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Thesis

THE UNITED STATES AND ECONOMIC RECOVERY IN GREECE 1947-50.

by

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INTRODUCTION

If a thoughtful Greek were asked to enumerate factors which have shaped his country's course throughout history, Greece's geographical position unquestionably would be given utmost consideration. Greece's strategic position probably has been the cause of more unhappiness for the country's inhabitants than any other factor in her modern history.

Jutting out of Southeast Europe into the Eastern Mediterranean the Greek peninsula and the surrounding islands provide excellent harbors for gaining military control of the Near East and, in this 20th century, facilities for potential air base sites. These considerations never have been overlooked by Europe's major powers who constantly have vied for control of the Near East. As a result, the Greek people never have been able to control their own destinies as befitting a supposedly sovereign nation. The term "international pawn" best can describe Greece's role in world affairs since she wrested her independence from the Ottoman Empire in 1824.

The United States is a latecomer in the arena of Balkan politics. Only since the advent of the Truman Doctrine in 1947 has the world's greatest power attempted to wield influence in Greek affairs. In the past, friendly
feelings had always existed between the two nations ever since Greece's determined struggle for independence in the 1820's had elicited strong sympathy from a country which remembered its own revolt against foreign domination. When the United States assumed its responsibilities as a world power through its decision to contain the expansion of Communism, the prime motive was once again the same one which had stirred other European countries in the past--Greece's strategic position as the doorstep to the Near East. It must be stated, however, that the United States had performed charitable acts for the Greek people; the most notable were the large United States contributions to UNRRA and the work of private relief organizations, such as Greek War Relief, which had helped alleviate much suffering among the Greek people.

Since 1947 United States policy in Greece has been, (1) the military containment of Communism in the Balkans; (2) the rehabilitation of Greece's badly dislocated economy; and the most important, (3) the creation of improved economic conditions which could form a basis for the eventual establishment of both social and political freedom.

The most effective political weapon which the Soviet Union possesses is the existence of wretched economic conditions in most areas of the world. The struggle to contain Communist expansion by the west can least hope to succeed, short of war, if the improvement of the economic
lot of hundreds of millions is not attempted. The deplorable state of these peoples in Asia, Africa, and parts of Europe leaves them highly susceptible to false Communist propaganda. It becomes imperative, therefore, to examine closely American aid to Greece in order to evaluate its effectiveness in promoting the welfare of the Greek people. For the free peoples of the world, aid to Greece in the past three years has been a vital testing ground in determining whether such aid and the correct utilization of it can prove a positive and effective weapon against totalitarianism. The manner in which the program was implemented is important in order to discover what features were workable. This pattern, based on the experiences in Greece, can prove most valuable in extending economic and military assistance to other countries in the world needing American aid for purposes of survival.

By analyzing respectively the Truman Doctrine, The European Recovery Program in Greece, the part played by the United Nations in regard to Greece's struggle with guerrilla forces and with emphasis on the role of the United States, and the effectiveness of American intervention in Greece's domestic affairs, can it be determined whether United States foreign policy in Greece has been a relative success or a failure. The importance of determining the workable features of extending American aid to Greece cannot be
minimized. The positive achievements of the program which can be applied elsewhere may one day prove the decisive factor in establishing stability and social progress throughout the world.

While it is necessary to probe into the history of the Greek people for some understanding of their present misfortunes, this study needs only a review of the most salient factors, both economic and political, which have occurred since the turn of the century. Greece has been a constitutional monarchy with the exception of short republican interludes in the 1920's and '30's. She is governed by a Chamber of Deputies (the Vouli) and a cabinet form of government modelled after the English system with the difference that the cabinet can be overthrown without a corresponding dissolution of the chamber. Although national parties exist, factionalism is the rule. This factor has plagued Greek politics for decades and little hope is in sight that a cure can be effected. The monarch in Greece has played varying roles in Greek governmental life, depending mostly upon his personality. This has resulted in a deep cleavage in Greek political life between those who favor the retention of the monarchy and those advocating a pure republican form of government. Although presently obscured by the Communist menace, this division is still important and partly explains the polarization of domestic
politics following liberation from the Axis powers in 1944.

The economy of Greece has always been considered a "have not" economy. Possessing little or none of the resources essential for industrial expansion, the Greeks have derived, for the most part, their livelihood from the soil. This is tragic because the terrain of Greece is ill-suited for intensive agricultural pursuits. Less than twenty percent of the total area is tillable, and yet over 60 percent of the nation's 7,800,000 people actively work the land. Consequently, Greece always has been required to import one third of her food stuffs. Her main crops are of a semi-luxury nature such as tobacco, fruits, olive oil, etc. These provided the great bulk of her exports, but when a decline in world trade set in, these crops were the first to feel the pinch in the slackening demand.

Perhaps the worst factor which has plagued the Greek people has been the problem of overpopulation. In the field of agriculture, this has resulted in a wretched disproportion between the cropland available for cultivation and the farm population and compares with India's plight (about 1.31 acres per person).

The United Kingdom, for example, has slightly over five acres per person and the United States about seventeen acres per person.²

The Greek tradition of large families also has contributed to this perplexing problem. The average Greek farmer strongly believes in having many children who, he thinks, are insurance against old age.³ But this has resulted in the carving up of the father's meager land into smaller lots upon his death. Needless to say, these increasingly small plots are barely enough to keep alive a single person, much less a family.

Emigration in the early part of the 20th century alleviated conditions somewhat, but this was more than offset by the results of the Greco-Turkish war of 1922. This war was instigated by a royal clique with the King's support and it was hoped that the defeat of Turkey would bring Greece much-needed territories. The campaign ended disastrously for Greece with an aroused Turkish army inflicting severe defeats. In their advance the Turks uprooted over one million Greeks from their settlements in Asia Minor and forced them to flee. This great influx of Greek refugees never has been integrated satisfactorily in Greece's backward economy.

² Ibid., p. 51.
After the debacle in Asia Minor the monarchy abdicated, and after a few short-lived dictatorships, the most notable figure in Greece's recent political history came into power. Eleftherios Venizelos, a Cretan by birth, had gained prominence during World War I by supporting the Allied cause despite his monarch's pro-German leanings. The Venizelos regime (1927--1932) is noted for its social improvements.

Greece experienced more basic reform under the Venizelos republic than at any other time in its modern history. A new and ultra liberal constitution adopted in 1927; roads were built; extensive improvements in water control, drainage and irrigation were undertaken; the large estates were nearly all broken up and the land redistributed among the peasants.  

The significance of the land reform is never more clear than it is today. While land reform is a great, perplexing problem in other parts of Europe and the world, the land division carried out under Venizelos has silenced even Communists. Though successive Greek governments and Greece's wealthy have been denounced repeatedly, rarely has the issue of land reform been raised, so effectively was it carried out over two decades ago.

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4 Smothers, et. al., op. cit., p. 17.
The world depression of the early 1930's had its inevitable consequence in Greece with the rise of Fascism under General John Metaxes. The Venizelos government had been swept out of power and following unsuccessful coup d'états, a plebiscite was held in 1935 in which the King's return to rule was the result of a highly questionable vote. In the following year (1936) the results of a national election revealed that the two main parties, the Liberals and the Populists, had obtained identical strength in the Chamber of Deputies. The Communist party, which had recently experienced a moderate growth, held the balance of power with 15 elected deputies. This seemingly insoluble situation was met when the chamber prorogued for five months and allowed the government under the premiership of Metaxas to govern by decree. Labor disputes became frequent while Communist-inspired disorders threatened the stability of the country. In August of that year (1936) the labor unions, incensed over a government proposal which would arbitrate wage disputes, announced a general strike in defiance. The Metaxas government then obtained the King's signature proclaiming martial law, declaring a national emergency, and dissolving the chamber. The proposed general strike was nipped at the outset and the Metaxas dictatorship was firmly in power.5

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The Metaxas dictatorship ruled from 1936 through 1941. Also under the Axis occupation many of its officials served under the Germans. The regime was characterized as in all dictatorships by its suppression of opposition, curtailment of civil liberties, and establishment of national youth organization devoted to Metaxas, etc. In the economic sphere, Metaxas attempted to bring about the modernization of the country. In this matter it cannot be denied that some social improvements were carried out, but on the whole, the regime was bitterly opposed by the vast majority of the people. Metaxas kept himself in power through instruments used by all dictators—the Secret Police and the army. For most Greeks, the memory of the Metaxas dictatorship hangs like a dark cloud even to this day, because whenever a crisis in political life arises there lies a strong urge to seek the "strong man" in order to find the way out of the difficulty.

It was during the Metaxas regime that Germany managed to capture Greece's exports market. Through the methods of barter agreements, Germany managed to control fifty percent of Greek exports in return for which Greece received—"wholly worthless German goods, useless quantities of them on large credits Germany expected to
bring---by the war she prepared herself to declare upon the world". The significance of these German tactics became apparent in post-war years when Greek exporters found it difficult to re-orient their trade elsewhere, after her stature as a German "economic captive".

The little social progress achieved under Metaxas was nullified by the outbreak of war. After gallant resistance to the Italians the German army completely overwhelmed the Greek army and the darkest period in modern Greek history began.

With their methodical thoroughness the Germans proceeded to strip Greece of its resources.

Originally, the policy of Germany was---to incorporate the whole economy of this area into the New Order of Europe under absolute Nazi supremacy.

For the most part the Germans lived off the countries which they occupied. Immediately after the occupation began German purchasing centers were installed in every


7 Ibid, p. 4.
food-producing community. There, all goods were immediately requisitioned except for inferior food stuffs which were given to the Greek population. Not only was the food requisitioned to be consumed by the occupation forces but much was shipped back to Germany. Domestic food production fell off tremendously. Wheat production, for example, fell from 500,000 metric tons in 1940 to 280,000 metric tons in late 1942.  

The Germans carried the idea of barter agreements into domestic Greek commerce as well. The urban areas, where near starvation existed, were most cruelly affected as German restrictions almost made it impossible to obtain food through regular channels. As a result of all these restrictive measures, such as decreased production and requisitioning by the occupation forces, there developed an extremely harsh inflation. By May, 1944, the amount of drachmae (Greek currency) in circulation reached 25 trillions or 1,250 times the amount of money in circulation in March, 1941.  

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8 Ibid, p. 10.

9 Ibid, p. 44.
The Germans considered the Greek economy as a liability and were determined not to expend any of their carefully husbanded resources in provisions for the Greek population. When wholesale starvation threatened in 1943, German authorities permitted the International Red Cross to bring relief into the urban areas where food supplies were critically short. ¹⁰

When the Germans considered Greece no longer tenable and evacuation began in the summer of 1944, it was marked by systematic destruction of transport and port facilities. Thus when Greece became completely liberated, there were only 21 locomotives, 168 freight cars, and 57 passenger and baggage cars in use. Over 1600 miles of railroads were useless; this was most damaging as Greece's transport system always had been inadequate for the needs of the economy. ¹¹ When liberation came, the Greek economy virtually was prostrate. The retreating Germans were determined not to leave anything of usefulness intact, and didn't.


The Greek people, however, did not accept the German occupation passively. Within six months after defeat, resistance groups began harassing the occupation forces. The most effective, best-disciplined, group was known as the EAM (National Liberation Front), formed in September, 1941. The fighting arm of EAM was the ELAS (Greek Popular Liberation Army). The EAM is most important because its existence, not only as an anti-occupation fighting force but as an increasingly political organization, was the main source of post-liberation friction which eventually provoked the terrible civil war.

The EAM in its formative stages proclaimed itself as a patriotic organization and succeeded, at first, in appealing to most Greeks chafing under the occupation yoke. All shades of political opinion were represented in EAM and EAM committees were to be found in villages scattered throughout the country. Its most militant organizers and leaders gradually became to be those identified with the political Left. In this category were some professed Socialists, agrarian reformers, and a great number of Communists. The latter eventually achieved complete control of the movement and consequently used it for their own political ends.

It must be mentioned that other resistance movements
also opposed the occupation forces. The most notable was EDES (Greek Democratic National Army), commanded by General Napoleon Zervas, a professed political rightist. However, none of these other independent movements could claim the relatively large popular support EAM claimed for itself. Most were factions banded together by loyalty to their leaders. These groups, including EAM, received supplies and arms from the British who, although non-discriminatory in their assistance to those groups at first, cut off supplies to EAM in the latter stages of the occupation.

It appears that EAM and ELAS delayed attacks on German occupation forces when ordered to attack by the British in the fall of 1943. But the really important reason is that ELAS managed to defeat its rival, EDES, and consequently strengthened the British belief that EAM really was aiming at complete political monopoly when the day of liberation arrived. 12

EAM representatives were given posts in the liberation government. But tension developed when EAM refused to allow ELAS to disarm, EAM charging that the British were arming and supporting their rightist opponents. Clashes broke out between ELAS and British troops and the former

12 Smothers, et. al., op. cit, p. 22.
were defeated in a battle which raged in Athens for several weeks. The Varkiza Agreement of February, 1945, signed by EAM and the British, called for the evacuation of Athens by EAM, the turning in of all arms by ELAS, and the disbandment of ELAS as a fighting body. EAM then retired to the mountains and evidence remains that not all of the arms were surrendered. Within a few short months, guerrilla activity on the part of EAM began increasing, this time against successive Greek governments.

This is very important because the existence of these bands and their increasing strength were the biggest obstacles to the sorely-needed rehabilitation of the disrupted Greek economy. Whatever chance there may have been of uniting the country for the difficult tasks of reconstruction disappeared with this cleavage.

However, not all the blame can be placed on EAM in its decision to continue opposition to successive British-sponsored Greek governments. When the Left was defeated in its abortive attempt to seize power, the conservative forces were determined to make them pay. Confident of support from the British, the political Right exploited their newly-won power and indiscriminately punished every person who mildly protested their vindictive actions. It should be said that the British were none too happy about
these developments but took no active steps to halt the persecutions of many innocent persons. Their unfortunate position can be summed up thus:

...Rightists (Greeks) believed that, no matter what sort of government the British might want, the latter would be compelled to support them in the future as long as the only alternative appeared to be admitting EAM to power. 16

An inevitable polarization of Greek politics only made matters worse.

Whatever opportunity a moderate center group may have had in gaining control was nullified by extremists on both the right and left. This tragic state of affairs provided a great dilemma for the ineffective center groups and is summed up in these words:.... "the feeling that it is necessary to support what you believe to be bad in order to fight what you consider worse." 14

British policy in Greece at this time was sharply questioned both in Great Britain and in the United States. Prime Minister Winston Churchill was accused by many elements in both countries of actively working for the return of

13 Smothers, et. al., op. cit., p. 28.

the monarchy, regardless of the dictates of public opinion in Greece. The issue of the monarchy had been fiercely debated in Greece for decades. But it was agreed upon by all parties that a plebiscite be held as soon as possible to allow the Greek people to decide.

