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Part Two of the series "Greece and debt: two centuries of interference from creditors"

Continued debt slavery from the late 19th century to the Second World War

- Features - Economic and debt crisis -

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This series of articles analyses Greece's major debt crises by placing them in the international economic and political context, an approach that is systematically absent from the dominant narrative and very rarely present in critical analyses. Since 1826, a series of major debt crises have profoundly marked the lives of the Greek people. Each time, European Powers formed a coalition to impose new debts in order to repay the earlier ones. This coalition of Powers dictated policies to Greece that corresponded to their own interests and those of the few big private banks and large fortunes. Each time, those policies were aimed at extracting the tax resources necessary for repayment of the debt and entailed a reduction in social spending as well as decreased public investments. In a variety of ways, Greece and the Greek people were denied the exercise of their own sovereignty. With the complicity of the Greek ruling classes, this kept Greece in a subordinate, peripheral condition.

Recall of Part One

Modern Greece was born shackled to debt from bond issues (in 1824, 1825 and 1833) which together amounted to 245% of her GDP. [1] Three major European Powers (Britain, France and Russia) formed a coalition that amounted to the first Troika, imposed a monarchy, putting a Bavarian prince on the throne, and subjugated the country through debt. The Troika systematically defended the interests of the big banks in London and Paris, ensuring that they would extract maximum profit from the odious debt demanded of Greece. The Greek people, who had to foot the bill for a spendthrift, bellicose monarchy, rebelled on several occasions. While they succeeded in ousting the despot in 1862 and instituting a Constitution granting them certain civil and political rights, they were not able to free themselves of the burden of debt. The major Powers kept Greece in a position of subordination, denying the Greek people the exercise of their sovereignty. The monarchy and the local ruling classes systematically attempted to divert popular discontent towards nationalism and hostilities with the Ottoman Empire.

Introduction to Part Two

According to the dominant version of history, whether untruthful or simply mistaken, during the 1880s Greece was re-admitted onto the financial markets thanks to an 1878 agreement with the creditors who held their 1824-1825 [2] debts and to policies of radical public expenditure reduction. Greece then made heavy use of fresh borrowing and significantly increased its public spending. This, the story goes, was the cause of the 1893 debt crisis and suspension of payments. Greece's inability to manage its borrowing seriously is said to have led the big Powers to impose a financial control commission to oversee the Greek budget. This story is false!

The following translated extract from *Le Monde* dated 16 July 2015 is an example of what is widely said: "But, as today, the country was rife with clientelism and tax avoidance by the notables. Immediately after Greek independence, the King Otto, the first king of Greece, who was imposed by the European Powers, introduced costly major works projects. The civil service took on any warm body, the army was superbly equipped... It was all paid for by generous loans [sic] from western countries. The government lost control: in 1893, almost half of the country's tax revenues were devoted to paying the interest on the debt". [3]

Another example can be found in the 20 June 2015 issue of the Swiss financial magazine Bilan:"Thanks to the agreement that was ratified in 1878, Greece could once again, in 1879, borrow on the financial markets. Over the next fourteen years Greece borrowed the equivalent of almost 530 million French francs from Paris, London and

Berlin creditors. Less than 25% of the sums were invested in infrastructures to develop the country. The rest went on military expenditure to finance Greece's confrontations with its neighbours (with mixed military fortunes)". [4]

The true part of the story is that the bankers again lent money to Greece. It is also true that the Monarchy spent a lot and waged expensive military campaigns against the Ottoman Empire. Most commentators, always ready to side with the creditors (like the Le Monde journalist who did not hesitate to mention âEurosÜgenerous loans', a real oxymoron) [5], also point out that taxes were inefficiently collected.

Now let's see what really happened: during the 1880s the bankers of the great Powers (British and French but also German, Belgian, Dutch, etc.) were favourable to lending to countries that were normalising their payments situations. They imposed one condition: the old outstanding debt must be restructured and repaid. Most of the countries who had had repayment defaults accepted these conditions that are very favourable to creditors who then opened their purses to lend money so that countries would have the means to repay old debts. Big capital, then experiencing a new phase of expansion in the dominant countries, was attracted to the new investments and lending possibilities offered by massive capital exports to peripheral countries. This was the beginning of the imperialist phase of world capitalism. [6]

Other debt restructuring of the same period

Debt restructuring that took place during the 1878-1890 period concerned Greece, Costa Rica, Paraguay, Peru and the Ottoman Empire.

The Greek debts from 1878 onwards. In 1878, the outstanding debts from 1824-1825 were restructured. The creditors obtained that Greece repay the equivalent of the amount she had received in 1824-1825. There was therefore no real debt reduction and Greece recommenced the payments of interest and capital. [7]
Between 1879 and 1890 Greece entirely repaid the restructured debt. The debt had not been reduced because new debts were taken on in order to pay the old ones, which meant both series of debts were repaid during the 1880s.

