουλος (1945). For similar texts on education and reconstruction written by left-wing authors, the interested reader could start with the numerous articles of Kostas Sotiriou published in the *Antéas*.

⁵⁵ The Committee's conclusions were published in the 1958 volume of *Nea Oikonomia* (Volume IB, pp. 112, 176 and 311). For details see Δενδρινού-Αντωνάκη (1959), Μαγουλά (1998) and Χορρολόμπος (1990).

⁵⁶ Its only lasting impact was an upgrading of technical/vocational training – Incidentally, this was the time when vocational schools like the *Piraeus and Thessaloniki Graduate Schools of Industrial Studies* (ΑΒΣΠ and ΑΒΣΘ), were granted full university standing.

tions⁵⁷. Speaking at the University of Bonn in January 1965, Papandreou would summarise the government's new development credo along two primary axes: income redistribution and investment in education. In fact, his choice of words in introducing the latter point was indicative of his disregard for the taboo of productive viability:

Greece is a country poor in terms of natural productive resources. [...] Yet, it does have one resource that can be rapidly developed, namely the Greek himself. Thus, education takes on a critical role in our development program. (Παπανδρέου 1965a: 572)

Papandreou expressed these views on numerous occasions and other centrist intellectuals adopted similar lines (cf. Παπανδρέου 1965b; Κανελλόπουλος 1964). For the centrist administration, educational reform was part both of its social agenda and its blueprint for faster growth.

Education and development in the economic journals

But economist's attention to education and vocational training far preceded the arguments advanced by Papandreou and his colleagues in the mid-sixties. In fact, the first battery of articles on education, technical skills and industrialisation appeared in the late fifties in the *Spoudai* and *New Economy* journals. Published by one of the country's most prominent institutes of vocational training, *Spoudai* was the natural forum to initiate such a debate, as well as to produce translations of foreign articles on education and development⁵⁸. The *New Economy*'s interest in the matter was stimulated at the onset of the Karamanlis educational reforms in 1957 and was perfectly aligned with the journal's centre-left ideological leanings⁵⁹. Over the years, it established a reputation for sensitivity to educational issues, emphasising broader access to schooling, vocational training, the adoption of demotic language in all educational levels etc. In tune with the journal's overarching philosophy, education was clearly seen as a vehicle to economic development (e.g. Αγγελόπουλος 1963). Though somewhat short of authors outside the Centre-Left, the *New Economy* contributors on the subject included Kitsikis, Papanoutsos and Evelpidis. In fact, it was here that Zolotas first published his views on 'Technical Progress, Technical Education and Economic Development' in late 1959.

Zolotas's version of the education argument

Zolotas had invariably been attentive to matters of technical skills and vocational training⁶⁰, a habit he had probably picked up during postgraduate training in Germany. But in the 1960s, education *lato sensu*, and technical education in particular, became two of his favourite topics. His main argument, as formulated in the aforementioned article, and in his 1960 address to the GSES⁶¹, was quite straightforward: capital accumulation and development were being held back by a series of structural bottlenecks; though always part of the picture, these bottlenecks had thus far been

⁵⁷ As with the redistribution-cum-aggregate demand argument discussed earlier, Papandreou's emphasis on education was not as evident in his early work as it became after 1965, i.e. after he joined his father's cabinet.

⁵⁸ The interested reader can start with articles by Πολύζος (1956), Λιζάρδος (1958), Κανάς (1958) and Καλογεράς (1966). The main foreign translations are Svennilson (1965), Harris (1965) and Peacock (1967).

⁵⁹ The first volume to contain a separate section on education appeared in 1957 (Volume IA, issues 121-131). The section was divided into two distinct parts, one devoted to Greece and another to developments abroad. Amongst the texts included were an editorial on 'Reforming Greek Education', an article on 'Economic Progress and Vocational Training' and a piece by Papanoutsos describing 'Education in modern China'. The journal's campaign for educational reform and development reached an all-time high in 1963, when the *New Economy* published a series of special issues on 'Youth, Education and Economic Development'.

⁶⁰ Oblique references to such issues can be found in his 1926 doctoral dissertation, whilst Zolotas's early reconstruction proposals had included calls for large-scale technical training programs aimed at the working population (see Ζολώτας 1947; 1950a).

⁶¹ See Ζολώτας (1960). During the same year, this lecture was republished with minor corrections as a separate pamphlet, whilst the 1960 Governor's report by the Bank of Greece also contained a lengthy section on the same topic.

obscured by more immediately obvious problems such as monetary instability and capital shortage:

Thus, whilst there was much talk about capital shortages – perceived as the cause of backwardness – in reality, the funds available were not utilised rationally due to the shortages in the requisite technical and managerial preconditions. Development policy should have aimed primarily at establishing these preconditions. (Ζολώτας 1960: 11)

Figuring at the top of his list of structural impediments was the inadequacy of technical and vocational training:

A crucial omission in the determination of our priorities was that we neglected technical and vocational training – in their broadest sense. Outlays on technical and vocational education are not consumption expenditures; On the contrary, they constitute investment outlays of the highest profitability. (*ibid*: 11-12)

This weakness was not only attributed to the country's limited spending resources, but also to the biases plaguing senior education policy-makers, "whose views are characterised by an attachment to 'classical education'" (*ibid*: 13).

Education as investment in human capital

By equating public spending on education to a lucrative investment in some intangible factor of production, Zolotas was advancing a theoretical perspective hitherto unknown to the Greek audience. In his reply to Zolotas's speech, George Kolomvos would thus exclaim:

As far as we know, professor Zolotas's proposal, is quite original. According to him, investments in capital and production, should not be the only expenditures deemed as investments (as has been argued until today), but those should include particularly investments in workers themselves, i.e. investments in their general technical and spiritual education. (1961b: 36)

An historian of economic thought would be less enthused, since similar arguments had already appeared in the texts of classical authors like Smith and McCulloch, who had emphasised the role of education as a *private* and *social* investment that stimulated growth and accelerated technological change⁶². Theodore Schultz revived this line of thought after 1958 in a series of articles which established him as the father of modern human capital theory⁶³. Nevertheless, Zolotas remains the first mainstream economist to have applied the human capital argument to Greece, simultaneously infusing it with his own emphasis on vocational training. What is more, in a subsequent refinement of his thesis in 1965, Zolotas criticised existing growth theory for its exogenous treatment of the human factor, seeing education as the means to 'endogenise' and thus manipulate factor utilisation and economic development⁶⁴. Unfortunately, Zolotas's nasty habit of keeping references to a minimum hinders us from assessing his awareness of the international literature on the matter, though it is highly unlikely that it would have escaped his attention entirely. In any case, the first *explicit* reference to Schultz's human capital theory came two years later, in an address to the GSES delivered by Koutsoumaris. On a side note, we might point out that the pioneer of the 'returns-to-education' literature, George Psacharopoulos, was amongst the promising young scholars recruited by CPER in the 1960s. In 1965, this young economist won the

⁶² For a review of classical approaches to education, see Tu (1969). Kiker (1966) offers a comprehensive historical account of the concept of human capital.

⁶³ The most celebrated references of course being Schultz (1960; 1961). An 'Exploratory Conference on Capital investment in Human Beings' held in December 1961 and chaired by Schultz himself merited an entire volume in the *Journal of Political Economy* (vol. 70, 1962) and is indicative of the theoretical hype surrounding such issues in the early sixties.

⁶⁴ In his opinion, too much emphasis had been given to the shortage of Schumpeterian entrepreneurs – "the weaknesses of the human factor have been considered rather as an exogenous restrictive influence of socio-political nature, than as endogenous elements determining the productive utilisation of resources" (Zolotas 1965: 156). Hence we could expect Zolotas to have been a strong proponent of modern growth models of 'endogenous growth'.

Human capital
and economic
development

first prize in an essay-writing competition set by the *National Bank of Greece*, with an article on 'The concept and form of investments in education' (Ψαχαρόπουλος 1965).

The human capital formulation of the education argument had several theoretical advantages which contributed to its popularity both at home and abroad. On the one hand, it was perfectly in tune with the time's rising demands for greater social equality. What is more, it fit into the prevalent development doctrine, which saw capital accumulation as lying at the heart of economic progress. By translating educational spending into the language of investment and capital (*lato sensu*), human capital arguments broadened the scope of existing theories without compromising the 'hard core' of the development consensus. At the same time, this approach offered a way out of the uncomfortable paradox of high savings and low investment, attributing the country's woes to deficiencies in intangible (albeit malleable) factors of production. In this context it is hardly surprising that the architect of the post-war model of 'monetary stability and economic development' would opt for such an interpretation of the country's economic malaise. After all, Zolotas had little patience for alternative interpretations blaming the Bank for stifling demand through its stringent monetary policy, or being in charge of an oligopolistic and inefficient which channelled scarce capital to a select few, whilst rationing out the multitude of enterprises. In his opinion, the country's growth trajectory was still *supply-determined*; but instead of *financial* capital being binding constraint, the 1960s Zolotas saw human capital as the bottleneck limiting the country's 'absorptive capacity' (Zolotas 1965: 162ff).

Benevolent state intervention vs. statism

Distortionary
intervention: in
capital markets
and beyond

The previous paragraphs have already made extensive reference to the substantial body of CPER-related work that criticised the banking establishment for its excessive rigidity, oligopolistic structure and opaque lending practices. Along with such complaints, came calls for more transparent corporate legislation and a more efficient capital market – one purged of false regulatory distortions, the nooks and crannies wherein nepotism and corruption took their hold⁶⁵. But such campaigns for greater transparency and competition were not limited to capital markets; writing in 1961, one economist would lament how:

To a very large extent – much larger than what happened in any other post-war country – prices for goods and services **are not formed in the market**. This is certainly true of salaries and partly wages – a development that is probably justified. The same applies when it comes to the largest volume of agricultural products, whose prices are determined by the government, under the pressure of various social groups. The same also applies to a portion of manufacturing and handicraft products [...] so classified under market regulations. Last but not least, the prices of all factors of production, including interest rates, are determined outside the market. [...] In fact, state interventions have led to the substitution of economic agents and the production and distribution of goods in sectors that not even socialist ideology would consider as belonging to the responsibility of the state. (Κανελλόπουλος 1961a: 64-5)

Kanellopoulos was not alone in his critique; the early 1960s saw several economists expressing their indignation with the perverse effects of state paternalism and market distortions⁶⁶. Needless to say that none of them came from such traditional profes-

⁶⁵ The key references here of course being Ζιγδής (1959), Κουτσουμάρης (1963c), Psilos (1964) and Ellis *et al.* (1965).

⁶⁶ See for instance Σαραντόπουλος (1962), Κουτσουμάρης (1964; 1966), Μπανταλούκας (1963: 367ff).

sional constituencies as banks or the civil service, whilst CPER's contribution to this literature was substantial.

Centrist critiques
of statism and
nepotism

More interestingly perhaps, the staunchest critics of adverse state interference belonged to the centre-left opposition; in fact, Zigdis, Kanellopoulos and Papandreou would run for parliament, and join the Centre Union's cabinet after 1964. True to the core precepts of the development consensus, these authors were not opposed to intervention *per se*, and had written lengthy tracts on the importance of state guidance to development. They were hostile against *statism*, especially in the cancerous form it had assumed after almost a decade of right-wing rule. Inasmuch as their work combined reasoned economic argument with penetrating political critique, they produced some of the sharpest contemporary appraisals of the orthodox policy framework. Still, politics did take a toll on their economic contributions: eager to identify the problem with the incumbent, right-wing administration, centrist scholars rarely considered the political economy underpinning the institutional failures they were condemning. In contrast to their communist colleagues, who relegated most policy decisions to the nefarious influence of foreign imperialists and the indigenous comprador elite (see [chapter 9](#)), centrist authors blamed Karamanlis and his entourage. That way, the Centre could target and isolate the EPE administration, without alienating itself from powerful institutions or social groups⁶⁷.

As a political stratagem seeking to bring the Centre Union to power, this mode of argument was highly successful. As a basis for a genuine revision of development policy, however, it was seriously flawed; its limitations would soon become apparent once the Centre had risen to power and many of the aforementioned authors – including several of CPER's pioneers – had assumed senior positions within the administration. No radical overhaul of regulatory practice ensued, nor was distorting interference replaced by sage oversight. To what extent this mirrored systemic inertia and resistance to reform, or the integration of the new administration within the existing networks of patronage and state nepotism, is not something the present study can answer. In terms of the economic discourse, suffice it mention that most of the aforementioned authors virtually disappeared from economic journals after the mid-sixties.

IV. Summary and appraisal

The rise of the
development
consensus

Greece's development consensus was forged in the late 1940s, amidst a time of ideological polarisation and economic uncertainty, not only on the domestic, but also on the international front. Encouraged by the announcement of the Truman doctrine and the Marshall plan, and inspired by an almost global drive for reconstruction and modernisation, mainstream economists quickly put their erstwhile qualms about Greece's growth potential aside and became fervent proponents of state-guided, rapid industrialisation – albeit within the overarching framework of a market economy. Thus envisioned, development was not only the best cure to the country's economic mala-

⁶⁷ Cf. the cautious rhetoric employed by the Centre vis-à-vis such key political players as the armed forces, the police and the Crown (Χρηστίδης 2008: 173-80).

dies, but also the safest road to long-term political stability: industrial development and prosperity within the market economy, would undermine the material bases of communist appeal, and affirm Greece's attachment to the Western camp. Within a couple of years, 'poverty of land' and 'viability' vanished from the country's economic discourse, only to be replaced by an almost singular emphasis on capital accumulation and investment, which held the key to future economic – and social – transformation.

The consensus:
established and
dominant

The mainstream consensus would soon establish itself as the key driver in Greece's economic discourse – a position it would maintain at least until the early seventies. In the course of the 1950s and 1960s, mainstream authors and texts would come to dominate the domestic economic literature. Of course this was no more an intellectual victory, than it was the natural corollary of the civil war, which had drawn the battle-lines and sealed the fates of left-wing theorists. In fact, though cognisant of the critique launched by their ideological rivals, mainstream economists never recognised the Left as a legitimate – let alone equal – participant in the development discourse, one whose arguments ought to be addressed and refuted. Still, the mainstream dominated Greek economics not only quantitatively, but also qualitatively: for all its faults – some of which we shall return to shortly – it was richer in content, deeper in analytical sophistication and wider in theoretical erudition than its rivals. What is more, it lacked the dogmatism and polemical overtones that were typical of most contemporary communist tracts. None of this should strike one as particularly odd. At a time when left-wing intellectuals were exiled, persecuted and dismissed, the mainstream community of economists grew in size and in available resources. After all, this was a community whose fate was intertwined with the state itself, and whose members held key positions within the administration and the banking establishment.

Relationship to
policy: broad
parallels

The mainstream's proximity to the actual policy-making process invites questions as to the relationship between theory and contemporary policy. There is little doubt that the core precepts of the development consensus were mirrored in Greece's post-war policy framework. Basic infrastructure and capital accumulation were accorded priority status, whilst industrial growth rates became the yardstick by which policy success was measured. Reducing unemployment or mitigating poverty and inequality were all seen as derivative – and thus also subsidiary – to the process of industrialisation itself. Inasmuch as supply-side, capital shortages were considered the primary bottleneck, monetary stability was placed at the forefront: this would avert a repetition of the country's past monetary adventures, thus guaranteeing an adequate flow of capital to the financial system (see also [section 8.1](#)). Credit incentives and specially designed interest rate schedules would then channel this capital to the investments necessary to accelerate growth, with direct state intervention and ownership being reserved to those cases where private initiative was unwilling or unable to rise to the challenge (e.g. energy). Of course, as the primacy of the capital constraint came into doubt in the course of the 1960s, policy innovations were also witnessed in such areas as education, social provision or development planning – still maintaining a close link to contemporary theoretical developments. Nevertheless, the policy framework

remained wedded to the overarching principle of modernisation, credit interventionism and capital accumulation.

Relationship to policy: theoretical and empirical limitations Does this convergence between theory and policy suggest that practice adhered to the prescriptions of economists, or did policy-makers only react to their own set of political, diplomatic and practical incentives – in which case ideas served merely to provide a modicum of theoretical coverage? To take the broadest possible example, few would question that by elevating development to an overarching national objective, post-civil war governments also sought to legitimise their authority and allay popular frustration. But did this necessarily imply that they were unfazed by the contemporary theoretical developments, or – more provocatively still – that the entire edifice of development theory was merely constructed to bolster an otherwise a-theoretical decision? Whilst hardly anyone would subscribe to such an extreme view, when it comes to drawing the exact causal links between economic theory and policy, the historian's task becomes much more difficult. In our case, the occasional overlap between the agents of policy and theory (as shown in the case of Zolotas, or Papandreou, for instance) presents an additional complication. Inasmuch as ideas and policies were usually co-determined, disentangling individual causal effects is almost impossible; most historians end up erring on the side of their own disciplinary focus, with historians of economic thought usually favouring ideas.

Non-ideational influences and reverse causation It goes without saying that the policy-making process is subject to a host of non-ideational influences, ranging from sectional and business interests, to institutional constraints and political imperatives. Few would dispute that many aspects of Greece's actual policy were incongruent with the theoretical prescriptions of economists; or that sometimes, policy decisions made on non-economic grounds had to be injected with an economic rationale. Inasmuch as most mainstream economists were embedded within the policy-making apparatus of the state or the Bank of Greece, this was hardly unexpected.

The independent role of ideas On the other hand, throughout this book we have defended the independent explanatory power of ideational influences (cf. [chapter 1](#)). Ideas offer the very interpretative framework in which material conditions, interests and challenges are perceived and addressed. What is more, inasmuch as ideas often outlast the circumstances in which they are originally framed, they tend to 'lock' their carriers within specific, path-dependent cognitive frameworks. In the last couple of chapters, we've seen how the post-1947 dismissal of viability concerns was no mere reaction to diplomatic exigencies, or the influx of Marshall aid, but entailed a genuine shift in theoretical framework. A framework that helped *reinterpret* Greece's economic predicament and *identify* the range of potential policy reactions, including several of the policies that were eventually implemented – for better or for worse. A framework, no less, that would soon gain its own momentum and render the erstwhile qualms about viability theoretically – and politically – non-viable. Later still, when Karamanlis – no doubt under pressure from the rise of the communist Left – invited economists to offer novel advice on policy reform, he was not merely looking for theoretical corroboration; he was also looking for

a (re-)interpretation. Similarly, despite the hostility of its reception by some traditional economic circles, some aspects of CPER's ideational framework were imparted in contemporary policy discourse – especially after the rise of the Centre Union to power⁶⁸. Unfortunately, as long as Greek historiography lacks a substantial body of research on post-war economic policy, and as long as much of the relevant archival material remains lost or inaccessible, the details of this interactive process between theory and policy shall remain sketchy.

Structuralism,
modernisation
and technocracy

Returning to the more familiar territories of intellectual history, it is not hard to identify structuralism, modernisation and technocracy at the foundation of Greece's mainstream development consensus. The end-state of development was identified with material prosperity, industrialisation and modernity. The values and practices of the industrialised West were deemed *a priori* superior to those of backward nations, as if emanating directly from the technological superiority of the modern steel mill over the traditional plough. Conversely, backwardness was defined residually and treated as amorphous and static; traditional structures lacked intrinsic merit and there was little point in analysing their historical origin, relative strengths and weaknesses, or their underpinning political economy. Emphasis was placed on macro-structures and on the transition to modernity – a unilinear process common to all nations. Of course, if the process was to be expedited and the handicaps of the free market were to be overcome, a certain measure of social and economic engineering was in order. The state would thus stand by to act as a modernising force, a surrogate entrepreneur and a breakwater against the storms of free market capitalism. Thus, mainstream development economists did not succumb to naïve universalism; they were well aware of the additional challenges industrial latecomers were expected to face. This was particularly evident in their attitude toward free trade and foreign capital, both of which were treated with some reservation; still, their stance was more tolerant than that of their colleagues of the (communist) Left.

A value-free, a-
political process

In further testimony to the central role of modernisation and technocracy in the mainstream development vision, most authors treated development as a non-contentious, technocratic process, one which united the population in the pursuit of macroeconomic stability, large-scale capital flows and higher steel tonnage. Though hardly unaware of the political, distributional or ideological dimensions of the development process, most mainstream authors eschewed these considerations in their work. In an eerie parallel to the rhetoric of Batsis and his colleagues, theirs was an allegedly value-free, 'scientific' endeavour, capable of transcending ideological or political divides. Implicit in their contributions, was the assumption that a rational, meliorist state, could produce development, as long as it invested the right amount of capital in the right industries. Politics or value judgements did not enter these calculations. Nor was there much need for any major redistribution of resources across classes⁶⁹; the key

⁶⁸ In his interview with the author, Pepelasis mentioned Papandreou and his own role in helping articulate the Centre Union's economic agenda in the course of the 1960s (Neo Psychiko, 21.09.2005); the extent to which their initiatives were successfully translated into policy is of course a different matter.

⁶⁹ Even though both the extent of poverty and the anti-developmental proclivities of the upper income classes (e.g. gold hoarding, conspicuous consumption, speculation etc.) were well documented.

distributional choice was inter-generational rather than inter-class, and involved the sacrifice of present consumption for the sake of future prosperity. What is more, for all its importance in orchestrating development, the state apparatus itself remained outside the scope of mainstream 'scientific' analysis.

'Whig history'
critique

The pitfalls and blind alleys inherent in the above framework are hard to miss, and have already been discussed in previous chapters. First of all, there is no intrinsic virtue in equating welfare and prosperity with material growth, industry and technology. Of course, this was an almost universal practice at the time, not to mention one which still holds a key place in the Western imagery of development. Nevertheless, it is important to remember that this entailed a fundamental – if latent – choice amongst a number of conceivable alternatives, such as greater income equality, individual freedom, environmental quality, political participation, aesthetic beauty, or even greater spirituality – none of which was *a priori* inferior to the modernising ideal. In other words, development was never a value-free process, and economists' protestations to the contrary merely narrowed the horizons of intellectual endeavour. Within the post-war consensus, individual values, civil liberties, questions of political efficiency, transparency, or environmental conservation were subordinated to the overarching growth objective, narrowly defined. On a related point, the separation of developmental and distributional considerations and the treatment of employment, and poverty reduction as derivative of industrialisation, undermined the mainstream's capacity to address some of Greece's principal economic afflictions: conspicuous inequality, rural poverty and unemployment. By the 1970s, Greece would not only boast an impressive record of macroeconomic stability and growth; it would also bear the scars of these omissions. These would be visible in the large income disparities between regions and across classes; in the aesthetic decline of its cities; in the repressive nature of its political regime; in its environmental degradation; and in the hundreds of thousands of Greeks who had abandoned the country in search of a better future abroad.

Yet even if one were willing to subscribe to the principal axioms of the mainstream consensus, several disturbing elements remained. The reality of the Greek development problem was far less neat than what the bipolar view of modernisation suggested. Far from being opposite poles, tradition and modernity were usually fused together, with 'traditional' afflictions – such as nepotism, patronage, opportunism, etc. – capturing the alleged vehicles of modernisation, and vice versa. By treating 'tradition' as amorphous and static, development economists consistently ignored its functionality and underpinning political economy. Of course, this brings us back to their disregard for the political facets of development. Unlike their colleagues on the communist Left, who saw the tentacles of state monopoly capitalism and class everywhere, mainstream economists remained conspicuously silent on these matters, especially when they touched upon their respective professional constituencies. Conveniently linked to the vision of development as a technocratic process, this practice undermined both the applicability and credibility of many of their theoretical contributions. Nowhere was this attitude more striking, than in their treatment of the state apparatus itself, whose

faults could somehow be separated from its instrumental role in development. If left-wing intellectuals were voluntarist in expecting political overhaul to solve all of the country's economic woes, many mainstream economists demonstrated a similar – if opposite – *naïveté*, in pretending that this could somehow occur independently of political reform ...

Foreign acculturation

Irrespective of their relationship to or impact on the actual policy practice, to the historian of economic thought, the above theoretical choices are interesting in themselves. The parallels between the Greek development mainstream and the contemporary international literature on economic development and modernisation are evident. This is hardly surprising, considering the openness and exposure of the Greek economic community to foreign influences. The preponderance of foreign training notwithstanding, other key mechanisms of acculturation included the interaction with foreign mission personnel, participation in international organisations and technical assistance programs, etc. In the post-war period, the principal source of such influences gradually shifted from Continental Europe, to the Anglo-Saxon world – with the establishment of CPER serving as the prime example of institutional isomorphism combining coercive, mimetic and normative elements (diMaggio and Powell 1983; cf. chapter 3). Note that none of these processes conforms to a simplistic framework of foreign 'imperialism' or 'coercion', nor do they suggest was the receipt of foreign ideas by Greek economists was uncritical or passive.

The 'milieu of potential receivers'

The pathways underscoring the receipt, processing and re-interpretation of economic ideas, have been shown to be much more complex and intertwined. Not only does the 'milieu of potential receivers' (Spengler 1970: 146ff) play a key role in determining the diffusion of ideas, but the subsequent process of appropriating and tailoring ideas to domestic circumstances, involves a steady interaction of ideational and non-ideational factors. Previous chapters have traced the operation of these mechanisms in the emergence and consolidation of the Greek development consensus. An amalgam of economic and political events (e.g. hyperinflation, civil war), institutions (e.g. the Currency Committee, the potency of the banking establishment), theoretical heirlooms (e.g. inter-war viability debates, historical stage-theories of development) and professional rivalries (e.g. with the engineering community), has been shown to shape Greece's post-war economic discourse. The civil war, in particular, has been portrayed as a powerful catalyst in domestic theoretical developments, one which generated strong ideological taboos and circumscribed 'politically viable' theoretical alternatives.

The sociology of the economic community ...

The ideological rift between Left and Right, was further reinforced by the segregation of the two intellectual communities. This brings us back to the broader role of the profession's sociology in conditioning the focus and direction of the discourse. The resilience of the development consensus cannot be understood without reference to the internal cohesion of the mainstream community itself, with its high degrees of vertical control and horizontal overlap. What is more, the configuration of economists' professional constituencies was clearly mirrored in their thematic choices and priorities,

which emphasised policy and clustered around macroeconomics, money, banking and development planning – whilst ignoring contemporary developments in such fields as microeconomics, trade, general equilibrium or even industrial organisation. Economic discourse became inevitably state-oriented, and economists' theoretical work was largely locked in constituency-determined paths. *Premia* for theoretical innovation remained low and subjects sensitive to authors' respective constituencies were systematically eschewed. Capital market efficiency, competition policy, administrative reform, the level and impact of military expenditures, etc. were either ignored or treated in a superficial, voluntarist manner⁷⁰. Along with the prevalence of cross-branch interpenetration and dependence, this served to limit the scope of internal debates and dilute the overall quality of work produced.

... and its theoretical and methodological limitations

For all their relative sophistication, a considerable portion of mainstream tracts remained shallow. In many cases, academic loftiness was not a sign of scientific impartiality and high-calibre theorising, but intellectual indolence and a reluctance to engage in a meaningful debate. This was especially true of many early texts, which contained strings of *ex cathedra* pronouncements and regurgitated foreign theoretical models, but failed to scrutinise domestic economic mechanisms in detail or engage in primary research. Attention to empirical detail was particularly low, further undermining theoretical innovations; surplus labour offers a fitting example of a theoretical *cliché* that had never been subjected to empirical inspection prior to Pepelasis and Yotopoulos (1962). Data constraints notwithstanding, this practice betrayed economists' reluctance to test the limits of the received view. In my opinion, this cannot be understood without reference to the institutional, social and professional attributes of the community of economists.

Post-1958 course corrections confirming the confluence of ideological and non-ideational factors

The complex interaction of these mechanisms was largely confirmed in the course of the late fifties and early sixties, when several developments – political, economic and professional – were combined to produce a series of realignments in Greek economic discourse. Though not profound enough to alter the hard core of the mainstream consensus, these challenges did bring about some 'course corrections', notably a decline in the perceived importance of capital constraints and a surge in social sensibilities. As we saw in this chapter, the exact nature of the 'corrections' chosen by economists was often conditioned by their placement within the policy framework and professional community, as well as across the political spectrum. CPER's often iconoclastic contributions in particular – by far the most meticulous and thorough economic tracts produced in Greece at the time – owe much to the centre's unique sociological and institutional profile, its ideological orientation and placement vis-à-vis other professional constituencies (see [chapter 3](#)).

Forward linkage

The same factors, account for much of the hostility with which CPER's research was received by large portions of the traditional economic community, ultimately un-

⁷⁰ Note how this need not have been either a conscious or deliberate process, one dictated by any ulterior motives and designs. Inasmuch as they were embedded within the banking establishment or the administration, economists were inured to the sensibilities, priorities and aversions of their respective professional constituencies. Of course, the fact that this did not *need* to be conscious or deliberate, doesn't mean that it never was.

dermining its revolutionary potential at the time. It would not be until the tumultuous seventies, which witnessed the rise and downfall of the colonel's dictatorial regime, that a more radical overhaul would take place in the country's economic personnel and institutions. But this is an altogether different story. In the what follows, we shall first take a more detailed look at the way in which economists approached three specific issues: (a) the relationship between monetary stability and development; (b) free trade and EEC accession; and (c) development planning. These constituted important theoretical and policy challenges at the time, and a discussion of the related economic discourse will offer us some additional insights into the development consensus and its interplay with policy. This is the purpose of the next chapter, whilst chapter 9 will then pick up the story of the left-wing development discourse, as it evolved in the period after the civil war.

Chapter 8. Special topics: money, trade and planning

Unlike previous chapters which adhered to the time-line of historical narrative, the subsequent paragraphs are organised on a purely thematic basis. By making three deeper incisions into the body of post-war economic literature we hope to highlight some prominent themes of the development discourse that have hitherto been granted only fleeting references. The following sections on monetary stability, foreign trade and development planning do not merely serve as testing ground for ideas and arguments developed in previous sections; they also aim at bringing out additional nuances of the development discourse and its interplay with Greece's political, institutional and social milieu; nuances that were often lost at the higher levels of generality employed so far in our story. All three subjects are inextricably linked to actual policy dilemmas; between themselves they offer useful insights into the range of potential interactions between economic ideas and policy-making.

I. Monetary equilibrium and economic development

Economic development and monetary equilibrium are very closely interlated and an attempt to treat them as competing policy objectives is inevitably misleading.

Xen. Zolotas, *Monetary Equilibrium and Economic Development*. New Jersey, 1965, p. v

Documenting the obsession with monetary stability

A cursory glance at the contents of any economic journal or development monograph published in Greece till the 1970s will reveal a consistent preoccupation with monetary stability and its implications for economic development. Present in more than one in five economic articles published between 1944 and 1967, discussions of monetary economics came second only to treatments of growth and development theory and policy¹. In fact, the two themes often co-existed, as several authors debated the interplay between inflation and economic development. At the same time, several articles were published in what can only be seen as an attempt to inform and alert readers on the perils of persistent price hikes². Whilst discussions of the relationship between inflation and growth were common in international policy debates at the time, Greek economists' interest in monetary equilibrium often hovered on the verge of obsession. In this, it was second only to that other national fixation of the post-war era, namely capital accumulation and investment. In what follows, we shall take a closer look at this theoretical idiosyncrasy and seek to identify its causes and implications for post-war development policy.

Tracing the evolution of

Given the country's long history of monetary adventures, interest in financial economics dates as far back as the 19th century and the first debates on banking and

¹ Using our journal database we can place the number of article pages devoted to monetary economics (identified with JEL codes 134 [inflation and deflation], 227 [prices], and 31 [domestic monetary and financial theory and institutions]) between 1948 and 1967 at 3,192, i.e. at 20.5% of the total pages published. Of the 'broad subjects' defined by the two-digit JEL classification, only code 11 [economic growth; development, planning theory and policy] tops that, standing at 22.7%.

² Zolotas's *Review* spearheaded this campaign with such articles as Τζανετόπουλος (1946) on the measurement of inflation; Lerner (1950) on its causes, consequences and treatment; Herz (1951) on the adverse effects of wage indexation; Λόζορης (1955) on the price-wage spiral; Δελιβάνης (1955) on post-war monetary policy internationally; and de Jong (1962) on the meaning of monetary equilibrium. The *Review* was thus following a trend first set by the *Archive* on the run-up to the 1928 stabilisation and the battle of the drachma – cf. Βεζάνης (1926) on 'The Definition and Substance of Inflation' or Anderson (1939) on 'Regulating and Stabilising Prices'.

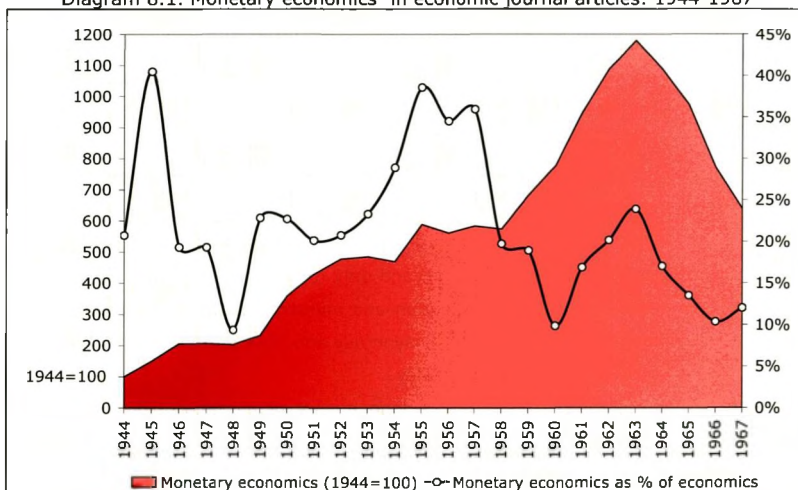
monetary economics and development

seigniorage (Στασινόπουλος 2000). Monetary affairs were placed at the top of the agenda during the tumultuous inter-war years, when default, stabilisation and the battle of the drachma monopolised economists' attention. The post-war hyperinflation gave further impetus to an already established theme and led to a lingering preoccupation with inflation and its implications for reconstruction (see [diagram 8.1](#)). The famous Varvaressos report published in 1952 contained a 117-page long chapter on 'Monetary Instability and its Consequences for the Country's Economy', as well as confidential appendix on currency reform. The belief that monetary stability was a necessary prerequisite for economic growth was integral to Varvaressos's thinking:

The restoration of monetary stability is necessary, not only to normalise the country's economic and social situation, but also to genuinely improve the position of the poor [...] those who believe, or pretend to believe, that the country can develop and improve its population's living standards with an unstable currency, offer bad counsel and should be ignored. (Βαρβαρέσος 2002 [1952]: 84)

This was one of the few instances where Varvaressos was in full agreement with the majority of contemporary analysts (including members of the American mission), who saw economic recovery as inconsistent with monetary instability. Following the 1953 stabilisation, money and prices remained high in public discourse, as the country embraced an 'orthodox' policy of austerity and low inflation as preconditions for development. This approach found its prime champion in Zolotas, who made the relationship between monetary equilibrium and development the centrepiece of his policy. The monetary stability credo was also embraced by consecutive governments under Karamanlis, thus constituting an interesting example of economic theory bearing upon national policy choices over an extended period of time.

Diagram 8.1. Monetary economics* in economic journal articles: 1944-1967



* Data based on page counts; three-year moving average smoothing implemented. 'Monetary economics' identified with JEL codes 134 (inflation and deflation), 227 (prices), and 31 (domestic monetary and financial theory and institutions). Source: Author calculations based on Journal Database (see [appendix A](#)).

Zolotas's [1965] Zolotas's monograph on *Monetary Equilibrium and Economic Development* epitomised the main tenets of this philosophy. Though published in 1965, the book contained the distilled wisdom of its author's long-standing involvement in public affairs³. At the heart of the argument lay Zolotas's belief in the interdependence between growth and monetary equilibrium, so defined as "to include both the domestic price level and the external sector" (Zolotas 1965: 1). In the long run, and "in the context of free economies and democratic societies" (*ibid.*), no government could sustain high growth rates without *relative* monetary stability, whilst conversely, such stability was unlikely to persist if people's rising material expectations were not adequately addressed⁴. In defending his thesis, the author invoked the conventional arguments on the costs of inflation: by reducing uncertainty and moderating distortions on the price mechanism, price stability guaranteed a steady flow of savings and encouraged their productive utilisation – as opposed to gold hoarding, speculation etc. (p. 11). For one of the most succinct formulations of Zolotas's counter-inflationary argument, suffice it to go back to a *Governor's Report* published a few years earlier:

Defending monetary stability is necessary for the following principal reasons: First, both the maintenance of high and increasing savings and their productive utilisation are directly linked to the existence of monetary stability. Second, only as long as external monetary stability is assured, can the balance of payments remain in equilibrium. Third, only under conditions of monetary stability can business initiative grow on healthy bases and be fertile. Fourth, only as long as the currency is stable, is it possible for the financially weaker segments of the population (farmers, workers, salaried employees etc.) to attain constant and sustainable increases in their real incomes. (Έκθεσις του Διοικητού της Τροπής της Ελλάδος 1962: 92)

Zolotas's last point on the role of monetary stability in protecting low- and fixed-income groups from the erosive impact of creeping inflation is interesting, inasmuch as it seeks to mitigate what is often perceived as price stability's main *disadvantage* – namely, that its attainment may require substantial sacrifices in output and employment. Financial austerity inevitably takes its toll on the economy in the short run and low-income groups often bear the brunt of such readjustments⁵. Nevertheless, confidence in the *social* functions of low inflation was common to several contemporary economists, including authors with known compassion towards issues of distribution (cf. Βαρβαρέσος 2002 [1952]: 107), whilst some later scholars also acknowledge the rationale behind Zolotas's overarching principle. In the words of one author, "the commitment to price stability substituted for the dearth of a broader social equity component in economic policy" (Pagoulatos 2003: 34; cf. Candylis 1968: 94).

A counter-inflationary consensus? Though theoretically valid, such arguments still hinge on the assumption that the pursuit of monetary stability does not *in itself* impinge upon the economy's employment, output and income distribution. For if the preservation of price stability comes at the cost of higher growth or a more generous social policy, then there is little point in claiming that low inflation helps soothe a malady it also causes. As with many economic issues, the final verdict may boil down to the relative magnitude of the costs and benefits attached to either course of action; and when faced with such exercises,

³ Earlier versions of this argument could be found in Ζολώτος (1958) as well as in most of the Bank of Greece *Governor's Reports* after 1956. The book also included the author's views on the importance of vocational training and human capital.

