Degrees of protectionism: Agriculture and cooperatives in Greece from 1914 to 1936

by Catherine Bregianni

Researcher, Centre for the Study of Modern Greek History, Academy of Athens

14, Anagnostopoulou str. Athens GR

cbregiann@academyofathens.gr

I. Introduction

In order to localise the rupture concerning the new organisation of agricultural sector in 1914, it is useful to describe the wider plan of agricultural credit during the XIX\textsuperscript{e} century. Actually, the distinction of various phases in the exercise of agricultural credit demonstrates the rural’s sector increasing importance at the national economy. Thus, during the XIX\textsuperscript{e} century the agricultural credit was exercised by the National Bank
of Greece: nevertheless, it must be noted that the allocation of short-term agricultural loans was guaranteed by lettre de change.

In spite the fact that the Constitutional Low of the National Bank (30-4-1841) declared its function also as an agricultural bank, the amounts conceded by this banking organization to agricultural credit domain were not considerable, touching in 1867 2,024,625 drachms. Although that in 1900 these amounts reached 18,902,061 drachms, the financing of agricultural remained restricted. It must be added that the allocation of agricultural credits were destined for the financing of the raisin’s culture, in a proportion touching the 50%. This fact indicates that the Greek agricultural economy was considered in the framework of monoculture. As we remark, for this whole period the domain of agricultural credit was attached to the banking system, and especially to the National Bank as its central pole, with a little interference of the Greek State. As a result, considering the fact that agricultural credit is little lucrative for the banking activity, this specialised sector remained underdeveloped during the whole period.

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2 For a further analysis of the subject see C. Bregianni, B. Patronis, «Apo thèsmi apousias ston filelephthero proseftismo kai ton paremvatiko aftharchismo. I metamorphoseis tis agrotikis pístis apo ta teli tou 19ou eona os to 1940 [From the institutional absence to the liberal protectionism and the interventionist authoritarianism: the metamorphoses of agricultural credit from the end of 19th century to 1940]», C.D. Rom, Proceedings of the Conference in Stathis Damianakos Conference «Rural Society and economy», ed. Th. Kassimis, Athens: Agronomic University of Athens, Panteion University, French School of Athens, 2005
Consequently, the exercise of agricultural credit by the National Bank was unable to reduce the usurious loans, which—according to the relative literature of the interwar period—were devastating the Greek agricultural economy until at least the ‘20s. The rural conditions were institutionally described by the National Bank itself, as it was noted that until the year 1915 agriculture was spoiled by usurious loans. Therefore, is been remarked a complexity between the official and unofficial forms of agricultural credit: even more explicit for the understanding of this complication is the information that often the cultural loans were allocated to bourgeois, which—using the false identity of farmers—benefited the lower agricultural interest of 6%. Subsequently, they borrowed these amounts to farmers on usurious interest.

We can remark that the perception of agricultural economy during the 19th century coincides at the State’s economic liberalism, which means that the central Greek mechanisms are the lesser involved in the planning of different economic activities while the State’s economic role is been reduced at its financial aspect and at the efforts of numismatic regulations as well as at the adjustment of national debts.

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3 Ethniki Trapeza Ellados [National Bank of Greece], O tokos ton kalliergitikon chorigiseon [The interest of culture loans], Athens, 1925, p. 5.
4 A. D. Sideris, I georgiki politiki tis Ellados kata tin lixasan ekatontaetian [The agricultural politics during the previous 100 years] 1833-1933, Athens, Papadogiannis, 1934, p. 92.
II. An institutional reorganization

A new conception of the rural economy arise in the beginning of the 20th century, as agriculture -from this instant- is been considered in the framework of national market. In Greece the first decades of the 20th century are determinative for the geographical formation of national market, as the frontiers of the Greek State are almost fixed in its current outline. On the other hand, this period are apparent the social and economic transformations which will incite the subsequent modernising efforts of the Liberal Party and which will lead to the consolidation of capitalist mechanisms. The definitive turn into western development’s models corresponds to the political attempts concerning State’s economic and social reorganisation. This attempt was undertaken by the bourgeoisie, as clearly demonstrated by the military and civil Goudi movement in 1909, that was opposing to the established and royal State’s character. As a result of Goudi movement, the entrance of the liberal Eleftherios Venizelos at the political scene personalised the new political orientations of the Greek society. In the years following the Balkan Wars (1912-1914), the impetus of a rising elite in the overall transformation of the country’s productive structures led to a new consensus on the management of agriculture and the necessity of financing.

