

## II. Brief Historical Overview of the Development of Greek Capitalism

It is beyond the scope of this essay to give a comprehensive analysis of the history of Greece since its independence from the Ottoman Empire in the early 19<sup>th</sup> century.<sup>18</sup> Instead we will focus on the development of Greek capitalism so that we can elaborate its specific features.

### II.1 The Emergence of the Greek Bourgeoisie under the Ottoman Empire and the Struggle for National Independence

Given the centuries-long occupation by the Ottoman Empire, the peoples of the Balkans began their national and modern development much later than most Western European countries. Among the Balkan peoples, Greece and Serbia were the first who took up the struggle for liberation against Ottoman rule in the early 19<sup>th</sup> century.

In this effort the Greeks had certain advantages which helped them to achieve independence earlier than most Balkan peoples. Trade in the Ottoman Empire, whose economy was characterized by what Marx called the “*Asiatic Mode of Production*,” became dominated by non-Muslim people.<sup>19</sup> This process already started in the fifteenth and sixteenth centuries. Gradually the Greeks (and to a lesser extent, the Jews and the Armenians) managed to control most of the internal and external trade of the empire and provided many members of the Ottoman state administration and diplomatic corps. (These influential and wealthy Greek families became known as “*Phanariotes*.”)<sup>20</sup>

---

18 On the history of modern Greece see, for example: Giannes Koliopoulos and Thanos M. Veremis: *Modern Greece: a history since 1821*, A John Wiley & Sons, Ltd., Publication, Oxford 2010; Theodore A. Couloumbis, Theodore Kariotis and Fotini Bellou (Editors): *Greece in the Twentieth Century*, Hellenic Foundation for European and Foreign Policy, Frank Cass, London and New York 2004; Richard Clogg: *A Concise History of Greece*, Cambridge University Press, New York 1992; Thomas W. Gallant: *Modern Greece*, Oxford University Press Inc, London 2001; Tom Gallagher: *Outcast Europe. The Balkans, 1789–1989*. From *The Ottomans To Milosevic*, Routledge, London and New York 2001; On the history of the Greek class struggle and the workers movement see e.g. Erik Eberhard: *Revolution und Konterrevolution in Griechenland*, AGM, Wien 2005

19 *Asiatic Mode of Production*: This mode of production is characterized by a centralized bureaucracy topped by a royal dynasty which owns the land, runs the country from central cities, and exploits the peasants and craftsmen. On the relationship between the Ottoman Empire and western banks see e.g. C.G.A. Clay: *Western Banking and the Ottoman Economy before 1890: a Story of Disappointed Expectations*; in: *The Journal of European Economic History*, Vol. 28, No. 3 (Winter 1999)

20 See on this e.g. Haris Exertzoglo: *The development of a Greek Ottoman bourgeoisie: investment patterns in the Ottoman Empire, 1850-1914*, in: Dimitri Gondicas and Charles Philip Issawi:

This development is reflected by the fact that, as late as 1912, out of 112 bankers and bank managers in the Ottoman Empire only one was a Muslim Turk. In industry, it has been estimated that only 15% of capital belonged to Turks. According to the Soviet scholar O. G. Indzhikyan, the ethnic composition in business was as follows (see Table 1).

Hence we saw “the emergence in the course of the eighteenth century of an entrepreneurial, widely dispersed and preposterous mercantile class whose activities were as much based outside as within the Ottoman domains.”<sup>21</sup> As a result Greek became the lingua franca of Balkan commerce. This mercantile bourgeoisie built communities in the Greek Diaspora in Cairo, Alexandria, and Istanbul as well as in major commercial centers of the Russian Empire, in Trieste, Naples, Marseilles, Amsterdam, Antwerp, London, Liverpool and Paris. Over 80,000 Greek families, for example, resided in the Austro-Hungarian Empire.<sup>22</sup>

The rise of the Greek merchants was assisted by the fact that, during the French revolutionary and Napoleonic Wars 1792-1815, the British and the French virtually destroyed each other’s merchant marine in the Mediterranean. The Greek shipping traders stepped into the vacuum thus created and achieved a monopolistic position.

As a result, this Greek mercantile bourgeoisie played a leading role, together with intellectuals and professionals trained abroad, in awakening and spreading a national consciousness – combined with Western culture – among the Greek people. In 1814, Greek merchants in Odessa founded the secret revolutionary organization *Philike Hetairia* (Society of Friends). They also provided material support for the popular uprising against Ottoman domination which led to the Greek War of Independence from 1821 to 1829.

**Table 1: Ethnic Composition of Business in the Ottoman Empire by Percent (1912)**<sup>23</sup>

	<i>Turks</i>	<i>Greeks</i>	<i>Armenians</i>	<i>Others</i>
Internal trade	15	43	23	19
Industry and crafts	12	49	30	10
Professions	14	44	22	20

Ottoman Greeks in the Age of Nationalism: Politics, Economy, and Society in the Nineteenth Century, Darwin Press, Princeton 1999, pp. 89-114

<sup>21</sup> See Richard Clogg: A Concise History of Greece, Cambridge University Press, New York 1992, p. 23

<sup>22</sup> Thomas W. Gallant: Modern Greece, Oxford University Press Inc, London 2001, p. 7

<sup>23</sup> Quoted in Charles Issawi: An Economic History of the Middle East and North Africa, Columbia University Press 1982, p. 90

It was this new merchant class which – together with the impoverished peasantry who were suffering from small land holdings<sup>24</sup> – was the decisive force in the national liberation struggle. The traditional Greek elite, i.e., the high clergy and the big landowners, had a greater stake in the status quo and hence were much more lukewarm vis-a-vis the revolution. The majority of them joined the struggle only after they realized that the nationalist movement was irreversible.<sup>25</sup>

The Greek War of Independence evoked great enthusiasm and won the wholehearted support of revolutionists and liberals throughout Europe, for whom the English poet Lord Byron became a famous symbol. However, the European Great Powers had an ambivalent attitude to this popular uprising. On one hand they had an interest in weakening the Ottoman Empire as a rival. On the other hand, they were also interested in maintaining stability and not igniting the entire Balkan Peninsula. As a result England, France and Russia (as well as Mehmet Ali of Egypt) intervened on different sides of the conflict. Finally, they pressed to bring the liberation war to a close and came to an agreement with the Sultan in 1829.<sup>26</sup> This agreement recognized a small independent Greece, only a fraction of present-day Greece, with a population of no more than 800,000, representing less than one-third of the 2.5 million Greek inhabitants of the Ottoman Empire.

## II.2 Greece after the War of Independence (1821-29) until 1922

However, the Great Powers made certain from the start that Greece became only formally independent while in fact it remained a dependent country, i.e., a semi-colony. The Great Powers forced the new state to become a monarchy with the 17 years old Bavarian prince (!), Otto von Wittelsbach, at its head. After several uprisings he was eventually dethroned in 1862 and a year later was replaced by Prince Wilhelm of Denmark, also 17 years of age upon assuming the throne.

Greece's utter subservience to the Great Powers was also reflected in the Treaty of 1864 which expressly laid down that any one of the three signatory powers (England, France and Russia) might send troops into Greek territory with the consent of the other two signatories, while the consent of Greece itself was not necessary.

---

24 It is estimated that at the beginning of the 19<sup>th</sup> century 40,000 Turks who lived in the Peloponnese owned 3,000,000 stremmata of arable land (a stremma is about ¼ of an acre) while the 360,000 Greeks were left with only 1,500,000 stremmata. (Leften Stavros Stavrianos: *The Balkans, 1815-1914*, Holt, Rinehart and Winston, London 1963, p. 24)

25 Nicos Mouzelis: *Greek and Bulgarian Peasants: Aspects of Their Sociopolitical Situation during the Interwar-Period*, in: *Comparative Studies in Society and History*, Vol. 18, No. 1 (Jan., 1976), pp. 90-92

26 Leften Stavros Stavrianos: *The Balkans, 1815-1914*, Holt, Rinehart and Winston, London 1963, p. 25-29

Furthermore, the Ionian Islands on the western coast of Greece, home to a number of large shipping magnates, constituted “a sovereign state under the protection of the British crown” until London formally handed them over to Greece in 1864.<sup>27</sup>

Greece’s financial situation was desperate from the beginning. The long war with the Turks left the Greeks with huge debts to British banks. Greece had to ask for another loan which it received in 1833. However, this debt only increased the pressure on the state to impose oppressive taxes on the peasantry, many of whom chose to flee to the hill country. Brigandage, which has a long history throughout the Balkans, once more took on serious proportions. Given the weakness of the domestic bourgeoisie and the lack of foreign investment, the Greek state relied heavily on foreign capital – mostly in the form of loans – for the financing of basic infrastructure projects (harbors, roads and rail networks). From 1879 to 1893 alone, Greece imported foreign loans and investment worth about 750 million Gold-Francs.<sup>28</sup>

Naturally this exacerbated Greece’s debt and the country’s inability to pay back its loans resulted in increasing annual budget deficits and finally an official declaration of national bankruptcy in 1893.

According to the Greek historian Giannes Koliopoulos, the country’s debt exploded: “Between 1876 and 1884 the national debt doubled. Three years later it had quadrupled and, by 1893, it was seven times the amount it had been 17 years earlier.”<sup>29</sup>

After Greece lost its war with Turkey, sparked by a national uprising of the Greek population on Crete in 1896, it had to pay extraordinarily high indemnities. Consequently, in 1898 the country was brought under the control of the so-called “International Control Commission” (the name was later changed to the *International Finance Commission*). Greece was stripped of its sovereign powers by the “protecting powers.” The *International Finance Commission* virtually took charge of Greek finances and guaranteed re-payment of the country’s debt. Crete, whose national revolution led to the Greek-Turkish war, was put under international control, with the island divided into British, French, Russian and Italian spheres.

