

# ECONOMIC AND SOCIAL COUNCIL



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## ECONOMIC, EMPLOYMENT AND DEVELOPMENT COMMISSION

### Implementation of full employment policies

Replies of governments to the full employment questionnaires covering the period 1950-1951, submitted under resolutions 221 E (IX) and 290 (XI) of the Economic and Social Council and relating to full employment standards, economic trends and objectives, economic policies and balance of payments problems and policies.

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## 1. GREECE

### A. DOMESTIC FULL EMPLOYMENT POLICIES

#### The Full Employment Standard

##### Questions 1 to 5

A full employment standard has not yet been established in this country. This question, however, is now under study and the finding of this study will be communicated in the course of this year.

The reply to these questions is dependent upon the fixing of the full employment standard for labour which, as already stated above, has not yet been fixed in this country.

#### Economic Trends and Objectives for 1950 and 1951

##### Economic trends in 1950

##### Question 6

##### a. Data on gross national product during 1950

The work of determining the various separate aggregates of the national income under categories (i)-(v), included in this question, has started only just in our country and it is hoped that it will be possible to supply the relevant information as from next year.

b.

##### (1) Peculiarities of unemployment in Greece

In order to understand the nature of unemployment in Greece, the observer should be acquainted with certain characteristics of the Greek economy without which he cannot possibly have a thorough knowledge of the case.

Greece has always been subject to the pressure of its demographic problem; a way out of this problem has been found mainly in transoceanic emigration. After the First World War, however, the various countries of destination took certain steps to prevent it. The demographic problem thus became acute and became further aggravated when 1,200,000 refugees were driven to Greece, following the loss of the war in Asia Minor. The same thing happened, to a lesser degree, in the period between the two wars when 22,000 refugees from Russia poured into the country.

/An effort



An effort was made to meet this difficulty by borrowing funds from abroad, by putting into effect a large-scale agricultural reform and by increasing local agricultural and industrial production. However, though these measures brought about a considerable improvement, they did not solve the economic and demographic problem in Greece.

The Second World War, the enemy occupation and the resulting damage and destruction, made the situation worse, especially when a small additional number of approximately 11,000 refugees sought refuge in the country after 1941.

In order to face these new hardships, the country embarked on a difficult struggle for recovery, generously assisted by funds from the United States. This new effort, however, was interrupted by the guerilla activities of the communist armed forces beginning in the fall of 1946 and lasting until the fall of 1949, thus considerably delaying the country's economic recovery. It was only when the guerilla activities were brought to an end at the close of 1949 and when, in 1950, repatriation was making considerable progress that the effort towards Greece's economic recovery was able to start in earnest.

This brief review of the situation gives a clearer picture of the whole economic problem in Greece and allows for a more specific formulation of the solution.

What is at the root of the problem is the disproportion between the number of people capable of productive employment, and the chances of their obtaining such employment. The result of this disproportion is unemployment which, owing to the peculiar structure of our economy, has acquired a special character. Unemployment is partial rather than total. In rural areas it takes the form of partial employment of the greatest percentage of the total rural population. In urban centres it takes the form of partial employment of a large percentage of the total urban population in transactions and resales (professional parasitism).

The only way out of the economic and demographic problem of the country and, therefore, of unemployment is economic development and structural reorganization by exploiting local resources to a maximum. However, as the necessary funds, do not exist and cannot be found in this country owing to its meagre income, the funds should be obtained from abroad.

The facts expounded above have given a picture of the causes of unemployment in Greece, of its special circumstances, and the forms it takes, as well as of the conditions under which the situation could be faced.

There follows data regarding the extent of unemployment during the period under consideration and factors bearing on such unemployment.

(2) Unemployment in 1950 and its causes

The figures on labour employment and total unemployment during the period 1949-1950, with reference to urban professions in 22 Greek towns where inadequately organized 'Employment Offices' are functioning, are as follows, according to information furnished by the Ministry of Labour:

	<u>31-12-1949</u>	<u>31-12-1950</u>
i. Employed persons	709,954	752,036
ii. Unemployed persons	112,240	160,271

The above data show that during 1949-1950 the employment figure rose by 42,082, i.e. 6 per cent, and the unemployment figure rose by 48,031, i.e. 42 per cent.

This increase in unemployment, at first sight, seems to contradict the increase in employment and the general economic activity which was observed during the two years under comparison. This contradiction, however, is only apparent, and should be attributed, to a great extent, to the lack of employment and unemployment statistics.

As already mentioned, the 'Employment Offices' are not adequately organized, such offices existing only in 22 towns.

It is also well known that there has been always an inflow of rural population towards the towns, and this trend has become more acute during the post-war years owing to the enemy occupation, the guerilla warfare, the inflow of refugees, etc. This factor accounts for the great number of applicants at the 'Employment Offices' who seek employment as soon as they arrive in towns. In accordance with what is stated above, these newcomers in the towns come from agricultural areas and not from industrial areas or from jobs that no longer exist. Consequently they are the first to be registered at the 'Employment Offices' thus the apparent contradiction between the increased employment figures and the increased unemployment figures should be attributed mainly to lack of relevant statistics. It should be noted that the annual



rate of the population at productive age is 60,000 and, in addition, the large-scale demobilization which took place during the first half of 1950 also contributed to the increase of unemployment figures.

c. Inflationary pressures in 1950

The inflationary pressure, which existed in this country ever since the super-inflation of the occupation period, has become more acute during the second half of 1950.

