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THE CURRANT CRISIS IN GREECE

THE history of the currant industry down to 1899, together with an account of the crisis of overproduction which led to the establishment of the "retention system," have been exhaustively set forth in the *ECONOMIC JOURNAL* (December, 1899) by Mr. T. A. Burlumi. I propose to limit myself to the events subsequent to the year 1899, dealing more especially with the recent law of July, 1905, and the convention which that law sanctioned.

The crisis in the currant industry was due to the closure of the French market. The exports to France, unimportant up to 1878, had grown after that date so rapidly that they exceeded the exports to England and absorbed nearly half the entire production. This demand having been the immediate consequence of the destruction of the French vineyards by phylloxera, it was natural that it should cease as soon as those vineyards were replanted. But the Greek cultivators, not anticipating the rapidity of this recuperation, went on extending their own currant vineyards from 435,000 stremmas¹ in 1880 to 670,000 in 1891.²

The protective measures voted in France, by reducing the huge exports of currants to almost nothing, suddenly brought on the Greek market a crisis which will not easily be forgotten. In May, 1893, the lowest price in the London market was 21s. per cwt.; in November of the same year the same produce was offered at 6s. only. As the duties, taxes, freight and other charges amounted to 8s. 6d., the Greek producer, in order to dispose of his currants in England, had to sustain a loss of 2s. 6d. per cwt.

The situation was aggravated by the fact that many citizens had lent large sums to the *paysants*, so as to enable them to carry on their new plantations. The consequences of the crisis were thus felt alike in the agricultural and in the urban districts. The evil could be met in two ways only: either by the development

¹ A stremma is about the fourth of an acre.

² The production thus rose from 195,108,000 to 344,000,000 Ven. lb.; *v. Statistical Information concerning the Currants*, p. 76 (published by order of the Greek Minister of Finance in 1903).

of consumption or by the restriction of production. The first alternative was by no means easy. In Greece itself the currants are not consumed. On the other hand, the conquest of fresh foreign markets was rendered difficult by the fact that, while currants are not an article of first necessity, their easy conversion into wine enrolls against them the distrust of wine-growers.¹ As regards the restriction of plantation, everybody agreed that it was the only rational scheme; but nobody would set the example, fearing that it would not be followed and that his sacrifices would only prove a benefit to the others. Moreover, the destruction of a plantation involved the ruin not only of the grower, but also of those who had lent to him the means of cultivating his vineyard and to whom it was generally mortgaged.

These peculiar circumstances gave rise to the notion that it was not the production, but the quantity offered that ought to be reduced. In other words, the plantations, which formed the only fortune of the *paysants* and the only guarantee for the loans granted to them, were to remain intact; but the quantities brought on the market were to be curtailed, so as to keep up the prices to a satisfactory level. In accordance with this idea a Bill was passed in 1895 in virtue of which 15 per cent. of the production was to be deposited in the hands of the Government. The "retained" currants were to be sold only to home distillers² and thus be withdrawn from the dried fruit market.

The following years were marked by a slight rise in prices. It was owing probably to unsatisfactory crops, but was generally attributed to the "retention system." The Greek Government was consequently called upon to transform the law of 1895, which had a provisional character, into a permanent Act, and to use the sums obtained by the sale of the retained currants to distillers as the capital of a local bank destined to come to the aid of the currant-growing districts.

The Theotoky Cabinet yielded in 1899 to this pressure, as had already done the Government of M. Delyannis in 1895. A Bill was carried establishing the retention for ten years, fixing its amount no longer at 15 per cent., but at a quantity varying, according to the amount of the crop, from 10 to 20 per cent. Last, but not least, the special bank asked for was created under the name of Currant Bank (*Stafidiké Trapeza*).

¹ It is for this reason that an attempt to introduce currants into Russia failed. On the demand of the Bessarabian wine-growers, M. De Witte authorised special protective measures.

² By the same statute the Greek distillers were obliged to use as first material for alcohol and syrup currants and grapes only,

The year 1900 having yielded a very bad harvest, things went for a time smoothly; but with the magnificent crop of 1901 the crisis reappeared fiercer than ever. The original opponents of retention—and they carried with them all persons more or less familiar with political economy—grew aggressive. They condemned the whole system as artificial, unjust and ineffectual. They deemed it unjust, as being applied to all the currant-growers without distinction, whereas the overproduction existed mainly in those districts which produce currants of secondary quality, fit more especially for vinification. Indeed, the Gulf district, as well as Zanta and Cephallonia, which produce first-class currants, remained more or less unaffected by the closure of the French market.¹ On what ground then, it was asked, is their production to be curtailed by 10 to 20 per cent.?