This new perception of agriculture made obvious the need for an administrational model: the allocation of agricultural credits was soon associated to the rural cooperatives. In this way, a bilateral relation between cooperatives and agricultural credit was created.

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For the better understanding of this interaction an analysis of the cooperative’s institutional framework could be functional.

The first vertical links between official mechanisms of financing and the agricultural population were forged by the Cooperatives Act of December 1914. It is significant that in the preamble to this Act it was deemed necessary to refer to the extensive usury plaguing the agricultural sector. The cooperatives, whose statutes were approved by the Ministry of National Economy (and later by the Ministry of Agriculture), were considered unions of a commercial character with a reserve capital equal to their cooperative shares. The members were collectively responsible, both financially and legally, for the administration of the cooperative organ. The most significant result of the Cooperatives Act was that cooperatives could be persecuted for non-payment of loans taken out collectively, but their individual members were no longer threatened with arrest.

At the beginning of 1915 the National Bank of Greece (Ethniki Trapeza Ellados, hereafter NBG) undertook to double agricultural credits, in exchange for maintaining its issuing privilege and expanding into the newly acquired provinces of Epiros and Aegean Macedonia. This act introduced a new practice for Greek banking: the concept of

Contract between the State and NBG, signed on 6 December 1914 and ratified by law of 20 February 1915. As is clear from the Greek bibliography, the National Bank was very early on the chief organ for implementing state economic policy see Margarita Dritsas, “National Integration and Economic Change in Greece during the Twentieth century”, in: Teichova, Alice/Matis Herbert/Pátek Jaroslav (eds.), Economic Change and the National Question in Twentieth-century Europe, Cambridge: Cambridge University Press 2000, pp. 196-228, here: 202. See also, in the same article, pp. 205-211, a reference to the policy of social and economic integration into the
collective responsibility of borrowers towards the bank⁸ - a concept recently legislated in the Cooperative Act of December 1914. Henceforth, short-term loans with personal guarantee were granted mostly to cooperatives and their unions.⁹ The terms of this new contractual agreement illustrate the hierarchical and monopolist character of the Greek banking system at the start of the 20th century, and comprise the first steps towards creating a centralized network to control the diffusion of agricultural credit.

In a broad outline of the evolution of cooperatives in Greece, quantitative indicators may serve to show the effect of their incorporation into the financing network of the NBG. During the period 1915-1922, an average of 242 cooperatives was founded annually, indicating a strong need for a better management model¹⁰ in the agricultural national territory of the New Provinces, Aegean Macedonia and Epirus, in 1912, as well as the earlier addition of Thessaly (1881).

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⁹ For the procedure followed by the Bank, see: Istoriko Archeio Ethnikis Trapezas Ellados [Historical Archives of the National Bank of Greece, hereafter HANBG], archival series: Direction of Agricultural Credit, 1926-1938. See also ETE, *Kodix ton egykliion ke eidikon diatagon mechori 31 December 1927* [Codex of Circulars and Special Acts to December 31, 1927], Athens: NBG, 31928.

economy. During the 1920’s, the number of cooperatives multiplied as a result of agricultural reform. This increase was only partly due to a measure (later repealed) forcing refugees from territories of the former Ottoman Empire to form cooperatives for collective land-ownership and management, with formerly landless, native peasants in the rural areas where they were resettled. The transformation of the agricultural sector, however, was mainly due to the interconnection between cooperatives and agricultural reform, since this maximized the need for financing and widened the scope for state intervention. The preponderance of credit cooperatives (in 1927 they accounted for 3392 out of a total of 4431 agricultural cooperatives) indicates the growing links between cooperatives and state sources of agricultural credit. In the same year, cooperatives absorbed roughly two thirds of the total agricultural credits issued by the NBG, while the interest rate on loans granted to cooperatives was 2-3% lower than that charged to individual farmers.¹¹ Thus, as in other European countries¹², access to agricultural credit (as a parastatal institution in the wider interwar modernization) was widened through the intervention of the cooperative structure.

