

# ΣΠΟΥΔΑΙ

Τριμηνιαία Επιστημονική Έκδοση της Ανωτ. Βιομηχανικής Σχολής Πειραιώς

ΕΤΟΣ 1987

ΙΑΝΟΥΑΡΙΟΣ-ΑΠΡΙΛΙΟΣ 1987

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## THE TWO GREAT WARS AND THE TWO GREAT WORLD CRISES

By

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### SOME INTRODUCTORY REMARKS

The First World War ended not only with the defeat of the Central Powers but also with the imposition of an imperialist peace and its precarious insurance valve, which was called the «Society of Nations». Europe entered the period between the wars with a host of problems: the conquest of the German colonies by the victors (though they concealed the word «conquest» under the term «mandate»), the intolerable war indemnities, the transformation of the map of Europe into various states, where the dogma «divide and rule» could be readily applied and the fear of Bolshevism which for the first time had created a regime in a country both immense in extent and extremely rich in resources. These were all factors in a precarious peace, an insecure world, an Europe with a continental power vacuum and an internationally weak and vacillating France which was led by conservative England. Meanwhile, two non-European powers, the United States and Japan, gained strength steadily.

In this world the Mediterranean played the role of a bridge and a sounding board for the naval powers — England, France and Italy — the last of which had set up a fascist government to counter the communist threat. When Germany became Nazi for the same reason (with the blessings of the Tories) the world had

to choose between two forms of despotism, the totalitarianism of red or black. For democracy was aristocratic, plutocratic and incapable of confronting the threat of a new war, which the totalitarian regimes were plotting.

After World War I, the countries of the world displayed a high degree of instability on the political and economic level. Within the complex of extant negative factors that eroded the welfare of the world's people, a host of demagogues arose and a host of governments came into power, the one after the other. The loose morals, the revolutionary movements, the political scandals (such as Stavinsky in France), the bankruptcies (such as the In sel bank in America), the virus of corruption in South America and the new wave of colonization had corresponding repercussions on the formation of the world reality which was to receive its ultimate test, and shock, from the Great Depression.

## I. THE GREAT DEPRESSION, 1929-1932

Under the above mentioned conditions the Great Depression broke out with a vengeance so that between the years 1931 and 1932 Great Britain had one-fourth of its workers unemployed, France, which used to import workers from abroad, was obliged to expel them and Germany suffered such a severe shock that the production of capital goods dropped by one-half to two-thirds, a decline that was mirrored in the industries that produced consumer goods.

Churchill, in his book, «The World Crisis» (1931), stressed that after the end of the war, the production of military hardware should have continued for the amortization of the already realized fixed investments. Other politicians countered with audacious programs, like Franklin Roosevelt with his New Deal (1933-1937), while Fascist agitators seized power through revolutionary force in order to support the claim that they were indispensable to preserve order. Indeed, they did impose it through the tactics of disturbance, imprisonment, exile and execution. Hence, mankind in the period between the wars was left to the mercy of anarchy and the preparations for a new war, because the Treat of Versailles (June 28,, 1919), was, as Wells characterized it in his «Outline of History» (1920) a «dead duck».

Some economists have explained the Great Depression by uncontrolled speculation on the Stock Exchange while others have explained it in terms of industrial production. But the truth is quite different, because the Stock Exchange

Was only a simple barometer reflecting reality and though there was industrial over - production, there can be no doubt that the crisis was also provoked by another factor, namely, agricultural over - production which followed the same pattern as in industry, and this in the country which was conceded to be the first among the industrially developed countries, i.e., the United States.

While the European countries that had been embroiled in the war tried to re-organize themselves and to struggle to find a solution to their post-war dilemmas, the United States continued with its industrial development which increased by one-quarter over what it was before World War I, thus augmenting economic activity and currency circulation. But despite its economic activity, the sluggishness of certain industrial sectors became apparent, such as military industries, while there was an excessive increase in bank credit. From 1920 to 1921 economic progress was held in check to be followed by a 34% decrease in prices and by the drying up of investments along with a fall in production and a rise in unemployment. The number of unemployed reached 4.750.000 and many enterprises went bankrupt.