The following figures show the development of this inflationary pressure in 1950, compared with the figures of 1949:

Cost of living index of retail sales: 1938 = 1.00<sup>1/</sup>

	<u>Jan.</u>	<u>Feb.</u>	<u>March</u>	<u>April</u>	<u>May</u>	<u>June</u>
1950:	348.8	365.5	369.1	344.4	339.7	339.4
1949:	355.2	357.9	356.6	362	364.1	359.6
	<u>July</u>	<u>Aug.</u>	<u>Sept.</u>	<u>Oct.</u>	<u>Nov.</u>	<u>Dec.</u>
1950:	356.3	381.1	389.5	391.3	390.5	401.3
1949:	353.2	347.5	353	352.6	350.5	343.3

Cost of living in Athens: 1938 = 1.00<sup>1/</sup>

	<u>Jan.</u>	<u>Feb.</u>	<u>March</u>	<u>April</u>	<u>May</u>	<u>June</u>
1950:	280	283.3	290.4	285	285.3	295.7
1949:	297	303.3	301.1	292	292.6	295
	<u>July</u>	<u>Aug.</u>	<u>Sept.</u>	<u>Oct.</u>	<u>Nov.</u>	<u>Dec.</u>
1950:	305.7	308.1	312.3	320.4	321.1	324.3
1949:	277.9	278.6	285.5	277.1	282.2	288.3

The reasons for the inflationary pressures which were in existence in 1950 and prior to that date should be described as "general", and those which were in existence during the second half of 1950 and which resulted from the Korean events, as "special".

<sup>1/</sup> The base 1.00 has been used instead of the conventional 100 in order to avoid the use of large numbers in the tables.

The "general" reasons were both of a currency and non-currency nature. The reasons of a currency nature are the continuous increase in the quantity of the circulating bank notes and the periodic tendency of rapid increase in velocity of circulation. The general reasons of non-currency nature are the inadequate and irregular imports, the monopoly of production, trade, professions and labour, the large number of parasitic intermediaries between supply and demand and the compulsory contributions for the maintenance of a large number of special funds and organizations. The latter, in addition to the occasionally exorbitant charge of interest, are the real reason for the very high costs of production.

The "special" reasons which were in existence during the second half of 1950 and which resulted from the Korean events were both of currency and non-currency nature.

Those of a currency nature are the increase in advances to the State by the Bank of Greece and the rapid increase in the velocity of bank notes circulation. Those of a non-currency nature are the increase in prices of a large number of imported commodities, as well as the rise in prices of locally produced and imported commodities which are for the building up of stocks in view of probable shortages and possible further price increases.

#### Economic objectives for 1951

##### Question 7

The broad objectives of the country's economic policy in 1951 were in the main the following:

1. Further strengthening of the country's defence measures.
2. Execution of reconstruction projects, particularly of the type of projects that yield immediate results.
3. Measures to counter inflationary pressures.
4. Fairer taxation.
5. Equal distribution of consumer goods.

The forecasts for the country's economic development during 1951, provided the appropriate policy<sup>2/</sup> is adopted for the realization of the above objectives, can be summed up as follows:

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<sup>2/</sup> As regards this policy, see Supplement to the answers pertaining to questions 9-16 of the questionnaire.



(a) It is anticipated that agricultural and mining output will be increased.

(b) It is anticipated that imports will be reduced as compared to those of 1950 as a result of the curtailment of aid funds and the rise of prices in the international market.

(c) It is anticipated that exports will be increased about 12 per cent as compared to those of 1950. Taking into consideration, however, that the comprehensive amount of exported commodities is comparatively low, its increase will hardly contribute towards balancing the above-mentioned reduction in imports.

(d) It is anticipated that labour employment will be reduced (a fact which has become already apparent during the first months of 1951) owing to the growing tendency of hoarding gold sovereigns and the consequential decrease in effective demand as well as from the present tendency for the building up of stocks. This reduction of labour employment, however, could be brought about by exercising a more liberal credit policy. However, it has been considered advisable to meet this problem through the utilization of greater sums of available drachma recovery funds.

A really effective measure towards the solution of the above-mentioned problem would be the placing of orders of defence equipment in Greece by the Marshall Plan countries.

#### Question 8

All comments relative to the 1950 economic trends and to the objectives of the 1951 economic policy have already been dealt with in the replies to questions 6 and 7, respectively.

#### Economic policies in 1950 and 1951

##### Measures to maintain full employment

#### Question 9

The measures taken in connexion with the increase in effective demand in 1950 were the following. It should be noted that those measures are not new but the extension of measures adopted in 1949 which were described in our reply to the questionnaire forwarded in February 1950 (E/1698/Add.7).

a. Measures designed to stimulate consumption

- (1) (i) Allocation from the 1950 State budget of the following amounts in million drachmae of current purchasing power, as compared with 1949.<sup>3/</sup>

		<u>In million drachmae</u>	
		<u>1950</u>	<u>1949</u>
(a)	Financial aid and relief to guerilla stricken refugees	392,364	514,567
(b)	Financial aid to the families of recruited armed forces reserves	200,409	377,149

- (ii) Allocation of special financial aid and 25-30 per cent pension rise to pensioners of certain social insurance organizations.