For the better understanding of this schema, it must be noted that the great majority of the agricultural credits concerned short term loans which de facto could not


assist to the reconstruction of agricultural sector. Although, an important increase of the global amounts allocated by the National Bank as agricultural credits is been remark during the 1920s. Until 1921 this totals didn’t not annually passed the extreme limit of 80.000.00 drachms –which is noted in 1920-, while in the beginning of the period (1915) only 4.685.000 drachms were allocated as agricultural credits. At the end of the period (1929) this amounts increased to 1.613.333.642 drachms\textsuperscript{13}. If the important devaluation of drachma in 1922 is been took into account, we conclude that at the end of the period the amounts globally used by the National Bank for the exercise of agricultural credit during the years 1915-1929 were increased five times. The complete of agricultural reform and its immediate requirements for financing during the 20s, but also the fall of agricultural incomes remarked in the same period must be considered among the raisons for the proliferation of agricultural credit.

From the Bank’s data, we observe also that credit cooperatives absorbent only the 4,8% of these total credits in 1915, while in 1929 participated for more than 75\%\textsuperscript{14}. It is also a factor that indicates the perception of cooperative movement as an intermediary between banking functions and rural population. In fact, credit cooperatives enlarged the banking activity as it was now possible to the large masse of farmers to obtain credits. In


\textsuperscript{14} C. Bregianni, B. Patronis, “Apo ti thesmiki apousia ston filelephthero prostateftismo kai ton paremvatiko aftharchismo… op. cit.
the same time, cooperative organization offered to the Bank the minimum standards for the security of its emplacements. For these reasons, the National Bank attempt the transformation of rural cooperatives to an unofficial but main branch of its network as far as the cooperatives also consisted a network for the credit’s proliferation. As it is clear, the banking and cooperative network coincided and this interface advanced the absolute predominance of banking mechanisms.

The role of the NBG in the diffusion of a cooperative ideology in rural areas was clearly an integral part of state agricultural policy, and the bank’s centralized mechanisms consequently developed as funds for agricultural credit were increased for the implementation of agricultural reform. For the Bank, the control and surveillance of cooperatives had to take part of its activity, and consequently it was opposing to their surveillance exercised by Ministry of Agriculture.

So, the rural cooperatives were also understood as an instrument for social pression, and on this purpose were used in the case of the creation of a specialised Rural Bank, which was considered by the National Bank as an antagonist organisation. Let us take a brief look at the facts: In October 1927 a protocol was signed by the State and the National Bank, concerning the creation of a Rural Bank. The political initiative was taken by Alexandros Papanastassiou, at the moment Minister of Agriculture, who is considered as the initiator of social-democratic thought in Greece and who was also responsible for the creation of the First Greek Republic in 1924. In spite the fact that the Protocol was signed by the BNG, its administrators were opposite to the creation of Rural Bank as they see at it a State’s intervention at banking domain which could be extended at other activities, more lucrative than agricultural credit. These fears of the NBG were in fact real, as after a short time the banking reform withdrawn the privilege of banknotes edition from the National Bank and gave birth to the central Bank of Greece (1928). Thus, the reactions of the NBG at the figuring creation of the Rural Bank were immediate: the managers of its Direction of Agricultural Credit organized a passive
defense, requesting from the local superior employees to spread out at the rural population the oppositions of the National Bank which declares that the specialized branch of agricultural credit can not function as an independent banking sector\textsuperscript{15}.

It must be noted that NBG was looking for the complicity of rural population, as it is proven by the large number of telegrams sent by rural cooperatives and farmers, declaring their opposition to the creation of the Rural Bank\textsuperscript{16}. In general, the archival sources demonstrate that cooperatives supported the contradiction of BNG against the efforts of Papanastassiou. This alliance manifests the reciprocity between cooperatives and NBG, a fact that refers to the conservative character of Greek cooperatism and to its use as an intermediary institution. Without any doubt, it was the National Bank which provoked the reactions of cooperatives against the Rural Bank, since it had demanded their public expression a propos to the question\textsuperscript{17}. This interaction provides evidence for the political character of cooperatism, as far as the question about their control and surveillance became a real conflict. Consequently, even if the cooperatives were confronted by their institutional low as modernist mechanisms, their correlation with banking system turn them to oppression’s instruments.