With the conservative forces firmly in power in the government, it was decided that national elections be held as soon as possible. The EAM, whose popular backing had decreased sharply, opposed the idea of national elections because its prestige had declined and it stood little chance of making any inroads in the Greek electorate. However, the Greek government pressed forward and national elections—the first in ten years—were held in March, 1946.

As agreed beforehand, the elections were observed by an international body known as the Allied Mission For Observance of Greek Elections. AMFOGE was composed of representatives from the United States, Great Britain, and France. The Soviet Union was invited to join but declined, the reason obviously being that she felt certain that the Communist left would be decisively beaten. As this appeared likely to occur, the presence of the Soviet Union on the allied team would then lend the election an aura of respectability, thereby depriving the Soviet Union of a powerful propaganda weapon—the charge that elections were
rigged in favor of the reactionary cliques of Greece.

As it was, EAM and its sympathizers boycotted the election charging that election lists were fixed to their disadvantage. Over 240 teams of AMFOGE members witnessed the balloting and it was estimated that the EAM boycott amounted to about 20 per cent of the Greek electorate. The result was a foregone conclusion. The conservative forces were victorious, electing 231 out of the 354 member Chamber of Deputies. Approximately 60 per cent of the Greek electorate voted. The moderate factions gained only 48 seats. The AMFOGE report stated that: "The Greek elections—were on the whole free and fair, and the results represent a true and valid verdict of the people, in the considered judgment of AMFOGE."  

Although discrepancies did occur during the balloting, there is little doubt that the conservative victory really represented the sentiment of the Greek people. It was a fear of Communism which prompted the Greek electorate to swing markedly to the right. This explains in part the absence of any effective moderate center group arising and becoming a vital force in the crucial post-war years.

15 Smothers, et. al., op. cit., p. 29

The great majority accorded the conservative factions, i.e. the Royalists, in the Chamber of Deputies also was destined to prove a headache for the American Mission which insisted on moderate governments which, by necessity, required conservative backing.

The Royalist victory in the general elections merely paved the way for the return of the monarchy. In September King George II was called back after an affirmative two to one plebiscite vote. Greek political moderates who were republicans charged that the plebiscite was fraudulently held, but this charge was passed over. Undoubtedly the monarchy became for many Greeks the symbol of anti-Communism.

Throughout the entire post-liberation period, United States policy towards Greece was that of "A cautious spectator and nothing more." It appeared that the United States was willing to allow Great Britain to guide Greece, providing no extreme measures prevailed. There was much sympathy on the part of Americans for the Greek people whose lot had been most wretched. But little in the line of directly influencing events was attempted by American diplomats in Greece. It was truly the easy way out as far as the United States was concerned but, as the fates willed it, this aloofness was not to last long.

17 King and O'Brien, op. cit., p. 260.
CHAPTER I

THE TRUMAN DOCTRINE

A sense of urgency and anxiety characterized the Administration's decision to commit the United States as a full-time participant in the post-war world of power politics, beginning with what now commonly is known as the Truman Doctrine. Yet this determination to check the spread of Communism was tempered by the knowledge that the proposed action unquestionably would entail great responsibilities on the part of the United States for an indefinite period of time. It is little wonder that high officials in the United States were apprehensive about this new, momentous undertaking in a time of relative peace; it placed the United States in the role of active opposition to the expansionist policy of the Soviet Union.

The grimness of the situation was reflected in President Truman's message delivered before a joint session of Congress on March 12, 1947:

"The gravity of the situation which confronts the world today necessitates my appearance before a joint session of Congress. The foreign policy and national security of this country are involved."

The President went on and spoke of the hardships undergone by the Greek people during the war. He said that the country of Greece needed help, both economic and
military, and that the United States must supply these needs. He emphasized the danger presented by bands of Communist-led insurgents in Greece and the havoc they were creating. If Greece were to succumb to this minority, he said, the stability of the whole Near East would be jeopardized. But the most important parts of his speech were these:

"I believe that it must be the policy of the United States to support free peoples who are resisting attempted subjugation by armed minorities or outside pressures.
I believe that we must assist free peoples to work out their own destinies in their own way.
I believe that our help should be primarily through economic and financial aid which is essential to economic stability and orderly political processes.
One of the primary objectives of the foreign policy of the United States is the creation of conditions in which we and other nations will be able to work out a way of life free from coercion."  

The president's speech was a blunt, forthright statement that the United States, if Congress concurred, meant to hold the line in Europe in supporting any friendly government which felt need of assistance in combating "armed minorities" and resisting "outside pressures".

The immediate background to the dramatic announcement that economic and military aid to Greece was imperative

\[1\] Department of State, Recommendations on Greece and Turkey, Publication 2785, Near Eastern Series 6, 1947, p. 1.
lay in these important preceding events. On February 24, 1947, the British government handed United States officials a note which declared that Great Britain would no longer be able to fulfill her financial commitments in Greece beyond March 31, 1947. This decision on the part of the British government was prompted by her steadily weakening economic condition. The severest winter in recent history had forced the shutdown of many English factories. This proved critical for Great Britain, as she needed to export manufactured goods in order to import vital foodstuffs. The resultant effect was that it was essential to pare off her commitments throughout the world in order to conserve her dwindling resources.

Britain's intended withdrawal caused considerable consternation in official circles in the United States and informal notes were exchanged, disclosing the extent of Britain's relinquishment of financial support to Greece.

Another factor which admittedly was given the utmost consideration was the imminent termination of UNRRA. This international relief organization had been mostly responsible in maintaining the subsistence level of life in Greece since that country's liberation in 1944. The people of Greece had

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received 354 millions in UMRRA supplies of which the United States contributed 72 per cent of the total. It must be added that practically all of this was in the form of direct relief with the result that little was expended for vitally-needed reconstruction purposes.

A third factor which troubled United States officials was the increasing power of the insurgents. It was clear that these Communist-led guerrillas were the tools of Soviet Union foreign policy and were determined to bring about the overthrow of the Greek government. Another source of concern relative to the civil war was the substantial aid in the form of weapons and supplies the insurgents were receiving from the Soviet satellites in the north. These countries were Albania, Bulgaria, and Yugoslavia, all of whom formed an unfriendly cordon around Greece's northern borders.

These then were the factors which were weighed by American foreign policy planners before urging the Administration to take that long step--active support of a friendly government in quelling subversive activities instigated by a wartime ally, the Soviet Union.

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But top American officials had been well aware of the deteriorating economic and military conditions for sometime. Britain's announcement of her intended withdrawal was not entirely unexpected. Yet, the date set for Britain's withdrawal appeared to have excited the Administration no end. The impression gained was that Greece would fall within days after the British withdrew. This was a false assumption as events proved. Actual aid under the Truman Doctrine didn't reach Greece until four months hence and the critical aspect of the situation in Greece did not take as drastic a change for the worse as the Administration warned it would. Also, British troops did not leave Greece until November, 1949.

The point being brought out here is that the first great post-war undertaking on the part of the United States was presented in a manner designed to provoke fears and uncertainty. There can be little or no quarrel with the case for economic and military aid to Greece. It was a great gesture, even though national interests may have dictated it. But the administration's insistence that passage of the bill be concluded immediately gave rise to doubts and fears about what its implications might be. Consequently, passage of the measure was delayed several weeks while Congressmen probed for answers. The tide of emotionalism whipped up by the administration made many lose sight of the most valuable aspect of the program--funds for helping reconstruct Greek economy.
London Economist which closely observed the proceedings in Congress, commented that:

..."presumably, Mr. Truman's advisors felt it was necessary to touch the anti-Russian spring to secure the support that would not have been forthcoming for a measure represented to be truly humanitarian." 4

The ultimatum form of presentation probably was due to the odd anomaly of American constitutional structure—the fact that the legislature was controlled by one political party and the executive by another. In this instance, the administration was confronted by a Republican-controlled, economy-minded Congress which was highly critical of the foreign commitments of the executive. The sincerity of the Administration is without doubt. But it appears that the military aspects of the program appeared to have been more convincing than economic aspects of the program.

But before members of Congress were willing to vote funds for the implementation of the program, many points in the President's message needed clarification. One disturbing question troubling the American people and their Congressmen was whether the aid program would establish a precedent irrevocably committing the United States to aid countries which complained of a Communist menace from

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within, whether the menace was serious to that nation or
not. Acting Secretary of State Dean Acheson mollified these
fears by saying that the United States was not contempla-
ting an ideological crusade against Communism. He stated
that the administration was concerned specifically only
with Greece and Turkey at that time. Although Acheson's
statement was non-committal it apparently was accepted as
satisfactory by inquiring legislators.

A further clarification, slight as it was, on the im-
plications of the program did come some months later in an
address delivered by Loy W. Henderson, then Director of the
Office of Near Eastern and African Affairs. In referring
to any future aid, Mr. Henderson said, "It should be clear
that the form and the amount of the aid to be given by the
United States must depend on the circumstances of the case."5
The administration's hedging on this question was justified
as future events brought out. A broader program for extend-
ing aid to other countries was in the making, and it would
have been unwise for the Administration to commit itself
with a specific answer.

5 The Department of State Bulletin, Vol. XVII, No.3434
October 19, 1947, p. 772.
The most troublesome aspect of the proposed program for Congress was that one half of the aid for Greece and all aid for Turkey would be military in nature. Did this mean that American troops eventually would be sent if military conditions became acute? Administration spokesmen were emphatic in saying that no American troops would be sent. The fear abounded that if American troops were sent, it might provoke the Soviet Union in retaliatory action and ignite a general conflict. But it was explained that a military mission of Americans would advise the Greek army and supervise the disbursements of funds under the military aspect of the program. This was accepted by the legislators but it is certain that if the use of troops were contemplated the aid bill never would have been approved by Congress.

The quality of the Greek government was also under fire as displayed in the debates in both branches of Congress and also in the committee hearings. The alleged reactionary character of the Greek government was given great prominence. Severe criticism came, not only from the expected left wing sources, but also from those identifying themselves with the highly conservative factions. Newspaper dispatches originating in Greece had described the vicious, retaliatory tactics sanctioned by the Greek government in its struggle with the insurgents. The Administration did not
attempt to give the Greek government a clean bill of health. Its position was that the government was representative, basing its premise on the results of national elections of March, 1946, in Greece.

Acting Secretary Acheson in a committee hearing commented: "In Greece today, we do not have a choice between a perfect democracy and an imperfect democracy. The question is whether there shall be any democracy at all." 6

United States policy in regard to the political makeup of Greek governments can be assessed from the following statements of policy. In the May 16, 1947, issue of the Department of State Bulletin there appeared this statement: "We offer no apologies for the present government in Greece. It obviously does not conform in certain respects to our particular standards of perfection.” 7

Again, an address delivered by Assistant Secretary Henderson in another clarifying statement months after the aid program was in process:


7 The Department of State Bulletin, May 18, 1947, p. 998.
"We would be disposed equally to cooperate with any other leaders who might enter the government regardless of whether they might be of the Right, the Center, or the Socialist Left, provided we are satisfied that they enjoy the support of the democratic Greek people."  

There can be little doubt that the United States did want a representative government to function in Greece. Charges that United States policy was opposed to liberal forces in Greece are false. This is very important. Policy makers felt very certain that no financial aid program was likely to succeed if it condoned anti-progressive measures on the part of governments which it supported. As will be discussed in greater detail in a later chapter, the liberalization of the Greek governments became a cardinal principle in the implementation of the aid program. It is sufficient to say that although the military aspects of the program became dominant in the Truman Doctrine there was great concern for personal liberties on the part of the Administration and Congress.

In essence, the Truman Doctrine, as it unfolded, became more of a holding military action rather than a positive, constructive financial program. Administration spokesmen constantly stressed the strategic position of Greece in their statements before Congressional Committees.

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9 Cf. pp. 97-100
As discussed previously, this seemed a more effective method of obtaining congressional approval rather than emphasizing the purely humanitarian aspects of the plan. What probably convinced many legislators was Acting Secretary Acheson's statement that the whole Near East would be threatened critically if the line could not be held in Greece. The program was presented to be merely temporary in nature and the expiration date was set for June 30, 1948. By that time, it was felt, Greece would be well enough to acquire further assistance through regular channels, such as the World Bank for Reconstruction and Development and through the various agencies of the United Nations.

On May 22, 1947, the 80th Congress passed Public Law 75 rendering 400 millions in economic and financial aid to Greece and Turkey. It was with sincere misgivings on the part of many legislators that the bill was approved. Most Congressmen voted for the bill because no constructive alternative remained. Their reasoning seemed to be that a negative vote would be tantamount to a pro-Communist vote.

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10 *Hearings Before The Committee on Foreign Relations, 80th Congress, First Session, March 20, 1947.*

11 *Department of State Bulletin, An Act For Assistance to Greece and Turkey, Public Law 75, 80th Congress, First Session, May 22, 1947.*
The Truman Doctrine essentially served as a warning to the Soviet Union. It gave notice that the United States was willing to utilize its resources in resisting any pressures which the Soviet Union might bring to bear on independent nations.

It must be stressed that there were important qualifications inherent in the implications of the Truman Doctrine. One was that military and economic aid would not be given unless there was a better than even chance that success could be achieved in resisting the encroachments or Communism. This meant that countries within the Soviet Orbit would not be considered as qualifying for aid.

The Truman Doctrine could not then be considered as a sweeping measure designed to throw up a barrier in every part of the world where Communist inroads were being made. The Doctrine can then be construed as a merely temporary expedient whereby financial aid, both military and economic, is extended to countries only where the national interests of the United States are considered threatened.

The manner in which the Truman Doctrine was to be effected is important for these reasons. (1) A pattern needed to be developed so as to establish a precedent for the extending of military and economic aid to countries in similar straits as the nation of Greece found herself;
(2) the attempt to determine whether American financial aid could prove sufficient in stemming the spread of Communism without using American troops.

Before the United States was willing to extend aid to Greece, assurances from the Greek government were needed concerning the organization of the American mission which would implement and supervise the aid program. Administration officials were determined to bring about the most effective use of American aid funds in Greece. Consequently, the type of organization which the mission would have and its scope of authority in implementing the program were of high importance.

In its insistence that direct supervision of a program by Americans was necessary, the experience entailed in the distribution of UNRRA relief supplies was a dis- tasteful one. During the operations of UNRRA, the distribution of relief supplies had been unsatisfactory from the American viewpoint. It had been charged that much of the supplies had ended up in the black market because of inadequate supervision on the part of UNRRA officials. Administration officials as a result wanted explicit guarantees that American aid would be supervised thoroughly by an American mission. These guarantees were forthcoming.

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12 Smith, op. cit., pp. 227-228.
in a Greek government note, which stated:

"The Greek government wishes to take this opportunity to renew the request to the United States Government for American personnel who can assist in the Greek recovery effort, including a special American Mission to administer the extension of American aid and observe its use by the Greek government and advise the Greek Government."

