

Economic policy and business after the “Asia Minor catastrophe”
*Housing and the construction sector in the urban settlement of refugees in interwar
Greece*

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The problem

Although the period following the Balkan Wars and the First World War was marked by ethnic repression, the elites of South Eastern Europe as well as international organizations and business favored a broader governing philosophy and liberal economic policy. All Balkan governments saw themselves embarking on a policy of modernisation in which a strong central power would drag their country into the twentieth century by means of active social and economic reforms. Since, by almost all indicators, Balkan countries lagged behind the rest of Europe, the modernisers’ task was immense. It included four main projects: economic, political and social integration of the refugees, re-organisation of the state, legislative modernisation and economic policy.

In Greece, while the majority of refugees settled as farmers in newly acquired land (in Macedonia, Epirus and Thrace), a substantial proportion of them (46 per cent) settled in the biggest towns: Athens, Piraeus and Thessaloniki. The immense task of housing was hampered by the absence of a uniform policy. It involved foreign and domestic resources, international loans, the establishment of a special international organization – the Refugee Settlement Commission, the issuing of national bond loans by the main institution for policy enactment at that time, the National Bank of Greece, and the involvement of the bank’s experts. Naturally, there were many incentives for new business. Greek entrepreneurs created large cement factories during the interwar period and made Greece one of the main exporters of cement in 20th century Europe.

My paper is part of an ongoing research project that draws heavily on unpublished archival material from the National Bank of Greece, the Central Bank of Greece, the National Greek Archives and private company archives. I shall argue that, in spite of the Greek policy-makers’ conviction that the concentration of refugees in urban centres was politically unsettling, and that while capital accumulation and modernization were achievable only by giving priority to agriculture over industry, refugee housing on one hand and refugee wealth on the other gave incentives to construction and cement production industries to thrive.

A. Economic policy and national integration in interwar Greece

1. *The refugee question according to analysts of the time: the “unbearable lightness” of numbers*

The numbers do not speak for themselves, nor do they mean anything to the obscure protagonists of the dramatic population movements – both voluntary and forced – that took place between the wars (and have continued ever since) in the Balkans, and elsewhere in Europe and the world. However, the heads of state and interstate mechanisms think, decide and respond in numbers and statistics when asked to solve life and death problems related to political, economic, national and social survival within their realm.

Making an accurate count is never a simple matter, least of all in exceptional circumstances such as those that faced Greece following the collapse of the Asia Minor front in August 1922 and the influx of thousands of impoverished refugees into a country of five million inhabitants. The first census of refugees who arrived after the Asia Minor catastrophe was conducted in 1923 and yielded a number of 847,931.¹ Refugees continued to arrive after that from Bulgaria and Russia as well as from Turkey. The estimated total number was around 1,400,000 but this was probably a rough count since the real number could only be verified in conjunction with a census of the overall population, as individual census forms would mention each inhabitant’s place of origin. Consequently, the census of the 15th of May, 1928, taken six years after the war ended, gives us the first official total number of refugees according to place of origin. This number came to 1,221,849, of whom 1,069,957 arrived after the Asia Minor catastrophe, and 151,892 of whom had immigrated before it. The number of 151,892 includes “earlier refugees”, who came before 1920 and who numbered around 70,000. Table 1 presents the total number according to place of origin.

¹ Pallis, A.A., *Syllogi ton kyrioteron statistikon ton aforoson tin antallagin ton plithysmon kai tin prosfygikin apokatastin meta analyseos kai epexigiseon* (Collection of the Main Statistics Regarding the Exchange of Populations and the Refugee Resettlement, with Analysis and Interpretations) (Athens, 1929), p. 4.

TABLE 1.
REFUGEES' PLACE OF ORIGIN ACCORDING TO THE CENSUS OF
15TH MAY 1928

ASIA MINOR	629,954
THRACE	256,635
PONTUS	182,169
CONSTANTINOPLE	38,458
BULGARIA	49,027
CAUCASUS	47,091
OTHER PARTS OF RUSSIA	11,435
SUNDRY PLACES OF ORIGIN	10,080
TOTAL	1,221,849

Source: Pallis, A.A., *Syllogi ton kyrioteron statistikon ton aforoston tin antallagin ton plithysmon kai tin prosfygikin apokatastasin meta analyseos kai epexigiseon* (Collection of the Main Statistics Regarding the Exchange of Populations and the Refugee Resettlement, with Analysis and Interpretations), Athens 1929, p. 4

Analysts of that time noted the wide-ranging effects of the refugee issue on political, economic and social life in Greece. Of primary concern to politicians, bankers and entrepreneurs of all kinds, however, were the demographic issue, namely ethnic homogeneity, and the economic aspect. The ethnic issue and the economy would go hand in hand till almost the end of the Second World War.