Here below are the figures of the unemployed in the Athens area who received regular assistance from the Unemployment Fund and the sums granted to them in 1950 as compared with those of 1949. It should be taken into consideration that the conditions under which dole is granted to the unemployed have been changed since January 1950 with a view to expanding the possibilities of granting such dole.

<u>Months</u>	<u>Beneficiaries</u>		<u>Dole sums in million drs.</u>	
	<u>1950</u>	<u>1949</u>	<u>1950</u>	<u>1949</u>
January	2,291	2,413	496.7	149.7
February	2,252	2,290	874.9	308.1
March	2,727	2,148	596.2	299.2
April	3,067	2,172	963.9	633.2
May	3,308	2,172	909.3	407.9
June	3,563	1,969	988.7	322.4
July	3,609	1,926	874.6	260.5
August	3,574	1,993	861.4	268.2
September	3,569	2,117	848.7	361.8
October	3,287	2,155	794.1	367.9
November	3,540	2,154	811.9	375.0
December	4,821	2,284	970.9	396.2

By the application of these measures, the consumption capacity of certain groups was either maintained or increased.

<sup>3/</sup> Whenever drachmae are mentioned in this text, they have the purchasing power of the year in which they were allocated.



- (2) (i) Allocation of 563,309 million drachmas from the 1950 Budget for the subsidy of basic state imports as compared to the sum of drs. 156,000 million allocated in 1949 for the same purpose.
- (ii) Allocation of drs. 44,000 million from the 1950 Budget for the subsidy of certain exportable indigenous products as compared to the sum of drs. 10,000 million allocated in 1949 for facilitating their export and in order to secure a certain income to growers.
- (iii) Fixing of support prices by the Government for certain agricultural products such as wheat, cotton, tobacco, etc., in order to secure a certain income to growers.
- (iv) Allocation of credits at a low interest to a number of co-operatives for the procurement of various items and for the disposal of the latter to the members of said co-operatives at lower prices. These credits amounted to drs. 9,375 million in 1950 as compared to the sum of drs. 9,011 million.

(3) Control over the cost and the prices of certain goods and services in order to restrict commercial profits within legitimate limits.

b. Measures designed to encourage private domestic investments

(1) Tax exemptions, reductions and concessions mentioned in the reply to the questionnaire dated 17 February 1950 remained valid in 1950. The same reply included tax exemption for new buildings and also for those buildings which had been subject to large-scale structural repairs; that tax exemption remained in force throughout 1950, exercised a considerable influence in encouraging private reconstruction. According to information given by the Ministry of Social Welfare, private reconstruction as well as large and small scale repairs carried out in the Athens-Piraeus and suburbs area during 1950 amounted to the sum of 733 thousand million drs. as compared to the sum of 474 thousand million drs. in 1949. The total value of the above-mentioned constructions throughout the country amounted, in 1950, to the sum of 1,065.400 million drs. as compared to the sum of 631.800 million drs. in 1949.

(2) Allocation of medium and long-term credits out of AMAG and ECA funds through various banks to agriculture, fisheries, mining, public utility enterprises, communication and tourism amounted, at 31 December 1950, to 144.700 million drs., and \$11,200,844,<sup>4/</sup> as compared to 34.500 million drs., and \$1,714,900 on 31 December 1949.

(3) The rate of interest charged for such loans was about 8 per cent and was

<sup>4/</sup> The dollar value represents imported capital goods granted to private concerns on credit.



liable to be increased by up to 2 per cent in favour --

These rates are considerably lower than the official rate of interest charged by banks, which together with the relevant commissions totals 16 per cent.

c. Measures designed to increase public investment

- (1) (i) Considerable amounts were made available by the State on the basis of the Recovery Programme for the carrying out of communication, housing, and land reclamation projects, agricultural development, etc., with American aid funds. The total value of these projects amounted during the first half of 1950 to 1,097.400 million drachmae and to \$38,103,000;<sup>4/</sup> as against 581.700 million drachmae and \$24,290,000 allocated during 1949.
- (ii) Moreover, during 1950, the guerilla-stricken refugees who came to the towns, as well as locally unemployed persons in general carried out small technical projects on the basis of the "Work Relief Programme" valued at 61.900 million drachmae against 18.200 million drachmae allocated during the second half of 1949. The above projects, in the execution of which about 26,000 persons were employed, against 25,000 persons employed during the second half of 1949, were financed by the State Budget which, however, obtains considerable sums from American aid funds.
- (2) Funds made available from their own resources by certain public institutes and by the local self-government organizations for the construction of various technical projects (port projects, hydraulic projects, road projects, etc.)

d. Supplementary information

- (1) The favourable influence of the measures, under categories a, b and c above, concerning the increase in the effective demand, has been set off to a certain extent by other state measures imposed to decrease inflationary pressures. Such measures included those aiming at restricting the deficit of the State Budget (the increase in the price of supplies imported by the State, such as wheat, rice, sugar, fuel, the increase in the price of state monopoly items as kerosene and alcohol), increasing the price of public utility services, such as electricity and gas, controlling salaries and wages and prohibiting the use of certain commodities for special purposes (i.e. white flour, olive oil, liquid fuel) for the purpose of increasing their adequacy.