The United States had been well aware of the half-hearted, ineffectual attempts by successive post-war Greek Governments in promoting political and economic stability. In the early part of 1946, for example, the United States Import-Export Bank had loaned the Greek government 25 million dollars and in a note had urged the Greek government to pursue a more constructive domestic policy. The note in part said:

..."it (the United States government) is convinced that the assistance being extended to Greece can accomplish little towards economic recovery unless the Greek government itself undertakes rigorous measures to control inflation and to stabilize the currency, to reduce government expenditures and to augment revenue, to increase efficiency of the Civil Service Administration, and to revive industry and trade."

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14 The Department of State Bulletin, January 20, 1946, p. 79.
As far as the Administration was concerned, these same principles held true as the aid program began to unfold. The specific tasks of AMAG (American Mission for Aid to Greece) were made clear by Under-Secretary of State William L. Clayton before the Senate Foreign Relations Committee. In a prepared statement he said:

"We must see to it that competent persons are sent to Greece to insure the development of controls at key points and to supervise their applications.... in such matters as the following—a modern tax structure; strict husbanding and control of the foreign exchange earnings of the Greek people; conservation of remaining gold resources; restriction of unessential imports; and expansion of Greece's exports."

These tasks as outlined by Under-Secretary Clayton comprised the heart of the economic side of the aid program to Greece. Whatever success AMAG might achieve in the economic sphere depended largely on some solution to the above knotty problems.

Specific recommendations for carrying out the needed economic reforms were presented by Paul R. Porter who recently had returned from Greece after surveying Greece's economy as Chief of the American Economic Mission. Ambassador Porter and his staff had been sent to Greece on January 13, 1947, by the Administration at the request of

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15 *Assistance to Greece and Turkey*, Hearings before Senate For. Rel. Com., *op. cit.*, p. 67.
the Greek government. The Porter Mission is very important. Its findings and recommendations provided the blueprint which AMAG followed in implementing the economic aid program. These basically were the recommendations and proposals in the Porter Report. The Greek government should:

1. Increase revenues by overhauling the tax structure;
2. Reduce military expenditures wherever possible (this proved impossible); terminate costly subsidization of utilities; use auditing and accounting systems in the government; review pension lists and demands; and eliminate "special funds";
3. Conserve foreign exchange by restriction of unessential imports;
4. Stimulate exports by (a) finding new markets, (b) utilizing temporary barter agreements, (c) subsidizations of some commodities, and;
5. Reform the overexpanded Greek civil service.16

The Porter Report also stated that direct controls over the economy were necessary. Selective price controls, rent controls, and a general wage policy to be undertaken by the Greek government were advised. Greek industry should be expanded by (a) granting import licenses for raw

materials rather than manufactured goods, (b) an industrial development program which could utilize Greek resources and (c) extending credit to approved industries. The development of agriculture could be furthered by (a) careful use of scarce water through irrigation and drainage, (b) intensive crop growing, (c) educating farmers in modern methods of agricultural production.\(^{17}\)

With the above blueprint provided as a guide, AMAG officials arrived in Greece in the late spring of 1947. After the Greek cabinet approved the assignment of AMAG specialists to key positions in the Greek government, the administration of the program began.\(^{18}\) The most important position occupied by an American in the structure of the Greek government was the post of Chief of the Foreign Trade Administration. This agency was concerned with the regulation of imports which was accomplished by the requirement that all Greek importers obtain import licenses. The stimulation of Greece's exports was also a primary duty of the Foreign Trade Administration. In the necessary task of overhauling the tax structure of Greece, AMAG tax experts received positions in the Ministry of Finance. The specific

\(^{17}\) Ibid, p. 906.

\(^{18}\) New York Times, June 17, 1947, 6:3.
duties of these specialists in the Ministry of Finance were the formulation of plans for balancing the budget, a more equitable levying of taxes, and the collection of taxes, a task in which Greek governments of the past had been most lax. The third important agency in which Americans were installed was the Currency Committee. This body had been established by the British government in January, 1946, and was the principle brake on minimizing the disastrous effects of inflation. Three Greeks, one Englishman, and an American comprised the committee with an unanimous vote needed for any decision. The Currency Committee approved the issuance of additional notes by the Greek government and maintained control over the use of foreign exchange. 19

Much valuable assistance was given to AMAG officials by the British when AMAG assumed its duties in Greece. The British experience in giving Greek governments economic aid had been a painful one. There had been no agreement between Great Britain and Greece that the British Economic Mission would supervise expenditures. 20 This had resulted in little constructive spending of British aid funds by Greek governments. There is little doubt that United States determination to control the use of aid funds was considerably


20 Geoffrey Chandler "Greece-Relapse or Recovery?" International Affairs, 26:161, April, 1950.
influenced by the British experience in Greece.

As one half of the aid program to Greece was devoted to military purposes, it was imperative that a military advisory staff be sent to Greece. Top policy planners in the United States considered this military staff the most important aspect of the Truman Doctrine. The Greek army had made little headway in cleaning out the guerrilla strongholds, and a thorough reorganization of the Greek army was needed. When the military mission first arrived in Greece, it possessed a staff of 105 persons. When the termination of the civil war came about in the fall of 1949, the number had increased to 508, demonstrating the importance of the military aid program.\(^\text{21}\) The task of training the Greek army in guerrilla warfare was very important. Although British military missions had trained the Greek army after the liberation, little instruction in guerrilla tactics was taught. This explained in part the inability of the Greek army to liquidate the guerrillas despite overwhelming superiority in numbers and equipment.

It became very clear that before any real efforts in the reconstruction of the Greek economy could be attempted,

\(^{21}\) The Seventh Report to Congress on Assistance to Greece and Turkey, For period Ended March 31, 1949, The Department of State, August, 1949, p. 16.
internal security had to be established. Priority, therefore, was given to the restoration of transport and port facilities. Construction of these roads was dangerous due to roaming guerrilla bands which terrorized the countryside. The critical military situation can be estimated in the light of the fact that the insurgents controlled most of the rural areas with government forces in control of only the large cities and main lines of communications.\(^\text{22}\) Thus, in order to protect the vital centers of population and to free troops for offensive operations against guerrilla forces, Greek National Guard units were formed in order to police them. This only put a further drain on the military budget, thereby diverting added funds originally earmarked for reconstruction purposes.\(^\text{23}\)

As a result of the grave military situation, the Truman Doctrine took on the definite character of a military operation. This can be attested by these figures; the military needs after one year consumed 171,650,000 dollars or more than 30 millions more than originally was intended.\(^\text{24}\) And in the remainder, theoretically devoted for civilian purposes, more than half went into the rebuilding of communi-

\(^{22}\) New Republic, Feb. 23, 1948, see map p. 13.

\(^{24}\) The Second Report to Congress On Assistance to Greece and Turkey for Period ending December 21, 1947, p. 6.
cation facilities so vitally needed for the prosecution of the war. In the final analysis, a small fraction of the funds earmarked for reconstruction purposes actually were utilized as intended.

In the economic sphere, however, there were accomplishments which need to be noted. Runaway inflation which had been a great source of worry to AMAG Officials and to the Greek government was slowly being checked. The most effective way with which this was accomplished was the immediate importation of consumer goods which had been sorely lacking. With American aid funds, a balanced budget was achieved, thereby eliminating the issuance of more paper money needed to cover the deficit which otherwise would have been the case. Within three months after AMAG's arrival in Greece the amount of money in circulation had been reduced by ten per cent in relieving the pressure of inflation.25

Another accomplishment of consequence was effected by the Foreign Trade Administration. In order to overcome the problem of the overvalued drachma, a certificate plan was installed to stimulate Greek exports and obtain badly needed foreign exchange. Essentially, this plan subsidized

exporters at the expense of importers. The plan worked in this manner. Exporters upon receiving foreign exchange for their products would turn dollars or sterling into the Bank of Greece which would then give these exporters certificates stating the amount of foreign exchange. The exporters, of course, also received the equivalent sum in Greek currency or drachmae at the official rate, which was then 5,000 drachmae to the dollar. These certificates were then allowed to be sold in the free market. Greek importer, needing foreign exchange, were then obliged to buy these certificates on the free market after obtaining import licenses from the Foreign Trade Administration. The free market rate for the drachma was 8,600 to the dollar which the importer had to pay for the use of these certificates. This did serve the purpose of bringing into line the over evaluated drachma in relation to the real value of foreign exchange and stimulating Greek exports. 26

As the first year of the implementation of the Truman Doctrine came to a close, it was very clear that only one year of American aid would not be sufficient to provide both military and economic stability.

But the concrete achievements of the Truman Doctrine in its first year of implementation nevertheless were impressive. The most important achievement was, of course, the maintenance of the Greek nation as a free country. No longer was there the fear that the Greek government could be overthrown by a handful of armed rebels. As a result, Soviet foreign policy received its first concrete setback in Greece in the immediate post-war years. The plan, envisaged by Communists for a Balkan Confederation of People's Democracies, had to be abandoned, at least temporarily.

Another significant result of the Truman Doctrine was the reorganization of the Greek army. Rugged fighting in the mountains of Greece against the guerrillas was slowly molding the Greek army into a tough, effective organization. The importance of this cannot be overlooked. A Greek army reasonably able to take care of itself would do much to discourage any potential aggressor in the Balkans.

Aside from the achievements already discussed, the first year of economic aid to Greece could not disclose many other accomplishments. But for the purpose of this study, it is maintained that much was accomplished. Just the attempt by the American Mission, AMAG, to bring about improvements in the Greek economy was important. This meant that the United States was actively interested in bettering
the economic lot of the Greek people and was not concerned only with holding the line against the expansion of Communism.

Through AMAC's untiring efforts the Greek people's hopes were raised. Instead of a lethargic, indifferent attitude bred from despair, the Greek people began to look into the future once more with confidence.

In weighing the positive effects against its negative aspects, the Truman Doctrine does show a favorable balance sheet, slight as it may be. The military situation had improved and the seeds for the reorganization of the Greek economy were sown.

It remained the task of the European Recovery Program to bring into fruition the first steps taken under the Truman Doctrine in the revitalization of the Greek economy.
Categories of expenditures for economic assistance under Public Law 75. (One year of aid under AMAG). 27

<table>
<thead>
<tr>
<th>Category</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Reconstruction projects</td>
<td>20,500,000</td>
</tr>
<tr>
<td>Farm and industrial machinery and</td>
<td>18,800,000</td>
</tr>
<tr>
<td>supplies</td>
<td></td>
</tr>
<tr>
<td>Food</td>
<td>30,800,000</td>
</tr>
<tr>
<td>Public Health</td>
<td>1,400,000</td>
</tr>
<tr>
<td>Other Goods and Services</td>
<td>400,000</td>
</tr>
<tr>
<td>AMAG (Personnel and Admin.)</td>
<td>4,200,000</td>
</tr>
<tr>
<td>Consumer goods and raw materials</td>
<td>42,800,000</td>
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<tr>
<td>Housing</td>
<td>1,600,000</td>
</tr>
<tr>
<td>Loans to industry</td>
<td>200,000</td>
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<tr>
<td>Loans to Agriculture</td>
<td>600,000</td>
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<tr>
<td>Sanitation</td>
<td>200,000</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>121,600,000</strong></td>
</tr>
</tbody>
</table>

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27 The Sixth Report to Congress on Assistance to Greece, Turkey, p. 11.
CHAPTER II

THE EUROPEAN RECOVERY PROGRAM IN GREECE

As the Truman Doctrine was primarily a military holding action and consequently less devoted to the problem of economic reconstruction in Greece, the restoration and development of Greece's dislocated economy remained the task of the European Recovery Program. Commonly known as the Marshall plan, the European Program for most Greeks was merely an extension of the Truman Doctrine. Yet, basic differences existed. In its inception, the Truman Doctrine was formulated hastily and was motivated by the fear that Greece would perish as a free nation if immediate assistance were not rendered.

The framers of the European Recovery Program took the long range viewpoint that the main objective of ERP was the reorganization of the Greek economy so that, in the foreseeable future, a reasonable degree of self-sufficiency would be attained. As one writer observed in commenting on ERP in Greece: "For the first time there is an attempt at a thorough reorganization of an economy that until now has been jolted along by a succession of expedients." ¹

¹ Chandler, op. cit, p. 184
Although the framers of ERP theoretically regarded economic recovery in Greece as only a small part in the vast program of European Recovery, in reality, Greece was considered a special case. This unique position was of course, due to the civil war which raged when ERP assumed its tasks in Greece. But this handicap only emphasized the importance of ERP. Here was a vital test for the effectiveness of American financial aid in attempting to create order out of the economic chaos which was Greece. The positive achievements of economic assistance to Greece for one thing could refute the argument which still had adherents—that economic recovery in Greece was subordinate to the strategic interests of United States foreign policy. If a solid basis for the revitalization of the Greek economy could be established under the European Recovery Program, it would give conclusive proof that United States foreign policy does have as one of its tenents the economic improvement of peoples throughout the world.

A brief background of the European Recovery Program is necessary before proceeding with an analysis of ERP efforts in Greece. (The first mention of ERP which created public interest came in Secretary of State George C. Marshall's speech on June 5, 1947, in commencement exercises at Harvard University.) On that day Secretary Marshall announced that large scale
economic aid to Europe was imperative if both economic and political stability were to be restored on that continent. The Secretary of State spoke of the hardships undergone by European peoples and the extent of economic dislocation prevalent in Europe. The United States, he said, was willing to extend aid providing Europeans took the initiative in formulating a program.2

The response from European capitals was immediate. Foreign Minister Bevin of the United Kingdom took the lead suggested by Secretary Marshall and invited all interested European countries to confer in Paris, including the Soviet Union and her satellites. But the Soviet bloc quickly withdrew when Soviet Union Foreign Minister Molotov's proposal calling only for the presentation of a list of goods needed by European countries to the United States was turned down by other western European countries. The Soviet proposal added that each European country could then utilize American aid as it saw fit with no interference by the United States. Needless to say, this was considered impossible by the United States which was determined to oversee any expenditures undertaken under the program.

Despite Soviet opposition, momentum was gained in the summer of 1947 in establishing a European organization which could assess Europe's needs. The Committee for European Economic Cooperation, commonly known as CEEC, was formed and represented all European countries wishing to participate in the European Recovery Program. This body, which later became the permanent Organization for European Economic Cooperation, issued a report stating Europe's needs for economic recovery. This report was most comprehensive and was indicative of the tremendous amount of preparation which characterized the formulation of ERP. This was very different from the makeshift preparation of the Truman Doctrine.

