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Greek tourism and crisis in the Interwar years¹

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It is often claimed, especially by journalists and economists, that tourism is impervious to crisis and that if anything it usually profits from it. Such statements, despite their lack of rigour are challenging, especially as no qualifications are usually made, tourism tends to be seen in isolation rather than as an organic part of the whole economic and political system. Furthermore, as the sector exhibits a high degree of differentiation and often conflicting interests of practitioners, it is natural that the effects of and the reaction or response to crisis would differ from branch to branch and among different firms. Emphasising the entrepreneurial spirit or constant innovation capacity and tactics supposedly inherent in SMEs, need also to be decorticated and assessed. What is more useful is to think in terms of actions by different

¹ This text contains an introduction and observations, which may help the discussion in Session 9.

actors – both private and public - within a particular economic and social framework and specific period. Direct and indirect repercussion of crisis conditions give rise to different logics, strategies and practices.

General standard of living as well as the cultural and educational physiognomy of tourist countries is important. History of a sector and path dependency influences the way actors operate and react. Relations between the private and the public sector vary and produce different outcomes of action and policy depending on timing, degree of development of the sector, national specificities, strength of the impact of a crisis on competition and profitability of firms.

Action takes different forms such as networking tactics, collective mobilisation through associations (professional and voluntary), state initiatives for creating institutional frameworks, information and advertising both private and state, financing, education and preparation of expert manpower, modernisation and rationalization of businesses. The theme is highly relevant for the current situation member countries of the European Union, most particularly, those of the Mediterranean North are experiencing.

The Interwar Period. Crisis and Reorientation of Tourism

The outline just drawn has been used for the examination of major aspects of early Greek tourism development during the Interwar years. There are many analogies between the current situation we are experiencing and that of the 1920's and 1930's. Tourism began then to be seen as an instrument of redressing the balance of payments by

contributing to the increase of incoming foreign currency just as other 'invisibles' until then, like emigrant and shipping remittances.

The period was marked by anti-expansionist policies everywhere in Europe. In Greece more specifically, there was a severe shortage of capital, following the ill-fated Asia Minor Campaign and the influx of 1.5 refugees into the country. Development projects and creation of modernising institutions were carried out in an adverse climate of emergency and disarray, leading to chronic political instability and confusion. Resources in the form of rather onerous foreign loans allowed reconstruction to begin, but throughout the period, both conflict and deep rooted inertia added constraints. On the other hand, there was a constant pressure arising from the urgent need to service the inflated public debt, to integrate refugee populations, secure national homogeneity in order to maintain social peace and restructure the economy as best as possible to allow growth.² Important drawbacks were created by the new monetary policy based on the return to the gold exchange standard, resulting in lack of liquidity of the banking sector, restrictions on money supply, currency speculation and strict rules imposed by the League of Nations and its financial Committee for scaling down the public deficit by cutting expenditure, limiting imports and increasing taxation. Furthermore, on the level of ideas, industrialisation began to gather momentum as a necessary if difficult road accompanying agriculture, towards autarchic development, which

² For the more general economic and financial situation of Greece in the 1920's and 1930's cf. M. Dritsas, *Emmanuel Tsouderos 1882-1956*. Bank of Greece: Athens 2011 (forthcoming). Also, *Industry and Banking in Interwar Greece*. MIET, Athens 1991.

would allow job creation, national homogenization, creating a body of new consumers, who in turn would support industrialization. There was need of raising the living standard of the peasant population (70% of active population) and the urban middle classes.

Tourism was still considered a marginal sector since industry and trade received most of the attention and benefited from incentives advanced by the state authorities and agencies, in addition to being at the core of the dominant liberal ideology. As a result, however, of the general interventionist policies of the interwar, tourism, just like industry, and in contrast to the liberal rhetoric of Interwar politics, began to acquire gradually but steadily more value. Today, its importance should be assessed in terms of its globalization as a sector, and insertion in a new international division of labour. Be it as it may, it is true that tourism has a much higher surplus value than ever before. It is increasingly praised as the only heavy industry of Greece capable of pulling the country out of the misery of economic recession. It is also considered a most important source of revenue for the state (through taxes and duties on consumption, transport and other activities) and an instrument of job creation to alleviate high unemployment (presently officially registered at over 17% on the national level).

