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Professor John Pemasoglou, issued in Athens on Thursday, October 16 and distributed to the Greek newspapers for publication, the following statement with reference to the official declarations on the Greek economic situation, published recently in Greece.

It is necessary, and a duty, to inform the Greek people of the economic developments of their country.

Serious adverse developments and a marked slowdown of growth can be observed in the Greek economy since 1967. These conclusions can be drawn from the following seven basic considerations :

First : Lower rate of growth of national product, combined with a relatively high rate of growth in consumption.

The average annual rate of increase in gross national product (GNP) at factor cost is 4.4% for the two years 1967 and 1968; it is estimated at 5.5% for the three year period 1967, 1968, 1969. The corresponding rate of increase is 7.6% for the four year period 1962-66 and 6.2% for the ten year period 1956-66. On the other hand, the average annual rate of increase of private consumption at constant prices is about 5.5% for the two year period 1967 and 1968 and this percentage is higher than the corresponding percentage increase in GNP during the same period. The above rate of increase in private consumption for the two years 1967 and 1968 is lower than the corresponding rates for the pre 1967 periods - at 7.5% for 1962-66 and 6.2% for 1956-66 - but these latter rates do not exceed the rates of growth of GNP during the corresponding periods. These relationships indicate that although before 1967 the standard of living rose more rapidly, the rates of increase were not higher than the rates of growth in GNP and accordingly relatively wider margins were left for investment, as opposed to the period since 1967.

Second : Sharp decline in the rate of increase of investment, especially of productive investment.

Private investment in fixed capital at constant prices increased at an annual rate of 6.0% during the two years 1967 and 1968. The corresponding rate was almost two and a half times higher (15.8%) for the four year period 1962-66 and almost double (11.6%) for the ten year period 1956-66. If account is taken

only of productive investment, i.e. after deduction of dwellings, the corresponding percentage rates of increase is 5.3% for the two year period 1967 and 1968, 17.2% for the four year period 1962-66 and 12.2% for the ten year period 1956-66.

Third : Marked reduction in the rate of increase of exports and invisible earnings.

The average annual percentage increase of exports of goods and services (on the basis of payment statistics) was 6.8% for the two year period 1967 and 1968 as compared with 13.7% for the four year period 1962-66 and 10.2% for the ten year period 1956-66.

The important economic achievements of the ten year period before 1967, as reflected in the above figures, should be stressed. During that period the foundations were laid for the cumulative movement towards a significant rise in the standard of living and an accelerated growth of investment. These results were attained with internal and external monetary equilibrium, despite disturbances during certain period caused by unsuccessful economic measures or other influences.

Fourth : Balance of payments deficits.

In the years 1967 and 1968, despite the sharp reduction in the rate of growth, there was no improvement in the overall balance of payments as should normally be expected. On the contrary, the overall balance of payments deficit in 1967 was concealed by accounting transfers of extraordinary items and in 1968 "distress action" was made necessary, in the form of external borrowing on terms less favorable than those compatible with the country's economic development. In 1969 the deterioration of the balance of payments is more pronounced. The following comparisons are based on the available statistics for the first six months of 1969 and the preceding four years : The deficit on current account, i.e. from commercial and invisible transactions, increased from \$ 145 m. and \$ 151 m. during the first six months of 1965 and 1966 to \$ 185 m. and \$ 210m. during the first six months of

1968 and 1969, respectively. If these deficits are increased by payments for debt redemption and reduced by the inflow of normal private capital (i.e. presumably designed for longer investment) the remaining deficit has almost doubled from an average of \$ 90 m. for the first six months of 1965 and 1966 to an average \$ 178 m. for the first six months of 1968 and 1969.

Fifth : Equilibrium in the balance of payments by "distress action".

The equilibrium of the balance of payments and the support of official foreign exchange reserves are being secured by borrowings on relatively short duration, mainly through loans of an extraordinary nature by the Bank of Greece, by large increases in supplier credits and by special foreign loans secured through public work contractors. More particularly :

1. The Bank of Greece since the beginning of 1968 in order to support its foreign exchange resources has borrowed from foreign private banks about \$ 90 m., mostly on five year loans and on commercial terms. It was never made necessary in the past for the Bank to have recourse to such loans, because the external payments were balanced by the normal inflow of capital covering the corresponding current account deficits.
2. Outstanding supplier credits increased by about \$ 70 m. in 1968 and about the same increase is expected in 1969. The corresponding average annual increase during the last years before 1967 was approximately \$ 35 m. As a result, at the end of June 1969, total outstanding obligations from supplier credits were at \$ 428 m. as compared with \$ 293 m. at the end of April 1967. Apart from a number of considerations which could have been based on the above and related comparisons, one could draw attention on the generally accepted view, that the extensive use of supplier credits for balance of payments purposes and the external finance of economic development is not sound and advisable, because it is associated with inadequate quality and price control of the goods imported on credit.
3. Since the first months of 1968, a system was introduced of external borrowing through public work contractors. The