Throughout all of these deliberations, Greece, though a full participant in all discussions, was considered by CEEC and OEEC as a special case because of the internal situation in Greece. As OEEC presented its recommendations as to what sum each ERP country should receive, under the program, Greece's deplorable economic status would require a larger share of ERP funds purely for relief purposes.

\[\text{Committee for European Economic Cooperation, General Report, Department of State, September, 1947.}\]
This was taken into consideration by the United States. It became obvious that Greece, for military purposes alone, would require much more aid than could be given her solely as a participating country under ERP.

In asking Congress for the funds needed for the implementation of the European Recovery Program, Secretary Marshall said:

"The intensification of guerrilla warfare... has in fact increased the needs for both economic and military assistance to Greece. Funds provided under the ERP of course, will not be available for military assistance to the Greek army in its fight against the guerrillas." 4

Consequently, Congress authorized 276 millions more for purely military assistance to Greece and Turkey when the European Recovery Program was approved in the spring of 1948. 5

The Foreign Assistance Act of 1948 made it mandatory that American Missions be set up in the capitals of each participating ERP country. The ECA Missions, in general, were organized along the same lines as was AMAG in Greece. Both the AMAG and ECA Missions were concerned with achieving maximum results with American aid funds and closely supervised a country's disbursement of these funds. But in

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5 Public Law 472, 80th Congress, Chapter 169, 2nd Session, April 3, 1948.
Greece, ECA inherited all of the wide advisory functions of AMAG along with its regular duties. In achieving this, an inter-departmental agreement was reached between the Economic Cooperation Administration and the Department of state which had directed the Greek aid program under AMAG.

The important features of this agreement were,

(1) some of the civil advisory functions of AMAG would be placed under the jurisdiction of the ECA Mission Chief and
(2) the American Ambassador would be made head of AMAG and would assume responsibility for all other advisory functions except those related to ERP. 6

But not all of AMAG's functions were taken over by ECA. The most important, JUSMAFG (Joint United States Military Advisory and Planning Group), continued to advise the Greek army. As this was a non-civilian matter, JUSMAFG reported to the American Ambassador and not to ECA. The appointment of Henry F. Grady as American Ambassador and also chief of mission in Greece eliminated the friction which developed when the head of AMAG and the previous American Ambassador to Greece clashed over matters of American policy in Greece.

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6 First Report to Congress by the Economic Cooperation Administration, p. 51.
The most immediate and pressing problem confronting the ECA Mission in Greece was the large number of refugees who were forced to flee from areas where fighting was in progress. By the fall of 1948, these refugees totaled over 700,000 persons. The tragedy of this was enhanced by the fact that most were farmers, resulting in a further curtailment of Greece's inadequate food production. One third of Greece's population at the height of the civil war was indigent.7 The presence of one quarter of a million men in the army also cut deeply into the limited manpower which Greece needed for the huge task of reconstruction. In caring for these refugees, it became necessary to utilize for relief purposes the funds originally earmarked for reconstruction. This was a regular practice up until the civil war was ended and the number of refugees were re-settled in their homes or settled elsewhere on reclaimed land under ERP. The first year and one half of ERP aid resulted in merely keeping the Greek economy on a maintenance basis with little progress in the reconstruction of the Greek economy.8

Both ECA and AMAG approached the problem of reconstructing the Greek economy with the principle of merely observing the proper use of funds and advising the Greek government on using constructive methods in carrying out the objectives. This self-help principle was not accepted in its full meaning by many elements of the Greek population. This criticism is not intended to belittle the contribution being made by Greeks in their fight against the insurgents nor is it intended to minimize the terrible sufferings undergone by the Greek population. The indisputable facts show that the Greek people suffered more than any other European peoples. But, unfortunately, the Greeks who were not making the utmost efforts to contribute to the reconstruction of their nation's economy were those possessing capital for investment. Both AMAG and ECA had to combat this defeatist attitude. As a result, practically every reconstruction project was financed by American funds with a small fraction backed by private Greek capital.

The reluctance on the part of Greek capitalists to invest their money in Greek enterprises developed into a psychosis. Possessors of badly-needed capital deeply feared both the guerrillas and possible invasion from Soviet satellites in the north. Thus, whatever investments were

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made were those which yielded immediate, large profits. Consequently, importation of luxury goods took precedence over vital capital goods. As pointed out, this was curtailed by the Foreign Trade Administration in late 1947. The FTA established the policy of granting licenses to importers of capital goods before allowing luxury goods to enter Greece.

The lack of confidence in the country's future was manifested in the mania for gold sovereigns displayed by practically the entire Greek population. These gold sovereigns were avidly collected and then hoarded. So persistent was the demand for gold that both AMAG and ECA reluctantly gave permission to the Bank of Greece to release gold bullion held in a New York bank for sale to the Greek public. This was done to counteract inflationary movements which were developing and to stabilize the price of gold which had risen rapidly in the face of demand for it. But these measures of expediency only served to reduce Greece's possession of valuable foreign exchange.

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11 Third Report to Congress on Assistance to Greece and Turkey for Period ended March 31, 1948, p. 9.
This general apathy of the Greek people was distressing to both AMAG and ECA officials. It appeared that the harsh German occupation and the ensuing civil war had sapped completely the Greek people's will to help themselves. There was a general feeling of bitterness and frustration at the bad fortune that had befallen them and an inclination to regard foreign assistance as their just due.\(^\text{13}\) It is to the credit of both AMAG and ECA that in the implementation of the aid program this form of self-pity was replaced, if only slowly at first, by a definite rise in spirit. This intangible factor is very difficult to measure, but its importance became more evident as recovery in Greece gained momentum after the liquidation of the guerrilla forces.

Despite the tremendous obstacles confronting it, the ECA Mission in Greece set about the task of the restoration and development of the Greek economy. The principle vehicle for effecting this was the counterpart fund. This fund became an essential characteristic of ERP in every participating country. The counterpart fund was merely the sum of money which each country receiving ERP grants deposited in a special account. The sum of money deposited was equal in

that country's currency to the grant given under ERP. The participating countries reimbursed themselves for the amount of money deposited in these special accounts by selling American dollars to persons, for example, who needed dollars for foreign purchases. When each purchase is approved by ECA, the importer then "buys" the dollars with local currency. Each purchase under ERP is closely supervised by ECA officials who fulfill their duties in seeing that all purchases contribute to the nations recovery program.14

The counterpart fund actually serves two purposes. First, dollars purchase badly needed imports and secondly, the local money used to "purchase" the dollars is used for furthering the country's reconstruction efforts.

Another use of the counterpart fund is to restore financial stability, particularly by combating inflation. The fund can be used to "freeze" the amount of money in circulation in order to reduce the effects of inflation. In Greece this was done as a matter of fiscal policy. In one period of threatening inflation, over one trillion drachmae (67 millions in dollars) was taken out of circulation.15 But this "freezing" only reduces the amount of

14 Counterpart Funds--Europe's Contribution, Economic Cooperation Administration, March, 1950.
money available for reconstruction projects.

No counterpart funds were supposed to be used for military expenditures. But in the prosecution of the war against the guerrillas, the Greek government repeatedly incurred overdrafts at the Bank of Greece. As more paper money would have had to be printed to cover these overdrafts, the counterpart fund neutralized this by freezing funds and checking another round of inflation. It can be seen that the counterpart funds necessarily had to be used for indirect military purposes, if only to keep Greece’s creaky financial structure from falling apart completely.¹⁶

The true value of the counterpart fund could not then be appreciated until the final dispersal of the insurgents was achieved. This would lead to reductions of military expenditures, thereby allowing ECA officials and the Greek government to concentrate on reconstruction problems.

When the civil war was brought to a successful conclusion in October 1949, the real job of reconstructing the Greek economy was just beginning. As an ECA report stated, "The present state of the Greek economy is most nearly comparable to that of the other participants two

¹⁶ Loc. cit.
years ago, before the beginning of the ERP.\textsuperscript{17}

The European Recovery Program had two objectives. The first was the rehabilitation of western European economies. Essentially this meant repairing the damages inflicted in the course of the war. The second objective or phase was the development of the economies so that a higher standard of living could be attained. In the case of the Greek people, the latter was absolutely imperative, considering that the average annual income per capita in pre-war years was 80 dollars.\textsuperscript{18}

In order to achieve this objective--a higher standard of living--ECA officials were convinced that it could be attainable only through the industrialization of Greece. This does not necessarily mean concentration on heavy industry but was interpreted to mean development of small, light industries such as food processing, mining, textiles, etc. The cost of this overall long-range program will be approximately 545.8 million dollars of which three fourths will be devoted to the actual industrialization of the nation. It is expected that 203 millions of this sum can be provided by Greece from sums she expects from reparations.

\textsuperscript{17} Greece, Country Data Book, Economic Cooperation Administration, Chapter I, March, 1950.

\textsuperscript{18} Greece, Country Study, op. cit., p. 28.
foreign investments, blocked sterling balances, etc.

Before this long-range industrialization program could be accomplished, an intensive development of Greece's hydroelectric capacity was considered imperative. ECA Mission officials and the Greek government estimated that within the next ten years, this program would cost 200 millions in dollars. Work was begun on this project in December 1948 and is continuing today. This long range hydroelectric program calls for five power plants with a total capacity of 365,000 kilowatts. It is envisaged by ECA planners that hydroelectric power lines would cover the whole of Greece. This development would not only provide the basis for the further industrialization of Greece but would also free Greece from importing fuel for her industries.

These five projects would be scattered throughout Greece, and it is expected that they will also be useful for purposes of flood control and irrigation as well as for hydroelectric power. This power plant program, by far, is the most ambitious attempt undertaken by any Greek government in modern history. Greece's future lies in the balance. If the industrialization of Greece can be achieved

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19 Ibid., p. 30.
within the near future, the highest standard of living ever dreamed of by any Greek would then be attainable. The importance of this is evident. No longer would the country possess within itself dissident factions who seize upon the poor economic plight of the people as a political weapon. The development of new industries which then would provide jobs for overpopulated Greece could prove the salvation of a nation which was once at the verge of an economic breakdown. The grim joke making the rounds in Greece during the height of the fighting that, if every guerrilla were assured of a job, the guerrilla army would disappear overnight had much truth in it.

In the field of agriculture, many positive steps were taken under ERP. As nearly two thirds of the Greek people received their livelihood from the soil, the improvement of agricultural methods ranked high on the list of "musts" in the reorganization of the Greek economy.

The limited amount of land available for tillage presented a problem for agricultural experts of both AMAG and ECA. Throughout the centuries, much land had been made sterile by deforestation, soil erosion, and floods. The appalling fact that Greece, primarily an agricultural country, is required to import nearly one third of her foodstuffs presented a knotty problem which had to be solved.
More land had to be made available for cultivation, it was decided by American Mission experts. With the use of hydroelectric power up to 232,000 hectares of land can be reclaimed from floods and another 100,000 hectares can be drained. This would mean a rise of five per cent in the national income of Greece, it was estimated by ECA officials. 20

The ECA Mission has attempted to provide leadership in the field of agriculture, leadership which Greek governments have lacked since the Venizelos republic. The state of Greek agriculture had to be greatly improved if a tolerable standard of living in the rural areas was to be achieved. The ECA Mission envisages the transfer from the land of more people to industry as the industrialization of Greece proceeds. This idea, first brought out in the Food and Agriculture Report of the United Nations, calls for a 60-40 ratio of industrial workers to farmers, rather than the opposite which exists today.

ECA stresses guidance and technical advice to farmers as a prime requisite in promoting agriculture. The primitive methods used by the bulk of the farming population barely suffices to feed the farmer’s family, much less yield

20 Ibid., p. 30.
a surplus. What is needed, think ECA officials, is a
decentralized system of government agriculture centers
where experts provide the farming population with knowledge
in advanced farming methods. These centers would be located
strategically in farming districts throughout Greece and
would provide services not unlike county agricultural
boards in the United States. It should be said at this
point that technical experts of the ECA Mission in Greece
probably have convinced the Greek people of the sincerity
of the American aid program in Greece more than by any
other way. Although American advice at top Greek govern-
mental levels was imperative, the positive effects often
escaped the Greek farmer or laborer. But the appearance
of American technical experts advising, in this instance,
the Greek farmer in the field, was concrete proof of
American determination to better the economic lot of the
Greek people. The organization of AMAC specifically had
included technical experts who could go among the Greek
people and offer constructive advice. The ECA Mission
merely took over these functions and continued them. No
longer was the United States content to give economic aid
to countries and then allow these governments to use this
aid as it saw fit. American economic foreign policy under
the ERP was to make certain that the peoples in the nations
receiving aid were to receive full benefits of the aid extended.

The ECA Mission in Greece has tried persuading Greek farmers to concentrate on intensive farming with emphasis on cash crops. With competent technical advice and proper utilization of modern equipment it is hoped that Greek agriculture output can be increased 40 per cent from the 1949 level of 600 millions in dollars. In referring to Greece's agricultural backwardness, an ECA report says, "The possibilities of improvement may be seen in the fact that Greece produces less food stuff per man, per acre, and per animal than almost any of the participating countries in the ERP." 22

The American program for agriculture calls for two immediate objectives. The first is to bring more land under cultivation and secondly, to raise the output of the land already being tilled.

By the end of 1952, the ECA Mission in Greece hopes to bring 580,000 acres of land under control from floods, irrigate 625,000 acres, and drain 250,000 acres. 23 This reclamation and irrigation of land would relieve greatly

22 Ibid, p. 31.
the population pressure on land. It would also serve to help resettle the several hundred thousand refugees who were made homeless as a result of the fighting. The restoration of these people to their farms, and also to reclaimed areas, is absolutely essential for the maintenance of stability. Homeless refugees easily could become discontented and present an increasingly difficult problem.

The first two years of ERP in Greece did bring about a measure of economic stability. From the start the economic program was greatly handicapped by the continuance of the civil war. An indication of this can be seen in the index of Greece's limited industrial production. In the third quarter of 1949, production was still below pre-war level. After the termination of the fighting, the index rose approximately 33 per cent in the first quarter of 1950.\(^2\)

But the real gains under ERP were fairly substantial, considering the handicaps the ECA Mission labored under. Armed with the experience of AMAG in the first year of the Truman Doctrine, ECA officials did lay the foundations for the improvement of the Greek economy. Under ERP, there is the first concrete attempt to reorganize Greece's economy without utilizing arbitrary measures. This does not mean

\(^2\) Tenth Report to Congress of ECA, \textit{op. cit.}, p. 7.
to say that ECA officials merely suggested measures for improvement and idly stood by regardless of whether those measures were adopted. Through the threat, used constantly it should be said, of withholding aid funds, ECA forced Greek governments to undertake measures for reform, distasteful as they may have been. But there was a sincere attempt by ECA officials to gain an insight into Greece's problems. The realization by ECA that Greece's efforts at economic recovery had to come from within the framework of the Greek people's work habits was important. A revolution was being attempted in the reorganization of the Greek economy, with the ECA Mission as the instigator. But this revolution had to be conducted with tact and understanding if the bulk of the Greek people were to appreciate fully its future benefits. At the beginning of the ERP program in Greece, there was much resentment on the part of the Greeks at what they considered the tactlessness of Americans. One observer of ERP efforts wrote, "The Greeks resent the sometimes intolerant way in which superior methods are pressed upon them." 25 As the fourth year of the American Aid program got underway, a better spirit of cooperation had been achieved between ECA officials and Greeks.