Greeks dependency on the British Empire was also increased by the specific character of the Greek bourgeoisie. As already mentioned, the Greek capitalists were mainly traders among whom the shipping magnates were the most important. Thus, they were not interested in investing their capital in building a domestic industry with the result that the process of capital accumulation in Greece progressed very slowly and was primarily dominated by foreign capital. Many of the Greek capitalists did not reside in Greece but rather abroad

---

27 Panayiotis Kapetanakis: Shipping and Trade in a British semi-colony: the Case of the United States of the Ionian Islands (1815-1864), in: Cahiers de la Méditerranée No. 85 (2012), pp. 282-283

28 Marios Nikolinakos: Materialien zur kapitalistischen Entwicklung in Griechenland (1. Teil); in: Das Argument Vol. 12, No. 2-3 (May 1970), p. 184

29 Giannes Koliopoulos and Thanos M. Veremis: Modern Greece: A History since 1821, Oxford 2010, p. 62

in Europe, Russia or the Middle East. As a result, the Greek population was extremely dependent on the support of the Great Powers.

The Trotskyist Fourth International correctly commented on Greece's history after achieving independence: *"In truth, its independence was largely fictitious. It was in reality a semi- colony of Britain, France and Russia, forced to tolerate the rule of a foreign prince imposed upon it by its bond-holding "liberators" or as they dubbed themselves in those days, the 'Protecting Powers.'* The history of Greece epitomizes the fate of all the Balkan peoples as indeed of all small nations — the impossibility for small nations to achieve under capitalism real independence, as distinguished from formal political independence."<sup>30</sup>

This dependency on foreign powers went hand in hand with the persistent backwardness of the Greek economy for which there were a number of important facets. First, as just indicated, Greek merchants hardly invested at home, with the result that only relatively few industrial enterprises existed in the country by the 1920s. In fact, by 1917 there were still only 35,500 industrial workers in the country.<sup>31</sup>

Related to this lack of wide scale industrialization, the Greek economy remained largely dominated by agriculture for the most part of the period until World War II. In 1907, for example, the share of the rural population was 77%.

In large parts of Greece, petty ownership in the agricultural sector predominated. The only exceptions were in the provinces of Thessaly, Macedonia and Thrace. Compared with other countries, Greece's large landowning class was not very large. Nevertheless at the beginning of World War I, about 35% of all arable land was still owned by big landowners.<sup>32</sup>

At the same time, agricultural production was strongly orientated towards external markets. As such, it had a high degree of specialization virtually bordering on being a monoculture, with raisins and tobacco being the two main export products.

In short, production, even in small farms, was primarily for the overseas market. This also resulted in a relatively rapid monetarization of the economy, especially once the payment of taxes in cash was introduced.

Greece's important commercial sector was strongly linked to agriculture. In fact, these two branches of the economy depended on each other since agricultural products were the only commodities which the merchants could trade while, at the same time, the peasants needed the merchants to sell their products.

---

30 The Editors of Fourth International: Civil War in Greece

31 Efharis Skrvelis notes: *"Within the commercial sector an accumulation process of "indigenous" capital was taking place. This capital remained, however, in the spheres of trade and sea transport and was for the most part not invested productively, at least not until well into the twentieth century."* (Efharis Skrvelis: Industrial restructuring and the State in Greece: national developments within an international setting, Durham University, 1990, p. 33)

32 Marios Nikolinakos: *Materialien zur kapitalistischen Entwicklung in Griechenland* (1. Teil), p. 170

As a result Greece remained a dependent capitalist country and became one of the most backward in Europe. As we can see in Table 2, its level of industrialization was – other than Bulgaria – the lowest in Europe.

Nicos Mouzelis, a progressive Greek sociologist and historian, points out that both agriculture and industry had hardly any large enterprises: “In the nineteenth century, despite the country’s full integration into the world market system, Greece was still a pre-capitalist social formation. Both in agriculture and in industry, capitalist enterprises— i.e. economic units using a relatively large number of wage labourers —were virtually non-existent.”<sup>33</sup>

While a small group of oligarchic families (the so-called *tzakia*) and capitalists were able to enrich themselves despite the country’s backward economy, the mass of the population lived in dire poverty. According to official statistics, 72% of the total population was classified as “have-nots,” i.e., they possessed neither a piece of land nor a small enterprise. Given the fact that wage laborers constituted only a small minority of the working populace, it is evident that rural poverty was widespread.

It is therefore hardly surprising that many Greeks immigrated abroad – particularly to the United States. It is estimated that during the period 1890–1914 almost a sixth of Greece’s population emigrated.<sup>34</sup>

**Table 2: Relative GDP per capita (column A) and relative levels of industrialization (column B) in 1913**<sup>35</sup>

<i>Country</i>	<i>A</i>	<i>B</i>	<i>Country</i>	<i>A</i>	<i>B</i>
Britain	100	100	Ireland	60	—
Belgium	83	77	Italy	52	23
France	81	51	Spain	48	19
Switzerland	81	75	Finland	46	18
Denmark	80	29	Hungary	41	—
Germany	77	74	<b>Greece</b>	<b>38</b>	<b>9</b>
Netherlands	75	23	Portugal	35	12
Sweden	71	58	Bulgaria	32	9
Norway	68	26	Russia	29	17
Austria	62	29			

<sup>33</sup> Nicos Mouzelis: *Class and Clientelistic Politics: The Case of Greece*, in: *The Sociological Review* Vol. 26, Issue 3 (February 1978), p. 482

<sup>34</sup> Ioannis Cholezas, Panos Tsakoglou: *The Economic Impact of Immigration in Greece: Taking Stock of the Existing Evidence*, Institute for the Study of Labor, October 2008, p. 2

<sup>35</sup> François Crouzet: *A History of the European Economy, 1000–2000*, University Press of Virginia, 2001, p. 148

Another facet of Greece's backwardness was the fact that the majority of its population lived in villages – a fact which changed only slowly. According to the first census (conducted in 1861) 74% of adult men were agriculturalists who earned their livelihood by working the land. By 1920 this figure had barely changed (70%). Similarly, in 1920 almost 52% of the entire population lived in villages of less than 1,000 individuals.<sup>36</sup>

During this same year, 17.6% of the Greek population lived in cities of 20,000 and 12.6% inhabited cities of 100,000 or more. (By way of comparison, the figures for urban dwellers in Chile for the same period were 32.7% and 27.1%, respectively, while in Argentina 27.1% of the population lived in cities of 100,000 in 1920.)<sup>37</sup>

Regardless of this overall slow urban growth, Athens grew into a huge city of 453,000 people (1920) and became even larger when 1.5 million refugees from Asia Minor arrived in Greece after 1922.

Another important characteristic of independent capitalist Greece is the enormous role played by the state apparatus. During the 1870s, the number of civil servants per 10,000 of the population was approximately seven times higher than in the United Kingdom!<sup>38</sup> Such a monstrous administrative glut was necessary to keep this backward society together, to maintain an army which would be needed for Greece's expansionist plans, as well as to facilitate mobilizing resources for modernization. Furthermore, the state apparatus could provide employment for many of those who were leaving the countryside and could not otherwise be absorbed considering Greece's hardly existing industry. Naturally, such an overblown state apparatus ensured relative autonomy for the political superstructure in relation to the economic base.

Nevertheless, Greece was not a stagnant society and its integration in the world market ensured that capitalism also progressed in the country. Slowly, the capitalist class and the newly emerging middle class strengthened their influence. In the aftermath of the revolutionary events in Turkey by the *Turkish Committee of Union and Progress* (Young Turk Movement), a constitutional government was created in Greece in 1909 under threat of a military coup. This brought Eleftherios Venizelos, a Greek liberal nationalist from Crete, to power. He founded the *Liberal Party*, an authentic party of Greek capitalism, and dominated Greek politics for the next two decades.

Venizelos initiated a number of reforms which led to a certain modernization of the country. This included the rationalization of the state administration, the development of financial institutions, and the abolition of the last remaining feudal estates in Thessaly. Education was made free, compulsory and universal. A new public works program of road and railway construction was begun. In

---

36 Thomas W. Gallant: *Modern Greece*, Oxford University Press Inc, London 2001, pp. 85-86

37 Nicos Mouzelis: *On the Rise of Postwar Military Dictatorships: Argentina, Chile, Greece*, in: *Comparative Studies in Society and History*, Vol. 28, No. 1 (Jan., 1986), p. 57

38 Nicos Mouzelis: *On the Rise of Postwar Military Dictatorships: Argentina, Chile, Greece*, p. 57





However, Greece's expansionist plans ended in a disaster in 1922/23 after Venizelos had agreed to send his army – as mercenaries for British imperialism – both against the Soviet Union as well as into Asia Minor against the new Turkish state under Kemal Atatürk. Greece lost this war and had to agree to a reactionary treaty which included the exchange of populations (around 1.5 million Anatolian Greeks and 500,000 Muslims in Greece). At the end of Venizelos' adventure Greece was exhausted and humiliated and more in debt than ever. The *Megáli Idéa* ("Great Idea") had achieved a pathetic end.

The Fourth International summarized the state of Greece at that time quite rightly: *"Greece was utterly ruined. The country had been at war almost uninterruptedly for ten years. It was hopelessly in bankruptcy. The national debt had grown to fantastic proportions. The drachma was worthless. The poverty-stricken country of 6 million people was suddenly inundated by the arrival of one and a half million homeless, starving refugees. So ended the great "adventure" of the Greek capitalists."*<sup>41</sup>

We can summarize the first century of Greece's existence as an independent state as follows: The Greek struggle for national independence was thoroughly progressive. However it ended with semi-independence for a small fraction of the Greek people. From the first the newly born Greek state was severely dependent on the Great Powers – Britain, France and Russia – both politically and economically. The Great Powers installed a monarchy headed by foreign kings upon the Greek people. The country's great debt bankrupted the state and an *International Finance Commission* took charge of Greek finances.

In addition, the Greek bourgeoisie was dominated by merchants and didn't focus on developing domestic industry. Hence the country remained backward: its economy was characterized by smallholder agriculture production and commerce and dominated by a few oligarchical families closely linked with the Great Powers; its political system was characterized by a monstrous state apparatus with a rotten monarchy at the top.