In demographic terms, population density increased from 37 square kilometres (in the 1920 census) to 49 square kilometres (in the 1928 census). Apart from density, what was of keen interest was ethnic “homogeneity” or “lack of homogeneity”, to use a neutral term of the era, which of course did not succeed in concealing political anxiety about the major issue of ethnic and religious minorities. The outcome was fairly encouraging in terms of the ethnic “integration” of Greece, since foreign-born and foreign nationals, who made up 20 per cent of the population in 1920 were only 6.25 per cent in 1928.² The population exchange that was mandated by the Treaty of Lausanne and signed on the 1st of January 1923, had borne fruit.³

The economic effect was serious, according to analysts of the day. And, as with all modern economic theories, opinions were divided. One of them might be termed a passive theory, the other active.

The former theory relates to direct expenditure from the state budget on the exchange, relief and other needs of the refugees, as well as on domestic and foreign loans and the rural and urban settlement of the refugees. The latter, or active, theory notes the increase of national wealth and public revenues due to the increase in agricultural production by refugee farmers, and also to the growth in national industry due to the addition of new, distinctly refugee industries such as carpet making as well as small-scale manufacturing. Other economic and social consequences that were considered significant though “perhaps not entirely”⁴ were, first, the elimination of large holdings, which were used to settle the refugees, and second, the decline in nomadic stock-raising due to the use of arable land by refugee farmers and the expansion domestic stock-raising.

2. International loans and the establishment of the RSC: National and international power struggles

The change brought about by the war and the new realities of Greek society post-1922 were clear to see in the cities, harbours, railway stations, and thoroughfares of Thrace and eastern Macedonia. The presence of this large number of needy people was a moral and practical problem whose solution was clearly beyond the limited resources of the Greek state. It was in no way feasible

² Turks, Bulgarians, Armenians and Jews were designated to be ethnic and religious minorities.

³ Among the extensive literature on this subject, see Svolopoulos, *I apophasis gia tin ypochreotiki antallagi ton plithysmon* (The Decision on the Compulsory Exchange of Populations between Greece and Turkey), Thessaloniki, 1981 and E. Kontogiorgi, *Population exchange in Greek Macedonia. The rural settlement of refugees 1922-1930*, Oxford University Press, 2006.

⁴ Pallis, A.A., *Syllogi ton kyrioteron statistikon ton aforoson tin antallagin ton plithysmon kai tin prosfygikin apokatastasin meta analyseos kai epexigiseon* (Collection of the Main Statistics Regarding the Exchange of Populations and the Refugee Resettlement, with Analysis and Interpretations) (Athens, 1929), p. 2.

for the financially depleted Greek state to have borne the burden of refugee rehabilitation alone. Greece was an underdeveloped country, financially exhausted by ten years of continuous war, with concomitant high taxation and inflation, and torn by internal political dissension. The Greek government had spent about 4 million sterling for relief and temporary settlement of the refugees during the first two years, and this had brought the country almost to the end of its financial resources. The Greek economy had been supervised by an International Financial Committee since the defeat in the war with Turkey in 1897, a fact clearly indicating Greece's economic dependence on the Great Powers of Europe.

In early 1923, the Greek government turned to international organizations for financial support. After consulting with Sir Eric Drummond, Secretary General of the League of Nations, Prime Minister Venizelos put forward a loan proposal to the Council of the League at its February meeting and asked for their "moral support and technical assistance". In response to the urgency of the problem, the Council referred the matter to the Financial Committee, the technical arm of the League responsible for drawing up schemes for the economic reconstruction of Austria and Hungary. The Council of the League of Nations was skeptical, in particular concerning the material securities that Greece could offer for the proper floating of a refugee loan because of the near bankrupt state of the country. Moreover, the League of Nations had reservations due to the political instability that might have caused mismanagement of the loan, diverted part of it to military purposes, or affected the sources of revenue offered as a guarantee. It was finally decided that an independent body should be formed for the purpose.