\textsuperscript{15} See HABNG, archival series: Rural Bank, Dossier 1, Preliminary Protocol, conventions, publications, reactions of the National Bank of Greece, 1927-1928, Confidential Circular of 23 August 1927.

\textsuperscript{16} See HABNG, archival series: Rural Bank, Dossier 2, Correspondence about the Rural Bank, 1927-1928.

\textsuperscript{17} See HABNG, archival series: Rural Bank, Dossier 1, Preliminary Protocol, conventions, publications, reactions of the National Bank of Greece, 1927-1928, Confidential Circular of the 5\textsuperscript{th} January 1928.
III. Banking’ system rationalization and Agricultural Cooperatives

The cooperative mentality promoted by the state created links between agriculture and banking, which required the need for further specialization in banking operations. In 1929, banking reform by the Liberal government of Eleftherios Venizelos led to the foundation of the Agricultural Bank of Greece (Agrotiki Trapeza Ellados, hereafter ABG), which replaced the National Bank as the main source of agricultural credit and undertook its overall administration.18 The ABG acquired a pivotal role in the diffusion of official agricultural credit, and its activities were part of the overall transformation of the agricultural sector in Greece.

Apart from the function of providing credit, which will be examined below, one of the ABG’s declared goals was the dissemination of the cooperative ideology amongst farmers.19 According to its founding statute, the ABG was responsible for the overall supervision of agricultural cooperatives, a function that it carried out through the Cooperative Department located at its central branch in Athens. Among the Department’s first priorities was the foundation of new cooperatives and liquidation of older inactive ones. These functions were performed by Cooperative Supervisors in the bank’s local branches. The branches compiled detailed reports on the progress of this work20.

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19 Statute Laws of the ABG 4332/1929, article 16.
20 The particular administrative mechanisms, as well as the information flow from the provinces to the central bank branch in Athens, is recorded in the cases of cooperatives in
including efforts to liquidate the inactive cooperatives and to infuse cooperative organizations with propaganda designed to create a “cooperative spirit” in rural areas.\textsuperscript{21} The tone of the reports indicates that one of the bank’s principal objectives was to broaden the activities of agricultural cooperatives, and put an end to their exclusive function as credit recipients.

However, despite these declarations, in the early 1930’s the reality was somewhat different. From statistical data provided by the ABG, one can see that the cooperative movement achieved a relative mass following, incorporating 260,635 heads of rural families in 1933\textsuperscript{22} –out of a total of 1,475,600 actively employed in farming, stockbreeding and fishing\textsuperscript{23} in 1928. However, the data for this period also show that by 1933 the average membership of agricultural cooperatives remained stable at 69.7. This lack of members limited their possibility to obtain more credits or to multiply their activities. Moreover, despite official declarations, credit cooperatives continued to

\textsuperscript{21} For this procedure see: Agrotiki Trapeza tis Ellados, \textit{Apologismos tou etous 1930} [ABG’s Report for the Year 1930], Athens: ABG 1931, pp. 64-65 and Agrotiki Trapeza tis Ellados, \textit{Apologismos tou etous 1933} [ABG’s Report for the Year 1933], Athens: ABG 1934, p. 23; see also: Agrotiki Trapeza tis Ellados, \textit{Egiklios pros tous agrotas tis Ellados, tous Syneterismous ke tas enosseis aiton} [Circular of the Agricultural Bank to Peasants, Their Cooperatives and the Unions of Cooperatives], Athens: ABG 1929.

\textsuperscript{22} See: Deltion ATE, 2 (1937), Nr. 2, p. 103 and Deltion ATE [ABG’s Bulletin], 4 (1939), Nr. 3, pp. 303-304.