<sup>4/</sup> The dollar value represents imported capital goods granted to private concerns on credit.



(2) The measures which in 1950 resulted in an increase in the effective demand, and especially the outlined policy of investments and some of the state measures already described, concerning the maintenance or encouragement of consumption, to a certain extent reduced state revenues (for instance tax exemptions) and at the same time increased state expenditure accordingly (assistance to guerilla-stricken refugees and reservists, subsidies on imports and exports, etc.). The increase in expenditure required for the state investments of the Recovery Programme was met by American aid funds. These expenditures could not be financed by local public loans or by an increase in taxes (which is usually done as a result of the increasing public requirements) owing to inadequate income, inadequate savings following the damages of the Second World War, the guerilla warfare and the collapse of the credit system, as a result of the super inflation during the enemy occupation, the post-occupation inflation and in particular the state of uncertainty regarding the future.

(3) Of the measures adopted in regard to economic policy, those designed to increase effective demand undoubtedly showed a direct and substantial result during the first half of 1950 in reducing unemployment. Without these measures, following the extensive demobilization during these six months, the volume of unemployment would have been much larger. Particular emphasis should be placed on the importance of the measures taken to encourage private investments, and of the measures aiming at increasing state investments through the Recovery Programme, and which were made possible exclusively by means of American aid.

#### Question 10

##### Unemployment and lack of raw materials for industry

During 1950 Greece could not deal with the problem of unemployment, mainly on account of its inability to import or produce raw materials for the operation of industries. Consequently no special measures were required for increasing the supply of raw materials or for canalizing labour idle through lack of raw materials into other fields of employment. Nevertheless the country is most anxious to establish stocks of raw materials and other items for 1951. This, however, has been prevented by the great reduction in American aid during 1950-1951, which amounted to 28 per cent of the 1949-1950 aid (which amounted to \$285.700.000), by the freezing of certain sums of the reduced aid, as well as by the increase in international prices, which has restricted the purchasing power of the country's foreign exchange availabilities.

/Question 11



### Question 11

#### Unemployment and inadequacy of equipment

As stated in the reply to question 6 (point b(1)) of the present questionnaire, in Greece, which is a country of low economic development, unemployment is visible (total unemployment of certain groups of the urban population) and invisible (under-employment of the rural population, of the professional group and of part of the urban population). The latter is due to the inadequacy of equipment in the various branches of production and the absence of adequate communications.

This inadequacy in agriculture, fisheries, industry, power, communications and tourism, in conjunction with other factors of an organizational and technical nature, hinders the fuller use of local economic sources.

In order to face this inadequacy in 1950 the Government has taken the measures outlined above (reply to question 9, points b and c) aimed at encouraging local private investments and at increasing state investments. However, the solution to this problem would obviously require a continuous increase in private and state investments for many years to come.

It should be noted, in particular, that the road construction projects would facilitate the transport of many agricultural products to urban and other centres of consumption and would, to a certain extent, restrict the under-employment of a number of groups of the rural population.

### Question 12

#### Unemployment and sectors of exports

The country's exports, at least up to the present, mainly consist of agricultural products. During 1950, there was no considerable unemployment in the branches producing exportable agricultural products and it is anticipated that there will not be any in 1951 either.

### Question 13

#### Frictional unemployment and seasonal unemployment

In the country there is frictional unemployment attributed to the reluctance of labour to change the nature or the place of their employment, or to the difficulties entailed in such a change. Furthermore, seasonal unemployment exists particularly in the enterprises dealing with commercial processing of tobacco. This unemployment usually appears in November after that processing has been

/completed.



completed. In December 1950, the number of such unemployed persons amounted to approximately 11,000. The problem of unemployed tobacco workers is met by registering them at the employment offices so as to provide them with a new job, and also by a subsidy from unemployment fund. A considerable percentage of seasonal unemployment is also observed in the building activity.

Measures designed to reduce inflationary pressures

Question 14

As already mentioned, inflationary pressures developed particularly during the second half of 1950.

The following measures have been adopted against these pressures:

(1) Changes in the taxation system with a view to increasing the revenue from income tax on private individuals and companies. Towards the end of 1950, E.L. No. 1527/1950 was passed enabling the bearer shares of Greek joint stock companies to be converted into nominative shares.

(2) Control over the allocation of credits granted by commercial banks for productive and not for consumption or profiteering purposes was continued throughout 1950. This control is carried out by utilizing the credits in question. This utilization is effected by means of the reimbursement of non-transferable cheques issued by the beneficiaries of bank credits in favour of third parties.

On the other hand in 1950 commercial banks were still under the obligation to transfer a percentage of their deposits to the Bank of Greece, thereby increasing their liquidity.

During the same year various public bodies and insurance funds were still under the obligation to deposit their cash availabilities with banks and, recently with the Bank of Greece, in accordance with E.L. 1611 of 31 December 1950.

(3) Control over credits granted by banks in order to prevent their utilization for consumption purposes.

(4) Curtailment of the State's consumer expenditure.

(5) Effort towards increasing local production of staple foodstuffs.

(6) Control over prices, and salaries. Certain products were reserved for specific purposes and were excluded from general consumption.

(7) Budget subsidy of certain imported basic commodities. The Budget, as has already been mentioned, is largely financed through American aid funds.