The opponents of retention urged further that this measure had been very wrongly compared with the German *Cartells*. In Germany it was the *production* which was artificially limited to the necessities of the market; in Greece it was the *offer*. And the difference between the two systems is the following: in Greece the producer remains exposed to all the toils and expenses of production; it is only after this that he sees a part of his produce withdrawn from him. In Germany the producer produces, it is true, only a part of what he could have produced, but he has to provide for the expenses of merely this limited production. Moreover, no serious comparison can be drawn between an industrial and an agricultural production, since the one can be precisely fixed beforehand, while the other depends entirely on climatic conditions.

Referring to the results themselves of the *parakratissis*, its enemies had no difficulty in showing that the rise of prices aimed at had not been attained. Consequently, the only result was to render permanent a crisis which could have been only temporary if the "economic laws" had been respected—*i.e.*, if the law of offer and demand had not been interfered with. No doubt many a one would have been ruined; but such losses would have been limited to the second class currants, and a help of some kind would eventually have enabled the *paysants* to

¹ The effect of the French demand may be judged from the following figures:—

	Quantities produced per annum in Ven. lb.	
	(1876-1880.)	(1893-1894.)
Gulf and Ionian Islands	125,000,000	158,000,000
Other districts	51,600,000	161,300,000

For further details see an article by M. Lambros Coromilas in the *Economiki Hellas* (1st January, 1903).

transform their vineyards into more remunerative cultures,¹ or even into pasturages. In any case, such losses, being local and temporary, would have been preferable to a crisis general and universal, which threatened the prosperity of the whole kingdom.

In replying to these arguments the promoters of retention did not deny that the Bills of 1895 and 1899 had proved failures; but they contended that the failure was to be attributed, not to their system, but to the fact that the system had been applied only partly. To make this clearer they took the Bill of 1899, which fixed a maximum of 20 per cent. for retention. Now, said they, the overproduction may, and practically does, exceed 20 per cent., consequently the aim which the retention has in view is not attained. The system cannot work if the entire quantity exceeding the requirement of the market is not retained. The advocates of the system urged also that it was preposterous to legislate for retention while permitting fresh plantations of currants. The benefits looked for by the diminution of quantities offered had been neutralised by the extension of the culture. In conclusion, they urged that the "retention" should not be abolished, but rather enforced, first by the suppression of any maximum limit, and secondly by the prohibition of new cultures.

If the Greek Government had had a free hand there is little doubt that, between the two solutions proposed, it would have chosen the first: namely, the abolition of retention.² But, unhappily, no Greek Government had the strength to resist the pressure of the currant-growing provinces. Whatever cabinet was in power, its majority depended to a large extent on the representatives of these provinces, who form more than the fourth of the entire Chamber. Moreover, the arguments put forward by these representatives in claiming to have their way in this question were strong. According to them the currant-growing districts were not seeking either direct help from the State or even relief in taxation;³ the measures they were asking

¹ This was done in the province of Argos. It is fair to add that the partisans of retention argue that such a change of cultures cannot be effected in other districts, as the soil is only fit for vineyards. A similar argument is now put forward in many a wine-growing district of the South of France.

² That all the Greek cabinets, from that of Tricoupis in 1894 down to the present administration, have looked at retention with distrust is recognised by one of the ablest promoters of the scheme, M. Aristomenes Théodoridès, in the introductory remarks to his pamphlet: *Πρὸ τοῦ Ἀπροχωρήτου*.

³ This was undoubtedly true till the Bill of 1904 was passed, transforming into a tax in kind the somewhat heavy tax in specie,

for could not affect the rest of the kingdom ; there was, in short, no reason to prevent them from settling their own question according to their own ideas. As for political economy, a science that, according to Mr. Balfour, is in parliamentary circles more talked of than understood, the currant-growers treated it with every mark of external respect, but they contended that the principles set forth by leading economists could not apply in their case. The currant crisis was not an ordinary agricultural crisis, currants being a natural monopoly for Greece, and their industry having to fear not competition, but overproduction.¹

To all this the Greek Government had naturally a good deal to say. But as every crop was leaving a surplus, and that surplus, pressing heavily on the market, came, on the eve of a new plentiful crop, as a menace of further disastrous falls in prices, the Greek Cabinets were ready to listen to any suggestion which might gather round it the majority of the growers.²