But this depression was due to conditions in the immediate post-war period and was short-lived. Nevertheless, it heralded the Great Depression. Regardless, the economy of the United States began to revive so that prices as well as tariffs increased from 21% to 29.30% in the span up to 1921 and then little by little to 38% for the period between 1923 and 1929. At the same time, limits were placed on emigration to the United States in an attempt to stem unemployment, and rational measures of production were instituted to both lower costs and keep prices steady. Henry Ford introduced the assembly line and there were various other systems of a psycho technical nature, that organized labor and production and contributed to national aims. Henry Ford achieved record sales of automobiles, producing 5,358,000 from 1922 to 1929. Moreover, the production of electrical energy increased 100%, oil 80%, while steel production reached 41 million tons and the chemical industry doubled in size. The values on the New York Stock Exchange rose as well. In 1927 the assets had a value of 1460 million dollars, in 1928 this rose to 2900 million and in 1929, 5868 million, The value of shares also showed a similar rise.

But this progress was followed by the Great Depression. On November 1, 1929, 32 billion dollars was lost in stock certificates and in 1930 there was an abrupt fall in all prices. The crisis which had jolted the economy struck unexpectedly, Wall Street was shaken to its core and the subsequent collapse of values and prices affected the entire world. In Chicago, a bushel of wheat was 148 cents in 1929 and 44.5 cents in 1932. Cotton which sold in New York for 18.5 cents a

pound fell to 5.18 cents and rubber went from 20 cents to 2.49 cents, while copper declined from 21 cents to 5.16 cents during the corresponding period.

Production shrank in a like manner. On a basis of 100, by 1932 this had fallen to 71 in France, 60 in Belgium, 67 in Italy and 62 in Poland. The production of steel went from 120 million tons to 50 million tons, the number of automobiles produced from 6,130,000 to 1,979,000 and coal production declined from 1,332 million tons to 960 million tons.

By 1932 the number of unemployed reached 30 million worldwide, of which 12 million were in the United States, 6 million in France, 3 million in England, over 1 million in Italy and so forth, while most of the employed did not work more than 30 hours weekly.

With the advent of the Great Depression, global trade also declined as various countries tried to achieve selfsufficiency by protecting their own industries through the imposition of tariffs against the lower prices of the more developed nations.

These countries in their turn sought the same protection for their industries against the intensity of international competition. Restrictions were also placed on the import of certain commodities on behalf of their trade balance and, of course, their balance of payments.

This crisis had been foreseen by the neglected sociologist - economist, Thorstein Veblen, who founded the Institutional School.

We can follow the history of intervention or nonintervention in foreign trade, from the 19th century on, when both free trade and protectionism were applied. If we observe these two principles of economic policy we will note that the one generally follows the other, though we often find them both appearing at the same time, reflecting the complex trade policies of the various countries.

The first half of the 19th century was by and large devoted to free trade while the second half took up protectionism ; The first half of the 20th century was dominated by protectionism while the second half shows to tendency toward free trade though there is a simultaneous reaction against this on behalf of protectionism.

Protectionism was adopted mainly because of the need to develop a national economy and in particular industry while free trade was adopted on behalf of lower

prices and the natural distribution of the products countries produced. Both of these policies were advanced with strong arguments, especially when faced with events that justified their application.

Both on the eve of World War I and after its conclusion, the trade balances of the warring powers showed a deficit which had corresponding repercussions on their balance of payments. Independently of whether certain merchants in the Netherlands, Scandinavia and Spain managed to create large fortunes, the warring countries suffered economically. Only Italy resisted the pressures of economic downturn at this time. Despite all this, the development of production, the improvement of the markets, the increased density of the transportation network and the intense reaction to the wounds inflicted by the war assisted the economy of these countries, a process that was only brought to a halt in 1929. Then greater importance was given to currency circulation and foreign trade, which Russia held as a state monopoly. But the rest of the countries also put limitations on trade with tariffs and taxes on behalf of their own industries such as England with the Safeguarding of Industries Act (1921). Consequently, during the period between the wars the world entered a period of neomercantilism despite the fact that the dampening which appeared as a policy of commercial domination and a policy of international power was accompanied at the same time by clearing. But the application of tariffs and quotations on the one hand undermined the idea of global free trade and on the other stressed the mentality of selfsufficiency and isolation resulting in a reduction of commercial exchanges. For example, the export of chocolate from Switzerland fell from 45 to 1 in 1935. The same evidence of commercial downturn can also be seen in other countries and this is evident from the following table which shows the value of gold from 1900 -1935.