During the Interwar period, along with economic considerations, the increased surplus value of tourism led to a reorientation of popular consumption patterns, and to enhancing its political significance. The new road network created before and mainly after the First World War and the proliferation of motorcars changed the focus of travel from mainly city tourism, cultural pursuits and some archaeological sights to

the love of nature and outward activities.³ The decision for the construction of the road network was not, however, related to tourism as a conscious decision. It was started with capital resources from foreign loans and benefited mainly contractors who were at the same time car dealers and representatives of foreign petroleum firms. They were also members of powerful business networks which could apply pressure on politicians. Thanks to special discounts and fiscal policies, very soon, cars started to proliferate and were used by enthusiastic car owners. This development which at the time was considered (and was) a major innovation was carried out by private firms with the collusion of the state and in a way sealed the future development of Greek tourism. There was little effort to improve public transport on a regional and local level or eventually to link satisfactorily new tourist resorts (e.g. spas) with the capital. The construction of railways was abandoned and along with the decline of those still in operation, came the demise of older locations and more traditional sites served by rail. In the long run, the shift to road transport produced considerable collateral damage on environmental degradation.

The trend coincided with the advent of domestic tourism, the gradual rise of per capita income but also with a reduction of foreign visitors, at least for the years before, during and after the default of Greece on her foreign payments in 1932. Despite the lack of accurate statistics, the vacuum of our knowledge about tourism development can

³ The report was located in the personal archive of Emmanuel Tsouderos, Governor of the Bank of Greece between 1931 and 1939. It was discovered during the compilation of research material for his biography.

be partially filled by the findings of scattered evidence in several, sometimes unsuspected sources. This is the case of a report commissioned in 1946 by the Supreme Council of Tourism, a state agency responsible for drawing a general tourism development plan for the whole country. specifications for preparing the report were set by the Reconstruction Authority within the framework of the Marshall Aid programme. The information acquired was based according to its author, on 'in situ' observation and on studying findings of other reports compiled by various public services and government departments.⁴

The information contained in the report confirms that it was generally admitted that constraints for tourism before the Second World War were not only the geographical position of the country and the lack of transport and communication infrastructure, but equally the low living and cultural standard of the population, hence also of new entrepreneurs of the sector. Greece was evidently compared with the leaders of tourism at the time, Switzerland, Italy and France.⁵ In all of these countries tourism development in the 19th and early 20th centuries emphasized culture and education, not simply for producing an appropriate manpower, but also as a core component of the tourism product. Heritage management was a spinoff of this outlook. Greece had to compete internationally and this required upgrading of the tourism value. Until just before the First World War, culture for those dealing with tourism in Greece came before nature, in the Interwar,

⁴ C. Report of the Supreme Council of Tourism, September 1946. Cf. Tsouderos Archive K4.

⁵ These would be the examples used for post war tourism development.

priorities changed and nature was considered now equally or even more important than culture. Nevertheless, even though the myth of symbolic Arcadia was still strong in foreign travel narrative, in Greece itself, nature was perceived slightly differently within an ethnological perspective which assimilated modern folk elements, rural and artisan artifacts. In the 1930's it would acquire special political significance as state propaganda integrating nationalistic themes and stereotypes, and portraying national achievements, on the one hand, and as a vehicle of corporatism.

Contribution of the State

Economic crisis after the First World War, especially after 1922 and the loss of Asia Minor, had a profound negative effect generally on the standard of living but also on the morale of the population. It also affected the rigour and practices of doing business. Despite the input of foreign loans for infrastructure projects and refugee resettlement, the situation remained difficult and the almost chronic imbalances deteriorated as the state budget deficit became uncontrollable. Until then, the State had invested very little in tourism, mainly in establishing museums and carrying out, along with foreign missions, a limited excavation programme to save classical antiquities. This, strictly speaking, was not seen as a tourism project but as a policy of infusing national pride to the country and building a solid national identity, especially in the aftermath of the exchange of populations and the ethnic cleansing taking place in the Balkan region and in Kemalist Turkey. Greece remained an agricultural country with monoculture as a