⁴ Relative monetary stability was defined in comparison to developments in foreign prices and people's subjective tolerance levels. Inflation was thus defined as "a continuous, pronounced increase in domestic prices, substantially in excess of parallel developments abroad and tending to violate the psychological tolerance limit of economic agents" (Zolotas 1965: 5).

⁵ As was indeed the case with Greece's 1952/3 deflation, which relied, *inter alia*, upon a steep real-wage decline.

economists are notoriously bad at agreeing on a common tally. Admittedly, the rampant hyperinflation of the 1940s united the majority of authors under the banner of monetary stabilisation. Nevertheless, as financial normalcy was restored in the course of the next decade, disinflation became less urgent a priority, and several authors began to question the wisdom of Zolotas's unwavering adherence to monetary austerity. In my opinion, this explains why monetary debates – as proxied by the their journal coverage (see [diagram 9.1](#)) – witnessed an upsurge *after* 1953, i.e. just round the time when prices were stabilised and confidence in the banking system was restored.

Three different versions of the 'inflationary' argument

Distinguishing between three different objections to monetary orthodoxy

Much of the theoretical furore surrounding monetary stability and development stemmed from the confusion of three different objections raised against the conservative orthodoxy. To facilitate our survey of this debate, let us distinguish between those who argued that:

- a) monetary expansions inflate the economy and generate much-needed savings;
- b) monetary expansions stimulate demand and generate higher employment and output; and
- c) monetary policy should be tolerant of inflation, since this is a structural (rather than monetary) phenomenon, endemic to backward countries and unlikely to subside before the economy has developed.

Whereas the first argument clearly mentions inflation as a policy instrument, deliberately used to amass (forced) savings, the other two points hardly deserve to be called 'inflationary' at all. Those agreeing with the third point may be *tolerant* towards inflation and doubt the efficacy of monetary remedies without real recovery, but they still concur on its undesirability as an economic phenomenon. As for the second argument – which corresponds most closely to a Keynesian bid for demand-driven growth⁶ – this has little to do with inflation *per se*: if the demand stimulus is to be translated into higher output and employment, prices will remain unchanged and the economy will enjoy growth *and* low inflation.

Confusing different versions of the argument

Critics of the monetary equilibrium thesis sometimes invoked all of these arguments together, even though they were to some extent mutually inconsistent. Addressing the GSES in 1958, Georgios Kolomvos would simultaneously defend inflation as a means to raise savings, claim that "the increase in money used to employ the jobless in the production of capital goods is not true inflation" and conclude that "the maintenance of stable prices and exchange rates, i.e. monetary stability is impossible without economic reconstruction"⁷. For their part, defenders of monetary orthodoxy also paid little attention to theoretical subtleties, and indiscriminately dismissed anyone who disagreed with them as 'inflationists' (*πληθωρισται*)⁸.

⁶ For a foreign formulation of this argument, albeit one also favourably disposed toward 'forced savings' as a way of financing investment, see Kurihara (1959: chapter 8).

⁷ See Κολόμβος (1959: 90); note the use of the purely Keynesian notion of "true inflation" (Kurihara 1959: 144).

⁸ See for instance Καλόγρης (1961: 35). Similarly unfair generalisations were not uncommon in the international debate on the subject either. As one author astutely observes, the orthodox argument was directed against "the interventionists, the socialists, the communists, the nationalists, the protectionists, the bureaucrats, and the relatives of all of them" (Machlup 1956).

Forced savings

Inflation as a means of raising savings, either directly – by printing money to finance state expenditures – or indirectly – by redistributing income across classes – is generally considered a measure of last resort. Familiar to writers of economic tracts for many centuries⁹, such 'alterations' in the value of money were more often a path followed by profligate sovereigns in dire need of funds, rather than a sound piece of advice offered by monetary theorists. In the post-war period, few development economists would argue explicitly in favour of taxing nominal wealth/income through inflation to raise savings and investment. As one contemporary survey would contend:

whether the relatively underdeveloped areas can accelerate their process of development by recourse to deliberate inflation has, in the recent past, been a subject of widespread contention. It now appears to be settled in the negative, at least by most professional economists and responsible central bankers. (Axilrod 1954: 334)

Greece was hardly any different in this respect. Though occasionally mentioned by some authors (e.g. Κολόμβος 1959; Μπανταλούκας 1956) as a means of jump-starting capital accumulation, 'forced savings' did not crop up often in the literature. Nevertheless, monetary conservatives seeking to discredit their opponents by labelling them as 'inflationist', relished the chance to recite the arguments against the inflation tax. Income redistributions through inflation were arbitrary and unfair, undermining public confidence in the currency and encouraging speculation and hoarding (Καλόγρης 1960). What is more, funds raised this way 'crowded out' private savings and "inflation redistributed income toward individuals with a strong propensity to hoard, invest in precious metals and in luxurious, un-productive investments" (Μαρμαστόκης 1965: 38). Moreover, even though "the inflationist argument refers, as a rule to some form of controlled inflation [...], the ease with which controlled inflation may deteriorate into a rapid, continuous rise in prices and external deficits" in developing countries makes them "less able to afford ventures into inflationary financing for their growth" (Zolotas 1965: 10-12).

The 'productive currency' proponents

An oft misunderstood variation of the 'forced savings' argument was advanced by defenders of the 'productive bills' theory. This was an amalgam of the age-old 'real bills doctrine'¹⁰ and a commodity (usually labour) theory of value. The chief proponent of the 'productive bills' theory was the civil engineer and professor at the Athens Polytechnic Athanasios Roussopoulos, who argued that the country's financial shortages were an 'illusory constraint': productive works could be financed by printing new money, backed by the very resources (incl. labour) embedded in their construction (Πουσόπουλος 1949: 241). In the same vein, government spending would be funded through public enterprise profits and seignorage, rendering taxation unnecessary (*ibid*: 240). Such views were mainly popular amongst left-wing engineers¹¹, who held the country's technical viability as a necessary and sufficient condition for rapid industrialisation, regardless of any financial bottlenecks. Several left-wing theorists had also

⁹ See for instance Nicolas Oresme's (1360) *Treatise on the Origin, Nature, Law and Alterations of Money*. It goes without saying that the scope for monetary 'alterations' was greatly increased with the advent of paper currency in Europe toward the late 17th century (Spiegel 1971: 70ff). For a more favourable interpretation of currency debasement in the medieval world, see Cipolla (1956).

¹⁰ Stating that "so long as notes were issued in payment for bills of exchange which related to real transactions in goods and services they could not be over-issued" (O'Brien 1975: 151).

¹¹ Roussopoulos himself was known for his left-wing leanings, formulated in full length in his 1944 book on *The theoretical social problem*. In later years, Roussopoulos joined the Centre Union and was elected to parliament in three consecutive elections (1961-4).

been charmed by the labour theory of value, proposing various exotic monetary schemes and proclaiming the irrelevance of financial constraints to growth¹².

Economic appraisal and reception by economists

There is certainly a degree of populist provocation in these statements: amidst at time of economic disarticulation and galloping inflation, left-wing authors like Roussopoulos were promising national salvation and the abolition of all taxes, with a simple wave of the monetary wand. Not only was their use of the labour theory of value more rhetorical than substantial, but their core argument was intrinsically flawed: how would money printed to build a bridge *not* raise the price of bread when workers took their wages to the market? In other words, printing money *now* to finance a project whose returns lie in the *distant future* (as is often the case with infrastructure and development projects) does little to alleviate *current* production shortages¹³. Mainstream economists did not bother to launch a theoretical counter-attack against the 'productive bills' doctrine. As with other ideas advanced by the Left – not to mention members of a rival professional community – the 'productive bills' doctrine was simply ignored¹⁴. This was unfortunate, not least since the argument, when stripped of populist rhetoric and taken with a pinch of salt, *did* raise one valid point about the 'inflationary' finance of investment: namely that investment did not merely raise demand, but also added to the economy's productive capacity. Thus, if the capacity-increasing effect were greater than the income-generating effect in the long run, it was theoretically possible to have an economy experiencing money-financed growth without inflation¹⁵. This type of argument, formulated in more Keynesian terms, was gradually (re-)discovered by economists after 1958 ...

The Keynesian argument

As the hyperinflationary experience faded to the past and sufficient savings flowed into the banking system, critics of the country's monetary orthodoxy turned their attention from the supply-side imperative of raising capital, to the stimulation of aggregate demand through cheap credit. Authors such as Georgios Kolomvos, Alexandros Saounatsos, Georgios Kanas and Petros Dimitrakopoulos wrote extensively on the need to pursue a looser monetary policy to stimulate growth¹⁶. Their arguments were purely Keynesian, with Δημητράκοπουλος (1964) calling for the maximisation of aggregate demand through monetary and fiscal policy and Σαουνάτσος (1960: 176-7) emphasising the role of demand and the overriding objective of full employment:

It follows that, in the presence of underemployment and in the interest of attaining full employment, economic development (which might conceivably constitute the fundamental objective of economic policy, parallel to the attainment of full employment) will have to be financed – at least in the beginning – through the issuing, i.e. the creation of new money *ex nihilo*.

In the [previous chapter](#), we saw how one reaction to the dwindling relevance of capital

¹² Thus for instance Σανός (1949) would propose the replacement of money through 'labour tokens', whilst our old acquaintance, Serafeim Maximos, would write an extensive monetary tract during his exile in Vienna, castigating *fiat* money for its deviation from intrinsic labour values (Μόξιμος 1953; 1954).

¹³ Incidentally, this explains why some mainstream economists only approved of issuing new money to finance small-scale projects with 'rapid yields' (Κούλης 1953; cf. Axilrod 1954).

¹⁴ The only notable exception is an obscure article published in the 1958 *Spoudai*. Its author, George Kanas, writes appreciatively of Roussopoulos's 'productive currency' thesis, as well as his confidence in Greece's technical viability (Κανός 1958: 29). Kanas traces the doctrine back to Georg Friedrich Knapp's famous *State Theory of Money* [1905]; inasmuch as Knapp was a staunch opponent of any form of currency backing, Kanas is probably misinterpreting Roussopoulos's thesis – 'probably', because Roussopoulos's own writings are far from clear on the subject.

¹⁵ This is what Domar (1947) means by the "dual character of investment"; in his terminology, suffice it that the real expansion via the "sigma effect" outstrips the monetary expansion via the "multiplier effect".

¹⁶ The relevant references are Κανός (1957), Δημητράκοπουλος (1959; 1964), Σαουνάτσος (1960) and Κολόμβος (1961a).

constraints involved paying greater attention to demand. The 'inflationists' of the 1960s extended these ideas to the monetary sphere. Interestingly enough, their arguments were hardly 'inflationist' at all, inasmuch as they expected monetary expansion to raise income – not prices. In his reply to Kalogris, Saounatsos would lash out from the conference podium of the GSES:

Mr. Kalogris has done me the doubtful honour to rank me amongst the champions of monetary inflation, specifically forced savings through inflation, which, as he correctly said, is a technique for forcing the society to save. It appears that Mr. Kalogris didn't notice or didn't understand that most of my lecture was devoted to the very demonstration, that not all increases in monetary circulation necessarily end up being inflationary and raising the general price level. In other words, that the issuing or creation of new money, which under conditions of *full employment* would inevitably lead to a higher general price level, i.e. would have inflationary consequences, may – under certain conditions of *underemployment* – not lead to higher prices and thus not constitute inflation. So in order for Mr. Kalogris to call me a proponent of monetary inflation, he would have to prove to us, no less, that the Keynesian theories of the multiplier and inflation are fallacious. This he didn't do, nor could he have done, of course. Unless Mr. Kalogris believes, that any increase in monetary circulation, regardless of its impact on the general price level, is inflationary [...]. If this is the case, then I, in turn, can't resist the temptation to rank Mr. Kalogris amongst the proponents of a primitive and raw theory of inflation, which a century or more ago drew its strength from a naive formulation of the quantity theory of money and an inadequate understanding of the equation of exchange. (Σαουνάτσος 1961: 111)

Money neutrality and the quantity theory of money Saounatsos's retort strikes at the heart of the issue, namely at money neutrality and the quantity theory¹⁷. True to Zolotas's orthodoxy, several authors in the early sixties were producing analyses reminiscent of Friedman and Schwartz's 1963 *Monetary History of the United States*, trying to interpret Greece's recent monetary history by means of the quantity theory of money¹⁸. On the other hand, younger authors of less orthodox leanings were eager to advance a more Keynesian line of thought, rejecting the quantity theory in favour of money non-neutrality¹⁹. But if money was not neutral, then loosening monetary policy was capable of stimulating production rather than raising prices. The debate essentially boiled down the elasticity of supply and the aforementioned trade-off between the capacity-expanding and income-generating roles of investment. Critics of financial austerity argued that developing countries like Greece had many underutilised resources and were faced with an elastic aggregate supply curve (Σαουνάτσος 1960: 179). On the other hand, defenders of monetary orthodoxy claimed that various structural bottlenecks and supply inelasticities rendered Keynesian theory inapplicable to developing countries (cf. Zolotas's arguments, as discussed in [section 7.3](#)). Zolotas's own texts aside, this was the core of Kalogris's 1961 doctoral thesis on *Inflation and Economic Development*, as well as the argument formulated *inter alia* by Μαρμαστάκης (1956), Καλυβιανάκης (1963) and Μαλινδρέτος (1965; 1966). Summarising this line of thought, Κατωπόδης (1967: 529) contends that:

Underdeveloped countries have limited production possibilities due to the inelasticity of production factors (scarcity of capital and specialised engineers/labour). It is chimerical to believe that by printing money one can automatically solve problems caused by the absence of a coherent productive system.

The structuralist argument The structuralist interpretation of inflation, usually associated with economists working under the umbrella of the *Economic Commission for Latin America* (ECLA) had little influence on Greek economic thought, as was the case with most of the ideas developed by the Latin American *cepalianos*. Of course, some authors would occasionally

¹⁷ Saounatsos's dissatisfaction with the quantity theory – even on non-Keynesian grounds – had already been expressed in a brief comment published in the inter-war period – see Σαουνάτσος (1926) and Ψαλιδόπουλος (1989a: 297-9).

¹⁸ See Δρακότος (1962) and Κουτσογιάννη-Κόκκοβα (1963); perhaps unsurprisingly, both articles were published in Zolotas's *Review*.

¹⁹ See Φίλιος (1963) and Παναδόπουλος (1963). The last author was heavily influenced by Patinkin's interpretation of Keynes's monetary theory; perhaps unsurprisingly, *neither* article was published in the *Review*.

remind their readers that besides the orthodox view that monetary stability was the *sine qua non* of development,

There is, however, also the opposite view, according to which monetary stability is a dynamic phenomenon, attained only through economic development. Thus, an attempt to stabilise currency first, and then proceed with the Reconstruction, is bound to consign the whole endeavour to failure and lead to the future loss of monetary stability as well. (Δαμόλας 1954: 129)

But these were fleeting allusions, deprived of much theoretical backing and certainly oblivious to the ECLA theories of inflation. In fact, even those authors who made explicit references to developments in Latin America and sought to draw lessons from the Brazilian or Chilean experiences often misunderstood the structuralist argument²⁰. The only exception to this rule was *George Loukopoulos*, an economic consultant employed at the Bank of Greece, whose writings – though far too eclectic to warrant rigorous labelling – revealed a deep understanding of Latina American structuralism, probably picked up from the writings of Myrdal.

Epilogue on money, inflation and growth

Limited explicit engagement in foreign theoretical debates ...

... but much implicit engagement as a result of foreign missions' influence

Loukopoulos was a rare exception to a rule that wanted Greek discussions on money and development paying little direct attention to foreign monetary debates. Despite Zolotas's explicit reference to the clash between "structuralists" and "monetarists" in the introduction to his 1965 *magnum opus*, his own analysis revealed a shallow understanding of the Latin American argument. On the other hand, we cannot underestimate the role played by foreign missions to Greece in instilling policy-makers with an appropriate dose of monetary conservatism. The importance attached by members of British and American delegations to economic stabilisation has been well documented, with fiscal tightening and monetary austerity figuring prominently in virtually every foreign report on the country's economic outlook²¹. It is in this context, for example, that an IMF mission arrived in Greece in the late 1950s to study the prospects for Greek development. The *Struc Report*, as it became known, was released in November 1950 and treated monetary stabilisation as the *sine qua non* of economic recovery. Interestingly enough, domestic reactions to the report were far from friendly: addressing an audience gathered at the *Pireaus School of Industry Studies* a few months later, George Papalexandris would criticise the American mission for adhering to the IMF line and continuing to "freeze" large sums of money flowing into the 'counterpart fund'²²:

We don't deny that relative economic equilibrium and monetary stability are forthcoming. But instances where monetary instability, depreciation and inflation [...] had a beneficial effect on the economy and paved the way for productive activity are not unknown to economic science. (Παπαλεξανδρής 1951)

Papalexandris was not alone in his scepticism toward the US-imposed stringency. An anonymous author of the 'Chronicles' column in the *Review* – possibly even Zolotas

²⁰ Thus, for instance, Σηνοπόγγος (1962) seems to believe that the conflict between monetarists and structuralist concerned the deliberate use of inflation to raise forced savings, rather than the extent to which inflation was an undesirable, albeit inevitable by-product of the development process.

²¹ Calls for immediate stabilisation became much stronger after the change in Marshall plan priorities following the outbreak of the Korean war; plans for domestic reconstruction and industrialisation gave way to the need for a swift disentanglement from Greek economic affairs and thus a rapid transition to a self-sustaining economy (Σταθόκης 2004: 359ff).

²² The 'counterpart fund' contained cash raised from the sale of aid goods to the Greek public. Originally functioning as an important source of reconstruction finance for the government, the fund was increasingly used by American officials to siphon liquidity out of the economy and suppress budget spending (see Σταθόκης 2004: 253-4).

himself – would acknowledge inflation as a problem, but go on to observe that:

This doesn't mean that we are always justified in our tendency to assess any situation and gauge our policy primarily, if not exclusively, in terms of the threat of inflation. (Review 1951, vol. 6(1), p. 163)

These reactions imply that a process of 'conversion' of Greek economists to the monetary orthodoxy preached by foreign missions, the IMF and the World Bank, may have played a role in shaping the domestic discourse on money and development.

Foreign impulse
and domestic
propagation

In a seminal paper published in 1933, Ragnar Frisch drew a distinction between the initial impulse and the subsequent propagation mechanism sustaining inflationary pressures. This dichotomy, used extensively by Greek scholars, can also be applied to the analysis of the monetary *discourse* itself. For whereas foreign intervention definitely served as a key impulse in monetary matters, their enduring prominence in the country's economic discussions must be attributed to domestic factors. Regardless of any superficial resemblance between debates on inflation and growth in Greece and elsewhere in the world, Greek economists' preoccupation with monetary economics was primarily *domestic* in its origins. The experience of hyperinflation in the mid-forties had left an indelible mark on the public as well as the country's leaders. Alongside Zolotas's personal obsession with monetary stability²³ came the post-1953 conservative governments' confidence in the political advantages of keeping prices constant. In the words of one modern historian:

Die Bewahrung der hart erkämpften Währungsstabilität bildete von vornherein den Eckstein der Wirtschaftsstrategie von Karamanlis. [...] Auch Karamanlis, wie zuvor die Papagos-Administration, behandelte das Problem der inflationären Fluktuationen der Drachme als ein eher politische als ökonomisches Problem im Hinblick auf die katastrophalen psychologischen Auswirkungen, die diese immer noch auf die Gesellschaft hatten. (Botsiou 1999: 306-7)

Institutional and
professional
propagation

Such considerations aside, preoccupation with monetary economics was also a by-product of banks' prominence within the professional community of economists, as well as their privileged institutional position within the economic policy framework. Lending quotas and interest rate differentiation aimed at channelling credit towards 'preferred' economic branches formed the cornerstone of the post-1953 development model. Unlike other developing nations, where nationalisations, state coordination and indicative planning had become the norm, Greece opted for a course of credit interventionism which inevitably placed banking at the heart of the development apparatus. This was not only the product of the *ideological* taboos imposed by the civil war²⁴, but also reflected the balance of institutional power within the public sector policy-making apparatus (cf. [section 3.2](#)). A configuration that was much reinforced with the establishment of the *Currency Committee*, which reigned supreme over Greece's domestic policy framework for several decades to come, exercising "a kind of 'silent planning'" (Θωμαδούκης 1994: 40). Subsequent entry into the Bretton Woods system was another key reform that served to consolidated the policy bias favouring monetary restraint.

A manifestation
of deeper con-
flicts

The banking establishment's pivotal role in the Greek development model goes a long way toward explaining the prominence of monetary economics. It does not how-

²³ Interview with Pepelasis (Palaio Psychiko, 20.10.2005). Pagoulatos (2003: 29) ascribes Zolotas's emphasis on prices stability to his studies in Germany, where had "witnessed the hyperinflation eroding the socioeconomic foundations of the Weimar Republic".

²⁴ Θωμαδούκης (1994: 38) speaks of the "impasses" caused by anti-communist ideology: governments were asked to reconcile the pressing need for economic coordination and reconstruction with the ideological necessity of refraining from left-wing policies such as nationalisations – cf. Pagoulatos (2003: 58ff).

- ever fully account for the *content* of the issues debated, namely the obsession with monetary stability and economic development. To my mind, these were the manifestation – on the monetary plane – of several deeper conflicts that permeated the development discourse since the 1940s. On the one hand, you would have the ideological conflict with the Left, which denounced the callousness of monetary and fiscal²⁵ policies, and held them responsible for the continued impoverishment of the working classes (see [next chapter](#)). Over time, the Centre-Left also joined the chorus of critics, especially since the risk of hyperinflation was receding and references to the country's binding capital constraint were losing credibility. The Centre Union's moderate shift toward a more generous social policy caused an immediate wave of criticism from monetary watch-dogs, and urged Andreas Papandreou (then deputy minister), to argue – along Keynesian lines – that higher spending and income redistribution would raise output and growth, rather than prices (Παναγόπου 1965a- cf. section 7.2). In the course of the 1960s, the right-wing EPE would deliberately resurrect the spectre of hyperinflation in an effort to undermine its political rivals. In fact, monetary turmoil and speculative attacks on the drachma were sometimes incited by inflammatory political speeches and concerted attempts to discredit the Centre Union, the prime example being the run up to the 1964 elections, when the Bank of Greece was called upon to sell a substantial number of golden sovereigns to bolster the currency²⁶.
- (b) an internal conflict with commercial banks Monetary debates were also fuelled by an *internal conflict between monetary authorities and commercial banks*. A mere glance at the exchange of recriminations between the governors of the Bank of Greece and the National Bank²⁷ serves as a measure of the clash of interest between the two institutions. The stakes were high, as they involved control over the country's credit system, and – by extension – the majority of its major enterprises. Fighting for greater autonomy, the National Bank invariably complained in its Governor's Reports about the excessive restrictions imposed on it by the *Currency Committee*. Faced with mounting popular frustration, occasional speculative attacks fuelled by political antagonism, and hefty criticism from commercial banks, it is hardly surprising that Zolotas and his colleagues would choose to devote much of their time and resources to the reinforcement of their chosen policy framework – let alone their professional constituency.

²⁵ Bear in mind that in a virtually bankrupt economy with an embryonic capital market, fiscal expansions were almost tantamount to monetary expansions as well. What is more, inflationary pressures were seen as arising from excess demand, whether caused by monetary or fiscal profligacy.

²⁶ See the parliamentary debate on the subject, which took place on March 31st, 1964.

²⁷ The *National Bank of Greece* was the chief commercial bank at the time, not to mention a historical 'rival' of the Bank of Greece (see Χριστοδουλάκη 2002). The clash between the two institutions should not be misunderstood as a conflict between the private and public interests – the National Bank was a *state-owned* institution.

II. Trade and development

It's up to us whether the association [with the European Economic Community] will become an agent of development or a handicap. It's like the dentist's drill, which can serve as an instrument of both healing and torture.

George Drakos, president of the Greek Industrialist Union (ΣΕΒ), speaking at a public discussion on the Common Market and economic development, Ελληνική Εταιρεία Προγραμματισμού (1966)

Introduction

A country's relations with the rest of the world can take many forms, all of which may influence its development trajectory. Potential avenues of interaction, include not only commodity trade, but also emigration, foreign direct investment, loans, official development assistance, the transfer of technology and the spread of ideas. Some of these issues are explored elsewhere in the text, though few are given the attention they deserve. This section is devoted to the role of trade in the Greek development discourse; emphasis will be placed on economists' views on development and protectionism (especially in manufactures), as well as the debate on the association with the *European Economic Community* (EEC), which flared up after 1957.

Trade policy and protectionism

The inter-war legacy

Caught in a whirl of radical changes – both domestic and international – Greek theorists in the inter-war were forced to abandon their 19th century quasi-liberal *Weltanschauung*. Whether they interpreted the inter-war challenges as temporary deviations from orthodoxy, or as signs of the intellectual bankruptcy of liberalism, everyone agreed that economic circumstances had changed radically. Trade lay at the eye of the storm; as early as 1924, Ioannis Tournakis, a professor of trade policy, was lamenting Britain's recent devaluation and the global rise of protectionism, which heralded a new era in commercial relations (Ψαλιδόπουλος 1989a: 163-5). Over time, Greece would be forced to adopt higher tariffs, suspend currency convertibility, and commit itself to an intricate web of clearing arrangements and bilateral commercial agreements.

The decline of the free trade doctrine

Similar developments took place on the theoretical plane; along with the rise in 'market scepticism' and the mounting confidence in the necessity and feasibility of Greek industrialisation, came increasing discomfort with the doctrine of free trade. By the late 1930s, the necessity of protectionism and state interference in international exchange had become widely acknowledged. Erstwhile liberals, such as Panagiotis Dertilis and Alexandros Diomidis, were forced to advocate a policy of near autarky for the benefit of Greece's domestic production and trade balance²⁸. The author of a famous monograph on the *Directions of our External Trade Policy*, though opposed to complete autarky, would begrudgingly concede that:

Under the present shape of its economy, Greece needs multiple types of protection: productive (primarily agriculture and then industry), social and monetary. (Χατζηβασιλείου 1936: 170)

Scholars attracted to socialist or fascist-corporatist thought were far less circumspect in their critiques of liberalism. Dimosthenis Stefanidis would sarcastically observe that:

²⁸ Διομήδης (1934: 29 and 121-31). Δερτιλής (1933: 239) also calls into doubt the applicability of the most favoured nation clause to developing nations. For another qualified approval of autarkic policies, especially for agrarian nations, see Αγαπητίδης (1940).

Those deluded by the idea of peace across humanity and the fading of national differences through the progressive interdependence of international economic interests, will rush to espouse the unhindered division of labour. Those on the look out for the interests of rich, advanced [social] economies – which at least seem to be intimately tied to the economic well being of humanity as a whole – will take a similar stand. On the other hand, those who'll champion the parallel development of the different lines of industry in each [social] economy, will be those who watch in disgust, as weak and undeveloped countries are currently being exploited by the rich, as well as those who have the interests of poor countries in mind, countries striving for economic progress and the wellbeing of their residents. (Στεφανίδης 1935: 14-5)

At the other end of the ideological spectrum, left-wing economists were equally confident in capitalism's tendency to sow destruction in those backward economies it came in contact with (cf. [chapters 5 and 9](#)).

Post-war theorising on trade and development was inevitably tinted by market scepticism and inter-war protectionism. Along with the consensus on state-guided modernisation and industrialisation, came *widespread agreement on the unsuitability of free trade for developing nations*. After all, the abandonment of classical trade assumptions and the acceptance of a measure of protectionism to 'level the play-field' for developing nations, were common themes internationally. As one contemporary observer would put it,

In the minds of many economists, free trade as a policy goal is no longer the norm, even in theory; rather the exceptions are often thought to be 'normal', especially in the circumstances of developing economies. (de Vries 1966: 19)

Analytical virtue

Still, the quality of much of the work on trade and development was inferior to the standards set by foreign literature. Whereas some contemporary texts did exhibit analytical virtues and reveal familiarity with developments in trade theory²⁹, the majority of documents didn't go much beyond the infant industry argument, jumbled together with some rhetorical allusions to foreign exploitation. Primarily, (though not exclusively) amongst authors of the Left and Centre-Left, it became commonplace to think of trade liberalism as a doctrine concocted by industrial nations to keep their agricultural trading partners in perpetual stagnation (Κανελλόπουλος 1959a: 36-7) and strip them of their natural resources³⁰. As a result,

large international inequalities, along with the economic nationalism of the Great [Powers] and the forced imposition of freedom in international exchange, hinder the economic development of backward countries and widen the cleft between rich and poor. (Παναλεξανδρής 1966: 520)

Given such interpretations, it was only natural for some to regard industrial countries with suspicion; a former minister of industry under centrist administrations, Leon Makras, was probably not the only one who believed in the:

opposition of Westerners to Greece's radical industrialisation, either because they favour Israel (*sic*), or because they would like to nip the possible development of a new industrial nation in its bud, since such a nation might in future compete with some of their industries and stop absorbing their manufactures. (Μακράς 1957: 40)

Vasilios Damalas is a further case in point. Though undoubtedly the most prolific Greek writer on trade and development during the 1940s and 1950s, Damalas was prone to rhetorical hyperbole, rather than level-headed analysis; a tedious and repetitive writer,

²⁹ It would be futile to enumerate the scores of trade-related books and journal articles of the post-war era. Though containing no explicit reference to Greece, Χαλκιάδου (1958) is one of the best treatises on the subject; it makes the case for industrial protectionism in developing countries.

³⁰ In line with List's famous formulation of the argument in 1848, Britain was usually regarded as the chief culprit in this ruse – see Κολάμβας (1959: 77) or Δαμολλάς (1953; 1956; 1957). In the post-war period, the trick had apparently been picked up by the United States as well (Δαμολλάς 1950).

he became the object of scathing criticism from foreign scholars for his academic publications in French³¹.

Free trade as an
anathema to the
doctrine of indus-
trialisation

The consensus on the unsuitability of free trade for developing countries, ultimately rested upon the dichotomy between tradition and modernity (or, to put it in a economic terms, agrarianism and industrialisation) and how this would be perpetuated within a liberal framework. The starting point of course was an asymmetry between trade partners, principally in terms of developmental stages, and thus also in productive structures. Free trade implied international specialisation along the lines dictated by current (static) comparative advantage. Being predominantly agrarian, Greece would in this case be exporting agricultural commodities in exchange for manufactures. Attempts at industrialisation would be thwarted as virtually no domestic industry would be capable of competing against foreign products. Of course, the ensuing trade pattern would maximise static efficiency and increase global welfare, but such arguments were predicated on the assumption that no fundamental differences existed between agriculture and industry³² (and thus also between trade in farm products and manufactures). Yet the entire edifice of post-war development economics was rooted in the exact *negation* of such an assumption (cf. [section 6.2](#))! Thus, in the eyes of development economists, anything that would lock Greece in its agricultural past was nothing short of anathema.

Unequal ex-
change ...

What is more, international exchange of agricultural commodities for manufactures was *intrinsically* problematic, and was destined to become increasingly so in the future. This is where arguments of unequal exchange and declining terms of trade entered the Greek discourse, as they did in all developing countries of the time. Influenced by the writings of Romanian economist Mihail Manoilescu³³, Stefanidis was one of the first to formulate a fully-fledged critique of free trade in terms of the unequal quantities of labour embodied in farm products and manufactures. After 1944, this trail of thought was picked up by several other authors³⁴; surprisingly perhaps it did *not* figure prominently in the Left's dependency theory, as expounded by Batsis or Maximos, though it did emerge in the more critical writings of Γρηγορογιάννης (1952a: 134), who even argued that the Soviet Union was 'exploiting' its own satellites much in the same way. Greek authors of Marxian persuasion saw the flow of *capital* rather than goods as the primary conduit of imperialist exploitation. In this, they were in line with most classical Marxian theorists, who "with the solitary exception of Rosa Luxemburg [...] identified the export of capital as the fundamental mechanism by which metropolitan capitalism exploits the periphery" (Howard and King 1992: 186).

³¹ See for instance Bert Hoselitz's (1947) review of Damalas's *Essai sur l'évolution du commerce international: les théories – les faits*, wherein the Greek scholar first formulated his analysis of international trade. In Hoselitz's view, Damalas's book "has no intrinsic merit" (*Ibid.*: 91).

³² As Δαμολός (1958: 78) would put it "no distinction was made in terms of the importance of different products and their impact on the economic development and future of each country. Thus, manufactures, agricultural products and raw materials were placed on a par with each other, and no reference was made to the obvious superiority of industrial products, due to the greater elasticity of their demand and other related advantages" – cf. Δαμολός (1951).

³³ Manoilescu's theory of unequal exchange is reminiscent of an earlier argument by Otto Bauer, based on Marxian writings on the international differences in the organic composition of capital (Howard and King 1992: 189). Though far more influential elsewhere (see Love 1996), Manoilescu was not unknown to Greek economists even before the war; in fact, a 1930s issue of the *Archiv* offered a – somewhat critical – review of his famous *Théorie du Protectionnisme et de l'Échange International* [1929].

³⁴ See, for instance, Αθανασιάδης (1949), Δαμολός (1950) and Ευελπίδης (1954). Στεφανίδης (1961) re-iterates his original thesis.

... and declining terms of trade, exchange rate shortages etc.

Throughout the forties and fifties, one did not have to be a Marxist to be critical of free trade; scepticism toward trade liberalism was also being voiced by prominent non-Marxists such as Hans Singer, Raul Prebisch, Gunnar Myrdal and others. The terms of trade between agricultural commodities and manufactures often lay at the heart of the controversy: differences in income elasticity, price stability and reactions to technical progress all contributed to developing countries' unfavourable and declining terms of trade, thus reinforcing the drive toward import substituting industrialisation. Though rarely theoretically involved, similar views were expressed by Greek economists (see Κατωπόδης 1955; Πανάς 1955). Παπαλεξανδρής (1966) is an interesting exception, inasmuch as he displays deep familiarity with Myrdal's work and even reproduces Prebisch's argument on the decline of the terms of trade³⁵. Myrdal's (1957) scepticism toward free trade and his theory of cumulative causation influenced several Greek authors, as did several French scholars whose interpretation of international exchange entailed the dominance of one partner over the other (e.g. François Perroux). Last but not least, let's not forget how most classical trade arguments were expressed in terms of barter, thus overlooking the exchange rate shortages faced by several developing countries, including Greece (see Δαμαλάς 1958: 70ff).

Dynamic comparative advantage

For all of the above reasons, most development economists in Greece rejected the adoption of an outright liberal commercial policy. Circumstances faced by developing nations were not comparable to those prevalent during the industrial revolution; aspiring manufacturers had to protect themselves against 'industrial incumbents'. Comparative advantages were not written in stone and protectionism could help mould a country's future advantage, even if that meant deviating from the specialisation prescribed by its present natural endowments. Summarising the argument for industrial protection, Χαλικιάς (1958: 20) would point out that:

It is becoming increasingly clear that the comparative costs relations prevalent at a given point in time are neither permanent and immutable, nor are they firmly derived from each country's endowments in natural resources. On the contrary, they largely emanate from such factors of production as experience and specialisation, which are inherited from the country's own industrial tradition, and are thus amenable to change.

The practice of trade policy: the hesitant trend toward liberalisation

Early (hesitant) moves toward liberalisation: the GATT and EPU

Despite economists' qualms about free trade, actual policy practice went down a hesitant path of liberalisation and integration into the western multilateral trade framework, as Greece joined the *General Agreement on Tariffs and Trade* (GATT) in 1948 and the *European Payments Union* in 1950. The actual pace of trade liberalisation fell short of the country's international commitments. Theoretical qualms³⁶, however, played no hand in what was a necessity imposed by the country's gaping trade deficit and economic disarticulation. Despite the abolition of quotas and the adoption of *ad valorem* tariffs for many commodities, discriminatory domestic taxes remained in

³⁵ Namely that, whereas manufacturers are able to reap the benefits of productivity growth through higher prices (and profits), farmers had no similar monopoly power; in their case, the benefits from technological progress were passed on to consumers – i.e. industrial nations – in terms of lower prices (Παπαλεξανδρής 1966: 506).

³⁶ Zolotas (1950b) was one of the first to caution the Greek government against signing the GATT Annex agreement, for this would expose industrial products to lethal competition from abroad. Greece's participation in the GATT would be a subject of continuing criticism over the next few years, particularly by authors of the Left and Centre-Left – cf. Σαουντζίκης (1955) and Φωτίου (1957).

place – some where even increased, much to the dismay of other GATT signatories. A similar fate awaited the country's commitments toward the EPU, which were gradually rolled back in 1950-2, due to Greece's persistent trade deficit vis-à-vis *all* other countries (Botsiou 1999: 135). Bear in mind that all of these decisions were sanctioned by the American mission, whose level control over external commerce (through the *Foreign Trade Administration*) was second only to that over money and credit.

The 1953 de-valuation and trade liberalisation – domestic reactions

The next major milestone came with the 1953 stabilisation, when the drachma devaluation was followed by the removal of most quantitative import restrictions³⁷. Though hardly in tune with economists' views on foreign trade and industrialisation, this measure was regarded as necessary to safeguard monetary stability: by guaranteeing the uninhibited flow of imports, free trade would eliminate any domestic shortages capable of rekindling inflation and pave the way for the return to a freely operating market economy. This was the principal rationale of the American economic advisors who orchestrated the 1953 reform; their reasoning was shared by members of the country's financial and commercial circles³⁸, to the obvious dismay of industrialists as well as ministers of the recently departed centrist administration³⁹. Economists, for their part, remained largely silent on the matter, with the *New Economy* being the only major journal to publish a special issue on what was undoubtedly a defining moment in Greek commercial policy. Public declarations to the contrary aside, the government itself was uncomfortable with the country's commitments under the GATT, and proceeded to renegotiate several items in its tariff schedule – most under the GATT's "sympathetic consideration" procedure.