Country	1900	1913	1925	1930	1935
Great Britain	18.7	15.2	14.9	13.4	13.9
United States	11.5	11.2	13.3	12.6	10.8
Germany	12.6	13.1	10.0	09.7	08.6
France	08.7	07.8	06.9	06.7	06.1

So the Great Depression brought about the application of protectionism even in countries to whom free trade was considered to be indispensable. Starting

in 1932 a general tariff of 10% ad valorem was enacted on behalf British industry **with** the government showing a readiness to change this amount at any time.

To the causes of the Great Depression we have already mentioned, we will now add the following.

The first factor we encounter is the over - production, both in agriculture and industry, particularly in the United States. This over - supply was not unrelated to the increase in productivity, again particularly in the United States, which was continually putting more perfected means of production into application. Furthermore, this country did not suffer the ravages of war on its own soil and the concomitant destruction, while it utilized for the duration of the war its rich resources for the equipping not only of its own forces but those of the Allies as well.

Over and above these reasons it is necessary to take into account the strengthening of the less industrially developed countries during the period of the war, as well as the protective measures they adopted for their industry. It was not only the factor of industry that contributed to the Great Depression, but also the agricultural factor, given that enormous reserves of agricultural products remained undisposed of in the United States, while the warring countries as well as those who became involved in the war intensified their agricultural output.

In tandem with the over-production and the underconsumption, was an increase in inflation and unemployment, the constriction of markets with the advent of Bolshevism in Russia as well as the declining ability of India and China to absorb goods for the silver which they used as a currency standard as it lost value, the bad distribution of gold in the rest of the world and the inadequacy of this for the needs of economic life (a yearly increase in gold reserves of 5% was needed but there was only a 3% increase in its production) as the Swedish economist Gustav Cassel demonstrated, as well as curbs on credit and the bankruptcy of large banks (Kredit Anstalt in Austria, Darmstädter National Bank in Germany, et.c.) also contributed to the approaching crisis. The leading Bank of Austria «Kredit Anstalt» being encumbered with frozen assets was impossible to meet its obligations and was insolvent (May 1931) while the Austrian Government agreeded to guarantee the liabilities of the national bank. In Germany the Reichsbank lost 227 million dollars. President Hoover in the same year proposed a moratorium on all intergovernmental debts (June 1931) but French bankers robbed it. Also French banks withdrew large amounts of gold from the Bank of England which became weak to support industrialists and bankers especially after the Darmstädter and National Bank (July 1931).

We could also add to these causes the decline in population after World War I, which contributed to the acceleration of insufficient demand, while the poor organization of the international market - place, profiteering, the high interest rates resulting from political instability, and capital drain caused a contraction of international credit.

In trying to confront this crisis, the United States did not employ radical methods because the Republican Party, led by Hoover, did not want to abandon the economic policy they had forged. The only measures he took were the funding, of the Reconstruction Finance Corporation with capital of 500 million dollars whose purpose was to stabilize prices and the imposition of the protective customs tariffs of Howley-Smoot which raised them from 26% to 50%. But these measures were not able to absorb the millions of unemployed and it was due to, and under these conditions, that the Republicans were succeeded by the Democrats under the leadership of Franklin Roosevelt. He wrestled with the monopolies, boosted hydroelectric power, nationalized public service and organized soup kitchens for the unemployed. At the same time he adopted a policy of national public works to increase employment and on April 19, 1933 he abandoned the gold standard and fixed a new value for the dollar (January 30, 1934) at a level 59.16% of its former value. Thus prices (through the bolstering of consumption and the application of this monetary policy) rose, by 22% as against those of April 19, 1933, so that the enterprises had enhanced expectations of profit and they were spurred to invest. At the same time Roosevelt adopted a prolabor policy in the areas of work related injury, old-age and unemployment, spending a sum of 25 million dollars for this purpose from 1933 to 1938.