/The above



The above measures adopted to counter inflationary pressures in 1950 did not result in any substantial increase in unemployment.

Measures which increase the resistance of the economy to recessionary tendencies

Question 15

a. Since the country's liberation from the occupants, Greece's economy has been particularly susceptible to depressional tendencies. The reasons for this susceptibility are due to the war and occupational destruction; to the complete loss of the country's cash availabilities and the consequential loss of credit, to the further guerilla warfare destruction, and to the unrelenting threat from the North.

The natural consequence of the above-mentioned factors was a reduction in the national income and, therefore, in savings. Moreover, these reduced savings are not productively invested but are, to a great extent, turned into gold sovereign hoardings.

The inadequacy of both income and savings and the tendency to hoard gold sovereigns have deprived the State of the possibility of countering the depressional tendencies through domestic loans. Therefore, the contribution of local resources to the country's reconstruction and its economic development, is limited.

Consequently, Greece's reconstruction and economic development are of necessity carried out through aid funds. But even these funds are limited owing to both the considerable cut effected in the current fiscal year's allocations and the freezing of substantial sums out of counterpart funds.

The country's financial requirements for its economic development and for measures against depressional tendencies are considerable and, therefore, the allocation of more counterpart funds in 1949-1950 or in the year before that, as well as the hope that during the current year sufficient counterpart funds will be appropriated, can hardly be considered as a solution to the problem.

b. The existing measures for fixing security prices for the country's main agricultural products, such as wheat, tobacco, currants and cotton, were extended in 1950, thus rendering possible a smaller scale of fluctuation in the prices of those commodities and also a smaller fluctuation in the respective income from primary production.

c. Since January 1950 the dole system of the Unemployment Fund has been improved. Specifically the conditions for granting dole to unemployed were changed with a view to increasing the number of beneficiaries.

Measures designed



Measures designed to facilitate steady economic expansionQuestion 16

a. As a country participating in the Organization for European Economic Co-operation, in January 1950 Greece prepared its 1950-1951 and 1951-1952 recovery programme and the revised annual programme for 1949-1950. The three year recovery programme covering the period 1950 to 1953 and the revised 1950-1951 annual programme were prepared in January 1951. Those programmes include plans dealing with investments, production, imports, exports, consumption, etc.

b. The measures regarding state finance, credit, salaries and prices, intended to encourage a continuous development of private consumption, have already been stated in the reply to question 9 (point a) of this questionnaire.

c. The measures regarding state finance and credit have been stated in reply to question 9 (point b) of this questionnaire. Their object is the encouragement of private investment, which is also connected with the problem of meeting the effects on the economy of private monopolies. The latter tend to promote new enterprises or other already existing enterprises of non-monopolistic character. In addition to these measures, which are already being applied, the procedure of attracting foreign capital, which will contribute towards increasing private investment within the country generally, is under consideration.

Supplement to the replies pertaining to questions  
9 to 16 of the questionnaire

1951 Economic Policy

The measures regarding the economic policy which were applied during 1950, and which have been described in reply to questions 9 to 16 of this questionnaire, will also be applied in a general way during 1951.

Moreover, the following specific measures are planned for 1951:

a. Recovery programme investment policy

(1) Priority shall be given to the extension of projects concerning both recovery and defence and to those the object of which is the increase of production in essential consumer goods and raw materials.

(2) Prompt utilization and operation of capital equipment imported from abroad or already available, as well as various materials.

(3) Promotion of private building construction for the housing of people

/earning low

earning low income, and limitation of the erection of luxury buildings by abolition of tax exemptions. The Decree of 20 March 1951 has been promulgated in this connexion.

b. Credit policy

- (1) Further restriction of credits not directly concerned with production.
- (2) Classification of enterprises requiring credit in order to finance those working for the immediate production of essential goods. In order to exercise a more efficient control over credit, Emergency Law 1665 dated 27 January 1951 "re-Bank operation and control", has been enacted.
- (3) Reorganization of the Agricultural Bank. A relevant bill has been drafted in this connexion.

c. Financial policy

- (1) Increase of the output of immediate taxes. Various fiscal measures such as the mechanization of the service established for the collection of fiscal data, etc., are being provided in order to ensure a satisfactory application of this measure.
- (2) Indirect taxation in order to capture preposterous profits resulting from the sale of non-essential commodities and the absorption of the difference existing between local and foreign prices in connexion with certain goods.
- (3) The speeding up of the implementation of the programme dealing with the abolishment of taxes in favour of third parties.
- (4) Efforts are being made to restrict the budget deficit.

d. Policy of prices

- (1) Organization of regular general distributions of 6 or 7 commodities of basic importance by means of ration cards for the broader categories of the population in accurately established quantities at fixed periods and definite prices.
- (2) Price controls of a small number of commodities and services of basic importance for the broader categories of the population.
- (3) The maintenance of the support prices established by the State and announcement of same with regard to the main products at the end of February of each year and the purchase of these products by the Government through the funds of the State Budget without advance payments from the Bank of Greece.

/e. Wage policy



e. Wage policy

(1) Cancellation of the system dealing with the establishment of salaries valid on a nation-wide basis by decrees and implementation of the new system for establishing the salaries by means of a central council of salaries which will take into consideration the financial conditions prevailing each time it determines the wage amount.