intention is apparently to use this method for borrowings up to a total amount of about \$ 150 m. These loans are transacted with state and Bank of Greece guarantees and are usually of a duration of five to seven years and at a rate of interest of about 7% (for the five year loans), but an additional payment of 10% on the capital is provided for additional banking charges and expenses of foreign advisors and agents. These loans have to a large extent, replaced the loans of the European Investment Bank, which have been discontinued. The duration of these latter loans could extend to 20 years (or even 25 years in accordance with the relevant Financial Protocol of the Agreement of Association between Greece and the E.E.C.) - as compared with 5 to 7 years in the above loans - and they could be associated with a 3% remission of interest leading to a net charge of 3-4% - as compared with more than 8% on the above loans arranged by contractors. It must be noted that this method is applied without competitive bidding and therefore with considerable increase in the cost of public works. This implies that wherever this method is applied the real work done is considerably less than the work which could have been executed with the same expenditure, by applying the traditional arrangements of competitive bidding and finance.

Sixth : Internal financial stability, but at a low rate of growth.

The average annual rate of increase of the cost of living index during the two year period 1967 and 1968 was 1% and it is estimated at 1.5% for the three year period 1967 to 1969. These rates of increase should be compared with about 3% for the four year period 1962-66 and about 2% for the ten year period 1956-66. The increases in the price indices were generally relatively small and it can hardly be claimed that price stability has been secured in the last two and a half years. It is well known, within and outside Greece, that internal and external monetary equilibrium has been the result of a long and continued effort which began in 1952 and was considerably strengthened during

various periods in the fifteen years from 1952 till 1966 - in this last year by the almost complete elimination of gold sovereign hoarding. But there is a considerable difference in that relative price stability before 1967 was combined with high rates of economic growth and private productive investment and by a fundamental equilibrium in the balance of payments by means of long term development capital. As opposed to that, since 1967 the rate of economic growth is considerably lower and the impression of equilibrium is being sustained by relatively short-term loans on onerous terms.

Seventh : Loss of considerable foreign exchange resources.

According to conservative estimates a loss \$ 150 m. in foreign exchange resources has been incurred over the three years 1967, 1968 and 1969 in tourist earnings and by the suspension of development loans. This estimate is based : a) on a comparison between tourist earnings in the years 1967 and 1968, as well as those anticipated for 1969, with the earnings from tourism which could have been reasonably expected under normal developments in these three years on the rates of growth of tourism in Greece before April 1967 in relation to the rate of increase in international tourism, b) on the suspension of loans from the European Investment Bank from the total amount of \$ 125 m. provided in the Financial Protocol of the Agreement of Association as well as following the renewal of the Financial Protocol which was due to take place before the end of 1967. On the other hand the preceding estimate of a \$ 150 m. loss does not include the large increase of government expenditures in foreign exchange which from an average of about \$ 26 m. in the years 1964-66 shows a major increase up to the double of that figure in 1969 with no explanation being provided for the rise.

The loss of \$ 150 m. is the result of the suspension of democratic institutions in Greece. It should be noted that the distress borrowings which have been noted above are adding up to a total exceeding \$ 150 m. of which the country

has been deprived.

Most of the preceding considerations and estimates are derived from published material; they are known outside Greece and mentioned in official publications. Only the Greek people are deprived of a free public discussion on the economic developments in their country, on which their life and future depend.

The preceding considerations lead also to the conclusion that there is no foundation in the argument insistently put forward by representatives of the regime, to the effect that in April 1967 the economic situation was weak and unfavourable to the economic development of the country. This argument is the opposite of the truth. It is internationally recognised that the development performance of the Greek economy before 1967 was among the highest in the world and was combined with a fundamentally sound monetary situation and a strong balance of payments position over the years. These achievements were brought about under democratic institutions and free public discussion. It should be noted in this connection that in many countries which have faced in the past and continue to face really serious balance of payments and other difficulties, resulting in low rates of growth, no one thought that the abolition of constitutional freedom and guarantees could ever contribute in any way to the solution of their economic problems. The statement of the present rulers in Greece that the suspension of democratic institutions was made necessary for the solution of the country's economic problems is completely unfounded and defamation of the past constitute no service to the nation.

Finally, there is also the great problem of Greece's relations with the European Economic Community.

When the Agreement of Association between Greece and the E.E.C. was signed in 1961, the event was generally interpreted as the beginning of Greece's active participation in the process of economic and political unification of the democratic countries of Europe. For the last two years basic provisions

of the Agreement have been suspended and this, as well as the serious consequences of the suspension are not known in Greece. On the contrary, the recent declaration of confidence by the responsible spokesman of the regime, "in the normal development of Greece's relations with the Common Market and in the progress towards full association" is not only without foundation, but also conceals internationally known facts, indicating exactly the opposite perspective under the present regime in Greece.

The unification of Europe is the answer to many great problems of our age and in particular to the consolidation and strengthening of democracy and peace and to the promotion of economic and social progress in the European countries. Greece's absence from this process is a heavy national setback.

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