England, as other countries were doing, attempted to manage the crisis in similar ways for it was suffering an adverse balance and lowered shipping receipts so that the pound sterling was devalued by 30 % (September 21, 1931). It was under these conditions that it was decided at Ottawa (Import Duties Act) to enact certain measures of economic solidarity between the members of the Commonwealth, as their customs unions were ineffective. Through the Ottawa agreement, exports were augmented so that those increased satisfactorily between 1933 and 1939 without, however, regaining the ground that British industry had lost.

Already at the end of the 19th century Alfred Marshall had maintained the importance of credit and money supply, an investigation that was continued by his successor at Cambridge, A.C. Pigou while R.C. Hawtrey, Counsellor of the British Exchequer, maintained in 1928 that «it is more correct to say that the value of gold is due to its convertibility into credit than that this value is due to its

convertibility into gold». These ideas were advocated, from a different perspective, by Robertson and Keynes. In any case, the inflationists and the anti-inflationists who came into prominence at the beginning of the 20th century gave rise to the formulation of the two basic theories on the value of money, the one based on the quantity of money in line with the Fischerian model and the other based on cash availability upheld by the Cambridge School. A third way appeared at the end of the period between the wars, namely that of John Maynard Keynes which is, of course, his General Theory.

In line with what we have presented above concerning the Great Depression we would like to stress the following observation :

1. World War I jolted the World Economy and its consequences also had an impact on the Great Depression which was a result of over-production in agriculture and in industry.

2. The optimistic forecasts before the Depression became pessimistic which had an impact on goods and assets.

3. The banking system in the United States and Europe contributed to this situation where in we find an unequal distribution of gold and investments in the world.'After an endeavour to apply free trade, international policy switched to a protectionist economic policy which created the inequality in the distribution of gold and investments.

4. Speculation also played havoc with economic policy and led to price instability and bad judgments.

5. The technological changes in industry and agriculture and the new products were another cause for the Great Depression which was characterized by deflation.

In conclusion I maintain that not one factor but rather a complex of factors led to the Great Depression.

## II. THE CONSEQUENCES OF WORLD WAR

If World War I jolted the structure of the World Economy the same can be



said for World War II. It is in the nature of wars to create problems, and their affects on the structure of the World Economy is felt for many years afterward.

World War II left a divided Europe with Germany as the focal point of the division. The eastern half of Europe was under the hegemony of the USSR and the other the United States, while in the center Germany was split into two states, Western Germany and Eastern Germany. In essence, Europe had been limited to its coast lines. Great Britain, formerly the leader of Europe, retreated to a secondary role leaving the control of Western Europe to the United States and Eastern Europe to the USSR.

Europe was unquestionably the heart of the world as idea and reality which is why the power that ruled it also ruled the world. It was only after World War I that new centers of power appeared in the Pacific area, which soon developed into world powers : the United States and Japan. When, however, in World War II, the United States defeated Japan and put Western Europe under its atomic umbrella it once more was in a position to resume its old power. The USRR could not accept such a development because, in line with one main tenets of its ideological dogma it considered world-wide hegemony ias ts undeniable right. But the European countries could not allow either the division of Europe, or the global domination of one of the two titanic powers, the United States and the Soviet Union. Under these conditions, it viewed as indipensible the creation of a force to contravene this tendency toward global hegemony. A United Europe was needed and for this purpose the EEG was created as a third power which, however, has not been able to achieve this comprehensive unity nor even the political unity of Europe as we know it today.

After the end of the war, the former colonies were freed and fifty new states became members of the United Nations. Although the former ruling countries removed themselves from those lands, they left their culture, their investments, their technology and the other achievements of their civilizations, while maintaining their economic links with their former colonies.

On the other hand, the Europeans were in a difficult position between these two adversaries so they adjusted to the principle of making an alliance of all the weaker nations against the stronger. Thus, they could accept the penetration of the USSR in order to stymie the United States and the United States to stymie the USSR. But this policy of tug-of-war requires experienced politicians and real values, not prefabricated leaders. It also requires unity and power and Europe

up till today is a mess of economic plans and agreements, dissensions and conflicts.