In July 1923, the main lines of a settlement project were approved by a Sub-Committee (consisting of the British, French and Italian members of the League Council and Professor Andreas Andreades, the Greek representative), in recognition of the immense problem in Greece. These included the provision of financial resources by means of a loan and the establishment of a Greek Refugee Settlement Commission (RSC) to carry out the settlement (Protocol of Geneva, 27/11/1924).

The newly established RSC began its arduous and complex task in the shadow of the political instability of late 1923. Once the political air had cleared, and thanks to the splendid work of the RSC's first chairman, Henry Morgenthau, a progressive American politician with considerable philanthropic work for refugees, these early successes were decisive in gaining the Financial Committee's final approval for a long-term loan later that year. In December 1924, after negotiations over the loan, which lasted over a year, the Greek government, under the auspices of the League of Nations, floated a loan of £12.3 million, raised in London (Hambros Bank: £7.5 million), Athens (National Bank of Greece: £2.5 million), and New York (Speyer & Company's Bank of New York: £2.3 million). While the prevailing interest rate was 4-5 per cent for government loans, the Greek refugee loan real rate was as high as 8.71 per cent with the addition of commissions and duties to the nominal rate of 7 per cent, a fact that called into question its supposedly humanitarian character.

The funds from the first loan proved to be insufficient, however, for the completion of the RSC's scheme and negotiations started as early as 1925 for a supplementary one. The so-called stabilisation loan of 9 million pounds was raised in 1927 at a real interest rate of 7.05 per cent. Though part of this loan was devoted to stabilising the Greek currency and liquidating budget arrears of the state, one-third (3 million) was granted to the RSC in order to complete the work

of settling Greek refugees. Finally, the United States government advanced a further 2.5 million to the Greek government at an interest rate of 4 per cent, which was eventually assigned to the RSC for refugee settlement.

B. “Herculean” and “Titanic” cement factories: Urban Housing and the construction sector in interwar Greece

The structure of the RSC was centralized with a vertical hierarchy: its headquarters were located in Athens and comprised three departments that dealt with agriculture and rural resettlement, urban resettlement, and the distribution of finances.

No loan offers were made for industrial or urban projects for refugees who had been settled in urban centres and who, apart from accommodation, were given no other means of providing for themselves, not even the promise of employment.

The first body to deal with housing refugees who had settled in the cities was the Refugee Treasury Fund (RTF), which was founded by legislative decree on 3.11.1922. As of 1924, the RSC undertook housing projects alongside the RTF. In May 1924, the RTF was abolished and responsibility for housing refugees devolved to the Ministry for Welfare and Assistance.

From 1924 to 1930, the RSC created four residential districts: Vryonas 1,764 residences, Kaisariani with 1,998, Nea Ionia with 3,864, and Imittos with 400.

From 1934 to 1935 nine large apartment blocks comprising 215 apartments were built in Nea Kokkinia,. They were followed by apartment blocks for refugees on Alexandras Avenue and at Stegi Patridos, totalling 360 residences. From 1934 to 1939 nine apartment blocks comprising 273 residences were built at Dourgouti. There was also considerable construction in Kaisariani, Agioi Anargyroi, Piraeus and Agios Ioannis Rentis. The Athens basin received 225,000 refugees⁵, who represented some 20 per cent of the overall number of immigrants to Greece. State policy on the resettlement of refugees in Athens did not focus on high-rise apartment blocks in the city, but on establishing quarters on the outskirts and near areas where refugees were temporarily settled. This was achieved either through organised construction projects, usually of small apartment blocks or small single or duplex residences in one-or-two-storey houses, or by means of programmes that promoted self-accommodation by providing building plots on easy repayment terms to refugees who were entitled to them. More than 15,000 plots of land allotted in this way, chiefly in Nea Smyrni and Kallipoli.⁶

In 1927, a law was passed concerning the ownership of apartments, specifically for refugees.⁷ Article 8 of the law stipulated that its provisions applied

⁵ Ι.Γ.Μιχαλόπουλος, «Στατιστικά Πληροφορία», λήμμα στη *Μεγάλη Ελληνική Εγκυκλοπαίδεια*, τόμος Β', σ.279. I.G. Michalopoulos, “Statistical Information“, entry in *Megali Elliniki Enkyklopedia*, volume II, p. 27

⁶ Μ. Πασχοπούλου, «Στέγασις Προσφύγων», λήμμα στη *Μεγάλη Ελληνική Εγκυκλοπαίδεια*, τόμος Ι', σ.672.