Reluctance toward liberalisation and the Left's influence

The above findings strengthen our overall impression that Greece jumped on the band-wagon of multilateral liberalisation rather reluctantly; the concessions agreed under the GATT and reaffirmed after the 1953 devaluation may have facilitated the inflow of vital imports and contributed to deflation, but they were also seen as premature sacrifices of the country's industrial protection. Of course, gains from liberalisation in terms of higher competitiveness and efficiency were not unfamiliar to Greek policy-makers⁴⁰. But in the 1940s and 1950s, this type of argument was entirely absent from the development consensus. Once again, we must not overlook the way in which Left economic thought conditioned mainstream economic discourse: given the importance attached to domestic industrialisation and foreign exploitation, this was hardly an appropriate time to champion outright trade liberalisation – even if policy practice was drifting toward it. At the same time, note that despite the country's entry into multi-party agreements and the abandonment of preferential practices or quantitative con-

³⁷ To smooth the transition to the new regime, a host of temporary measures were applied (Τράπεζα της Ελλάδος 1978: 394-7). In the long run, imports were still subject to "certain payments conditions, which differentiate between countries with which payments may be made through the EPU and those with which no payments arrangements exist" (GATT/L/331/Add.2, 31st March 1995, *Fifth Annual Report Under Article XIV:1(g) – Addendum – Proposed Changes relating to the Position of Greece*). Cf. Botsiou (1999: 164).

³⁸ See Δερελιής (1955), Νικολόπουλος (1954).

³⁹ For a text typical of the Industrialists' stance, see Τεγόπουλος (1954); cf. the reactions of former Plastiras government cabinet members Κορτόλης (1954) and Βαρθολύτης (1954).

⁴⁰ Δαμαλός (1956: 6) regrets that "in our country, there is a serious prejudice against protecting domestic production and there is often talk of the existence of hot-houses", which he later attributes to the advice of "foreign luminaries" who offer their advice to the country (*ibid.* 146).

straint, tariffs remained in place and the level of protection afforded was sufficient to ensure domestic production for several industries.

An *political* choice
at heart

In any case, it was not academic argument that determined the course of the matter. The same political forces that made trade liberalisation a *domestically* awkward matter, made it necessary on the international front. At the height of the cold war, Greece's unwavering attachment to the Western bloc had to be affirmed, and this also meant that the country would have to be integrated into Western Europe's multi-lateral trading system. A decade later, the association with the EEC would only be another step in the same direction ...

The EEC association debate

Introduction and
summary of the
argument

Greece's part in the process of European integration was the subject of a heated national debate which took place both before and after the signing of the Athens association agreement on July 9th, 1961⁴¹. Between 1957 and 1963, a significant portion of the development discourse was devoted to the ramifications of Greece's participation in, or abstinence from, the fledgling organisation. Once again, trade liberalisation cropped up as an uncomfortable, thorny issue that ran up against economists' instincts on industrialisation. By the turn of the decade, the notion that Greece's primary bottlenecks were technology, organisation, competition and efficiency was gaining ground, thus weakening the case for full-scale protectionism. But the benefits promised by EEC enthusiasts also rested on shaky grounds and leaps of faith. At the end of the day, the matter was not settled on the theoretical plane; much like its earlier integration into the GATT and EPU, Greece's decision to join the EEC was an essentially *political*, rather than economic choice.

The standard
case in favour of
EEC association

Greece's ultimate decision to commit itself to a gradual process of trade liberalisation vis-à-vis the EEC member-states was usually justified on one or more of the following grounds⁴²: access to broader markets would stimulate demand for Greek products and enable industries to enjoy economies of scale⁴³; foreign investments would be encouraged and cheaper and more credit would become available⁴⁴; local enterprises would benefit from superior technology and know-how⁴⁵; competitive pressure would raise the standard of the country's export competitiveness and jump-start manufacturing exports. This last point was related to the broader conviction that the time was ripe for Greece to shift from its traditional policy of import-substitution (ISI), which had been breeding inefficiency, to an outward-oriented strategy of development based on manufactures⁴⁶. In the words of one of the most fervent champions of export-oriented industrialisation:

⁴¹ Cf. [section 6.2](#). Botsiou (1999: 400ff) offers a detailed account of Greece's negotiations with the EEC and EFTA.

⁴² Most of the pro-EEC arguments discussed in this section can be found in a document drafted by the head of the Greek delegation in charge of negotiations with the EEC, vice-governor at Bank of Greece, Ioannis Pasmazoglou – see Πασμαζογλου (1958; 1962). In what follows we shall suppress references to these documents and only cite *additional* authors and sources.

⁴³ See, indicatively, Κωστόπουλος (1957), Αγονητιδης (1965), Zolotas (1965: 198).

⁴⁴ This point is discussed in depth by Δαμασκηνιδης (1959). Capital inflows in the form of official development assistance and favourable IBRD loans was also mentioned by some (see Zolotas 1965: 203).

⁴⁵ See Αγονητιδης (1965: 128), Χαλκιδης (1963: 82).

⁴⁶ This is one of the most oft-cited arguments; for Zolotas's official acknowledgement of this point, see Zolotas (1965: 199). Cf. [section 7.3](#), on Papandreou's scepticism vis-à-vis Greece's export potential.

The policy of high tariff protection was appropriate and necessary during the country's first stages of industrialisation. At the present stage, however, further industrial progress hinges on the specialisation and attainment of optimal size by the most dynamic amongst the existing enterprises, as well as on the establishment of several new, internationally competitive industrial units [...] more industrial investments with an export orientation are necessary at the present stage to broaden the export base of the Greek economy. (Χαλικιός 1963: 88)

Last but not least, several authors saw the EEC accession as a dilemma between openness and isolation, the latter being tantamount to economic capitulation and long-term disaster⁴⁷. To heighten the sense of urgency in the matter, some even pointed to the danger of Turkey gaining preferential access to European markets whilst Greece remained on the outside (Κανελλόπουλος 1961e; Κωστόπουλος 1957).

Not a unanimous
view

Far from being unanimously accepted, these views were the object of hefty criticism from many economists, especially those with a known aversion toward trade liberalism⁴⁸. To the recalcitrant Left, entry into the EEC was nothing but another *bourgeois* sell-out, a further manifestation of the regime's unwillingness to defend the country's national interests against 'foreign monopoly capital' (see [next chapter](#)). In fact, to the ΕΔΑ parliamentary spokesman and respected left-wing politician Ilias Iliou,

It is obvious that the European West will soon be subjugated to the extremely developed West-German economy, the large German-American monopolies. And what Hitler's mechanised divisions failed to accomplish, will be almost attained by the myopic and foolish policy of submitting the weaker and less developed economies to the Behemoth of West-German industry. (Ηλίου 1957: 264)

Though unique in the vehemence of their critique, left-wing intellectuals were not the only ones puzzled by Greece's liberal drift.

Triantis's (1965)
*Common Market
and Economic
Development* and
other critiques

A professor at the University of Toronto, Stephen Triantis was also the author of the 1965 monograph *Common Market and Economic Development*, CPER's in-depth contribution to the EEC association debate. In what is by far the most exhaustive economic critique of the Athens agreement by an author outside the communist Left, Triantis unleashed a merciless attack on the majority of arguments employed to justify Greece's association. On the country's alleged access to larger markets, Triantis observed that any gains in European markets would probably be offset by losses at home, as foreign imports gradually penetrated local markets (cf. Κομινός 1962a); in fact, the relationship was inherently asymmetric and "d[id] not involve mutual concessions" (Triantis 1965: 73), since Greece was exporting low-elasticity agricultural commodities in exchange for manufactures. As for those hoping that Greek manufactures would benefit from the immediate abolition of tariffs offered by EEC member-states, Damalas had cynically observed that "this arrangement would be of value if our country had any manufactures to export" (Δαμαλάς 1963: 120). Even if access to larger markets were assured, Triantis went on to argue, economies of scale were unlikely to materialise, since these "tend to appear where there is a great multitude of industrial firms or an industrial agglomeration, conditions which are found in the EEC but not in Greece" (p. 75). Officials in Greece seemed to overlook some of the country's "basic and largely unalterable handicaps", including poverty in soil and subsoil resources and an unfavourable geographical location (p. 159). Turning to the alleged gains in efficiency and competitiveness, Triantis observed that greater competition might simply lead to the

⁴⁷ See Παπαδημητράκοπουλος (1957), Χαλικιόπουλος (1957: 347), Χαλικιός (1963: 80), and Zolotas (1965: 200).

⁴⁸ Thus it is hardly necessary to discuss the sentiments of authors like Demosthenes Stefanides or Basil Damalas on the matter – see for instance, Στεφανιδής (1957).

disappearance of firms (p. 76); whether these firms would be replaced by new ones in other sectors hinged on the mobility of resources, which was unlikely to be high in backward countries like Greece (cf. Λουκόπουλος 1962: 106). In any case, the same could have been achieved through unilateral tariff reductions, in which case authorities could arrange for liberalisation to “proceed *pari passu* with the development of opportunities for the productive absorption of the factors displaced” (Triantis 1965: 70). Others were also dubious of Greece’s alleged access to cheaper and more capital, as well as to the influx of foreign direct investment: actual capital flows usually defied (neo)classical predictions and moved *from backward to developed nations*, rather than the other way around⁴⁹. Similar doubts were expressed by Koutsoumaris, who was much more certain of the *outflow* of Greek labour toward the EEC than the *influx* of capital. What is more, Koutsoumaris considered the Athens agreement a major source of business uncertainty and linked it to the slowdown in private investment observed in the early sixties⁵⁰. Last but not least, little attention was paid to the oft-cited argument of international isolation or foreign competition, especially once it became apparent that countries like Turkey or Israel were facing exactly the same stark choices as Greece itself.

The standard
case against EEC
association

At the heart of the objection raised against the country’s economic integration with the EEC lay the belief that Greece was disarming itself commercially against a far superior trade partner and forfeiting its right to develop its own industry behind tariff walls. In Triantis’s own words:

The importance of the infant industry argument seems to have been inexcusably minimised. Yet this argument calls for protection precisely in cases of trade between less and more developed and industrialised economies. (Triantis 1965: 110)

Proponents of Greece’s participation in the common market were not oblivious to this criticism, but felt that the ‘honeymoon’ period foreseen by the Athens agreement struck an ideal balance between short-term protection and a gentle push toward greater efficiency in the long-run⁵¹. But commenting on Greece’s leisurely 22-year transition period, one critic would correctly observe how:

It will not take – save in a handful of cases – the complete abolition of tariffs for European products to invade [the market] and we will thus feel the painful consequences of European competition before the entire 22 year period has elapsed. (Κομινός 1962b: 188)

On an even gloomier note, Triantis felt that Greece’s mistake in joining the European integration process had been much more fundamental:

First and foremost, the Greek Government failed to take into proper consideration certain fundamental features of underdeveloped economies, as well as the peculiarities of the country which is small, poor in soil and subsoil resources and unfavourable located. Following beliefs which were quite common, though equally questionable, it proceeded on the assumption that Greece has an abundance of labour; that foreign capital will flow in to take advantage of it; and that certain changes in economic structure and public administration and policies, to be effected in the amazingly short period of two decades, will enable Greek industry to compete on world markets. (Triantis 1965: 109)

⁴⁹ Λουκόπουλος (1962: 111) and Triantis (1965: chapter 8).

⁵⁰ Koutsoumaris’s views on the EEC can be found in numerous publications, including Κουτσουμάρης (1963c; 1963a; 1966). Triantis (1965: chapter 9) also offers an analysis of the role of EEC association in stimulating emigration. As for the impact of the Athens agreement on business confidence and investment, see also Triantis (1965: 92), Λουκόπουλος (1962: 109) and Alexander (1964: 74).

⁵¹ See for instance, Μπούτος (1957); Κανελλόπουλος (1961e) and Καλόγρης (1963). Note that was also the ‘natural’ line of defence adopted by the chief Greek negotiator of the Athens agreement, Ioannis Psemazoglou – see Πεσμαζόγλου (1962); Ελληνική Εταιρεία Προγραμματισμού (1966: 50ff) – as well as the official view followed by most political parties. See also Botsiou (1999: 402-4) and references therein.

A dynamic pro-association argument: 'sting effects'

Proponents of Greece's association with the common market still found themselves in the uncomfortable position of championing a policy that ran contrary to conventional wisdom on trade and development. Static gains in terms of larger consumer surpluses and 'trade creation' were poor comfort for the loss of potential dynamic gains from industrial protection. An increasing number of scholars thus placed their hopes on a host of *dynamic* gains, which we shall refer to as 'sting effects'. The term is inspired from the author of an otherwise uninspiring article on manufacturing:

Like the sword of Damocles, the free competition, which will be implemented and prevail within the EEC, will serve as a permanent threat to those enterprises facing a disadvantage in their production costs, due to their antiquated production methods. Business circles have already become aware of this threat and the ensuing mobilisation of forces has been unprecedented by the standards of the Greek economy. Greek businessmen needed a 'string' and now they have one. (Συκιανόκης 1964: 299)

The belief that exposure to competition would galvanise Greek entrepreneurs into action and hasten the pace of national modernisation was integral to the thinking of the majority of economists who were favourably disposed toward the EEC⁵². Writing his 1962 *Governor's Report*, Zolotas would describe the challenges at hand:

The key upcoming change, that will follow from the association, consists in the transition from a regime of high-cost, protected industrial and handicraft production, exclusively oriented toward the internal market, to a state of intense competition within a rapidly growing market. Thus, success in the Community requires, above all, a radical shift in the mentality of the business world, which was forged under the state of protectionism.

Such arguments were a natural corollary of the shift in emphasis toward various facets of productive viability, including institutional settings, managerial culture, efficiency and competition. Interventions such as those by Στρατουδάκης (1963) and Κονδύλης (1963) on *Greek Organisation Problems in Anticipation of EEC Association* are characteristic of this new philosophy, which placed shortages in management and know-how at the centre of development discourse.

Consistency problems

At the same time, one cannot help but notice the contradiction between assurances of a smooth and lengthy transition, spread over several decades, and expectations of multiple "revolutions" in the way business was conducted at home (Μακκάς 1957: 44). Conscious of this inconsistency, some EEC enthusiasts would call for a speedier abolition of tariffs⁵³; this way, Greece would be exposed to the benevolent 'sting effect' of European growth much sooner, and

once caught in the vortex of our partners' economic growth, we would be carried upwards; there would no longer be any room for evasion, nor would organised interests push economic development downwards. (Σαραντόπουλος 1962: 51)

Inasmuch as this stance betrayed mounting scepticism toward the efficiency of domestic industries and the role of 'organised interests' in resisting modernisation, it was a welcome improvement over previous diatribes on industrialisation. Nevertheless, mainstream economists rarely considered the role of the state or credit institutions in breeding such inefficiency, nor did they go on to name the 'organised interests' in question. The 'sting effects' argument ultimately rested on economists' hopes and desires for the future, rather than on any solid empirical or theoretical foundation. Champions of the Athens agreement thought of association as an instrument, not

⁵² Interview with Adamantios Pepelasis, Palaio Psychiko 21.09.2005. For various variations of this theme, see Κολιτσουδάκης (1959: 11); Ποιολάκος (1958); Κατζουράκης (1964) and Σαραντόπουλος (1962).

⁵³ Incidentally, this was the official line of the Progressive Party headed by Markezinis, who argued for an immediate transition to full membership, with equal obligations – and thus also equal rights – to those of the six founding member states.

Voluntarism at large unlike the dentist's drill which can either be used for healing or torture. In a patent display of voluntarism – much like the one found amongst communist authors – a large portion of the economic community chose to believe that when stuck between a rock and hard place, Greek manufacturers would neither crumble nor exploit their privileged relationship to the state/banks, but redouble their efforts and become re-born as efficient, internationally-competitive enterprises. What is more, each author saw the 'sting' push the economy down his own preferred path, with socialist economists like Angelopoulos, for instance, seeing the threat of European competition as an ideal opportunity for the state to implement more comprehensive development planning (ΕΕΠ 1966: 38-9 – see also next chapter).

Wild speculation? Despite the critics' frequent challenges, EEC proponents never offered any genuine *justification* for their optimism, their arguments given an aura of inevitability. In fact, most estimates of Greece's future under the EEC were nothing more than wild speculations, rarely based on actual data. As far back as 1957, one observer had pointed to the absence of reliable statistics and had recommended the launch of a detailed research project aimed at making reliable projections on the matter (Χριστοφόρου 1957). Eight years later – and four years after Greece had already signed the association agreement – CPER economist Nikos Konstantinidis would lament how:

Though the Greek economy is already en route to the more competitive area of the EEC, economic policy is still designed on the basis of older data, generalisations or personal impressions. (Κωνσταντινίδης 1965: 297)

A political decision at heart Those puzzled by the low quality of the economic debate on Greece's prospects within the common market should be alert to the inherently *political* nature of the choice at hand. Economists were essentially faced with a foregone conclusion, and most were aware of it⁵⁴. Greece's association with EEC was a political move aimed at reinforcing the country's commitment to the western/liberal bloc; a move where economic expertise played little part, and where economic arguments served more to rationalise a decision taken on altogether different grounds, than to settle the issue on the country's behalf. The Karamanlis administration presented the association agreement as a further step toward safeguarding the country's western foreign-policy outlook, comparable to the country's admission into NATO back in 1952 (Botsiou 1999: 428). Even though it also signalled a shift in orientation from the US toward Europe, the association was consistent with Washington's own objectives in the area. Not only was Greece's attachment to Western Europe consistent with America's goal of gradual disentanglement, but it also seemed to discourage Greece's trade with Eastern bloc countries, which had been growing disturbingly in the late fifties (Botsiou 1999: 351 and 431). For better or for worse, the 1961 association agreement confirmed Greece's European trajectory; despite the set-backs caused by the seven years of dictatorship between 1967 and 1973, Greece would eventually become a full member of the EEC on January 1st, 1981.

⁵⁴ Thus Evelpidis would explain how entry into the EEC was disadvantageous, but ultimately conceded that "nevertheless, we believe that Greece will be forced to accede to the European Common Market" (Ευελπίδης 1957: 343). Cf. the analysis of the vice-president of the Greek Industrialists Union on the same subject (Χριστοφόρου 1957: 128-9).

III. Development programming

- Guys, he's got a plan, a marvelous plan, a glorious plan; no matter what I tell you – I was stunned.
- What's the plan;
- He didn't tell me.

Dialogue from 1960s Greek movie script; Dinos Iliopoulos

Planning rhetoric, Greek planning efforts could easily be the subject of a separate monograph. planning prac- Calls for policy coordination and planning were echoed from every corner of the devel- opment discourse, as Greece became caught up in the same 'programmatic hype' that was sweeping the majority of countries after 1945, whether East or West of the iron curtain⁵⁵. Summarising conventional wisdom on the matter in his 1965 *magnum opus*, Zolotas would explain how:

today, planning is generally acknowledged to be an indispensable factor in the progress of underdeveloped countries towards the level of economic development attained by other countries in the 19th century through private initiative alone. (Zolotas 1965: 173)

West of the iron curtain of course, plans would have to respect the workings of the market mechanism and minimise intrusions into the domain of private initiative:

[the] government undertakes the tasks of formulating the over-all economic development program, carrying out economic infrastructure projects, including the vital sector of technical and vocational training, and guiding private economic activity through its credit, fiscal and trade policy toward the realization of the objectives of the program. Private initiative, on the other hand, normally covers all other activities involved in economic development. The direct participation of government in productive activity and investment is usually rather limited, except in the previously mentioned case of economic infrastructure. (*ibid.*: 174)

Table 8.1 The principal development plans (1944-1967)

Year*	Title	Planning Agency
Early plans: Prometheus unbound		
1947	Plan for the development of Greece's productive resources	United Nations Relief and Rehabilitation Agency (UNRRA)
1947	The survival of the Greek nation: report to the Organisation for Reconstruction	Ministry of Reconstruction
1947	National reconstruction program: a plan for the reconstruction of the Greek economy's technical base	Organisation for Reconstruction
Marshall aid plans: industrialisation, stabilisation and disenchantment		
1948	Interim long-term economic recovery plan for Greece: 1948-1952	Supreme Board for Reconstruction
1949	Revised economic recovery plan for Greece: 1949-1950	Supreme Board for Reconstruction
1952	Economic development program: 1952-1956	Ministry of Coordination
1953	Economic development program: 1953-1957	Ministry of Coordination
Second generation plans: a methodological step forward?		
1959	Interim five-year national economic development program: 1959-1963	Ministry of Coordination
1960	Five-year national economic development program: 1960-1964	Ministry of Coordination
1965	Economic development plan for Greece: 1966-1970	Centre for Planning and Economic Research (CPER)

* Refers to date of official publication; actual planning research is usually carried out during the year(s) preceding these dates.

Greek governments did indeed undertake such tasks and formulated not one, but numerous development programs over the 1944-67 period (see [table 8.1](#)). Admittedly, most of these plans were of poor standard and all of them were either entirely ignored or only partially implemented. As late as 1966, participants in a public discussion on planning and development would concur on the imperative of state intervention, only

⁵⁵ Lewis (1949; 1966) are the standard references in planning for developing countries, with actual practice being discussed by Waterston (1965), Little (1982: 29ff) and Rostow (1990: 359-62). For similar trends in the industrialised world, see Shonfield (1969), Postan (1967) and McFarlane (1984).

to lament the public sector's poor record on the matter – as one discussant would scathingly put it: “so far, we haven't had a program [...] that we've had a booklet with the word 'program' written on it, probably demeans the concept of programming”⁵⁶.

The road ahead

In what follows we shall seek to navigate around these two seemingly contradictory trends and trace out the principal features of Greek development plans. Emphasis shall be placed on elements of continuity and change, particularly those that tie in with our overall thesis on the evolution of the development discourse. On the other hand, space limitations have discouraged us from focusing extensively on individual plans, or elaborating on their methodological details and economic forecasts⁵⁷.

Early plans: Prometheus unbound

Ad hoc planning
for emergency
relief and nego-
tiations

Following the country's liberation in 1944, policy-makers in Greece could hardly afford the luxury of long-term planning. Their priorities were largely determined by the population's immediate vital needs, hyperinflation and the devastation of the country's infrastructure. Urgent problems needed to be addressed, economic activity had to be rekindled and foreign funds – both grants and reparations – were expected to make up for the shortfall in domestic resources. Early planning exercises sprang out from these efforts to orchestrate economic relief and negotiate reparations. As such, they were primarily aimed at tracing Greece's pre-war economic trajectory and providing – usually inflated – estimates of war-time destructions. Description aside, the plans' *prescriptive* sections contained lofty promises of long-term development, but their concrete policy recommendations were usually exhausted in a handful of emergency projects aimed at jump-starting economic activity⁵⁸.

The call for 'new,
productive bases'

One common theme permeating early plans, was the strong conviction that the occupation had only aggravated a pre-existing malady of the economy, defined along the conventional lines of shortages in cultivable land and capital, overpopulation and chronic trade imbalances. Consequently, Greece's post-war reconstruction was not merely about rebuilding what the invaders had destroyed and returning to the *status quo ante*, but about shifting the course of the economy on an altogether new set of tracks. As one plan would explain:

For Greece, the fundamental objective of relief should not lie in the mere restoration of its pre-war Economy, but in the reconstruction of the Economy on new, more productive bases; this will enable us to mitigate the severity of the Demographic problem of overpopulation (the problem of the Greek nation) which threatened Greece in the inter-war years. (Οργανισμός Ανασυγκροτήσεως 1947: 3)

An enormous po-
tential waiting to
be unleashed

In fact, early plans went at lengths to describe these “new, more productive bases”, which encompassed infrastructure works (drainage, irrigation, fertilisers etc.) as well as the utilisation of the country's mineral and hydraulic resources. Greece's technical viability was confirmed and electrification – coupled with rudimentary industrial growth

⁵⁶ Κριμνός quoted in Ελληνική Εταιρεία Προγραμματισμού (1966: 88).

⁵⁷ This is a relatively un-mined territory in modern Greek historiography. Primary sources aside, the reader might gain from reading Kakridis and Kostis (2009), who discuss planning by 1947 in greater depth and highlight the plan for the *Survival of the Greek Nation*, as well as Στοθόκης (Στοθόκης 2004: chapter 19), who offers a detailed account of the 1948 *Long-term Recovery Plan*. For a rare, but elliptical attempt to review planning between 1944 and 1967 *in toto*, see Σοκός (1994).

⁵⁸ Writing the epilogue to the 1947 *National Reconstruction Program*, the president of the *National Organisation for Reconstruction*, conceded that much remains to be done to improve the plan, which is “can be implemented immediately with respect to repairing war damages and undertaking new, basic projects for productive utilisation” (Οργανισμός Ανασυγκροτήσεως 1947: 64).

... if only a couple billion dollars flow into the country

– were incorporated into these embryonic plans⁵⁹. Thus far, the country had been denied the opportunity to realise this potential, not least due to an acute shortage of capital. National reconstruction was thus predicated on sizeable reparations and generous foreign grants. When first commissioned to draft a relief plan in 1946, the *National Organisation for Reconstruction* (NOR) was given *carte blanche* in determining the program's overall budget⁶⁰; the final plan called for an aid package of \$2.17 billion for the first five years, to be followed by a further \$3.53 billion over the subsequent decade and a half. During the same months of 1946, the *Ministry of Reconstruction*, under the skilful guidance of Konstantinos Doxiadis, produced its own plan for the *Survival of the Greek Nation*, which contained similar estimates of aid requirements in excess of two billion dollars⁶¹. These exorbitant requests⁶² obviously served the purpose of Greek negotiators vying for ever larger slices of the reparations pie, but they did little to contribute to the programs' implementation.

Viability and early planning

On a different note, one cannot help but notice how these primitive plans were couched in the vocabulary of 'viability', 'survival' and 'poverty of land', which provided the framework for much of development theorising till the late 1940s. Interestingly enough, however, none of them denied Greece's potential for long-term development. Though occasionally circumspect in their formulations, their authors took it for granted that Greece would gradually have to embark on a course of industrialisation (Δοξιάδης, *et al.* 1947: 26-34). In part, this can be explained by the purpose of the plans themselves, which were expressing Greek views on the capital necessary to *render the country viable in the future*. What is more, we've already seen how the *actual* theoretical gap between Left and Right was often narrower than what was suggested by the polemical pamphlets of the period. Petros Kouvelis, for example, our long-time acquaintance and the Left's favourite punching-bag, served as Director-General of the NOR at the time when the 1947 program was being drafted.

Engineering plans

At the same time, most plans offered encouraging views on Greece's *present* technical viability. In this context, neither the role of foreign missions in dismissing conventional prejudices against the country's natural endowments, nor the role of engineers should be ignored. The overwhelming majority of early planners came from the engineering world. In other words, they belonged to a professional community whose advocacy of Greece's industrial potential dated back to the inter-war years (cf. [chapter 3](#)). Doxiadis himself was an architect, and the majority of the co-authors of his *Survival Plan* belonged to neighbouring fields. As for the NOR, its governing council was dominated by engineers, who also made up the majority of its research staff: no fewer

⁵⁹ See Οργανισμός Ανασυγκροτήσεως (1947: 50); Δοξιάδης *et al.* (1947: 132ff) and United Nations Relief and Rehabilitation Administration (1948).

⁶⁰ Οργανισμός Ανασυγκροτήσεως (1947: 54). The NOR was formed following rumours that the American *Import-Export bank* would make funds available to war-ravaged countries; specifically, the Greek government was led to believe that a detailed plan for productive works would have to be submitted to the bank in September 1946. An early draft of the plan was sent to the Committee for European Economic Cooperation in Paris, the precursor of the OEEC (Νικολαΐδης 1954: 258).

⁶¹ Unlike the *National Recovery Program*, which focused on the details of undertaking technical projects, the *Survival Plan* took a much broader view and offered an economic blueprint for growth, foreign aid requirements and investment until 1970. Both projects were complementary and largely relied on the same sources and people, whilst Doxiadis himself was a key player in both agencies. For an in-depth account of Doxiadis's involvement in reconstruction and planning, see Kakridis and Kostis (2009).

⁶² To put these figures into perspective, suffice it to point out that Greece's eventual receipts of American aid between 1944 and 1947 totalled just under \$1.2 billion. Incidentally, the Export-Import bank's contribution to these figures reached a meagre \$14.6 million (Τράπεζα της Ελλάδος 1978: 352).

than 117 (out of a total of 132) co-authors of the *Reconstruction Program* were civil and electrical engineers, mechanics, geologists, agronomists etc. Needless to say that the ensuing plans mirrored the professional biases of their designers: Doxiadis's *Ministry of Reconstruction* emphasised housing and the revitalisation of rural settlements. For its part, the NOR's program was deliberately subtitled "a plan for the reconstruction of the Greek economy's technical base", for:

the Organisation for Reconstruction was not commissioned to prepare an economic program, but a program of works. (Όργανισμός Ανασυγκροτήσεως 1947: ε)

Economic policy proposals were virtually absent from these early programs, which usually took it for granted that financial and political stabilisation would have to precede their implementation, but made no attempt to sketch out the measures necessary for this normalisation to occur. As one might expect, this hardly contributed to the plans' pragmatism or their chances of making a meaningful impact on the actual policy process.

Marshall aid plans: industrialisation, stabilisation and disenchantment

From the Marshall
plan to the *Four-
year plan*

The announcement of the ERP galvanised economic planning across the continent. Late in 1947, state officials in Greece were encouraged to start working on a four-year development plan to use Marshall aid for reconstruction. Thus, for the first time since 1944, the country was faced with the prospect of producing an economic blueprint whose realisation would be backed by generous funding from abroad. At first, the newly-founded *Supreme Board for Reconstruction* (SBR) sought to revive the magnanimous demands voiced by its predecessors: early estimates placed the overall cost of the four-year plan at \$2.7 billion, of which only \$767 million would be devoted to reconstruction *per se*. The American mission to Greece summarily dismissed such demands as outrageous, and made alternative proposals for a total aid package of \$1.6 billion, thus curtailing reconstruction to a mere \$270 million (Σταθάκης 2004: 266-7). In the course of 1948, the newly established *Economic Cooperation Administration/Greece* (ECA/G) struck a compromise at \$546 million for reconstruction⁶³. This was the budget behind Greece's *Interim Long-term Economic Recovery Plan*, which was submitted to the Parisian offices of the OEEC in November 1948.

Viability and in-
dustrialisation
affirmed

Disputes on total aid receipts notwithstanding, the 1948 *Four-year Plan* was a landmark document in the Greek development discourse, inasmuch as it illustrated the full transition from inter-war 'poverty of land' and 'demographic problems', to the principal tents of the emergent development consensus. Echoing the NOR's *Reconstruction Program*, the *Four-year Plan* explained how aid would be used:

not just to heal the wounds caused by the war and post-war adventures, but to bring about the country's full structural transformation; only thus can the Country be made viable and the people be assured a tolerable standard of living. (Ανώτατον Συμβούλιον Ανασυγκροτήσεως 1948: 1)

This time, there could be no misunderstanding; "full structural transformation" implied industrialisation and the plan devoted several pages to the enumeration of Greece's mineral resources, potential energy sources and "inherently skilful" inhabitants (*ibid.*:

⁶³ On the other hand, total aid was further curtailed to \$1.18 billion (Νικολαΐδης 1954: 259), thus gradually converging to the \$946 million that Greece would eventually receive from the Marshall plan (Τράπεζα της Ελλάδος 1978: 352).

4ff). In a confidential letter dated September 11th, 1948, coordination minister *Stefanos Stefanopoulos* had already informed the SBR of the main principles that would have to be incorporated into the recovery plan:

- 1) The undertaking of large-scale projects aimed at rapid industrialisation.
- 2) The use of waterfalls to produce cheap electricity and of the country's solid fuels (lignite) to develop its energy industry, both seen as basic prerequisites for industrialisation.
- 3) The development of mineral wealth sources and the establishment of industries based on their exploitation.
- 4) Restoration and modernisation of the country's fixed technical equipment, on the basis of modern technical standards and in a way serving the aforementioned objectives.

These were the principal tenets of the 1948 *Four-year plan*, which one modern scholar has describes as “perfectly balanced between four principal areas of intervention (energy, industry-mining, agriculture and transport)”⁶⁴. According to its predictions, 1952 would find Greece's primary sector at 119% of its 1938 levels; at the same time, Greece's industrial output would have more than doubled. Reiterating their commitment to industrialisation, the plan's authors emphasised that:

The desired faster increase in industrial production is perhaps the most important manifestation of the Government's attempt – under dire necessity – to shift the structure of the Greek Economy, from a chiefly agrarian one, to one where industry and agriculture are symmetric. (Ανώτατον Συμβούλιον Ανασυγκροτήσεως 1948: 135)

The 1948 plan
gets shelved

Despite its noble intentions and the hard-won support of ECA/Greece, the *Four-year Plan* was immediately shelved⁶⁵. The OEEC never formally acknowledged it, not least because its industrial projects were deemed over-ambitious and incompatible with the country's natural and administrative resources. Whereas formerly it had been foreigners who were trying to convince local officials of the country's economic potential, the bitter squabble on the distribution of Marshall aid now meant that Greek delegates in Paris faced an altogether different state of affairs. Foreign sceptics had to be convinced of country's development potential even if that sometimes meant that Greek representatives would have to be economical with the truth (Νικολαΐδης 1954: 266). Admittedly, there were several aspects of the *Plan* that were based on unrealistic assumptions, if not outright lies⁶⁶. What is more, the *Plan's* entire philosophy was hardly compatible with the institutional framework of Marshall aid, where budgeting was carried out on the basis of *annual* spending quotas *per country*, and where reconstruction projects had to be approved on an individual basis by independent OEEC committees, whose guiding principle often was production complementarity at the *European* level (Σταθάκης 2004: 287). In any case, Greek officials became gradually convinced that foreigners were reluctant to see Greece develop a manufacturing basis, which might one day antagonise traditionally industrial producers (see Νικολαΐδης 1954: 261; Αγονητιδης 1950).

Beyond the 1948
Four-year Plan

The vacuum created by the rebuff of the 1948 plan was filled by annual budget forecasts and piecemeal project implementation. Subsequent programs, such as the

⁶⁴ Σταθάκης (2004: 272). Stathakis makes extensive use of the US archives of ECA/G and offers the most thorough discussion of the plan available to date. For some contemporary views, see Μουσαμουλής (1950) and Νικολαΐδης (1954).

⁶⁵ Σταθάκης (2004: 285). For a glimpse at the objections raised by OEEC officials and delegates from other countries, see Νικολαΐδης (1954: 263ff) as well as the minutes of the OEEC meeting held on December 11th, 1948, where Greece was first questioned on the contents of its plan (as republished in Ανώτατον Συμβούλιον Ανασυγκροτήσεως 1948).

⁶⁶ Thus for instance the plan foresaw the establishment of several industrial plants whose electrification hinged on the construction of large-scale power plants *within the same four-year period*. To cap it all, most of the territories where these power-plants would be erected were still under the control of the communist forces.

1949 *Revised Economic Recovery Plan*, adhered to the same set of nominal principles, but contained hefty revisions and curtailments in funding and outlook. Even so, civil war damages, lingering economic instability and the change in Marshall plan priorities after the outbreak of the Korean war undermined their implementation. One aspect of these plans that kept its relevance to actual policy practice was economic stabilisation and monetary reform. Unlike the first programs, which shunned short-term economic management, the *Four-year plan* and its subsequent revisions contained lengthy sections on such issues as monetary stability, fiscal policy, taxation, trade, price controls, incomes policy and banking reform. Over time, and as US foreign policy priorities shifted from 'butter to guns' and from long-term development to short-run stabilisation, such considerations would climb up in the list of priorities guiding Greek policy-makers and their American advisors. By that time of course, *Recovery Plans*, whether revised or not, had been completely discredited. They served merely as the diplomatic and rhetorical façade behind which harsher political realities were hidden (Σταθόκης 2004: 289-90). The same can be said of the 1952 and 1953 development programs which – though obviously no longer related to Marshall aid – followed the exact same rationale and reiterated commitments to rapid industrialisation, without ever being concretely implemented (Τρόνεζα της Ελλάδος 1978: 404-13).

Summary of
planning efforts
until 1959

Summarising planning efforts in the first decade after Greece's liberation, we are forced to concede that these were largely left on paper. Most of the plans drafted were not really plans at all: they were lengthy manifests of available resources and war-time damages, followed by makeshift lists of – rarely realistic – aid requirements and – rarely integrated – projects. Despite the formidable efforts of early planning agencies, the programs' empirical foundations remained shaky, whilst their appreciation of inter-sectoral linkages, investment priorities and multiplier effects was intuitive, at best.

Theoretical significance and professional rivalries

Having said that, we ought to concede that these documents were not entirely devoid of theoretical significance. Early recovery programs were indicative of a rising confidence in industrial viability and state intervention to accelerate economic modernisation, thus forming an integral part of the emerging development consensus. The engineering community certainly contributed to this optimism and the projection of the modernising/technocratic ideal, albeit at the cost of greater attention to the *economic* aspects of development. The professional identity of their authors also goes some way toward explaining the relative obscurity of these plans, which were subsequently either ignored or criticised by economists for their mechanistic outlook and *naïveté*. Theoretical disputes notwithstanding, the preponderance of engineers in early reconstruction planning caused dismay amongst economists, who were also seeking to affirm their professional status in the post-war state apparatus⁶⁷.

⁶⁷ This broader professional conflict was aptly summarised by the dispute between Zolotas and Doxiadis, discussed at some length in Kakridis and Kostis (2009).

Second generation plans: a methodological step forward?

From the end of the Marshall plan to the apogee of European planning

When Marshall aid ran out, simultaneously putting an end to external planning exigencies, economic programming in Greece receded. Of course, various state agencies still came up with ambitious plans to revitalise one section of the economy or another, but there was nothing comparable to the omnibus programs of the late forties. But as the turn of the decade was approaching, Europe witnessed a rebirth of planning élan, with the decade between 1955 and 1965 marking the heyday of economic programming (Estrin and Holmes 1983: 62-8). Alongside traditional 'planners' such as France, Italy or Sweden, came similar efforts by Belgium (1959), Britain (1961) and the Netherlands (1963); contemporary events in the European periphery and the developing world were also pointing in the same direction.

Planning: a *fuite en avant* for Karamanlis?