The Venizelos-period ensured a certain degree of modernization, both politically and economically, as well as Greece's gradual territorial expansion. But Greece remained trapped in its dependency on the Great Powers and foreign capital. And Venizelos' adventure in offering his army as foot soldiers for British imperialism against Soviet Russia and Turkey resulted in a national catastrophe. The defeat at the hands of Turkey caused the inflow of about a million and a half Greek refugees and the state was more in debt than ever.

Nicos Mouzelis accurately describes the structural weakness of the Greek bourgeoisie:

*"Historically, Greek capitalism pre-dated independence. It was not created under the colonial tutelage of the western powers. Although relatively small by international standards, the Greek diaspora bourgeoisie, by exploiting inter-imperialist rivalries and playing the role of intermediary between metropolitan and colonial centres, managed to master formidable financial resources, some of which were channelled into mainland*

---

41 The Editors of Fourth International: Civil War in Greece

Greece. However, given its cosmopolitan and mercantile character, as well as the weakness of the indigenous bourgeoisie, these resources contributed to the development of a top-heavy state and a parasitic tertiary sector, geared to support a mercantile and finance capital, rather than to the development of industry and agriculture. Both the autochthonous and diaspora bourgeoisies, given their position in the international division of labour, failed to overcome their merchant character. This disabled them from making an effective contribution to the industrialization of Greece."<sup>42</sup>

### II.3 Excuse: Greek Chauvinism and the Macedonian Question

The conquest of Aegean Macedonia is particularly important since it was not a territory with a Greek majority population. (See Map 2)

Map 2: Geographical Macedonia and Present Day State Boundaries<sup>43</sup>



42 Nicos Mouzelis: Capitalism and Dictatorship in Post-War Greece, in: New Left Review Vol.I, No.96 (March-April 1976), p. 62

43 Victor Roudometof: Collective Memory, National Identity and Ethnic Conflict. Greece, Bulgaria and the Macedonian Question, Praeger Publishers, Westport 2002, p. 4

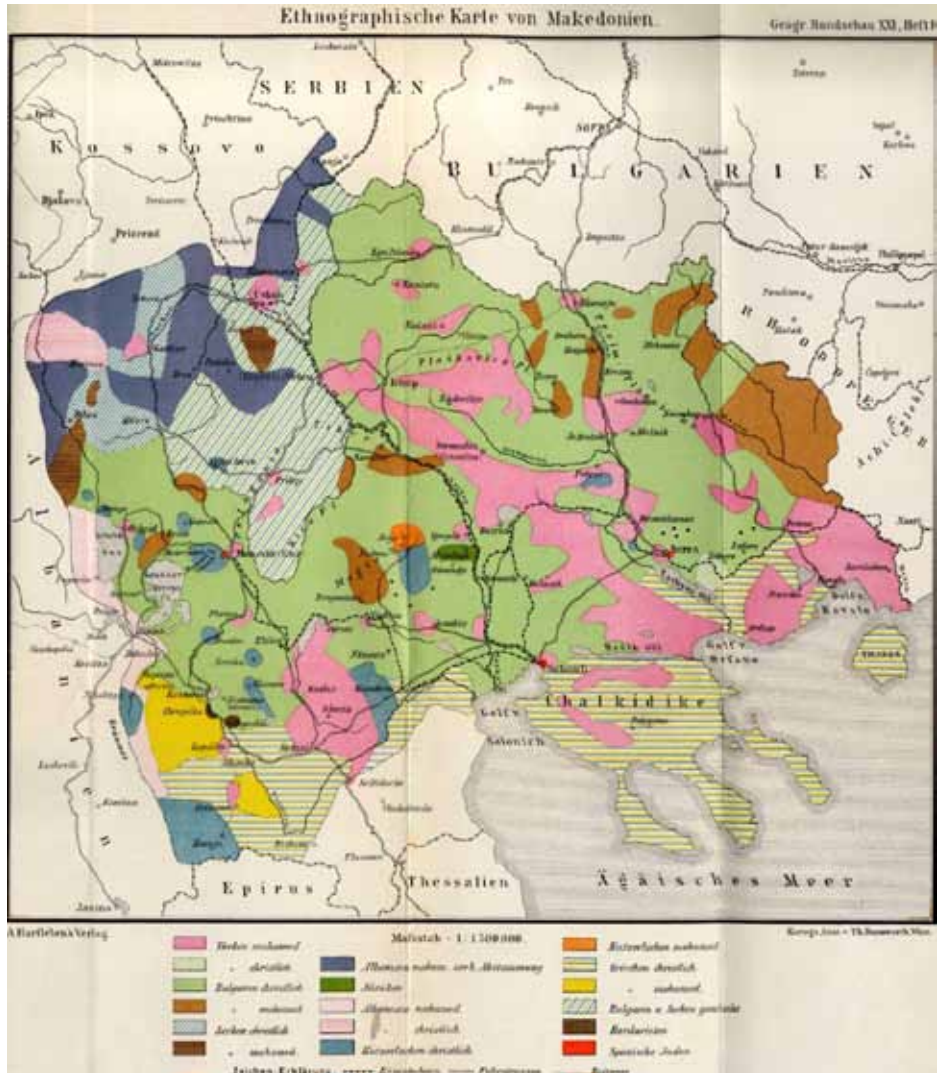
While the exact figures for the ethnic composition of Aegean Macedonia before its annexation by Greece are highly disputed, it is clear that the region had rather a mixed, multi-national and multi-religious population. It is likewise easy to demonstrate that large parts of Southern Macedonia, i.e., the region which Greece annexed in 1913, were not predominately populated by Greeks. (See Maps 3 and 4 and compare them with the geographical area of Aegean Macedonia as viewed in Map 2.)

Map 3: Ethical Composition of the Southern Balkans <sup>44</sup>



<sup>44</sup> Ethnographic map of the Balkans according to the Atlas Général Vidal-Lablache, Librairie Armand Colin, Paris, 1898. According to Henry Robert Wilkinson, it represents the most extensive Greek rule of that time; Source: [https://en.wikipedia.org/wiki/Demographic\\_history\\_of\\_Macedonia#Ottoman\\_rule](https://en.wikipedia.org/wiki/Demographic_history_of_Macedonia#Ottoman_rule)

Map 4: Ethnical Composition of the Southern Balkans <sup>45</sup>



45 Austrian ethnographic map from 1892; Source: [https://en.wikipedia.org/wiki/Demographic\\_history\\_of\\_Macedonia#Ottoman\\_rule](https://en.wikipedia.org/wiki/Demographic_history_of_Macedonia#Ottoman_rule)

According to an Ottoman census for all Macedonia from 1906, within the province lived 1,150,000 Muslims, 627,000 Bulgarian Orthodox, and 623,000 Greek Orthodox. Even if all Greek Orthodox were Greek, which is unlikely, clearly they were a minority. On the other hand, Muslims were not just Turks since a large percentage were Muslim Slavs.<sup>46</sup>

Another detailed source gives the following numbers for the ethnic composition of the population in Aegean Macedonia just before the Balkan Wars: 326,426 Macedonians, 40,921 Muslim Macedonians (Pomaks), 289,973 Turks, 4240 Christian Turks, 240,019 Greeks, 13,753 Muslim Greeks, 5,584 Muslim Albanians, 3,291 Christian Albanians, 45,457 Vlahs, 3500 Muslim Vlahs, 59,560 Jews, 29,803 Gypsies, 2112 Cherkez (Mongols), and 8,100 others.<sup>47</sup>

Human Rights Watch gives the following account: *“Before World War I, Macedonians were the largest ethnic group in Aegean Macedonia, but between 1913 and 1926 major population shifts significantly changed the demographic make-up of the region. After the region’s incorporation into the Greek state in 1913, many Greek civil servants, teachers and military personnel moved north and settled there. Moreover, during the post-Balkan Wars period, thousands of Macedonians and Serbs voluntarily left Greek Macedonia for Bulgaria; the Minority Rights Group puts the number at about 15,000. After the Greek-Bulgarian convention of November 1919, between 52,000 and 72,000 additional Slavs left for Bulgaria. Simultaneously, hundreds of thousands of Greeks from Turkey, Bulgaria and Vardar Macedonia were resettled in northern Greece; estimates of the numbers involved range from 500,000 to 618,000. Thus the ethnic character of Aegean Macedonia changed greatly; Macedonians became a numerical minority, and the number of people in Aegean Macedonia who had “a sense of Greek national identity,” rather than Macedonian identity, increased substantially.”*<sup>48</sup>

Even the Greek historians Koliopoulos and Veremis are forced to report that, out of the 160,000 persons living in Thessaloniki, the capital of Aegean Macedonia, *“50,000 were Balkan Christians (predominantly Greek), 61,500 Jews, and 45,000 Muslims while the rest were West Europeans as well as persons belonging to various other nationalities.”*<sup>49</sup> In other words, while the Greek authors (suspiciously) claim most “Balkan Christians” to have been Greek, they nevertheless have to admit that they constituted only 31% of Thessaloniki’s population.

Immediately after the occupation, the Greek government started to systematically expel the Macedonians. At the same time, they settled ethnic Greeks in this region in order to change the ethnic composition in their favor.