basic activity based on few export commodities (currants were now substituted by tobacco) and a large new population which increased by 25% the indigenous inhabitants. It consisted of uprooted, disoriented and mostly destitute refugees in need of immediate welfare and permanent rehabilitation. The majority of them had to settle as farmers, small artisans, shopkeepers and labourers. Their direct contribution to industry was limited but their consumption patterns and purchasing power sealed the fate of Greek industry as a producer of cheap light basic necessities. However, modernization schemes taking place should not be underestimated. They focused on large infrastructure projects, among which drainage of marshland in the North of Greece to eradicate malaria, road construction, port improvement, electrification and water supply systems for Athens and other cities. Figures confirm the direction of state priorities, in that throughout the interwar, road construction was high on the agenda -never planned, however, with tourism in mind. The impact, nevertheless of the 100 million dr. used on tourism was cumulative. Museums and various material absorbed 80 million dr., publications, advertising campaigns and establishing overseas tourism agencies used 20 million. It all added to 200 million drachmae, a sum clearly insufficient for any large scale tourism development. However, until 1929 some of the fundamental institutions for tourism, like the National Tourism Organisation, International Exhibition centres, new legislation were introduced.

Private Initiatives and Action

Private business, on the other hand, was rather weak to induce large scale development, especially as the dominant belief was that

tourism was still not a viable sector and investors, especially Greek banks, were particularly cautious to advance loans to individual firms. Only one hotel company, S.A. Lampsas owner of the luxury hotel Grande Bretagne in central Athens was supported by the National and other Banks. Its general manager, G. Petrakopoulos was thus able to introduce innovations (running water, the use of electricity, lifts, in house entertainment and excursion programmes, advertising, new marketing methods by sending sales managers abroad to organise group travel, education programmes for hotel employees and other rationalisation measures. Being originally a journalist, Petrakopoulos maintained important relations with old colleagues and prominent journalists, intellectuals and artists. During the first World War he worked as a war correspondent and had the opportunity to meet the Prime Minister and statesman E. Venizelos who began to support his views about the possibilities of the new sector. Petrakopoulos's networking ability allowed him to play an important part in the more systematic organisation of the sector and the planning by the government of an early tourism policy. He advised state and other authorities on tourism projects and criteria and acted as a prime mover for the representation of the sector in the next decade through the creation of Hoteliers' Associations the Chamber of Hotels, a special financing organization which would have solved the problem of capital shortage, and other institutions.⁶ He also served as special advisor for the National Tourism Organisation. Most of the other hotel, restaurant or travel firms, however, were much smaller family concerns, remained

⁶ The Scheme of securing financial resources for tourism firms did not take off as all plans were interrupted by the outbreak of the Second World War. The initiative would be taken up in the immediate post-war.

self or family financed and were mobilised as pressure groups much later. Other areas related with tourism, which were developed by private firms during the Interwar years and gave impetus to the sector included publishing. National and local guidebooks in Greek for domestic and diaspora tourists were for the first time published by publishers like Eleftheroudakis. They reproduced information contained in classic European and American equivalents (e.g. K. Bedaeker's) but updated and enriched content to meet the requirements of domestic tourism. At the same time, works of foreign travellers, especially photographers like F. Boissonas highlighting new locations and a fresh look at Greek landscapes and people were also published.⁷

The situation began to deteriorate when the crisis hit the Wall Street and expanded fast into Europe. Whatever stabilisation had been achieved until 1928, began to crumble, the drachma lost much of its value and exchange reserves fled Greece. The imposition of currency controls and private bank supervision by the new central bank in 1929 and 1930 was only a temporary device, which led to reduction of import trade and travelling. The number of incoming and domestic visitors declined. Those Greek-americans who had in the past sent remittances to their families, went back to Greece regularly to visit relatives and had even invested in the building and running of small hotels, now stayed away and had to sell or close down those early establishments. Native Greeks could no longer travel easily abroad

⁷ Frederick Boissonas came from a family which owned a renowned Swiss Publishing House which was specialising in travel books and photographs. He made several trips to Greece and photographed Mt. Olympus, Athos monasteries, islands and other sites. His albums are today collectors items.

either. Hotels and restaurants suffered, travel agencies lost more of their customers, who had been reduced any way as a result of immigration quotas set by the USA as early as in 1921. The whole spectrum of tourism businesses was thus adversely affected. When it became clear that no more foreign resources and loans were forthcoming, the system collapsed and a default on foreign payments was declared in 1932. Further development from then on could only come from domestic sources and policy change.