The Costa Rican debt restructuring of 1885. In suspension of payment since 1874, Costa Rica agreed, in 1885, to a debt restructuring satisfactory to its creditors: along with Â£2 million they gained possession of a part of the railways and 568,000 acres of land.

The Paraguayan debt restructuring of 1885. Paraguay, which was also in suspension of payment since 1874, agreed to pay its creditors Â£800,000 and to concede to them 2.5 million acres of land.

The Peruvian debt restructuring of 1890. The Peruvian debt restructuring of 1890 was the biggest restructuring of debt for a Latin American country. The terms were very unfavourable for Peru: the creditors repossessed two million tons of guano (a natural fertiliser), gained possession of the whole public railway system, a shipping line on Lake Titicaca, the mines of Cerro de Pasco and, to top it all, a new loan was agreed to fund the repayment of the remainder of the debt in suspension of payment. Finally, it was in 1926 that Peru finished paying the restructuring of 1890 after the suspension of payments that started in 1876.

The restructuring of the Ottoman Empire's debt. Following a payment default by the Ottoman Empire in 1875, the debt was partially restructured in 1881. The creditors demanded maximum repayment. To achieve this, a financial commission of experts appointed by the "great powers" was established. As Louise Abellard wrote: *"An institution was created in 1881, by imperial decree, under the name of âEurosÜThe Ottoman Public Debt Administration'. This Administration gained absolute and irrevocable control over several Imperial revenues (customs and excise, taxes on alcoholic beverages, stamp duties, fishing rights, tax on silk, tobacco and salt monopolies, etc.). These revenues* *were to be allocated by the Administration to the payment of compensation to the creditors holding bonds issued before the default. The Administration was piloted by Europeans (British, Dutch, French, Germans and Italians) directly representing their nations' creditors. Entirely independent of the Ottoman authorities, they were an instrument of absolute guarantee for the creditors who thus had the assurance that the old and the new investments would be reimbursed. Up to a point, the holders of the bonds, through the Administration, acted directly on Ottoman finances, in their own favour, until perceived prejudice was fully compensated (up to the end of the Empire). The Administration's prerogatives were progressively extended to the role of guarantor for infrastructure contract payments (particularly railways)*". [8]

Debt restructuring permitted the imperialist countries to launch a new cycle of indebtedness and capital expansion

The debt restructuring that was carried out during the 1880-90s was the means by which the creditors embarked on a new phase of spreading the over-abundant capital available in the central countries (UK, France, Belgium Netherlands, Germany, etc.) all around the world. The granting of new loans was aimed at setting the repayment pump back into motion, since the countries in default needed fresh liquidities in order to repay their defaulted debts. Investments and loans were the vehicles used. In several cases, as we saw earlier with Latin American countries, restructuring took the form, partly, of property exchanged against outstanding loans. The principal criteria of the bankers, and other investors, was not at all the well-being of the debtor country and their ability to manage the funds they were loaned, or even to repay them, but the creation of maximum profitability. Their decisions were based on the necessity to invest all the funds at their disposal in making maximum profit as well as maintaining the country in a state of indebtedness and financial dependence. The creditors were assured that in case of non-payment their own country's governments would intervene, by military means if necessary, to force the debtor country to keep up repayments and if necessary, colonize it.

In Tunisia, the Ottoman Empire and in Greece, international supervisory bodies with far-reaching authority were created by the creditor Powers (amongst whom France and Britain always occupied important or even highly privileged positions). Greece was in this position from the very beginning, as illustrated by the 1832 convention passed with Britain, France, Russia and the Kingdom of Bavaria, which created the Greek Monarchy and gave absolute priority to debt repayment. [9] An International Financial Control Commission was imposed on Tunisia in 1869 before it went under direct French control in 1881. In the Ottoman Empire the creditor Powers installed twenty local offices throughout the territory (from Yemen to Thessalonika), and employed 5,000 civil servants. Greece's subordination to the creditor Powers - in fact written into its international "birth certificate" - has changed in form over time but still remains today: from the interference by the British, French and Russian ambassadors in the council of ministers in 1843, [10] to the creation of the International Finance Control Commission in 1898 (which functioned up to the Nazi invasion), not to forget the International Financial Enquiry Commission created in 1857 to watch over the repayment of the 1833 debt.