These developments didn't leave policy-makers and economists in Greece unaffected. In 1957, the Karamanlis administration summoned UN officials to revamp the country's statistical services and established the *Economic Programming Research and Organisation Committee*, thus setting in motion a trail of events that would lead to the formulation of the *Interim Five-year National Economic Development Program* in 1959. In his radio address to the nation on April 27th, 1959, wherein he announced the main objectives of the *Interim Plan*, Karamanlis devoted much length to the prerequisites of successful planning:

The drafting – as well as the successful implementation – of a long-term program requires that certain conditions are met, without which any attempt in this direction becomes impossible. The first condition is the existence of economic and political stability. [...] Greece today has attained these basic requirements and thus can, and must, use them to the advantage of the Greek Economy and the People. (Υπουργείον Προεδρίας 1959: 8)

The message was clear: financial and political stability had been attained, and the country was now ready to turn a new page, one where emphasis would be placed on social progress and development instead. To this end, a new generation of plans would be drawn up, with the *Interim Program* serving as a precursor to a more comprehensive plan that would become available once the appropriate administrative mechanism had been put in place (ibid.: 9)⁶⁸. Only a year after the 1958 elections which had brought EDA's left-wing deputies to the chief opposition benches, the conservative administration was trying to orchestrate a *fuite en avant* (cf. Παλιδόπουλος 2009), and make a clean break with its own track record of unemployment, lingering wage inequality and social repression - or so the *Plan* went ...

Remarkable continuity ...

The reader of the 1959 *Interim Program*, as well as the two other plans that followed it, may find Karamanlis's declarations of a "new beginning" hard to swallow. In fact, the most remarkable feature of these documents was their similarity to earlier plans, at least in terms of their overall objectives and tenor. Karamanlis could easily have been addressing an audience in the 1940s, when he explained that:

For the attainment of these goals, we must develop and utilise the country's natural resources. There is great potential across all sectors. Through this program, we shall strive for balanced economic development, and thus emphasis will be placed on the parallel development of all productive sectors. [...] Rapid industrialisation constitutes a principal objective, for it is only thus that we'll be able to address the country's demographic problem and absorb that portion of the labour force that is currently idling in surplus. (Υπουργείον Προεδρίας 1959: 10)

⁶⁸ The program was finalised in 1960 and covered the 1960-4 period; it was largely an extended version of its 1959 sibling.

Once more, manufacturing and energy were placed at the heart of the program, but not in a way that would jeopardise agricultural growth; the reader was bombarded with lists of industrial projects from sugar-beet processing to the production of steel and aluminium; most of these projects had already been on similar lists in the 1940s (if not the 1930s as well). Admittedly, Greece was hardly unique in its emphasis on 'basic' industries, and most of the major industrial investments undertaken in Greece over the next decades *had* been included in these lists. But this had nothing to do with the implementation of five-year development programs, which still remained little more than elaborate publicity stunts⁶⁹. On the other hand, the post-1957 programs *did* contain several novelties that justify our reference to a second generation of planning. These novelties were primarily methodological in nature, but they also concerned aspects of the plans' policy focus; in both respects, they mirror the trends documented in chapter 7, thus lending further support to our main thesis.

Greater social
sensitivity: edu-
cation, research,
income distribu-
tion etc.

In line with the gradual rise in social sensibilities and attention to *intangible* aspects of the country's resources (human capital, organisation etc.), the post-1957 programs contained burgeoning segments on education, public sector reform and regional development policy. Education was mentioned in the 1959 *Interim Program*, but only got a ten-page reference in the final draft (Υπουργείον Συντονισμού 1960: 168-77). By the time the CPER compiled its own five-year plan in 1965, educational reform was granted an entire chapter, along with measures to promote scientific research in general (ΚΕΠΕ 1965: 447ff). Added emphasis was placed on professional and vocational training, with some plans containing explicit references to an unreasonable preoccupation with classical studies (Υπουργείον Προεδρίας 1959: 57)! In similar vein, other chapters of the 1965 plan contained sections on income distribution, competition and administrative reform.

Greater social
sensitivity: re-
gional inequality
and planning

Regional dimensions first appeared in the 1960-64 *Development Program*⁷⁰ and quickly became an integral part of the contemporary planning discourse. Greece's regional inequalities were not new, but rapid growth in the traditional hubs of economic activity (the regions near Athens) was accentuating regional inequalities at a time when the government was trying to project a more compassionate image. Neighbouring Italy, which faced a similar problem, had already drafted the *Vanoni Plan* in 1954, which prioritised the flow of investment to the *Mezzogiorno*. After 1957, the Greek government invited the architect of the *Vanoni* plan and long-time scholar of *Meridionalismo*, Pasquale Saraceno, to help in the drafting of its new development program⁷¹. The Italian professor and his colleagues influenced domestic policy-makers, even if their proposed program was eventually replaced by the much more comprehensive *Five-year Plan* of 1960-4. In later years, the CPER would invite Louis Lefebvre to offer a

⁶⁹ The 1959 *Interim Program* for instance was not published by its author (the Ministry of Coordination), but by the press department of the Prime Minister's office. The fact that its first page was covered by a large-size portrait of Karamanlis himself is equally telling...

⁷⁰ Strictly speaking, state agencies had at times come up with various documents of a regional flavour, bearing magnanimous titles such as *Program for the Economic Development of Epirus*, or *Program on the Economic Development of Western Peloponnese*, but these were low-profile texts of little substance or consequence – see also Αθανηρίδης and Λυμπερίδης (1957).

⁷¹ Psalidopoulos (2000: 236). Saraceno had served as a consultant to *Ezio Vanoni* and was heavily involved in the policy of the *Institute for Industrial Reconstruction* (IRI) – see Porta (2000: 158-9). Ironically, Greece's similarities to Italy partly extended to the *fate* of development plans: the *Vanoni* plan was "a sketch for a long-term policy, rather than an exercise in comprehensive national planning" (Shonfield 1969: 196); both the *Vanoni* and the later *Pieraccini* plans (1965) were never implemented.

seminar on *Location and Regional Planning* (1966), whilst Benjamin Ward had already written his monographs on the *Problems of Greek Regional Development* in 1963. CPER's five-year plan (1966-1970) would ultimately contain a lengthy section on regional planning, backed by two separate in-depth reports on the same subject⁷².

Zolotas and 'un-
balanced' regional
development

Though a detailed discussion of regional economics in Greece falls outside the scope of this text, it's worth mentioning one of the most *unorthodox* ideas put forward by the father of economic orthodoxy in Greece, Zolotas himself. Addressing the GSES on January 27th, 1961, Zolotas presented the results of some preliminary work carried out by the Bank's DER, aimed at drafting regional development programs⁷³. The starting point of his argument is the paucity in "factors of economic development", which rendered comprehensive regional planning impractical and thus made it necessary:

to concentrate initial efforts on a few smaller, homogeneous geographical areas, so as to have sufficient financial, managerial and technical resources available, to deal with that region's problems in a satisfactory fashion. (Ζολώτας 1961: 44)

In fact, Zolotas had no more than five to ten regions in mind, each with a population of roughly 100-150 thousand people, and advised spending half a billion drachmas on each. In other words, Zolotas was proposing a type of regional 'unbalanced growth' (*à la* Hirschman), justified by shortages in administrative and financial resources. His argument was unorthodox, inasmuch as it ran against a tradition amongst Greek theorists to champion *balanced* and *symmetrical* advancement on all fronts⁷⁴ (regional, sectoral etc.); a tradition aimed at minimising reactions as much as generating linkages and multiplier effects. Zolotas's program would certainly have raised prickly questions about the choice of regional priorities, and it was heavily criticised by contemporary scholars⁷⁵. In any case, his recommendations shared the fate of most similar endeavours in Greece and were never put to the test. In the 1960s, the Centre Union sought to maintain a policy focus on regional convergence, but little came out of Papandreou's proclamations on peripheral industrial zoning (Παναδρέου 1965b: 124).

Methodological
modernisation

Shifts in policy focus aside, the main difference between reconstruction programs and similar efforts in the 1960s was methodological. As the new generation of foreign-trained economists gradually returned to the Greece and joined the staff of the DER and the CPER, novel techniques were introduced and contacts with foreign scholars were cultivated. We've already mentioned the gradual emergence of formal growth modelling and mathematical methods in the 1960s (see [table 7.2](#)). It goes without saying that these trends were linked to the repatriation of younger economists (Papandreou, Lazaris *et al.*) and the systematic cooperation with foreign scholars. Spearheading the campaign for scientific modernisation, CPER used its generous funding to invite foreign economists like Kenneth Arrow, Roy Radner and Peter Steiner and to deliver lectures and conduct seminars on planning and econometric modelling (Radner 1963; Arrow 1965; Weisser 1965; Steiner 1968). After 1964, when economic pro-

⁷² The first one was titled *Regional Agricultural Development* and was eventually published in 1967, whereas Andreas Kintis's *Regional Industrial Development* was released in 1966.

⁷³ To this end, the DES had also sought the advice of FAO experts (Ζολώτας 1961: 27).

⁷⁴ Zolotas himself explained how "each of the chosen regions will be the subject of a concerted development effort, *balanced* between all sectors – farming, animal husbandry, manufacture and distribution" (Ζολώτας 1961: 5 – emphasis added).

⁷⁵ The main critic was Athanasios Kanellopoulos, a university professor with centrist leanings and a long-term interest in economic development and regional issues (see Κανελλόπουλος 1961f; 1962).

programming was formally incorporated into CPER's mission statement, the centre was the first Greek agency to use econometric techniques and formal modelling in the construction of the 1966-70 development plan⁷⁶. Programming had come a long way from being the prerogative of engineers and civil servants alone to employing a host of statistically proficient economists and academics from around the globe⁷⁷.

Gourmet chefs in
empty kitchens

Unfortunately, the speed with which Greek planning caught up with modern techniques was not matched by the rate at which economic data on the economy became available. Several authors lamented the scarcity of reliable statistical data (see Κανελλόπουλος 1959b; 1961g), which undermined the efficiency of economic policy-making and misled the private sector as well (Κατζουράκης 1960). Most of the time, young economists seeking to upgrade the standard of economic programming in the country, resembled gourmet chefs stuck in a kitchen with no ingredients. Ministries were notoriously bad at making information available, whilst the national statistical service required additional (and informal) 'compensation' to release what little data it had at its disposal (Ελληνική Εταιρεία Προγραμματισμού 1966: 24).

The functionality
of empty cup-
boards

We've already discussed how many economists made but limited use of primary data in their work, even on such key issues as surplus labour, the implications of EEC association etc. Data shortages, however, cannot be put down to sheer neglect, or civil service incompetence – more so since they were found to persist over several decades. The paucity of statistical data also appeared to serve a functional role within the state apparatus, inasmuch as it limited transparency and conveniently increased policy-makers and politicians 'degrees of freedom' in estimation, interpretation and future 'planning'. It might be best perhaps, to close with a telling anecdote, as conveyed by one of the economists interviewed, then employed at the Ministry of Coordination⁷⁸. When a group of younger economists approached the director of the statistics division with a plan to establish the country's first regional national accounts, they were greeted with the following words:

the national accounts are like soldiers. You tell them to turn right, they turn right. You tell them to turn left, they turn left. Now what are *you* up to?

Epilogue

For all their mathematical sophistication and embedded economic wisdom, post-1957 plans shared the fate of their more primitive predecessors and were left on paper (see Ζολώτας 1966: 5). The discourse on programming in Greece, operated on several levels and served different ends for different people. First of all, there was planning as a rhetorical device, aimed at reiterating the administration's commitment to a chosen path (e.g. industrialisation) or announcing a shift in emphasis (e.g. regional convergence). Along came planning as a diplomatic necessity, a prerequisite for participation in aid schemes and an instrument for negotiating for larger shares of reparations and grants. Then, there was planning as a means of professional ascent

⁷⁶ See for instance Daniel Suits's attempts to produce an *Econometric model of the Greek economy* in 1964, or Jeffrey Nugent's linear program of the Greek economy (Nugent 1966).

⁷⁷ No fewer than 20 different foreign advisors were involved in the preparation of the 1966-70 plan (see [Appendix C](#)).

⁷⁸ Interview with Dionysis Tsoukalas, Thessaloniki 12.05.2007.

and a demonstration of theoretical prowess – let's not forget that plans were large-scale projects employing dozens, if not hundreds, of specialists. Last but not least, participants in the development discourse often invoked planning as a safeguard against ad hoc policy interventions, nepotism and statism. This explains why the term was employed so loosely by the majority of authors, who made few attempts to integrate it into a more sophisticated theoretical framework; to many people, the call for planning was merely a call for efficient and consistent public policy⁷⁹. Unfortunately, the only goal economic programming *did not* serve, was its nominal purpose, i.e. the actual guidance economic policy. As Zolotas would critically observe in the late sixties:

Through endless programology, attention was shifted to the program's methodology and revision. No inquiry was made into the causes of past failures, nor was any attention paid to implementing the program, which ended up becoming an end in itself. (Ζολώτας 1966: 6)

Thus, policy prerogatives still remained in the hands of 'silent planners' (Θωμαδάκης 1994: 40) like the Monetary Committee, who pulled the threads of the financial system, but were unwilling to do any genuine needlework...

⁷⁹ No wonder then that Σακκάς (1994) has difficulties finding traces of more sophisticated planning arguments in the Greek programs!

Chapter 9. The Left after 1947

Introduction and chapter outline

The last three chapters have been almost totally consumed by the historical evolution and theoretical nuances of the Greek development consensus. Yet back in the mid-forties, our story had begun with a seemingly paradoxical spell of economic fatalism and its vehement refutation by the Left, whose confidence in Greece's domestic industrial potential was only surpassed by its enthusiasm for radical political reform. The work of Dimitris Batsis and his intellectual entourage was discussed at length in [Chapter 5](#), along with the more moderate voices of socialist authors such as *Angelos Angelopoulos* and Achilleas Grigoroyannis. The time has come to return to the late forties and pick up the trail of that story. The next section focuses on *Antéos*'s second period, spanning the years from 1948 to 1951, when Batsis was arrested and the journal's circulation was abruptly discontinued. The remaining chapter then turns to the evolution of the Left development vision over the course of the 1950s and 1960s. Alongside the views expressed by members of the 'recalcitrant' Left, who largely adhered to the development paradigm formulated in previous decades, we also follow up on the intellectual activity of Angelopoulos, Grigoroyannis and other socialist authors, and their quest for a 'third way' between liberal capitalism and illiberal communism.

I. Civil war and defeat: the second period of *Antéos* (1948-1951)

Σήμερα το στρατόπεδο σιωπάει.
Σήμερα ο ήλιος τρέμει αγκιστρωμένος στη σιωπή
όπως τρέμει το σκάκι του σκοτωμένου στο σαρματόπλεγμα.
Σήμερα ο κόσμος είναι λυπημένος.
Ξεκρέμασαν μια μεγάλη καμπάνα και την ακούμησαν στη γη.
Μες στο χαλκό της καρδιοχτυπά η ειρήνη.
Γιάννης Ρίτσος, *Ο άνθρωπος με το γαρίφαλο*, 30.03.1951

Civil war: the

post-1947 escalation

Unlike most European countries, Greece celebrates the outbreak, rather than the end of the Second World War as a national holiday. Part of the explanation for this bizarre choice has to do with the fact that Greece's war didn't quite end with the withdrawal of the last occupying troops: organised resistance gradually gave its place to skirmishes between military bands loyal to the communist Left and those controlled by traditional political forces and aided by the British. Though spread unevenly across time and space, the civil conflict dominated the political scene from first days of liberation. Nevertheless, 1947 remains a key turning point. For it was during that year that the Communist Party (KKE) decided to abandon guerrilla warfare and build a regular army¹, aimed at seizing control of Northern Greece and establishing a rival, 'democratic' government. In fact, on Christmas eve 1947, the Democratic Army's radio station announced the formation of such a government, thus heralding the final and most brutal stage of the civil war. The Athens government was immediately mobilised in the backlash, increasing the persecution of communists which had already become com-

¹ Early formulations of this strategy appear in the spring of 1947, but the official decisions were made by the 3rd Plenum of the KKE Central Committee on September 12th of that year.

monplace over the last couple of years, especially in the country's northern outskirts. Three days later, Emergency Law 509, 'on state security measures', outlawed the Greek Communist Party (KKE) and marked the beginning of three decades of underground activity and exile². Left intellectuals could hardly remain unaffected by these developments and the handful of *Antéos* issues published after 1947 bear the scars of persecution and defeat.

Antéos's second period

The journal announced the beginning of its second period in January 1948; its ambitious early subtitle was replaced by a less conspicuous reference to "science, technology and economy", as *Antéos* suddenly "expanded its interest to all fields of scientific theory and practice" and "aspired to become a general scientific journal" (Avraïos 1948: 1). The proclaimed expansion was followed by several shrinkages: in paper size, in volume, in the number of authors and original contributions. [Table 9.1](#) draws on our database and documents the journal's decline. In the four years until 1951 only 13 issues were published – half of had been attained in the three previous years. Deprived of several contributors and unable to find new sources of material, Batsis would resort to foreign translations to fill the journal's pages. Articles were increasingly displaced by inlaid reports of financial data, book reviews and announcements, further diluting the journal's original style and content.

Table 9.1. The decline of *Antéos* after 1947

	1945-47	1948-51
Total number of issues	26	13
Total number of pages	824	848
of which, articles (%)	75.0%	44.9%
of which, foreign translations (%)	3.3%	13.3%
Pages per issue	31.7	65.3
Pages per year	274.7	212.0
Contributors	76	48
of which, foreigners (in translation)	5	15

Source: Author calculations based on journal database (see [appendix A](#) for details).

The defeat of the communist-led Democratic Army in 1949 found *Antéos* wounded, but still in circulation. In fact, by spring 1951, the release of five new issues was almost reminiscent of the early days of the journal's life in the mid-forties. For a moment, it looked as though *Antéos* would survive in post-civil war Greece. Unfortunately, Batsis's arrest under charges of espionage³ and subsequent court-martial put an abrupt end to the life of both the journal and its editor.

Continuity and change: development in *Antéos*'s second period

Changes in

Antéos's contents after 1947

The change in circumstances after 1947 also precipitated a series of realignments in *Antéos*'s thematic priorities and focus. Economic articles subsided, covering less than half of the journal's material, as less conspicuous subjects such as education, the arts and natural sciences (particularly physics and biology) grew in

² For a brief and up-to-date introduction to the literature on the Greek civil war, the interested reader can turn to Close (1995), as well as Iatrides and Wrigley (1995).

³ Based on an emergency law dating back to the Metaxas dictatorship (Law 375/1936), this was one of the harshest legal instruments used in the persecution against Greek communists.

prominence (see [table 9.2](#)). The number of original contributions declined markedly, and economic articles were mostly written by Batsis and Maximos. The focus on current affairs became more pronounced, with almost 90% of economic material discussing current policy; on the other hand, the journal's *own* proposals became scarcer, mirroring its authors' disenchantment, as well as the fear of censorship and persecution.

Table 9.2. *Anteos* article contents: 1945-47 vs. 1948-51

	1945-47	1948-51
Total article pages	727	394
of which, economic	468	189
of which, appraising current policy	262	170
of which, containing explicit policy proposals	242	66
of which, addressing matters of stabilisation/reconstruction	261	111
of which, addressing matters of development	281	133
of which, containing explicit policy proposals	192	50
Economic articles (% of total)	64,4%	48,0%
of which, appraising current policy	56,0%	89,9%
of which, containing explicit policy proposals	51,7%	34,9%
of which, addressing matters of stabilisation/reconstruction	55,8%	58,7%
of which, addressing matters of development	60,0%	70,4%
of which, containing explicit policy proposals	44,8%	37,6%
Subjects addressed in development articles (ranked by 1948-51 shares)		
1 Financial viability	18,1%	66,9%
2 Industry - Energy	35,2%	66,2%
3 Dependency	16,0%	54,9%
4 Balance of payments	2,5%	43,6%
5 Productive viability	48,8%	43,6%
6 Fiscal policy	5,0%	41,4%
7 Employment - unemployment	9,3%	39,8%
8 Money and inflation	2,8%	32,3%
9 Agriculture	45,2%	28,6%
10 Comparative economic systems	18,5%	27,8%
11 Investment priorities	11,7%	22,6%
12 State vs. private initiative	22,8%	21,1%
13 Commerce - transport	5,7%	19,5%
14 Public administration	3,2%	6,0%
15 Credit policy	2,5%	3,0%

Notes: Subject classification was designed by the author and is tailored to the peculiarities of *Anteos* – see [Appendix A](#).

The Left's development vision after 1947

The key aspects of the Left's development vision remained invariant after 1947. Inaugurating the second wave of economic articles in February 1948, Batsis would aptly reiterate his principal thesis:

The development of our national economy, its progress and viability, depend on certain fundamental socio-political conditions and certain basic technical/organisational factors. Top place goes to economic and political independence, which provides the framework wherein the basic economic and social measures shall be taken [...]

The technical/economic direction for economic development lies in the complete, programmed utilisation and development of our country's wealth-producing resources, not only in agriculture, but also in industry and transport. **Industrialisation**, in the broad sense of the term, is the first, the immediate and basic objective of the upward economic course plotted by the social and economic measures we mentioned.

It is through this progressive path of economic and social development that we arrive, with certainty, to the circumstances [necessary] for making the transition to a superior system of social, economic, and technical organisation. (Μνότσος, Δημήτρης 1948: 67 – emphasis in original)

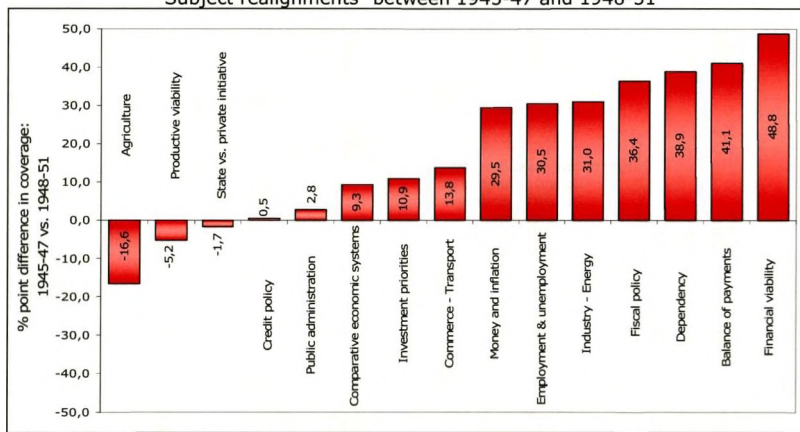
Foreign dependency, state planning, nationalisations and the establishment of heavy industry were still key to the communist Left's agenda for transition to a 'superior system' and would remain so for many years to come.

Changes in focus after 1947: from production to

Nevertheless, communist authors could not help noticing some gradual changes in the economic outlook and mainstream discourse. As we've discussed at length, the late 1940s witnessed the disappearance of early concerns for economic viability and

consumption and the emergence of a consensus on the necessity and feasibility of state-guided modernisation, i.e. industrialisation. The Marshall plan was pumping funds into reconstruction and mainstream economists and engineers were busy drafting their own blueprints for the country's electrification and industrial development – albeit with foreign funding and supervision. At the same time, left-wing engineers and agronomists ceased to supply *Antéos* with lengthy monographs on the country's physical endowments and industrial potential. Over the next four years, emphasis would shift from technical to financial viability and dependency, and from production to consumption, living standards and wages.

Diagram 9.1. Economic articles (on development) published by *Antéos*: Subject realignments* between 1945-47 and 1948-51



* Subject classification is tailored to the peculiarities of the journal. The numbers indicate the difference in percentage points in subject coverage between the two periods. Thus for example, matters of financial viability were discussed in 66.9% of 1948-51 articles as opposed to 18.1% in 1944-1947, leading to a difference of +48.8. Negative numbers indicate a decline in subject prevalence after 1947, with positive numbers denoting the opposite.

Source: Author calculations based on journal database (see appendix A for details).

Subject realignments in the *Antéos* articles

Diagram 9.1 focuses on subject realignments in the *Antéos* development articles after 1947 and confirms the aforementioned trends. The decline in articles discussing agriculture and productive viability reflects the fading controversy on Greece's natural endowments and 'poverty of land'. As purely technical analyses subsided, the weight of economic argument shifted to the role of demand – particularly consumption – and to factors conditioning worker's incomes and living standards (prices, taxes, wages, employment etc). What is more, when the *bourgeois* development consensus embraced foreign loan- and aid-financed industrialisation, left-wing authors started devoting more articles to aspects of foreign dependency, financial viability and the balance of payments. Let us take a closer look at each one of these key trends.

Realignment I:
Labour impoverishment and crisis

The second period of *Antéos* witnessed an upsurge in discussions of inflation, wages and prices. In the very first issue of 1948, P. Rigopoulos proposed the construction of a new price index to assess worker living standards; in 1951 both P. Spartas and Maximos wrote numerous articles on inflation, wages and the paucity of the internal market. Labour impoverishment became a key theme, as real wages declined and

unemployment soared. The upshot of these arguments invariably lay in the link between impoverishment, underconsumption and development: aggregate production is divided between wages and profits; but since profits are not re-invested (not least due to the market's small size), but are hoarded or channelled to non-productive uses, only a rise in wages can enlarge the domestic market and ensure monetary stability and growth⁴. A strong undercurrent of crisis and imminent collapse ran through most of these contributions. Writing in 1949, Batsis would conclude that

We are faced with the stagnation and mounting decay of the economy, as popular incomes are in steady decline and are incapable of reproducing themselves. (Μνότοης 1949a: 275)

This attitude, which was characteristic of the second period of *Antéas*, was certainly fuelled by the painful stabilisation programs that were taking their toll on real incomes in the late 1940s and early 1950s. But neither poverty, nor inflation were unique to the post-1947 period. So how can we account for the sudden emphasis on worker immiseration and systemic crisis? As it turns out, this phenomenon is best understood as a reaction to a complex set of both internal and external stimuli.

The internal

stimulus: a
change in domestic
revolutionary
strategy

On the domestic front, such theoretical trends reflected a change in communist strategy. Convening in January 1949 – just a few months before the party's crushing military defeat – the 5th Central Committee Plenum of the KKE suddenly announced that the bourgeois-democratic revolution had been completed, and Greece was now entering a revolutionary crisis, which heralded the coming of a *socialist revolution* and a *proletariat dictatorship*. By altering his prognosis of Greece's future revolution, the Secretary-General Nikos Zachariadis was tampering with a bedrock of KKE policy since 1934 (see [chapter 4, section II](#)), namely the nature of the transition to socialism and the 'united front' strategy. Despite its crucial implications for political tactics⁵, this *volta face* had a limited impact on economic thought: Zachariadis's decision was justified in political rather than economic terms, whilst his underlying appraisal of Greece's economic structure remained invariant⁶. Adhering to the principles established in the 1949 Plenum, the Party's Draft Program of 1953 would classify the upcoming revolution as "peoples-democratic/socialist" and speak of the establishment of "ownership by all the peoples". At the same time, however, the program would reiterate the 1934 diagnosis of Greece's underdevelopment:

Greece is a country whose capitalist development has been delayed, and whose productive forces have only been scantily developed. Its industry is light and weak. Parasitic merchant capital still holds key positions within the economy. The country's economy lies in a state of colonial dependency from foreign, currently mostly American capital. [...] Considerable remnants of a semi-feudal past are still present in our agricultural economy. (KKE 1954: 22)

This diagnosis was followed by a battery of promises for rapid industrialisation and radical improvements in agriculture, trade and wage-good manufacture. This highly voluntarist list of promises – pledging to transform Greece into a "vast orchard and

⁴ Χλωρός [=Μόξιμος] (1951) extended the argument to incorporate the adverse evolution of another two ratios: besides the real wage drop, the domestic market was undermined by the decline in the relative prices of agricultural vs. manufacturing goods (which eroded farmers' incomes) and the decline in Greece's terms of trade.

⁵ References to a 'revolutionary crisis' and the 'dictatorship of the proletariat', coupled with bitter polemics against reformists further alienated the more moderate factions of the Greek Left. Νούτοος (1993: 164-6) places the shift in strategy in the context of the power-struggle between the KKE, the ΣΚ-ΕΑΔ and other erstwhile members of the EAM coalition.

⁶ The primacy of politics over economics in the class struggle was often invoked by Stalin and his comrades when dealing with uncomfortable economic data. Similarly, Zachariadis's argument hinged on the political implications of changes in the balance of power both domestically and internationally (notably, the creation of people's republics in the Balkans, Eastern Europe and China), rather than any profound analysis of the material basis of Greece's upcoming revolution – see the 1953 draft Party Program (KKE 1954: 29-30).

garden, filled with fruit and flowers, a sun-bathed country with its cheerful people and their happy children” (p. 33) – was almost identical to the one contained in the 1945 Draft Program and the first period of *Antéos*. Nevertheless, the new strategy did entail one important change for economic analysis. As one author would later explain, “since a revolutionary crisis without the bedrock of an economic crisis is generally unreasonable”, Zachariadis was eager to find signs of Greece’s deepening economic disarticulation and absolute labour impoverishment (Μαυρομύτης 1956a: 71). The later work of Batsis and his colleagues at the *Antéos* – though inevitably reticent in its formulations vis-à-vis the upcoming revolution – can thus be interpreted as consistent with an attempt to interpret Greece’s economic woes in terms of a deepening, pre-revolutionary crisis.

The external stimulus: the capitalist system in “second period of the general crisis”

This approach was fully in line with the Stalinist interpretation of the cold war. The thesis of capitalism’s ‘relative stabilisation’ but impending collapse had already been articulated during the inter-war years and served as the official position of the Comintern after 1924 (Hardach, *et al.* 1978: 51-4; Howard and King 1992: 11-7). Following the Great Slump, Stalin had spoken of a depression of a special kind’ that was engulfing capitalist economies and was fuelling imperialist aggression (Day 1981: 261ff). The onset of the cold war revived such inter-war subjects as the chronic ‘problem of markets’ and the ‘general crisis’ (Day 1995: 48). The American economy was increasingly portrayed as entering a new protracted downswing, which had been in temporary respite during the war. From the autumn of 1947 onward, Soviet journals described the US as a country of “massive chronic unemployment” and “absolute impoverishment”, where monopolies earned high profits and pushed for rearmament to solve their market problems⁷. The advent of the Marshall plan was interpreted in the same light: not only was America trying to establish its influence in Europe, but it was also seeking to export its crisis abroad, by flooding European markets with US products. By doing so, Americans would also squash prospects of genuine industrialisation in backward countries, which would remain for ever dependent on the economies of industrialised countries⁸.

The “general crisis” of capitalism in *Antéos*

Though underconsumption and crisis were subjects familiar to the early readers of *Antéos*⁹, the onset of the cold war and the advent of the Marshall plan rekindled interest in the inherent contradictions of capitalism¹⁰. The civil war and Greece’s participation in the ERP were viewed as symptoms of a crisis facing capitalism *in toto*. As always, Batsis offered the most succinct formulation of the key thesis:

The American economy is already in a new cyclical economic overproduction crisis, which grows at the basis of the **general** crisis of the capitalist economic system [...]

Together, the Marshall plan, point 4 and war armaments constitute – along with some other domestic means – general policy measures to avert the crisis. All three are inextricably linked together. Their goals: to open up new markets for goods and capital, and exploit old markets more intensively, thus channelling the wave of overproduction. (Μνδρονς 1951: 13-4 – emphasis in original)

⁷ See Day (1995: 56). Developments in Korea did little to reverse this image; in Day’s own words, “from the outbreak of the Korean war in 1950 until the armistice in 1953, Soviet commentators produced endless propaganda concerning working-class impoverishment and swollen corporate profits” (p. 70).

⁸ This is how the Soviet foreign minister Molotov would explain Eastern Europe’s refusal to participate in the plan (Day 1995: 48-50).

⁹ A translated article on the matter, written by the erstwhile dominant figure of the *Comintern*, Eugen Varga, was published in 1946 (Βόρυκο 1946). Batsis’s *Heavy Industry* also contained lengthy references to underconsumption (Μνδρονς 1977 [1947]: 389ff).

¹⁰ See the rising share of articles discussing ‘comparative economic systems’ in [diagram 9.1](#).

This type of analysis would remain one of the hallmarks of the journal's post-1947 course. Note that – though perfectly aligned with the Soviet line on the matter – *Antéos* relied mostly on Western sources, especially the *Nouvelle Critique* journal, which was published by the French Communist Party (PCF)¹¹. Bear in mind that this did not merely reflect its editor's linguistic skills, but also the mounting difficulties of maintaining formal channels of communication with the exiled party leadership¹².

Realignment II:

Dependency and
financial viability

To Batsis and his entourage, both the Marshall plan and rearmament were nothing more than attempts to solve America's own underconsumption problems and perpetuate its entanglement in peripheral countries. This brings us to the second and most radical subject realignment in the post-1947 *Antéos*: the rise of references to foreign dependency and its various propagation mechanisms, including trade and capital flows. The Marshall plan, Greece's integration into the OEEC's trade framework, and foreign companies' involvement in the design and implementation of major reconstruction projects, offered ample ammunition to Batsis and his colleagues, who interpreted these developments as renewed manifestations of imperialist exploitation. Major infrastructure investments, particularly in the field of energy came under close scrutiny of (e.g. EBASCO); the government's attempts to have a private concern mine and process lignite in the area of Ptolemaida became synonymous to the infamous Cooper contract of the inter-war period (Avraioç 1951). Such contracts were not only harmful and counterproductive – they were also downright unnecessary. Greece's domestic resources would have sufficed, as long as military expenditures were curtailed and radical reforms succeeded in capturing the country's ample *potential* surplus, currently squandered by foreign capitalists and their domestic compradors. Financial viability (along with dependency and industry – energy) thus cropped up in two thirds of economic articles published after 1947 (see [table 9.2](#)). The details of the arguments employed by Left authors were identical to those found in Batsis's *Heavy Industry*. In theoretical terms, time seemed to have stopped.

Forward link

Batsis was executed in the early hours of March 30th, 1952, along with Ilias Argyriadis, Nikos Kaloumenos and Nikos Belogiannis, for whom the poet Yannis Ritsos – himself exiled on the island/prison-camp of Ai-Stratis – would write the poem partially reproduced at the top of this section. The civil war had ended, but its wounds would take decades to heal, and this would have an enormous, if unspoken, impact on the country's social, political and intellectual life. In terms of economic theorising, the domestic scene was deprived of a key figure, as well as main platform for communist economic thought: the *Antéos*. It would be another ten years before the communist Left would launch a new journal in *Antéos*'s footsteps. In the meantime, our narrative will have to broaden its scope beyond the Greek borders and embrace the communist intelligentsia in exile.

¹¹ This is confirmed by the references found in Batsis's articles, as well as the choice of translations and the sources quoted in economic surveys and in-laid reports.

¹² Though in contact with the KKE leadership Batsis is unlikely to have had time to engage in theoretical musings with his comrades. Similarly, there is no evidence that any of the *Antéos* authors ever received copies of the *New World* journal published in Bucharest by the exiled KKE leadership, even though it featured numerous translations of Soviet articles on the same subjects (see [below](#)).

II. The communist Left in the 1950s and 1960s: unyielding

Tu ne cede malis, sed contra audentior ito

Virgil, *The Aeneid*, Book VI, line 95

[Yield not to evils, but attack all the more boldly]

Political developments after the civil war defeat

On August 28th 1949, communist forces were ordered to withdraw from Greece into neighbouring Albania. Over the next weeks, a substantial number of troops and civilians crossed Greece's northern borders, with some estimates placing the total number of refugees between 60 and 70 thousand (Τσουνάκος 2000: 165). Most of these were swiftly resettled in the USSR (particularly the Uzbek capital Tashkent), Czechoslovakia, Romania and Poland, where they were granted political asylum. Those trapped in Greece were either captured or killed in skirmishes with the national army. Two years later, the number of political prisoners lay close to 14,000 (Νικολακόπουλος 2000: 180); this number may have dropped below 1,000 by late 1952, but the new constitution voted in that year contained a series of heavy-handed articles that affirmed the victors' intention to circumscribe civil liberties in post-civil-war Greece. At the same time, most of the repressive emergency decrees were maintained, thus adding to the arsenal of weapons for communist persecution (Αλιβιζάτος 1994: 526ff; Meynaud 2002: 207ff). This was usually justified in terms of the 'perpetual civil-war theory', according to which the war had not ended in 1949, but was still in progress.

The 1949-1956 interregnum

Banned and exiled from Greece, the KKE continued to operate behind the iron curtain, whilst simultaneously seeking ways to return to the domestic political scene. At first, the party adopted a recalcitrant line, blaming the military debacle on Tito's 'treachery' and Greek 'monarcho-fascism', whilst simultaneously calling for a return to guerrilla warfare and clandestine activities¹³. On the ideological front, the KKE adhered to the conclusions of the 1949 Plenum, namely that Greece had transcended the bourgeois-democratic stage and was moving towards a socialist revolution. Thus, the party also signalled its disdain for "centrist and pseudo-socialist reformist farmer-mongering and conciliatory agents" (KKE 1952: 223ff) and ruled out broader political alliances.

De-Stalinisation, de-Zachariadisisation and the return to an intermediate stage strategy

Zachariadis's supremacy and repressive methods of party administration were not left unchallenged, more so after Stalin's death in 1953. A few months after Khrushchev's famous speech at the 20th CPSU conference, the KKE met in Bucharest for its 6th 'broad' Plenum, removed Zachariadis from his post and sought to shed the party's own personality cult. In terms of overall strategy, the 1956 Plenum condemned Zachariadis's earlier interpretation of the nature of Greece's revolution as divisive, sectarian and inconsistent with the country's underlying material conditions¹⁴. The new Party leadership thus opted for a 'united front' strategy and announced that future revolutionary changes in Greece "would have, at the outset, not a socialist but an anti-imperialist character" (Kousoulas 1965: 277). The 6th 'broad' Plenum thus marked the

¹³ Most aptly summarised by Zachariadis's historic phrase "with the gun to our sides" (i.e. on stand-by to resume hostilities) heard during the 6th Central Committee Plenum, held in Albania, on October 9th 1949. Needless to say that such statements did little to defuse the situation in Greece or disprove the champions of the 'perpetual civil war theory'. In fact, there is evidence that the KKE continued to send armed bands into the Greek border as late as 1951 (Farakos, quoted in Μουραϊδής 1999: 471).