25 Chandler, op. cit., p. 185.
There is little question that economic assistance to Greece will be necessary beyond the termination date of June 30, 1952. By that time, nearly one and one half billions of dollars will have been expended on Greece since 1945 by the United States. The prospect is that another one half billion will be needed if the avowed objective of economic self-sufficiency for Greece ever can be achieved. With modern agricultural equipment and methods and an intensive industrial expansion program, ECA officials believe this can be done. For the United States, the attainment of this objective would be strong proof of the creative ability of western society to build a truly better society in terms of economic progress while maintaining basic political freedoms in the process.
BREAKDOWN OF FINANCIAL AID

Cumulative to June 30, 1949
(in millions of dollars)

Grants through U.S. and international agencies........................................ 942.
American Red Cross................................................................. 1.4
ECA................................................................. 125.
Post-UNRRA program............................................................... 37.1
Lend Lease........................................ 31.3
Greek Military Aid Program (AMAG)............................................... 415.2
UNRRA................................................................. 232.
Credit through U.S. agencies......................................................... 111.1
Export-Import Bank................................................................. 14.6
Maritime Commission............................................................... 41.3
Office of Foreign Liquidation Commissioner........................................ 55.2
Total........................................................................ 1053.1

INDUSTRIAL PRODUCTION INDEX 27

(European Recovery Program)
(1938=100)

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<th>Year</th>
<th>1st Qtr</th>
<th>2nd Qtr</th>
<th>3rd Qtr</th>
<th>4th Qtr</th>
<th>1949 1st Qtr</th>
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<td>93</td>
<td>99</td>
<td>97</td>
<td>106</td>
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Per cent gain from 1st Qtr. 1948 to 3rd Qtr. 1950 = 74 per cent


27 The Tenth Report To Congress of ECA, op. cit., p. 7.
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<td>1949:</td>
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<tr>
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*28 Greece, Country Data Book, op. cit., ch. 9.*
CHAPTER III

THE UNITED NATIONS AND GREECE

United States policy makers well realized the importance of restoring internal security in Greece as a prerequisite to effecting progress in Greece's economic program. The emphasis on the military aspects of the Truman Doctrine showed clearly the concern attached to the Greek government's struggle against the insurgents. In augmenting this policy, the United States constantly championed the Greek government in both the Security Council and the General Assembly of the United Nations.

Before analyzing the attempts of the United Nations to bring about peaceful conditions in Greece, the much-debated question of the bypassing of the UN by the United States through the Truman Doctrine deserves consideration. Many anxious observers contended that the unilateral action by the United States dealt the international body a severe blow in prestige. Administration officials did not agree.

In launching the aid program to Greece, President Truman referred only briefly to the United Nations, saying that it was unable to offer assistance in what the President considered a situation "requiring immediate action." ¹

¹ Recommendations On Aid To Greece and Turkey, op. cit., p. 1
This disbelief in the UN's ability to cope with the emergency in Greece was later elaborated upon by Acting Secretary of State Dean Acheson. In a prepared statement delivered before the Senate Foreign Relations Committee, the secretary said,

"If Greece had applied to the United Nations or any of its related organizations, the essential element of time would have been lost and the end result would have been the same. The funds would have to come primarily from the United States.

...Even if the project were not blocked by the objections of certain members of the United Nations, much time would have been lost, and time is of the essence."

Instead of weakening the UN, Acheson maintained the United States would strengthen that body by giving "the greatest encouragement to other members...in that we would...foster economic, social, and political conditions...essential for the maintenance of the independence of Greece...."

Despite the firm contention by the Administration that the UN was not equipped to handle the aid program, dissatisfaction with the Administration's seeming disregard for the UN provoked much criticism. Congressional leaders took heed of this apparent disapproval by the American people, and inserted in the Act, extending aid to Greece,

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2 Questions and Answers Relating to the Greco-Turkish Aid Bill.

a provision which directed the President to withdraw aid,

If the Security Council finds (with respect to which finding the United States waives the exercise of any veto) or the General Assembly finds that action taken or assistance furnished by the United Nations makes the continuance of such assistance unnecessary or undesirable. 4

It should be noted that the insertion of this clause was not inspired by the Administration but by Senator Vandenberg of the political opposition. The clause became known as the Vandenberg Amendment. The situation never did arise when the UN could be entrusted to handle the economic program by the United States. However, the above Amendment did help quell much of the criticism levelled at the Administration.

The Administration definitely was motivated by the fear of Soviet Union obstruction, if the aid program had been presented to the UN for consideration. Another complicating factor, which the Administration undoubtedly took into consideration, was that if the Economic and Social Council of the General Assembly handled the economic program, its powers would only have been advisory and would be handicapped in enforcing an effective economic program for Greece. As will be discussed in the next chapter of this study, the Administration was determined to wield its influence in making certain that aid funds would be utilized

4 An Act to Provide For Assistance to Greece and Turkey, Public Law 75 (80th Cong. 1st Sess.), Sec. 5, par. 2.
constructively by the Greek government. But as events proved, actual aid under the Doctrine did not reach the Greek people for at least five months after the President's speech. The time limit, therefore, stressed by the Administration did not become the all-important factor for extending assistance to Greece. The conclusion is that a more constructive approach regarding the United Nations could have been used by the Administration, if only to obtain General Assembly approval of the Truman Doctrine before its implementation.

The problem of Greece security had concerned the UN well over a year before the inauguration of the Truman Doctrine. The Greek question was discussed for the first time on January 21, 1946, in the Security Council, following a charge by Soviet Union Delegate that the presence of British troops in Greece represented a threat to international peace and security. The majority of the council members did not agree with the Soviet thesis and United States Delegate Stettinius offered a compromise which declared that the Council would take note of the Soviet charge but would consider the matter closed. This proposal was adopted on February 6, 1946. The second discussion of Greece in the

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Security Council began on August 28, 1946, when the Soviet Union, through the Ukrainian delegate, accused the Greek government of producing a situation endangering peace in the Balkans. After nearly four weeks of discussion the Security Council declined to accept the Soviet contention once again. These charges by the Soviet Union were obvious attempts to discredit the British-sponsored Greek government which displayed an openly hostile, anti-Russian attitude.

Throughout the fall of 1946, increasing guerrilla warfare resulted in a steady weakening of the Greek army. It was generally known to most observers of the Balkan scene that Greek insurgents were receiving assistance from Greece's northern neighbors. With United States support, the Greek government, on December 3, 1946, requested the Security Council to consider a situation which, the Greek government charged, was leading to friction between Greece and her northern neighbors. The complaint by Greece was made under Article 34 of the Charter which stated that the Security Council "may investigate any dispute, or any situation, which might lead to international friction...."

On December 6, 1946, the Security Council unanimously

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6 Loc. cit.

approved a resolution establishing a Commission of Investigation to look into the charges made by Greece. This resolution directed (1) the Commission of Investigation to ascertain the facts relating to the alleged border violations between Greece on the one hand, and Albania, Bulgaria and Yugoslavia on the other; (2) the Commission to be composed of representatives from each of the Security Council members and liaison representatives from the four parties to the dispute; (3) the Commission to submit a report of the facts disclosed by the investigation; and (4) the Commission to call upon the governments involved in the dispute for information. With headquarters in Salonika, Greece, the Commission began its investigations in the following month.

After nearly four months of investigations and 116 meetings, the Committee of Investigation submitted a 767 page report of its findings to the Security Council on May 27, 1947. The Report was thoroughly documented and included statements from 256 witnesses, including nationals from all four countries involved in the dispute. The Commission entered all four countries in carrying out its investigation.

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The conclusions of the Commission merely confirmed what was generally known—Greek Guerrillas were receiving assistance from the three countries of the north. The Commission also found evidence that Yugoslavia and Bulgaria received and actively sponsored separatist movements among Greek Slavs in Greek Macedonia which adjoined the two countries. The Commission stressed that this was not connected with the guerrilla fighting. The Commission further concluded that there was evidence of strained relations between the countries and that much of the unrest in Greece was caused by the KKE (Greek Communist Party). 10

To alleviate and correct these disrupting factors, the Commission offered recommendations. Greece and her northern neighbors should establish diplomatic relations, the Commission stated, and the four parties should refrain from creating border incidents. Albania, Bulgaria, and Yugoslavia should cease supporting Greek guerrillas, the Report emphasizing that continuation of support would be a threat to the peace. The four governments should enter into a convention, the Report urged, to settle differences. The final recommendation called for the creation of a permanent UN Commission in the Balkans which would continue the investigation of border incidents. 11

10 Ibid. p. 177.
As the findings of this Commission of Investigation were in line with American policy in Greece, United States Security Council Delegate Austin introduced a resolution adopting the substance of the Commission's Report. As was expected, the Soviet Union vetoed the resolution on July 29, 1947, declining to accept either the conclusions or the recommendations of the Commission's Report. Acceptance of the Report by the Soviet Union would have refuted her charges that the troubled situation along Greece's northern frontiers was due solely to the misdeeds perpetrated by the Greek government. The Soviet Union delegate utilized the veto four other times during the summer of 1947 in preventing the Security Council from taking any action along the lines recommended in the Commission of Investigation's Report. In the face of Soviet Union intran- sigence, the Greek question, on the motion of the United States delegate, was taken off the Security Council agenda, on September 15, 1947. Previous to this, on August 20, 1947, the United States delegate to the General Assembly had requested consideration of "threats to the Political Independence and Territorial Integrity of Greece," by that body.

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It was clear that the United States policy was determined to use every possible means in the UN to restore peace in the Balkans. This policy merely augmented the objective of maintaining a friendly, pro-United States government in strategic Greece, now that the United States was irrevocably bound by commitments under the Truman Doctrine.

The General Assembly on September 23, 1947, adopting a resolution by the United States, decided to include the Greek question on the agenda. The resolution called for adoption by the Assembly of practically all of the Commission of Investigation's Report. Within a month, the Assembly approved, by a 40-6 vote with eleven abstentions, a resolution which was in substance the same offered by the United States. The resolution called upon Albania, Bulgaria, and Yugoslavia to stop giving aid to Greek guerrillas and urged them to establish good relations with Greece. The Assembly further requested that the four nations cooperate in the matter of refugees; establish frontier conventions for settling border disputes; and facilitate the transfer of peaceful minorities in the Balkans. Also, the Assembly in its resolution created the United Nations Special Committee

on the Balkans, to be composed of representatives from eleven nations, and endowed it with powers of observation and conciliation. This special committee, commonly referred to as UNSCOB, became the prime source of information for the UN concerning friction in the Balkans. It should be noted that the Soviet Union and Poland, though appointed members by the Assembly, refused to allow its delegates to sit in on UNSCOB.

UNSCOB's tasks were primarily to assist the four Balkan countries in attaining the above objectives of the General Assembly's resolution of October 21, 1947. In a supplementary report to the Assembly delivered in the fall of 1948, UNSCOB stated that Albania, Bulgaria, and Yugoslavia refused to cooperate with the committee. These three countries, UNSCOB reported, refused to comply with the Assembly resolution calling for cessation of aid to Greek guerrillas. These guerrillas "have been largely dependent on external supply,...thus have been able to concentrate their forces without interference by the Greek army, and to return to Greece when they wished." When the

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18 Ibid, p. 19, par. 63.
Greek Army exerted pressure, the insurgents then retreated safely into the territory of Albania, Bulgaria, and Yugoslavia, UNSCOB revealed. In order to correct this, UNSCOB urged the Assembly to issue a severe warning to Albania, Bulgaria and Yugoslavia declaring that continued aid endangered peace in the Balkans.19

The General Assembly, after a prolonged discussion, again adopted a resolution, by a 47-6 vote, on November 27, 1948, which took note of UNSCOB's conclusions and recommendations. The resolution also continued the existence of UNSCOB for another year.20

Further efforts to restore peace in the Balkans were undertaken by the UN. In the fall of 1948, the First Committee (Political and Security) of the General Assembly established a Conciliation Committee composed of the President of the General Assembly, the Secretary-General, and the Chairman and Vice-Chairman of the First Committee. This body concerned itself with exploring the possibilities of reaching a peaceful settlement of differences between Greece

19 Ibid, p. 20., Par. 69.
20 Greece and the UN, 1946, op. cit., p. 3.
and her northern neighbors. 21 One perplexing problem which the Conciliation Committee dealt with was Greece's insistence that northern Epirus, which was part of southern Albania, be given to Greece. Successive Greek governments consistently claimed this territory as rightfully belonging to Greece, although Greeks were in the minority of the population. The Albanian government in turn refused to sign any agreement establishing frontier commissions, as advocated by the Conciliation Committee, unless the Greek Government renounced its claims to northern Epirus. 22 It should be noted at this point that the United States, although upholding Greece's position in the UN in most every other way, refused to support Greece's claim to this territory. The United States has never officially commented on this but the real reason for her non-support of Greece's claim is probably that cession to Greece of this territory would dim any prospects for establishing a lasting peace in the Balkans. As it was, the Conciliation Committee was not too successful in laying the foundations for a peaceful


22 Greece and the UN, op. cit., p. 3.
settlement in the Balkans, particularly between Albania and Bulgarian on one hand, and Greece on the other. However, the attitude of Yugoslavia had undergone a noticeable change in regard to her relations with Greece. In answer to tentative suggestions proposed by the Conciliation Committee regarding the resumption of diplomatic relations with Greece, the Yugoslav government submitted a proposal which said, "Yugoslavia and Greece declare themselves ready to take up questions at issue between them thru regular diplomatic channels." 23 The Yugoslav delegation was quick to qualify this statement by inferring that a general overall settlement of the Balkan problem was needed, not an unilateral one with Greece. Nevertheless, in comparison with the negative approaches displayed by Albania and Bulgaria, the Yugoslav attitude raised hopes that a Balkan settlement could be effected.

In connection with Yugoslavia's increasingly conciliatory attitude, the existence of UNSCOB in the Balkans came to play an important role. Marshall Tito's break with the Russian-dominated Cominform in 1948, was welcomed by the west. Many skeptics remained, however, who distrusted the

sincerity of Tito's defiance of the Cominform. Actions, not just tirades against the Cominform, would prove more convincing, skeptics felt. The 1949 report of UNSCOB to the General Assembly contained factual evidence of steps taken by Yugoslavia against the Cominform.