(2) Efforts to ensure in future a stable income in particular to those employees having a lower income, and also to establish the salaries on the basis of the productivity of each category of work.

f. Export policy

(1) Temporary continuation of subsidies granted in respect of exportable goods.

(2) Drafting of a programme for the protection of exports.

# B. BALANCE OF PAYMENTS AND RELATED POLICIES

## Question 17

### GREECE'S BALANCE OF PAYMENTS (Preliminary) YEAR 1950

(In thousands of United States dollars)

CREDIT		DEBIT	
<b>MERCHANDISE:</b>		<b>MERCHANDISE:</b>	
<u>Exports:</u>		<u>Imports:</u>	
By acquisition of state exchange	33,762	By disposal of state exchange	161,080
Through clearings	48,648	Through clearings	144,432
Through private barter	<u>2,714</u>	Through private barter	<u>8,135</u>
	85,124		313,647
<b>INVISIBLE RESOURCES:</b>		ECA direct procurements	
Supplies-repairs	3,164	Reparations	27,856
Interest-dividends	768	By private own exchange	3,411
Insurance premiums	460	Intern. Children's Em. Fund	<u>1,935</u>
Remittances:			397,739
Emigrants' remittances	14,339	<b>PURCHASE OF SHIPS:</b>	
Shipping earnings	17,016	(a) with private own exchange	36,431
Through clearings	5,832	(b) with state exchange	<u>27</u>
State services abroad	685		36,458
Foreign travellers	4,734		434,197
Foreign missions	2,128		
Other resources	<u>2,437</u>		
	51,563		
<b>PRIVATE HOLDINGS MOVEMENT:</b>		<b>INVISIBLE EXPENDITURES:</b>	
Surrender of exchange	7,341	Dividends-salaries	50
Disposals:		Insurance premiums	2,481
(a) for purchase of ships	36,431	Interest	2,247
(b) for Import of merchandise	<u>3,411</u>	Financial needs:	
	47,183	of the State	4,649
		of private individuals:	
		with state exchange	1,973
		through clearings	4,882
<b>REPARATIONS:</b>		Technical instruction	2,700
German	4,165	Other expenditures	<u>3,908</u>
Italian	<u>23,691</u>		22,900
	27,856		

/FOREIGN AID



GREECE'S BALANCE OF PAYMENTS (Preliminary)  
YEAR 1950 (Continued)

(In thousands of United States dollars)

CREDIT	DEBIT
FOREIGN AID:	TRANSFER OF CAPITAL 167
ECA direct procurements 50,890	NET SALES OF GOLD IN GREECE 15,092
ECA grantings of exchange 76,156	INCREASE IN HOLDINGS OF BANK OF GREECE 5,803
Drawing rights and EPU:	
United Kingdom 32,825	
Other countries 101,818	
Technical assistance 2,700	
Intern.Children's Em. Fund 1,935	
	266,324
FOREIGN CREDITS:	FOREIGN CREDITS:
Increase in private barter balances 5,421	Increase in clearings debit balances 5,979
	483,471
Discrepancy 667	
	484,138
	484,138

NOTE: Changes in Bank of Greece holdings in 1950

Increase in holdings of exchange	+ 10,596
Diminution in holdings of gold	- 4,793
Net increase	+ 5,803

Question 18.

a. Foreign economic policy and balance of payments

Since the country's liberation, the enormous and alarming deficit in the balance of payments has been exclusively covered by foreign aid. The country's foreign trade and finance policy is therefore dominated to a great extent, by the need for tackling the great problems connected with the balance of payments.

The following measures were taken to minimize that deficit:

- (1) The restriction of imports which already obtained before the war, continues; since 1948, however, the system governing imports has mainly been based on half-year import programmes covering the main requirements.
- (2) The control over foreign exchange transactions which was strictly applied during the pre-war period, has been resumed after the war.

Accordingly, no payment in foreign exchange can be effected without a licence from the Exchange Control Committee, which is established within the Bank of Greece.

Under the regulations in force, the export of funds, the reimbursement of foreign loans in general and the transfer of funds in foreign exchange for the payment abroad of interest, dividends and other earnings, are equally prohibited. Therefore, after the war, the servicing of foreign government loans has been completely suspended.

No other restrictions exist regarding foreign investments in Greece or the transfer of funds from abroad for investment in this country; as a rule, the legislation in force does not require a special licence for the investment of foreign funds in Greece.<sup>5/</sup>

<sup>5/</sup> As an exception, certain restrictive provisions, or special procedures, apply to the investment of foreign capital in insurance companies, internal air lines, ships flying the Greek flag and to the acquisition by aliens of mining interests or the establishment of business concerns by them in the country's frontier districts. According to the obligations of Greece deriving from certain conventions, foreigners (private individuals or bodies) are entitled, in principle, to obtain national treatment, a privilege which naturally facilitates the influx of foreign capital. In order to attract capital from abroad (both foreign and Greek), the enactment of special legislation, setting up suitable terms and conditions with regard to investment of such capital and its servicing, is already under consideration.



(3) Before the war Greece concluded official clearing and barter agreements with many countries and also authorised, under certain conditions, the carrying out of private barter.