Koliopoulos and Veremis report: *“Between the end of the Balkan wars and the beginning of the First World War, some 130,000 Greeks settled in Macedonia, 20,000 in*

---

46 Mike Karadjis: Macedonians’ long history of struggle, Green Left Weekly, No. 50, 01.04.1992, <http://www.greenleft.org.au/back/1992/50/50p7.htm>

47 Hugh Poulton: The Balkans. Minorities and States in Conflict, Minority Rights Publications, London 1991, p. 175

48 Human Rights Watch: Denying Ethnic Identity. The Macedonians of Greece, New York 1994, p. 5

49 Giannes Koliopoulos and Thanos M. Veremis: Modern Greece, p. 71



the Aegean Islands, and 30,000 on the Greek mainland. During the same period Turkey received approximately 122,665 Muslim refugees.”<sup>50</sup>

The Greeks “burned Kukuš, the centre of Bulgar politics and culture, as well as much of Serres and Drama. Bulgarian (including the Macedonian dialects) was prohibited, and its surreptitious use, whenever detected, was ridiculed or punished.”<sup>\*</sup>

Part of this “Hellenization” propaganda is the policy to deny a specific (Slavic) Macedonian identity. (The same is true, by the way, for Serbian and Bulgarian chauvinists). Hence the Macedonians are usually named “Bulgarians.” Hence, until today the Greek government has consistently denied the existence of a Macedonian minority in northern Greece and has adopted a policy of forced assimilation toward the Slavic-speaking inhabitants of Greek Macedonia. After 1913, all Slavic personal and place names were Hellenized and all evidence of the existence of Slavic literacy was destroyed.

As a matter of fact, a Macedonian nation emerged in the later 19<sup>th</sup> century and fought for its independence for many decades – most famously in the *Ilinden Uprising* in 1903. The vanguard organization of the Macedonian national liberation struggle was the petty-bourgeois nationalist *Vatreshna Makedonska Revolyutsionna Organizatsiya* (VMRO, Internal Macedonian Revolutionary Organization) which fought for an autonomous Macedonia as part of a Balkan federation. The VMRO split in the 1920s and one wing became close with the Communist International.

In short, the Greek government undertook a massive and brutal campaign to ethnically clean as much as possible Aegean Macedonia of all non-Greek peoples and to “Hellenize” it by resettling Greek refugees in this region. Tens of thousands fled to Bulgaria after the annexation of Aegean Macedonia to Greece in 1913. After World War I, another 220,000 fled from Aegean Macedonia and Thrace to Bulgaria. In the 1920s, another 66,000 Macedonians fled to Bulgaria. However despite this campaign of ethnic cleansing, according to official Greek figures, 162,500 Macedonians still lived in Aegean Macedonia in 1925.<sup>51</sup>

In the 1920s, the government continued its policy of systematic “Hellenization” of Aegean Macedonia and expelled more Macedonians. “*In the mid-1920s, Greece expelled about 53,000 Bulgarians from Greek Thrace and Macedonia in order to make room for 638,000 Greek refugees from the littoral of Asia Minor. Henceforth 89% of the population of Greek Macedonia consisted of Greeks while Greek Thrace was virtually cleared of Bulgarians.*”<sup>52</sup>

---

50 Giannes Koliopoulos and Thanos M. Veremis: *Modern Greece*, p. 74. See also Ivo Banac: *The National Question in Yugoslavia. Origins, History, Politics*, Cornell University Press, New York 1984, p. 317.

51 Victor Roudometof: *Collective Memory, National Identity and Ethnic Conflict*, p. 96

52 Tom Gallagher: *Outcast Europe. The Balkans, 1789–1989*, p. 89; see also Jane K. Cowan (Editor): *Macedonia. The Politics of Identity and Difference*, Pluto Press, London 2000; Hugh Poulton: *The Balkans. Minorities and States in Conflict*, Minority Rights Publications, London 1991; Joseph Rothschild: *The Communist Party of Bulgaria. Origins and Development 1883–1936*, Columbia University Press, New York 1959, p. 234; Katrin Völkl: *Makedonien/Mazedonien*, in: Michael Weithmann: *Der ruhelose Balkan*, Deutscher Taschenbuch Verlag, München 1993, pp. 218–252

Hence we see that gradually the Greek ruling class succeeded in its chauvinistic program of expelling the original Slavic population. Similarly, in the 1920s it expelled the Muslim Greek Vallahades from the western part of Aegean Macedonia. Consequently, today most of the native Muslim minority in Greece (i.e., with the exception of the recently arrived Muslim migrants) resides in the Greek region of Thrace. Since the 1920s some 250,000 Muslims were forced to leave western Thrace.<sup>53</sup> About half of the remaining 110,000 native Muslim minority are of Turkish ethnic origin, with 35% Pomaks and the remaining 15% Roma.

Finally, the Greek ruling class expelled another wave of Macedonians in the wake of the counter-revolutionary defeat of the Greek communists in the civil war of 1946–49. Koliopoulos and Veremis report that between 200,000 and 300,000 people fled the country in 1947, and eventually over 700,000 had left Greece by 1949. This was nearly 10 percent of Greece's population. Among them were many Macedonians, given their disproportionately large support for the communist insurgency.<sup>54</sup>

The brutal oppression and policy of forced assimilation of the Macedonians continue until today. The Greek state still does not officially recognize them as a minority. Macedonian as well as far left activists raising the Macedonian issue have been repeatedly persecuted and imprisoned.

Due to their oppression, the number of the Macedonians has drastically declined. There are widely differing accounts about the current number of Macedonians in northern Greece. The Greek authorities give no numbers. According to the US Department of State, there are between 20,000 and 50,000 Macedonian-speaking people in northern Greece. And the Republic of Macedonia has set the figure at between 230,000 and 270,000 for 1993.<sup>55</sup>

The reactionary character of Greek chauvinism went so far that Athens refuses to recognize the very name of the Republic of Macedonia which emerged after the collapse of Yugoslavia in 1991. Under the arch-nationalistic slogan "*Macedonia is Greek*" nearly all political parties, the media, the Orthodox Church etc. mobilized two rallies in 1992 and 1994 with hundreds of thousands of participants.<sup>56</sup> Furthermore Athens denied the Macedonian Republic the use of the *Star of Vergina* in its official flag (and in fact the Macedonian government had to give in and changed its official flag in 1995.) Greece even imposed an embargo against the Republic of Macedonia in the mid-1990s.

As a result, Macedonian organizations continue to fight against the oppression. *"Macedonian human rights groups seek recognition by the Greek government of the existence of a Macedonian minority in Greece. They are working to end discrimination*

---

53 Hugh Poulton and Suha Taji-Farouki: *Muslim Identity and the Balkan State*, C. Hurst & Co. (Publishers) Ltd., London 1997, p. 84

54 Giannes Koliopoulos and Thanos M. Veremis: *Modern Greece*, pp. 123–124

55 Human Rights Watch: *Denying Ethnic Identity. The Macedonians of Greece*, New York 1994, p. 13

56 Victor Roudometof: *Collective Memory, National Identity and Ethnic Conflict*, p. 32

*against Macedonians in Greece in the fields of education and employment, as well as in other areas of social, cultural, and political life. They want Macedonians in Greece to have the right to attend church services in Macedonian, to receive their primary and secondary education in Macedonian, and to publish newspapers and broadcast radio and television programs in Macedonian. They also want the right to establish Macedonian cultural organizations, such as the Center for Macedonian Culture, which was formed in Florina in 1984. Four Greek court decisions, however, have refused to grant the Center for Macedonian Culture legal recognition on the grounds that its purpose is to promote the idea of the existence of a Macedonian minority in Greece, an activity which was contrary to the national interests of Greece and therefore illegal.”*<sup>57</sup>

## **II.4 Greece as a Backward Capitalist Country between the Two World Wars**

The period between the two world wars brought some important changes to Greek capitalism. The inflow of 1.5 million Greek refugees – in a country which previously had a total population of 5.5 million – had a huge impact. It provided the Greek capitalists with a new source of cheap labor. At the same time many of these refugees were quite skilled often having been professionals, merchants, industrial workers, etc. in Asia Minor and eastern Thrace, their former homes.

In addition, many people moved from the countryside to the cities. Greater Athens (including the nearby port city of Piraeus) grew from 453,000 people (1920) to 1,124,109 people (1940). During the same period, the population of Thessaloniki increased from 174,390 to 278,145.

The supply of cheap, skilled labor and the decline of traditional trade stimulated the first significant accumulation of capital in the manufacturing sector. Investments were directed into labor-intensive industries: textiles, leather, food processing, ship repairs, and printing. At the same time, the state made the first systematic attempts to promote manufacturing through the implementation of protectionist measures (e.g., imposition of tariffs and control of commercial transactions). As a result, a small industrial proletariat emerged. In 1928, 15% of the labor force was employed in the industrial sector. All in all, the industrial working class grew from 35,500 (1917) to 140,000 (1938).

The government also undertook a program of agrarian reform which led to the redistribution of 35% of the country's arable land to 305,000 families. Big landowners were expropriated and their land distributed. However, these big landowners were fully compensated and, thanks to these payments, many were transformed into capitalists. Their compensation was paid by the state (1/3) and the peasants who received these lands (2/3). The latter had to pay their debt to

---

<sup>57</sup> Loring M. Danforth: The Macedonian Minority of Northern Greece, Cultural Survival Quarterly, Vol. 19 No. 2 (Summer 1995), <http://www.culturalsurvival.org/publications/cultural-survival-quarterly/greece/macedonian-minority-northern-greece>; See also The Law Library of Congress, Global Legal Research Center: Greece: Status of Minorities, October 2012



the former landowners within 30 years – a sum which further increased their already heavy debt. However, because their landholding was so small, these peasant families lived a life of poverty.

Despite these developments, Greece remained a backward country compared with other European capitalist countries. Agriculture remained by far the dominant sector in terms of output, employment, and exports. In 1928, 68% of the labor force was still employed in agriculture. Industrial enterprises were mostly small, i.e., handicrafts and artisan shops.<sup>58</sup> In 1930, 93.2% of manufacturing establishments employed fewer than five persons.<sup>59</sup>

Greece was unable to overcome being primarily a dependent, semi-colonial country. Foreign capital not only dominated the Greek economy via loans, but also directly. In 1929, of 131 insurance companies, only 15 were owned by Greeks! 75-80% of Greece's tobacco trade, one of the country's most important export commodities, was controlled by foreign capitalists.<sup>60</sup>

The country remained stuck in a permanent economic crisis. Year after year, its commercial balance sheet had a trade deficit of at least 50%. One quarter of the national income was paid out yearly to meet this debt; another 20% went to the military establishment; and 14% was allocated to the maintenance of the governmental bureaucracy. The already high taxes were increased enormously. The cost of living skyrocketed. The capitalists shifted the full burden of military disasters, foreign loans, and the upkeep of the huge military establishment to the shoulders of the already overloaded and impoverished masses.<sup>61</sup>

The masses remained poor and unemployment very high. Unsurprisingly migration of Greeks continued and, by the end of 1932, the total number of Greek immigrants in the United States amounted to 445,122.<sup>62</sup> Greek authorities encouraged emigration as a means of improving the balance of payments of the domestic economy through remittances.