The growth of domestic tourism as a response to crisis

The growth of domestic tourism and the reorientation of Greek tourism should be seen as a reaction to the conditions described earlier. Domestic travellers quickly became an important force which was directed towards new products, for example spa and health tourism and the use of motorcars.⁸ Those facilities which had started to develop hesitantly during the early 1900s, but their standard remained inferior to the glamorous European equivalent, received a strong boost. The initiative did not originate in the private sector but rather in the central state and local authorities and modest loans were contracted from Greek banks.⁹ Bath and Spa centres proliferated around the country and

⁸ During the 1920's and more so in the 1930's several important associations were formed, among which the Greek Motocar Touring Club (Leschi Aftokinitou) and the Greek Touring Club (Periagitiki Leschi).

⁹ The National Bank of Greece was particularly involved in some of the more important investment. This bank had energetically supported the modernisation plan of the interwar governments, especially of the liberal leader E. Venizelos. Cf. M. Dritsas, 'National integration and economic change in Greece during the twentieth century', In Alice Teichova et al, *Economic Change and the National Question in Twentieth-century Europe*. CUP, Cambridge 2000. P.196-228.

those more affluent Greeks from the Eastern Mediterranean who travelled abroad earlier now started to use them more systematically. However, new investment was still insufficient and these establishments could not boast for their comfort, let alone luxury. Spa, mountain and more generally health tourism acquired more impetus in the mid 1930's when a new policy was introduced by the semi-fascist Metaxas regime. The dictator, inspired by the Central European Fascist and Nazi ideology, saw in tourism a political instrument which would strengthen his failing legitimacy. Not only did he introduce paid holidays and social security, but promulgated a series of laws regulating the operation of water springs, spa centres, medical and treatment services dispensed to tourists. At the same time, tourism became a vehicle for the political integration of large groups of rural population, which were until then excluded from politics. Peasant women in particular were given the opportunity and possibility to contribute to their families's income by working as hostesses of visitors, baking pies and cakes, knitting and weaving and re-enacting folk traditions. One of the first projects of the state run National Tourism Organisation founded in 1929, was a two prong advertising campaign to show off the natural beauty of Greece and its folk culture. Leaflets, brochures and books were distributed to a network of branch offices in European capitals and to local authorities and communities. There was action too on the private side as hundreds of newsletters and magazines were issued by a plethora of local voluntary associations, which organised excursions and other events in the Greek countryside. The press was also quick to catch the new trend and several daily newspapers began to set columns and commission articles on travel and culture with

personal impressions, recommendations and advice given by well known authors, poets, archaeologists and artists. The latter were invited by the NTO to express their ideas on posters which reflected best the new concept of Greek tourism. This was the first systematically organized state-financed national advertising campaign, which accompanied the new tourism policy. Time did not allow a full implementation of these projects and everything was stopped in 1940 when the War broke out. Most of the ideas, however, were taken up again in the post war period.

These observations are supported by the evidence produced in the report mentioned earlier which showed that until 1940, about 33% of time spent (no. of nights in hotels) was time spent in spa centres, mainly by Greek tourists. Spa facilities were separated from the rest of tourist services, as an activity with a special significance and scope. Prior to 1920 spa works absorbed merely 35 million drs, whereas by 1940 investment had risen to 250 million. Spa centres, however, only operated for 4 months in a year and figures were estimated on the assumption that only 50% of bed capacity was used, by analogy of what was happening in city hotels. The figures confirmed that the new policy was part of a bigger effort, on the one hand, to strengthen state power and on the other, to overcome the problems of crisis which was not only economic but political and social.

The reorientation and discovery of the beauty of Greek nature was a trend which imitated European behaviour and choices but was also related with important changes in Greek society, which was becoming more urban, after the arrival of the refugees and despite the

recommendations of rural rehabilitation. As nature exploring associations proliferated all over Greece, there was less pressure, however to modernise museums and promote other more bourgeois cultural facilities. There was only one initiative for instance to establish a casino in a spa resort which lasted only for a very short time.¹⁰ Along with spas, mountain shelters were also constructed by the State absorbing 192 million drachmae. Exhibition halls and tourist pavilions and bureaus in other European capitals was also the result of state policy during the Interwar years, especially the 1930's.

According to figures available, hotels were mostly used by Greek individual travellers, to a proportion of 60%, and only about 7% of nights sojourn corresponded to foreign tourism. As already mentioned, foreign incoming tourism was restricted as a result of the crisis. Figures for external tourism vary according to sources from 350 000 to 500 000 persons. Most of them chose to visit Greece as passengers on cruises sleeping on the boats and only briefly visiting major archaeological sites or other locations.