This system of clearing and barter with certain countries was continued after the war by means of bilateral trade agreements. In addition, private barter was periodically authorised in order to encourage exports as much as possible, in view of the fact that since the liberation of the country they had fallen off considerably.

b. Foreign exchange availabilities

Assets in gold and convertible currencies, are inadequate to meet the usual fluctuations in the amount of receipts in foreign currencies. Should it be possible to convert our current receipts of weak currencies, conditions would, to a certain extent, improve. It should not be considered, however, that the formidable problem of our balance of payments could thus be solved.

c. Restrictions applying to foreign trade and development of local resources

The restrictions imposed on imports of foreign goods, and the consequent export of funds, naturally tend to develop economic activity within the country. Nevertheless, it is a fact that, in certain cases, foreign exchange restrictions have hindered the import of capital goods from abroad, which affected the level of employment.

d. World prices and their effect on the balance of payments

The net result of transactions between Greece on the one hand and Czechoslovakia and Finland on the other hand, as of 31 December 1950, showed a surplus in favour of the former, which, however, was not used for the import of goods. Up to now it has not been possible to use this surplus for covering Greece's deficit resulting from its transactions with other countries, as, for instance, Spain and certain countries included in the European Payments Union. Moreover, recent tendencies in the world market adversely influenced the country's balance of payments. In view of the fact that Greek exports mainly consist of non-essential agricultural products, and imports of foodstuffs, fuel, raw materials and machinery, the trend of world market prices during the second half of 1950 adversely influenced the terms of trade for Greece. As a consequence, the deficit in Greece's balance of payments tends to increase further.

e. Balance of payments and international settlement of accounts in 1951

Conditions concerning Greece's terms of trade during the second half of 1950, which, during the first months of 1951, deteriorated further, will result, by the end of the current year, in an increase in the deficit of the balance of payments.

The international settlement of Greece's foreign accounts will most probably meet with certain difficulties. Nevertheless, it is hoped that they will be overcome, considering that Greece maintains trade relations mainly with countries within the dollar area or the European Payments Union.

f. Deficit of trade balance and economic policy

The likelihood of a further increase in Greece's deficit in its 1951 balance of payments makes it imperative that additional measures be taken for the restriction of imports and foreign expenses. Moreover, efforts are being made to direct the country's economy towards the production of goods which heretofore were imported from abroad (e.g. rice).

At the same time it is being endeavoured to develop the production of essential raw materials that can be exported (e.g. cotton).

g. The replies to the respective items of the questionnaire, viz. a. to f. already contain all comments concerning the balance of payments and relevant problems.



## 2. YUGOSLAVIA

The basic question of the Yugoslav economic policy consists in the structural development of the economy of the country and for this reason the reply of the Yugoslav Government cannot follow in a strict manner the points laid out in the questionnaire.

For the examination of the problem of full employment in Yugoslavia the following should be taken into consideration:

- (a) Yugoslavia is endeavouring to liquidate its economic backwardness;
- (b) The objectives of the economic development are determined by economic plans;
- (c) The economic development of Yugoslavia is also influenced by foreign factors.

1. Before the war, Yugoslavia was a typically backward country. Its equipment did not make the exploitation of its natural resources possible; it consisted of almost all kinds of minerals, hydraulic power and forests. Of the total of 16 million inhabitants before the war, only 990,000 persons were employed in other occupations than agricultural ones. This meant a low level of production and consumption, and insofar as steel and power consumption were concerned, Yugoslavia was next to last in Europe. Although an agricultural country, its agricultural production was on a very low technical level and the produce per hectare was last or next to last in Europe. The agricultural sector was not in a position to offer employment to the population, not only because of its low technical level, but primarily because of the character of the soil: 72 per cent of the cultivated area in Yugoslavia is situated in mountainous regions, deficient in food production. For this reason Yugoslavia had concealed unemployment to a large extent in agriculture. During the war Yugoslavia was tremendously devastated.

The Yugoslav post-war policy aims at raising the living standards which, under existing conditions in the country, means the development of a diversified economy, and first and foremost industrialisation. That is why the Yugoslav post-war policy inaugurated an integrated programme of investment: in 1949 investment for the economy and the social services amounted to 82 thousand million dinars, in 1950 to 74,700 million and in 1951, according to the plan, it will amount to

/68,800 million



68,800 million dinars. These figures mean, at the same time, that a maximum effort of investment had already been made and that investment represents a decreasing part of national expenditures.

2. The collective property of industry, mines, transport and credit institutions as well as a considerable extent of collective property in agriculture - about one quarter of the means of production in this field - made possible and called for a planned national economy in Yugoslavia. The economic development is determined on the basis of an analysis made of the possibilities for the optimal use of resources available in this country. Manpower represents one of the most important resources. Because of the fact that the scope of industrialization as contemplated in the plan, and as fulfilled, is considerably larger than was the case earlier, unemployment was not anticipated and did not exist but, on the contrary, recruitment of manpower from agriculture was needed. A full employment standard was therefore not necessary. It is clear that the liquidation of disguised unemployment in the countryside is being carried out according to a plan.

The Five-Year Plan provided for fuller exploitation of existing capacities and for the construction of new industries which did not exist before the war. The index of industrial production is as follows: (1939 = 100) - 1946 = 96; 1947 = 167; 1948 = 257; 1949 = 298; 1950 = 316. Simultaneously with the industrialization of the country, agriculture was to be developed and, primarily modernized. New investments in agriculture are necessary, particularly in that part which, during the last years, was organized into great farms, i.e. peasants' working co-operatives and State farms (two-thirds of our farms were small, scattered and uneconomic holdings with an average area of less than five hectares).