In summarizing events which transpired between its periodic reports to the Assembly, UNSCOB noted a change in the Balkan situation. On July 6, 1949, UNSCOB reported that Greek guerrilla radio station, "Free Greece," accused Yugoslavia of permitting Greek government troops to cross Yugoslav territory in operations against the Greek insurgents. On the following day, the "Free Greece" radio declared that Yugoslavia had ambitions of annexing "Aegean" Macedonia to Yugoslavia. On July 10, 1949, Marshall Tito, in rebuttal, said that this "treachery" on the part of Greek guerrillas would injure their cause. At the same time Tito ordered the Greek-Yugoslav frontier closed. 24

The quarrel between Greek guerrilla chieftains and Tito weakened the plight of the insurgents. UNSCOB noted that material assistance from Yugoslavia to the Greek guerrillas had diminished." 25

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The UNSCOB Report also declared that "Albania and Bulgaria have continued to give moral and material assistance to the Greek guerrilla movement. Albania is the principal source of material assistance." 26

Despite increased assistance from Albania and Bulgaria, the cause of the Greek guerrillas became hopeless. The increasing effectiveness of the Greek army, reorganized under American Military Mission supervision, and the withdrawal of support by Yugoslavia virtually extinguished the Greek rebel movement in Greece. Within a few months after Tito's declaration of non-support for the insurgents, the Greek Army was able to clear the vast part of Greece of Communist-led guerrillas. Although the UN obviously could not take the full share of credit for ending the Greek civil war, its contributions were significant. The sending of investigating bodies to Greece by both the Security Council and the General Assembly disclosed the real nature of friction in the Balkans, which was the desire to overthrow the Greek government by the Cominform. The frequent, thoroughly-documented reports of UN investigating bodies in Greece gave a true picture of the struggle which was the attempt by the Soviet Union, through her satellites, to dominate the Greek peninsula and consequently the whole Near East.

26 Ibid, par. 139.
Up to now, this study has been concerned with UN efforts to terminate the civil war. Consequently, emphasis necessarily was placed on the military aspects of the Greek question. But the UN, through its specialized agencies, has contributed much to Greece’s efforts at economic recovery and development. This contribution has consisted mainly in conducting studies and offering recommendations for social and economic improvements.

By far the most important study undertaken under UN supervision was the Food and Agriculture Report made in 1946. This Mission was headed by an American Agricultural expert, Franklin S. Harris, and possessed an international staff. The FAO Mission made an exhaustive survey, spending most of the time in the field in visiting all major areas of Greece and in conferring with all economic groupings of the Greek population.27

The FAO Mission’s most valuable contributions are the recommendations for long-ranged development of the Greek economy. In the field of agriculture, FAO stressed the need for development of Greece’s water resources. The potentialities of the control of water, FAO said, "will

contribute more wealth to the nation, and assist far more in raising the standard of living of millions of people in Greece, than any other natural-resource development."  

FAO recommended that these water projects for irrigation, drainage, flood control, and hydroelectric power development be financed by granting of long-term, low-interest loans guaranteed by both the UN and the Greek government. Nearly 50 water development projects throughout Greece were listed by FAO as certain to benefit the Greek economy. 

In advocating hydroelectric plants as necessary for industrial development, the thorough FAO Report undoubtedly provided the basis for the hydroelectric development program later initiated by the ECA Mission.

FAO recommended that agriculture and consumer cooperatives be encouraged to play a prominent part. Assistance to these co-operatives could come from the Agricultural Bank of Greece through lending at low interest rates, FAO suggested.

FAO was well aware that social and economic reforms were necessary and advocated tax reforms along with reform of the civil service. Internal taxes, FAO urged, should be

30 Ibid, p. 47.
abolished in facilitating the development of internal trade. Taxation of those most able to pay was recommended with a corresponding reduction in excise taxes. This later became a definite objective in United State's plans for social progress in Greece.

FAO further recommended that a permanent UN Advisory Mission be established in Greece which would replace all other international and foreign economic missions. This UN Advisory Mission would aid and advise the Greek government by "providing technical aid and assistance in carrying out the general development program for Greece, develop specific programs and actions to put into effect the reforms of taxation and of the civil service." This proposed mission at first glance was not unlike AMAG and ECA Missions. But the similarity ended when FAO failed to suggest any means of enforcing the program of reform if the Greek government was to balk at implementing the suggested measures.

One very important observation made by FAO that deserves attention concerned the relationship between the central and local government. The FAO Report says:

An improved standard of living can be obtained successfully only through the education of the individual so that he learns to rely on himself....

31 Ibid, p. 57.
32 Ibid, pp. 60-61
Securing the proper balance between governmental leadership and local freedom for initiative and action can be helped by emphasizing delegation of authority and decentralization of responsibility in governmental activities...\textsuperscript{33}

Decentralization of authority in Greece, urged by FAO, was embodied in the general plans for reform advocated by later American Missions.

For the United States the 168 page FAO Report on Greece provided American economic planners with an excellent guide in promoting economic recovery in Greece. The basic recommendations of FAO were digested by American Mission officials and formed an integral part of the economic aid program.

Official acknowledgement by the United States of the FAO Report was frequent. In the midst of charges that the United States had forsaken the UN under the Truman Doctrine, Administration leaders were quick to stress that FAO recommended an initial international lean to the Greek government as a start in carrying out the Greek economic program.\textsuperscript{34}

As the Report was published approximately the same time as the Doctrine was being discussed in Congress, Administration leaders inserted a reference to FAO in the preamble of the Act, providing aid to Greece. The reference in part read:

\textsuperscript{33} Ibid, p. 4.

\textsuperscript{34} Ibid, p. 61.
Whereas the Food and Agriculture Organization mission for Greece recognized the necessity that Greece receive financial and economic assistance and recommended that Greece request such assistance from...the governments of the United States and the United Kingdom...\(^{25}\)

Other UN specialized agencies also contributed important studies and actual services to Greece's efforts in economic rehabilitation. Although most UN agencies lacked the funds to implement their recommendations, the World Health Organization was able to establish a chest hospital and sanitoria for treatment of tuberculosis cases in Greece. Further services for improvement of Greece's social conditions are avowed objectives of the UN's Economic and Social Council when funds become available.

Another important study concerning Greece's labor movement was made by another UN agency, the International Labor Office. In a 381 page report, ILO found that much could be done by the Greek government to better the status of Greek workers and their unions. The most important recommendations were; (1) employment planning by tripartite cooperation of employers, labor unions, and the Greek government; (2) planned emigration of workers in overcrowded trades; (3) organization of an effective inspection system

\(^{25}\) An Act to Provide For Assistance to Greece and Turkey, \textit{op. cit.}

\(^{36}\) \textit{The United Nations Year Book, 1947-48}, p. 914.
for enforcing social legislation; (4) an improved social insurance system for sickness benefits and reorganization of the pension system; and (5) Greek trade unions should be given political independence by the Greek government and should not be unduly discriminated against. These recommendations by ILO did influence American Mission officials who applied pressure on Greek governments to ease restrictions on labor unions. An example of this occurred in the winter of 1947-48. In October, 1947, the Greek Parliament enacted a law prohibiting any strikes by unions. This created much consternation in labor circles and leaders of the CIO and AFL in the United States protested the action of the Greek government. After consultation with the Greek government, the American Mission announced that the law would be repealed, and it was.

The policy of the United States in regard to the problem of Greece has followed consistently the patterns set out under the Truman Doctrine. The establishment of peaceful internal conditions in Greece was a paramount


objective not only as a pre-requisite for reconstructing
the Greece economy but in reducing the dangerous friction
engendered by the enmity between Greece and her northern
neighbors. The United States, though constantly upholding
Greece, was somewhat cautious in supporting UN activities in
the Balkans. The Administration never was willing to take
the risk of further complications by pressing for retaliatory
action against the Cominform governments so obviously
intent on overthrowing the Greek government. Further evidence
of United States support of the status quo in the
Balkans was the unwillingness to back Greece's claim for
additional territory in Albania. The UN thus served United
States Balkan policy well. By taking the lead in supporting
Greece's cause the United States was able to convince many
UN members, particularly the smaller nations, of the abso-
lute necessity for pushing back the imperialist expansion
of the Soviet Union. It is significant to note that Arab
nations, as a bloc, voted affirmatively for almost every
resolution sponsored by the United States, giving added
evidence of their realization of the danger which would
confront them if Greece were to fall.

By focusing world-wide attention on the Greek problem,
the UN was able to bring to the surface for exposure the
real threat to peace in the Balkans. Without the existance
of UN investigating Commissions in the field, Cominform countries conceivably could have been tempted to send "volunteers," in reality their own troops, into Greece to assist their brethren, particularly in early 1947 when the Greek government was very weak. A quick overthrow of the Greek government could then have been presented as a fait accompli. But the presence of the Investigating Commission and its successor, UNSCOB, on the scene would have made such a venture too risky to undertake.

The activities of the UN were important steps in the restoration of internal security in Greece. By its disclosure of the facts and discussing them, hazy misconceptions about the civil war, such as the "democratic" nature of the guerrilla movement, were considered in their true perspectives. With UNSCOB still functioning today, a constant vigilance on Greece's northern neighbors goes on, reassuring the Greek people, absorbed in the difficult tasks of rehabilitating their economy, of the support the free world is determined to extend to them.
CHAPTER IV

POLITICAL AND SOCIAL REFORMS IN GREECE

An assessment of reality made it imperative that social and economic reforms be undertaken in Greece if the objectives of the American aid program were ever to be achieved. The deficiencies inherent in Greece's political and economic structure long had been deterrent factors in Greece's pitifully slow progress towards the goal of a better life for the country's 7,800,000 inhabitants. American economic planners were keenly aware of the discrepancies in Greece's social and economic life. The feeling was that an extensive reorganization of Greece's social structure had to be accomplished if Greece was to progress forward.

As already mentioned, Administration officials specifically wanted assurances from the Greek government that the American Mission, i.e. AMAG, would be relatively free from interference by the Greek government to administer the aid program. Article IV of the agreement signed by the United States and Greece in June, 1947, specifically stated that,

The Chief of the American Mission will determine, in consultation with representatives of the Government of Greece, the terms and conditions upon which the specified assistance shall from time to time be furnished under this agreement...the Mission will provide
such advisory assistance and will exercise such functions as are necessary and proper to assist the government of Greece to make the most effective use of any assistance...  

Although the agreement on the surface referred to the Mission's functions as only advisory and only pertaining to the supervision of the program, the real substance of the agreement laid the foundation for American intervention in Greek domestic affairs. American officials had little confidence in the ability of Greek governments to utilize constructively aid funds donated by the United States. This dim view of Greek government leadership was reflected in the Porter Report in early 1947. This report stated, in referring to the Greek government, that "if the present policies of drift and expediency are continued, they will result in economic disaster to all her people."  

Intervention in the domestic affairs of the Greek people was certainly not a new development, at least as far as Greeks were concerned. The long tradition of interference by great European powers is a well-established fact. "Greece is by her nature," Howard K. Smith wrote, "a dependent country, and the only issue the powers are concerned about is on which of them she shall be dependent."  

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1 Agreement On Aid to Greece, June 20, 1947, The Greek Aid Program, The Department of State, October 1947.  

2 The Department of State Bulletin (Supplement), Aid to Greece and Turkey, May 4, 1947, p. 898.  

3 Smith, op. cit., p. 225.
Although the above observation applied to the United States as well, American officials took pains in the early part of the aid program to minimize the extent of American inter-
vention in Greek affairs. Loy W. Henderson, who helped shape American policy in Greece as Director of the Office of Near Eastern and African Affairs declared, "The American government...has not at any time, directly or indirectly, attempted to force any particular government on Greece." 4 This statement seemed rather facetious coming as it did a few weeks after American officials in Greece had actively intervened in a cabinet crisis in September, 1947. 4a

American Mission officials were reluctant at first to exert pressure upon Greek governments in bringing about reforms but the laxity displayed by Greek officials eventually necessitated more active intervention in the political affairs of Greece. In utter objectivity, it can be said that American intervention did not go far enough in some instances, particularly in not protesting loudly enough about the mass executions perpetrated by the Greek government in 1947 and 1948 on political prisoners of the political Left. 5

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4a Ch. 92-97
5 Homer Bigart, "Are we Losing Out in Greece?", Saturday Evening Post, January 1, 1949, p. 50.
Though some of the executions were justified, American failure to persuade the Greek government to undertake less drastic measures is nevertheless open to criticism.

A great stumbling block in the way of effecting reforms in Greece was the inherent instability of Greek governments. As referred to in the Introduction, Greek political life consists of personal factions with very little party discipline. American policy constantly stressed the establishment of national unity in Greece as a pre-requisite for the promotion of reforms; in practice this was almost impossible to achieve. The existence of several political parties in Greece's parliamentary system, with each party or faction extremely jealous of one another, handicapped the erection of a stable government necessary for solving the many problems. This resulted in a woeful lack of leadership which, by default, came to be wielded by Americans. It must be stressed, however, that the indirect leadership wielded by American officials in Greek affairs was not actively sought. Mission officials constantly strived to bring about the creation of governments which could appeal to most Greeks as truly representative.5a However, the polarization of Greek politics which occurred in the immediate post-war years had left a problem that was not to be easily solved. As a result, American attempts

5a Gunther, op. cit., p. 145
to find moderate political groups which could provide leadership were very difficult. It appeared that it would take years before sharpened political animosities could be dissolved in the interests of national welfare. The instability of Greek political affairs can be attested by the fact that between 1945 and 1947 Greece had seven changes in government. Consequently, no effective program could ever have been achieved by these short-lived governments in coping with the problem of economic recovery.

The first concrete example of American intervention in Greek domestic affairs came in the early fall of 1947, shortly after the arrival of AMAG in Athens. A conservative government under the premiership of Demetrios Maximos had fallen, due to the resignation of three Liberal party ministers. The dispute had arisen primarily over the failure of the Royalist-dominated cabinet to bring about the resignation of the controversial Minister of Public Order, General Napoleon Zervas, an ultra-conservative wartime resistance leader. Zervas, as Minister of Public Order, had utilized very oppressive measures in suppressing the

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activities of the political Left and was deeply distrusted by the moderate parties of Greek political life. It was also no secret that the presence of Zervas in the Greek government was very distasteful to American officials too. Although the Zervas incident brought the crisis to a head, American dissatisfaction with the prosecution of the war effort by the Maximos government also was a contributing factor. 9

Although the Populists, the Royalist party, held a substantial majority in the Greek Chamber of Deputies, American officials believed a more liberal government was needed in order to command the support of the bulk of the Greek people. This presented an awkward anomaly for American officials. The Greek Chamber of Deputies had been voted into office in a general election, which was reported by United States representatives on the allied team, AMFOGE, as generally representing the will of the Greek people.