M. Delyannis, who, in the spring of 1903, was again in power, appointed an extra-parliamentary commission to inquire into the question. While the inquiry was going on he refused, in the name of the Government, to take any initiative. But these Fabian methods found no approval with the growers, who started a lively debate in Parliament, demanding that the fixed maximum should be suppressed, and that the amount of the retention, determined on the eve of the crop, should be always equal to the expected surplus, whatever might be this surplus. This proposition was rejected by a majority of only one vote. It thus became clear that in one form or another its partisans would carry the day, when the unexpected news arrived that the British Government took exception to the measure on the ground that by the Convention of 1890 the Greek Government had bound itself not to increase the amount of the export tax on currants. According to the British point of view it was contrary to the spirit, if not to the letter, of the Convention to increase the retention indefinitely, since the rise in prices which would follow was as prejudicial to the British consumer as a rise resulting from heavier taxation. Although this contention cannot be considered as unimpeachable, yet the Greek Government, fearing lest the Anglo-Greek treaty of commerce should be denounced,

¹ The argument was not a very strong one, as it was well known that whenever the prices of currants rose there was a strong demand for *sultanina* dry grapes. Besides, nowadays, there is scarcely any produce for which a substitute of some kind cannot be found.

² This was candidly admitted by M. Theotoky in a recent speech (15th July, 1905).

yielded without difficulty. It was then that the currant districts, losing all hope of a legislative reform, turned their attention to a scheme, often broached before, but which now for the first time took a more tangible form: the scheme of monopoly.

This scheme, put forward by the representative of a British syndicate, "The Concessions and Monopolies," is summed up as follows by Mr. Harvey, British delegate on the International Financial Commission at Athens.¹

"According to the Convention, as eventually signed by the representatives of the syndicate and the Government, the company to be floated was to have a capital of £1,000,000, and its concession was to last twenty years. The quantities and prices of the various qualities of currants which the company undertook to purchase were as follows:—

Quality.	Quantity. Ven. lb.	At francs, gold.
1st	5,000,000	250
2nd	15,000,000	200
3rd	25,000,000	170
4th	35,000,000	150
5th	40,000,000	135
6th	45,000,000	120
7th	90,000,000	110
8th	65,000,000	100

"Provisions were included to safeguard the company's interests in the event of the total crop exceeding 320,000,000 Ven. lb., or of the quantities of certain kinds being such as to bring the total payable in any year by the company to a sum in excess of 40,950,000 francs, or of the exchange falling below 140; also for a revision of prices should the crop be less than a minimum of 250,000,000 lb. The extension of the area planted with currant-vines was to be prohibited by law. The company was to have the right of trading in sultanas.

"On the other hand, the company undertook that the currants should be retailed in the United Kingdom at prices varying from 2½*d.* to 6*d.* per English lb.

"Profits, after the provision of 6 per cent. dividend and certain reserves, were to be divided between the company and the Greek Government, subject to the reservation in certain cases of a minimum total dividend to the shareholders of 12 per cent.

"The Convention was brought before the Greek Chamber for ratification, and was there much criticised, mainly on the ground that it furnished little or no security to the country in the event

¹ See *Annual Series*, No. 3126, p. 15.

of the company failing to carry out its part of the agreement. The Greek Government undertook to try to obtain better terms from the syndicate, but, while the negotiations were proceeding, the Ministers of the United Kingdom, Germany, Italy, and Holland protested against the ratification of the Convention as an infraction of treaty rights."

The monopoly scheme thus came to grief; it was soon after officially buried by a declaration stating that King George's Government could not proceed with the ratification of the Convention "until the diplomatic obstacles to the monopoly had been removed." But this postponement *ad calendas græcas* did not solve the problem already existing. The crop for the coming year was estimated at 350,000,000lb., and the surplus, after deduction both of the amount retained and the exports, was reckoned not inferior to 73,000,000lb. The Greek Government had again to interfere, and, for the first time, to interfere directly.

The National Bank of Greece, the Bank of Athens, and the Ionian Bank were induced to lend to the Currant Bank, *with the guarantee of the Government*, a sum not exceeding 6,500,000 drachmas, to be devoted to the purchase of the already mentioned surplus, at a price of about 130*dr.* per 1,000 Ven. lb. The execution of this arrangement was rendered possible by the intervention of the distillers, who were ready to buy at 85*dr.* per 1,000lb., besides the currants retained, those to be purchased by the new loan.¹

An arrangement of this kind cannot be too severely criticised. The Government interfered in a business that was not within its legitimate jurisdiction. The Currant Bank was urged to buy from the producer currants at 115*dr.*, and to sell them to the distiller at 85*dr.* The producer was induced to believe that, whatever his miscalculations might be, he could always rely on the Government. As for the distillers, they did not make a bad bargain, but by accumulating stocks so large they were incapacitated from giving to the producer later on any effectual assistance. What was worse, the scheme did not bring even the expected temporary relief. The funds placed at the disposal of the Currant Bank were not sufficient to buy up the whole surplus of 1903's crop.² So that on the eve of the 1904 crop to the surplus expected from that crop the actual surplus of the preceding year was to be added. Fresh combinations had therefore to be de-

¹ This plan was framed while the monopoly scheme was still under discussion.