The impact of the international financial and economic crisis of 1890-1891 on Greece

In November 1890, the City of London was in a situation comparable to that which occurred again in the US in 2008 and which triggered off the failure of Lehman Bros., a credit crunch, an international banking crisis and a worldwide economic recession in 2009. On 8 November 1890 the London bankers held an emergency meeting to plan action, should Baring Bros. fail. On 10 November, the bankers met with the government, who established contacts with the other big Powers in order to coordinate reactions to the crisis. Baring Bros. (unlike Lehman Bros.) was saved, but the financial and economic crisis of 1891-1892 was profound. Among those who took part in saving Baring Bros. was the Rothschild bank (present in London, Paris and other European capitals and an important player in Greek debt), JP Morgan (already the biggest US bank) and JS Morgan (established in London and parent to JP Morgan, with whom they later merged). [11]

Nowhere in the articles on the 2015-2016 Greek debt crisis published by the chief organs of the international press are references to the 1893 Greek debt crisis to be found; nor any link to the international financial and economic situation and the suspension of payments decreed by the Greek Parliament at the time. The crisis that had its origins in London caused an economic recession, a fall in international trade, an international credit squeeze... Greece experienced a serious drop in its exportations and so was deprived of the foreign currency essential to funding its debt repayments. Exports of currants, which represented two thirds of Greek exports, fell by 50% between 1891 and 1893. There were two reasons for this sharp drop: 1. The international crisis and the reduction of demand in the richest countries; 2. The decisions taken in the UK, France and Russia to impose import duties on the currants entering their markets. This was in total contradiction of their own dogma professing free trade and the removal of all import-export duties. [12]

The fall in revenue and blocked access to loans from British, French and German banks left Greece no option but to suspend payments. Fifty-six percent of Greece's revenue was devoted to debt repayments. [13] Another contributing factor was a fall in the value of Greek currency against the pound sterling and other strong currencies. With a devalued currency, the real cost of the foreign debt became unsustainable.

The commentators who accuse Greece of being a country that goes easily into payment default should learn that in the 19th century, Spain suspended payment six times, the Austro-Hungarian Empire five times, Portugal three times, Prussia twice and Russia once. [14]

The military conflict against the Ottoman Empire and the restructuring that followed

The Greek monarchy and the local elite launched a disastrous military conflict against the Ottoman Empire in 1897. Evidently, the great Powers manoeuvred the two parties into war [15] in order to take advantage of their mutual weakening and increase their influence over them, particularly by using their debts. The conflict was costly and the great Powers imposed their will on Greece as much as on the Ottoman Empire. The peace treaty was signed in Constantinople (now Istanbul) on 4 December 1897 under the supervision of the UK, France and Russia (the Troika of the time, in place since 1830), the Austro-Hungarian Empire, Germany and Italy. [16]

In 1898 another loan was made to Greece (see Box: The 1898 Bond Issue...) The Troika was again the guarantor of the loan. The loan was granted within the framework of the peace treaty and covered a big indemnity paid by Greece to the Ottoman Empire. The great Powers did good business; as they had control of the Ottoman Empire's finances, they saw to it that the Ottoman Empire's creditors were paid. Greece and the Ottoman Empire had the same creditors!

The 1898 Bond Issue and the subjection of Greece to International Financial Control

The Law of Control voted by the Hellenic Parliament on 26 February 1898 is identical to the draft bill drawn up by the International Financial Control Commission (IFC). Greece was obliged to accept all the creditors' conditions. Under this Law, the IFC controlled all state revenue dedicated to servicing:

- the 1833 loan guaranteed by France, Great Britain and Russia;
- foreign loans incurred by the Greek State between 1881 and 1893;
- the new loan that Greece took on to repay the preceding ones and to pay war reparations to the Ottoman Empire.

The 1898 loan was composed of two parts:

1) A loan for war indemnity to Turkey covering 92 million French francs (4 million Turkish pounds) plus 2.3 million francs (100,000 Turkish pounds) that Greece had to pay for damage to private property.

2) A further loan to cover former debts and the deficit of the year 1897 to enable the debt to be repaid. This came to a total of 55 million francs distributed as follows:

- 26 million francs to cover the Greek State's budget deficit for the year 1897;

2.5 million francs for payments owed by the Greek Government in 1898 to holders of the former foreign debt;
26.5 million francs to repay the floating debt or to convert it to gold.
The total new loan taken on by Greece thus came to 123.5 million francs (28.5 + 95), plus the 26.5 million francs of debt conversion. To this amount a further 20 million francs were to be added, in the form of loans as and when required, to cover the total deficit of the following years.

Extract from the report of the International Finance Commission from 1898

Article 4 of the Law of Control drawn up by the IFC and meekly adopted by the Hellenic Parliament on 26 February 1898 stipulated that the Commission's administrative costs, fixed at a maximum of 150,000 francs and including a sum of 60,000 francs to cover the fees of the six Delegates, should be deducted from the product of the revenues concerned. The six delegates represented Great Britain, France, Russia, the Austro-Hungarian Empire, Germany and Italy.
The IFC obliged Greece to repay 39 million drachma per year while the average total income of the State (barring loans) came to approximately 90 million drachma. That meant that 43% of State revenue went directly to debt payments. Note that no part of the new loan was intended to strengthen the country's economy, develop its infrastructure or improve public education. The new loan was intended exclusively to pay off former debts, indemnify Turkey (which in turn needed the indemnity to repay her creditors, who happened to be the same as Greece's) and to pay off Greece's current deficit.
The IFC members emphasized that on average the total budget of the Ministry of Education and Cults barely attained 3.5 million drachma, while the civil list (or emoluments of the sovereign) came to 1.3 million, the budget for the police 1.7 million and the Defence (war) budget 15 million. In the IFC's reference budget there was no specific post for public health. The railway budget was a ridiculous 84,350 drachma (7.5% of the civil list). Note that the IFC forced an IOU of more than 4 million drachma upon Greece, for the heirs of King Otto who had been overthrown by the people in 1862. The annual charge that repaying this debt incurred came to 200,260 drachma, or 2.5 times the country's railway budget!