¹⁴ See the 1956 'closed' letter of the Central Committee of the KKE to party members, as reproduced in Δημητρίου (1978: 55).

return to the main tenets of party ideology and strategy formulated in 1934 and later embodied in the People's Republic Draft Program of 1945: in light of Greece's backward and dependent nature, a direct transition to socialism was ruled out in favour of an intermediate stage, when the country would free itself from foreign dependency through an "anti-imperialist, democratic revolution".

The 1961 Party
Program

These views were reiterated in party resolutions adopted in subsequent years and received their full embodiment in the *1961 Party Program*¹⁵, a document whose most distinguishing feature was that its economic core was virtually indistinguishable from the party line of the 1930s. In its very first page, it proclaimed that:

Though small in size, Greece fulfils the basic conditions required to evolve into an economically developed nation and ensure high living standards, prosperity and a happy life for its people. It is endowed with noteworthy subterranean wealth, important waterfalls, a soil suitable for special crops, a temperate climate and rich fisheries. (KKE 1961: 34)

The *Program* further explained how post-war developments hadn't altered the country's economic character; if anything, they had exacerbated its foreign dependency:

Greece remains an agricultural tool in the hands of the large, imperialist countries of the West, a source of raw materials and a supplier of foodstuffs. Greece is an underdeveloped capitalist country, essentially agrarian, with a relative development of its industry, with certain semi-feudal residuals and with its principal feature being its considerable dependence on imperialist, monopoly capital. (KKE 1961: 40)

Thus, Greece's future lay in a 'national, democratic change' that would draw on the strength of a united, popular front. The post-1956 strategy – which held fast throughout the 1960s – hinged on an alliance of 'progressive-patriotic forces', which would include not only workers, but also farmers, the middle classes and those members of the bourgeoisie that were adversely affected by foreign capital (Νούτσος 1994c: 31). Party members working underground in Greece were encouraged once more to seek broader political alliances, thus paving the way for EDA's political ascent in the latter half of the 1950s and early 1960s.

The United De-
mocratic Left
(EDA) party and
its program

Founded in August 1951 as a coalition of small parties and eminent personalities, the United Democratic Left (EDA) began as an attempt to resurrect the National Liberation Front (EAM) of the early 1940s. The communists' primacy within the coalition at a time when Zachariadis spoke of a 'dictatorship of the proletariat' did little to boost EDA's early electoral appeal, but this was to change after 1956. Convening shortly after the 6th 'broad' *Plenum*, EDA's First Pan-Hellenic Congress (15-17 July 1956) transformed the coalition into a coherent party and – more significantly – sought to make several inroads into the Centre-Left. This in turn helped EDA capture the seats of head opposition in the 1958 elections. Over the next decade, the party would maintain a strong and vocal presence in Greek public discourse and remain the principal conduit of KKE intervention in domestic affairs¹⁶. Its 1956 program, entitled *For a National Democratic Change*, did not hide its Marxian leanings and offered an analysis that was largely in line with communist precepts: foreign dependence had increased, monopoly capital was exploiting the country's resources and people, Greece had been converted

¹⁵ The mandate for a new program came from the 1956 'broad' *Plenum* which had also encouraged the Central Committee to take into consideration the core issues posed at the 20th CPSU Congress, including peaceful co-existence, the possibility to avert war and the question of possible transitions to socialism. Yet it would not be before the 8th Party Congress held in the summer of 1961 (the first since 1945) that a new program would be adopted (see Δημητρίου 1978; KKE 1961).

¹⁶ Meynaud (2002: 229-68) offers interesting information on EDA's activities, but underestimates communists' control over the party; for a documentary account of the relationship between EDA and the KKE, see Δημητρίου (1978). Μουσειδής (1999) may also serve as a useful introduction.

into an American 'bridgehead', whilst the Right-wing governments systematically pursued undemocratic and repressive policies (Δημητρίου 1978: 135ff). Reflecting the party's quest for a wider 'patriotic front', the text carefully tiptoed around the issue of socialist transition. References to the pressing need for (heavy) industrialisation and the nationalisation of key sectors formed the backbone of ΕΔΑ's economic program, which also called for greater social protection, better wages, universal access to education etc. The ultimate objective remained "to attain free economic development and raise the living and cultural standards of the people" (quoted in Meynaud 2002: 237).

ΕΔΑ and ΚΚΕ in
exile: a strained
relationship

Though subject to several embellishments – notably in response to such crucial events at the EEC association – the hard core of ΕΔΑ's program remained invariant throughout the 1960s, whilst simultaneously maintaining its conformity with the policy line of the ΚΚΕ. This conformity, however, was far from painless. Political success came at a cost, as it pushed party deputies into the limelight and imposed greater demands for policy formulation. On a practical level, ΕΔΑ's success meant that the 'centre of gravity' would have to shift back home, thus rendering control from abroad more difficult, at a time when the exiled ΚΚΕ leadership was obstinately refusing to devolve more power to party members in Greece. A further implication was that the ΕΔΑ would be under pressure to moderate the ΚΚΕ's rhetoric on several issues, so as to protect its electoral base, the 'patriotic front'¹⁷. This challenge would become even greater with the ascent of the Centre Union (ΕΚ) in the 1960s, whose dual role as a rival opposition party, but also a potential ally in the 'anti-imperialist' struggle was the source of much consternation. Over time, two rival factions emerged and ideological differences followed the party's geographical fragmentation. Though brewing for almost a decade, this internal strife would culminate in the 12th 'broad' *Plenum* of 1968, when the ΚΚΕ was split in half (Δημητρίου 1978). This is not the place to discuss the intricacies of ΚΚΕ history; after all, most of these issues exerted modest influence on economic discourse. For now, suffice it to point out that several aspects of this controversy mirrored the communist Left's own theoretical vacillations in a handful of core subjects: the appropriate path to socialism, the nature and function of the state in capitalist economies, as well as the role of the 'centre' or 'middle-classes' (vis-à-vis workers and farmers) in the struggle for "national democratic change". In each of these cases, most authors seemed unable to chart a clear course between outright revisionism and the adherence to the 'conservative' views of the earlier (Stalinist) leadership; and this uncertainty *did* have implications for communist economics.

¹⁷ In a letter addressed to his exiled comrades in the Central Committee, Ilias Iliou, the ΕΔΑ's parliamentary spokesman, would thus lament how: "By exaggerating what's right, dogmatic, routine guidance is causing us trouble. Provocations, as such. We are willingly treading on banana peels. We will slip. [...] Obviously, no one today thinks that we are headed for revolution. There is a lack of seriousness, immaturity, childishness. The people want a serious party, one that proposes solutions and leads the struggles to implement them – not festivals. After all, we've already scared some people, we'll scare the *petit bourgeoisie* completely, when in fact we largely can – and must – win them over. We are playing into the hands of reaction, of American dominance, the circles of anomaly" (quoted in Δημητρίου 1978: 198).

Theorising economic development on either side of the iron curtain

Attention to party politics explained The lengthy discussion on party politics, however atypical of our methodology, is essential to anyone seeking to understand the communist development discourse. For virtually every significant economic text of the time was written by a prominent party member, if not also a member of the Central Committee. As was already explained in [chapter 3](#), party discipline was rigidly enforced, particularly in the pre-1956 period and amongst members living abroad. Even after 1956 and beyond the immediate reach of the Politburo, the official line weighed heavily in the conscience of any party member who picked up a pen. What is more, the KKE's exiled status meant that the party would be dependent on the CPSU and other 'brethren parties', who also interfered in its internal affairs and influenced its ideological stance¹⁸. This peculiar and rigid institutional-political context in which communist discourse was formulated has to be taken into consideration when evaluating left-wing economists after 1949.

Communist economics in the 1950s and 1960s: principal outlets By and large, the communist economic output of the 1950s and 1960s was modest, both in quantity and quality. With the exception of a handful of monographs and doctoral dissertations, original book publications in economics – let alone development – were virtually absent and the principal loci of discourse were the *New World*, *Contemporary Affairs* and *Greek Left* journals¹⁹. Published in Bucharest, the *New World* [Νέος Κόσμος] started its life on April 1st, 1949 as a fortnightly newspaper offering translations from the "global democratic press". As Greek communists regrouped, the *New World* was transformed into the chief political journal of the exiled KKE. As of 1950, its format changed into that of a monthly journal; the July issue of the same year featured a new subtitle – "a review of Greek and international problems" – which hinted at the editors' decision to include original articles (not just translations). Over the next few years, each of the journal's hefty issues would be printed in several thousand copies and distributed amongst party members. However, with the mounting need for a presence in the domestic publication scene, the early 1960s witnessed the emergence of two further journals – this time in Greece: *Contemporary Affairs* [Σύγχρονα Θέματα] and the *New Left* [Νέα Αριστερά]. *Contemporary Affairs* was modelled after the *Antéos* and emerged in the fall of 1962, whereas the *Greek Left* started circulating in August 1963 as a "political and theoretical review"; its editor was our long-time acquaintance and EDA parliamentary deputy, Nikos Kitsikis.

An almost identical development vision ... To what extent did communist economics change in the course of the 1950s and 1960s? Specifically, how much did communists revise their visions of – and prescriptions for – Greek economic development in the two decades following the publication of Batsis's *Heavy Industry*? Actually, *not much*. Jumping straight to 1967, we can use a text written by Farakos – one of the key economists of the 1960s – to illustrate our

¹⁸ Such dependency had been evident ever since the party's bolshevisation in the 1920s, but it had become much stronger in the post-1949 period – e.g. Zachariadis's removal (much like his appointment in 1931) was orchestrated by foreign intervention (cf. Μαυροειδής 1999: 568ff).

¹⁹ In the 1960s, Angelopoulos's *New Economy* would also open its doors to such prominent EDA members as Kitsikis and Iliou, as well as former *Antéos* authors like Maximos. Note that these journals are mentioned for their attention to economic issues; it goes without saying that they do not represent the entirety of communist publication activity either in Greece or abroad (see Νούτσος 1994c).

point. Celebrating the 50th anniversary of the October revolution and its impact on economics, the author made a *tour d' horizon* of the economic thought amongst Greek Marxists:

From the first moment of its existence, the KKE has been underlining the need to industrialise our homeland, as the country's first, principal and basic long-term economic problem. [...] And something even more important. [Greek Marxist economists] have outlined the main causes of backwardness and the fundamental prerequisite for dealing with the industrialisation problem appropriately: ridding the country from stifling imperialist dependency [...] [I]n its discussions, the KKE invariably proved that the roots of backwardness do not lie in the so-called "large capital shortage", but in the country's dependence, its subordination to foreign monopoly capital. The KKE and Greek Marxist economists are offering the only correct, scientific perspective on the problem, when they emphasise that economic development can and must above all be built upon the country's internal resources. (Φαράκος 1967: 60-1)

Note how Farakos switched freely between the present and past tense; this was not a stylistic error, it was a conscious hint at the continuity in communist economic thought²⁰. Heavy industrialisation, the overthrow of foreign dependency, financial viability and the need for inward-oriented development remained at the top of the Left's economic agenda after 1949. Embodied in most party documents since 1934 and reaffirmed in the 1961 *Program*, these were the principal tenets of the development doctrine respected by all authors.

... regardless of changes in economic theory and practice ...

But Greece in 1967 was not the same country it had been 20 years earlier; economic discourse and the economy itself had undergone substantial changes. In terms of development theory, the emergent development consensus had 'appropriated' many of the Left's early arguments, though tailoring them to a capitalist/market-oriented framework (see [chapter 5, section I](#)). In terms of economic performance, the Greek economy was exhibiting strong growth and was even making some tentative steps toward industrialisation. Some basic industries had been established and key sectors were nationalised (notably energy), pointing at the state's increasing involvement in economic administration. The 1960s also witnessed an upsurge in social sensibilities which – though in part a product of the Left's own militancy – did not benefit ΕΔΑ alone: when the Centre Union climbed to power, this raised further questions about middle-class economic motives and the centre's role in the 'anti-imperialist, democratic alliance'.

... both domestically and abroad

Such developments presented a challenge to Left-wing theorists internationally (cf. [chapter 2](#)). Europe's protracted post-war boom undermined notions of capitalism's impending demise; the spread of Keynesianism and indicative planning hinted at a rise in public intervention at the expense of unfettered liberalism. Traditional views on the role and nature of the capitalist state were challenged, whilst neo-Marxist theories of dependency were gaining ground in the developing world (notably in Latin America), as they attempted to account for countries' failure to 'modernise'. Greek communist authors were inevitably caught up in the tide of these events, and several of their own theoretical reactions converged to the same theories elaborated by their Soviet and European comrades. The extent to which these were intelligent formulations of concrete theoretical edifices, or just distorted echoes of misunderstood foreign doctrines, is open to discussion (more on this [later](#)).

²⁰ If not also a deliberate attempt to brush over such embarrassing 'deviations' as the 1949-56 period of 'socialist revolution'.

Two ‘challenges’ for communist economic thought

A complete survey of communist economic thought spanning two decades lies beyond the scope of this text. Our focus remains on development, so we shall take a closer look at the way authors responded to two specific ‘challenges’: (a) Greek economic stabilisation and growth, as well as the country’s hesitant steps toward industrialisation; and (b) the rise in state interventionism and planning. Note how these two ‘challenges’ correspond to the principal pillars of the mainstream development consensus, namely modernisation/industrialisation and state intervention. In other words, these were *dual* challenges, i.e. they could manifest themselves in terms of both economic *theory* and *practice*. Obviously the second was less frequent and many communists justly emphasised the gap between rhetoric and reality. But let’s not get ahead of ourselves.

The growth/industrialisation challenge: ‘false’ development and dependency

Revolutionary crisis and the denial of growth till 1956

For many years, communists chose to ignore favourable developments in the Greek economy, or *bourgeois* economic thought for that matter. This was particularly strong whilst Greece was allegedly undergoing its ‘revolutionary crisis’ and was expected to follow capitalism’s post-war decline. In tandem with the analysis found in *Antéas*, the *New World*’s first (ever) editorial would explain how:

Last year saw the deepening of the general crisis of the American-dominated, monarcho-fascist regime and the intensification of war preparations [...] the main trademarks of the regimes’ general crisis are: the corrosive economic crisis – due to Greece’s Marshallisation – which keeps the people in turmoil and strengthens their uprising [...] (Νέος Κόσμος (σύνταξη) 1951: 2)

The first issues of the *New World* were inundated with references to Greece’s economic disintegration and translations of articles on the ‘generalised crisis’, written by prominent Soviet economists²¹. As the economy recovered after 1953, communist authors were forced to become increasingly creative if they wanted to defend the party line on the deepening crisis. Addressing the 5th Party Plenum in December 1955, for instance, Bartziotas had to resort to the following sleight of hand: by comparing October’s manufacturing to May’s industrial production index (which included energy), he managed to offer evidence of a staggering 15% production drop (Μαυρομάτης 1956a: 71).

Re-appraisal after 1956

This dogmatic intransigence would continue until the 20th CPSU congress and the 6th KEE ‘broad’ Plenum of 1956. Only a few weeks after the party had decided to remove Zachariadis and Bartziotas from their posts, Panagiotis Mavromatis wrote three articles on ‘Trends and developments in the Greek economy today’ (Μαυρομάτης 1956c; 1956d; 1956b). Together with his plea to ‘Uproot dogmatism’ (1956d) these texts reformulated the communist Left’s perspective on development and set the tone of subsequent economic treatises. What Mavromatis argued in 1956 would be repeated by virtually all communist authors over the next decade.

The ‘false’ development thesis

In a nutshell, theorists after 1956 acknowledged that some progress had been made in terms of overall growth and industrialisation²². But at the same time, they ar-

²¹ See, for instance, the articles by A. Manukyan [The capitalist world under the spectre of crisis] and P. Figurnov [The sharpening of capitalism’s general crisis in the post-war period] published in the 1st and 5th issues of volume A (1950) respectively.

²² As Μαυρομάτης (1956c: 120) would put it, “despite American dominance, despite the obstacles deliberately laid in the path of national economic development by foreign capital, the post-war years nevertheless witnessed some tortuous progress” – cf. Μαυρομάτης

gued that this was the 'wrong' kind of progress. Development and industrialisation were thus dubbed *feeble, relative, tortuous, one-sided, contradictory, erratic, asymmetric, not organic, false or insufficient*²³. Nine year's later Farakos would be offering an almost identical formulation of the 'false development' thesis as he explained that the communist line:

doesn't share the simplified view that no industrial progress has taken place over these years; a view sometimes expressed by progressive economists as well. It only underlines that this development is insufficient and one-sided, and that the changes necessary in the structure of our economy are only taking place at a very slow pace, considering the country's potential and needs. (Κωνσταντινίδης [=Φαράκος] 1965: 45)

Development was thus deemed *neither sufficient in quantity, nor appropriate in quality*. Whereas the quantitative dimension was straightforward – especially when Greece's record was compared to its alleged potential, or the stellar performance of its socialist neighbours²⁴ – the latter point comprised several different types of criticism and deserves further attention. On the one hand was Greece's continuing failure to develop large-scale heavy industry, which undermined national autonomy and had adverse consequences for its foreign trade relations²⁵. On the other hand, the fruits of the development process – however modest – were also distributed unequally. Income and tax inequality, capitalist enrichment and the impoverishment of the labour class were popular subjects in communist economic circles. This was particularly true of the pre-1956 period, when such issues underscored capitalism's deepening crisis²⁶, but they continued to figure prominently in the post-1956 discourse, thanks in no small measure to Stergios Babanassis, who wrote his doctoral thesis on the conditions of Greece's working class²⁷. Alongside inequality and poverty, unemployment and emigration added to the disappointing record of *bourgeois* 'development' (Μηµηνανάσης 1963; 1966b; Παντιοίδης 1966). It should also be mentioned that the 1960s witnessed the gradual migration of this discourse from the *New World* to the domestically published *Contemporary Affairs*²⁸, which may be taken as an indication of the KKE's attempt to participate in the revival of the debate on social policy in Greece, already apparent in non-communist circles (see [chapter 7, section III](#)).

From symptoms to diagnosis: Dependency <i>da capo</i>	The above critique outlined the <i>symptoms</i> of Greece's development malaise, as seen by the communist Left on either side of the Greek border. But what about the underlying <i>causes</i> of this ailment? Communist theorists offered but one diagnosis: <i>dependency</i> . An integral part of the Left's development paradigm since the inter-war,
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(1956b: 46) for an overall appraisal of Greek development and (1956a) for the same author's vehement critique of the Stalinist errors of "Zachariadis & Co", or the "illiterate dwarves" (*sic*), as he now called them.

²³ All these terms have been collected from various post-1956 texts, specifically Μαυρομάτης (1956c: 123; 1956b: 46 and 29), Φαράκος (1962: 36; 1963: 23), Κωνσταντινίδης [=Φαράκος] (1965: 45) – similar statements are found in the 1961 KKE Program.

²⁴ Unfavourable comparisons to eastern bloc countries were a common feature of almost all papers, but there were also several publications devoted *exclusively* to this task (see e.g. Κατμερίδης 1960).

²⁵ This is one of the most frequent complaints voiced. See Μαυρομάτης (1956c; 1957), Φαράκος και Ψηλορείτης (1960: 72ff), Φαράκος (1962: 30).

²⁶ See for example the volley of articles published in the 1954-55 *New World* on the subject: ΓΠ (1954b); Σκόφτης & Αδάμου (1955); Αναστασιάδης και Κρητικός (1955); Γκόρτζος, Αϊλίκης και Καλούδης (1955); Καραγιώργης and Αδάμου (1955).

²⁷ Thus e.g. Μηµηνανάσης (1961) documents the evolution of worker's living conditions; Μαυρομάτης (1958a) examines toilers' standards of nutrition; Σμαράς (1963) reviews the unfair distribution of tax burdens and Μαυρομάτης (1966) returns to familiar territory by denouncing the governments most recent "attack against workers' living standards".

²⁸ As illustrated by the articles published by Μήµνας [probably Babanassis] in 1963, as well as B. Κωνσταντινίδης (1963), Βασιλείου (1963), Καραγάς [=Καρόγιωργας] (1965) and several others.

Greece's dependency was now deemed greater in intensity and more diverse²⁹. Using arguments parallel to those employed by Batsis in the 1940s, communists denied any beneficial effects to foreign aid. Initially interpreted as part of America's attempts to avert its own over-production crisis, aid was dismissed as a plot to *undermine* Greek industrialisation and perpetuate foreign dependency (e.g. Ανασσιιάδης 1957a: 56). Most authors approached the subject with unbridled bias and hostility toward the 'Yanks' and their 'local lapdogs', a habit accentuated by their adulatory references to the selfless and generous assistance offered by the Soviets and their allies (see Κυριαζής 1960a; 1960b). The same attitude pervaded many debates on Greece's trade policy (e.g. Μαυρομάτης 1958b), although in this case the scope for theoretical discourse was much wider and propaganda often gave its place to sensible argument. Needless to point out how such discussions reached an all-time high during EEC association debate.

Foreign direct
investment and
dependency

Nevertheless, it was foreign direct investment rather than aid (or trade) that remained communists' favourite example of dependency. Contracts with foreign multinationals, especially when signed by the government itself, provoked accusations of treason and enslavement. This was how communist authors interpreted the Greco-German deals of the late-50s, early attempts to consolidate power companies, or the 2687/53 law on foreign capital investments (Μαυρομάτης 1959b; 1961; Φαράκος 1959a). In 1960, when the government signed a deal allowing the French multinational *Pechiney* to build Greece's first aluminium plant, *bourgeois* circles thought that one of the Left's most long-standing demands – the productive use of the country's bauxite – had at last been satisfied. But the terms of the deal (particularly the sizeable discount offered on the plant's electrical supply) quickly became the subject of a heated controversy; it was not long before *Pechiney* had joined *Cooper* and *EBASCO* in the long list of exploitative contracts systematically denounced by the Left³⁰.

Monopoly capital-
ism and depend-
ency

Such phenomena were familiar ever since the inter-war period, but later years saw an upsurge in references to dependency. What is more, this trend – which was already evident in the second period of *Antéos* – was increasingly linked to the rise of monopolies. References to capitalism's inherent drift toward industrial concentration date back to the work of Marx and Engels, but the concept of a distinct stage of *monopoly capitalism* is a 20th century phenomenon³¹. By the mid-1950s, Marxists on either side of the iron curtain agreed on the significance of monopolies, even though convergence on such terms as 'monopoly capitalism' obscured differences in the underlying theoretical propositions³². What is more, increasing attention was paid to the relationship between monopolies and the state apparatus. This was the basis of the

²⁹ The 1961 party program summarised post-war trends as such: "the country's dependence has increased, and so has the diversity of its forms, as American imperialists have used foreign aid, missions, etc., have got their hands on more extracting industries, and have put us in NATO, the EEC etc." (KKE 1961: 58) – cf. Μαυρομάτης (1956b: 47) and Ανασσιιάδης (1957b).

³⁰ The reader interested in the *Pechiney* affair may turn to Μαυρομάτης (1960), whereas Farakos's 1964 book on *Energy Economics and Policy* is particularly well documented – if unoriginal in its principal conclusions. Κιτάκης (1956) and Ηλιού (1956) summarise ΕΔΑ's official line on energy, whilst Κωστής (1999) offers a detailed account of the aluminium controversy of the early 1960s.

³¹ Usually associated with the work of Hilferding, Bukharin and Lenin before and during the first world war – see Howard and King (1989: 250ff) and Brewer (1980: part II). Since Hilferding and Bukharin were later denounced for their 'reformism', Greek communists just mentioned Lenin in this context – see section II of chapter 2.

³² Thus, for example, Sweezy and Baran's *Monopoly Capital* bears but a superficial resemblance to Stalinist theories of monopoly dominance and capitalism's deepening crisis (Howard and King 1992: chapter 2 and 6).

state-monopoly capitalism (stamocap) approach which would become dominant in the 1960s. Greek theorists followed suit and analyses of bank mergers and industrial concentration became commonplace (Γ.Π. 1953b; Μάλιος 1965). But Greece's case was not one of monopoly capitalism 'proper'; for instead of emerging endogenously, Greek monopolies had been the *product* of foreign interference³³. At the same time, monopolies represented a principal mode of exploitation, the chief *cause* of the country's underdevelopment:

The principal attribute of our country's economic and political life is the dominance of foreign monopoly capital – primarily American [...] It is to the activities of foreign and local monopolies that we generally owe all of the peoples' misery and misfortune in this country. (Κοντογιώργης 1957: 36, 45)

The *dominance* of monopoly capital in Greece was usually taken for granted; most authors relied on a solemn quote from Lenin's *Imperialism* and some anecdotes of foreign companies present in Greece to prove their point. As long as monopolies existed – and foreign dependency had taken care of that – it was obvious that they dominated economic and political life. From there, it seemed only reasonable to claim that they were single-handedly responsible for the country's backwardness. If this sounds too much like shallow propaganda, that's because it was just that. All too often, valid criticism for government deals or the practices of Greece's financial and business moguls was drowned in polemical overtones. Similarly, passages devoted to the operation of monopolies were accusatory rather than analytical, and the actual mechanisms of exploitation or surplus extraction were rarely explained³⁴. The only aspect of the phenomenon that was discussed at some length – due to its direct relation to *political* strategy – was the effect of monopolies on the *bourgeoisie* itself. Thus, as early as 1955, Stathis Karydis had argued that monopolies were squeezing the urban middle-classes out of their markets (Καρύδης 1955b). But if monopolies contributed to the immiseration of the middle strata – as opposed to just workers – the opportunity for joint 'anti-monopoly' action emerged, confirming the wisdom of the party's 'united front' strategy (cf. Day 1995: 96-100 for the Soviet parallel to this discussion). Addressing the 1956 party, ΕΔΑ's leader Ioannis Passalidis suggested that the party should extend its relations with that portion of the 'patriotic Right' that was genuinely concerned in the country's prosperity (Avgi, issue of 17.07.1956, p. 2). What he really had in mind was that portion of the Right genuinely concerned with its *own* prosperity, as long as that was rivalrous to the presence of foreign monopolies.

Dependency vs.
modernisation

The 'false development' thesis and dependency were communists' principal replies to what we have been referring to as the 'growth and industrialisation challenge'. Not only was Greece's growth *experience* fundamentally flawed, but the same applied to the underlying theoretical framework. For whilst the mainstream consensus spoke of capital accumulation and modernisation, its reliance on *foreign* capital opened the doors to imperialist exploitation, which thwarted economic development. By defining underdevelopment in terms of the paucity of *productive forces* (such as machinery, capital etc.), *bourgeois* economists deliberately overlooked the *relations of production*

³³ Again, it is hard *not* to come across this point in the literature – see e.g. Γ.Π. (1954a), Κοντογιώργης (1957), Σολόμος (1964).

³⁴ Farakos's 1964 analysis of the Greek power company, its pricing (with special mention of the *Pechiney* deal) and investment strategies is the exception that proved the rule.

and the fact that underdevelopment was, essentially, a product of exploitation (Φωράκος and Ψηλορείτης 1960: 68). In line with the dominant trend in Marxist-Leninist and neo-Marxist development thought (cf. [chapter 2, section II](#)), capital penetration in underdeveloped countries like Greece, was seen as

stymieing development, imposing a peculiar structure on the economy, reinforcing its semi-colonial nature, consciously contributing to the maintenance of its role as a backward, agrarian country and raw material supplier. (Αντιστασιός 1957b: 97)

From diagnosis
to cure

The Greek economy was thus suffering from the same infectious disease communists had diagnosed in the 1930s. The original virus of imperialist exploitation had merely mutated and spread to other organs, entering the country's already enfeebled body through the ERP, NATO, the rise of monopolies etc. The treatment would have to be adjusted appropriately, but its hard core remained the same:

Faced with this emergent situation, what we must urgently do for the sake of our country's economic development is extirpate foreign capital's ... penetration, and abandon our policy of servitude. [...] The only way out for our economy is to have our country base itself mostly on its own, internal resources. The necessary capital exists and can be found. Utilise our mineral wealth by establishing metal industries. Develop basic industrial sectors, particularly those linked to the ores found in our country. Use the productive forces of the land rationally. Take advantage of hydroelectric sources, protect domestic industry, foster the production of agricultural products. Make use of domestic capital. Promote exports and reduce military expenditures. Tailor our imports to the needs of our national economy. (Κυριοζής 1959: 43)

Note how all of these themes were already present in the work of Batsis and his entourage in the 1940s: the extirpation of imperialist dependency, inward-oriented growth, the adequacy of domestic resources, the priority of energy and heavy industry, seen as the keystones to 'genuine' development, as well as the safeguards of political and financial independence³⁵. The structural transformation thus envisioned would still require an equally radical overhaul of the political scenery, an 'anti-imperialist, democratic revolution', as the 1961 draft Party Program would call it. Private property would nonetheless be maintained and nationalisations would only extend to key industries; agrarian reform and mechanisation would increase agricultural output, and reinforce the role of farm co-operatives. Major industrial sectors, along with the country's foreign economic transactions would be subject to extensive supervision and planning.

Viability revisited:
natural resources
and demand

The alleged shortages in the country's capital stock, tangible and intangible resources, or the presumed paucity of its internal market were systematically invoked by the *bourgeoisie* to justify the economy's detrimental exposure to exploitative trade and imperialist penetration (Μαυρομύτης 1957: 60). True to a tradition established by Batsis and his entourage, communist authors thus sought to demonstrate Greece's *viability*. Taking *productive* viability first, most of them acknowledged – and sought to take credit for the fact – that the *bourgeois* world no longer doubted the adequacy of the country's natural resources (Φωράκος 1959b: 28). Of course, given the symbolic value attached to this issue over the years, the temptation to take a jab at the 'poverty of land' thesis was hard to resist, and every opportunity to lash out against *bourgeois* 'fatalism' was exploited (e.g. Καρύδης 1955a: 18ff; Μαυρομύτης 1962: 32). Consequently, references to the quality and quantity of the country's resources never com-

³⁵ These themes are so preponderant in the literature, that specific references are hardly necessary. A similarly sweeping formulation can be found in Φωράκος (1962: 43-5), whilst Μαυρομύτης (1957: 71) and Φωράκος (1963) discuss the significance of industrialisation to 'genuine' development and independence. See also the less common, employment-oriented argument for industrialisation, as formulated by Μηνιμανόσης (1963; 1966a).

pletely disappeared from the literature³⁶. For its part, the alleged paucity of domestic demand attracted much more attention, though it was invariably dismissed in the conventional manner: putting an end to labour impoverishment would expand the internal market, whilst a more 'balanced' (codeword for pro-socialist) trade policy would provide the necessary external 'vent for surplus'³⁷.

Viability revisited: In line with the trend set in the second period of *Antéas*, communist authors in financial con- the 1950s and 1960s shifted the weight of the viability discussions to financial consid- straints and their erations. In the face of *bourgeois* complaints of capital shortage, the Left continued to mutations... purport the adequacy of the domestic surplus, which was siphoned abroad in the form of profits and interest payments, hoarded or squandered away in conspicuous consumption and real estate speculation (Μαυρομάτης 1957: 60; Σολάρος 1960: 92). In the only document to explicitly invoke Baran's (1957) distinction between 'real' and 'potential' surplus, Emiliós Zachareas thus proposed wide-reaching reforms to shift the burden of taxation from the lower classes to profits and capital gains (Ζαχαρέας 1965: 173ff). The curtailment of the country's exorbitant defence outlays was another area where the Left saw great potential for change. This was a subject widely discussed in left-wing circles (including the *New Economy* journal), to the embarrassment of mainstream development authors, who remained conspicuously silent on the matter³⁸. The use of the country's dormant reserves in foreign exchange and gold, the procurement of additional war reparations, and the moderation of housing construction would further supplement the country's savings. Finally, in the unlikely event that capital resources still proved insufficient, there was always the unconditional and generous assistance of socialist countries to count on³⁹. Thus, communist authors were hardly convinced by *bourgeois* rhetoric on capital shortages, which sought only to

convince the public that without foreign capital, without opening Greece's door to monopolists from the US, England and West Germany etc., nothing could be done, that the celebrated industrialisation projects could not be undertaken. (Μαυρομάτης 1957: 60)

As private savings began to flow back into commercial banks in the late 1950s, left-wing theorists became acutely aware of the inconsistencies within the mainstream development discourse. Novel interpretations in terms of Greece's shortages in organisational skills, entrepreneurship, appropriate institutions etc. were swiftly dismissed as mere symptoms of the deeper malaise of imperialist dependency (Τσαρβόπουλος 1962: 28; Σολάρος 1963: 44; Ζαχαρέας 1965: 181). *Bourgeois* calls for greater intervention and planning to ensure the appropriate channelling of capital were treated with similar disdain: the post-war years had not witnessed a shortage of plans, but there was little point to such endeavours, as long as they are undertaken *within* the framework of imperialist dependency and monopoly capitalism.

³⁶ In 1959, the *New World* featured two articles by Farakos, which were highly reminiscent of the earlier days of *Antéas*. Sub-titled 'The Potential for the Country's Technical-Economic Reconstruction', they were entirely devoted to the documenting Greece's resources and industrialisation potential, with particular emphasis on Farakos's field of expertise at the time: energy (Φαράκος 1959b; - see also Τσαρβόπουλος 1962).

³⁷ Thus for instance, Παναζόχος (1963) calls for a redistribution from profits to wages in order to increase aggregate demand, particularly since profits are not conducive to investment (due to hoarding, conspicuous consumption etc). Similar arguments can be found in Κοραγός [=Καράγιωργος] (1965) and Σαμαράς (1966).

³⁸ See Δαμολός (1964) for a rare example of a paper devoted exclusively to the size and financing of military expenditures. For a canonical left-wing text devoted to the adverse effect of military spending on growth, see Φουντούλης (1965).

³⁹ Though hardly worth singling out any particular text for these arguments, the reader might start with Αναστασιόδης (1957b), Σολάρος (1960), Φαράκος (1962; 1963), Μαυρομάτης (1957).

The state intervention challenge: planning and state (monopoly) capitalism

The theoretical and tactical challenge at hand In [chapter 2](#) we discussed how capitalist planning and state intervention presented a challenge to Marxist authors of the late fifties and sixties. Instead of sinking deeper into a 'generalised crisis', the West had entered a period of sustained prosperity, often interpreted as the natural outgrowth of the emergent social-democratic consensus and the 'changing balance of public and private power' – to quote the subtitle of Andrew Shonfield's (1969) influential book, *Modern Capitalism*. At the heart of the theoretical challenge, lay the very nature of the state and its capacity to stabilise capitalism. If – contrary to Stalinist orthodoxy – the state was a supra-class entity, capable of mediating *between* classes and sacrificing the interests of monopolists for the sake of systemic stability, did this mean that capitalism was not moribund⁴⁰? More practically, if the state was no mere appendage to the dominant class, wouldn't it make more sense for the anti-imperialist alliance to capture, rather than smash it? And how broad would this alliance be: would it include the disgruntled strata of the national *bourgeoisie* and – if so – in what relation to the proletariat and peasantry (see [chapter 2, section II](#))? In trying to answer these questions, communists were caught between the Scylla of Stalinist conservatism and the Charybdis of social-democratic revisionism. Inasmuch as different answers had divergent implications for the 'algebra of revolution' (class alliances, East-West relations, the potential for peaceful co-existence), strategic and theoretical considerations became confounded. Within the Soviet Union itself, this controversy "left several irreconcilable themes in the Soviet literature" of the 1960s (Day 1995: 138). Addressing the 22nd CPSU Congress, Khrushchev would thus acknowledge how the

increasing intervention by the state in the process of capitalist reproduction makes it possible to exercise a certain influence on the development of the productive forces and [...] induces some growth of production and renewal of basic capital. (Khrushchev 1961: 23-4)

In the same passage, however, the Secretary General would also dismiss the notion of the state as a supra-class mediator, or the possibility that intervention could bend the 'objective economic laws of capitalism', which predicted its ultimate demise.

The challenge for Greek Marxists: In the 1940s and later Communist scholars of Greek underdevelopment in the 1940s could safely ignore such theoretical complications: theirs was a bid for radical reform and the institution of the people's democracy, where intervention and planning would be entirely different. Even when the civil war had dulled their revolutionary fervour, Batsis and his colleagues had not felt threatened by the prospect of 'organised capitalism': circumscribed in its organisation and fundamentally flawed in its conception, this was a social democratic folly that could be safely dismissed – along with social democrats themselves. Yet in the course of the 1950s, development planning, the nationalisation of the power industry, and the ever expanding ambit of the state's own economic activities in Greece, could no longer be ignored. On the political front, the revival of the united front strategy begged the usual questions about the role of the national *bour-*

⁴⁰ Note how these are two independent questions: the relative autonomy of the state vis-à-vis class interests was a *necessary* but not *sufficient* condition for believing that capitalism can become stabilised: it was perfectly reasonable for someone to believe in the supra-class nature of the state (possibly enhanced by internal conflicts *within* the bourgeoisie, which undermined the solidarity of the ruling class) and still remain sceptical of its ability to save capitalism from disintegration.

geoisie. For their part, EDA's success and the ascent of the *Centre Union* only raised the stakes, by presenting communists with a series of practical policy dilemmas. As we shall see, the Greek response to these challenges did not differ much from that of other hard-liners across Europe (Sassoon 1996: 260ff; Hardach, *et al.* 1978: 63-8).