The growth of an industrial proletariat, the discrediting of the regime after the defeat in Asia Minor, and the example of the Soviet Union led to a sharpening of the class struggle, the growth of trade unions and the spread of communist ideas. About a quarter of the workers were members of trade unions and about 4/5 of them were in unions under the direct influence of the Communist Party.

With the bankruptcy of the *Megáli Idéa* ("Great Idea") and the unification of all Greeks in a single state, Greek nationalism had lost any progressive content. In light of its annexation of areas with non-Greek minorities (mainly Slavic

---

58 Efharis Skrvelis: Industrial restructuring and the State in Greece: national developments within an international setting, Durham University, 1990, pp. 32-33

59 Nicos Mouzelis: Class and Clientelistic Politics: The Case of Greece, in: The Sociological Review Vol. 26, Issue 3 (February 1978), p. 492

60 Marios Nikolinakos: Materialien zur kapitalistischen Entwicklung in Griechenland (1. Teil), p. 205

61 The Editors of Fourth International: Civil War in Greece

62 Nicos Mouzelis: Greek and Bulgarian Peasants: Aspects of Their Sociopolitical Situation during the Interwar-Period, in: Comparative Studies in Society and History, Vol. 18, No. 1 (Jan., 1976), p. 100

Macedonians and Muslim Turks), Greece became a country which oppressed its own national minorities.

The result of these economic and political contradictions was a perpetual state of political crisis. Between 1920 and the Metaxas regime in 1936, one political regime followed another with the greatest rapidity. The bourgeois parties were incapable of consolidating significant support among the masses. As a result, the Greek army emerged as the regulator of political life. Scarcely a year went by without an actual or threatened coup d'état.

This period ended with the black years of the Metaxas dictatorship and the occupation by German imperialism. These years caused devastating destruction for Greece, the robbery of its assets by the Nazis, and the loss of many lives. (Approximately 550,000 persons, 8% of Greece's population, died during the years of occupation between 1940 and 1944.) Industrial production fell to only 1/3 of what it had been before the war and most of the streets and railways were destroyed. By the end of the German occupation, real wages had fallen to an estimated 6% of their prewar levels.<sup>63</sup>

The years of civil war 1946-49, when the Greek workers and poor peasants resisted the British occupation and the ascent to power of the discredited reactionary monarchy and military camarilla, but lost the struggle due to the betrayal of the Stalinist leadership, added to the exhaustion of the country. (The civil war claimed another 158,000 lives.)

The Fourth International summarized the state of Greece accurately: "*Greece is undoubtedly among the most backward and poorest countries of Europe. For over a century it has been condemned to the status of a semi-colony of the major European Powers. Foreign kings have been imposed on the Greek people and have exercised their oppressive rule for the benefit of the foreign bankers and the small clique of Greek capitalists and landowners. The Greek people have been ground down under a terrible weight of poverty. The per capita income of the average Greek is 17% that of the average British income. The wealth of the country has been skimmed off by the western bankers and the Greek capitalists. Little remained for the masses.*"<sup>64</sup>

---

63 Athanasios Lykogiannis: Britain and the Greek economic crisis, 1944-1947: from liberation to the Truman Doctrine, University of Missouri Press, Missouri 2002, p. 43

64 Editors of the Fourth International: Civil War in Greece

## II.5 The Contradictory Process of Modernization after the End of the Civil War until the Accession to the EU

Following the end of the civil war, Greece was exhausted after nearly a decade of occupation, war, and rule by a reactionary clique of corrupt politicians around the discredited king. The country remained severely dependent on Western imperialism, although now the US had replaced Britain as the dominant power. The country became an outpost against the Soviet bloc and was integrated into NATO.

Given the counter-revolutionary settlement by the agreement of Western imperialism and the Soviet bureaucracy (the so-called *Yalta Order*) which pacified and defeated the revolutionary developments of 1943–48, world capitalism experienced a period of a long boom which lasted until the late 1960s and early 1970. On this backdrop of the global growth of productive forces, nearly all countries underwent a process of industrialization and modernization. And so did Greece.

Imperialism had a particular interest in stabilizing the Greek regime during this period as it was one of their outposts in the Cold War. Hence, Greece received huge sums from the US which allowed the regime to stabilize its rule. According to the Greek historian Giannes Koliopoulos, *“between 1947 and 1957 American aid accounted for roughly half of state investment expenditure.”*<sup>65</sup>

The abundance of US capital and the relative stability of Greece ruled by a pro-American regime created the pre-condition for a boost of foreign investment and, related to this, a push for more industrialization.

As a result, Greece experienced a period of rapid growth in the 1950s and 1960s. Its average growth rates in 1950–73 (6.21%) was above the average rates for Western Europe (4.08%) as can be seen in Table 7.

The role of industry grew and, as a result, by 1961, industrial workers constituted 17% of the labor force.

However, these industrial investments had some key characteristics. First, for a long time there was relatively little investment in the core sector for the creation of capitalist value – manufacturing. The Greek sociologist Valia Aranitou writes:

*“The main area of enlargement reproduction of petty bourgeois strata originally was the construction sector. Indicative of this is the fact that the bulk of investment went to the construction industry to the extent that at times, especially in the decades 1950-1960, it reached 35% of total investment while at the same time the manufacturing industry just approached 2.1%. Here is where the “economic miracle” of post-war Greece occurred.”*<sup>66</sup>

65 Giannes Koliopoulos and Thanos M. Veremis: *Modern Greece: A History since 1821*, Oxford 2010, p. 130

66 Valia Aranitou: *The Decline of the Middle Classes around the World? The collapse of the middle class in Greece during the era of the Memoranda (2009-2014)*, p. 9

While investment in manufacturing increased later – by the mid-1960s nearly a third of new industrial investment was in intermediate and certain capital-goods groups – unlike in other parts of southern Europe no machine-based metalworking industry developed to fuel all-round industrialization.

Second, only to a limited degree did industrial investment lead to modernization of the rest of the economy. Big industrial enterprises remained what Nicos Mouzelis called at that time “*capital-intensive enclaves*” in a classical land of underdevelopment.

Third, while a new industrial Greek bourgeoisie emerged, all in all the country’s production of capitalist value remained heavily dependent on foreign imperialist capital. In fact, foreign capital investments were the decisive factor of economic growth during the boom of the 1960s and early-1970s. According to Nicos Poulantzas, a Greek Eurocommunist theoretician, Greek subsidiaries of imperialist multinationals accounted for 45% of the increase in industrial production. His characterization of this process as “*dependent industrialization*” is therefore quite accurate.<sup>67</sup>

Until 1966 foreign investment constituted nearly 50% of all industrial investment. According to Efharis Skrvelis, “*in 1978, enterprises under exclusive foreign ownership or with a majority equity participation of foreign capital represented less than 1 per cent of the total number of established enterprises with more than 25 employees. However, they represented 39.5 per cent of the total volume of investments in these branches [chemicals, petrochemicals, metallurgical, shipbuilding and electrical appliances branches, Ed.]*.”<sup>68</sup>

Furthermore, despite this process of industrialization, large sectors of the Greek economy remained backward and were dominated by petty-bourgeoisie or small capitalist forms of production. If we remember the aforementioned figure for 1930 (93.2% of manufacturing establishments employed fewer than five persons), this figure had changed only little by 1958 (84.9%).<sup>69</sup> In 1980, most firms registered as “*industrial establishments*” were still family businesses, often artisan-based, where the owner and family members are self-employed. Out of 128,000 enterprises, 109,000 employed up to four persons (85.2%) and another 10,500 employed up to ten persons (i.e., 93.4% of all industrial enterprises employed up to ten persons).<sup>70</sup> In 1976, there were only 80 enterprises which employed more than 500 workers.

Many of these industrial enterprises were in fact not “*industrial*” in the narrow sense of the word but rather involved artisan manufacturing. In 1963, only 41.7% of the industrial enterprises used any kind of machinery!

---

67 Nicos Poulantzas: *The Crisis of the Dictatorships: Portugal, Greece, Spain*, New Left Books, London 1976, p. 14 and 17

68 Efharis Skrvelis: *Industrial restructuring and the State in Greece*, p. 48

69 Likewise did independent cultivators and their working family-members constitute 92.4% of agricultural labor force by 1950.

70 See on this Nicos Mouzelis: *Class and Clientelistic Politics*, p. 492 and Efharis Skrvelis: *Industrial restructuring and the State in Greece*, p. 59

Similarly, in 1961 85.5% of all agricultural units were smaller than 10 hectares in size. (This figure, by the way, reveals the extremely slow progress of capitalist concentration in Greece's agriculture, considering that in 1929, 95.4% of all agricultural units were smaller than 10 hectares.<sup>71</sup>) In 1961, 56% of the total labor force was still employed in agriculture. All in all, Greece had the most prominent division of land into small holdings of any European country.<sup>72</sup>

Yet another indication of the country's backwardness, on a social level, was the persistence of illiteracy. In 1971, 14.8% of the population above the age of 10 was still illiterate.<sup>73</sup>

Since the mid-1970s, industrial investment stopped playing a dynamic role in Greek economy and has even undergone a steady and progressive decline.