Extract from the report of the International Finance Commission from 1898 - administrative costs of Greece 1892 - 1896

The Commission made it quite clear that in the future, the Greek State budget would make no provision for major public works such as improvement of sea-ports and new railway lines. The Commission considered that any undertaking likely to significantly aggravate budget charges should be postponed until such time as the country's finances had reached stable equilibrium. This is an explicit acknowledgement of the creditor Powers' intention to maintain Greece in a permanent state of economic underdevelopment.

In Article 11 of the Law, the IFC lays claim to the following for debt repayments:
all revenue from stamp duty, about 10 million drachma;
all revenue from import duties collected by the Piraeus Customs, i.e. about 10.7 million drachma;
all revenue from duty on tobacco, i.e. about 6.6 million drachma;
all revenue from duty from the monopolies on salt, oil, matches, playing cards and cigarette paper, to which were added all revenue from the emery mine at Naxos (an island in the Cyclades), i.e. about 12.3 million drachma in total.

Extract from the report of the International Finance Commission from 1898

Who did the IFC entrust with the task of collecting revenue from the monopolies? The monopolies over salt, oil, matches, playing cards and Naxos emery were administered by a Greek-registered joint-stock company entitled Société de régie des revenus affectés au service de la dette publique hellénique or Company for the Control of Revenues Assigned to the Service of the Hellenic Public Debt (an ancestor of TAIPED [17]). The creditors obliged Greece to place this company under the direct supervision of the International Financial Commission and to make it a sort of instrument or organ of control. Furthermore, a designated member of the international Commission would be authorized to attend sessions of the Board of Administration and the General Assembly and the Commission would be able to veto any measure it judged illegal or damaging to the interests with which it had been entrusted. [18]

Article 24 stated that all monies received by the Company designated in Article 14 should be entirely paid into the Régie's accounts at least once a week. Should the revenues mentioned above prove insufficient, the IFC had the right to deduct revenue from the Customs at Laurium (whose gross product was estimated at 1.5 million drachma), Patras (2.4 million), Volo (1.7 million), and Corfu (1.6 million), in accordance with Article 12 of the Law.

IFC members could go in person to the various offices and establishments of all the services whose revenue was concerned, to check on the full implementation of the legal and regulatory measures. They were entitled to see on demand all books, accounts and accountancy documents (Article 36). Article 38 asserted that the Law of Control itself could only be modified with the agreement of the six Powers.

The conclusions of the International Financial Control Commission's report provide a fine example of lies and hypocrisy: "*In summary, the Commission was inspired in its work by the benevolent attitudes of the Powers where Greece is concerned. In satisfying the legitimate demands of the current creditors, it has taken fully into account the financial difficulties with which the country is faced. At the same time, while it has endeavoured to surround the collection and the use of the revenues set aside for the service of the debt with such guarantees as may afford* ***every security to capitalists***, it has been at pains to conserve, to the extent possible, the independence of the Hellene nation and of her Government. The future of Greece now depends on her own wisdom. If she applies herself to being industrious, calm and peacable, to improving her Administration, to developing her agricultural resources, encouraging her nascent industry and extending her trade relations, her financial situation will rapidly recover; her beneficent influence will gradually extend into the sphere of action which is reserved for her and, aided in this noble task by the sympathies of the Powers, she will succeed, through courageous and patient efforts, in conquering in Europe's East the rank to which the glorious memories of her past entitle her." [19]

This is typical of the discourse used by the European Commission and the governments of the creditor countries even now, in the 21st Century.

Extract from the report of the International Finance Commission from 1898 - Conclusions

Sources:
the diplomatic document (in French): Arrangement financier avec la Grèce, travaux de la Commission internationale chargée de la préparation du projet / French Ministry of Foreign Affairs - Paris, 1898, 223 pages, consulted on 1 May 2016;
the text of the Greek law implementing the dictates of the international Financial Commission, consulted on 1 May 2016.