United States officials were adamant, however, and insisted that a "broadening" of the government was essential when a new cabinet was in the process of formation. This Greek cabinet crisis was doubly significant because it brought into focus the clash over the manner in which

American foreign policy was to be implemented. In pre-war years American foreign policy had been implemented in most cases through regular diplomatic channels, usually under the supervision of career diplomat officers in the State Department. The war years had seen the necessary growth of specialized agencies which worked independently of, though in conjunction with, the State Department. In the immediate post-war years the State Department took over most of the functions of the specialized war agencies. The first precedent in the disruption of this unification occurred in the handling of the Greek cabinet crisis of September, 1947. AMAG, handling the aid program, was under the supervision of the State Department but the man selected as AMAG's chief was a politician, not a career diplomat.

Dwight B. Griswold, a former governor of Nebraska, was given the authority under the Assistance to Greece Act to withhold funds during the implementation if he saw fit to do so. Griswold was a hard-working sincere man who, in performing his job of supervising the aid program, tended to be blunt, with little regard for diplomatic niceties. On the other hand, the American Ambassador to Greece, Lincoln MacVeigh, was a career diplomat who performed his duties according to the fixed, more conservative methods of diplomacy. As the Truman Doctrine was a new departure for
American foreign policy, more publicity and attention were devoted to the separate mission, AMAG, than was accorded the American Embassy's functions.

MacVeigh, in carrying out the Administration's will for a "broadened" Greek government by including more Greek Liberal party members in the cabinet conferred with Constantine Tsaldaris, leader of the conservative Royalist Party. The arrangement appeared to be that Tsaldaris would obtain the premiership but would include more Liberals in the government. But as Tsaldaris began the process of forming a cabinet, AMAG Chief Griswold bluntly announced that a government under Tsaldaris would be "inadmissible." This immediately halted Tsaldaris in his attempts to form a government and produced resounding repercussions in Greek politics.

Previous to his refusal to consider a Tsaldaris government, Griswold reportedly had dissuaded the leader of National Liberal Party, Stylanios Gonatas, from accepting a cabinet post under a Tsaldaris premiership. Gonatas earlier had agreed to accept the cabinet post but withdrew his promise after his talk with Griswold.

10 Poulos, op. cit.
The use of the adjective, "inadmissable," by Griswold precipitated a mild flurry of excitement, and Ambassador MacVeigh was quick to announce that Griswold meant "inadvisable" rather than "inadmissable." This bit of polemics did not mislead anyone. MacVeigh, representing established methods of diplomacy, and Griswold, with his direct approach to the problem of Greek economic recovery, only revealed the contradiction between old-line diplomacy and the new style mission concerned with a specific task. In this instance, the new style mission gained the upper hand. In an analysis of the dispute, one writer observed,

When diplomacy is based on dollars, the mission with the funds maintains the strategic relationship. An ambassador may be accredited with all the solemn documents and privileges that are traditional in international relations, but if another American in the same country has the checkbook and the authority to recommend supplies, the ambassador becomes by comparison a minor figure...Millions of dollars speak louder than conventional words.

The premiership of the Greek government went to the 87 year old head of the Liberal party, Themistocles Sophoulis, a moderate liberal. The leader of the majority Royalist party, Tsaldaris, still retained the posts of Deputy Premier and Foreign Minister and continued to remain

12 New York Times, August 23, 1947
a strong figure in Greek politics. However, the change in
government represented a definite triumph for American
policy in Greece. Sophoulis symbolized political moderate-
ness and was keenly aware of the tremendous problems facing
the Greek people. More important still, the aged premier
professed a willingness to cooperate with Mission officials
for bringing about essential social reforms necessary for an
effective implementation of American Aid.

AMAG chief Griswold's victory, as manifested by the
selection of Sophoulis as premier, demonstrated the new,
positive approach of American foreign policy. Too often in
the past American diplomatic representatives had become
"captives" of ruling classes in relatively backward countries
such as Greece. 13a Without being aware of it, these American
diplomats came to regard social conditions in these coun-
tries in much the same light as did the governing classes.
These upper strats, by virtue of their cultured backgrounds,
were able to mingle freely with Americans and thus provide
a more pleasant association. Certainly it became easy for an
American diplomat to take the same viewpoint of the governing
class if his service in that country was limited to contacts
with representatives of that class. This class was only too
determined to perpetuate its own privileged status with

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13a J. Rives Childs, American Foreign Service
total disregard for the welfare of the poverty-stricken masses in the country. Although the aims of this class may have been at variance with the objectives of American foreign policy in a particular country, any effective implementation of American policy would be obviously handicapped under the above conditions. The new concept of using specialized Missions, like ECA and AMAG, changed all that to some degree. These Missions were concerned mainly with performing specific tasks in an allotted period of time. The approach was detached and impartial. There was little chance then that these Mission members would too become "captives" of the ruling classes as may have been the case with permanent American representatives in the country.

However, there were inherent deficiencies too in the specialized nature of the Missions. In Greece these deficiencies were most apparent in the attitude of the military mission of AMAG. These Army personnel plainly regarded as their primary task the complete defeat of the rebel forces, a desirable aim everyone agreed. Yet American officials in Greece constantly advocated a policy of amnesty for guerrilla rank and file forces as a means of hastening the end of the civil war. In the midst of these declarations of amnesty by the Greek government, the chief of the American military mission publicly exhorted the Greek army to display
no mercy and kill every guerrilla as a matter of policy.\textsuperscript{14} As a result, one American Correspondent reported, "We have given General Markos (the guerrilla leader) and his men no choice but to sell their lives dearly and fight to the end."\textsuperscript{15} This was unfortunate as it was well known that many guerrillas were willing to cease fighting if they could feel reasonably sure of not forfeiting their lives by surrendering to government forces.

The choice of Sophoulis as premier had one other important implication. Communist propaganda had always denounced Royalist governments as "fascist" and as responsible for the civil war. Sophoulis, too, criticized Royalist Governments for not taking constructive steps to end the civil war. Communists, striving to gain credence for their utterances, repeatedly included Sophoulis speeches against the government as part of their propaganda. The substance of the propaganda often hinted that a government under Sophoulis would even be acceptable to Communists. Consequently, the installation of Sophoulis as premier proved to be a wise, tactical move by the United States and served a twofold purpose. The government was broadened to include other political parties, thereby gaining additional

\begin{footnotesize}
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\item Bigart, \textit{op. cit.}, p. 19.
\item \textit{Loc. cit.}
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support from the Greek people, and deprived Communists of a political weapon by choosing a premier who had the previous tacit approval of the political Left, including the Communists.

In its attempts to prod Greek governments into undertaking a more constructive approach to the problem of economic reconstruction, the United States felt obliged to intervene openly once again in Greek political affairs. This occurred in the spring of 1950 immediately after general elections had been held. The civil war had ended and American officials in Greece, including ECA Mission and Embassy personnel, continually prodded the Greek government to speed up the recovery program. The results of the general March elections for the Chamber of Deputies revealed a definite emergence to power of moderate center groups. This long had been hoped for by American officials. For premiership the United States advocated the selection of General Plastiras (Sophoulis had died) whose political party had gained 45 seats in the now 250 seat Chamber of Deputies. The other two important political parties of strength were the Populists (62 seats) and the Venizelos Liberals (56 seats).

In the process of forming a government, there occurred much political maneuvering behind the scenes. According to Greek constitutional procedure, the King selects a prominent party leader in the Chamber who then has the mandate to form a cabinet. As the United States was most concerned over the selection of the prospective premier, Ambassador Henry F. Grady called upon the King, upon instructions from the State Department, and reportedly warned the King against bad advice he might receive from rightist groups.\(^{17}\) There was no doubt that the United States definitely did not want the head of the Populist party, Tsaldoris, as premier.

On March 23, 1950, Sophocles Venizelos, head of the Venizelist Liberals, was sworn in as Prime Minister. This incurred the displeasure of the United States as Venizelos had previously stated publicly that he would support American-sponsored Plastiras for the premiership.\(^{18}\) An added source of irritation to the United States was that Venizelos would have to depend on Populist party support as the other Liberal parties, including the Plastiras-headed coalition, announced a policy of non-support of his government.\(^{19}\) American criticism of the Venizelist

\(^{19}\) *Loc. cit.*
government was twofold. First, Plastiras, distrusting both the Venizelist Liberals and the Royalists, might be forced to make a political alliance with the extreme left. Secondly and most important, the dependence of Venizelos on Rightist support complicated the establishment of diplomatic relations between Greece and Yugoslavia which the United States was attempting to sponsor. Marshall Tito of Yugoslavia had professed a willingness to exchange diplomats with Greece but distrusted the Populist party. 20

The first open declaration of United States displeasure came with the publication of a letter to Venizelos from American Ambassador Grady. There had been talk that new elections were needed in order to achieve a clearer alignment of political forces. In his letter Grady said, "irresponsible talk of adjourning Parliament or of new elections before the new Parliament has had an opportunity to rise to its responsibilities....may do grave damage to the country's future." 21 Grady went on and emphatically stated that tax reforms were needed; decentralization of government was necessary; the civil service law needed codification; and that local elections needed to take place.

21 New York Times, April 1, 1950, 4:3.
He also criticized excessive spending by the Greek government and called for a more constructive fiscal policy. 22

The Grady letter was by far the most drastic declaration (it had the State Department's approval) of United States dissatisfaction with the progress of social reforms in Greece. The United States was prepared to back up its charges with action which, it was thought, would stir the Greek government. A few days after publication of the Grady letter, the United States authorized a "delay in aid" until a stable government could be formed in Greece. This crackdown came after Venizelos said that he was not in a hurry to settle the question of government. 23 The threat of curtailment of aid by the United States proved to be the determining factor. Within a few days Venizelos said that the Greek government was willing to carry out further what Greek officials considered "unpopular reforms." 24

The term, "unpopular reforms," was an elastic one, as far as Greeks were concerned. Greek government officials had always professed a desire to formulate basic reforms but in practice regarded any suggestion offered by Mission officials with hostility. This was due partly to resentment of American advice which, many Greeks felt, was overly

critical. But the main opposition came from the wealthy few who feared that American economic policy was too egalitarian to suit them. Paul R. Porter, who was mainly responsible for the formulation of American economic policy in Greece, charged in 1947 that "the government uses foreign aid as a way of perpetuating the privileges of a small banking and commercial clique which constitutes the invisible power in Greece." 25 There was little doubt that there existed in Greece a small cabal, as Porter asserted, which displayed interest only in maintaining its financial prerogatives at the expense of the nation. 26 It must be said, however, that the pauperization of Greece as a result of a war, an occupation, and a civil war didn't leave too many millionaires, even by Greek standards. But the remaining few, still possessing vested interests as opposed to the general welfare, nevertheless obstructed the Missions's program for economic reform in whatever ways they could.

A significant example of the selfish attitude taken by vested interests is in the matter of the Greek Merchant Marine. Before the war, revenue from Greek shipping had been an important source of income in Greece. Over three

26 Loc. cit.
fourths of this fleet was destroyed during the war. In the immediate post-war years credit from the United States Maritime Commission totaling 45 millions in dollars largely had reconstituted Greek shipping.\(^{27}\) However, in order to escape taxation, many Greek shipowners managed to put their ships under foreign ownership. Paul R. Porter estimated that one shipping company paid an eight thousand dollar tax in 1946 out of a profit of 250 thousand dollars.\(^{28}\) Up to 1950 nothing concrete had been accomplished by Greek governments to correct this, despite AMAG and ECA Mission pressure.

In overhauling the tax structure of Greece, little progress has been effected. The existence of American advisors in key positions of the Ministry of Finance still was inadequate in compelling the government to undertake a vigorous collection of taxes, even under the very inadequate tax laws prevailing. An indication of the laxity prevalent is that the country of Greece has never jailed anyone for failure to pay taxes.\(^{29}\) Approximately eighty per cent of Greek revenue is derived from customs and excise taxes, the latter falling most heavily on the poor. One of the many

\(^{27}\) Greece--Country Study, op. cit., p. 11.

\(^{28}\) Porter, op. cit., p. 106.

attempts to overhaul the tax structure by Mission officials was to insist that accounting records be kept by Greek business men. Previously, Greek governments only guessed at what a company was obliged to pay and, in most cases, the taxes levied were inadequate. When this AMAG-inspired proposal was announced, Athens Merchant Associations, reportedly staged a protest strike by closing their shops for three days.30 This negative attitude by Greek businessmen only complicated the Mission's attempts to overhaul the financial structure of Greece.

In bringing about more efficient methods in public administration, the Civil Government Division of AMAG is a good example of American efforts to institute administrative reform. This specialized branch of AMAG has as its objectives: (1) the improvement of government organization and procedures; (2) the decentralization of administration; (3) a reform of the civil service; and (4) the stimulation of vocational training.31

During the first year of AMAG operation, the Civil Government Division made a survey of fourteen Greek ministries and made recommendations which stressed a reduction


of personnel as an economy measure. These recommendations fell on deaf ears. The thought of dismissing civil servants, inefficient as they may be, was anathema for Greek administrative officials.

The Greek civil service, reported Paul R. Porter, could not be relied upon "to carry out the simplest functions of government." 22 The head of the Civil Government Division, Hubert R. Gallagher, wrote that of the 140,000 Greek civil servants Greece needs only one half that number. Gallagher ruefully added that up to 1948 there had been no record of any Greek resigning from the Civil Service. 23 Greece's civil service had expanded enormously during the occupation, and immediately after, when a government job provided at least meager food rations as compensation. The pay of civil servants, however, was pitifully low. Many actually had other jobs to augment their small earnings. Greek government officials nevertheless were reluctant to undertake a drastic civil service reform, for fear that their political careers might be put in jeopardy as a result. The Civil Division also disclosed that pensions comprised 25 per cent of the Greek government's non-military expenditures. A study revealed that removal of some twenty

22 Porter, op. cit., p. 106
23 Gallagher, op. cit.
thousand "dead-heads" would entail a saving of 20 per cent of the budget devoted to payment of pensions.\textsuperscript{34} Needless to say, the political courage required to effect these reforms was suspiciously lacking and through 1950 most of the recommendations of the Civil Division were yet to be acted upon. There was some progress achieved, however. The Mission obtained an agreement from the Greek government which forbade the adding of personnel on government rolls and the issuing of promotions without prior AMAG approval.\textsuperscript{35}

The highly centralized nature of the Greek government also was a retarding factor in establishing administrative efficiency. Provincial authorities were unable to act during emergencies or handle vital issues without getting instructions from Athens where all decisions were made. Also, the governors or prefects, in the provinces were usually political appointees who followed the dictates of their political parties rather than performing their duties in a non-partisan manner. Under Mission pressure a law was passed by the Chamber of Deputies in the fall of 1949, discharging politically appointed prefects and filling the vacant positions on the strength of competitive examinations.\textsuperscript{36}

\textsuperscript{34} Ibid.
\textsuperscript{35} Ibid.
\textsuperscript{36} Kauser, op. cit., p. 104.
A further decentralization of authority, in the form of local elections, was another point pressed by Mission authorities, the latest manifestation of this insistence being the Grady letter.