M. Paschopoulos, “Housing Refugees”, entry in *Megali Elliniki Enkyklopedia*, volume IX. P.672.

⁷ Ν.Δ., “περί της κατ’ ορόφους ή διαμερίσματα ιδιοκτησίας”, στο *Εφημερίς της Κυβερνήσεως*, ΦΕΚ 46, 19.3.1927, τεύχος Α'. Legislative decree concerning apartment ownership, in the *Government Gazette*, issue 46, 19.3.1927, volume I.,

solely to houses built in refugee quarters by the public sector, the RSC and private individuals. However, implementation of organised projects to construct apartment block-type buildings did not begin until 1934, seven years after the legislation was enacted.

The construction of multi-level buildings that took place after 1922 was not directly related to the mass settlement of poor refugees but to the influx of capital from wealthy refugees who had begun to settle in Greece in 1912 as well as, of course, in 1922. In the period leading up to 1922, wealthy repatriating Greeks used to invest at least some of their savings in urban real estate. A similar phenomenon was apparent in 1880, when a wave of Greeks returned from Egypt, which boosted sales of houses in Athens, notably in the Neapolis quarter.⁸ It is reasonable to ask whether the growing influx of Greeks from abroad into Greece after the Asia Minor disaster was a substantial factor in the development of multi-level buildings in Athens after 1922. Greeks from abroad faced a dual problem: house resettlement on one hand, and on the other secure investment for the financial capital they had managed to bring into the country.

A decisive part in the development of multi-level buildings in Greece, especially in the capital, was played by construction technology and the domestic building industry during the inter-war period. This was due primarily to the introduction of a new building material, reinforced concrete.⁹ The new building contained much less iron, which was imported, and also gave local industry an opportunity to provide other materials, namely cement, gravel and sand. Thus the conditions for the development of the Greek construction industry were created.

The first Greek cement factory was owned by **Heracles General Cement Company**, and was founded by royal decree on 25.7.1911 in Elefsina, and the second, owned by **Titan Cement Company SA** was founded by royal decree on 16.12.1919 in Piraeus.¹⁰ However, in the early stages of its development, the construction industry was unable to respond to the demand that had suddenly been created, and so a significant proportion of construction materials had to be imported. Thus the initial advantage of new technology, its use of local materials, was in practice noticeably diminished. Local industrial production of cement emerged in the decade from 1910 to 1919, and was rudimentary in both means and output. Up till 1920, absorption from the domestic market was minimal, and

⁸ Κ.Η.Μπίρης, *Αι Αθήναι από του 19^{ου} εις τον 20όν αιώνα*, Αθήνα: Καθίδρυμα Πολεοδομίας και Ιστορίας των Αθηνών, σ. 198.

Κ. Ι. Βίρης. Athens from the 19th to the 20th century, Athens: The Establishment of Town Planning and the History of Athens,

⁹ Π.Α.Μυχελής, *Η αισθητική της Αρχιτεκτονικής του μπετόν-αρμέ*, Αθήνα 1954, σ.11-12. P.A. Michelis, *The Aesthetics of Reinforced Concrete Architecture*, Athens 1954, p 11-12. *Η αισθητική της Αρχιτεκτονικής του μπετόν-αρμέ*, Αθήνα 1954, σ.11-12. Until that time, multi-level buildings had been constructed by a mixed system in which the load was borne vertically by stone structures and horizontally by metal beams. The old construction technology had limited effectiveness in terms of static capacity, fire safety and functional layout. Moreover, the main building component, the metal beam, had to be imported, which dramatically increased construction costs. The introduction of reinforced concrete resulted in both structural static improvements to the building, and in a significant cost reduction. According to architect I. Angelopoulos, it cost 20-40 per cent less than the earlier mixed structure type. It also minimised the mass of the load bearing elements to one third of that in the earlier type of structure.