As during Byzantium, when Genoa was assisted against Venice and then the latter against the former, the Latins still eventually penetrated the Empire, so the presentday Europeans, instead of strengthening their frail union continually weaken it, unable to plan a new political and economic set of tactics and strategy.

First of all, Europe committed itself to the old parliamentary form of capitalism and imperialism through the division of people into parts on behalf of the ruling class utilizing the principle of «divide and conquer» quites also to totalitarianism.

Europe is also following the economic path laid down by the mathematical economists who though they have assisted the economy up to a certain point with their models and their econometric inquiries, cannot conceive of all the transformations at work in an economy, which develops, whether we want it to or not, within a social environment. Hence, European higher economic education must turn toward the way of the socio-economists. The truth of my assertions is completely obvious if we take into account that during the 20th century no «ism» has appeared except for Fascism, Nazism and Bolsevism. What a difference from all the economic doctrines of the 19th century!

### III. PAX AMERICANA AND THE ECONOMY OF «MIRACLES»

Because of the difficulties which appeared after World War II, international organizations were established. For the purpose of boosting expenditures and confronting unemployment the idea of the affluent society came to the fore in the United States under Harry Truman; accompanied by the dogma of private enterprise and the application of PAX AMERICANA.

This affluent society has created our present-day inflation, leaving aside the other reasons, as well as the moral decline and the undermining of the vigor of nations. The dogma of private enterprise was not accepted 100% by all the well-informed nations and people. Thus the PAX AMERICANA was suspect and is suspect both to the allies and the foes of the United States.

But Truman, as Pericles before him in his funeral oration, in a speech before the Congress warmly maintained his faith in it.

«The American people», he said, «by following its own path and believing in its own might, has achieved the greatest prosperity the world has ever seen...». From the period of prosperity in 1929, and despite an increase of population of 20%, our agriculture has grown by 45% and our industry by 75%. Today each worker produces more goods and wealth than ever before in History. This is all due to private enterprise», which Truman considered as a model for the entire world.

Affluence began in classical Greece and it reached its peak in Roman times followed by a period of asceticism, from the decline of Rome till the 13th century (the eve of the Renaissance), when a new period of prosperity began. But the world is reacting to this neo-prosperity because it understands that it is being threatened and heathenized by means of material goods, and that the producer, rather than ruling over the commodity which he produces is being directed by it ; he is losing his personality and in essence is not free for he is determined by «χρηματιστική» as Aristotle used the term.

Truman's optimistic speech was ironically, followed by a temporary slowdown in the American economy, but this proved to be short-lived and the upward trend in the index of industrial production began again. Even though the population of the United States doubled, the working time was lessened by one-third, productivity increased by 21.2%, so that the total production per hour of work quadrupled. Consumption increased as well. Thenceforth the rise of the United States economy continued as did that of Europe. In Great Britain the policy of full employment was adopted in accordance with Keynesian perceptions, reforms were carried out in the Social Insurance through the National Insurance Act, the National Health Service Act and the National Assistance Act.

Great Britain quickly achieved growth in its economy and although the units of coal production lagged behind, this was to the great satisfaction of the private coal mine owners for they were awarded damages by the State when they were nationalized. This act was so correct that when the Labor Party, who also advocated this policy, succeeded the Conservatives, the coal mines continued to be nationalized. Anyway, coal production continued to lag in relation to prewar levels. But the production of automobiles increased while the production of cement and textiles stayed steady and could not surpass pre-war levels because of foreign competition in the international market. But, in general, the economy of Great Britain, despite the shock it received from the dismantling of its colonial system, revived from the calamities of the war and progressed till it reached a satisfactory level once it began to exploit the North Sea oil.

Countries	1870 - 1913	1948 - 1962
Belgium	1.8	2.2
Denmark	2.1	2.8
France	1.4	3.4
West Germany	1.8	6.3
Italy	0.7	5.6
Norway	1.4	2.9
Sweden	2.3	2.6
U.K.	1.3	2.4

Among the European countries Germany and Italy had the largest index of wage increase. There is no doubt that the movement of workers to Germany kept this from rising even higher. In 1963 there was also a movement of 600.000 workers to Sweden. After 1946 the unemployment rate for the countries of Europe was in general 2,5% and it fell to 2% for 1954 to 1968. But unemployment from 1981 to 1984 increased and a further increase is anticipated for 1984 as indicated by the following table.