It is to be noted that from 1870 the German bankers and Germany were increasingly involved in the Balkans and the Ottoman Empire. The Greek defeat of 1897 was partly due to the military reinforcements and advice that the Ottomans had received from German officers (including generals) sent by Berlin. Bankers and diplomats were active in Athens and Constantinople. Among the countries keen to increase their influence in Athens after independence, Germany was omnipresent alongside the Troika. [20] No sooner had the peace treaty been signed and new loans granted to Greece, than the IFC imposed a new set of conditions on Greece. The Commission took up residence in Athens and took control of a large part of the Greek budget, which continued to be devoted to debt repayments. The Greek government had no authority to change the use of the income or modify taxation, without the agreement of the IFC. This bears a close resemblance to the present situation. The Commission remained in place up to the Nazi occupation of Greece in 1942! [21]

On top of the indemnity that Greece had to pay to the Ottoman Empire and that was diverted to the Great Powers, a large part of the new loan was to be used to continue repayments to the Troika countries for the 1833 loans. These repayments went on until the 1930s. According to calculations made by the economists Josefin Meyer, Carmen Reinhart and Christoph Trebesch (who are regularly associated with IMF research projects), only 25% of the sums borrowed by Greece between 1894 and 1914 were spent on regular projects (debt repayments apart) and investments. Forty percent went on debt repayments and banking commissions. The remaining 35% became military expenditure (the principal suppliers of armament were also the principal creditors and this situation persists today). [22] My own estimates show a much smaller portion of the borrowing being used for regular spending - no more than 10-15%.

Conclusions on the debt restructurings that took place in 1878 and 1898

These facts indicate that the debt resulting from the restructurings of 1878 and 1898 must be considered odious debt. The restructuring of 1878 required Greece to resume repayment of the debt contracted in 1824-1825, whereas that debt was illegal given that its terms were so overwhelmingly favourable to the creditors. This restructuring made repayment of the debt just as unsustainable and could only lead to a new crisis, which broke out in 1893. The restructuring of 1898 served to increase by several degrees the level of coercion exercised on the Greek government and its people, notably through the creation of the IFC. It enabled the six major Powers to grab a very large share of the government's revenues while maintaining Greece in a situation of dependence toward its creditors.

An editorial comment published in the French daily Le Figaro in May 1898, describes the creditors' strategy fairly clearly: *"The maxim of the old policies was: Divide and Conquer. It has been partly replaced by the new rule: Lend them money to keep your foot on their necks. It would be interesting to make a study of it, for poor Greece, as we have had occasion to study it in Egypt, of that subtle invention of modern genius: the lender's stranglehold on the borrower, substituted for brutal conquest using old-fashioned bayonets; judicial counsel imperceptibly becoming a counsel of wardship, of government, at first gentle and collective, then harsh and personal, for the benefit of the richest, the most tenacious, the most adroit members of the directory. We would like to observe, at its origin, the tying and the tightening of this noose of silver, the imperial instrument our century has made into its most effective weapon for political aggrandisement."* [23]

It is also important to conduct a study to determine what portion of foreign debt (debt issued in foreign currencies on the foreign financial markets, which must be distinguished from Greek loans in the local currency) was purchased by wealthy Greeks, whether residing in Greece or part of the wealthy Greek diaspora living in Istanbul, Alexandria, Smyrna and Paris. [24] It is certain that these powerful Greek elites had invested a significant part of their financial wealth in Greek securities. What that implies is that it was not in their interest to encourage their friends who succeeded one another in the Greek government to take a firm attitude with the creditors (see the Conclusions as well as the end of the inset with excerpts from Constantine Tsoucalas's work).

A few keys to understanding the social and political evolution in Greece from just before the start of the First World War

Excerpts from the book by Constantine Tsoucalas, *The Greek Tragedy*. [25] The selected excerpts give an idea of the development of social movements and the reforms won during the late emergence of a peripheral capitalist state.

"The successive tax increases on essential goods put the main burden on the workers and the middle classes, who had by now begun to organize in commercial guilds and unions. In March 1909 thousands of shopkeepers had violently demonstrated, in Athens and Piraeus, against the unequally distributed taxation. On 14 September a huge rally of over 50,000 (out of a population of under 200,000) shook Athens. While declaring their full confidence in the âEurosÜrevolution', the Athenians went beyond the officers' (that is, the new authorities who had just come to power [note by Eric Toussaint]) intentions. The demands for a system of progressive income taxation, the protection of production, the transformation of the civil service into a body of true public servants by the abolition of the spoils system rampant till then, an improvement in the workers' standard of living, and a ban on usury as a criminal offence expressed the class antagonism that had been politically silent for so long. At the same time, the organization of the workers had been strengthened by the creation of numerous trade unions, and the discontent among the peasants had been growing since 1898, when the crisis in the currant trade, which had constituted a staple export, had reduced large strata of the agrarian population to misery. Unrest was especially strong in Thessaly, where the demand for agrarian reform of the large âEurosÜestate-system', inherited from the Turks, led to a series of violent peasant revolts, between 1905 and 1910, which had been bloodily repressed."

(...)
"The elections of 1910 were a triumph for the new Liberal party. Venizelos formed his first cabinet, which consisted almost entirely of new men. A period of intense reconstruction and radical reform thus began."