² Naturally enough the prices fell below the 130*dr.*, which the arrangement intended to guarantee to the producers as a minimum.

vised. They took the form of a Bill which was passed in June, 1904, its principal provisions being the following¹ :—

(a) *A prohibitive tax was imposed on fresh plantations of currant wines.* This disposition was in harmony with the principle of “retention.” It is more doubtful if it was in accordance also with the constitution of the country, and if such a law, which aimed at the prohibition of new plantations, could be easily enforced.

(b) *For the export duty, averaging 13dr. per 1,000 Ven. lb., was substituted a duty in kind of 15 per cent.* This measure was the greatest blunder committed in the course of currant legislation. The Greek Government, instead of collecting annually 4,800,000dr. in cash, was to be burdened with huge stocks of currants, which it could not get rid of without bringing about an immense fall in prices. Nor was this all; the British Government, which in 1903 took exception to the unlimited increase of the amount retained, considered that the new Bill, by raising, as a matter of fact, the retained amount from 20 per cent. to 35 per cent., was open to the same objection. Consequently, Great Britain demanded a *quid pro quo* for the acceptance of the new Bill. The Greek Government granted some important concessions in the Customs tariffs, with the result that the Greek Treasury, which had already practically lost the revenue it derived from currants, also forfeited a part of the produce of its Customs.² As usual, all these sacrifices had no material effect on the crisis, which continued with the same intensity. The summer of 1905, as all summers from 1893 onward, opened with the prospect of new difficulties; and as then, so now, fresh remedies were proposed. This time they assumed the form of a great company, which aimed at safeguarding the rights of the revenue, jeopardised by the Bill of 1904, while guaranteeing to the producers a fair price for all their produce.

The principal provisions of the convention thus entered into and sanctioned by the Greek Chamber are the following: *In order to guarantee the Treasury*, the new company (styled “Privileged Company for the protection of the production and trade of currants”) buys up the duties in kind at the fixed price of four million drachmas per annum. Moreover, if the profits of the company surpass 1,200,000dr. a year³ this surplus, up to the amount

¹ The Bill included some wise but tardy provisions for the better administration of the Currant Bank.

² As I have already suggested, I am not sure that in either case the arguments urged by His Majesty's Government were irrefutable.

³ One million two hundred thousand dr. are deemed necessary for the interest

of 500,000*dr.*, will go to the Treasury. *In order to check the unrestrained fall of prices*, the company undertakes the obligation to buy from June 15th to August 1st any quantity offered to it at the prices of 115, 130, and 145 drachmas per 1,000 Ven. lb. These prices vary according to the producing provinces and to the quality.¹

This provision aims at relieving the market on the eve of every new crop from the surplus of the preceding year. In case the producer, even after the removal of this surplus, does not find satisfactory prices, he has the choice either of selling his produce to the company for 115*dr.* or of depositing it at the general warehouses which, according to the Convention, the company is to open and where he will receive the four-fifths of the price (115, 130, or 145*dr.*) guaranteed by the Convention.

Herein lies the principal difference between the new convention and the old monopoly scheme. With the monopoly the currant-grower had to sell his produce to that company; now his liberty of action remains entire. On the other hand, the new company has not the right to trade in currants. With one exception, to which I shall presently refer, the company must manufacture into alcohol all the currants that come into its hands—either by purchase, or as retained produce, or, lastly, as duties in kind.

As against these obligations the company acquires the following rights:—

(1) Becomes proprietor of the produce of the retention (fixed once for all at 20 per cent.) and of the duties in kind. In other words, of 35 per cent. of the entire annual production.

(2) Collects a duty of 7*dr.* on every thousand of Ven. lb. *produced*. The term *produced* includes, *besides* the currants exported, all currants bought by the company or deposited in its general warehouses. This 7*dr.* duty has been compared by the promoters to an *insurance premium* paid by the producers to a company which guarantees them against an unlimited fall in prices.