These remarks suggest that hotels, with only a couple of exceptions like the *Grande Bretagne* in Athens, were relying on domestic tourism for revenue and infrastructure improvement, and probably had little incentive to imitate trends in other countries. In 1939, there were 45 000 hotel beds and the number of nights spent was

¹⁰ A casino was established in Loutraki, one of the earliest spa resorts near Korinth. For details, cf. M. Dritsas 'Water, Culture and Leisure: From Spas to Beach tourism in Greece during the Nineteenth and Twentieth Centuries, in Susan Anderson (επιμ.) *Water, Culture and Leisure*, Berg, Oxford and N.Y. 2002 pp. 193-208.

approximately 8 000 000. Average price per night for a hotel room was 60 dr. which resulted in an annual revenue of 493 billion dr. Of that, profit was estimated at 15%, taxes at 10% and labour cost at only 1%. For restaurants, average food spending was estimated at 30 drs. A parenthesis is made here to compare the cost of a standard rather small room (without running water or bathroom) room in a luxury hotel in a European capital between 1925-1928. It was rated 25 shillings or 375 drachmae. It was rightly considered exorbitant even by affluent Greeks.¹¹ Weekly expense for such a room and breakfast amounted to 20 pounds or Dr. 6000. The cost of food was equally high, and a regular one course meal without wine in an average restaurant cost around 20 shillings (300 dr.). Daily cost of a traveller to Greece was differentiated between Greek visitors who tended to spend around 300 dr./day and foreign visitors who spent around 500/day. Compared with the cost in London, Athens was approximately 50% or 60% cheaper. Tourists tended to have different policies too. For instance Diaspora Greeks remained in Greece for 2 or 3 months and normally they were housed by friends and relatives. Foreigners who travelled on business in Greece, tended to extend their stay for up to a month and always stayed in hotels.

The following table shows that total revenue of the private hospitality industry in 1940 was estimated to be 1.2 billion Drs. Restaurant establishments which in 1940 numbered 1750 around the country, had a value estimated at 150 million Drs. Private capital invested in tourism in 1940 did not, therefore, exceeded 2 billion drs.

¹¹ Cf. E. Tsouderos correspondence with his wife while he stayed at the London Ritz hotel, Letter dated 4.3.1925. Tsouderos Archive F23.

Compared, however, with the 600 million dr. invested by the state in the whole sector, it was considerable.¹²

Situation of Tourism Establishments 1920-1940

Facilities	Total worth Mill.	Gross Revenue million Drs.	Maintenanc e	Running Expense s	Profit , Taxes etc.
Hotels (Priv.)	1.840	490	76.7	221	192.3
Restaurants (Priv.)	150	490	9.1	398	82.2
Travel Agencies (Priv.)	5	120.0	0.5	105.	14.54
Tour.buses & cars (Priv.)	5	20.0	0.9	12.2	.95
Total private	2, 000	1,120	852	736.2	290

¹² Figures were provided by the Chamber of Hotels. Cf. *Report on the Reconstruction of Greek Tourism*. Tsouderos Archive F50.

Public works	200	15.0	2.5	7.25	5.25
Spa centres (Publ.)	250	20.0	14.6	3.6	1.8
Tour. Pavilions(Publ.)	15	5.0	0.85	2.8	1.35
Achilion (Publ.)	30	-	0.05	-	0.05
Exhibitions (Publ.)	140	6.0	1.7	3.5	0.3
Mt. shelters(Publ.)	7	0.14	0.2	-	0.6
Total Private & Public	2,642	1,166,14	107,04	753,30	305,8 0

Source: *Report on the Reconstruction of Greek Tourism*. Tsouderos Archive K14.

Tourism Revenue 1931-1938 (gold. Francs)

Expressed as percentage of Exports and Invisible receipts

Year	Tour. Revenue 000Gld.francs	% ofExports	% Emigr.Remit.	% Merchant Marine Remit.
1931	21,800	8.9%	14%	83%
1932	21,500	11.9%	29%	94%
1933	51,000	32.2%	66%	271%
1934	30,000	19%	66%	120%
1935	21,200	9.8%	62%	86%
1936	20,500	9.6%	36%	76%
1937	23,500	8.9%	25%	92%
1938	20,600	6.8%	27%	64%

Source: *Report on the Reconstruction of Greek Tourism*. Tsouderos Archive F50.