Countries	1981	1982	1983	1984 (projected)
U.S.A.	7.6	9.50	10.5	10.5
Japan	2.2	2.25	2.25	2.25
Germany	7.3	8.50	9.75	10
France	7.3	8.25	9.75	10.50
U.K.	10.6	12.25	13.25	13.50
Italy	8.5	9.25	9.75	10
Canada	7.6	11	13	13

On the basis of the above statistics showing the average amount of unemployment for the countries of the OECD of Europe is over 10%, something which also holds true for the countries of the EEC and the United States. At first glance this amount seems low but if we take into account the total population of the United States the amount rises into the millions (considering the labor force which is comprised of workers from 16 - 65 years of age); the same holds true for the countries of Europe which we have already mentioned. Also worth noting, no matter

how gloomy it is, is the fact that the largest part of the unemployed are young people who are seeking employment. Unemployment among the young is commonly 30% to 50%.

But worst of all, the therapy to fight unemployment can no longer be used, because of its abuse since the end of World War II. The therapy I mean is Keynesianism. This is the situation today whose full tragic dimensions will appear around 1986 or 1987. Let the leadership of the eastern bloc feel no joy about this situation because the hurricane will engulf them too, except perhaps for China, which has historically remained, for the most part, isolated and which has strict planning to almost completely define the needs of its population.

But outside of unemployment, there is also a decline in national income which, by country is as follows :

<u>Countries</u>	<u>1981</u>	<u>1982</u>	<u>1983</u>
Austria	0	0.5	1
Belgium	-1.7	-0.5	0.75
Denmark	0.1	1.75	0
Finland	1.4	0.5	1.25
Greece	-0.7	0.50	1.25
Ireland	1.1	1.25	1.75
Iceland	1.5	-3.5	-2.25
Luxemburg	-1.8	-0.25	1
Holland	-1.2	-1.25	-1.5
Norway	0.8	0	0.50
Portugal	1.7	2	0,50
Spain	0.4	1.25	1.50
Sweden	-0.8	0.50	1.50
Switzerland	1.9	-2	0.50
Turkey	3.5	4	4

The contraction of the capitalist market unquestionably constitutes a great problem given that in 1913 Europe had 58% of world trade in its hands while today

Anyway, the wave of nationalizations in England did not improve its economy to a great degree because they were not meant to be «effective», but to abolish the monopolies and to serve the whole society. When, however, in 1951 the Labor Party lost power, the iron and steel industries returned to private initiative.

The agricultural production of Great Britain also increased except for live-stock production. Thus, the level of wheat production rose beyond the level of the war by 50%, potatoes by 100% and sugar by 28%. This is what constituted the British Economic Miracle, the indication of which, despite the conservatism of English industrialists is the adoption of improved, rational methods of production. But the great leap forward can be specifically pinpointed : from the moment when North Sea oil was exploited, a sector of the economy, undersea oil, that Norway had forged ahead in first. In addition, particular significance was given to ecology so that environmentally sound plans were adopted for private residences and new urban or commercial centers.

After the end of the war Germany was devastated and limited to the West Germany of the Potsdam Agreement (July 26, 1945\*). It declined from 470.000.000 sq. km. to 359.000.000 sq. km. and lost one - quarter of its farming land. Its cities were 50% destroyed : Munich 45%, Berlin and Hamburg 50%, Dusseldorf 61%, Bremen 65%, Frankfurt 70%, Essen 76% and Cologne 77%. Despite this, West Germany revived and gave rise to the «Wirtschaftswunder». This was due to the desire of the German people to re-establish its powers and to re-build its country, as well as to the discipline of the Labor Unions, who did not seek a raise in wages but allowed them to be frozen on behalf of the economic recovery of their homeland. A part of this was also due to the de - militarization of Germany which freed the State budget of military expenditures beyond those permitted by the terms of surrender.