(...)
"The prerequisite for the reform programme of the Liberals was a constitutional reform. The constitution of 1864 was fully revised, individual liberties guaranteed, and the foundations of a âEurosÜState of Law' were laid. However, though some of the formal prerogatives of the monarchy were curtailed, the real powers of the King remained ambiguous, a fact which was to have explosive consequences.

On this institutional framework, Venizelos launched an impressive legislative programme. Land reform was the most urgent and difficult problem. A constitutional amendment (1911) was promulgated authorizing expropriation with compensation-though not without bitter opposition from the still powerful landowner class."

(...)
"Low wages were exempted from confiscation in cases of debt (1909), the trade union federations of Athens and Piraeus were recognized (1910), Sunday was made a compulsory rest day (1910), a new and rapid procedure was introduced for the adjudication of disputes between workers and management (1912), joint unions between workers and employers were forbidden (1914), and the newly established unions of workers were permitted to negotiate and sign collective labour contracts. Finally a compulsory general labour insurance scheme was introduced in 1914."

"The fiscal system was also reorganized on a more equitable basis. Progressive taxation of income was introduced in

1911 and death duties were reorganized and greatly increased in 1914."

Following the First World War at the end of the Ottoman Empire, Germany and Austria-Hungary were beaten, and the Greek monarchy and ruling classes thought that part of the Great Idea - Greece's annexation of a part of Turkish Asia Minor - was about to be realised. This led to the disastrous military adventure of 1922, during which the Greek army attacked the Turkish army in its territory in Asia Minor. The result was a human and military disaster.

In 1922, "...*the attempt to launch a general offensive against Kemal's stronghold in Ankara ended in disaster. In August 1922, the Greek Army was smashed and fled in disorder before the Turks, who pursued its remnants into the sea, slaughtered thousands of Greeks, and finally set fire to Smyrna in the midst of indescribable chaos. Hundreds of thousands of Greeks were forced to flee to the neighbouring islands or the Greek mainland."*
(...)
"Ten years of war (1912-1922) had resulted in the creation of a country totally different from what it had been before. Greek territory doubled and the population grew even more spectacularly. The 1,500,000 refugees, whose social and economic integration was to constitute the greatest and most urgent problem of the country, changed the population structure completely. The urban population was greatly augmented, especially in the Athens district and the few large towns, where a numerous urban proletariat was created for the first time. Thus while in 1908 only 24 per cent of the population lived in towns of over 5,000 inhabitants, the percentage had risen to 27 per cent in 1920 and to 33 per cent by 1928. Greater Athens grew from 452,919 inhabitants in 1920 to 801,622 in 1928."

(...)
"The urban scene had also changed drastically after the war. The long years of fighting, the influence of the Russian Revolution, and especially the tragic conditions of the urban refugees, led the working class to organize on a more radical basis. The General Confederation of Trade Unions was created in November 1918, and the Greek Socialist Party a week later. In 1922 it adhered to the Comintern, and two years later it became the Communist Party of Greece."

(...)
"The total decay of the Ottoman Empire and the Egyptian Khedivate during the latter half of the nineteenth century enabled the Western powers to impose upon them a quasi-colonial status. It was the Greek merchants and bankers who were the major beneficiaries of this development, and between 1880 and 1910 colossal fortunes were made in the Mediterranean periphery. If the 1922 crisis eradicated the Greek element from Turkey and Bulgaria, their position remained unchallenged in Egypt and to a certain extent in Rumania, where the most influential Greek financiers continued to make their fortunes. Typically, many of the closest advisers of Venizelos in the economic and banking field belonged to this group. This undoubtedly helps to explain Venizelos's automatic obedience to British and French diplomatic interests. It also provides a deeper understanding of the reluctance of Greek capital to centre its interests upon domestic development."

The debts from the 1920s to the Second World War

The defeat of Greece's military adventure into Turkish territory in 1922 had dramatic effects on the civilian population. Approximately 1.5 million Greeks, the majority of whom had been living in Turkey, were forced to cross the Aegean under catastrophic conditions and return to Greece, which had lost the part of the Ottoman territory she had been granted after the First World War under the Treaty of Sèvres. [26] This massive influx of refugees led the Greek authorities to request aid from the League of Nations (the "ancestor" of the UN), which granted loans to Greece between 1924 and 1928 for a total amount equivalent to 20% of Greece's GDP at the time. As guarantee, the League required that harsh austerity policies be applied. Both the League of Nations' representation in Greece and that of the IFC, created in 1898, were dominated by the creditor powers, in particular Britain.

Repayment of the loans granted by the League of Nations was added to a series of other repayment obligations - the continuation of the repayment to Britain and France of the remainder of the debt of 1833 (Russia has received no repayments since the Bolshevik Revolution of 1917), repayment of the debt of 1898, and repayment of the war loans granted during the First World War by Britain, the USA, Canada and France (these war loans amounted it 55% of Greece's GDP). [27] The total debts owed by Greece were more than 100% of her GDP, and the amount paid each year accounted for more than 30% of the revenues in the Greek budget and approximately 10% of GDP. That gives an idea of the effort imposed on the Greek people and on the country's economy.