Further organic reforms were instituted under Mission supervision. The most notable was the electoral reform which reduced the seats in the Chamber of Deputies from 354 to 250. This was an obvious attempt to cut down administrative expenses by reducing the number of salaries of deputies.\(^{37}\)

Another more important reason for this reduction in seats was to reduce the number of political parties and factions, or so the American Mission hoped. But proportional representation voting was simultaneously adopted with the seat-reducing measure. The electoral reform did reduce the number of parties, as the 1950 election results showed, but the adopted P. R. system of voting, democratic as it is, still resulted in a multi-party system.

Civil liberties in Greece were severely curtailed, if not completely abolished, by successive Greek governments, operating in an atmosphere charged with fear and uncertainty, while the fighting was in progress. It is safe to say that, had there been no American Mission functioning in Greece,

a dictatorship of the Right inevitably would have been set up. As it was, martial law was the rule in most areas of Greece during the civil war. Mention has been made of the persecutions of the non-Communist political Left by Royalist forces. Mission officials sincerely repented this, but their attitude can perhaps be summed up in this way, "A government which must defend itself against a considerable part of its own people must always find it difficult to be as humane as outsiders would like it to be." 38 The war's termination, however, did bring the restoration of jury trials, 39 and the end of martial law before the elections of March, 1950. 40

A brief summary of the first three years of American influence in Greek internal affairs does not reveal an impressive total of social and economic reforms effected. The absence of substantial social progress was unquestionably due to the civil war. Still, American intervention in Greek internal affairs did reap some dividends for the Greek people. With moderate factions governing Greece as a result of the 1950 elections social progress was almost certain to gain further momentum. American Missions, through their

constant proddings and, at times, outright intervention, have managed to lay the foundations for further social reforms. Now that the civil war is over, every Greek politician aspiring for an important position in political life must plump for reforms if he ever expects to get American support. The seeds for a broader and better social foundation were sown between the years 1947 and 1950 by the United States. Under the guidance of American Missions in the future, the Greek people may yet enjoy fully the happiness that comes from political and social justice.
CHAPTER V

CONCLUSION

The prime objective of the United States in extending financial aid to Greece has been realized—the rolling back of Soviet Union penetration in the Balkans. If this was the only result of expending one and one half billions of dollars in Greece, it still would rank as a signal success for United States post-war foreign policy. However, other significant developments, more positive in nature, have emerged during the implementation of the aid program to Greece and have served to qualify the originally negative approach of American foreign policy in the Balkans.

These positive developments are, (1) the determined attempts by American Mission officials to assist the Greek people in raising their standard of living, (2) the realization that basic social and economic reforms necessarily had to be instituted for achieving success in the economic program, and (3) the importance of supporting moderate elements of Greek political life while rejecting extremists of both the political Right and Left.

Many political observers are quick to point out, however, that these encouraging developments were really only incidental and were definitely subordinate to the
military containment policy. That this is substantially true, no study of American policy in the Balkans since 1945 will deny. But the undisputed facts remain. Social and economic reforms were initiated by American Missions in Greece and did become an integral part of American policy in Greece. There can be no quarrel with containing the expansion of Communism by military means provided that military measures are accompanied by positive economic assistance programs designed to improve the welfare of the people involved.

With some exceptions, the methods used by American Missions in Greece in administering the aid program, can be termed successful. These methods if evaluated carefully can prove very useful for future economic assistance programs to be undertaken by the United States in countries possessing similar problems as Greece.

The most important conclusion to be drawn is the absolute necessity for installing economic missions in recipient-nations of American aid. The close supervision of the disbursement of funds is essential for achieving the maximum benefits of American aid funds, particularly in relatively backward countries. Too often the government of a backward country and the ruling class are the same. Proper utilization of these funds, i.e., for the benefit
of the people in the country, is difficult to achieve if the
distribution is handled by a class which basically is op-
posed to the interests of the greater part of the population.

Another important method, though of a negative nature,
was the threat of withholding aid funds if a more construc-
tive economic policy was not put into effect by the Greek
government. This threat was used consistently and, in the
final analysis, proved to be the only means for stirring
Greek governments into action. But as a method to be used
in future aid programs, caution must be stressed in using
this weapon with discrimination. If no real attempt is
made to gain insight into a nation's problems and regard
them from the viewpoint of the recipient-nation's, the
United States would be open to charges of imperialism. It
cannot be stressed too often that each nation has peculiar
problems of its own, which need study and understanding.
The threat of withholding aid funds should be used only as
a last resort in compelling reluctant governments to do
the bidding of the United States. Recipient-nations must
progress within the frame-work of social and cultural
patterns suitable to them. In Greece, for example, Americans
were critical at first of the afternoon siestas or naps
taken by Greeks of all walks of life. The American conten-
tion was that Greeks should lengthen their work days in
contributing to the nation's reconstruction program. But criticism soon stopped when it was realized that afternoon naps are an integral part of Greek life and have been for centuries. If conformity to strictly American ways of doing things becomes a prerequisite for extending aid to foreign nations, the inevitable animosities created by such actions surely would hinder any assistance programs and with hostility to the United States developing as a result.

The existence of skilled American specialists who performed their tasks in advising the Greek people down at the level of the Greek farmer and industrial worker is of immeasurable importance. More than any other way, these industrial and agricultural experts convinced Greek people in contact with them of the determination of the United States to promote a better life for them. The value of these personnel was commented on by Dorothy Thompson who said,

"We are the most progressive influence that ever hit these backward countries because we are teaching them know-how and showing them how to make and do things and lifting themselves with their own power in so far as they can." ¹

Although a substantial number of these specialists operated in Greece, priority should be given to sending even more

for duties in the field. The teaching of advanced technological techniques to a semi-backward population is a short-cut to increasing production so necessary for a better standard of living. Along with reducing military personnel, now that hostilities have ended in Greece, a corresponding increase in civilian technicians should be effected.

As has been shown, intervention in the domestic affairs of Greece was very necessary by American officials in Greece when the Greek government dragged its feet. But as in the threat of withholding aid funds, tact must be used, if only as a matter of courtesy. American officials unfortunately at times neglected to be discreet about their criticisms, thereby injuring national pride and alienating important individuals. An example of this occurred in the previously mentioned Grady letter. The contents of the letter were designed to spur the Greek government into effective action but the manner in which it was presented was poorly done. Grady published the letter before the Greek premier, Venizelos, had a chance to answer the charges contained in the letter. Greek public opinion was aroused by this example of outright interference by the United States and much resentment at American methods was felt.

The intractability of some Greek governments often necessitated stern measures by American Mission officials
but indiscreet methods such as the above incident only served to do more harm than good. In implementing aid programs the spirit of cooperation between representatives of both countries should not be lost sight of, even by Americans.

Although the United States was a firm supporter of United Nations actions in Greece in restoring internal tranquility, not enough cooperation was displayed by the United States in allowing UN specialized agencies to function more extensively in Greece. As has been discussed, reluctance by the United States was due to the mere advisory powers held by the Economic and Social Council of the UN. But in the actual implementation of different aspects of the economic program, more technical experts of ECOSOC could have shared advisory functions with American experts. This would have served to erase the stigma of unilaterality of economic assistance to Greece. It could have served also as a means of laying the foundation for eventual supervision by the UN of the Greek economic program as the FAO Report had suggested, thereby relieving the American taxpayer of some of the burden.

The greatest problem in Greece which demands a solution is overpopulation. American officials well realized that this is the greatest obstacle in the path to
social progress. Greece's economic resources are insufficient to provide for an increasing birth rate, as has been the case in Greece during the past ten years despite a harsh occupation and civil war. History has proven that industrialization of a nation produces an automatic brake on increases in population. But this usually occurs after several decades. In Greece the objective is to bring about industrialization of the country at the earliest possible time by taking shortcuts through national planning. Therefore, it logically follows that planned birth control and emigration, suggested in the ILO Report, should be an integral part of the plans for the improvement of Greece's social and economic life. Little mention has been made of this by Mission officials to Greek governments. Dissemination of knowledge to Greeks about birth control methods could be discreetly suggested by Mission officials with the Greek Ministry of Hygiene assuming responsibility for the program.

Planned emigration in conjunction with a birth control program could prove another progressive measure. The United States could take the lead in this matter by revising existing Immigration laws which in reality discriminate against southern Europeans. A slight revision, such as allowing southern Europeans to utilize the unfilled quotas
of northern Europeans, would relieve greatly the population pressure in Greece. As a further measure, emigration to sparsely-populated areas, such as British Kenya in Africa, for example, could be encouraged and facilitated through intelligent planning by both the Greek government and the American Mission.

This study specifically has dealt with an economic program initiated and financed by the United States government but little has been done to encourage the investment of international private capital in Greece since the termination of the fighting. The element of risk which frightens private capital from investing in Greece can be overcome by allowing the American Mission to guarantee investments for ten years after the initial investment. In return for this, private capital then would be obliged to re-invest a certain percentage of profits, if any, into the Greek economy instead of allowing all of the profits to be drawn out of Greece as was the case in the past. This could serve to induce private Greek capital to invest in their own country, a development that was noticeably lacking. A further inducement would be to grant tax-free privileges to newly-invested capital by the Greek government for the first few years. But for many years ahead, however, the great percentage of capital investment in Greece unquestionably
will have to be provided by the United States government in outright grants as in the past.

The experience gained by the United States in administering an economic assistance program should prove most valuable for future undertakings in countries where conditions parallel those of Greece. But particular methods used in Greece, successful as they were, may not prove as successful elsewhere. A certain flexibility needs to be maintained. Some methods tried in Greece unquestionably will require modification to conform with existing peculiarities of individual countries. But regardless of methods to be used, the basic formula remains the same. Extend military aid to weaken countries where an armed minority threatens to seize power but only under the conditions that governments receiving American Aid undertake certain steps to improve poor economic conditions. In too many countries the existence of Communist-led minorities most often reflects bad social and economic conditions. The progressive elimination of these conditions would correspondingly reduce the ranks of the insurgents, this fact having been proven in every country which has achieved progress in correcting its social and economic ills.

The American aid program to Greece since 1947 could be called egalitarian in nature, though obviously not intended
to be so. Through the planning of Greece's economic life a redistribution of the nation's national income has resulted. An obvious objective of American policy in Greece has been to make certain each individual Greek receives a fair share of Greece's national product, something which never occurred in the past. A great and far-reaching revolution has taken hold in Greece and appears likely to continue. This revolution is social in nature and is the concern of everyone in the western world. As the people of Greece progress to a better life for themselves and their children, the most convincing proof of the creative vitality of the western world is once again in evidence.

While it is true that this social revolution is in its infancy in Greece nevertheless under American tutelage there is only one direction in Greece now--forward. As each step is taken bringing with it commensurate improvements, the threat of totalitarianism in Greece recedes.

As a testing ground for United States post-war foreign policy, Greece has contributed much to the western world. The valuable lessons learned in Greece, if applied judiciously in similar situations in the future, can very well be decisive in swinging the balance in favor of the west in the backward areas of the world.
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THESIS ABSTRACT

The terrible destruction resulting from World War II presented western civilization with its most serious challenge in history. Wretched social conditions among the peoples of Europe and other parts of the world left them highly susceptible to Communist propaganda and infiltration. The strength of Communism in the west continued to increase, thereby weakening the determination of western nations to resist the threat to their institutions.

The grasping of leadership of the western world by the United States, was the decisive turning point in the post-war period. By throwing its tremendous weight in the form of financial aid on the scale, the tide began to turn against Soviet imperialism. The Truman Doctrine was the first manifestation of this, and its logical extension, the European Recovery Program, further emphasized the determination of the United States to uphold western civilization.

In extending economic assistance, the United States has instigated a social revolution, particularly in semi-backward countries such as Greece. This revolution, it needs to be stressed, has come from the west and not from Eastern Europe, as has been prophesied ever since the seizure of power in Russia by the Bolsheviks in 1917. This western-inspired social revolution has as its vanguard, not
a well-disciplined political elite as were the Bolsheviks, but a corps of technical experts. The avowed objectives of this new revolutionary force are not to destroy and then re-create upon the ashes of the old, but to select what is sound and of proven value in a nation's economic and political structure and proceed to build upon these. This selective process is of great significance. Tried and tested methods which have demonstrated their worthiness and durability are then reinforced. The successful implementation of socially progressive measures, if to prove effective and lasting, relies heavily on the experiences of the past. Energies therefore are not devoted to effecting a miracle but to improving those cultural and social patterns which recipient nations wish to retain. In Greece, experts attached to American Missions have gone to the people and given technical advice. There was no attempt to decide arbitrarily what livelihood the average Greek was to pursue. United States policy was to let Greeks decide for themselves. In the proposed industrialization of Greece, the intent is to expand industrial facilities thereby creating new employment opportunities. Work in a factory under progressively improving social conditions might then appeal to the farmer, rather than eking a meager existence from the soil. In this way, the hoped for transfer of more farmers to industry can be achieved without using arbitrary measures so characteristic
of totalitarian societies. The all-important freedom of choice then becomes an integral part of national economic planning.

The most striking characteristic of this revolution, designed to improve social and economic life, is the determination to effect progress within the framework of western liberal tradition. The drastic overhauling and reorganization of Greece's economy is being accomplished by using democratic methods such as discussions and conferences between American Mission officials and the Greek government. Of course it is true that Mission officials often became exasperated at the seeming unconcern displayed by Greek political leaders for the welfare of the Greek people. Outright intervention in Greece's domestic affairs by the United States was an inevitable result of this. Despite these outbursts of irritation, Mission officials have strived doggedly to persuade Greek governments of the necessity for reforms and of following a policy beneficial to the Greek people. The value of treating Greeks as equals and not as subordinates assists in cultivating feelings of responsibility on the part of Greek leaders for the difficult tasks ahead.

In Greece, the principle of self help has been an integral part of United States economic policy. In a democratic society each, if physically and mentally able, realizes that he must contribute to the general welfare while
still retaining his identity as an individual. He neither accepts nor wants unnecessary support from his society. By encouraging the Greek people to help themselves, the foundation for a politically responsible electorate is being implanted.

The concern with which the United Nations has regarded the internal situation in Greece was very important. The banding together of free nations to offer moral support to the Greek government in its struggle against the externally-aided guerrillas was a hopeful development. It assured the Greek people of the righteousness of their opposition to Soviet Union penetration. The contribution of the Economic and Social Council in the form of services and studies with recommendations for improvement of social conditions further strengthens the Greek people's determination to take longer steps on the road of social progress.

The eventual achievement of economic security, bringing with it social and political stability, appears likely if intelligent national planning continues to be carried out in a democratic manner. By keeping both objectives, social justice and political freedom, constantly in mind, the contention that the west is truly the most revolutionary force of all time will be justified.