After France was liberated from the tyrant it adopted the Monnet Plan, which proposed mild planning and founded the Conseil Du Plan and the Commissariat Au Plan for this purpose under the leadership of Jean Monnet (November 27, 1946). Under these conditions, France was re-vitalized and managed to absorb the unemployed and those refugees that were returned to their French homeland.

Production increased, denoting a satisfactory level of progress, as can be seen from the following table :

Goods produced	Year			
	1929	1938	1946	1950
Coal (millions of tons)	55	47,6	50	65
Electricity (in Kw)	14,4	20,7	23.5	37
Hydroelectric power	6.5	11.6	13.0	20.5
Automobiles	253	224	102	475

This demonstrates the French «miracle économique» which shows an increase from 185.3 billion francs in 1950 to 339.9 billion francs in 1963 at the price level of 1959. With the exhaustion of its own raw materials imported then from other countries and indeed from its former colonies. It also paid a good deal of attention to ecology trying to confront the problem of the income differentiation in its various regions.

In Italy particular attention was paid to the development of the south and the «Cassa per il Mezzogiorno» was established for this purpose (1950). This policy was quite correct, if we keep in mind the great differentiations in income. Thus in Piedmont the income came to 1969 dollars, in Tuscany 1.470 dollars, Emilia Romagna, 1599 dollars, in Liguria 1768 dollars while in Sardinia it was 983 dollars, in Sicily 935 dollars, Calabria 719 dollars and Molise 781 dollars.

The fantastic growth of European industry also supplied agriculture with the necessary means it needed so that agricultural production quadrupled between 1950 and 1962 which was the «miracolo economico Italiano».

#### IV. UNEMPLOYMENT AND THE BEGINNING OF THE DOWNTURN

Unemployment in Europe reached 2.5% in 1946 but in Italy it came to 7% for the period between 1948 and 1961 because of the existing conditions in the South. Germany also confronted a similar situation — unemployment—but despite that it absorbed 3.600.000 workers from southern Europe, Spain, Portugal and North Africa.

The per capita increase in the Gross National Product in Europe between **1870 -1913 and 1948 -1952** was as follows :

it has an index of around 50%. Anyway, Europe has acquired enough strength so that it can compete favorably both with the United States and the Soviet Union. But because of the close connections with the United States 10% of its total exports go there while 28% of the exports of the United States are destined for Europe. Consequently Europe supports the exports of the United States and not those of Europe so it is not correct to maintain that when the United States has a cold Europe coughs because, when Europe has a cold the United States coughs too.

The volume of world-wide trade cannot be comprehended unless we have certain data and this is even more true when discussing European trade.

In relation to the balance of trade the countries of the EEC, except for Germany, have a negative one which, of course, has repercussions on their balance of payments. But Europe is facing other problems as well such as : the need to arm itself, the pollution of the environment, the differentiation of its regional development, the exhaustion of its raw material, the guaranteeing of its sources of energy and the twin overriding problems of unemployment and inflation.

It is true that West German accepted hundreds of thousands of workers from other European countries but today it is faced with the problem of unemployment. To deal with this problem a Committee of Coordination and Development of Europe is needed which would guide the EEC. In this way, the ideology of Europe, its economy and the mild planning needed for regional development would be touched upon.

In Europe 80% of industry belongs to private owners and 20% to the State. Thus Europe is following the path of a mixed economy, i.e., it drinks its coffee with cream but without having been able to precisely determine just how much coffee and how much cream, which is why its economic policy is a mixture of ideals and programs which serve up an adulterated and unhealthy product. This is the reason why Europe is tossed between the United States and the Soviet Union, influenced by both of these countries but never acquiring its own balance. Besides that, Europe is divided, not having within its influence all its countries, through two military agreements which divided it in two and confined it to its coastlines. Subsequently, the present day unity of Europe is a parody. Because Europe must either be truly united and progress, pulling the rest of the world along the road of progress as well, or it will be the diseased gangrenous appendix of the globe. Unfortunately, it is heading in this direction today. So as things stand the EEC in time — lacking a policy of unity — is destined to dissolve. Present-day Europe is a bureaucratic monster of dissenting technocrats and politicians whose time