Greece's chronic backwardness, as well the political oppression after the defeat of the communists in the civil war (1945–1949) and the period of military dictatorship (1967–1974), spurred a new massive wave of emigration. This migration lasted for almost twenty years, from the beginning of the 1950s up until the mid-1970s. It is estimated that approximately 1.2 million people left Greece and went to Northern America, Australia, and Western Europe. According to official statistics, between 1955 and 1973, 603,300 Greeks migrated to Germany, 170,700 to Australia, 124,000 to the United States and 80,200 to Canada.<sup>74</sup>

We therefore can confirm the following observation of the socialist theoretician James Petras: *“If the shape of Greek economy and society nevertheless began to change in the late fifties and sixties, the impetus overwhelmingly originated in the industrial heartlands of Western Europe. On the one hand, villages and towns delivered up their jobless and underemployed as nearly a tenth of the population—and considerably more of those of working age—joined Turks and Yugoslavs on the migration expresses to Munich and beyond, their remittances helping to create effective demand in Greece itself for the export-products of their labour on the assemblylines of the North. On the other hand, foreign capital led a significant shift away from traditional industries towards the capital-intensive chemical and metallurgical sectors.”*<sup>75</sup>

The monstrous state apparatus continued to play a central role for Greek capitalism in the post-war period. In the years 1954–63, 33.4% of gross capital

---

71 Marios Nikolinos: Materialien zur kapitalistischen Entwicklung in Griechenland (1. Teil), p. 192

72 Walter Fischer and Eberhard Rondholz: Revolution und Konterrevolution in Griechenland; in: Das Argument Vol. 12, No. 2-3 (May 1970), p. 105

73 Dimitrios Trichopoulos, George Papaevangelou, John Danezis Victoria Kalapothak: The Population of Greece. A Monograph for the World Population Year 1974, CICRED Series, Athens 1974, p. 49

74 See Ioannis Cholezas, Panos Tsakoglou: The Economic Impact of Immigration in Greece: Taking Stock of the Existing Evidence, Institute for the Study of Labor, October 2008, p. 2 as well as Anna Triandafyllidou, Michaela Marouf: Greece: Immigration towards Greece at the Eve of the 21<sup>st</sup> Century. A Critical Assessment, IDEA Working Paper 2009, p. 8

75 James Petras: The Contradictions of Greek Socialism, New Left Review I/163 (May-June 1987), p. 5

formation was provided by the state.<sup>76</sup> In addition, the state played a dominant role in the banking sector. Furthermore, investment by public enterprises in total gross fixed capital formation increased from 27.7% in 1975 to 42.6% in 1985.

Another reason for the huge size of the state apparatus was the need of the ruling class to maintain a huge standing army of 160,000 men, both to keep the domestic working class under control as well as to fulfill Greece's obligations as a member of NATO.

The result of these developments was that, according to Nicos Mouzelis, "*a very close collaboration*" between the Greek state and foreign capital [existed, Ed], a partnership in which foreign capital occupies the dominant position."<sup>77</sup>

In this context it is important to remind readers that, in this period, important changes took place inside the imperialist camp. While the US remained the hegemonic imperialist power, its influence decreased while that of the Western European imperialist powers proportionately increased, approaching that of the former, in the course of the formation of what would later be called the European Union. This led the Greek government to work towards joining the EC/EU, a process which was finalized in 1981.

All in all, during this period too, Greece was unable to overcome its fundamental structural weaknesses and remained a dependent, advanced semi-colony. Nicos Mouzelis accurately points out the similarities between the development of Greek capitalism and the advanced semi-colonies in Latin America (like Argentina or Chile). He summarized this in following way:

*"Despite its very impressive rates of growth during the nineteen-sixties and seventies, Greece's model of capital accumulation very much resembles that of those Latin American countries which contemporaneously experienced a foreign-capital-led type of industrialization. In this respect, the following points should be noted.*

1. *Greece in the sixties, due mainly to foreign capital (orienting itself in such key sectors of the economy as metallurgy and chemicals), experienced considerable industrial growth. This was evidenced not only by the very rapid expansion of the manufacturing sector, but also by a definite shift from the production of light consumer goods to capital goods and durables and by a marked increase in industrial exports.*

2. *However, as in many other countries on the capitalist periphery, this 'late', foreign-capital-led industrialization interacted with the rest of the economy in such a way as to create serious disruptions and bottlenecks. In both industry and agriculture, small-commodity production prevails in significant sectors, whose links with the 'modern' industrial sector are clearly negative. Thus one of the most striking characteristics of Greek industry is the persistence of small, low-productivity units, side by side with large capitalist firms which dominate the market. These small units remain on the whole unspecialized, highly inefficient and permanently on the borderline between bare*

---

76 Marios Nikolinakos: Materialien zur kapitalistischen Entwicklung in Griechenland (2. Teil); in: Das Argument Vol. 12, No. 4 (1970), p. 349

77 Quoted in Efharis Skrvelis: Industrial restructuring and the State in Greece, p. 74

*survival and bankruptcy.”*<sup>78</sup>

To summarize, Greece experienced a process of modernization and industrialization in the post-war period until the 1970s. For the first time, a considerable domestic industry emerged. Greek shipping magnates, a cosmopolitan layer often living abroad and only to a certain degree part of the national ruling class, directed some investments to Greece's industry. However, Greece remained economically and politically dependent on Western imperialism. Its economy was still dominated by small enterprises, among the big corporations foreign monopolies played a decisive role and a significant part of its public expenditures were financed by foreign loans. Greece has been a member of NATO from the beginning and its regimes, and in particular its army, were in fact underlings of US imperialism.

## II.6 Excuse: the Greek Shipowners – A Semi-Diasporic Bourgeoisie

In this section we will deal with the specific features of a key sector of the Greek bourgeoisie, its shipping magnates. Their significant role among the Greek bourgeoisie is underlined by the fact that shipping today contributes about 7% of Greece's GDP.<sup>79</sup>

As we mentioned above, the Greek bourgeoisie began and for a long time remained largely a merchant capitalist class. This merchant class lived to a large extent outside the Greek state. This however did not mean that it was cut off from Greece or that it did not wield significant influence. As Nicos Mouzelis notes:

*“Of course, it is true that in the nineteenth century the autochthonous merchant class was rather weak. But its counterpart living abroad, the Greek diaspora merchants and shipowners, with their formidable financial power, greatly influenced the shaping of most institutions in nineteenth-century Greece itself. In fact, it would not be an exaggeration to say that it is impossible to understand the nature and development of the Greek social formation without taking into account the merchant communities which were flourishing both in colonial centres (Alexandria, Cairo, Khartoum, etc.), in the major capitals of nineteenth-century Europe and in Constantinople and Asia Minor. For instance, one cannot understand the ‘over-inflated’ character of the Greek educational systems (Greece, relatively to its population, has one of the highest ratios of university-educated people in the world), without reference to the diaspora bourgeois.”*

<sup>80</sup>

In past centuries Greek shipowners played a central role in international shipping. During the second half of the 20th century they became the dominant force in this global industry and have retained this position until today. Their

<sup>78</sup> Nicos Mouzelis: On the Greek Elections, *New Left Review* I/108, March-April 1978, pp. 68-69

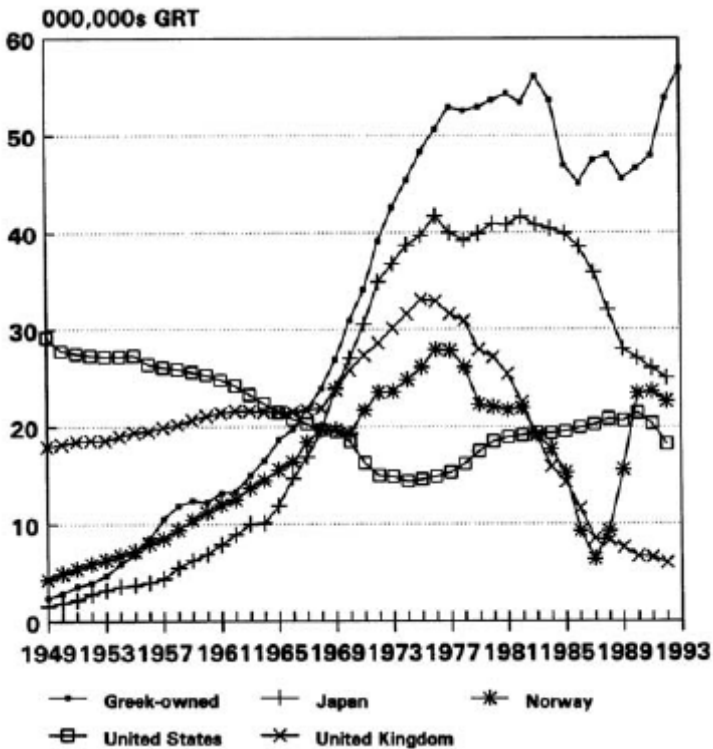
<sup>79</sup> Hugo Dixon: On notice: Greece's vested interests, *International New York Times*, 17.9.2015

<sup>80</sup> Nicos Mouzelis: Capitalism and Dictatorship in Post-War Greece, in: *New Left Review* Vol.I, No.96 (March-April 1976), p. 61

share in world shipping, which was barely 1% in 1947, exploded to 12% in 1970 and soared to 17.4% in 2000. \* The rise of Greek shipowners can also be seen in Figure 1 which shows how they climbed to the top relative to their main competitors, Japan, Britain and Norway.

As mentioned above, the Greek shipowners are an important but peculiar sector of the Greek bourgeoisie. Historically they have been a cosmopolitan layer often living abroad – in the 20th century, mostly in New York and London. They were merchants but hardly invested in production. As the Greek socialist economist Mihalis Malios formulated it: “Greek tycoons were known as big shipowners, but not as big industrialists.”