For as long as the international economy was undergoing a phase of growth, as during the period 1898-1913 and the 1920s, Greece was able to post a primary budgetary surplus and cover its debt repayments (that is, under IFC constraints, it managed to generate revenue in excess of expenditures excluding debt service, which meant that it could use the surplus for repayments). Greece also received capital inflows, as during any period of growth of the world economy. The creditors granted Greece new loans so that she could repay the old ones.

The situation changed radically starting in 1930-1931 when the effects of the new international crisis that broke out on Wall Street in October 1929 began to be felt. Greece's revenues from exports (mainly tobacco and currants) again collapsed, several Greek banks failed in 1931, and Greece's currency was devalued by 50% following the British decision to suspend the exchange system based on the gold standard. [28] | This devaluation automatically doubled the external debt as expressed in the local currency. The State was forced to double the amount of revenues set aside for repayment of the external debt in foreign currencies. As a result, in 1932, Greece had to partially suspend repayment of the debt.

Once again, if we focus on Greece while isolating her from the international context, we are likely to wrongly interpret what has taken place, just as a great many commentators have done. Yet it needs to be kept in mind that in 1932 the UK, France, Belgium, Italy and other countries also decided to suspend repayment of war debts between themselves and the USA. Germany suspended repayment of its debt to private creditors starting in February 1932 and, in May 1933, announced suspension of payments to all creditors. Hungary, Latvia, Romania and Yugoslavia were also in suspension of payment. Not to mention fourteen Latin American countries. What is systematically ignored by the dominant media is the fact that even after the moratorium decreed by Greece in 1932, she continued to make debt repayments under the tutelage of the IFC.

The International Financial Commission's effects

The daily *Le Monde*, cited earlier, says about the IFC's actions: "*In spite of everything, the result is far from being negative: It assisted a young Greece in taking control over its tax revenues and limiting the misappropriation of foreign capital by the local elite. It also contributed to the establishment of reforms that were indispensable for the country's modernisation*." How is it possible for someone to write such a thing? The IFC exercised a true, permanent diktat over Greece's finances for the benefit of the creditors, which prevented Greece from defining a development project and kept the country under the yoke of structural subordination.

According to Meyer, Reinhart and Trebesch, the actual *yield* obtained by the holders of Greek securities purchased abroad and denominated in foreign currencies and which were in suspension of payment at one time or another is between +1% and +5%. That's a pretty high yield for the government bonds of a country that has the reputation of being a poor payer! How can this positive yield be explained? The actual *interest rates* were high, the *debt stock* was not reduced and, despite the repeated periods of suspension of payment, the country most often continued the repayments. As a matter of fact, even during the Great Depression of the 1930s, Greece, even though officially in partial suspension of payment, devoted a third of her revenues to debt repayment, which corresponds to 9% of Greece's GDP, while during the same period Romania and Bulgaria were devoting, respectively, 2.3% and 3% of their GDP to debt service.

Conclusions

The analysis conducted in this article is not aimed at exonerating Greece's governments and dominant class of their responsibilities. Quite to the contrary, the decision made by the successive Greek governments and by the dominant class to cave in to the requirements of the creditors and the major powers had terrible consequences for the Greek people. The Greek capitalist class, who were specialists in the realm of finance and international trade, constituted a bourgeoisie that was largely deterritorialised and never had either a true national project nor the will to promote development based on a real industrial fabric. Due to this very fact, its interests were inextricably linked to the interest of the country's creditors. At times it even constituted a large percentage of the totality of those creditors, which explains its complicity with the representatives of the creditor powers. This is a constant fact from the 19th century up to today.

During the period we have examined here, Greece has constantly been dominated by foreign European powers. Foreign debt has been a permanent weapon used to exercise that domination. Yet as we see, that debt was clearly illegitimate, odious, illegal and unsustainable.

We've also seen that the successive debt crises are very closely linked to the international context and that many other peripheral countries have been subjected to the same treatment. The analysis must therefore be pursued in other areas of the world and justice must be done for all peoples subjected to debt.

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The author accepts full responsibility for any errors that may occur in this work.

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[1] See part one of this series

[2] See the first part of this series for an analysis of Greek debts and the 1878 agreements

[3] http://www.lemonde.fr/economie/arti... (in French)

[4] http://www.bilan.ch/argent-finances... (in French)

[5] In rhetoric, an oxymoron, from the Greek ???????? (oxÃºm?ros - de ????, "sharp, spiritual, witty" and from ?????, "silly, stupid", to signify "clever stupid") is a stylistic device that brings together two terms (a noun and an adjective) of opposing signification in an apparently contradictory form, such as: a bright obscurity or a murky transparency.