is spent mainly in endless discussions and inapplicable momentary plans, as well as very expensive trips whose purpose is to transport paper and to babble in conferences while consuming lavish meals. I am truly sorry that until now not one voice has been heard stating this on so bitter truth, and unfortunately within two or three years if there is not any change we will face the spectre of a global crisis. Because it is ridiculous to say that we are in an economic recovery when, inflation has been succeeded by stagflation. What is even worse is that the prevailing economy of the United States is going through a phase of great crisis, which will inevitably embrace not only Europe but even the countries of the Soviet Bloc with the possible exception of China, because for the moment China has fixed consumption needs, and small economic dependency. But who will stop this process, the baseless and unoriented economists of mathematical and abstract formations; We are obliged to face the truth with courage and sincerity otherwise we will be led into global anarchy or to a war that will end in the extermination of the human race.

## V. INFLATION, STAGFLATION AND THE SO - CALLED OIL CRISIS

The historical development of inflation was examined by me in any pages titled : «Aspects on monetary fluctuations and inflation presented before the «International Conference of Public Finance and Fiscal Policy» (1976) under my chairmanship. In my paper I came to the conclusion that inflation is due not only to the monetary factor. There are other factors, which include wars, epidemics, also crop failures, psychological problems, etc., and above all armaments. The expenditures on armaments was intensified by the two world wars because of military preparations and the actual waging of the wars. But beyond these reasons for inflation in our time, we also have the contributing factors of excess demand, the deficit balance of payments, the increase in credit, the monopolies and the profiteering enterprises, the malignant spread of bureaucracy, the absence of a correct wage policy, non-rational public expenditure, the non-conscious acceptance of people to the policy of monetary reform, the antiquated structures, the unnecessary intervention of the State, the thoughtless tax policy, the unequal distribution of income, the lessening of working hours, the excessive expenditures in advertising, the rise in the price of petroleum, etc., etc.

Economists like to close their eyes when faced with these causes and to dwell on the spectre of the rise in the price of oil. But it is not the only cause. We will

be able to see this better in the following table which I add. It is based on the data of OECD (1979) :

Country	USA	JAPAN	W. GERM.	FRANCE	ITALY
Development	0.8%	7.4%	6.4%	3%	3.6%
Inflation	13.2%	7.8%	7.4%	10.8%	17.4%
Unemployment	5.8%	2.2%	3.8%	6.1%	7.6%
Oil imports	47.1%	92.0%	97.0%	97.0%	97.0%

From the above table we can observe that in the United States because of the maturity of its economy, the rate of growth is lower than that of the other countries : Despite this, compared to Japan, West Germany and France — I will not mention Italy because there is a delay in growth in the South compared to the North — the United States shows a decline in oil imports in comparison with the size of the population. Moreover, its level of oil imports is nearly half that of the other countries but despite that its inflation rate came to 13.2%, which is higher than all the other countries, with the exception of Italy.

Of course, the reader must keep in mind that I am using data from 1979, the year of the new boom in prices after 1973. In any case, oil was not and is not the only cause of inflation. There are other ones as well and which naturally differ in terms of economic assumptions and conditions that hold sway in each country. The structural crisis which concerns material and moral factors has led today's economy to stagflation to prove the failure of the today's Economics.

But beyond what I have mentioned I am of the opinion that the basic cause of stagflation and every other kind of economic misfortune is also the prevailing mentality in the political arena. This concerns the domestic policy in the different countries and the existing gap between the two titanic powers and their allies. The division of the world means armaments, undermining of every force of the adversary and non-productive expenses. Thus life becomes uncertain and difficult in both the East and West.

In conclusion I would like to emphasize that the five points I have already

petitioned concerning World War I, with the addition of the following points for World War II.

1. The appearance of economic excess capacity in tandem with the monetarization of credit, as also the crisis concerning energy.
2. The continuing expenditures on armaments e.t.c.
3. The capitalistic market was restricted due to communist expansion.
4. The crisis in economic science meant it was unable to offer a new doctrine. The postulation of economic theories and the compilation of econometric models cannot be considered as real progress. On the other hand, Keynesianism was more an economic policy for a fixed period of time and applied only to fight unemployment while today the guiding of economic forces has led to stagflation.
5. The structural anomalies and conflicts which have arisen because of events in World War II are coupled with dependency deriving from «economic domination».

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