Figure 1: Growth of Top Fleets, 1949–93 <sup>81</sup>



81 Gelina Harlaftis: A History of Greek-Owned Shipping. The making of an international tramp fleet, 1830 to the present day, London 1996, p. 265



As a result the headquarters of Greek-owned shipping firms – particularly the larger enterprises – were (and still are) often located not in Greece but abroad in these cities. In Table 3 we can see that 1914 62% of Greek-owned shipping firms had their headquarters in Greece (Piraeus) and the rest were located in foreign cities. While the Greek share rose to 96% in 1938, it dropped to only 18% in 1958. At that time 45% of the headquarters were in London and another 37% in New York. By 1975, still only 34% of the company headquarters were in Piraeus, although this share grew to 66% by 1990.

It was and is typical for the Greek shipowners to operate a large proportion of their ships under flags of convenience, i.e., foreign flags. During the second half of the 1940s and the 1950s, 80 to 90% of the Liberian fleet and 45% of the Panamanian fleet were operated by Greeks. Today, the huge majority of Greek ships are still operating under foreign flags (see Figures 2 and 3).

There have been some changes in Greek shipping since a number of the country's shipowners began directing important sectors of their business to Greece beginning in the 1970s due to the downturn in the world economy which started in the early part of that decade. The Greek socialist academic Michalis Spourdalakis wrote: *"Greek shipping capital, which had in the post-war period enjoyed a prominent position in the world's sea transport industry, was reaching its limits both because of emerging protectionism and the world economic recession. Therefore policies which would promote a more competitive, export-oriented resource and manufacturing industry in Greece were in their interests. Such an economic orientation would at least develop a basis to compensate for the markets lost abroad as well as open up new opportunities for their stockpiling of surplus."*<sup>82</sup>

**Table 3: Main Headquarters of Greek-Owned Shipping Firms, 1914–90 (percentage of ship tonnage)<sup>83</sup>**

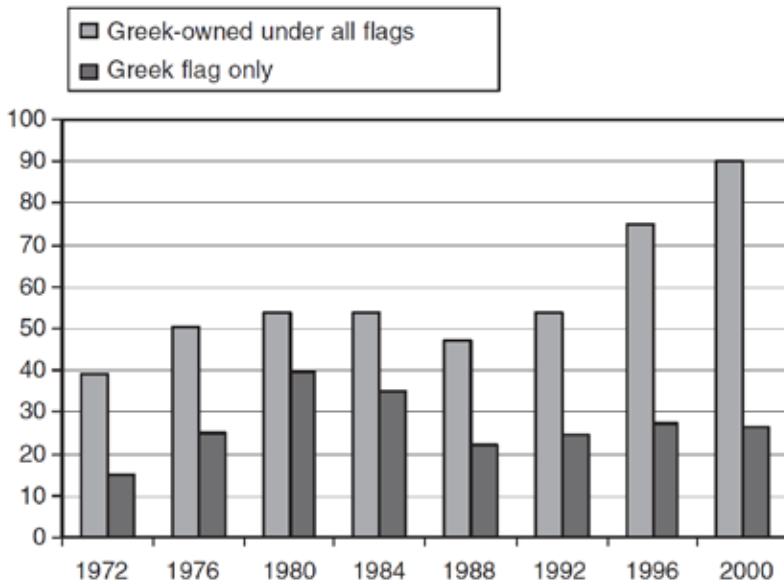
<i>Main headquarters</i>	1914	1938	1958	1975	1990
Piraeus	62%	96%	18%	34%	66%
London	9% (28%)*	1% (45%)*	45%	39%	22%
Constantinople	14%	–	–	–	–
New York	–	–	37%	18%	7%
Other	15%	3%	–	9%	5%

*Notes:* \*Tonnage represented by the London Greek agencies

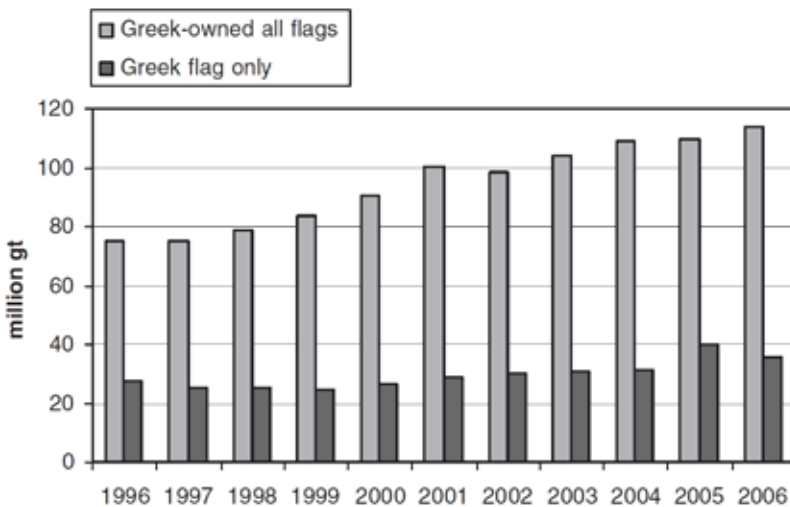
<sup>82</sup> Michalis Spourdalakis: *The Greek Experience*, in: *Socialist Register* Vol.22 (1985-86), p. 253

<sup>83</sup> Gelina Harlaftis: *A History of Greek-Owned Shipping*, p. 291

**Figure 2: Greek-Owned Shipping Fleet under Greek and Non-Greek Flags, 1972-2000 (in gross tonnage [millions])** <sup>84</sup>



**Figure 3: Greek-owned Shipping Fleet under Greek and Non-Greek flags, 1996-2006** <sup>85</sup>



<sup>84</sup> Helen A. Thanopoulou: *A Fleet For The 21st Century: Modern Greek Shipping*, in: Athanasios A. Pallis (Editor): *Maritime Transport: The Greek Paradigm*, Research in Transportation Economics, Vol. 21, Elsevier Ltd, Oxford 2007, p. 35

<sup>85</sup> Helen A. Thanopoulou: *A Fleet For The 21st Century: Modern Greek Shipping*, p. 40

However, several fundamental characteristics of the Greek shipowners as a core sector of the bourgeoisie have remained the same. Let us briefly discuss them.

First, as we noted above, many Greek shipowning families lived abroad. To a certain degree this has changed. Ioannis Theotokas and Gelina Harlaftis report in a study they conducted on the Greek shipowning families:

*“If in the first period the entrepreneurship of Greek shipowners in the international environment was the factor in the Greek-owned fleet’s success, in the latter period the shipping environment that developed in Piraeus was the driver of renewal and takeoff. Whereas in the first three postwar decades the ‘traditional’ shipping families moved and resided abroad, in the final two decades of the 20th century, Greek-owned businesses congregated in Piraeus and maritime entrepreneurship was renewed and expanded, with its headquarters now firmly based in Greece.”*

Nevertheless, to a large degree the shipowners remain a sector of the bourgeoisie which is limited in its connection with the national Greek economy: *“Greek shipowners are to the present day an exemplar of the continuity of the Greek entrepreneurial diaspora, which operated depending on the needs of sea trade and shipping. Many families never lived in Greece. And yet, two or three generations domiciled either in London or New York cleave to their Greek identity and consider their residence temporary, ready to move and settle in the next economic centre when the family firm demands it.”*<sup>86</sup>

Hence, the Greek shipowners remain a semi-Diasporic bourgeoisie and therefore are only to a certain degree (or in a peculiar way) part of the national ruling class.

Second, as already mentioned, the Greek shipowners *are a trading and not a producing class*. Greece has played no significant role in ship-building for a long time and has produced virtually no ships in the past decade.

Today’s shipbuilding market is completely dominated by China, South Korea and Japan. If we examine the statistics for global shipbuilding for the years 2003–2014, Greece’s share in all relevant categories (*“new orders,” “completions,” and “orderbook at year-end”*) is literally 0%!<sup>87</sup>

It is only logical that George Gratsos, President of Hellenic Chamber of

---

<sup>86</sup> Ioannis Theotokas and Gelina Harlaftis: *Leadership in World Shipping. Greek Family Firms in International Business*, London 2009, pp. 2–3; See also Alkis John Corres: *Greek Maritime Policy and the Discreet Role of Shipowners’ Associations*, in: Athanasios A. Pallis (Editor): *Maritime Transport: The Greek Paradigm*, Research in Transportation Economics, Vol. 21, Elsevier Ltd, Oxford 2007, p. 236

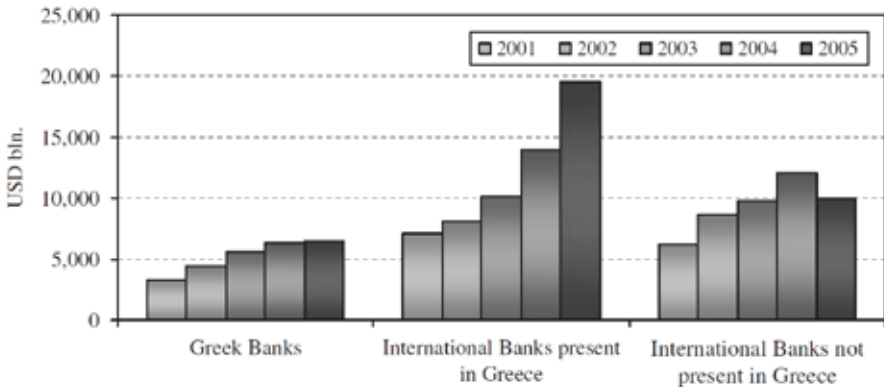
<sup>87</sup> See The Shipbuilders’ Association of Japan: *Shipbuilding Statistics*, Issue of September 2009, September 2001 and March, 2015 (Table 1, 2 and 4); see also Rima Mickeviciene: *Global Competition in Shipbuilding: Trends and Challenges for Europe*, in: Piotr Pachura (Editor): *The Economic Geography of Globalization*, InTech 2011, pp. 201–222; See Statista, <http://www.statista.com/statistics/263895/shipbuilding-nations-worldwide-by-cgt/>, <http://www.statista.com/statistics/257865/leading-shipbuilding-companies-worldwide-based-on-volume/> and <http://www.statista.com/statistics/263399/regional-breakdown-of-the-global-shipbuilding-market-by-contracting/>

Shipping, laments about the lack of shipbuilding in Greece. He recently stated: *“Shipbuilding activity today is very limited. Only small commercial units of local shipping are being built. Cargo ships cannot be built economically in Greece. (...) Greece must re-enter shipbuilding and ship repairs with a new, competitive legal and operational framework.”*<sup>88</sup>

Third Greece’s weakness as a capitalist country as well as the semi-Diasporic, cosmopolitan character of significant sectors of the Greek bourgeoisie is also reflected in the Greek shipowners’ traditional dependence on foreign loans. This has been the case throughout the entire history of modern Greek shipping. Referring to the decades after World War II, Ioannis Theotokas and Gelina Harlaftis report : *“The American government explicitly supported the growing use of flags of convenience in the immediate postwar era through its financial institutions; most Greek shipowners who bought ships on credit from American banks were ‘urged’ to sail under flags of convenience. (...) The economic and political structures of Greece meant that successive governments were able to weaken the Greek seamen unions’ power after 1951, but unable to provide financial support to the ever-growing merchant fleet. In this manner, the use of flags of convenience by the Greek-owned merchant fleet was ensured.”*<sup>89</sup>

Today, Greek capital is still not able to provide the funds needed by these shipowners. By 2005, Greek banks could finance only about 1/5 of the loans for the Greek shipping industry while 4/5 came from foreign banks (see Figure 4.)