\textsuperscript{23} For more details on the Greek rural population of the period, see: Babis Alivizatos, \textit{I Agrotiki Ellas kai I exelixis tis} [Rural Greece and its Development], Athens, 1939 [reprint from the ABG’s Bulletin, 4 (1939)].
constitute the vast majority of agricultural cooperatives. In 1933 these amounted to 3150 credit cooperatives with 208,516 members. Comparative data for the period up to December 1935 lists 3809 cooperatives with 256,014 members, of which 3044 were credit cooperatives with 195,585 members.\textsuperscript{24} As a result, the strength of the mass movement that emerged in the agricultural sector during 1929-1935\textsuperscript{25}, was severely constrained by its almost exclusive function as a credit recipient. Finally, despite the Bank’s initial goal of promoting agricultural production through cooperative networks, archival evidence reveals the inability of banking mechanisms to support the direct supply of agricultural products from cooperative farms to local or Athenian markets.\textsuperscript{26}

An examination of the quantitative data reveals the Bank’s allocation of credit through cooperative forms. It should be noted that the lending policy towards cooperatives concerned short-term loans and loans with agricultural consignments as collateral, while long-term loans (with an investment objective) were granted mainly to individual farmers. ABG data on its lending policy up to the end of 1935 indicates that


\textsuperscript{25} For further details see: Brégianni, \textit{Les Banques, l’Agriculture et l’Etat….}, pp. 79-89.

the largest percentage of loans was granted to cooperative farmers, the overwhelming majority with agricultural consignments as collateral. In contrast, loans for cultivation were gradually reduced – though they continued to far outnumber loans granted to individuals. Thus, while in 1930 cooperatives absorbed two thirds of loans granted on personal security, by 1935 this proportion had a tendency to level out (table 1)\textsuperscript{27}. The failure of political ambitions regarding the modernizing role that cooperatives could play in the agricultural sector partly explains the downward trend of short-term loans issued through cooperatives.\textsuperscript{28} However, one should also take into account the effects of the Great Depression in Greece, which hit as early as 1930, and initially took the form of a severe agricultural crisis\textsuperscript{29}. Not surprisingly, the early 1930’s saw an urgent need to finance individual farmers in order to help them survive and consequently access to sources of credit for these farmers continued to grow. The financing of cooperatives, however, remained a primary concern of both banking mechanisms and state agricultural policy during this period.

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\textsuperscript{27} For a further elaboration on the subject see C. Bregianni, “La utopia rural de un régimen autoritario. La política cooperativista durante la dictatura de Metaxas (Grecia, 1936-1940) », \textit{Historia Agraria}, 42 (2007), p. 327-351.
\textsuperscript{28} For data on ABG loaning policy during the period 1931-1935 see: Diefhensisyneterismon tis ATE [AGB’s Cooperative Department], “Stoixeia ep ton Elladi leitourgounton syneterismon” [Characteristics of Greek cooperatives], \textit{Deltion ATE}, 1 (1936), Nr. 5, pp. 565-566 and data from the annual reports of the ABG.
\textsuperscript{29} According to Chryssos Evelpides, the crisis of the 1930’s was not only agricultural, but affected all sectors of production, since peasants comprised the vast majority of consumers of industrial products, see: Chryssos Evelpides, “I georghiki krisis, idia en Elladi” [The Rural Crisis, Especially in Greece], \textit{Archion Ikonomikon ke Kinonikon Epistimon}, 11 (1931), pp. 145-204.
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Although the Cooperative Act of December 1914 had envisaged a more autonomous entity, the cooperative institution was gradually transformed into a centralized structure for administration and control of the agricultural sector.\textsuperscript{30} Modernization, through gradual funding, agricultural reform and consolidation of smallholdings, attempted to form a broad social consensus, but cooperatives could not succeed as an alternative social organization within this framework.\textsuperscript{31} The cooperative movement in Greece was imposed by the state from above and consequently had little in common with the concept of the mutual society promoted by utopian theorists of the 19\textsuperscript{th} century – although there was a tendency among agrarians to remain faithful to these earlier western models.

In this general outline of agricultural modernization, the effect of the Great Depression of the 1930’s was to redefine the goals of Greek agricultural policy, forcing the liberal government of Eleftherios Venizelos to take additional protectionist measures. Among these was the creation of public organizations to protect the production of certain agricultural products (initially currants, followed by grain and cotton), the imposition of tariffs and the control of imports. In order to protect the balance of trade and counter potential food shortages\textsuperscript{32}, farmers were encouraged early on to increase agricultural