Mapping and interpreting state (monopoly) capitalism

In the course of the late fifties and sixties, left-wing economists became increasingly aware of the changes in the nature of Greek capitalism. Detailed accounts of the rise in intervention were published, highlighting such things as planning, public ownership and the state's control over the financial sector (Φωράκος 1961; Μόλιος 1965). At the same time, a younger generation of scholars demonstrated increasing familiarity with the concomitant innovations in mainstream economics⁴¹. When it came to *interpreting* the phenomenon, extensive reference was made to the subordination of the state apparatus to powerful monopolies (Κοντογιώργης 1957; Φωράκος 1965b: 33). At times, this was presented as an inevitable by-product of capitalist development, which mandated the gradual socialisation of the means of production by a 'collective capitalist'. Monopolies were thus using the state not merely to increase their profits, but to ensure capitalist reproduction and defend themselves against possible realisation crises⁴². Some would thus draw a parallel with the rise of *state monopoly capitalism* (*stamocap*) in mature capitalist economies; Farakos would initially reserve this latter term for countries where the concentration of capital was higher, preferring to speak of Greece's *state capitalism* instead;

For, even though these structures of the Greek economy essentially serve foreign monopolies and the Greek plutocratic oligarchy, the degree of capitalist development so far in our country is not very high. (Φωράκος 1961: 22)

More conservative authors like Michalis Malios, would criticise this distinction, and point to the substantial market power enjoyed by some of Greece's public enterprises (Μόλιος 1965: 87). To Malios, the ultimate criterion was the role public ownership was being called to play:

State ownership in post-war Greece did not emerge for the sake of overcoming the country's backwardness, or stimulating private initiative (the existence of so-called 'stagnant' capital for many years confirms this); instead, it was determined by the capital reproduction needs of indigenous and foreign monopolies. (Μόλιος 1965: 88-9)

In the end, the two terms were used almost interchangeably – albeit with some qualifications (Σαμαράς 1966: 106). Everyone agreed that foreign dependency and underdevelopment conditioned the nature of intervention in Greece: the state apparatus was systematically used by foreign imperialists to elicit concessions and gain access to the economy's resources and market⁴³. As Farakos would explain:

state capitalism develops in relation to the country's dependency on foreign monopoly capital and the political authority of the local plutocratic oligarchy that is attached to that capital. This, is the specific, basic reason why the unfolding of state-capitalist structures in our country takes on a particularly reactionary form, and is not based on democratic principles. (Φωράκος 1964: 239)

Alongside such conservative arguments, however, the communist economic discourse of the 1960s also embraced some interpretations of a much more 'revisionist'

⁴¹ Thus, for instance, Σαμαράς (1966) provides a lengthy attempt to portray contemporary *bourgeois* thought as 'Keynesian' and distinguish between Right Keynesianism and the *Centre Union's* flirtations with a more Left-wing approach. Farakos's contributions stand out for their thorough reviews of western theories of planning and development, including the work of Rosenstein-Rodan, Rostow, Lange, Tinbergen and others (for a collection of papers on the subject, see Φωράκος 1977).

⁴² See Φωράκος (1961: 13, 17; 1965b: 33), Μόλιος (1965: 89), Σολάρος (1960) and Μαυρομάτης (1961).

⁴³ The role of foreign aid in attaining this objective was often mentioned in this context (Φωράκος 1961; Σαμαράς 1966: 116). The ERP in particular, was singled out as a sinister plan to use the state mechanism to infiltrate the Greek economy (Γ.Π. 1954a).

tinge. It would, for instance, be sometimes argued that the Soviet planning experience acted as an inspiration to mainstream economists and policy-makers (Φαράκος 1965b: 33; Σαμαράς 1966: 117). Even more controversially, some would recognise in capitalist planning the motive to remove backwardness and compensate for market failures. Others would attribute part of the drive for intervention to pressure from the disgruntled members of the *bourgeoisie*, those whose interests were compromised by monopolies (see Φαράκος 1977; Σαμαράς 1966). Strangely enough, many of these views would be expressed by the same authors who had presented the state as little more than an instrument for the enrichment of the financial oligarchy!

Implications: The ambiguity surrounding the *interpretation* of state capitalism inevitably ex-
capitalism saved? tended to its *implications*. As a rule, Greek communists found little merit in planning under capitalism. Not only was the scope for such planning circumscribed (inasmuch as a substantial portion of the economy lay outside the ambit of the plan), but in those countries where reactionary forces remained in control, state interference generally acted to the detriment of development and mass welfare. Of course, this was not the case in many Latin American, African or Asian countries, which had rid themselves of the shackles of imperialism. There, planning arose from the need for economic liberation and genuine development:

The progressive character of this phenomenon stems from the fact that it undermines the roots of foreign and domestic monopoly dominance and can, under certain circumstances, play a key part in bringing about the circumstances needed for the transition of these countries into socialism. (Σολόμος 1960: 86)

Alas, Greece was an altogether different story:

It is sometimes asked what Greek state capitalism is, and how it manifests itself. Here you have it, in its purest form [...] domestic and foreign monopolies using the state and its government to serve their own speculative motives, by having [the state] legislate in a way that only serves their own interests, at the expense of the country's economy, the people, even at the expense of the national bourgeoisie. (Μαυρομύτης 1961: 25)

Communist authors thus continued to dismiss revisionism: planning and interventionism could not really change the nature of capitalism, unless political power was transferred to anti-imperialist, democratic forces. Stamocap merely confirmed the country's subjugation to monopolies and was entirely consistent with capitalism's long-term contradictions. Present in virtually every contemporary economic tract, this analytical framework, was sometimes embellished with more specific discussions of Greek plans, or critiques of *bourgeois* planning theory – though this was a rare phenomenon.

Implications: a An outright dismissal of 'organised capitalism' as fallacious may have been
positive note? sufficient for Batsis and his colleagues in the 1940s, but a couple of decades later, things were more complicated. Now that prospect of the people's democracy seemed more distant, communists were called upon to evaluate the practical reality of state capitalism. Assessing the contribution of development programming, one author would thus start with the familiar caveat on capitalist stabilisation:

It would be wrong to create any illusions as to the possibility of changing the very nature of the capitalist regime through these planning efforts. (Φαράκος 1965d: 49)

Farakos, however, would then add a sentence uncharacteristic of his predecessors:

On the other hand, one should not underestimate efforts that lead to the advancement of popular interests and economic development. (*ibid.*)

Farakos adopted a similarly equivocal stance toward the nationalisation of the power industry: whilst describing the state monopoly (ΔΕΗ) as “an agency to foreign and local monopolistic interests”, he would also concede that by expanding the sphere of public ownership, ΔΕΗ had chipped at one of the bedrocks of capitalism: private property (Φαράκος 1959a: 48; 1961: 24). More generally, “it was wrong to maintain a vulgar negative attitude toward the expansion of the state within the Greek economy”, simply because that was undertaken by a *bourgeois* government (Φαράκος 1964: 240).

Implications: a
double-edged
sword?

The above statements hint at the consternation these issues were causing amongst communist intellectuals. Its principal source, was tactical rather than theoretical. By raising the possibility that the state – once wrested from the hands of the ruling oligarchy – could serve the anti-imperialist cause, these theories were putting class alliances into much sharper focus (Φαράκος 1965a: 55). As one of the younger scholars of stamocap would explain:

By using stamocap to defend capitalism against popular forces and propel the heavily damaged capitalist economic system forward, the bourgeois class is ultimately wielding a dangerous, double-edged sword; popular pressure may, if the right circumstances are formed, push state activity in sectors and trends that slip out of bourgeois control and serve the objectives of society as a whole. (Σαμουράς 1966: 115)

For many authors, this scenario entailed a coalition with the national bourgeoisie, which rekindled the awkward debate on the role of the middle class in the united front. At the bottom line, this formed the theoretical backdrop to tactical dilemmas concerning the relationship with the *Centre Union* (Μαυρομάτης 1959a). The communist leadership was hardly of one mind on this thorny issue, and this was mirrored in the ambiguity and frequent reversals of ΕΔΑ's own policy toward the Centre⁴⁴. Inasmuch as many of the published economic tracts sought to rationalise the party's decisions, these vacillations also took their toll on the consistency of contemporary theoretical analyses. Ironically perhaps, the Centre's rise risked turning state capitalism into a double-edged sword for communists as well. The more successful the anti-imperialist struggle was at putting the state in the service of society as a whole, the more likely they party seemed to lose its revolutionary impetus and become gobbled up by the spectre of revisionism...

The communist Left and economic development: a second appraisal

*Tu ne cede
malis ...*

Amidst a time of exile, hardship and persecution, communist intellectuals adopted an increasingly recalcitrant stance. The crux of the Marxist development analysis remained almost invariant, as authors refused to yield an inch to the mainstream consensus, or credit Greece's bourgeoisie with anything other than corruption, exploitation and subordination to foreign imperialists. Any positive developments were considered haphazard, anaemic, or due to the Left's own vigilance and campaigning; on the other hand, there was no debate as to the source of the nation's woes:

⁴⁴ The *Centre Union's* own ideological vacillations and its hostility toward communists – reflected in its strategy of “a battle on two fronts” (i.e. against both Right and Left) did little to help clear things up. Bear in mind that communist parties around Europe were facing similar dilemmas (Sassoon 1996: 261ff). What made the Greek case doubly tricky, was the fact that disagreements on the role of the Centre were superimposed on the mounting tension between the ΕΔΑ, and the ΚΚΕ leadership abroad.

The country's entire misfortune and the misery of our people can generally be attributed to the actions of foreign and local monopolies. (Κοντογιώργης 1957: 45)

Dependency and exploitation continued to form the keystones of the Left's diagnosis of backwardness. The treatment was equally familiar: the extirpation of imperialist ties, the primacy of inward-oriented development with a bias toward heavy industry and mechanisation, structural reform and economic planning – all orchestrated by a broad, anti-imperialist alliance, led by the proletariat. Of course, in the two decades that followed the publication of Batsis's *Heavy Industry*, some realignments *did* take place in the communist discourse. These usually mirrored the evolution of the mainstream discourse and practice, important political or economic developments⁴⁵, or changes in exigencies of the party's own political strategy – as was the case during the embarrassing interlude of Greece's alleged 'revolutionary crisis', between 1949-1956.

... *sed contra*
audentior ito

None of these developments brought about more than modest realignments in the 'protective belt' of the Left's economic argument, whose core propositions were kept intact. Greece's post-war industrial growth was first questioned on a factual basis, and then considered 'false', i.e. both quantitatively inadequate and structurally warped. For all its potential in terms of class alliances and revolutionary strategy, the rise of state intervention was – at the bottom line – a manifestation of monopolistic penetration. Communist authors thus remained the firmest critics of Greek development. By emphasising dependency and exploitation, they rejected the linearity of modernisation and highlighted class conflict and political interests. Unhindered by the professional or ideological taboos of mainstream economists, they were willing to broach such crucial issues as monopoly power, banking, military expenditure, the functional distribution of income, poverty and big state contracts. Theirs was not just an ideological or moral critique of the status quo; inspired by the aura of 'scientific socialism', they invariably sought to project an image of scientific purity. In a mission statement highly reminiscent of the *Science-Reconstruction* (ΕΠΑΝ) declarations of the 1940s, the inaugural issue of the *Contemporary Affairs* (1962) would explain how the journal emphasised:

the scientific treatment of the problems faced by the Greek society [...] The journal professes no ready-made, self-evident truth. It seeks it, for the sake of our country's rebirth. To that end, it calls upon scientists and intellectuals to aid its effort, and help raise the creativity of Greek Science.

A poor theoretical
record

Such noble intentions aside, the level of scholarship, clarity and theoretical merit attained by communist scientists in the fifties and sixties was decidedly poor⁴⁶. For all their appeals to 'pure science', most authors relied heavily on axiomatic assertions of allegedly self-evident truths. The majority of contemporary economic tracts had an almost patristic structure, in that they strung together bold pronouncements with lengthy quotes from Marx, Lenin and Stalin. In fact, along with some party pamphlets, these three authors probably exhausted the limits of most Greek analysts' scholarly knowledge. As one of the historical figures of the Greek Left would later recall:

The Stalinist view did not want you educated beyond those oversimplifications with which the CPSU was feeding communists everywhere; later, this ended up meaning that if you'd read,

⁴⁵ Already since *Antéas's* second period, it was becoming apparent that the discourse would shift from technical to financial viability, and that increasing attention would have to be paid to aid, labour impoverishment and domestic demand. Later still, development planning and the EEC accession would have to be incorporated into the left-wing discourse.

⁴⁶ The next few paragraphs are written with the communist *economic* analyses in mind; even so, many of the observations made can easily be extended to other fields of contemporary Marxist scholarship.

let's say, Stalin's *Dialectical Materialism*, you were thought in possession of all the wealth of Marxism. There was no systematic cultivation, and the Greek movement was instilled with an attitude hostile to theorising and intellectuals. (Leonidas Kyrkos to Μαυροειδής 1999: 394)

Things would not improve much after 1956, even though the overhaul in party leadership coincided with – and facilitated – the turnover in economic personnel (cf. [chapter 3](#)). Younger scholars such as Farakos, Samaras, Babanasis and Malios *did* raise the quality of economic argument and demonstrated a deeper familiarity with economic theory. They too, however, were constrained by party's lingering dogmatism. What is more, valid and judicious criticism was usually drowned in a language so polemical and propagandist, that it tested the patience of even the most sympathetic reader.

Shallow empiricism, false generalisations, shifting principles of explanation

In their quest for scientific objectivity, communist authors made use of an impressive array of empirical evidence. In fact, the average left-wing tract contained much more data than its mainstream counterpart, especially on such awkward issues as taxation, military outlays, poverty etc. Admittedly, most of this information was used in a piecemeal and arbitrary fashion, which ironed out possible inconsistencies⁴⁷. Description prevailed over analysis and there was little consistency in the principles of explanation invoked: uncomfortable economic facts were subordinated to political factors and vice versa. Individual examples, if suitable, were elevated into general principles; conversely, awkward phenomena were re-interpreted as mutations of the perennial forces of historical materialism⁴⁸. The Marxist-Leninist theory of underdevelopment was thus almost impossible to falsify.

Voluntarism and the 'doctrine of the Soviet experience'

Most of these faults inevitably spilled over to the realm of policy prescription. The country's 'economic liberation' offered a revolutionary starting point, so a certain disregard for the constraints imposed by the *status quo ante* was to be expected. Yet the degree of voluntarism found in most economic texts far outstripped any reasonable projections. As with the 'people's democracy' in the 1940s, the details of 'national economic policy' were rarely spelt out in detail – though they certainly involved a battery of ambitious reforms on virtually every aspect of economic policy⁴⁹. To confirm the measures' efficacy, authors would simply invoke the stellar example of the Soviet Union or one of its satellites. The Soviet flavour in Greek Marxism was hard to overlook: the *New World* regularly published CPSU programs and speeches, as well as articles written by foreign party leaders loyal to Moscow (e.g. Torez and Togliatti). In further testimony to the ideological insulation of the Left's intelligentsia, there appeared to be little or no influence from Neo-Marxist corners or the Latin American cepalinos, despite their obvious intellectual affinity with the Greek Left's thesis.

Dogmatism, subordination to strategic exigencies and

The party's dependency on the CPSU, combined with the poverty of indigenous intellectual production, led to extensive theoretical imports (Μαυροειδής 1999: 566-8). Once tailored to Greek circumstances, some of these worked well, whilst others produced rather embarrassing results⁵⁰. Dogmatism and the rigorous enforcement of

⁴⁷ This is not to suggest that mainstream economics did not suffer from similar ailments, albeit to a lesser degree. In this context, we should mention the Left's standing campaign against *bourgeois* national accounting methods, which were deemed fraudulent and theoretically flawed (see, for instance, Ηλιού 1960; Φαρόκος 1965c; Πανασιούπου 1966).

⁴⁸ See Jessop (1982: 74) for a similar criticism, as applied to the use of stamocap theory to 'explain away' the rise of state intervention.

⁴⁹ Compare the reformist élan found in Μνότσης (1977 [1947]: 198-201) with that in Σολόμος (1960: 92-6).

⁵⁰ Contrast, for instance, the discussion of labour impoverishment with that of Greece's generalised crisis in the early 1950s. Both sprung from Stalinist orthodoxy and the 1949 diagnosis of Greece's 'revolutionary crisis'. The first one highlighted several important

theoretical party discipline further hindered theoretical innovations and creativity. The subordination of theory to the requirements of the prevailing revolutionary strategy, meant that theorists also had to follow the occasional zigzags of the party line. Since these were often justified in political terms, economics was somewhat protected from these shifts – but never entirely so⁵¹. Similarly, though free from the inhibitions of the mainstream, left-wing theorists had their own taboos to worry about. A more careful reading of the literature in the 1960s, for instance, reveals a mounting awareness of the complexity of investment priority decisions and the trade off between heavy industrialisation and employment creation (Χρυσολουρίδης 1964; Ζαχαρέας 1965). In the face of substantial unemployment and emigration, several authors expressed their approval of small-scale and labour-intensive investments, a position they went at pains to reconcile with the overarching objective of heavy industrialisation⁵².

Macro-structures, In line with the trend set in the 1940s, communist theory focused on large social engineering structures and sharp divides. Classes were bundled together and their behaviour was and technocracy analysed in a mechanical, deterministic fashion. Individual values and the details of – how different social or economic organisation were rarely given much thought. For all their professed political acumen, communists often relied on bipolar schemata (monopolistic plutocracy vs. patriotic forces) and produced superficial analyses based on economic incentives alone. There was only room for one critical political watershed in their narrative, and that was the seizure of power by anti-imperialist forces. Once this was attained, the economy would follow a pre-ordained path toward industry and mechanisation, thus freeing itself from agrarianism and imperialist exploitation. In an eerie parallel to the mainstream, development was thus projected as an a-political and technocratic process – albeit one starting with a radical fissure with the present and converging toward the ‘Soviet experience’, rather than the ‘democratic West’. For all its clash with modernisation, the Left’s vision of development shared many of the mainstream’s core precepts: the end-goal of material prosperity and industrialism, the primacy of capital accumulation, the celebration of technology and mechanisation, confidence in some measure of (benevolent) social engineering and a disregard for less tangible aspects of development, such as values, inter-personal relations, environmental sustainability etc.

A note on causes Several of the shortcomings discussed in previous paragraphs mirrored the KKE’s dependence on ‘brethren parties’ (particularly the CPSU). Of course, this would not have had such an impact on the quality and nature of economic theorising, were it not for the additional subordination of Greek economists to the party mechanism, which controlled most publication outlets, employment opportunities and sources of funding. These instruments could – and were – used by the party leadership to police the narrow boundaries of accepted intellectual discourse. Last but not least, one ought

themes that were relevant to Greek development (poverty, inequality, the condition of the working classes). On the other hand, attempts to prove Greece’s stagnation and ever crisis – at a time when *bourgeois* growth rates were 7.8% per annum – led to embarrassing theoretical positions – see for instance the analyses in terms of both “overproduction” and “underconsumption” in Ψηλορείτης (1952) and Γ.Π. (1953a).

⁵¹ To take one example, see the theoretical pirouettes that Μπουρόμης (1956a) was forced to make in order to justify the abandonment of the strategy of ‘socialist revolution’.

⁵² Μπρονάσης (1966a) is a case in point: in the interest of employment creation, the author prioritises labour-intensive investments and even questions the wisdom of building large-scale mining and metal industries in Greece – see also Φωφόρος (1965d: 47-8).

The Left's role
in shaping the
Greek develop-
ment discourse

to bear the historical context of these exchanges in mind: the hostility, persecution, and forced exile with which communist intellectuals were faced. These undermined the quality of theoretical work, but also transformed intransigence to a test of faith, a testimony to the martyrdom of true revolutionaries (cf. [chapter 3, section II](#)). Moderation and scholarly etiquette were luxuries many of these people were unable to afford.

Nevertheless, the Left's impact on Greece's development discourse was substantial. Though never officially acknowledged as legitimate participants in this discussion, communists exerted considerable influence, not least through their criticism of mainstream economic theory and practice, which helped solidify some of the post-war theoretical taboos. We've already seen how left-wing economists had an intellectual head start over their *bourgeois* colleagues, and thus played a catalytic role in shaping the intellectual agenda of Greece's reconstruction in the 1940s. Whilst their influence certainly receded in the immediate aftermath of the civil-war, their subsequent comeback through the ΕΔΑ affirmed the continued relevance of their message. The last chapter in fact, explained how the 1958 electoral results helped bring about some of the changes in mainstream theoretical outlook and conservative policy-making.

On the other hand, one cannot help observing how the Left's recalcitrance and 'theoretical stasis' in the 1950s and 1960s, cost it what little agenda-setting power the years of persecution and exile had left it in the intellectual discourse. Whilst critical in shaping the economic debate in the 1940s, by the 1960s, communist economists were increasingly called upon to *follow* developments in the mainstream discourse. Most novel theoretical contributions in the 1960s would come from mainstream economists, especially those affiliated with the Centre and professionally linked to CPER. On a series of issues, ranging from regional planning, income redistribution as a stimulus to demand, or the debate on surplus labour etc., communist authors had become theoretical late-comers⁵³. Admittedly, this was to a large extent a consequence of their persecution and defeat; but one can't help wondering how different the economic discourse might have been if the communist Left had not been shackled by its own party's intransigence, and the concomitant intellectual sclerosis.

⁵³ Regional planning for development is first discussed in Παπαζάχος (1964). Though present in Batsis's work, redistribution as a means of stimulating demand first reappears extensively in Καραγός [=Καραγιωργός] (1965). For a glimpse at the Left-wing reaction to the Papelasis -Yotopoulos argument on surplus labour, see Σολάρος (1966: 48), Μπουρνάνδης (1966b; 1966a) and Πανισαΐδης (1966). It is no accident that most of these articles are published in the *Contemporary Affairs*, rather than the *New World* (i.e. in the journal linked to those intellectuals living in Greece).

III. Beyond the communist Left: Greek socialists after 1947

Flectere si nequeo superos, Acheronta movebo.

Virgil, *The Aeneid*, Book VII, line 312

[If I cannot bend heaven, I shall move hell!]

Stuck between
a rock and hard
place

Caught between the communist Left and the 'patriotic' Right, socialist intellectuals after the civil war found themselves in limbo. For the better part of the 1950s, they were shunned by the communists for their 'revisionism' and penalised by the Right for their left-wing sympathies. Some moved abroad, whilst those left behind were resigned to finding employment *outside* state-controlled professional constituencies. Nonetheless, the late fifties and early sixties witnessed the gradual rehabilitation of the socialist Left, and many of the erstwhile pariahs were reintegrated into the mainstream professional and political scene. In the aftermath of the civil war, several socialist societies and political groups emerged, but none succeeded in attracting mass following or carving out a viable ideological niche between the communist Left and the Centre. In the course of the 1960s, many of the ΣΚ-ΕΑΔ members would be pulled into the gravitational fields of either the ΕΔΑ or the Centre Union. Independent political groupings – such as the *Socialist Democratic Union* (ΣΔΕ) – never took off, and several prominent socialists "drifted awkwardly in the margin of the domestic political arena" (Νούτσος 1994c: 103), before eventually retiring.

Intellectual pro-
duction, and the
two main strands
of socialist
thought

The divergent trajectories of Greek socialists in the post-1948 period were also reflected in their theoretical output. Being an open and heterogeneous community, 'progressive intellectuals' – as they were more likely to call themselves – defied simple classification. Nevertheless, one could still venture a distinction between two main theoretical strands: a more radical one, which remained closer to orthodox Marxism and was critical of European social democracy; and its more revisionist alternative, whose champions were increasingly willing to embrace some form of 'welfare capitalism'. Needless to say, this latter group was more likely to flirt with the *Centre Union*, whilst the former stance was characteristic of non-aligned or ΕΔΑ-oriented intellectuals.

Intellectual production in economics remained principally concentrated amongst a handful of individuals, most of whom were also regular contributors to the *New Economy*. The journal offered its pages to authors from a broad band of the ideological spectrum, and became one of the principal vehicles of 'progressive' discourse. This section cannot aspire to survey the entire range of socialist texts, nor will it attempt to summarise the contents of the *New Economy* journal⁵⁴. Instead, we shall return to two important socialist theorists who wrote extensively on economic development, and are in some sense representative of the aforementioned intellectual strands: Achilleas Grigoroyannis and Angelos Angelopoulos.

⁵⁴ See Ίωαννίδης et al. (1994) for a valiant attempt to condense 20 years of *New Economy* history into a 25-page paper. An understandable, but important, drawback of this effort is that it downplays the heterogeneity of the contributions to the journal. What is more, by using the journal's editorials as their primary source, the authors are effectively reproducing Angelopoulos's own views, which should not be taken as representative of the *New Economy* in toto.

Grigoroyannis and the 'third way'

Profile and career after 1948 After the civil war, Grigoroyannis worked as a journalist in several centrist and left-wing newspapers and journals. His politics kept him outside mainstream professional constituencies, and he never returned to academia. He did, however, enjoy considerable respect amongst progressive economists, and was occasionally invited to address the GSES. Disenchanted with both communism and European social-democracy, the post-1948 Grigoroyannis was a typical example of what one scholar has aptly described as Greek 'socialists without a party' (Νούτσος 1994c: 102). Over the years, he kept his distance from both the EDA and the Centre Union, before dropping out of the political scene altogether⁵⁵. In terms of his economics, Grigoroyannis remained both iconoclastic and meticulous in his theoretical work, though his interests gradually pushed him toward history and sociology. A regular contributor to the *New Economy*, he occasionally published in the *Review* and the *Archive* as well. His publications were scarce, and most of what follows draws on his *Greek Economic Development*. Written in 1959, this was to be the first of part of a two-volume treatise on Greek development, but the second volume was never written.

Development and Grigoroyannis's 'third way' Grigoroyannis's definition of underdevelopment in terms of low income, capital shortages, agrarianism and technological backwardness was highly reminiscent of the modernist ideal, as was his virtual identification of development with industrialisation (1959a: 11ff). Nevertheless, whilst he continued to acknowledge capitalism as a progressive historical force, Grigoroyannis denied the existence of "a steady, symmetrical march of all countries forward" and argued that the West's experience with the industrial revolution was "neither historically, nor geographically replicable", since "it depended on the underdeveloped state of the rest of the world, and its subsequent colonisation" (p. 15, 19). Alongside this explicit rejection of linearity and universalism, came at least three distinct surplus transfer mechanisms: unequal exchange, capital flows and (semi-)colonial subjugation (*ibid.*). As a result:

Today, underdeveloped nations are forced to make a major leap forward, in order at least to lessen their historical handicap. Such a leap is only realisable if economic development becomes programmed and orchestrated by the State. (p. 20)

Planning and state intervention thus remained key to Grigoroyannis's vision of socialist development. To that end, social-democratic revisionism and Keynesianism were deemed insufficient (p. 20). The Soviet Union, for its part, had succeeded in marshalling the necessary resources, but only at the cost of establishing a political dictatorship.

A third type of development thus emerges, by comparison, one which – when adjusted appropriately – conforms to the historical conditions prevalent in most contemporary backward countries lying outside the Sino-Russian system. This type calls for the implementation of programmed development, along with the maintenance of political and economic democracy. (p. 22)

Grigoroyannis's third way and Yugoslavian Socialism This was Grigoroyannis's 'third way', an attempt to break out of the uncomfortable impasse faced by many contemporary socialists, who had become equally disenchanted with European social-democracy and Soviet 'dictatorial collectivism' (p. 10). In the early 1950s, many of them had sought comfort in the rise of Mao and – much

⁵⁵ Νούτσος (1994c: 469) last associates him with an agrarian-socialist movement that participates in the 1958 elections under the banner of a "Progressive Agrarian Democratic Union" (ΠΑΔΕ).

more so in the case of Grigoroyannis – Tito. In 1952, Grigoroyannis had published a lengthy monograph on *Yugoslavian Socialism*, wherein he expressed his hope that Tito's break with Stalin might mark a promising, new beginning for the socialist movement⁵⁶. Through its inevitable turn westwards, Yugoslavia was expected to help European socialists shake off the adverse influence of revisionism, "which critically impeded the march of the masses toward socialism"⁵⁷. Alas, Grigoroyannis was not vindicated in any of these predictions. The 1950s marked a series of electoral defeats for all major European socialist parties (Sassoon 1996: 189-90); round the same time, Grigoroyannis had become equally disappointed in the Chinese and Yugoslavian experiments. Perhaps there is no need to look any further for an explanation of his gradual withdrawal from the political and intellectual scene in the course of the 1960s.

Greek morphology and pathology

Grigoroyannis's post-civil war diagnosis of the Greek economic malaise did not drift too far from his earlier work. Mapping the 'Pathology and Morphology of Greek Underdevelopment' in a 1958 address to the GSES, he reiterated several of the key points he had first expounded in the *Economic Program of Greek Socialism*. Greece's long 19th century was principally analysed in terms of the country's membership in the agrarian periphery and the detrimental consequences of its irredentist aspirations (1959a: 25). After 1922, Greece had maintained its broadly agrarian character, whilst simultaneously witnessing the premature and parasitical expansion of its urban, bourgeois economic sector (p.32ff). Structural realignments were minimal, and few resources were channelled into productive investments – not least due to the familiar mechanisms of conspicuous consumption, gold hoarding and speculation.

Parasitism and the conflict between city and countryside

The concept of 'parasitism', which subsumed various aspects of the country's warped economic evolution, became integral to Grigoroyannis's analysis. Amongst other things, it lay at the heart of the "contradictory relationship between the city and the countryside" (1959a: 38ff), one of his book's most innovative sections, which bore the signs of its author's earlier exposure to the German classics of imperialism. Agriculture was key in fuelling capital accumulation and absorbing the industrial surplus product. By extension, industrial growth could only take place as long as the capitalist sector had access to an agrarian hinterland. And this is where the contradiction lay: in the process of exploiting and destroying the primary sector, industrialisation inevitably sawed off the branch on which it was sitting. To make things worse, Greece was sitting on the wrong branch altogether, since it had been channelling its agricultural surplus to urban parasitism rather than productive investments. The result was lack of genuine industrialisation, persistent underemployment, as well as regional and sectoral inequalities. The prognosis was even more sinister:

The longer the urban economy drains the countryside, the more it deprives itself of its own natural foundation, on which it could base its productive development. (1959a: 43)

⁵⁶ At the same time, however, Grigoroyannis rejected the notion that the Yugoslavian experiment should be replicated elsewhere. This was particularly true of Greece, where "given the damages inflicted by the extremism of KKE leadership on the Greek Left, and the new national and international circumstances that have emerged since then, the regrouping and development of Greek popular forces can only take place within a socialist democratic framework" (1952b: 4); see also (1952a).

⁵⁷ See Γρηγορογιάννης (1952b: 210). At the time, Grigoroyannis was influenced by Aneurin (Nye) Bevan's *In Place of Fear*, arguably one of the most influential socialist books of the time in Britain. The rise of left-wing Bevanites within the British Labour Party and hopes for an upcoming electoral victory led him to observe that "the case of the English Left is particularly important" in the gradual forging of a new socialist orientation (1952b: 213).

Grigoroyannis's analysis of the relationship between agriculture and industry postulated that extended reproduction was impossible within a closed capitalist system, i.e. one that did not have recourse to a pre-capitalist hinterland. This contention – dating back to such classics as Luxembourg's *Accumulation of Capital* – is quite problematic, inasmuch as it rules out the possibility that the members of the urban bourgeoisie could serve as each other's customers (cf. Howard and King 1989: 112ff). Yet inasmuch as it raised the *possibility*, rather than the *necessity* of a systemic bottleneck due to the underdevelopment of Greece's periphery, Grigoroyannis's thesis on the conflict between rural and urban areas was not without merit.

Parasitism thus dominated every aspect of bourgeois economic activity. It was mirrored in the aggrandisement of commercial and credit operations, the inefficiency of the Greek tariff structure, the existence of manifold monopolistic privileges and concessions, administrative corruption and widespread nepotism. Grigoroyannis's candour on all these issues was admirable, and yet devoid of anathematic overtones and false generalisations. His analysis of Greece's capital market was equally penetrating, inasmuch as it attributed shortages to systemic fragmentation, corruption and the preferential treatment of a handful of privileged recipients (p. 47-8).

From diagnosis to
cure: eliminating
parasitism

In the aftermath of the civil war, Grigoroyannis abandoned his references to the mixed economy and socialist transition; instead, he defined the task at hand as one of completing Greece's bourgeois transformation (1959a: 58). His policy prescriptions were moderated accordingly: the prevalence of *bourgeois* commercial relations was taken for granted, but the ambit of state intervention and planning *within* capitalism had to be extended, since "the automatic operation of the economy under the laws of the market will only perpetuate underdevelopment" (1959b: 285). Though clearly in favour of some form of development planning, Grigoroyannis was particularly interested in seeing Greece's *existing* regulatory apparatus streamlined. In fact, the *reduction* of state interference was a necessary prerequisite to any attempt at planning (1959b). More generally, completing Greece's bourgeois transformation meant eliminating parasitism, and it is here that the reader of Grigoroyannis's work will encounter such policy proposals as the reduction in interest rates, the channelling of credit resources to favour mergers and acquisitions (especially in trade and manufacturing), the strengthening of competition in goods and capital markets, the radical review of the country's tariff schedule, etc. (1959a: 59-61).

The iconoclastic
Grigoroyannis

Whilst clear on the need for backward countries to industrialise in order to develop and absorb surplus labour⁵⁸, Grigoroyannis was particularly concerned with agricultural improvements and remained sceptical of heavy industry. Short-term yields, multiplier effects and labour intensity were listed as the appropriate criteria for choosing investments, and priority was thus given to agriculture and consumer manufacturing (p. 55, 66). What is more, his views on the importance of the agrarian hinterland to industrial expansion led him to the iconoclastic conclusion that:

⁵⁸ Grigoroyannis estimated un- and underemployment in Greece around 30% and argued that this was not treatable through Keynesian demand management, but only through a structural shift toward greater industrialisation (p. 57).

In Greece, agricultural development should have a head start over industrialisation. This doesn't mean that it should only start after agriculture has reached a high point, but that within the framework of a parallel and simultaneous process, agricultural development must – in the first period – be infinitely broader than industrialisation. (p. 71)

What is more, Grigoroyannis was also one of the first authors to emphasise the role of tourism in promoting growth (pp. 67-8), at a time when this was still considered a rather unreliable and ignoble path to development⁵⁹. Last but not least, much in line with other orthodox Marxists, Grigoroyannis retained his dual perception of the role of capitalism in backward nations. On the one hand, he rejected the linearity of development and spoke openly of surplus extraction and colonialism – something Angelopoulos, for instance, would never do. On the other hand, he had no trouble acknowledging, or even encouraging, capitalism's transformative effect on backward economic and social structures. After all, this was an author who hoped that the association with the EEC would inject western values into the local population, and thus help expunge traditional attitudes toward work and society (see his 1959b: 300)!

Angelopoulos: democratic planning and Keynesianism

Outline of An-

gelopoulos's work
after 1948

Throughout his self-imposed exile in Geneva, Angelopoulos continued to monitor developments in Greece and participate in economic debates, through his contributions to the *New Economy* and the centrist daily *To Vima*. Upon his return in 1957, he resumed the editorship of the *New Economy*, which he kept in circulation till 1967, thus contributing to the maintenance of a lively and open forum of left-wing intellectual exchange. In 1958, he also founded the *Greek Society for Planning* (GSP), a small society devoted to economic programming. Angelopoulos probably hoped to use the GSP as a springboard to a more active role in contemporary policy-making, but the society's role remained peripheral⁶⁰. Nevertheless, its *General Guidelines for Greece's First 10-Year Economic Program* – published in 1959 – was an important document, which summarised Angelopoulos's key beliefs on Greek industrialisation and development. Re-integrated into academia in 1961, Angelopoulos would soon become a regular speaker at seminars and conferences. Though politically non-committal, he made no secret of his disagreement with EPE policies, or his subsequent support for Papan-dreu's centrist administration⁶¹. It was this ideological affinity with the Centre, along with his ambition to take active part in economic research and programming, which largely explain his support of CPER's activities in the 1960s⁶².

Planisme et

Progrès Social:

In 1953, Angelopoulos published *Planisme et Progrès Social*, a lengthy monograph devoted to economic policy-making in advanced and developing nations. Though

⁵⁹ Despite being acknowledged as an important economic activity, Greek tourism was considered a second-tier, 'soft' industry until well into the 1980s. Ironically enough, nowadays it is frequently referred to as Greece's 'heavy industry'.

⁶⁰ The GSP brought together members of the old guard like Chrysos Evelpidis with younger left-leaning scholars such as Vassilis Filias, Dionysis Karagiorgas etc. The society's scientific credentials were no match for those of CPER, which would eventually be entrusted with the drafting of development plans. In the course of the 1960s, the society organised a series of public discussions (ΕΕΠ 1966) and arranged for the translation of several major development books into Greek.

⁶¹ Karamanlis's administrations were accused for relying too much on private initiative and too little on comprehensive planning (1957 [1974]-a: 342; 1962 [1974]: 514); as a result, Greece's development lagged behind that of its neighbours and remained 'static' (1959 [1974]-b: 581; 1962 [1974]: 508). For a text indicative of his attitude toward the Centre Union, see Αγγελόπουλος (1964 [1974]-b).

⁶² Early in CPER's life, Angelopoulos had approached its administration with the desire to write one of the Centre's research monographs, devoted to public finance. It is much to his credit that – despite having been rebuffed at the time – Angelopoulos remained one of the Centre's most ardent supporters and advisors (interview with Adamantios Pepelasis 21.09.2005 - cf. Πανελάσης 1996: 130-1).

Democratic planning and the third way aimed at an international audience⁶³, *Planisme* was the post-civil war equivalent to Angelopoulos's *Socialism*, inasmuch as it encapsulated the essence of his economic philosophy. As explained in its preface, the book was devoted to the principles behind the economic and social policy of the welfare state and 'democratic planning' (*planification démocratique*) (1953: 9). Placed between Soviet centralisation and the more liberal policy frameworks of such countries as the US and the Netherlands⁶⁴, this was Angelopoulos's version of the third way. Democratic planning struck a balance between individual freedom, democracy and the advantages of state supervision. What is more, it seemed to hold the key to peaceful coexistence between the two rival blocs – if not also their eventual convergence (p. 72ff)! As Angelopoulos would later explain:

Only a Welfare State policy can create the conditions necessary for a "peaceful coexistence" of today's rival systems. As I demonstrate in my book, their convergence can be attained, on the one hand through the "socialisation" of capitalism, and on the other through the "democratisation of communism. (1954 [1974]: 552-3)

Freedom of choice and democracy thus remained fundamental to Angelopoulos's economic edifice. As late as 1965, the GSP held public discussions on the compatibility of planning with individual liberty and democratic values⁶⁵.

State intervention, planning and tripartite division of the economy between public enterprises, large-scale concerns under strict state control, and the multitude of small and medium enterprises, which were only subject to general guidelines. In this framework, the state was expected to expand the ambit of its activities and engage in economic planning. Such planning would be all the more necessary and comprehensive in backward countries like Greece (1953: 190), where it would entail:

Strict implementation of deliberate policy, aimed at accelerating the rate of economic development, by undertaking large and steadily increasing investments, primarily in the public sector. In other words, especially in underdeveloped countries, the State must become the principal agent responsible for utilising unexploited resources, whose industrial use constitutes the basic prerequisite for further economic development (1959 [1974]-b: 583)

The state was thus expected to compensate for the private sector's reluctance or inability to undertake investments, particularly in basic industries⁶⁶. At the same time, it was responsible for redistributing income and providing welfare services. By extension, the GSP's *General Guidelines*, contained several magnanimous promises for better health care, education, housing and social insurance in Greece (ΕΕΠ 1959: 468-70).