**Figure 4: Bank Loan Portfolio to Greek Shipping 2001-05**<sup>90</sup>



88 George A. Gratsos (President of Hellenic Chamber of Shipping): *Greek Shipping and the Maritime Economy*, 2014, p. 25

89 Gelina Harlaftis: *A History of Greek-Owned Shipping*, pp. 260–263

90 Theodore C. Syriopoulos: *Financing Greek Shipping: Modern Instruments, Methods and Markets*, in: Athanasios A. Pallis (Editor): *Maritime Transport: The Greek Paradigm*, Research in Transportation Economics, Vol. 21, Elsevier Ltd, Oxford 2007, p. 175

At the same time, the Greek shipowners are greatly in debt. In the mid-2000s, their cumulative debts amounted to about 50 billion US-Dollars.<sup>91</sup>

Fourth, given the nature of sea trade, Greek shipowners have always been dependent on the security provided by Great Powers. For all these reasons, even the Greek shipowners – the economically most potent sector of the Greek bourgeoisie – have always been closely tied to the imperialist bourgeoisie of the Great Powers (mainly Britain and US; recently, also increasingly China). The Greek bourgeoisie as a whole has a particular strong “comprador,” submissive character, i.e., it avoids any confrontation with imperialism and loyally serves the Great Powers as local henchmen.

The success of Greek shipowners after World War II relied entirely on the preparedness of US imperialism to hire their services. Again Ioannis Theotokas and Gelina Harlaftis:

*“The high labour costs at home, which kept US ships from being competitive, and the need to retain control over a large part of the world’s merchant fleet for strategic and political reasons, led US maritime policymakers to support the flags of convenience. The adoption of such flags by US-controlled oil companies and independent owners meant that powerful lobbies were established to ensure their continued existence. During the second half of the 1940s and the 1950s, 80 to 90 per cent of the Liberian fleet and 45 per cent of the Panamanian fleet were operated by Greeks. (...) Part of the success of the Greek shipowners in the immediate postwar years was based on their decision to make the US, the world’s leading economic power (but a weak maritime power), their main trading partners, as they had done on a smaller scale with Great Britain in an earlier period. This was the advantage of the cross-traders and of tramp owners: by serving international trade rather than the needs of a particular nation, they were able to adjust to changes in the international environment. For their part, Greek tramp owners served the US well: the Americans needed a low-cost tramp fleet that they could control, something they achieved with the Greeks through credit and flags of convenience. The fact, however, that Greece was the only traditional maritime European nation to take such extensive advantage of flags of convenience during the postwar period may be attributed not only to the choices made by US policymakers but also to the internal structures of the country. (...) Apart from financial support, the US provided access to major oil companies and entrance into the tanker market.”<sup>92</sup>*

The specific and contradictory nature of the Greek shipowners as an important sector of the Greek bourgeoisie confuses a number of socialists for whom the dominant position of the Greek shipowners in global maritime trade seems to be an argument in favor of the imperialist class character of the Greek bourgeoisie and hence of Greece as a whole.<sup>93</sup> We think that such

91 Eric Wegner: Griechenland vor einer Revolution? Marxistische Einschätzungen der Entwicklung des Klassenkampfes in Griechenland, arbeiterinnenkampf, Wien 2012, p. 7

92 Gelina Harlaftis: A History of Greek-Owned Shipping, pp. 260–263

93 For example: *“And, finally, a problem of classification arises, which touches upon the very issue of the extent and nature of the internationalization process of capital. G. Milios notes that, as the ‘origin’ of foreign direct investments is established on the basis of the ‘nationality’ of the currency in which capital is imported,*

an assumption is completely mistaken. First, as we have elaborated, the Greek shipowners as a core sector among the Greek bourgeoisie historically have a semi-Diasporic character. This means that, among other things, they have always had sufficiently strong ties with the Greek state to be able to influence its policies, corrupt its politicians, etc. On the other hand, their links with Greece were not sufficiently strong as they would have been if they had invested their wealth significantly in capital accumulation within the country. As a result, the Greek economy always remained weak, backward and dependent. This is why the economic power of the Greek shipowners, irrespective of all the necessary limitations of this power we have outlined here, could not be transformed into general economic power for Greece as a whole. Consequently, Greece could not forge for itself an imperialist character.

This specific Diasporic nature of the Greek bourgeoisie is also a central reason why the Greek state apparatus has always been so disproportionately large in the Greek society and economy, as Nicos Mouzelis observed.<sup>94</sup>

As we have mentioned, since the 1970s there have been some changes and some of the Greek shipowners have moved their headquarters to Greece. This leads to the question of whether these developments have had effects on the class character of Greece and whether it might have become a minor imperialist power during the last three decades. We believe that this is not the case. Rather this precisely confirms our thesis about the semi-colonial character of Greece, for reasons we will now elaborate.

As we have demonstrated in this publication, the Greek economy – after a

---

*certain misperceptions occur: This way, investments realized by Greek shipowners in American, Panamanian, or British currency are classified as foreign investments. Yet, during the period under examination here [i.e., 1962-1973], the largest part of direct investments in the branches of petroleum products, shipyards, and tourism are realized by Greek shipowners and not by foreign investors. In discussing the same issue, A. Gregorogiannis considers this section of capital not "Greek" but "cosmopolitan" and further considers cases of minority equity participation as equally foreign. Whereas Milios talks about "the 'cosmopolitan' section of Greek capital", Gregorogiannis argues that: This constitutes a peculiar category, but still of foreign capital. For in all these cases the bonds of interests abroad carry a greater weight than national memories and language do. This is indeed so, but we may argue that it is so for Greek as well as for American or British "cosmopolitan" or multinational sections of capital. Greek shipowning capital is a case in point of how difficult the increasing multinationalization of capital makes the analytical 'disentanglement' of 'external' and 'internal' factors of accumulation." (Skrvelis, Efharis: Industrial restructuring and the State in Greece: national developments within an international setting, pp. 49–50)*

<sup>94</sup> *"The precocious growth of the modern Greek state can be understood in a similar way. The relatively rapid expansion of its administrative machinery and personnel were out of all proportion to the internal resources of nineteenth-century Greece. To put it simply, the greater part of the Greek bourgeoisie resided geographically outside Greece proper. As a result, the state erected in Athens was disproportionately large for the Greek polity under its command, while Greek capitalism achieved an international, if limited, mercantile character before it established itself on the Greek mainland. The impressive development and dominance of the state apparatus within the Greek social formation becomes even more striking if one takes into account that not only the autochthonous merchant class but also the landowning classes were rather weak in Greece. For large landowners appeared relatively late (with the annexation of Thessaly in 1881) and only lasted till the agrarian reforms of 1917, which abolished big landed property in Greece irreversibly." (Nicos Mouzelis: Capitalism and Dictatorship in Post-War Greece, in: New Left Review Vol. I, No.96 [March-April 1976], p. 61)*

period of rapid growth in the 1950s and 1960s – began its decline from around the end of the 1970s. Its capital accumulation in the industrial sector stagnated with the result that, today, the gap between Greece and the European Union in terms of productivity and standard of living is by no means smaller than it was before. Despite all the efforts of the bourgeoisie, Greece has failed to break out of its position at the bottom of the list of the traditional capitalist countries in Europe. This clearly demonstrates that the Greek shipowners were not a sufficiently potent class to help Greece overcome its status of dependency, even when they directed a significant proportion of their capital to the domestic economy. Furthermore, it shows that the Greek shipowners are a wealthy but parasitic merchant class, not an imperialist monopoly capitalist class.

Finally, let us note in passing that it would not be surprising to us at all if today significant sectors of the Greek bourgeoisie again leave the country and settle in London and New York in reaction to the economic collapse of “their” country. This would most tellingly reveal the “patriotic” character of the bourgeoisie!

To summarize, the Greek shipowners are without doubt a powerful sector in this global industry and a core sector among the Greek bourgeoisie. However, the very fact that this sector is the most powerful faction of the Greek bourgeoisie reflects the dependent and semi-colonial nature of Greece. The shipowners cannot finance their business by means of domestic financial resources but must rely mostly on foreign loans. To a significant degree they live abroad. They limit their activity to commerce and are incapable of building ships, i.e., their business is entirely dependent on the production of ships by foreign capitalists. Furthermore, their business is heavily dependent on the imperialist monopolies for which they transport commodities. Finally, they are dependent on the Great Powers who secure the maritime trade routes. In short, they are quintessentially the bourgeoisie of a semi-colonial country, not an imperialist one.