¹⁰ G.A. Anastosopoulos, *History of Greek Industry. 1840-1940*, Athens, Ellinki Ekdotiki Etairia, volume II 1947, p.828, 1027, 1028.

as much as one third of the total output was exported, principally to Egypt and Turkey.

The 1920s saw the first substantial growth in the local cement industry, with the establishment of new factories. **Olympus Cement Volos SA** was established in 1924 and **Portland Technical Cement Halkida SA** in 1926. The basic reason for this growth was the urgent demand for housing that arose after the Asia Minor disaster. Moreover, the basic raw material came from Greece itself and Greek workers became familiar with the potential of the new technology.

TABLE 2
CEMENT PRODUCTION IN GREECE
(1921-1929)
(1934-1938)

Year	Amount (tons)
1921	28,000
1922	37,000
1923	36,000
1924	55,000
1925	60,000
1926	86,000
1927	105,000
1928	145,000
1929	155,000
1934	248,000
1935	273,000
1936	276,000
1937	290,000
1938	308,000

Source: NSS, Statistical Yearbook of Greece – 1930, Athens 1931, p. 179
NSS, Statistical Yearbook of Greece – 1939, Athens 1940, p. 135.

Despite the growth of the local cement industry, production in the 1920s (Table 2) could not meet domestic demand. And so, towards the end of the decade, extra supplies had to be imported, which in 1928 and 1929 represented 49 percent of local production. However, the ground for industrial production had been prepared. Thus, the 1930s saw dramatic growth (Table 2) that was not only able to satisfy domestic demand but also went into exports (Table 4). It was only towards the end of the decade that exports stopped due to fortification projects that had begun and which, together with housing construction and other public works, absorbed almost the entire cement output. Cement exports reached their peak in 1934, representing 7.5 percent of total domestic production.

Other basic building materials, such as iron, gravel and timber, were mainly imported from other European countries. Overall, the construction materials production sector made a significant turn to construction innovations suited to the construction of multi-level structures, even though that depended to a certain extent on some materials that had to be imported.

TABLE 3.
Cement imported into Greece (1927-1929)

Country of origin	1927	1928	1929
Yugoslavia	17,827	17,399	23,109
Russia	8,796	13,195	24,009
Other countries	16,551	40,204	28,817
Total (tons)	43,174	70,798	75,935
Value (thousands of drachmas)	46,194	75,869	71.524

Source: NSS, Statistical Yearbook of Greece – 1930, Athens 1931, p. 244.

TABLE 4.
Cement exported from Greece (1933-1938)

	1933	1934	1935	1936	1937	1938
Amount (thousands of grams)	16,105,000	18,586,000	6,748,000	1,192,000	86,750	3,750
Value (drs.)	14,047,907	13,466,337	4,680,547	1,408,929	106,370	7,625

Source: NSS, Statistical Yearbook of Greece – 1930, Athens 1940, p. 139.

Provisional Conclusions for further research

The “Greek” interwar period started as late as 1923 (and not in 1918) and merits special attention for a number of reasons, of which the most important is that many political, economic and social aspects of the period have not been adequately studied.

This paper attempts to examine, first, the determinants of the Greek economic policy, and secondly, the consequences of economic nationalism on spontaneous and/or concerted action by various entrepreneurial groups. In this context, it seems reasonable to ask in what extent the influx of refugees in the country, was a substantial factor in giving incentives to construction and cement production industries to develop, in spite of the lack of industrialization policies. At this point of the research it appears that the mass settlement of poor refugees on the one hand and the influx of capital from wealthy refugees on the other, prepared the ground for industrial development.

However, industrial growth and change in late developing countries such as Greece in interwar period, need to be studied not as a result of industrialisation state policies, but rather as a result of a complicated phenomenon comprising state-building, cultural integration, national and international political struggles as much as the development of agriculture and trade which in fact inhibited the subsequent development of industry.

Unpublished archival material from the National Bank of Greece, the Central Bank of Greece, the National Greek Archives and private company archives provides:

1. a pivotal case study of urban resettlement
2. the examination of the role of an international organization in an extremely critical situation
3. an example of the “network” entrepreneurs-politicians-engineers
4. a case study of cement industry