(3) The provision of the Bill of 1904 forbidding new plantations remains in force. Art. 8 of the law of 1905 gives the company the right and the means of controlling the enforcement of at 6 per cent., to be paid to the shareholders of the Society, whose capital is fixed at 20,000,000*dr.*

¹ One hundred and fifteen *dr.* are offered for the produce of the provinces of Messenia, Calamai, Olympia, and Pylia, without distinction of quality; 130*dr.* are offered for the rest of the production. The convention adds that 145*dr.* will be paid for the first class currants of the Gulf of Corinth; but this produce always fetches a higher price.

that provision. The company is thus assured that the maximum production of late years cannot be overstepped.¹

(4) The company is, as we have seen, obliged to transform its currants into alcohol; but Art. 12 of the Convention, by prohibiting the manufacture of alcohol from any other produce than currants and grapes, constitutes an important compensation for this obligation.

(5) The company has not, on principle, the right to sell currants. Nevertheless, if the company finds itself possessed of more than 90,000,000 Ven. lb., it is authorised to sell any quantities over and above that amount at a fixed price of 160*dr.* The profits accruing from such sales will be very great, since the produce sold at 160*dr.* will have been bought at 115 and 130*dr.* But the company will retain only a fifth of such profits, the other four-fifths being devoted to the liquidation of the Currant Bank, and, later on, to the relief of the producer, by effecting a corresponding diminution in the year following of the 7*dr.* duty.

A comparison of the above enumerated rights and obligations of the new company will easily show that its future profits will depend on the amount of the crops. Making an approximate estimate, its profits or its losses will vary as follow:—

Production.	Exports.		Profits.	Losses.
400,000,000	250,000,000	Ven. lb.	—	4,970,000 <i>dr.</i>
360,000,000	250,000,000	"	—	1,205,000 "
300,000,000	250,000,000	"	2,710,000 <i>dr.</i>	—
200,000,000	250,000,000	"	9,670,000 "	—
100,000,000	200,000,000	"	15,670,000 "	—

Such as it is the Convention met with no small opposition. The opponents of retention pointed out that, while the conviction that retention had failed as a measure of relief was gaining ground with the public, the new scheme was establishing and reinforcing it for at least twenty years. They added—and in this they were undoubtedly right—that the situation of the producer was rendered worse. To illustrate this assertion they took as an example the case of a producer who would receive from the company 115*dr.* for his currants, but who before receiving this price would have to give away 20 per cent. (*i.e.* a quantity worth 23*dr.*) for the retention, 15 per cent. (worth 18*dr.*) for the tax in kind, plus 7*dr.* in cash for the "insurance premium" paid to the company. Consequently he would have to disburse, as a matter of fact, 48*dr.* before getting a farthing. Finally, out of the remnant of the 115*dr.* he would have to cover the cost of produc-

¹ M. Pesmazoglou, principal promoter of the new scheme, has even expressed his confidence that the production will diminish as the vineyards are getting old.

tion and to maintain his family. "And think," exclaimed ironically a late Minister,¹ "that all this is done in order to protect the suffering producer."

Turning to another point, the Opposition observed that the new company was a speculative concern. Even its promoters admit that it runs some risks. Suppose, they said, a succession of very productive harvests, which would, of course, bring the company to grief: what would be the consequences of such a possibility? The market and the currant trade will have been upset in vain, with the result that the position of the producer will then become desperate.² Some other speakers in the Chamber attacked less the principle than the details of the Convention. They contended that by giving to the company the right to sell, in certain contingencies, its accumulated stock at 160*dr.*, the Bill deprived the producer of the prospect of ever seeing the market price exceed that limit. They contended also that the Bill did not fix very clearly what would become of the company's property in case of liquidation. Certain other provisions of the Convention gave rise to minor objections, and altogether the opposition in the Chamber was so strong that the Government had to make the voting of the Bill a question of confidence. It is probable that any other Cabinet would have followed the same policy, and this for two main reasons:—

(a) That, while no Cabinet dared to abolish the tax in kind, the Greek Treasury could not stand any longer the loss thus accruing. The Convention very happily protected the rights of the Treasury and maintained a popular form of taxation.

(b) The currant-growing provinces had declared themselves for the Convention with the same enthusiasm with which they had supported all the previous schemes.

The psychology of the growers is a curious one. It reminds one of those patients who, in order to avoid a painful operation, try one after another all the narcotics known to science or to quackery. Such drugs soothe temporarily the patient, but they do not cure the disease; in our case they have even rather weakened the patient. Let us hope that the new Convention will prove a sound and efficient remedy.

A. ANDRÉADÈS

ATHENS, October, 1905.

¹ M. Triantaphyllacos.

² It must be admitted that this argument, very strong in theory, had in practice little effect; the confidence in the business capacity of the promoters being very prevalent.