Full employment; Angelopoulos's economic policy (1953: 142). His references to the role of the state in correcting market failures and maintaining employment revealed a strong Keynesian strand in his thought – albeit one based chiefly on second-hand sources such as Harris's (1947) *New Economics* and the UN (1949) report on *Measures for Full Employment*. Angelopoulos frequently rehearsed core Keynesian arguments, such as the use of fiscal

⁶³ The book was written in French and translated into Spanish and Italian. During his stay in Geneva, Angelopoulos also published another two books in French (1949; 1956).

⁶⁴ Angelopoulos described planning in these countries as 'liberal' (*planification libérale*) and deemed it inadequate (1953: 110-3). Norway and the UK were singled out as the closest examples of actual democratic planning, though neither country had yet implemented it in full (p. 115).

⁶⁵ See ΕΕΠ (1966). In purely theoretical terms, the work of Evan Durbin, Enrico Barone, Edgar Milhaud, Harlod Laski, and others is frequently cited by Angelopoulos in testimony to the feasibility of market socialism (1953: 123; 1954 [1974]: 538).

⁶⁶ Similar arguments can be found in Αγγελόπουλος (1960 [1974]-a: 493; 1962 [1974]: 514). The General Guidelines thus called for creating a specialised development agency to finance the establishment of public or 'mixed' enterprises (ΕΕΠ 1959: 461; - see also Αγγελόπουλος 1959 [1974]-a: 360).

policy for demand management, the socialisation of investment, the importance of re-distribution as a means of stimulating demand, the multiplier-accelerator interaction etc⁶⁷. Conventional as they may have been, these references make Angelopoulos one of the most Keynesian authors to participate in the Greek development discourse of the fifties and sixties. In fact, some of his more liberal reviewers accused him of being a thoroughbred Keynesian, prone to overspending and inflationary finance. In his reply, Angelopoulos reiterated his commitment to price stability – which would not be threatened by productive, well planned expenditures – but also explained the limits of his Keynesianism: Keynes, after all, had been no socialist ...

He did not accept the nationalisation of large means of production, nor the modern, programmed economy. His contribution consists in the fact that – without being a socialist – he expounded theories that inevitably lead to socialism. I'd like to think that if Keynes were alive today, he would favour stricter economic coordination and he would have accepted the principle of nationalisation. (1954 [1974]: 548)

Nationalisations
and their role in
Angelopoulos's
post-1948 argu-
ment

Nationalisations – a cornerstone of the 1944 *Socialism* – thus continued to play an important role in *Planisme*. Their benefits included productivity gains, redistribution, monopoly regulation and the growth of public revenues (1953: 124-33). Above all, nationalisations expanded the ambit of state activity and made economic planning more comprehensive. Crucially, however, this is one of the issues where Angelopoulos would become increasingly reticent in the course of the 1960s. By 1966, nationalisations were no longer key to his vision of development; in fact:

nationalisations are essentially a political issue. I don't think they are what stands in the way of development. (Αγγελόπουλος 1966 [1974]-a: 658)

At the same time, Angelopoulos and the *New Economy* would become increasingly congenial toward private initiative and the encouragement of private sector activities (see also Ιωαννίδης, *et al.* 1994: 345).

Conceptualising
development:
industrial viability
and capital accu-
mulation

Throughout the 1950s and 1960s, Angelopoulos's concept of development remained largely conventional. It combined an emphasis on material prosperity, industrialisation and technological advancement, with a strong confidence in the virtues of planning and intervention. Occasional attempts to address the immaterial aspects of human progress notwithstanding (1965 [1974]-c: 601), development was mostly seen as synonymous to mechanisation and industrialisation. This theme was to dominate Angelopoulos's recipes for Greek development:

The decennial economic development program must be chiefly emphasise the country's rapid industrialisation [...] In all countries, the notion of economic progress is linked to the establishment of an advanced and constantly expanding industry. (ΕΕΠ 1959: 458)

In parallel to the communist Left, Angelopoulos prioritised the establishment of heavy industry and a sizeable energy sector⁶⁸. Accordingly, the *General Guidelines* associated future prosperity with the rate of capital accumulation:

The rate of economic development depends on, and is determined by, the volume and distribution of investments. This constitutes one of the fundamental principles on which the policy of the economic programming rests. (ΕΕΠ 1959: 471)

⁶⁷ The relevant passages in *Planisme* are mostly found in pp. 90-103 and 119-121; cf. Angelopoulos's views on the need for an annual 'economic budget', linked to a long-term program. Similar discussions specific to Greek development can be found in Αγγελόπουλος (1953 [1974]: 299-310; 1957 [1974]-a: 333). The last article also invites the Karamanlis government to offer a substantial wage increase to expand domestic aggregate demand.

⁶⁸ In this context, he was particularly impressed by the possibilities offered by the use of atomic energy – see Αγγελόπουλος (1956 [1974]) for the general argument, and ΕΕΠ (1959: 462) for a discussion of Greek electrification in particular.

Angelopoulos would thus often call for a doubling, or trebling of gross fixed capital formation as a percentage of GDP (1953 [1974]: 310; 1956 [1974]; 1959 [1974]-b: 594) and criticise the undertaking of 'unproductive' investments in Greece (1965 [1974]-c: 603). Needless to say, his confidence in the country's industrial viability remained strong (1953 [1974]: 311ff; 1957 [1974]-a: 327-8).

Industrial viability and industrialisation Contrary to the communist Left, however, Angelopoulos's rationale for industrialisation was not couched in terms of extirpating imperialist ties. Instead, his analysis merely emphasised employment, forward linkages and multiplier effects, the utilisation of mineral resources and the emancipation of economic activity from the whims of the weather⁶⁹. In line with mainstream analysis, surplus labour was a key attribute of underdevelopment (1953: 187) and Greek agriculture was no exception – at least until several years of emigration depleted its labour reserves⁷⁰. The absorption of surplus labour was thus expected to play a key role in the choice of investment priorities (1959 [1974]-b: 589ff). Angelopoulos was probably conscious of the potential conflict between employment creation and heavy industry, but he treated the subject with characteristic vagueness. The same applied to the relative priority of agriculture vs. industry; true to the *cliché* that wanted economists reluctant to exhibit an outright bias against agriculture, Angelopoulos spoke of 'balanced growth' and called for a trebling of investments in agriculture⁷¹. Nevertheless, his concern for agrarian expansion was much more circumscribed than that of Grigoroyannis.

Financing capital accumulation In terms of financial viability, the later writings of Angelopoulos held few surprises. Domestic resources were expected to bear the brunt of capital accumulation, especially as hopes for substantial war reparations dwindled (ΕΕΠ 1959: 473). Unproductive – particularly military – outlays had to be curtailed, and domestic resources mobilised. From the battle against tax evasion and conspicuous consumption, to income redistribution and the provision of investment incentives to private enterprises, there was no limit to Angelopoulos's reformist zeal (ΕΕΠ 1959: 471-7). Careful use of monetary and credit policy, along with various financial and regulatory innovations, could further improve the operation of the capital market and finance small and medium-sized enterprises⁷². The extent to which even a subset of these proposals could be realistically implemented at the time, remains highly dubious.

Foreign capital and trade Armed with such confidence in inward-oriented development, Angelopoulos downplayed the significance of the external sector. Foreign capital was an important, albeit complementary source of finance, whose effects hinged on the sagacity with which government negotiated with – and made use of – international capital markets. In similar vein, neither protectionism, nor trade liberalisation were seen as *a priori*

⁶⁹ See ΕΕΠ (1959: 459). This is not to suggest that communist authors did not also appreciate the favourable operation of these mechanisms. But their emphasis was on liberating the country from imperialism, with most of the benefits cited by Angelopoulos expected to follow.

⁷⁰ As late as 1959, Angelopoulos would estimate Greece's surplus labour round ½ million (1959 [1974]-b: 591; cf. earlier estimates in 1953 [1974]: 295). The first signs of a reversal in this position – due to emigration – appear in Αγγελόπουλος (1965 [1974]-b: 576), whereas one year later, he would speak of the need to attract 350.000 workers back to Greece (1966 [1974]-b)!

⁷¹ See Angelopoulos (1953: 193), Αγγελόπουλος (1959 [1974]-b: 583) and ΕΕΠ (1959: 463). In fact, the General Guidelines contained an impressive (and probably unrealistic) battery of proposals for agricultural reform, probably due to the GSP's vice-president, Chrysos Evelpidis.

⁷² ΕΕΠ (1959: 475). Interestingly enough, Angelopoulos was one of the first authors to observe the 'savings glut' of the late fifties and thus question the primacy of capital constraint (1957 [1974]-a: 328; 1959 [1974]-b: 594; 1960 [1974]-a: 501).

beneficial to development, but had to be judged in the context of a broader economic plan. Throughout the fifties, Angelopoulos continued to champion the diversification of Greece's trade relations and the improvement of relations with the Eastern bloc – though never to the exclusion of western markets⁷³. His initial scepticism toward the EEC accession was not couched in terms of foreign subjugation or imperialism. Much like his mainstream colleagues, Angelopoulos was more concerned about the *timing* of the decision (which he thought to be premature), rather than its overall rationale (see 1959c). Here too, however, his attitude became increasingly accommodating after the signing of the 1961 agreement. By 1965, he would be arguing that the EEC could prove either a blessing or a curse; as always with this author, it all came down to sensible planning (ΕΕΠ 1966: 38-9)!

Dependency
theory?

It is in statements such as these that the difference between Angelopoulos and communist hard-liners becomes most striking. At the bottom line, Angelopoulos lacks the communist equivalent of a dependency theory proper, and this is something that becomes increasingly apparent in the post-1948 era. His notion of dependency is often descriptive, rather than analytical⁷⁴, and his discussion of *domestic* structural rigidities is equally devoid of references to specific culprits, whether in the political or economic sphere. Admittedly, Angelopoulos's temperance and judicious attitude offer a refreshing alternative to the monotonous repetition of complaints about *stamocap* and exploitation. Yet in this effort to distance himself from communist propaganda, he often becomes unduly evasive and circumspect in his criticism. In part, this mirrors a more general weakness of contemporary socialist intellectual production, at least in its more revisionist variants; reviewing the contents of the *New Economy* journal, *Ioannidis, Kalogirou and Lyberaki* are quite right in observing how:

The overlap, interconnection and causal link between the spheres of politics, social processes and economic dynamics do not follow clearly. There appears to be no hierarchy in the explanatory framework, and each element constitutes, simultaneously, both the cause and consequence of everything else. (Ιωαννίδης, *et al.* 1994: 356)

The state and
planning: a false
panacea?

As far as Angelopoulos was concerned, the chief culprit remained the lack of adequate state planning and it was on such broad terms that policy was appraised. The state was visualised as a supra-class entity, and there was no reason why the right government should not succeed in producing rapid development. Angelopoulos's confidence in the capacity of an enlightened and dispassionate leadership to overcome just about any obstacle – provided it was armed with the right plan – remained the key attribute of his analysis, as well as its principal drawback. Though hardly ignorant of need for administrative reform (1960 [1974]-c: 493), he placed no limit on his ambitions for state intervention. Discussing a proposal to encourage some workers to seek temporary employment in Swiss manufacturing, for instance, he would argue that:

This proposal hinges on a basic proviso: that Greece will show interest, develop initiative and undertake meaningful PROGRAMMING. It presupposes the existence of a specialised agency that will determine the number and type of workers that will have to move to Switzerland[...] This,

⁷³ One of his more interesting proposals in this context, concerned the direct exchange of capital imports/loans with agricultural exports (1956 [1974]: 321; 1959 [1974]-a: 362; ΕΕΠ 1959: 467) – an arrangement that was characteristic of loans given by the Eastern bloc.

⁷⁴ See, for instance, Αγγελόπουλος (1953 [1974]; 1956 [1974]), where external dependence is identified with trade deficits and foreign loans, neither of which are attributed to imperialism – cf. his analysis of Marshal aid and American attitudes toward Greek industrialisation in Αγγελόπουλος (1957 [1974]-b).

however, assumes the existence and implementation of a complete and thoroughly prepared multi-year program. (1960 [1974]-b: 497)

If such extensive PROGRAMMING was necessary to arrange for seasonal employment in Switzerland, one can only imagine the kind of administrative behemoth Angelopoulos's 'democratic planning' would require in other matters. How that was to be reconciled with the contemporary reality of administrative inefficiency and corruption, is something Angelopoulos never chooses to discuss (cf. Ιωαννίδης, *et al.* 1994: 344).

Epilogue

On the eve of the military junta, Angelopoulos seemed to have been fully reintegrated into the professional mainstream. Early in 1966, CPER had completed its 5-year development program and Angelopoulos was invited to preside over the evaluation committee. In December 1966, after eight months of deliberation, the committee submitted its report to the government, along with a list of urgent policy recommendations. Though the details of this document lie beyond the scope of this chapter, its principal finding is not hard to grasp:

Above all, the Committee, feels it is imperative to launch an attempt to revamp the Country's administration. (1966 [1974]-a: 651)

Strikingly unoriginal and painfully true, this conclusion also highlights the limitations of the Greek planning discourse. For all their common sense and lofty theoretical backing⁷⁵, Angelopoulos's appeals for development planning invariably eschewed questions of administrative feasibility and political viability. By 1967, calls for 'democratic planning' sounded increasingly hollow. Amidst a time of mounting polarisation and instability, the impediments to development planning went much further than administrative inefficiency. Within months of writing the above lines, Angelopoulos was once again on a plane to Geneva: dismissed and disappointed.

Socialist economists: a second appraisal

Socialist and

communists since
the 1940s

In the 1940s, communists and socialists had shared a development vision predicated on a radical break with existing social, political and economic relations. Capitalism was bankrupt and the future belonged to socialism, which would follow a period of transition and reform. Left-wing authors had largely overlapping visions of what this intermediate stage would entail in terms of planning, nationalisation, rapid industrialisation and income redistribution. In chapter 5, however, we also saw how the two intellectual communities were not without their differences: socialists were a more open and diverse community, and one largely insulated from the strictures imposed by the communist party line. Their intellectual affinities lay closer to the West, and their agenda was more democratic than revolutionary. By extension, both their language and their economic analysis were more nuanced, and they remained open to Keynesian and social-democratic influences.

The third way

and its prerequi-

In the aftermath of the civil war, the intellectual fissure between socialist and communists widened. Many socialists were appalled by the KKE's decision to take up

⁷⁵ Incidentally, it would be in connection with CPER's work that Angelopoulos would start using the term 'indicative planning' (see 1965 [1974]-c: 606; 1965 [1974]-a: 631; 1966 [1974]-a). His defence of programming in terms of 'reducing uncertainties' may have been consistent with his broader attitude toward planning, but it was still a far cry from his original arguments of the 1940s.

sites

arms, and blamed communists for the collapse of the EAM front. At a time when the communist Left was increasingly dependent on its brethren parties behind the iron curtain, socialists were becoming intensely critical of Soviet communism, which they saw as dictatorial and oppressive. Some of them turned to China or Yugoslavia for renewed inspiration, but they too were soon disappointed. Stuck between a rock and a hard place, socialists pleaded for a 'third way' between liberal capitalism and dictatorial collectivism. Though its details varied considerably across authors, the third way sought to combine a greater measure of centralised economic planning, with the preservation of economic and political freedoms.

*Flectere si ne-
queo superos,
Acheronta
movebo*

The third way promised economic development, conventionally defined in terms of employment creation, industrial growth and material prosperity. At the same time, the connection between the third way and socialism became increasingly tenuous. References to the people's democracy disappeared, as did calls for large-scale nationalisations. The projected end-state no longer seemed to be socialism, but some refined form of welfare capitalism. Private property and entrepreneurship were completely rehabilitated, and even the original scepticism toward the EEC was replaced with qualified support. As capitalism no longer appeared moribund, these authors were increasingly willing to work within the capitalist framework to advance such goals as universal welfare, income redistribution, industrial growth and full employment. At a time when communists were defending their party line 'all the more boldly', socialists were trying to bend the dark forces of capitalism to their advantage. Admittedly, any such statement abstracts from the diversity that was characteristic of the socialist Left. As our discuss of Grigoroyannis and Angelopoulos has already shown, progressive intellectuals were hardly a cohesive group. Nevertheless, one could still argue that socialists were much more willing to adapt to the circumstances solidifying in Greece after almost two decades of capitalist reconstruction.

The uneasy turf

Adaptation did not necessary mean absorption and many socialists continued to occupy the uneasy turf between the communist Left and the *bourgeois* Centre. Most were excluded from traditional professional constituencies, even though they were often allowed to participate in the central economic discourse – meaning that their work was occasionally presented, published and discussed in mainstream fora. Unconstrained by the professional and ideological taboos of the mainstream, however, socialists demonstrated much of the candour and panache for criticism found in communist circles, especially on such matters as public finance, military expenditures, the operation of capital markets and the concessions granted to foreign enterprises. On the other hand, the quality of their analyses was not diluted by the fierce polemics or dogmatic intransigence found in the majority of communist works. On the theoretical plane, these economists remained somewhat ambiguous toward the communist dependency thesis, not least because they continued to view capitalism as a *dual* force within the underdeveloped world, sowing not only misery and exploitation, but also modern values and modes of organisation.

The state and
democracy

Responsibility for taming capitalism's destructive forces and harnessing its dynamism, fell upon the state. Socialists treated the state as a supra-class entity, whose control they'd like to see vested in the hands of a progressive, democratically elected leadership. For all its present shortcomings, the state was also seen as an unrealistically *potent* entity – as long as it was armed with the right kind of plan. In fact, authors like Angelopoulos dismissed most instances of government failure as symptoms of too little, rather than too much planning and regulation. This made their position theoretically unassailable, as well as increasingly voluntarist. At the bottom line, much hinged on the existence of an efficient administration and a well-functioning political system. Inasmuch as Greece lacked both, the bid for a 'third way' was destined to fail.

Admittedly, economists of the socialist Left were acutely aware of the political dimensions of their endeavour – much more so in fact than some of their mainstream colleagues. For all his theoretical arguments on planning, Angelopoulos had not trouble conceding that "at the bottom line, the problem of economic development [...] is a *political* one" (1964 [1974]-a: 570). In fact, in a series of prophetic texts written in the mid-sixties, socialist authors repeatedly highlighted the dangers of political derailment and the need for to safeguard democracy. But much like their earlier warnings on the run-up to the civil war, their pleas fell on deaf ears.

Chapter 10. Conclusions

Ideas matter

Intellectual history is an inextricable part of historical exegesis. Ideas matter, and they matter in ways that are neither entirely distinguishable from material interests or institutional practices, nor entirely reducible to them. Though hardly oblivious to the significance of factors other than ideas – or ideas other than those conceived by economists – this thesis has posited a greater role for intellectual influences. Greece's post-war economic history cannot be fully understood without reference to the concomitant evolution of theories about development. Time and again, particularly during periods of crisis and uncertainty, it was a new set of *ideas* about the economy that ultimately carried the day. These offered the perceptual lens through which material conditions, interests and challenges were interpreted and addressed (cf. Blyth 2002; Sikkink 1991). The development discourse served to diagnose Greece's economic predicament and prescribe the appropriate course of action. Once established, ideas about development were used to chart out policy, mobilise popular support, discredit political opponents and establish new institutions. In this process, they gained their own momentum and narrowed down the range of future intellectual manoeuvres. This was a complex, interactive process, where feedback effects between intellectual and political, professional or institutional developments are the rule rather than the exception.

Interpreting ideas

Ideas themselves are not forged in an intellectual vacuum. They are negotiated within communities and embedded within a particular social, political and institutional framework. This was another of the principal themes explored throughout our narrative, as a host of economic and political events, institutions, theoretical heirlooms and professional rivalries, were shown to condition the form and content of Greece's post-war economics. What is more, ideas are often disseminated across space and time, and their spread is not only contingent on the attributes of the transmitter, but also those of the recipient. As a result, we emphasised the importance of foreign intellectual influences mediated by the *European Recovery Program* (ERP) or the firm ties linking the Greek communist movement to its foreign counterparts, but also highlighted the ways in which the Greek 'milieu of potential receivers' (Spengler 1970: 146; cf. Mäki 1996) determined their absorption and tailoring to domestic circumstances. Last but not least, no study of post-war development theorising can ignore the sociology and structure of the community of economists responsible for articulating the theories in question (Coats 2003). Several attributes of the development discourse, including various aspects of its inter-temporal evolution, were thus traced back to the structure of the community of Greek economists, particularly the configuration of educational characteristics and professional constituencies.

I. A tale retold

Uncertainty, despair and ideational confusion

In 1944, despair and uncertainty ruled across Europe. The initial elation of peace, was followed by widespread despondency and the rising premonition of an upcoming economic crisis, if not another war as well. The future lay shrouded in dark clouds and neither the rules of the game, nor the intentions of the world players, seemed clear. In Greece, the threat of civil war was compounded by hunger, hyperinflation and economic disarticulation. Against this dismal background, the country's intellectual and political elites were expected to chart a course for economic and social rejuvenation. Yet they lacked not only sufficient *control* over the economy, but also sufficient *understanding* of it. Conventional truths seemed dubious and uncertainty prevailed, so that no concrete ideational framework was available, through which to interpret the present, or plan the future. Many chose to remain silent and focus on the daily management of the crisis at hand. Those who *did* articulate a more general economic blueprint, harked back to familiar intellectual territory: they were conservative in their outlook, favoured rapid agricultural recovery and small-scale investments, whilst remaining sceptical of the country's industrial viability. Greece was fighting to survive – not develop.

The exceptions: engineers and the Left

Two groups differed. One, had a *professional* head start, having accumulated power in numbers and recognition during the inter-war period of reconstruction and public works. These were members of the engineering profession, who were driven by a firm conviction in the capacity of (their) science to render class and politics irrelevant to prosperity. The other, had an *ideological* head start, having been one of liberalism's principal intellectual adversaries during the inter-war years. These were members of the (Marxist) Left, which had emerged much reinforced from the war and presently found itself in control of a large portion of the Greek mainland. Their notion of engineering was predominantly *social*, driven by the prospect of radical political reform and the establishment of a people's democracy. Sometimes, of course, these aspirations met in the same mind, and many engineers belonged to the left-wing camp.

The Left's bid for development: dependency and imperialism

The Left's development vision rested on the twin pillars of dependency and viability. Batsis, Maximos and their comrades at the *Antéas* journal argued that foreign capitalist states, in alliance with domestic compradors, exploited and 'underdeveloped' the periphery. Development was predicated on the extirpation of imperialist ties, the uprooting of domestic oligarchies and the substantial expansion of the state's ambit within the economy. Inward-oriented industrialisation, with a bias toward energy and heavy industry, held the key to national economic liberation – not to mention future material prosperity. Mainstream fatalism was misplaced, since viability was not immutable, but contingent on the socioeconomic framework. Under the people's democracy, Greece would mobilise its rich natural resources and make use of its potential surplus, which was currently being squandered by the local bourgeoisie, or siphoned off by foreign monopolists. The country would thus finance large-scale investment, whilst planning and redistribution would guarantee rapid growth and avert the crises inherent in

the capitalist system. Future prosperity lay firmly in the course of large factories, higher steel tonnage and extensive economic planning.

The Left's bid for development: importance of Marxist-Leninist influences

The methodological and theoretical background was Marxian, with a strong Soviet aftertaste, though more moderate intellectuals like Angelopoulos also held similar views at the time. In fact, the significance of Soviet and Eastern European influences in shaping the Greek development discourse is suggestive of the need for a more thorough account of the role of Marxism-Leninism in the history of development. Greece may have been particularly exposed to such influences for historical reasons, but so was a considerable number of other countries as well – many of them placed at the frontlines of cold war antagonism. Unfortunately, the existing literature on the history of development economics, rarely pays any attention to these issues.

The Left's bid for development: appraisal

Between the incessant appeals to the Soviet experience, and the often awkward transfer of Comintern's typologies to the Greek scenario, there was no mistaking the Left's – often dogmatic – adherence to the Marxist-Leninist vision of development. Propaganda and voluntarism were widespread, as no economic hurdle was too high for the people's democracy – or too low for the bourgeois plutocracy. In some respects, this was justified by the very nature of the Left's development vision, which rested on a radical break with the socioeconomic *status quo*. In others, it was the inevitable by-product of political polarisation, civil enmity and mounting persecution. Still, polemical overtones and ideological obstinacy diluted the quality of the argument and drowned out many of the valid points raised by left-wing authors against contemporary economic practices.

The Left's bid for development: significance

Irrespective of its rhetorical faults or intellectual demerits, the Left's bid for development was rendered irrelevant by the course of events: within months of its liberation, the country drifted into civil war and communists were defeated. Ideological divisions deepened and left-wing intellectuals were persecuted, imprisoned, exiled – or worse. The community of economists was similarly divided, and henceforth neither side would acknowledge the other as a legitimate participant in the development discourse. Nevertheless, throughout this book we've maintained that the Left was crucial in shaping post-war Greek economics. Just as the cold war and the East-West antagonism had an enormous – if unspoken – impact on the international development literature, the trauma of the civil war left an indelible mark on the domestic intellectual scene, and gave birth to a series of theoretical focal points and taboos, which dominated the political and intellectual landscape for many years to come.

Forging a development consensus

The rise of the development consensus

Sometime in the course of 1947/8, concerns about the country's viability and economic potential were miraculously dispelled. Industrialisation was embraced as both feasible and desirable – much more so in fact than agrarian expansion. Within a few years, 'development' became a buzzword and a new consensus was forged, uniting the majority of mainstream economists under the banners of rapid growth and industrialisation. Contrary to the existing literature, we've contended that this was no

mere reaction to material circumstances, or rationalisation of political exigencies. The post-1947 shift – whilst undoubtedly imbued with a strategic/political dimension as well – entailed a fundamental shift in theoretical outlook: it was a change in ideas, not circumstances.

Foreign influence and acculturation By the late 1940s, mainstream economists in Greece came to possess the new interpretative framework they had been lacking back in 1944. This intellectual transformation, which we have referred to as the 'rise of the post-war development consensus', marked the establishment of modernisation ideology and developmentalism in post-war Greece. It was certainly influenced by the advent of the Truman and Marshall aid, which played a key role in reducing theoretical uncertainty and injecting the country's policy-making/intellectual elites with the requisite 'growth optimism'. The regular publication of economic reports, daily interaction between local and foreign officials, technical assistance programs and institutional innovations, all contributed toward the 'acculturation' of the indigenous economic personnel. The role of foreign missions in influencing not the economy *per se*, but the discourse *about* the economy has been unjustly overlooked by the existing Greek literature, despite its long-lasting significance. On an international note, Greece's story offers one of the earliest instances of post-war aid missions conditioning domestic theoretical developments. When aid was curtailed and foreign priorities shifted from reconstruction to stabilisation, many of the ideas that had gained currency in those years lingered on. Ideas, after all, are capable of transcending the circumstances in which they were originally framed and 'lock' their carriers in path-dependent, cognitive frameworks: by 1950 it was no longer 'theoretically viable' to return to any of the old notions about the economy – development and modernisation were the orders of the day.

The milieu of potential receivers: Right-Left antagonism Of course, ideas are not received passively; they are filtered out, reconciled with pre-existing theoretical schemata and ultimately absorbed in a way consistent with the 'milieu of potential receivers'. In our context, the civil strife was particularly important. This contributed to the rapid spread of developmentalism and the appropriation – whether direct or indirect – of some aspects of the left-wing argument by the mainstream. At the same time, Right-Left antagonism helped solidify the emergent consensus and lock the economic discourse into a particular trajectory: by using development and industrialisation as weapons in the civil war, both sides narrowed down the room for future intellectual manoeuvres. Thus, by 1950, it was also no longer 'politically viable' to suggest that the country was industrially non-viable.

The milieu of potential receivers: engineers Yet the overarching importance of the Right-Left divide must not blind us to other potential influences. In this context, the role of the engineering community – largely entrusted with the administration of early reconstruction and the drafting of the first recovery programs – has also been overlooked. Engineers' professional antagonism with economists within the administration may partly explain the disdain with which their contributions were subsequently treated by the latter. Nevertheless, this doesn't change the fact that they were amongst the first to champion the country's industrialisation, and embrace the modernising ideal – with a particular affinity for its

more technocratic facets. An affinity they also imparted to economists, who inherited the view of development as an a-political, value-free process.

The consensus: Over the next decade, the mainstream consensus would crystallise into a common set of axioms and prescriptions about the economy. Appropriating several elements of the international literature – increasingly in its Anglo-Saxon, rather than Continental variants – Greek economists converged toward structuralism and modernisation and capital fundamentalism. The very term ‘development’, became a shorthand for the transition from tradition – invariably seen as static, amorphous and backward – to modernity – whose economic, social and cultural superiority was taken for granted. In economic terms, industrialisation was the structural transformation *par excellence*, the best means to eliminate agricultural underemployment, raise productivity, and confer a series of beneficial effects (economic, technological, cultural) to society as a whole. Emphasis was accordingly placed on capital accumulation, and was followed by the implicit assumption that capital was the chief constraint to Greek development. Industrialisation thus hinged on the economy’s capacity to mobilise domestic savings and – to a lesser degree – attract foreign investment. More generally, *supply* (not *demand*) came to be treated as the active determinant of growth, so that Keynesian recipes were thought inappropriate for backward economies.

The consensus: Though unilinear and common to all nations, the transition to modernity was by free markets, trade and the state no means automatic: it had to be engineered and nurtured by the state – albeit within the overarching framework of a market economy. ‘Market scepticism’ – of which Keynesianism had been a key component – had alerted post-war economists to the shortcomings of unfettered liberalism. What is more, a series of problems *specific* to backward countries and development (elasticity pessimism, indivisibilities, externalities, etc.) rendered some liberal prescriptions inappropriate to countries like Greece. This attitude was partly extended to trade with advanced economies, which was seen as a potential threat to autonomous industrialisation, if not also intrinsically problematic or unfair to the lesser developed partner. Accordingly, most economists remained apprehensive toward free trade, even though the country’s stance on the matter was determined by its foreign policy commitments and balance of payments exigencies, rather than economic argument.

State, politics and technocracy Against this background, the state was expected to expedite the modernisation process, compensate for the imperfections of market capitalism and occasionally act as a surrogate entrepreneur. For all their reliance on benevolent intervention, however, economists rarely considered the specific attributes of the Greek state, or the ways in which it was embedded within the society and economy. Though fully aware of its limitations, they usually treated the country’s institutional and administrative framework as exogenous to their analysis. On a broader note, most of the political, ideological or distributional facets of development were consistently disregarded by mainstream authors, who rushed to embrace the vision of development as a technocratic, a-political process. Conveniently enough, this vision seemed to insulate them from many of the critical issues raised by their colleagues on the (communist) Left ...

The policy
framework and
policy reality

The policy framework that emerged was solidified over the next decades and bore the scars of political and economic upheaval. Internal stability became one of the principal objectives of consecutive right-wing administrations – stability, even at the cost of political oppression and deviations from democratic precepts. By analogy, the preservation of monetary and fiscal stability played a key role in economic decision-making – stability, even at the cost of a fairer distribution of the fruits of growth, or the provision of more generous social services. At the same time, development became the nation's next grand idea (*Megáli Idéa*), a means to focus public sentiment, legitimise state authority and allay popular frustration.

Several of the consensus' core principles were embedded into the post-war policy framework. Basic infrastructure, energy and capital accumulation were accorded priority status, whilst industrial growth rates became the yardstick by which policy success was measured. Reducing unemployment and emigration, or mitigating poverty and inequality were all seen as derivative – and thus subsidiary – to the process of industrialisation itself. Inasmuch as supply-side, capital shortages were considered the primary bottleneck, attention was directed toward aspects of financial viability, rather than demand. Stability was placed at the forefront: this would attract much-needed foreign investment and guarantee an adequate flow of domestic capital to the financial system. An intricate web of credit regulations and financial incentives was then expected to channel this capital to appropriate investments, whilst more direct forms of intervention were considered measures of last resort. The prevalence of financial interventionism mirrored not only the proximity of the state to banking, and the primacy of the Currency Committee within the policy-making apparatus, but also the broader political and institutional clout of the banking establishment. Admittedly, attempts were made at more comprehensive economic planning, but most of these served merely as shopping lists of projects, lofty theoretical exercises, or calculated publicity stunts; indirect or 'silent' planning through the credit mechanism remained the norm.

Regulation, over-
regulation and
the mainstream

The state's proclaimed piety toward 'entrepreneurial initiative' or the absence of comprehensive planning, should not suggest that regulation was limited; on the contrary in fact, it was widespread. Not *in spite* of its many faults, but often *because* of them, the state interfered in various aspects of economic life, often to the advantage of the select few, and their networks of patronage and political support. The strange, but functionally powerful, amalgam of overregulation and private-sector capriciousness – a sight familiar to any historian of 19th century Greece – thus continued to prevail throughout our period. For their part, mainstream economists either expressed general hopes for reform, or remained altogether silent – seemingly oblivious to the ineffectuality of advocating radical economic restructuring, without commensurable changes in the political, institutional and regulatory framework. If left-wing intellectuals were voluntarist in expecting political overhaul to solve all of the country's economic woes, many mainstream economists demonstrated a similar – if opposite – naiveté, in pretending that this could somehow occur independently of political reform ...

The community of economists Neither the content nor the resilience of the development consensus can be adequately understood without reference to the sociological and institutional configuration of the community of economists, and this was one of the key themes explored throughout this book. The overwhelming majority of economists were employed at the civil service or state-owned banks and universities, with substantial interpenetration between branches. Many were also actively involved in public affairs, which in some cases led to a seat in parliament and a career in politics. Cross-branch affiliations and political engagements blurred the boundaries between individual professional constituencies and guaranteed that a small group of key individuals were capable of influencing developments across multiple fronts – a pattern we've described as 'horizontal overlap'. Continental influences aside, the preponderance of state affiliations primarily reflected the relative paucity of the business sector vis-à-vis the nascent developmental bureaucracy, with its rising demands for economic expertise. The post-war professionalisation of economics was thus intertwined with the establishment of the development-oriented and anti-communist state. A state characterised by rigid hierarchies, which ensured a high degree of 'vertical control', and added to the public-sector's sclerosis – as seen in the slow rates of personnel turnover and reform. This was particularly true of universities, but similar mechanisms were at work in the civil service and banking, with the notable exception of the Bank of Greece, where a combination of institutional autonomy and Zolotas's personal élan contributed to a flourishing *Directorate for Economic Research* (DER).

Community structure, sociology and theoretical production In this context, horizontal overlap and vertical control reinforced the established consensus and enabled economists to police its boundaries, minimise internal discord, and repel attacks by 'outsiders' – whether alleged friends (like Varvaressos), or known foes (like Batsis). The configuration of professional constituencies was also mirrored in their thematic choices, which favoured policy-oriented work in monetary or public economics, development and planning. Moreover, economists were constrained by the sensibilities, priorities and aversions of their respective constituencies, which contributed to the emergence of collective focal points and blind spots in the economic discourse. *Inter alia*, this goes a long way toward explaining why our initial hypothesis concerning economists' political alertness was not borne out by the evidence. By eschewing such contentious facets of the development process, not least those pertaining to the political economy of the state apparatus itself, mainstream economists avoided any embarrassment to their own constituencies, or the political establishment within which these were embedded. On the contrary, the image of development as a non-contentious process, lying safely in the hands of a technocratic elite, merely served to reinforce their status within the bureaucracy.

Course corrections

Stimuli: political and economic As the turn of the decade edged nearer, several developments started to chip the coating of the established consensus. Some, such as the 1958 recession, which raised fears about the sustainability of Greece's development model, or the thawing of

East-West relations, which added to the momentum of 'growth liberalism' internationally, were largely beyond policy-makers' control. Others, were a direct outgrowth of the choices made earlier: stability had triumphed, inflation had been beaten and savings were piling up. On the other hand, the promised industrial take-off had not materialised yet and the population was growing tired of poverty, inequality and unemployment. As civil-war wounds began to heal, many turned back to the left-wing EDA and the Centre Union for an alternative approach to governance and development. In this context, 1958 was a landmark year. The Left's spectacular electoral rebound jolted the Right into action and urged the Centre toward political consolidation.

Stimuli: professional and sociological

Around the same time, a young generation of economists – most of them educated in post-war Britain and the States – started drifting into the professional arena. These were not only carriers of novel theories and methodologies; they were also unhindered by the intellectual biases imposed upon earlier scholars by their longstanding professional affiliations or civil war experiences. Our analysis suggests that a substantial realignment took place in the late fifties and sixties, when this group of 'young Turks' took the lead in terms of overall publications and research. This finding, which reverses part of the conventional wisdom on the evolution of Greek economics, cannot be explained without reference to the *Centre for Programming and Economic Research* (CPER) and its unique institutional and sociological profile. Endowed with prominent international affiliates and privileged access to the upper echelons of the administration, CPER enjoyed generous external funding and was staffed almost exclusively by young, foreign-trained economic graduates. Though embedded within the public sector, the centre maintained a degree of autonomy and uniqueness that largely accounted for its originality, as well the hostility with which its research was received by some of the older community members. It would be this same hostility, along with Andreas Papandreou's decision to embroil the centre in his political career, that largely undermined its potential for more general professional reform in the 1960s.

Course corrections

Against this background, the mainstream development discourse underwent a series of thematic and methodological changes. These were not profound enough to alter the hard core of the consensus, but they did bring about some 'course corrections'. The perceived importance of capital constraints declined and various aspects of productive viability returned to the foreground – albeit in a way consistent with the methodological and theoretical innovations of the 1960s. At the same time, the development discourse witnessed a rise in its 'social sensibilities', with such issues as distribution, welfare and education being given greater attention. Economics did not come full circle, but it did drift back to some of the questions that had puzzled sceptics in the inter-war and early-post war periods – that is before development and industrialisation had become battle-cries in the civil war. At the same time, discussions on trade and development were revitalised when economists confronted the question of Greece's association with the EEC. As before, many feared that premature exposure to western competition would suspend modernisation; this fear was gradually overtaken by a new-found – if not quite unwarranted – optimism surrounding the potential for compe-

tition to 'sting' Greek manufacturing into action. Once again, the final decision was made quite independently of economic argument.