[6] Amongst the classical authors, see on imperialism: Rudolf Hilferding (Finance Capital, 1910), Rosa Luxemburg (The Accumulation of Capital, 1913), Vladimir Lenin (Imperialism, the Highest Stage of Capitalism, 1916), Nicolai Bukharin (Imperialism and World Economy, 1915), Ernest Mandel (Late Capitalism, 1972), Samir Amin (Unequal Development: An Essay on the Social Formations of Peripheral Capitalism) New York: Monthly Review Press.

[7] See Carmen M. Reinhart and Christoph Trebesch: http://www.brookings.edu/~/media/projects/bpea/fall-2015_embargoed/conferencedraft_reinharttrebesch_greekdebtcrisis.pdf" class='spip_url'>The Pitfalls of External Dependence... , p. 24. Greece received Â£1.3 million in 1824-1825; in 1878, she agreed to repay Â£1.2 million plus interest.

[8] trans. CADTM. See Louise Abellard, "L'Empire Ottoman face Ã une âEurosÜTroika' franco-anglo-allemande : retour sur une relation de dépendance par l'endettement" (The Ottoman Empire and the British-French-German Troika: an enquiry into debt dependency), 17 October 2013, http://cadtm.org/L-Empire-Ottoman-f... (in French)

[9] See Newly Independent Greece had an Odious Debt round her Neck

[10] See Newly Independent Greece had an Odious Debt round her Neck

[11] See Marichal, Carlos. 1989. A Century of Debt Crises in Latin America, Princeton, Princeton University Press, 283 p. Chapter 6.

[12] See Carmen M. Reinhart and Christoph Trebesch: The Pitfalls of External Dependence: Greece , 1829-2015, p. 25.

[13] See Edouard Driault and Michel Lhéritier, Histoire diplomatique de la Grèce de 1821 Ã nos jours (The Diplomatic History of Greece from 1821 to Today) (in French), Presses universitaires de France (PUF), 1926, 5 tomes. The 56% figure is taken from Tome IV, p. 296. The description of the Greek situation is very interesting.

[14] [Idem, Tome IV, p. 301

[15] This thesis is well-argued by Edouard Driault and Michel Lhéritier, in Tome IV, p. 385 and following. The two authors tell a very detailed version of the conflict and its outcome. cf. chapter VII.

[16] See the peace treaty and numerous annexes (all in French): http://gallica.bnf.fr/ark:/12148/bp...

[17] TAIPED is the Greek acronym of the Hellenic Republic Asset Development Fund created by the Troika in 2010 to organize privatization. The funds thus garnered are to be used entirely for debt repayment.

[18] Arrangement financier avec la Grèce, travaux de la Commission internationale chargée de la préparation du projet / French Ministry of Foreign Affairs - Paris, 1898, p. 33. (in French only).

[19] Translation: CADTM

[20] From the end of the 1890s Germany was Greece's principal export partner.

[21] See Carmen M. Reinhart and Christoph Trebesch, http://www.brookings.edu/~/media/projects/bpea/fall-2015_embargoed/conferencedraft_reinharttrebesch_greekdebtcrisis.pdf" class='spip_url'>The Pitfalls of External Dependence... , p. 15.]

[22] See Table 9 from Carmen M. Reinhart and Christoph Trebesch, The Pitfalls of External Dependence: Greece, 1829-2015 , p. 14

[23] Eugène-Melchior de Vogüé, "Livres Jaunes" in Le Figaro, 2 May 1898

[24] According to Driault and Lhéritier, whose conclusions are based on other serious work, the Greek securities issued in France were purchased almost exclusively by Greeks residing in France and not by the French. See Edouard Driault and Michel Lhéritier, Histoire diplomatique de la Grèce de 1821 Ã nos jours, Presses universitaires de France (PUF), 1926, tome IV, p. 304, note 1.

[25] All passages in italics are taken from: Constantine Tsoucalas, The Greek Tragedy, Penguin Books Ltd, Harmondsworth, 1969.

[26] This question of what is known as the "Asia Minor catastrophe" is still the subject of intense debate today, both in the public sphere and among historians who have deconstructed the official narrative.

[27] There is not enough space here for a critical analysis of the debts demanded of Greece by the Allied powers following the First World War, but the author feels that a large share of these debts may be considered illegitimate. For an introduction to the problem, see Nikos Pantelakis, "Crédits et rapports franco-helléniques 1917-1928" in Actes du colloque tenu en novembre 1989 Ã Thessalonique, Institut d'histoire des conflits contemporains, Paris 1992 (in French

[28] The Gold Standard is a monetary system in which the unit of account or monetary standard corresponds to a fixed quantity of gold. Advocates of the Gold Standard feel that it improves resistance to the expansion of credit and of debt. Unlike a fiat currency, a currency backed by gold cannot be issued arbitrarily by a government. Beginning in 1929 and the start of the Great Depression, British gold reserves were reduced to the point where the liabilities of the Bank of England were well in excess of its gold reserves. In September 1931, it decided to suspend the external convertibility of the pound and allow it it float freely. Germany, Austria and Norway followed shortly after the decision. The United States withdrew from the system in 1933.