3. This investment caused, at the same time, a shift of a larger number of the population from agriculture to industry.

The fast pace of industrialization required, on the one hand, the utmost mobilization of home resources including labour, and, on the other, securing the necessary proportions between all relevant economic categories. As to the proportion between the industrial and agricultural population, the plan is pursuing the following line: attracting the surplus of agricultural population into industry without detriment to the reserves of manpower indispensable for

/the increase



the increase of agricultural production at the present technical level, in order to meet the increasing demand for agricultural products by other sections of the population. In 1939 there were over 990,000 people employed in activities other than agriculture; in 1948 there were already 1,936,000, and in 1949, 2,076,000. The number of employed in 1950 and 1951 was approximately the same as in 1949. It is only in 1952 that a further increase is being contemplated. In view of the fact that the productive forces in agriculture are not sufficiently developed, for the time being an optimal proportion between the agricultural and non-agricultural population has been reached. Thus today, according to the present position of the technique applied in agriculture and to the existing price level, there are no persons in agriculture, in Yugoslavia, seeking employment.

In the first years of the Five-Year Plan the process of transferring man-power from agriculture to industry, and to other non-agricultural professions in general, had to be secured by administrative measures which are unavoidable in an economy planned on a centralized basis. It was possible to abandon these administrative measures completely in 1950. The movement of man-power is actually being stimulated by economic measures (system of wages, guaranteed rations, etc.). Such abandonment of administrative measures was rendered possible by the general development of the Yugoslav economic policy during the last two years.

4. In general, the Yugoslav economic policy passed from planning on a centralized basis to the planning of general proportions and essential investments, leaving the management of enterprises to the workers themselves, whereas the management of various branches of the economy is being transferred to the associations of producers.

New methods of planning also made possible new prices and market relations. Thus, during the last months Yugoslavia has been reducing compulsory purchases of agricultural products and encouraging farmers to bring their products on the free market. In a similar way, the industrial enterprises are allowed to sell their goods, not on the basis of administrative regulations but on the basis of free contracts. In that way Yugoslavia is arriving at a new system of prices which is no more the system of multiple prices, ordered by administrative decrees, but a system of prices determined by economic factors, by the cost of production and the situation on the market.



5. Due to some factors beyond the control of the Yugoslav Government - the increased military expenditure made necessary by the aggressive pressure exercised by the Cominform countries, and last year's drought which diminished the agricultural output by nearly a third - certain inflationary pressures existed in the Yugoslav economy. The Yugoslav Government undertook the following measures:

Investments in non-essential branches of economy were reduced;

The number of workers employed by various enterprises was limited to a number strictly necessary for the fulfilment of the plan. This was carried out to maintain the ration between the stocks of goods and the means of payment. The maintenance of this ratio was possible because of the firm level of nominal wages and salaries combined with the guaranteed supply of rationed goods, the prices of the latter being lowered in the course of 1950;

The administrative expenses of the Government and of the administration, including the administration of enterprises, have been reduced;

Measures were undertaken for the supply of the free market with agricultural products particularly from the peasants' working co-operatives and State farms. Thus a lowering of prices of agricultural products on the free market was attained.

The above-mentioned measures contributed to the reduction of money in circulation which, on 31 December 1949, was 45,197 million dinars and on 31 December 1950, 40,097 million dinars.

6. The realization of the plan i.e. the employment in, and the development of the Yugoslav economy, is essentially influenced by foreign factors too. From the point of view of the Yugoslav planned economy, trade with other countries appears to be a necessary link for the maintenance of the current production and for its constant expansion. Yugoslavia, notwithstanding its resources in raw materials, lacks many articles not only in the field of capital equipment but also raw materials such as coke, cotton, wool, etc. That is why Yugoslavia is necessarily following the line of expanding foreign trade with other countries.

Actually, Yugoslavia has a temporary trade deficit caused by the following factors: The development of the political situation in the world in general, and in the case of Yugoslavia, the aggressive pressure of the countries of the Soviet bloc, led to an increase in military expenditures. A further difficulty was created by the unilateral breaking off of economic agreements and the complete economic blockade by the countries of the Soviet bloc. Yugoslavia had ordered from these countries capital equipment for over 18 billion dinars of which only



6 per cent has been delivered. Last year's drought caused a reduction in exports of 3 billion ~~dinars~~, as well as a need to increase imports by 3 billion dinars in the course of 1950-1951. The trade deficit was further aggravated by an unfavourable development in the terms of trade.

According to preliminary data, exports in 1950 amounted to 7,984 million dinars and imports to 13,933 million dinars. A smaller deficit in the balance of trade will occur in the next few years. But, as has already been stressed, the deficit has a temporary character. With the completion of the investments which are under construction we shall be able to increase our exports and reach an equilibrium in our foreign trade and payment balances.

A reduction in the import of capital equipment and raw materials would have very unfavourable consequences, not only on the continuation of the process of investment, but also on the operation of the existing industries, as well as on the continuation of our deficit in foreign trade. This would have as a consequence a certain move of man-power from industry back to agriculture, as well as unemployment of the non-agricultural population.

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