The quest for new
culprits ...

As confidence in the preponderance of capital constraints waned, analysts of the country's economic woes turned their attention to other potential culprits. Some highlighted issues of demand, and criticised the stringency of monetary and fiscal policies, as well as income inequality and high import penetration. But whilst they turned their attention to demand, others continued to regard the country's problems as supply-side determined. Instead of emphasising shortages in capital or physical resources, however, they now pointed to such intangible assets as entrepreneurship, management, technology and human capital. Quite often, these were also ardent champions of the country's association with the EEC, which in their mind offered a chance for wide-ranging supply-side reform. Last, but certainly not least, there were some who spoke of institutional failures and accused banks and state agencies of distortionary interventions, favouring political allies and other select beneficiaries.

... and its correlation with economic and professional allegiance

Quite often, the 'corrections' preferred by each economist were conditioned by his placement within the policy framework, the professional community and the political spectrum. Those affiliated with financial institutions were far less eager to accuse banks of oligopolistic practices, or blame them for the sluggishness of investment. Similarly, theorists of the Centre-Left were more likely to ascribe backwardness to fiscal stringency and industrial inefficiency, than were those scholars who had participated in the design and implementation of fiscal and industrial policy. For its part, CPER was not only responsible for raising the methodological standards of economic research, but also produced some of the most original and iconoclastic contemporary economic tracts; in the process, its authors cast doubts on such conventional notions as capital shortages and the prevalence of agrarian underemployment, and broached sensitive subjects like viability, competition, bank efficiency and trade.

Policy corrections and planning

Policy adjustments in the 1960s were equally 'corrective' in nature, as the hard core of the post-war policy framework remained intact. Stability continued to be a priority, and the overall interpretation of development was firmly wedded to the modernising ideal. Nevertheless, modest attempts were made – first by Karamanlis, and then by the centrist administrations of George Papandreou – to eliminate less tangible supply-side obstacles and inject policy with a greater degree of social sensitivity. The provision of public goods was broadened, social insurance coverage increased, fiscal and incomes policies became looser. The overall budget stance, however, remained unchanged, whilst the Bank of Greece maintained its firm grip over monetary policy. The launch of a new generation of development planning may have appeared as a potential policy-making revolution, but in practice – despite the volume of resources invested in their preparation – the new plans were shelved, before they could influence either the policy-making process or the economy. After all, this would have run counter to the existing articulation of political power, which often relied on the intricacy and opacity of the regulatory framework to feed its clientelistic network of reciprocal favours and

political patronage. Either way, by the time CPER's plans had been finalised in the late 1960s, the country was reeling toward political derailment.

Following up on the Left development discourse

The generalised crisis and socialist revolution After the 1958 recession, the economy rebounded quickly and entered a period of rapid expansion. Over the next decade, manufacturing growth rates hit record levels, and despite cut-backs in public investment, gross fixed capital formation increased. As a series of large-scale investments in key industries (energy, shipping, refining, extraction etc.) kicked in, the Greek economy was clearly poised for take-off. Some of these trends seemed to contest the Left's predictions of imperialist subjugation, crisis and impoverishment. After 1948, with the rise of the mainstream consensus having rendered debates on *technical* viability superfluous, the Marxist literature shifted to questions of *financial* viability, and rejected both the need and use of foreign capital or aid. At the same time, issues of demand and redistribution were gradually upgraded; in line with contemporary Soviet analysis, post-war capitalism was seen as entering a second period of 'generalised crisis', of which labour impoverishment, the Korean war and the Marshall plan were all symptomatic. Developments in Greece were similarly interpreted, and the communist party's 1949 proclamation of an upcoming 'socialist revolution' fuelled the literature on economic crisis and capitalism's imminent demise.

False development and the return to the standard thesis The change in communist party leadership restored the 'popular front' strategy and postponed the revolution, but economic arguments after 1956 remained virtually indistinguishable from the *Antéos* of 1944. True, some shifts in emphasis occurred, and the quality of the analysis was aided by the influx of younger authors. Yet heavy industry, the extirpation of imperialist ties and inward-oriented development remained at the top of the agenda. After 1956, authors may have no longer questioned the economy's growth record, but Greece's development was invariably described as 'feeble', 'tortuous' and 'false', not least because it had been predicated on the increased penetration of foreign monopolies.

The state intervention challenge, stamocap and political tactics State intervention and planning posed an additional theoretical challenge; by touching upon the very nature of the state and its capacity to save capitalism, they raised questions of political strategy and the role of the middle classes in the upcoming *bourgeois*-democratic transformation. On a more practical level, the emergence of the Centre Union and the expansion of state initiatives heightened the urgency of such questions for Greek Marxists. Their response was similar – and similarly ambiguous – to that of other left-wing hard-liners across Europe, who were caught between the Scylla of Stalinist conservatism and the Charybdis of social democratic revisionism. On the one hand, stamocap theory was invoked to interpret intervention as an extension of monopoly capitalism. On the other hand, more revisionist strands of interpretation saw the state as seeking to compensate for some of capitalism's inherent failures. More often than not, the different variants of the argument followed geographical and generational divides, and pitted the exiled KKE against the EAA leadership. In essence, this was not a debate on economics, but on political control and the party's strategy

toward Papandreou's Centre Union. Inasmuch as theorists sought to rationalise the party's indecision on the subject, their economics suffered.

Appraisal

More broadly, for all their appeals to 'scientific purity', the intellectual record of Marxist economists was decidedly poor. Axiomatic assertions, naïve generalisations and mechanistic analyses, were strung together to fashion an argument, which would no sooner profess universal validity, than it would be amended to deal with some uncomfortable fact, or a change in the party line. Broader theoretical erudition was rare and a singular emphasis on the Soviet experience prevailed. Policy prescriptions were decidedly voluntarist, and economic arguments were often subordinated to the party's political exigencies. Several of these shortcomings could be traced back to theorists' dependence upon the party mechanism itself, which effectively functioned as their principal 'professional' constituency. Strict adherence to the party line, high levels of vertical control and the virtual absence of horizontal alternatives – compounded by the KKE's own dependence on the CPSU and other 'brethren parties' – inevitably conditioned the form and content of left-wing economic discourse. For its part, persecution merely served to reinforce these mechanisms and transform dogmatism into a sign of ideological perseverance.

Tu ne cede malis, sed contra audentior ito

Amidst a time of exile, hardship and persecution, Marxist intellectuals thus adopted an increasingly recalcitrant stance. Still, their relentless critique continued to exert its unspoken influence on the mainstream, whilst EDA's rise in the polls affirmed the enduring relevance of their message. Unhindered by the professional or ideological taboos of mainstream economists, left-wing theorists were willing to broach such crucial issues as monopoly power, banking, military outlays, the functional distribution of income, poverty and state corruption. On the other hand, the Left's recalcitrance and 'theoretical stasis', cost it what little agenda-setting power the years of persecution and exile had left it with.

Socialists and the development dis- course

Communist recalcitrance becomes more pronounced when compared to the more moderate stance of Greek socialists. Having gradually distanced themselves from the communist Left, these sought to carve out a 'third way' between liberal capitalism and illiberal collectivism. Admittedly, socialists were an open and heterogeneous group that defied straightforward categorisation. Nevertheless, a broad distinction was made between a more radical strand – which remained closer to orthodox Marxism and was critical of European social democracy – and its more revisionist counterpart, whose champions were increasingly willing to embrace some form of left Keynesianism or 'welfare capitalism'. In the course of the 1950s and 1960s, both strands seemed to come to terms with the new circumstances solidifying in post-war Greece and internationally, and were increasingly willing to work *within* the capitalist framework to pursue their goals of welfare, income redistribution, growth and employment – invariably within a democratic framework. Whatever ambiguity remained in their stance – including their reluctance to subscribe to dependency theory – emanated from their view of capitalism as a dual force within the underdeveloped world, one capable of sowing not only misery and exploitation, but also modern values and modes of production.

*Flectere si
nequeo superos,
Acheronta
movebo*

Adaptation did not necessarily mean absorption and socialists continued to occupy the uneasy turf between the communist Left and the bourgeois Centre. This made their analyses much more moderate and nuanced, without compromising their candour in such sensitive issues as public finance, military outlays, or the operation of capital markets. For all their appreciation of the Greek state's present shortcomings, however, socialist authors continued to campaign for more regulation, as long as this was subordinated to a comprehensive plan. In fact, for authors like Angelopoulos, 'better planning' seemed to hold the solution to just about any economic problem. Such trite advice rendered the socialist position theoretically unassailable, as well as increasingly unrealistic. At the bottom line, much hinged on the existence of an efficient administration and a well-functioning political system. Inasmuch as Greece lacked both, the bid for a 'third way' was destined to fail.

Facets of theo-
retical conver-
gence between
the two camps

Whether one looks at the Greek development debate, or its international counterpart, the differences between mainstream and left-wing economic analysis are hard to miss. Yet despite fundamental disagreements in the diagnosis and recommended treatment of underdevelopment, both strands shared a host of underlying assumptions and themes: the celebration of technology and mechanisation; the identification of industrialisation with modernity; the appeal to 'pure science' and technocracy; the preference for aggregative, bipolar categories (modern/traditional, dominant/dependent); the preoccupation with such macro-structures as industries, classes, parties and the state, rather than with their microeconomic, cultural or political underpinnings; the instrumental role ascribed to some 'modernising elite', which – despite disagreements on its identity – both sides regarded as necessary to orchestrate the development process.

Both mainstream and Marxist authors thus conceptualised development as a pre-ordained path to a common end-state, open to all countries, once some roadblocks were removed. Of course, where the mainstream saw structural rigidities, market failures and capital shortages, Marxist theorists saw imperialism, dependency and internal distortions. Looking beneath the surface, however, we can spot a familiar dose of social engineering – of different flavours perhaps – but with a shared confidence in the capacity of some segment of the 'superstructure' to effect a radical break in the economic, social and/or political *status quo*. Looking even closer, we can further detect a 'selective blindness' toward some facets of the requisite transformation: social, political, institutional or economic – depending on each side's ideological slant.

Last but not least, closer inspection suggests that many of these themes and predilections are still with us today, embedded in institutional practices and standard theoretical toolkits. A recent survey of development policy, for instance, observed how "the fetish for achieving growth by building factories and machines has proven amazingly resistant to blasted hopes", and lamented the continued espousal of 'dual gap' approaches by international financial institutions like the World Bank (Easterly 2001: 44). What is more, few would dispute that much of contemporary economic theorising continues to invoke a technocratic vision of the development process, even if possibly

one where the erstwhile social engineer has regressed to the more humble (and frustrated) 'cautionary prophet' (Boettke and Horwitz 2005; cf. Rist 2002).

II. Epilogue

Standing on the verge of the 1970s, Greece had come a long way from the 1940s. Its macroeconomic stability was enviable and its income had more than quadrupled. Industrial output had grown sevenfold and now accounted for almost a third of its GDP. But this was not the full picture. The country also bore the scars of its omissions in decades past. These would be visible in the large income disparities separating its regions and classes; in the paucity of its social provisions; in the aesthetic decline of its cities; in the poverty of its rural countryside; in the instability and repressiveness of its political regime; in its environmental degradation; and in the hundreds of thousands of Greeks who had abandoned the country in hope of a better future abroad. The onset of the junta in 1967 may have extended the life-span of the established policy regime, but it hardly compensated for the above shortcomings. Over the years, internal tensions and inconsistencies kept building up. Many of these would only be released with the fall of the dictatorship after 1974, which signalled the breaking of the dam for a series of domestic reforms. At the same time, global economic developments in the early 1970s had laid waste to many of the pillars of the old orthodoxy. The collapse of the Bretton Woods regime eliminated the country's external monetary anchor, whilst the increase in oil prices had rendered much of the country's hard-earned industrial base uncompetitive, unprofitable and – soon thereafter – 'problematic'.

Greek *economics* had also come a long way from the 1940s. Cultivated by a small, but increasingly powerful community of intellectuals, whose fate was mostly intertwined with the state, economic thought in the first decades after 1944 was statist and development-oriented. Over the years, theoretical production multiplied, whilst Continental historicism ceded its place to Anglo-Saxon influences, modern theories of development and new methodologies. Across the ideological trenches, change was less spectacular, but signs of intellectual fermentation were also apparent – especially amongst socialist authors. The economic community had grown in size and several new institutions had been established – some with international reputations. Nevertheless, economics still bore the scars of ideological polarisation, and the drawbacks of its dependence upon a narrow range of professional constituencies – each with their concomitant biases and theoretical blind spots. Whilst hardly congenial to ideological reconciliation or fertile exchange, the subsequent junta had a considerable impact on the profession. Not only did it accelerate the rate of personnel turnover, but it paved the way for a much more radical professional and institutional overhaul in the post-1974 period. Along with the inevitable realignments that followed the theoretically fertile seventies, this overhaul would go a long way toward explaining the subsequent evolution of Greek economics.

These stories belong to a different book; our narrative of the history of development economics in Greece has reached its end. Hopefully, the reader setting aside this volume shall not only take away a more textured view of Greece's economic history and the evolution of post-war development economics, but also a heightened sensitivity to the role of ideas in historical exegesis, the interplay between theory and policy, as well as the interactive and complementary ways in which external and internal influences conspire to forge scientific discourse.

Appendix A

Notes on the Journal Database (JD) and the *Antéas* database

The journals whose contents were processed for quantitative analysis in this book are the *Archive for Economic and Social Sciences*¹ (henceforth *Archive*), the *Review of Economic and Political Sciences*² (henceforth *Review*), the *Spoudai*³ and the left-wing journal *Antéas* (Αντίοας). For a brief introduction to the history and different characteristics of each, see the author's own entries at the Encyclopaedia of the Greek Press [in Greek, forthcoming], as well as Παννός (2000). This appendix contains tables that summarise the main bibliographical attributes of each publication, and the basic architecture of our databases.

Main bibliographical data on each journal

	ARCHIVE	REVIEW	SPOUDAI	ANTÉAS
General information				
Founder	D. Kalitsounakis	X. Zolotas	Piraeus Graduate School of Industrial Studies	D. Batsis
Editor	D. Kalitsounakis	X. Zolotas and M. Goudi	Editorial Board ³	D. Batsis
Frequency	Quarterly, but erratic ¹	Quarterly, but erratic ²	Quarterly, but erratic ²	Fortnightly, but erratic ⁴
First circulation in	1921	1946	1950/1	1945
Published until	1971	1967	still in circulation	1951
Total volumes (years)	51	22	17	7
Issues included in database				
Time period	1944-1967	1946-1967	1950-1967	1945-1951
Number of volumes (years)	24	22	17	7
Total number of pages	12,137	6,644	14,687	1,672
Total number of items [*]	522	376	1,149	502
of which, articles	285	202	813	277

* Items refer to database entries, which can refer to any type of separately identifiable portion of the journal (article, book review, column, announcement).

¹ Though several semi-annual or annual issues were also published, especially between 1942 and 1954.

² On numerous occasions, larger issues were published on a semi-annual basis.

³ Published by the ΑΒΣΠ, the *Spoudai* journal was edited by a board composed of academics. Long-serving editors during our period of interest were Stratos Papaioannou and Klavdios Bandraloukas.

⁴ The journal consistently failed to keep up its fortnightly frequency; the total number of issues published was 39 over its 7-year history.

The contents of all four journals were processed into our database system. Each identifiable item (article, book review etc.) was recorded as a separate entry, and for each one, the following basic information was collected:

Key variables recorded for each journal entry

Variable	Notes [admissible values]
Journal	the journal in which the item was published [<i>Archive</i> , <i>Review</i> , <i>Spoudai</i> , <i>Antéas</i>]
Year of publication	the year in which the item was published [1944-1967]
Quarter of publication	the quarter in which the item was published (when available) [Q1-Q4]
Volume	the volume number [depending on the journal]
Issue	the issue number [depending on the journal]
Item type	the type of item under consideration [<i>Article/Paper</i> , <i>Report</i> , <i>Book Review</i> , or <i>Other</i> ⁴]
Title	the title of the item under consideration (e.g. paper title, book under review etc.)
Author(s)	the name(s) of the authors
Notes	Any notes that may accompany the title or author name(s), stating affiliations or explaining the date and site of in which the lecture was delivered (if the paper was originally delivered in lecture form), the name of translator (if the item was foreign).
Start/end page	Starting and finishing page of item, in the journal's original numbering

¹ Αρχείον Οικονομικών και Κοινωνικών Επιστημών.

² Επιθεώρησης Οικονομικών και Πολιτικών Επιστημών.

³ Οικονομικοί-Κοινωνικοί-Τεχνικοί Σπουδαί, περιοδική έκδοσις Ανωτάτης Βιομηχανικής Σχολής.

⁴ This category comprised standing columns, announcements, letters to the editor, obituaries, etc.

The Journal Database (JD) vs. the Antéos database

All entries from the *Archive*, *Review* and *Spoudai* journal were subsequently merged into a single database, known as the Journal Database (JD); each JD item was further assigned into a **field**⁵. In conjunction with **item type**, **field** enabled us to filter out non-economic material, as well as anything that was not an article/paper. This generated a more narrow sample of **826** economic articles, that were then assigned with subject codes, on the basis of the 1969-1990 *Journal of Economic Literature* (JEL) classification⁶. Since the original text contained neither key words nor thematic categories, the only way to assign each item with its JEL categories, was to skim through (or read) each individual economic paper published between 1944 and 1967 on either journal. In this process, two dichotomous variables were also created: one specified whether the text under consideration contained specific policy proposals (or was primarily theoretical); the other one stipulated whether the article breached topics that fell under the broader issue of development (or not). These two variables were later used to examine the prevalence of development-oriented publications, and the emphasis on practical/policy-oriented contributions.

Unlike the journals contained in the JD, the Antéos had a different format and style, contained numerous small articles, as well as several columns, inlaid reports, announcements, etc. Apart from rendering direct comparisons across the JD and the Antéos quite difficult, this also mandated that the Antéos database be designed somewhat differently. Batsis's editorship may have ensured that the journal's overall focus was chiefly on economics, but the Antéos also contained multiple items on such different fields as the natural sciences, philosophy, the arts, medicine, architecture etc.⁷. Once more, however, attention was focused on articles published on economics, and their development orientation and policy focus were coded into dichotomous variables. What is more, a further distinction was made between economic articles that appraised current policy (vs. those that did not engage in any explicit critique), as well as articles addressing matters of stabilisation/reconstruction. One of the basic differences between the JD and the Antéos database consists in the different subject classification employed for economic articles. Most of Antéos's economic articles were focused on very narrow range of topics, that would have rendered JEL coding meaningless. Instead, a set of 15 custom-made subject categories were created, and each article was assigned into one or more of these categories.

Antéos subject categories (in alphabetical order)

Agriculture
Balance of payments
Commerce - transport
Comparative economic systems
Credit policy
Dependency
Employment - unemployment
Financial viability
Fiscal policy
Industry - Energy
Investment priorities
Money and inflation
Productive viability
Public administration
State planning vs. private initiative

⁵ Since these were primarily economic journals, economics was by far the most common field, though other classifications included business (accounting, management, marketing etc.), statistics (demography, applied and theoretical statistics), law and public administration, history, political science, sociology, philosophy and education.

⁶ This is a three-digit subject classification available from any JEL issue between 1969 and 1990. The classification system was changed in 1991, in order to better capture new subjects and fields. Since all our material was written between the 1940s and 1960s, the earlier JEL classification system was considered more appropriate for the task at hand.

⁷ In fact, the **field** classification used for the Antéos was not identical to that used for the other three journals. The different categories (besides economics) were: law & public administration, education, science and technology, politics, humanities, health and welfare, architecture and urban planning.

Appendix B

Members of the *Greek Society for Economic Sciences* (GSES) and/or listed in *Journal Economist Database* (JED)*

Number	Name	GSES (1964)	JED*
1	Αγαλλόπουλος, Χρίστος Ν.	*	✓
2	Αγαπητίδης, Σωτήριος Ι.	✓	✓
3	Αγγελόπουλος, Άγγελος Θ.	✓	*
4	Αδαμόπουλος, Δημήτριος Ι.	✓	*
5	Αθανασάτος, Δημήτριος Γ.	✓	✓
6	Αθανασιάδης, Κωνσταντίνος Α.	✓	✓
7	Αθανασόπουλος, Γ.	✓	*
8	Άναγνος, Νικόλαος Κ.	*	✓
9	Ανασασόπουλος Κ.	✓	*
10	Αρκουδογιάννης Κωνσταντίνος	✓	*
11	Βανδώρας, Γ.	✓	*
12	Βλάχος, Α.	✓	*
13	Βογιατζής, Βασίλειος Θ.	✓	*
14	Βουγός, Ι.	✓	*
15	Βουρνάς, Θ.	✓	*
16	Γαλάνης, Δημήτριος Ν.	✓	✓
17	Γανωτάκης, Ανέστης	✓	*
18	Γερωνυμάκης, Στυλιανός Ι.	✓	✓
19	Γεωργακόπουλος, Φρίξος Γ.	*	✓
20	Γεωργαντόπουλος, Ελευθέριος Α.	*	✓
21	Γεωργιάδης, Μάριος Ε.	✓	*
22	Γιαννιώτης, Αλέξανδρος	✓	*
23	Γκολέμης, Μιλτιάδης Ι.	*	✓
24	Γλαράκης, Κ.	✓	*
25	Γουδή, Μαρίνα Ν.	✓	✓
26	Γούσης, Κωνσταντίνος Π.	✓	✓
27	Γούτσος, Μ.	✓	*
28	Γραμματόπουλος, Γεώργιος Χ.	✓	*
29	Γρηγορογιάννης, Αχιλλέας	✓	✓
30	Δαμαλάς, Βασίλειος Β.	✓	✓
31	Δαμασκηνίδης, Αντώνιος Ν.	✓	*
32	Δεβλέτογλου, Ευάγγελος Α.	*	✓
33	Δελιβάνης, Δημήτριος Ι.	✓	✓
34	Δερτιλής, Λεωνίδας Β.	*	✓
35	Δερτιλής, Παναγιώτης Β.	✓	✓
36	Δημητρακόπουλος, Πέτρος Κ.	✓	✓
37	Δούσης, Κωνσταντίνος	✓	*
38	Δρακάτος, Κωνσταντίνος Γ.	✓	✓
39	Δράκος, Γεώργιος Π.	*	✓
40	Ευελπίδης, Χρυσός Δ.	✓	✓
41	Ευλάμπιος, Ι.	✓	✓
42	Ζακόπουλος, Παναγιώτης Γ.	✓	✓
43	Ζάρκος, Γεώργιος Σ.	✓	*
44	Ζάρρας, Ιωάννης Γ.	✓	*
45	Ζιγής, Ιωάννης Α.	✓	✓
46	Ζολώτας, Ξενοφών Ε.	✓	✓
47	Θάνος, Κωνσταντίνος Α.	✓	✓
48	Θεοφανίδης, Σταύρος Μ.	*	✓
49	Θεοχάρης, Ρηγίνος Δ.	*	✓
50	Καββοδίας, Γεώργιος Β.	✓	*
51	Καλιτσούνκης, Δημήτριος Ε.	✓	✓
52	Καλλιαβός, Αριστομένης Γ.	✓	*
53	Καλόγρης, Κωνσταντίνος Α.	✓	✓
54	Καλυβιανάκης, Κωνστ.	*	✓
55	Κανάς, Γεώργιος	✓	✓
56	Κανελλόπουλος, Αθανάσιος Π.	✓	✓
57	Καράγεωργας, Διονύσιος Π.	✓	✓
58	Κασκαρέλης, Νικόλαος Β.	*	✓
59	Κατζουράκης, Γεώργιος Δ.	✓	✓
60	Κατωπόδης, Πελοπίδας Α.	✓	✓
61	Κεβόρκ, Κωνσταντίνος Η.	✓	*
62	Κεραπτιζόγλου, Χαράλαμπος	*	✓
63	Κόκκαλης, Αλέξανδρος Β.	✓	*
64	Κόλις, Δημήτριος Τ.	✓	*
65	Κολόμβος, Γεώργιος Ι.	*	✓
66	Κομινός, Αχιλλέας Ζ.	✓	✓
67	Κονδύλης, Νικόλαος	✓	✓
68	Κουβέλης, Πέτρος Τ.	✓	✓
69	Κουκλέλης, Αλέξανδρος Π.	✓	*
70	Κούλης, Ιωάννης Ν.	✓	✓
71	Κουτσογιάννη-Κοκκοβά, Άννα	*	✓
72	Κουτσομύρης, Γεώργιος Φ.	✓	✓
73	Κυλίμης, Π.	✓	*
74	Κυριαζίδης, Νικόλαος Π.	✓	*
75	Κυρκιλίτης, Ανδρέας Δ.	✓	✓
76	Κώστα, Κ. Ι.	*	✓
77	Κωνσταντινίδης, Νικόλαος Π.	✓	✓
78	Κωνσταντίνου, Γεώργιος Δ.	✓	*
79	Λάζαρης, Απόστολος Α.	✓	✓
80	Λεβεντάκης, Ιωάννης Α.	*	✓
81	Λενούδια, Πέλλα	✓	✓
82	Λεοντίδης, Κωνσταντίνος	*	✓
83	Λιακατάς, Λουκάς Ι.	✓	✓
84	Λιάκης, Ιωάννης Π.	✓	*
85	Λιβιεράτος, Γρηγόριος Α.	✓	*
86	Λυμπερόπουλος, Χρήστος Α.	✓	*
87	Μαλάνος, Γεώργιος Ι.	*	✓
88	Μαλινδρέτος, Παύλος Μ.	*	✓
89	Μάντικας, Αγαμέμνων Σ.	✓	✓
90	Μάξιμος, Σεραφείμ	*	✓
91	Μαρίνος, Θ.	✓	*
92	Μαρκόπουλος, Χάρης	✓	✓
93	Μαρματάκης, Νικόλαος Γ.	✓	✓
94	Μείμαρογλου, Μάριος Κ.	✓	*
95	Μεταξάς, Βασίλειος Ν.	*	✓
96	Μιστάρδης, Γασπάριος Γ.	✓	✓
97	Μιχαλάκης, Ανδρέας	✓	*
98	Μομφεράτος, Νικόλαος	✓	✓
99	Μπονταλούκας, Κλαύδιος Β.	✓	✓
100	Μπερνάρης, Αντώνιος	✓	✓

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Number	Name	GSES (1964)	JED*	Number	Name	GSES (1964)	JED*
101	Μπιτσαξής, Ευάγγελος Π.	✓	*	151	Σπαρτίδης, Άθως	✓	*
102	Νεγρεπόντη-Δελιβάνη, Μαρία Α.	✓	✓	152	Σταθόπουλος, Παναγιώτης Ν.	*	✓
103	Νέζης, Γεώργιος Α.	*	✓	153	Στάμου, Μ.	✓	*
104	Νικολαΐδης, Νικόλαος Γ.	✓	*	154	Στεριώτης, Πέτρος Ι.	✓	✓
105	Ντόμαλης, Ιωάννης Α.	*	✓	155	Στεφανίδης, Δημοσθένης Σ.	✓	*
106	Ξανθόκης, Νικόλαος Σ.	*	✓	156	Στρατουδάκης, Παναγιώτης	✓	*
107	Οικονόμου, Δημήτριος Ι.	✓	✓	157	Στρογγύλης, Αναστάσιος Δ.	✓	*
108	Παγκάλου, Α.	✓	*	158	Στυλιδιώτης, Κωνσταντίνος	*	✓
109	Πανάγος, Χρήστος Θ.	✓	✓	159	Σωμερίτης, Στράτης Δ.	*	✓
110	Πανάς, Ευστάθιος Γ.	✓	*	160	Τσιμόρας, Μάριος Ν.	✓	*
111	Παπαγεωργίου, Δημήτριος Β.	✓	*	161	Τσιμπούκης, Ι.	✓	*
112	Παπαδάκης, Π.	✓	*	162	Τσούγκος, Δημήτριος	✓	*
113	Παπαδόπουλος, Λυκούργος	*	✓	163	Φράγκος, Ιωάννης Λ.	✓	✓
114	Παπαδόπουλος, Σπυρίδων Α.	*	✓	164	Φωκάς, Νικόλαος Α.	✓	*
115	Παπαζάχος, Ι.	✓	*	165	Χαλικιάς, Δημήτριος Ι.	✓	*
116	Παπαϊωάννου, Άγγελος Γ.	*	✓	166	Χαλκίopoulos, Γεώργιος Β.	✓	✓
117	Παπαϊωάννου, Θεμ. Επ.	*	✓	167	Χασάκης, Αθανάσιος Θ.	*	✓
118	Παπαϊωάννου, Κώστας Σ.	*	✓	168	Χατζόγλου, Σώζων Μ.	*	✓
119	Παπαϊωάννου, Σ.	✓	*	169	Χολέβας, Ιωάννης Κ.	✓	✓
120	Παπαλεξανδρής, Γ.	✓	*	170	Χουμανίδης, Λάζαρος Θ.	✓	✓
121	Παπαμέργαρης, Θεοχάρης Μ.	✓	*	171	Χριστοδουλόπουλος, Πίνδαρος Χ.	✓	*
122	Παπανδρέου, Ανδρέας Γ.	✓	✓	172	Χριστούλα, Ρένα	✓	✓
123	Παπανικολάου, Αθή Ε.	✓	*	173	Ψάλτης, Χ.	✓	*
124	Παπαχαράλμπους, Κ.	✓	*	174	Ψαρός, Δημήτριος Κ.	*	✓
125	Παπαχατζής, Ν.	✓	*	175	Ψαχαρόπουλος, Γεώργιος Α.	*	✓
126	Παπαχρυσάνθου, Κώστας	✓	*				
127	Παρασκευόπουλος, Ιωάννης Π.	✓	*				
128	Πασιόκας, Γ.	✓	*				
129	Πεπελάσης, Αδαμάντιος Α.	✓	✓				
130	Περτουντζή, Κωνσταντίνα Κ.	✓	*				
131	Πεσμαζόγλου, Γεώργιος Ι.	✓	✓				
132	Πεσμαζόγλου, Ιωάννης Σ.	✓	✓				
133	Πετράκογλου, Ι.	✓	*				
134	Πίντος, Ιερώνυμος Δ.	✓	*				
135	Πιπέρογλου, Ιωάννης	✓	*				
136	Πολίτης, Ιωάννης Δ.	✓	✓				
137	Πολύζος, Νικόλαος Ι.	✓	*				
138	Πουλόπουλος, Στυλιανός Κ.	✓	✓				
139	Ρουσσεάς, Σταύρος Β.	*	✓				
140	Σακκής, Μωυσής	✓	*				
141	Σαουνάτσος, Ανδρέας Ι.	✓	✓				
142	Σαπουντζάκης, Γεώργιος	✓	*				
143	Σαραντίδης, Ρωμανός Π.	✓	✓				
144	Σαραντίδης, Στυλιανός Α.	*	✓				
145	Σαραντόπουλος, Πολύβιος Α.	*	✓				
146	Σαρσέντης, Βασίλειος Ν.	✓	*				
147	Σεπεντζής, Χαράλαμπος	✓	*				
148	Σίδερης, Αριστοτέλης Δ.	✓	✓				
149	Σμπαρούνης, Αθανάσιος Ι.	✓	*				
150	Σπανορρήγας, Αλέξανδρος	✓	✓				

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* JED comprises all journal authors with at least two economic article publications in the Review, the Archive or the Spoudai journals between 1944-1967.

Sources: Author's own journal database (see Appendix A) and 1964 GSES membership roster.

Appendix C

List of foreign-based scholars who collaborated with the *Centre of Planning and Economic Research (CPER)* between 1961 and 1965

1961-1962

Benjamin Ward	University of California, Berkeley
Chester McCorkle	University of California, Berkeley
Kenneth Thompson	University of California, Davis
Pan A. Yotopoulos	University of Wisconsin
Gardner Ackley*	University of Michigan
Hollis Chenery*	Harvard University
Richard Eckhaus*	Massachusetts Institute of Technology
Walter Isard*	University of Pennsylvania
Paul Rostenstein-Rodan*	Massachusetts Institute of Technology
Eugene Staley*	Stanford Research Institute
Salomon Fabricant*	National Bureau of Economic Research, New York
Abba Lerner*	Michigan State University
David Landes*	University of California

1962-1963

Howard S. Ellis	University of California, Berkeley
Alec Alexander	University of California, Santa Barbara
Jeffrey Nugent	University of Southern California
Daniel Suits	University of Michigan
Stephen Triantis	University of Toronto
Nicholas Petridis	University of California, Berkeley
Roy Radner	University of California, Berkeley
Thomas Balogh*	University of Cambridge
Daniel Hamberg*	University of Buffalo
Arthur F. Burns*	Columbia University
Milton Friedman*	University of Chicago
Fritz Machlup*	Princeton University
Edward Mason*	Harvard University
Caleb Smith*	Brown University
Lloyd Reynolds*	Yale University
Jan Tinbergen*	Netherlands School of Economics

1963-1964

George Break	University of California, Berkeley
G.C. Archibald	University of Essex
Jean Crockett	University of Pennsylvania
John Merryman	Stanford University
Kenneth Arrow	Stanford University
Ralph Turvey	London School of Economics
Aaron Gordon*	University of California
Martin Bronfenbrenner*	Carnegie Institute of Technology
Frederick Balderston*	University of California
Hourmouzios Georgiadis*	Princeton University
Amartya Sen*	Delhi University, India
Zvi Griliches*	University of Chicago
J.J. Thomas*	London School of Economics

1964-1965

Arthur Golberger	University of Wisconsin
Tillo Kuhn	University of California, Berkeley
Louis Lefebvre	Massachusetts Institute of Technology
Kenneth Arrow*	Stanford University
John Merryman*	Stanford University
G. C. Archibald*	University of Essex
Dr. Herman Reinhardt*	former Director General of the Ministry of National Finance of West Germany
Gerhard Weisser*	University of Köln

1965-1966

Tillo Kuhn	University of California, Berkeley
Harvey Leibenstein	University of California, Berkeley
Roger Miller	University of Wisconsin, Madison
Lee Preston	University of California, Berkeley
Peter Steiner	University of Wisconsin, Madison

List of foreign experts involved in the 1965 preparation of the Five-year plan (1966-70)

George Break	University of California, Berkeley
Gian Giacomo dell'Angelo	Svimez, Rome
Emile Després	Stanford University
Richard Holton	University of California, Berkeley
Carl Kaysen	Harvard University
Bernard Kragh	University of Uppsala, Sweden and OECD
Louis Lefebvre	Massachusetts Institute of Technology
Chester McCorkle	University of California, Berkeley
Edward Mason	Harvard University
Stephen Triantis	University of Toronto
Edward Nevin	University of Wales and OECD
M.L. Lieberucks	German Economic Research Institute, Berlin and OECD
Dieter Mertens	German Economic Research Institute, Berlin and OECD
Rolf Krengel	German Economic Research Institute, Berlin and OECD
Dieter Kade	German Economic Research Institute, Berlin and OECD
B. Wetzel	OECD
Anna Grant	OECD
W. Beckerman	University of Oxford
B. Kragh	Swedish Economic Program
Giacomo Dell Angelo	SVIMEZ (Italy)

* Lecture series / senior staff seminar / seminar series
Source: CPER (1966)

Appendix D

List of authors writing economic articles published in the *Antéos* journal

Name	Capacity in which author sings article(s)*
Bruhat, Jean	
Dessau, Jean	
Duchemin, Ph.	
Lavallee, Leon	
Razine, Z.	
Trachtenberg, I.	
Αγγελόπουλος, Αγγ. Θ.	Economists, professor at the University of Athens and (later) Panteion
Αγγελόπουλος, Δημήτρης	Engineer-technician, University reader
Αγγέλου, Γ.	
Αμπατζής, Αλέκος	
Ανανιάδης, Κώστας	Agrologist – Marine biologist
Βάργκα, Ε.	
Βιδάλης, Κ.	Economic journalist
Βρανάς, Κ.	
Γιαννόπουλος, Θ.	Agrologist
Γρανίτης, Π.	
Δεσποτόπουλος, Ι. Γ.	Architect, Civil engineer, Professor at the National Polytechnic (ΕΜΠ)
Ευαγγελίδης, Ι. Τ.	former inspector at the Ministry of Finance
Ζάκκας, Ανδρ. Α.	former labour minister, Member of Parliament
Ζαχαρόπουλος, Ι.	Agrologist
Καββάδος, Δ.	University professor
Καλιτσούνκης, Δ.	Economist, professor at the <i>Athens School of Economic and Commercial Studies</i>
Καλογεράς, Σωκράτης	Director of the R&D Department at the Ministry of Agriculture, Professor
Καραγιώργης, Κ.	
Κερασσώτης, Π.	former director of textiles department, Ministry of Purveyance
Κισκύρας, Δ.	Geologist – Geophysicist
Κιτοίκης, Ν.	Engineer – Dean of the National Polytechnic (ΕΜΠ)
Κολόμβος, Γ.	
Κοράκης, Ευθ.	former director general of the Lignite mines of Veve
Κριόρης, Αριστ. Ι.	Agrologist
Λιανός, Απ. Κ.	
Λάιος, Ν.	Civil Engineer
Μακρυνιώτης, Σ. Π.	
Μάξιμος, Σ. [=Χλωρός, Σ.]	[economist – journalist]
Μπάτσης, Δημήτριος	[lawyer – economist]
Νεφελούδης, Βασίλης	
Ολυμπίου, Θ.	
Πανάγος, Στάθης	Agrologist
Παπασιώρου, Δ.	Member of Parliament
Παρασκευαΐδης, Ηλ.	Geologist
Πάσκος, Ευάγγελος	
Ράζης, Α.	
Ρηγόπουλος, Π.	
Ρούλιας, Γ.	
Σακαντάνης, Κ. Β.	Engineer - Agrologist
Σιδέρη, Κ.	
Σηαρτάς, Π.	
Σταυρόπουλος, Σταύρος	Engineer
Τρομπόγιαννης, Ιωάννης	Civil Engineer
Φραγκισκάτος, Κώστας Γ.	

* Anonymous authors or authors only signing with their initials have been excluded.

Source: Author's own database of *Antéos* contributors (see [Appendix A](#)).

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