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\\textsuperscript{30} See Minos Gerakaris, «Kratos ke syneterismoi» [The State and Cooperatives], \textit{Deltion ATE}, 1 (1936), Nr. 1, pp. 7-23, here: 8-9. According to the article, post 1914 legislation influenced the less interventionist aspects of the original jurisprudence, a fact that nonetheless also indicates increased state interest in cooperatives.
\textsuperscript{32} See research published in the political and economic journal \textit{Ergasia}, in 1933, titled “Before Famine Knocks on our Country’s Door”. Later, the country’s Supreme Economic Council
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production and avoid monoculture of commercial products (tobacco, oil, currants). In addition, an alternative system of intensive cultivation was initiated for monoculture (including grain), which would require greater funding and a more efficient distribution of the labor force by the smallholder majority. Protectionism in the agricultural sector was therefore shaped by the state intervention that began in 1929, in a phase that predated the General Metaxas dictatorship. It encompassed the Agricultural Bank’s policy, the increase of agricultural loans through cooperatives and their role as a tool for implementing state policy as well as their gradual transformation into a centralized institution. It is evident that by the beginning of the 1930’s, the protection of the agricultural sector was already an integral part of the Greek expression of economic

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34 Thus, according to the governor of the ABG, Andreas Labropoulos, who was appointed to this position in 1935, but retained it during the Metaxas regime, the foundation of the Bank was not only a necessary condition for the implementation of the country’s agricultural policy, but necessary for boosting the national economy, see Andreas Labropoulos, “I georkiki politiki tou Kratous ke i ATE” [The Agricultural Policy of the State and the BAG], Deltion ATE, 1 (1936), Nr. 1, p. 1-2. For the transformation of the state’s economic role see Evangelos Prontzas, Ikonomikos ethnikismos. Dokimio sti neoelliniki istoria [Economic Nationalism. A Study for Modern Greek History], Thessalonica: University Studio Press 1999.
nationalism\textsuperscript{35}: in April 1932 the drachma was taken off the gold standard and returned to a regime of forced circulation, while a strong legal framework was set up for the protection of the national currency.\textsuperscript{36}

**Table 1. Short term credits during the period 1930-1935 (in drachmas)**

<table>
<thead>
<tr>
<th>Year</th>
<th>To Individual farmers</th>
<th>To cooperative members</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>1930</td>
<td>259,442,738.85</td>
<td>638,055,651.35</td>
<td>897,498,390.2</td>
</tr>
<tr>
<td>1931</td>
<td>322,431.119</td>
<td>609,896,245.1</td>
<td>932,327,364.1</td>
</tr>
<tr>
<td>1932</td>
<td>316,246,535.65</td>
<td>519,160,560.5</td>
<td>835,407,095.70</td>
</tr>
<tr>
<td>1933</td>
<td>314,201,619.2</td>
<td>568,908,966.45</td>
<td>883,110,585.65</td>
</tr>
<tr>
<td>1934</td>
<td>347,939,246.65</td>
<td>540,183,155.05</td>
<td>888,122,401.70</td>
</tr>
<tr>
<td>1935</td>
<td>464,904,799.25</td>
<td>645,929,233.7</td>
<td>1,110,834,032.95</td>
</tr>
</tbody>
</table>


\textsuperscript{35} The distinction between protectionism and economic nationalism was also apparent to the political protagonists of the period. See the parliamentary speeches of Eleftherios Venizelos as well as the definition of Al. Papanastasiou for degrees of the phenomenon: “…protectionist measures are not generally nationalist in character…Usually only in exceptional circumstances of national political crisis and the rise of strong national fanaticism does one take measures of a nationalistic character, implemented either by the State or by individuals in order to boycott foreign products…”, see: Alexandros Papanastasiou, *The Nationalism*, Athens: Charissis 1992, p. 14, [1\textsuperscript{st} edition in *Epitheorissis ton koinomikon ke ikonomikon epishtmon*, September- December 1916].

IV. Conclusions

As we remarked, the proliferation of agricultural credit’ cooperative has created in the Greek rural territory an intermediary mechanism between the banking system and the farmers. This almost exclusive credit function led to the restricted character of Greek cooperatism and –consequently- to its restricted social impact. On the other hand, its dependence from the banking mechanisms indicated, also, the conservative form of the institution, despite the modernizing expectations of its Greek initiators and theorists. For these reasons rural cooperatives were turned to instruments for the application of State’s agricultural policy, while their financial support followed occasionally the principles of the central economic policy. Consequently, the historical approach of Greek cooperatives reflects the increasing impact of economic protectionism on the Greek political and social scene.